HUGO BOSS Analyst Conference 2018

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Mark Langer (Chief Executive Officer),
Yves Müller (Chief Financial Officer)

- The spoken word shall prevail –

Mark Langer (Chief Executive Officer)

Good afternoon, Ladies and Gentlemen. Welcome to Group headquarters in Metzingen and our presentation of 2017 Financial Results.

I am pleased to see many familiar faces in front of me. However, I also do not want to miss to greet those following our meeting on the web or over the phone.

Today, we will review 2017, update you on our progress in key areas of strategy and discuss our financial outlook for 2018. Our presentation will ensure that you have a good understanding of our plans for the next twelve months.

I will share the presentation with Yves Müller who joined our Managing Board as Chief Financial Officer in December last year. Before coming to HUGO BOSS, he held the CFO position at the German coffee and non-food retailing company Tchibo in Hamburg for eleven years. Yves, I am glad to have you here.

When we presented our annual results a year ago, I talked about a "year of stabilization" ahead of us in 2017. It was our goal to stabilize sales and profits and to initiate strategic change in order to return to sustainable profitable growth.

Today, I am pleased to say that we achieved our goals. We met or even exceeded our financial targets and made good progress in key areas of strategy.

Our position in core markets has clearly improved.

In our largest market, Germany, we defended our leading position. Sales remained stable compared to the prior year level – a good achievement against a declining market backdrop at least in physical apparel retailing.

In the UK, our second largest European market, we continue to go from strength to strength. In 2017, sales increased by 9% excluding currency effects, representing the eighth consecutive year of at least high-single-digit growth. Solid demand from tourists, who took advantage of the weakened Pound, did contribute to performance, but more importantly also local demand remained a driver of growth.

In the US, we staged an impressive comeback over the course of the year. Demand in our own stores picked up noticeably, in particular in the second half of 2017, recovering from the declines we suffered in the prior year. In a market environment marked by traffic declines and high levels of promotional activity especially in department stores, our online and physical full price businesses outperformed the outlet channel, pointing to improvements in retail execution and growing brand strength. However, overall US sales were still down 1% because of declines in the wholesale business.

Finally, performance in our largest Asian market, China, tied in with the end of the prior year as the momentum generated by our price repositioning and growing digital focus carried over into 2017. Full year sales in this market were up 8%.

The success in the latter two markets, where we had been under enormous pressure before, speaks to the effectiveness of the measures we took in 2016. As painful as they were – it was right to eliminate all pure off-price distribution formats in US wholesale. And it was equally right to right size regional gaps, so that Asian price levels align closely with the rest of the world now.

With this short-term corrective action behind us at the beginning of 2017 already, we were able to focus fully on the heart and soul of HUGO BOSS – our brands and

their repositioning to better reflect the needs and expectations of today’s consumers.

BOSS is an iconic brand based on its strength in tailoring and the notion of success ingrained in its collections and its communication. Over the past twelve months, we made sure to adapt its values to the mindset of the modern man. “BOSS dresses the drive” refers to our desire to outfit the ambitions of men on their way to greatness, extending the brand’s relevance beyond those regarding BOSS solely as a “business” or “suiting” brand.

The integration of the former BOSS Green and BOSS Orange lines into the BOSS core brand has been an important step in this direction. We no longer target three different but just one customer whom we dress twenty-four hours a day, seven days a week. We introduced this change in creative direction with a fashion show in New York in summer 2017, showcasing a collection as easy, as relaxed and as casual as none before. Since then, casual and athleisure have become key elements of the BOSS look which overall has become more modern and sophisticated.

We equally focused on our womenswear offering. The BOSS Woman does relate to success, confidence and style, too – however, in a different way than men do. She works in her own way, she speaks in her own voice and she moves in her own space.

Our womenswear dresses exactly this consumer, with collections that have become more modern, including some surprising elements that break with the rest. The integration of the former BOSS Orange brand line has clearly strengthened the casual elements of the collection. And while the fashion part had been largely limited to the high end of the collection in the past, we have now made it an integral element of the entire collection so that it becomes more accessible also to a younger consumer.

The presentation of our first Gallery collection in Berlin last July, which marked the starting point of our new course in womenswear, was received extremely well.

Finally, we firmly repositioned HUGO in contemporary fashion.

HUGO is the platform of self-expression, addressing an audience that lives a very individual lifestyle. A spirit of adventure, purpose and opportunity drives this consumer. HUGO celebrates his ambition – globally engaged, always curious and authentically expressive.

The collection we showed in Florence in June last year brought this message to life in a powerful way. An abandoned factory was the ideal scenery to present HUGO's Spring/Summer 2018 collection, marked by progressive and unconventional looks marrying our core competence in terms of quality, innovation and fit with the non-conformity that HUGO stands for.

Today, we are all the more confident that the positive response to the new brand strategy will also become manifest in strong consumer demand. Our confidence has grown as a result of the fact that some elements of the new brand strategy already contributed to the significant improvement in retail performance over the course of 2017.

The BOSS fashion statement had started to evolve already with the Fall/Winter collection. Coupled with an expansion of the athleisure offering in our stores – BOSS Green was added to 80 more stores and shop-in-shops in the past eighteen months – this drove a consecutive improvement of comp store sales performance. While we still suffered from declines at the beginning of 2017, performance picked up markedly over the course of the year. The 7% increase in the fourth quarter was the strongest growth of this metric for more than five years.

Our online business made a significant contribution to this improvement.

This was not obvious at the beginning of the year, when we suffered from the repercussions of the website relaunch in fall 2016. The relaunch had clearly elevated brand experience through a better product presentation and the improved linking of content and commerce. However, the design and navigation changes negatively affected the site's usability. In addition, the merchandising was not in sync with the needs of our online consumer.

At the start of the year, recognizing these problems, we brought together the relevant business and IT functions with the brief to solve these issues – a cross-functional approach that we have institutionalized in the meantime. Just mentioning a few measures out of a long list, we shortened load times, changed the site's layout and navigation to make it more intuitive for users and better balanced the mix of our offering. As a result, online sales returned to growth in the second quarter and increased by more than 40% in the final three months of 2017. In the full year, they were up 8% to reach EUR 79 million.

Let me come back with our future plans in this and other areas after Yves Müller's presentation of financial results. Yves…

Yves Müller (Chief Financial Officer)

Thank you, Mark, and good afternoon, Ladies and Gentlemen. Before I begin, let me just quickly say what a pleasure it is to be here today. Mark and the entire Hugo Boss team have done an incredible job this past year. We are coming up to my first 100 days with the company, and while I am naturally still getting up to speed, I greatly look forward to working closely with the investment community and will do my best to answer any questions you may have.

The strategic initiatives undertaken returned HUGO BOSS to growth in 2017. Group sales increased by 3% on a currency-adjusted basis. Though the appreciation of the euro had a negative impact on sales performance in euro terms, in the Group's

reporting currency, revenues were up 1%. They amounted to more than EUR 2.7 billion.

From a regional perspective, sales increased on a broad basis.

Europe was up 2% in currency-adjusted terms, driven by the UK and solid growth in many smaller markets.

The Americas exceeded original expectations with sales growth of 1% on a currency-adjusted basis. Double-digit growth in Canada more than offset a 1% sales decline in the US. In this market, HUGO BOSS deliberately reduced off price business in the wholesale channel to underline its premium positioning.

Looking at Asia and the surrounding markets, the region recorded a 6% increase after adjusting for exchange rate changes. Momentum in China remained robust throughout 2017, resulting in high-single-digit growth. Japan was an especially bright spot in the region, recording high-single-digit growth as well.

By distribution channel, own retail sales were 5% above the prior year level on a currency-adjusted basis.

On a comp store basis, that means like-for-like, own retail sales were up 3%, including a significant improvement from quarter to quarter. All three regions were up at about the same rate, with growth being mainly driven by a significant improvement of the conversion rate. Average selling prices decreased at a low-single-digit rate as a consequence of the greater share of athleisure in the mix, which as a category has a lower selling price compared to formalwear.

As expected, currency-adjusted sales in the wholesale business decreased 2% in 2017. This was primarily due to the Americas, where more than half of the 10% decline in this channel related to the deliberate discontinuation of off price business in the US to further establish our upper premium position. In addition, we converted

shop-in-shops from wholesale to own retail to further enhance brand presentation. In Europe, channel sales were up slightly. Solid growth in the UK and some smaller markets was partly offset by declines in France. The German business, broadly representing a fourth of global wholesale sales, remained on prior year levels.

Finally, the licensing business continues to be an important sales driver. The business generated 14% growth in the reporting period, driven by double-digit increases in the largest category, fragrances.

Completing my discussion of top line trends, sales with the BOSS brand increased 3% excluding currency effects in 2017. Performance was particularly strong in athleisure, which still retailed under the name of BOSS Green. Here, sales grew at a double-digit rate. Businesswear and casualwear revenues were broadly unchanged compared to the prior year.

HUGO sales grew 5%, driven by double-digit growth in the casualwear segment. Especially in the second half of the year, distribution changes started to have an impact. These changes related to some department stores, where BOSS is taking over space from HUGO in certain categories, because its brand proposition is a better fit with the customer. In addition, we are reducing HUGO's exposure to the outlet channel. We are convinced that this distribution alignment is necessary to sharpen HUGO's fashion-forward, contemporary proposition.

By gender, the 4% growth of our menswear business was driven by improvements in the collection as well as the shift of marketing expenditures. Womenswear sales declined by 2%, mainly coming from a reduction of its retail floor space.

Moving below the top line, let me discuss the development of major cost positions and the Group's profit performance.

The Group's gross profit margin increased 20 basis points to 66.2% in 2017. The positive effects from better growth in the higher margin own retail channel and

lower discounts in our Asian own retail business were partly offset by negative currency translation effects.

On the cost side, selling and distribution expenses were up 2%. Own retail costs continued to be tightly controlled, benefitting from our focus on renovations rather than new openings as well as the successful renegotiation of rental contracts. In addition, the closure of fifteen underperforming stores announced in summer 2016 was completed at year-end.

Within this cost line, marketing expenses increased 3% in absolute terms and amounted to 6.8% of Group sales. The expansion of digital activities as well as investments in fashion shows and visual merchandising drove this increase. The growth of G&A expenses largely related to IT, where we invested in the rollout of omnichannel services as well as the successful turnaround of our online business. As a result, EBITDA before special items remained stable compared to the prior year period. It amounted to EUR 491 million, resulting in a margin of 18.0%.

Net income was up a robust 19%. This was due to a significant swing in the other operating income and expense line, primarily related to the non-recurrence of store closure costs in the prior year.

These effects more than compensated a higher tax rate, which rose from 24% to 30%. We forecast two percentage points of the increase to be structural, resulting from permanent changes in the taxation of the Group’s license income in Germany. The other four percentage points were mainly attributable to a one-off, non-cash tax expense in connection with the revaluation of deferred tax assets in the US. We do not expect this effect to recur going forward.

If we look at margins across our regions, Asia generated the best margin improvement in 2017.

In Europe, operating profit was up on an absolute basis but slightly down relative to sales, due to higher expenses in marketing and own retail. In the Americas, the discontinuation of offprice business in wholesale as well as investments in IT and logistics compressed margins by 230 basis points. In Asia, the operating margin increased by 220 basis points. The positive sales momentum, less discounts and lower rental costs drove this improvement.

On the following slides, I'll discuss some key balance sheet and cash flow trends.

We had a very positive net working capital development at year-end. We kept trade net working capital under tight control and significantly improved our cash conversion cycle. Supported by the positive sales momentum, the inventory position was below prior year levels throughout the period, predominantly due to declines in the Americas and Asia. At year-end, inventories were down 5%. Receivables decreased 9%, reflecting the sales decline in the wholesale channel as well as strict collection. Trade payables were up 5%.

Trade net working capital improved in absolute and relative terms. Based on the average of the last four quarters, it amounted to 18.6% of 2017 sales, a decline of 120 basis points compared to the end of 2016.

Investments decreased compared to 2016 due to fewer store openings and takeovers as well as the postponement of store renovations to 2018. In 2017, investments amounted to EUR 128 million, around EUR 30 million below prior year levels.

The Group's own retail business continued to be the focal point of investment activity, accounting for almost two thirds of the total budget. Capex spent on new store openings slightly exceeded the investment in renovations, a situation we expect to be the other way round in 2018. The remaining third of the budget was largely dedicated to IT. Investments in this area of over EUR 30 million underline the

importance of the digitization of the Group’s business model, in particular the omni-channel integration and digitization of the Group’s own retail activities.

The declines in working capital and capex boosted cash flows more than originally expected. Free cash flow increased by a third to EUR 294 million in 2017. However, it would have been around EUR 20 million lower excluding the timing effect in the trade payables position.

As a consequence of high free cash flow, net debt reached the lowest level in more than fifteen years. At EUR 7 million, the company was almost debt-free at the end of 2017.

I would also like to take this opportunity to state our commitment to providing attractive returns to shareholders.

Accordingly, we propose a dividend per share of EUR 2.65 for the 2017 financial year. This represents a 2% increase compared to the prior year and a payout of EUR 183 million. At 79%, the payout ratio normalizes in line with our dividend policy.

Ladies and Gentlemen, in this context I would like to reconfirm the key principles of financial management at HUGO BOSS.

We remain firmly committed to the goal of generating sustainable profitable growth. The role of the finance function and myself will be to copilot the business on this journey. We target to improve sales productivity in own retail, which includes the acceleration of sales growth in our online business. In addition, we strive to generate cost efficiencies to free up capital for future growth and to ensure margin improvement.

In own retail, measures will include the continuous optimization of the store portfolio through openings and closures as well as the cost-efficient remodeling of

successful stores. Beyond own retail operations, we also aim to reduce collection complexity following the simplification of the brand portfolio and at digitizing key processes along the entire value chain to make them faster and more efficient.

Profitable growth will be a key driver of free cash flow maximization, the ultimate goal of financial management at HUGO BOSS. However, we will evaluate a change of the Group's key profit metric from EBITDA before special items to EBIT to better capture the Group's value creation, taking also the effect of investments into consideration. Expect an update in this respect over the further course of the year.

Finally, there will no changes regarding the use of free cash flow: As reflected in our proposal for 2017, we will continue to pay out a dividend amounting to between 60% and 80% of consolidated net income.

In 2017, exchange rate volatility had a significant negative impact on the Group's profits. Let me give you some more background and our thoughts for 2018.

To date, currency risk management at HUGO BOSS mainly focuses on the hedging of the Group's internal financing activities. By doing so, we limit the cash impact from exchange rate fluctuations to a minimum, as demonstrated by the financial result in 2017. We also benefit from the natural US Dollar hedge provided by the fact that our US Dollar-denominated sourcing activities balance our sales exposure in this currency.

However, the significant swing of exchange rates in the reporting period has also highlighted the effect that the simple translation of foreign subsidiary results can have on the Group's sales and profit performance, in particular when it comes to currencies such as the British Pound and the Chinese Yuan, in which we do not source. As a result, we have a long exposure in these currencies, even including the operating expenses related to our business in the UK and China.

We do not hedge the associated risk with derivatives, primarily due to its largely non-cash nature. Instead, we focus on operational hedges such as the regular adjustment of selling prices. In 2017, however, we decided not to adjust prices in light of our ambition to better align global selling prices. This meant that the depreciation of currencies such as the British Pound and the Chinese Yuan not only resulted in a negative sales impact of more than EUR 40 million in 2017 – you can easily reconcile this figure based on our reporting of currency-adjusted sales performance. The strength of the euro also lowered reported EBITDA by around EUR 20 million in 2017, even factoring in the benefits on the COGS and operating expense lines. And based on prevailing exchange rates, we expect operating profit in 2018 to suffer from an impact of around EUR 10 million as well.

Now with all that said, I would like to look forward and provide you with our financial outlook for 2018.

Most importantly, sales growth is set to accelerate. On a currency-adjusted basis, Group sales should increase at a low- to mid-single-digit rate and all regions are expected to contribute. We project that Europe will perform in line with the overall Group and that sales in the Americas should increase at a low-single-digit rate excluding currency effects. We expect that Asia will outperform the two other regions. The license business is forecasted to be up at a mid-single-digit rate, too.

By distribution channel, own retail sales should increase at a mid-single-digit rate, driven by better performance in existing spaces. This includes online, where we expect double-digit growth. Store openings and closings should have a net neutral effect on channel sales. We are also forecasting low-single-digit growth in the wholesale business, supported by improving trends in the order for the Fall/Winter collection which we completed last week. Following the distribution clean up in the US in the last two years, performance in the wholesale channel should be similar in Europe and the Americas.

The Group's gross margin is expected to remain broadly stable in 2018. Positive channel mix effects from higher growth in own retail should contribute positively. In addition, we will shorten sales periods in the European and American own retail businesses, so that lower discounts will have a beneficial impact on gross margin performance. These benefits will be offset by an upgrade of the value proposition of our collections including a double-digit million euro investment in product quality. In addition, negative currency translation effects will hurt margin performance. Gross margin development is hence likely to be negative in the first half year before improving in the second half of the year.

Operating expenses will increase moderately because of our measures to drive the Group's digital transformation, to invest in customer relationship management and omnichannel as well as our ambition to ensure a premium brand and shopping experience. Marketing expenses should develop flat to down relative to sales as a consequence of efficiency improvements and the first time adoption of IFRS 15.

In sum, EBITDA before special items is expected to perform within a range of -2% to +2%, including the aforementioned negative currency impact of around EUR 10 million.

We project net income to increase at a low- to mid-single-digit percentage rate despite the non-recurrence of the one-time benefit related to the release of store closure provisions in 2017. Profit growth will be supported by the normalization of the Group's tax rate as discussed before.

Investments will increase to between EUR 170 million and EUR 190 million, largely reflecting the renovation of around 150 own retail points-of-sale in 2018. The investment into the opening of 15 to 20 new freestanding stores will be comparatively much smaller. We will also incur the first costs related to the relocation of our signature outlet in Metzingen, where we will open in a new, far more central location in 2019. Aside from own retail, the remainder of investments will largely focus on IT again.

In addition to higher investments, higher working capital needs, partially related to the reversal of the timing effect in trade payables, will also affect free cash flow generation. We therefore expect free cash flow to amount to between EUR 150 million and EUR 200 million.

I will now turn it back to Mark Langer who will give you more on the detail on the operational drivers underlying this financial outlook and the Group's future strategic course.

Mark Langer (Chief Executive Officer)

Thank you, Yves.

2018 will be another milestone in the implementation of the strategic changes announced one and a half years ago.

The first collections following the new brand strategy hit the stores at the end of 2017. While it is still early days, we are very satisfied with the initial response from consumers, based on trading in own retail in the first weeks of 2018. Our wholesale partners also reacted positively. Since the presentation of the very first "new" collection in summer last year, their confidence has clearly grown further. The order performance of the Fall/Winter 2018 collection speaks a clear language in this respect.

The presentation of this collection during the New York Fashion Week at the beginning of February picked up on the theme of "Sports Tailoring". The fashion press received the fusion of tailoring and athleisure very positively. Commentators highlighted the sharp statement of the collection, which successfully combined the brand's heritage in formalwear with a modern athleisure style. Please see yourself:

[Video]

Only a few days later, we presented the second edition of the Gallery Collection in New York, too. Following the enormous success of the launch at the Berlin Fashion Week in summer last year, this collection drew inspiration from the purist work of the Minimalist Robert Morris and focused on a bold interpretation of tailoring, a key component of the BOSS DNA.

The collection presentation marked Jason Wu's finale as Artistic Director of BOSS Womenswear. In the past five years, his signature style has significantly shaped our womenswear. We are thankful for Jason's creative input – it has been an inspiration to the entire creative team at BOSS Womenswear, which will now continue his work under the leadership of Chief Brand Officer Ingo Wilts.

There are also many things moving at HUGO.

Based on the brand's trend and fashion focus, we aim at developing a new operating model, which takes customer engagement, speed and responsiveness to a new level. Customer research has clearly documented the far greater online affinity of the HUGO customer, so it is only logical to make the brand the Group's digital speedboat, in terms of product development as well as distribution. A strong digital platform that supplements the brand's physical touchpoints will ensure that we foster a deep understanding of our customers and interact with them on an equal footing.

This transformation is going to take some time. It will also include the discontinuation of some undesirable distribution as Yves outlined. However, the momentum around HUGO's reversed logo product in casualwear is clearly building. HUGO is enjoying strong growth in online at partners such as Zalando and Asos. In addition, we are pleased by the trust that many department store partners place in the brand, exemplified by the growth in space that accounts such as Breuninger and House of Fraser are allocating to HUGO.

Two weeks ago, we brought HUGO back to Berlin with a new store. In total, we will open around ten HUGO stores in 2018. All openings will be supported by extensive regional marketing activities to build brand heat in key European fashion capitals.

All our work in 2018 is first and foremost meant to drive performance in own retail. In 2017, we improved retail sales productivity by 2% to EUR 11,100 per square meter. This represents good progress, but there still is some way to go to achieve our target level of EUR 13,000 by 2021.

Let me highlight the main drivers in this respect:

First, we will gradually expand our BOSS casualwear offering in stores in the next twelve months. In doing so, we are benefiting from the significant upgrade of the former BOSS Orange offering which has been a particular focus of the quality investments we made across our collections. The Spring/Summer 2018 collection is the first reflecting these investments.

Similar to the effect that the enlargement of the BOSS Green offering in own retail has had in 2017, we expect the greater representation of casualwear to have a beneficial impact on traffic and conversion rates.

Second, we will roll out our new BOSS store concept. In 2017, we had started with three pilots in Birmingham, Dubai and Geneva. Performance in all three stores is very encouraging and above pre-renovation levels. Consumers gave positive feedback on the clean and modern design as well as the inviting ambiance. In addition, digital elements connect the store to the online world. The new concept is also more functional. Drawers and hidden compartments, for example, ensure the quick availability of styles and sizes not on display. The new concept will be deployed in all stores that we will open and renovate in 2018.

Third, we have invested in service. When my Board colleagues and I recently held fireside chats with some of our best customers in Hamburg and London, many

emphasized their relationship with individual sales assistants in our stores as a key consideration for the choice of our brand. That is why we invest in retail trainings but also the personalization of the entire customer journey. This starts with communication, where we are now increasingly personalizing email newsletters to customers, based on their purchasing history and personal preferences. This is also true for our hugoboss.com website, which now adapts to the user's navigation history, for example when it comes to the selection of key styles on the landing page.

Fourth and final, we will complete the rollout of the full range of omnichannel services in all European online markets by mid-2018. These services include Click & Collect, Order from Store, that means online ordering in store, and Return in Store. The rollout ties in with the implementation of the new store concept, which features a digital table, for example, that allows the store assistant to browse the online offering together with the customer. In the US, all stores offer Click and Collect already and the full range of omnichannel services will be available by year end.

Obviously, we also want to carry the momentum that we built in our online business at the end of the last year to 2018.

In less than a week from now, we will adapt the hugoboss.com website so that it fully reflects the focus on BOSS and HUGO. Changes in the site's structure and layout will create two distinct brand worlds. As a result, in particular HUGO will be far more visible than today, in terms of its product offering as well as relevant editorial content. Consumers with a clear brand preference will arrive directly at either the BOSS or the HUGO landing page by following the boss.com and hugo.com links that we highlight in our print advertisements, for example. However, we also want to make sure that consumers without a clear brand preference may browse the entire offer by product group, independent of a single brand, and can easily change back and forth between the two worlds.

Hand in hand with the further optimization of the hugoboss.com website, we are also upgrading the presentation of BOSS and HUGO on the sites of partners. In the future, this may mean that we take full control of the business via a concession model. Where this is not possible or economically sensible, we still strive to ensure maximum consistency with our own standards. To this end, we have just launched a new portal for wholesale partners to support them with detailed presentation guidelines, product information as well as product marketing and image material, for example.

Of course, digitization goes beyond just distribution. We aim to digitize key operational processes along the entire value chain where this generates efficiencies.

One such example in collection development is the first digitally designed HUGO capsule collection that we will launch in late summer. It will consist of 29 styles across various product groups in casualwear, where HUGO had started making use of virtual prototyping already some seasons ago. We intend to make such capsule collections a regular part of HUGO’s offering. Thanks to much shorter lead times compared to a regular collection development process, they ensure constant newness – a key competitive advantage in contemporary fashion.

It is only logical to sell such a collection primarily online. This is even true for HUGO’s wholesale business, where we are rolling out the digital showroom launched in Metzingen in 2017 across Europe. In a few weeks from now, wholesale partners in London and Paris will be able to order the new HUGO collections fully digitally, too. Towards the end of 2018, we will then make the first steps to adapt the device also to the needs of the BOSS brand.

You can read from my comments that the HUGO brand serves an important purpose that goes beyond its commercial and financial contribution. HUGO is the Group’s digital speedboat. It is doing pioneer work in fields we have not been active before. In doing so, it is benefitting from its relatively small scale and organizational

independence of the far larger BOSS brand which allows for greater flexibility and speed.

We are using agile management techniques built on the principles of co-creation, iteration and distributed authority as part of the HUGO transformation. Every success achieved with their application will hence increase the openness of the rest of the organization to embrace them.

Let me sum up the key points of today's presentation.

We made good progress in the strategic realignment of HUGO BOSS. The significant acceleration of top line trends over the course of 2017 has made us even more confident that the refocusing of both brands is on track. First sell-out results of the new collections and the feedback from wholesale partners on our Fall Winter collection point in the exact same direction.

Of course, we will not stop here. We have identified further drivers of continued growth that will unfold in 2018 and beyond. These drivers include the further refinement of our collections following the new brand strategy but also considerable improvements in retail execution online and offline.

These improvements come with ongoing investments which – coupled with adverse currency effects – will limit profit growth in 2018. We are actively driving these investments, because we know that they will help us building further brand momentum. At the same time, we acknowledge that we will have to finance these investments with further efficiency improvements. I am confident that we will be able to achieve both so that we will generate sustainable and profitable growth in 2019 and beyond.

We will now be happy to answer your questions.