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CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

04|01 CONSOLIDATED INCOME STATEMENT (in EUR thousand)

	Notes	**2014**	2013
Sales	(1)	**2,571,616**	**2,432,133**
Cost of sales	(2)	(872,523)	(852,583)
Gross profit		**1,699,093**	**1,579,550**
In % of sales		66.1	64.9
Selling and distribution expenses	(3)	(994,861)	(891,588)
Administration expenses	(4)	(236,204)	(228,518)
Other operating income and expenses	(5)	(19,307)	(3,291)
Operating result (EBIT)		**448,721**	**456,153**
Net interest income/expenses		**(4,518)**	**(14,428)**
Other interest and similar income		1,627	1,994
Interest and similar expenses		(6,145)	(16,422)
Other financial items		**(7,055)**	**(8,259)**
Financial result	(6)	**(11,573)**	**(22,687)**
Earnings before taxes		**437,148**	**433,466**
Income taxes	(7)	(102,668)	(100,107)
Net income		**334,480**	**333,359**
Attributable to:			
Equity holders of the parent company		333,262	328,965
Non-controlling interests	(8)	1,218	4,394
Earnings per share (EUR)[1]	(9)	**4.83**	**4.77**
Dividend per share (EUR)	(24)	**3.62**[2]	**3.34**

[1] Basic and diluted earnings per share.
[2] 2014: Proposed dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

04|02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR thousand)

	2014	2013
Net income	**334,480**	**333,359**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(11,632)	651
Items to be reclassified subsequently to profit or loss		
Currency differences	31,634	(11,921)
Gains/losses from cash flow hedges	(1,587)	4,460
Other comprehensive income, net of tax	**18,415**	**(6,810)**
Total comprehensive income	**352,895**	**326,549**
Attributable to:		
Equity holders of the parent company	352,062	322,582
Non-controlling interests	833	3,967
Total comprehensive income	**352,895**	**326,549**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF THE HUGO BOSS GROUP AS OF DECEMBER 31, 2014

04|03 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in EUR thousand)

Assets	Notes	**2014**	2013
Intangible assets	(11)	147,998	139,223
Property, plant and equipment	(12)	383,349	368,582
Deferred tax assets	(7)	100,382	80,693
Non-current financial assets	(15), (30)	19,783	17,399
Non-current tax receivables		1,167	1,695
Other non-current assets	(15)	7,573	3,953
Non-current assets		**660,252**	**611,545**
Inventories	(16)	507,408	440,837
Trade receivables	(17)	250,532	226,204
Current tax receivables	(7)	8,291	10,781
Current financial assets	(15), (30)	22,528	23,323
Other current assets	(15)	83,022	69,402
Cash and cash equivalents	(18)	128,631	119,242
Assets held for sale	(13)	1,136	0
Current assets		**1,001,548**	**889,789**
TOTAL		**1,661,800**	**1,501,334**

Equity and liabilities			
Subscribed capital	(19)	70,400	70,400
Own shares	(20)	(42,363)	(42,363)
Capital reserve	(21)	399	399
Retained earnings	(22)	801,330	701,514
Accumulated other comprehensive income	(23)	14,672	(15,760)
Equity attributable to equity holders of the parent company		**844,438**	**714,190**
Non-controlling interests	(8)	(520)	26,107
Group equity		**843,918**	**740,297**
Non-current provisions	(25), (26)	70,545	52,739
Non-current financial liabilities	(27), (30)	153,643	164,768
Deferred tax liabilities	(7)	10,132	17,462
Other non-current liabilities	(28)	37,871	30,967
Non-current liabilities		**272,191**	**265,936**
Current provisions	(25)	115,656	99,868
Current financial liabilities	(27), (30)	18,256	14,653
Income tax payables	(7)	59,944	63,372
Trade payables	(29)	254,959	235,286
Other current liabilities	(28)	96,876	81,922
Current liabilities		**545,691**	**495,101**
TOTAL		**1,661,800**	**1,501,334**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

04|04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in EUR thousand)

	Subscribed capital	Own shares	Capital reserve
Notes	(19)	(20)	(21)
January 1, 2013 (as reported)	**70,400**	**(42,363)**	**399**
Change in accounting policies/corrections			
January 1, 2013 (adjusted)	**70,400**	**(42,363)**	**399**
Net income			
Other income			
Comprehensive income			
Changes in basis of consolidation			
Dividend payment			
December 31, 2013	**70,400**	**(42,363)**	**399**
January 1, 2014	**70,400**	**(42,363)**	**399**
Net income			
Other income			
Comprehensive income			
Dividend payment			
Acquisition of non-controlling interests			
December 31, 2014	**70,400**	**(42,363)**	**399**

	Retained earnings		Accumulated other comprehensive income		Group equity		
	Legal reserve	Other reserves	Currency translation	Gains/losses from cash flow hedges	Total before non-controlling interests	Non-controlling interests	Group equity
	(22)	(22)	(23)	(23)		(8)	
	6,641	**586,961**	**(5,196)**	**(3,521)**	**613,320**	**24,587**	**637,907**
		(6,331)	(9)		(6,339)		(6,339)
	6,641	**580,629**	**(5,205)**	**(3,521)**	**606,980**	**24,587**	**631,567**
		328,965			328,965	4,394	333,359
		651	(11,494)	4,460	(6,383)	(427)	(6,810)
		329,616	**(11,494)**	**4,460**	**322,582**	**3,967**	**326,549**
		(43)			(43)		(43)
		(215,330)			(215,330)	(2,448)	(217,779)
	6,641	**694,873**	**(16,699)**	**939**	**714,190**	**26,107**	**740,297**
	6,641	**694,873**	**(16,699)**	**939**	**714,190**	**26,107**	**740,297**
		333,262			333,262	1,218	334,480
		(11,632)	32,019	(1,587)	18,800	(385)	18,415
		321,630	**32,019**	**(1,587)**	**352,062**	**833**	**352,895**
		(230,514)			(230,514)		(230,514)
		8,700			8,700	(27,460)	(18,760)
	6,641	**794,689**	**15,320**	**(648)**	**844,438**	**(520)**	**843,918**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

04|05 CONSOLIDATED STATEMENT OF CASH FLOWS (in EUR thousand)

	Notes	**2014**	2013
	(35)		
Net income		334,480	333,359
Depreciation/amortization	(10)	122,760	105,262
Unrealized net foreign exchange gain/loss		(3,049)	18,916
Other non-cash transactions		5,178	(3,965)
Income tax expense/refund	(7)	102,668	100,107
Interest income and expenses	(6)	4,518	14,428
Change in inventories		(45,778)	(36,307)
Change in receivables and other assets		(31,987)	(30,584)
Change in trade payables and other liabilities		27,684	21,988
Result from disposal of non-current assets		(2,478)	2,741
Change in provisions for pensions	(26)	(1,319)	(2,414)
Change in other provisions		13,969	5,628
Income taxes paid		(128,389)	(104,799)
Cash flow from operations		**398,257**	**424,360**
Interest paid	(6)	(4,458)	(10,005)
Interest received	(6)	1,628	1,984
Cash flow from operating activities		**395,427**	**416,339**
Investments in property, plant and equipment	(12)	(104,459)	(160,243)
Investments in intangible assets	(11)	(25,307)	(13,083)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	(35)	0	(11,659)
Effects from disposal of subsidiaries		0	(1,698)
Cash receipts from sales of property, plant and equipment and intangible assets		2,702	366
Cash flow from investing activities		**(127,064)**	**(186,317)**
Dividends paid to equity holders of the parent company	(24)	(230,514)	(215,330)
Dividends paid to non-controlling interests		0	(2,448)
Change in current financial liabilities		262	(254,645)
Cash receipts from non-current financial liabilities		0	111,350
Repayment of non-current financial liabilities		(10,354)	0
Repayment of borrowings		(2,093)	(2,012)
Cash outflows for the purchase of additional interests in subsidiaries without change of control		(18,838)	0
Cash flow from financing activities		**(261,537)**	**(363,085)**
Exchange-rate related changes in cash and cash equivalents		2,563	(2,301)
Change in cash and cash equivalents		**9,389**	**(135,364)**
Cash and cash equivalents at the beginning of the period		119,242	254,606
Cash and cash equivalents at the end of the period	(18)	**128,631**	**119,242**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014

GENERAL INFORMATION

HUGO BOSS AG is a publicly listed stock corporation with registered offices in Dieselstrasse 12, 72555 Metzingen, Germany. The Company is filed in the commercial register of Stuttgart local court under HRB 360610.

The purpose of HUGO BOSS AG and its subsidiaries (together the "HUGO BOSS Group") is the development, marketing and distribution of high-end men's and women's fashion and accessories in the premium and luxury segment. With its brand world, HUGO BOSS caters for clearly defined target groups. The brands cover a comprehensive product range encompassing classic-modern apparel, elegant evening wear and sportswear, shoes, leather accessories and licensed fragrances, eyewear and watches.

HUGO BOSS AG compiles the consolidated income statement using the cost of sales method.

The consolidated financial statements and combined management report of HUGO BOSS AG, Metzingen, were authorized for issue to the Supervisory Board by the Managing Board by resolution dated February 19, 2015.

Due to rounding differences and the presentation in EUR thousand, it is possible that individual figures in the consolidated financial statements of HUGO BOSS AG do not exactly add up to the reported totals and that the reported percentage figures do not exactly reflect the reported absolute figures.

To improve the clarity of presentation, various items in the consolidated statement of financial position and consolidated income statement have been summarized. These items are shown separately and explained in the notes to the consolidated financial statements.

As a rule, the Group classifies assets and liabilities as current if they are expected to be recovered or settled within twelve months from the reporting date.

FINANCIAL REPORTING

The consolidated financial statements of HUGO BOSS AG as of December 31, 2014, were prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) together with the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable as of the fiscal year 2014 were taken into account.

ADOPTION OF NEW OR AMENDED IFRS

During the year, the Group adopted the following new and revised IFRSs and IFRICs endorsed by the EU. This also includes the amendments published as part of the ongoing Improvements to IFRSs project of the IASB. Unless otherwise stated, adoption of these revised standards and interpretations does not have any material effects on the presentation of the Group's results of operations, net assets and financial position. It did, however, give rise to additional disclosures in some cases.

New IFRSs and amended IAS adopted for the first time in fiscal year 2014:

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 10 Consolidated Financial Statements	May 2011	January 1, 2014	December 2012	IFRS 10 completely replaces SIC 12 "Consolidation – Special Purpose Entities" and partially replaces IAS 27. The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. The comprehensive concept of control governs which entities should be included in the consolidated financial statements.
IFRS 10 Consolidated Financial Statements	June 2012	January 1, 2014	April 2013	The amendments to IFRS 10 clarify transition guidance. Accordingly, comparative information only has to be provided for the comparative period immediately preceding the given period.
IFRS 10 Consolidated Financial Statements	October 2012	January 1, 2014	November 2013	The amendments to IFRS 10 concern the definition of investment entities. This is less restrictive than the definition in the Exposure Draft.
IFRS 11 Joint Arrangements	May 2011	January 1, 2014	December 2012	IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". The standard focuses on the nature of the rights and duties arising from the arrangement rather than its legal form. The option to proportionately consolidate jointly controlled entities has been removed. The remaining method is accounting for the interest using the equity method. In addition, jointly controlled assets have been abolished, leaving only joint operations and joint ventures.
IFRS 11 Joint Arrangements	June 2012	January 1, 2014	April 2013	The amendments to IFRS 11 clarify transition guidance. Accordingly, comparative information only has to be provided for the comparative period immediately preceding the given period.
IFRS 12 Disclosure of Interests in Other Entities	May 2011	January 1, 2014	December 2012	IFRS 12 replaces the guidance in IAS 27, IAS 28, IAS 31 and SIC 12 on the disclosures to be included in the notes. By introducing new and more extensive disclosures for all types of interests in equities, the standard aims to improve disclosures on consolidated and non-consolidated entities.
IFRS 12 Disclosure of Interests in Other Entities	June 2012	January 1, 2014	April 2013	The amendments to IFRS 12 clarify transition guidance. Accordingly, comparative information only has to be provided for the comparative period immediately preceding the given period. In addition, the requirement to disclose comparative information for non-consolidated entities for periods prior to the first-time application of IFRS 12 has been removed.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 12 Disclosure of Interests in Other Entities	October 2012	January 1, 2014	November 2013	The amendments to IFRS 12 concern the definition of investment entities, which is less restrictive than the definition in the Exposure Draft.
IAS 27 Consolidated and Separate Financial Statements	May 2011	January 1, 2014	December 2012	The consolidation requirements previously contained in IAS 27 were revised and are now contained in IFRS 10 Consolidated Financial Statements. Accordingly, IAS 27 now only contains guidance governing separate financial statements.
IAS 27 Consolidated and Separate Financial Statements	October 2012	January 1, 2014	November 2013	The amendments to IAS 27 concern the definition of investment entities, which is less restrictive than the definition in the Exposure Draft.
IAS 28 Investments in Associates	May 2011	January 1, 2014	December 2012	The amendments to IAS 28 are follow-up changes resulting from the new IFRS 10, IFRS 11 and IFRS 12. As a result, the scope of IAS 28 has been extended to include the accounting treatment of joint ventures.
IAS 32 Financial Instruments	December 2011	January 1, 2014	December 2012	The amendments to IAS 32 clarify existing offsetting rules.
IAS 39 Financial Instruments: Recognition and Measurement	June 2013	January 1, 2014	December 2013	In certain circumstances, the novation of a hedging instrument to a central counterparty on account of legal requirements does not lead to the dissolution of a hedging relationship.
IFRIC 21 Levies	May 2013	January 1, 2014	June 2014	IFRIC 21 provides guidance on the accounting treatment of public levies that do not qualify as income taxes and clarifies in particular when to recognize a liability to pay such a levy. It also clarifies that levies that are triggered when specific thresholds are reached are not accounted for until they are reached.

The IASB has also published additional standards and interpretations. However, these either do not have any material effect on the consolidated financial statements of HUGO BOSS AG or the consequences of adoption are currently being examined. The following accounting standards were not yet subject to mandatory adoption in fiscal year 2014 and were therefore not adopted by HUGO BOSS:

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 9 Financial Instruments	November 2009	January 1, 2018	Pending	IFRS 9 Financial Instruments governs the recognition, classification and measurement of financial instruments and replaces IAS 39. The basis taken for assessment is the nature of the contractually agreed cash flows from financial assets and the way in which an entity manages its financial instruments. A uniform impairment method is also envisaged. In October 2010, IFRS 9 was extended to include requirements on the accounting treatment of financial liabilities. In July 2014, the expected date of application was postponed from January 1, 2017. The Group is currently examining the impact that the application of IFRS 9 will have on its consolidated financial statements.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 9 Financial Instruments	November 2013	January 1, 2018	Pending	The primary objective of the revised requirements on hedge accounting is to improve the presentation of entities' risk activities in the financial statements. In July 2014, the expected date of application was postponed from January 1, 2017. The Group is currently examining the impact that the application of IFRS 9 will have on its consolidated financial statements.
IFRS 9 Financial Instruments	July 2014	January 1, 2018	Pending	The new standard contains the guidance revised in 2009 on the classification and measurement of financial assets, including guidance on impairments, and supplements the new guidance on hedge accounting published in 2013. The Group is currently examining the impact that the application of IFRS 9 will have on its consolidated financial statements.
IFRS 10 IAS 28 Consolidated Financial Statements Investments in Associates and Joint Ventures	September 2014	January 1, 2016	Pending	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In the future, the full gain or loss resulting from a transaction is only recognized when the assets sold or contributed constitute a business within the meaning of IFRS 3, regardless of whether or not the transaction is designed as a share-based or asset-based deal. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business.
IFRS 10 IFRS 12 IAS 28 Consolidated Financial Statements Disclosure of interests in Other Entities Investments in Associates and Joint Ventures	December 2014	January 1, 2016	Pending	This standard is intended to clarify application of the exception from the consolidation obligation under IFRS 10 if the parent entity meets the definition of an "investment entity": • The exemption from preparing consolidated financial statements is available to an entity even if the parent entity measures all of its subsidiaries at fair value under IFRS 10. • A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. • When applying the equity method to an associate or a joint venture, an investor that is not an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
IFRS 11 Joint Arrangements	May 2014	January 1, 2016	Pending	The amendments provide additional guidance on the question as to how the acquisition of shares in a joint operation that is recognized in relation to the interest held in accordance with IFRS 11.20 is to be accounted for. The amendments clarify that the acquisition of shares in a joint operation that constitutes a business as defined in IFRS 3 Business Combinations must be accounted for in accordance with IFRS 3 (i.e. using the acquisition method) and other relevant standards such as IAS 12, IAS 38 and IAS 36.
IFRS 15 Revenue from Contracts with Customers	May 2014	January 1, 2017	Pending	The guidance and definitions contained in IFRS 15 will replace the content of both IAS 18 "Revenue" and IAS 11 "Construction Contracts" in the future. The new standard does not draw any distinction between different types of contracts and services, instead defining uniform criteria to determine when a performance obligation is to be recognized at a point in time or over time. The Group is currently examining the impact that the application of IFRS 15 will have on its consolidated financial statements.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IAS 1 Presentation of Financial Statements	December 2014	January 1, 2016	Pending	The amendments essentially comprise the following points: • Clarification that disclosures are only required in the notes if their content is not immaterial. This also applies if an IFRS has a list of minimum disclosure requirements. • Explanations concerning the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income • Clarification regarding how the share of other comprehensive income arising from entities measured using the equity method should be presented in the statement of comprehensive income • Elimination of predefined note format in favor of a method that reflects relevance within an individual entity
IAS 16 IAS 38 Property, Plant and Equipment Intangible Assets	May 2014	January 1, 2016	Pending	The amendments provide guidance on the methods to be used for calculating depreciation and amortization of property, plant and equipment and intangible assets. It stipulates that the revenue-based method is not appropriate under IAS 16. This is because this method only reflects a pattern of generation of an asset's expected future economic benefits, rather than the pattern of consumption of an asset's expected future economic benefits. This is correspondingly clarified in IAS 16.62A. IAS 38.98A includes a rebuttable assumption that a revenue-based depreciation method is not appropriate for the same reasons as specified in IAS 16.
IAS 19 Employee Benefits	November 2013	July 1, 2014	Pending	The amendment is intended to supplement IAS 19.93 such that employee contributions or contributions by third parties are recognized as a reduction in the service cost in the period in which the related service is rendered.
IAS 27 Separate Financial Statements	August 2014	January 1, 2016	Pending	The amendments now permit the use of the equity method as an option for accounting for shares in subsidiaries, joint ventures and associated companies in an investor's separate financial statements.
Various IAS and IFRSs	December 2013	July 1, 2014	Pending	Annual improvements to the IFRSs – Cycle 2010 – 2012 This concerns the following standards: • IFRS 2 "Share-based Payment" • IFRS 3 "Business Combinations" • IFRS 8 "Operating Segments" • IFRS 13 "Fair Value Measurement" • IAS 16 "Property, Plant and Equipment" • IAS 24 "Related Party Disclosures" • IAS 38 "Intangible Assets"
Various IAS and IFRSs	December 2013	January 1, 2015	December 2014	Annual improvements to the IFRSs – Cycle 2011 – 2013 This concerns the following standards: • IFRS 1 "First-time Adoption of International Financial Reporting Standards" • IFRS 3 "Business Combinations" • IFRS 13 "Fair Value Measurement" • IAS 40 "Investment Property"
Various IAS and IFRSs	September 2014	July 1, 2016	Pending	Annual improvements to the IFRSs – Cycle 2012 – 2014 This concerns the following standards: • IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" • IFRS 7 "Financial Instruments: Disclosures" • IAS 19 "Employee Benefits" • IAS 34 "Interim Financial Reporting"

BASIS OF CONSOLIDATION

The HUGO BOSS Group's basis of consolidation includes HUGO BOSS AG, Metzingen, Germany and the following entities that it controls (100% share in capital in each case, unless otherwise indicated):

BIL Leasing Verwaltungs-GmbH & Co. 869 KG	Pullach, Germany[1,3]
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH	Metzingen, Germany[3]
HUGO BOSS (Schweiz) AG	Zug, Switzerland
HUGO BOSS Australia Pty. Ltd.	Preston, Australia
HUGO BOSS Belgium BVBA	Diegem, Belgium
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands
HUGO BOSS Benelux B.V. y CIA, S.C.	Madrid, Spain
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH	Metzingen, Germany[3]
HUGO BOSS Canada, Inc.	Toronto, Canada
HUGO BOSS China Retail Co. Ltd.	Shanghai, China
HUGO BOSS Cleveland, Inc.	Cleveland, OH, U.S.A.
HUGO BOSS Dienstleistungs GmbH	Metzingen, Germany
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil
HUGO BOSS Fashions, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS Finland OY	Helsinki, Finland
HUGO BOSS France SAS	Paris, France
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, China
HUGO BOSS Hellas LLC	Athens, Greece
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia
HUGO BOSS Hong Kong Ltd.	Hong Kong
HUGO BOSS International B.V.	Amsterdam, Netherlands
HUGO BOSS International Markets AG	Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH	Metzingen, Germany[3]
HUGO BOSS Ireland Ltd.	Dublin, Ireland
HUGO BOSS Italia S.p.A.	Milan, Italy
HUGO BOSS Japan K.K.	Tokyo, Japan
HUGO BOSS Licensing, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS Lotus Hong Kong Ltd.	Hong Kong
HUGO BOSS Magazacilik Ltd. Sirketi	Izmir, Turkey
HUGO BOSS Mexico Management Services S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Mexico S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Nordic ApS	Copenhagen, Denmark
HUGO BOSS Portugal & Companhia	Lisbon, Portugal
HUGO BOSS Retail, Inc.	New York, NY, U.S.A.
HUGO BOSS Rus LLC	Moscow, Russia

[1] Investments with a 94% share in capital and 10% of voting rights.
[2] Investments with a 94% share in capital and 15% of voting rights.
[3] Subsidiaries that exercise the exemption of Secs. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].

HUGO BOSS Scandinavia AB	Stockholm, Sweden
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy
HUGO BOSS Shoes & Accessories Poland Sp. z o.o.	Radom, Poland
HUGO BOSS South East Asia Pte. Ltd.	Singapore
HUGO BOSS Switzerland Retail AG	Zurich, Switzerland
HUGO BOSS Textile Industry Ltd.	Izmir, Turkey
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland
HUGO BOSS Trade Mark Management GmbH & Co. KG	Metzingen, Germany[3]
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany
HUGO BOSS UK Ltd.	London, Great Britain
HUGO BOSS USA, Inc.	New York, NY, U.S.A.
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG	Metzingen, Germany[3]
Lotus Concept Trading (Macau) Co., Ltd.	Macau
Lotus (Shenzhen) Commerce Ltd.	Shenzhen, China
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG	Grünwald, Germany[2,3]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG	Grünwald, Germany[2,3]

[1] Investments with a 94% share in capital and 10% of voting rights.
[2] Investments with a 94% share in capital and 15% of voting rights.
[3] Subsidiaries that exercise the exemption of Secs. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].

Effective July 4, 2014, the HUGO BOSS Group established a new subsidiary in South Korea, known as HUGO BOSS Korea Ltd., South Korea. The HUGO BOSS Group has a 100% shareholding in this company. On grounds of immateriality for the Group, HUGO BOSS Korea Ltd. is not included in the consolidated financial statements as of December 31, 2014.

Companies in which HUGO BOSS and one more party have joint control are accounted for using the equity method:

Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG	Pullach, Germany[1]
GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG	Grünwald, Germany[2]

[1] Investments with a 100% share in capital and 20% of voting rights, head office Filderstadt.
[2] Investments with a 100% share in capital and 15% of voting rights, head office Metzingen.

CHANGES IN BASIS OF CONSOLIDATION

In the reporting period from January 1 to December 31, 2014, the number of consolidated companies increased from 55 to 56 in comparison to the consolidated financial statements as of December 31, 2013. Overall, the number of companies included in the consolidated financial statements was as follows in fiscal year 2014:

	2014	2013
January 1	**55**	**54**
Newly founded/consolidated companies	1	3
Merged companies/disposal	0	(1)
Derecognized due to loss of control	0	(1)
December 31	**56**	**55**

The new company HUGO BOSS Finland OY, Helsinki, Finland, which was founded in fiscal year 2013, was not included in the consolidated financial statements as of December 31, 2013, on the grounds of immateriality. The subsidiary was consolidated for the first time on May 1, 2014.

As was the case on December 31, 2013, two companies were included in the consolidated financial statements using the equity method in fiscal year 2014.

DISCLOSURE ON THE LARGEST GROUP OF CONSOLIDATED COMPANIES

As of December 31, 2014 Red & Black Lux S.à r.l., Luxembourg, held 31.82% of the voting rights in HUGO BOSS AG. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Red & Black Lux S.à r.l., Luxembourg, as the largest group of consolidated companies.

CONSOLIDATION PRINCIPLES

The HUGO BOSS Group's basis of consolidation comprises HUGO BOSS AG and all subsidiaries, including structured entities, over which HUGO BOSS AG can exercise direct or indirect control. Control exists if HUGO BOSS AG as the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision. The subsidiary is deconsolidated as soon as the control by the parent company ceases.

Subsidiaries with an immaterial influence on the net assets, financial position and results of operations of the Group are not included in the consolidated financial statements. Influence is deemed immaterial if the sales, earnings and total assets on aggregate make up less than 1% of the corresponding figures for the Group. This is reassessed at each reporting date. Non-consolidated subsidiaries are measured at fair value or, if this cannot be determined reliably, at cost, and reported under other non-current financial assets.

Structured entities which are controlled by the parent company are also consolidated. Structured entities are entities which have been designed in such a way that voting or similar rights are not relevant in deciding who controls the entity. This is the case, for example, if voting rights relate to administrative tasks only and the relevant activities are governed by contractual arrangements.

Entities whose business activities are jointly controlled by the Group and one more party (joint ventures) are consolidated using the equity method. Joint control is the contractually agreed sharing of control of an arrangement. It exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The sale of shares in subsidiaries as a result of which the Group's share in such subsidiary increases or decreases without any loss of control is recognized within the equity of the corresponding equity providers.

The financial statements of subsidiaries are prepared using uniform accounting policies.

The effects of intercompany transactions are eliminated. Receivables and liabilities between the consolidated companies are offset against each other; intercompany gains and losses pertaining to intangible assets, property, plant and equipment and inventories are eliminated; intercompany income is offset against the corresponding intercompany expenses. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12.

BUSINESS COMBINATIONS

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed (including contingent liabilities) in a business combination are measured at their acquisition-date fair values. Non-controlling interests are measured at their proportionate share in the fair value of the identifiable assets and liabilities. Acquisition-related costs incurred are expensed.

GOODWILL

When a company obtains control over another company, this constitutes a business combination within the meaning of IFRS 3. In accordance with IFRS 3, business combinations must be accounted for using the acquisition method, which entails the performance of a purchase price allocation.

The goodwill resulting from a business combination is the excess between the consideration transferred and the fair value of the non-controlling interest in the assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the acquiree, the difference is reassessed and then recognized in profit or loss.

After initial recognition, goodwill is carried at cost in the functional currency of the foreign acquiree less any accumulated impairment losses. Any goodwill recognized is tested for impairment annually and whenever there is an indication that the assets might be impaired.

ELIMINATION OF INTERCOMPANY PROFITS

The HUGO BOSS distribution companies generally source finished goods and merchandise solely from the Group's in-house production and procurement units. Gains on intercompany deliveries of merchandise still in stock as of the reporting date are eliminated.

If the carrying amount in the books of the distribution company has been written down locally below the cost recognized at Group level, no intercompany profits are eliminated.

Any difference between the carrying amount of the merchandise at the level of the distribution company following the local recognition of write-downs and the cost recognized at Group level is eliminated.

In addition, merchandise carried at cost at Group level is tested for impairment from the perspective of the HUGO BOSS Group. If the cost recognized at Group level exceeds the expected recoverable sales proceeds, an impairment loss is charged. The expected recoverable sales proceeds from the Group's perspective are determined by reference to the Group's own sales channels worldwide, particularly its warehouse and outlet capacity.

CURRENCY TRANSLATION

The Group's reporting currency is the functional currency of the parent company, HUGO BOSS AG. As a rule, the functional currency of the subsidiaries included in the consolidated financial statements is the corresponding local currency. For units that conduct a significant portion of their sales and procurement activities and that finance operations in a currency other than the corresponding local currency, the functional currency is the currency of the primary business environment. Accordingly, the euro is the functional currency of HUGO BOSS Textile Industry Ltd., Turkey, and HUGO BOSS International Markets AG, Switzerland, as these companies conduct most of their business in euro.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

In the separate financial statements, transactions in foreign currency are translated at the exchange rates valid at the dates of the transactions. Monetary items (cash and cash equivalents, receivables and liabilities) denominated in foreign currencies are translated into the functional currency at closing rates.

The resulting exchange rate gains and losses are recognized through profit and loss in other financial items.

TRANSLATION OF THE SEPARATE FINANCIAL STATEMENTS

The financial statements of the foreign Group companies whose functional currency is not the euro are translated into the Group reporting currency, the euro. Items are translated using the modified closing rate in accordance with IAS 21, under which assets, including goodwill, and liabilities are translated at closing rates, and income statement items are translated at the average exchange rates for the reporting period. Differences from currency translation of income statements at average rates and statements of financial position at closing rates are reported without effect on profit or loss in other comprehensive income. The currency difference resulting from the translation of equity at historical rates is likewise posted to other comprehensive income. Currency differences recognized in other comprehensive income are recycled to the income statement if the corresponding Group company is sold.

The most important exchange rates applied in the consolidated financial statements developed as follows in relation to the euro:

	Currency	Average rate		Closing rate	
Country	1 EUR =	**2014**	2013	**2014**	2013
Australia	AUD	1.4726	1.3764	1.4829	1.5423
China	CNY	8.1977	8.1636	7.5358	8.3491
Great Britain	GBP	0.8067	0.8492	0.7789	0.8337
Hong Kong	HKD	10.3179	10.2989	9.4170	10.6933
Japan	JPY	140.2427	129.5244	145.2300	144.7200
Switzerland	CHF	1.2149	1.2310	1.2024	1.2276
Turkey	TRY	2.9085	2.5228	2.8272	2.9344
U.S.A.	USD	1.3305	1.3278	1.2141	1.3791

ACCOUNTING POLICIES

The financial statements of HUGO BOSS AG and the German and foreign subsidiaries are prepared pursuant to uniform accounting policies in accordance with IFRS 10.

RECOGNITION OF INCOME AND EXPENSES

Income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured at the fair value of the consideration received. Income is reported after deductions including discounts and other price deductions and net of VAT. The specific recognition criteria described below must also be met before income is recognized.

Sale of merchandise and goods

In the wholesale channel, income from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales from the Group’s own retail business are recognized when transactions with customers are completed. Claims from returned goods agreements and return rights are deducted from income if their occurrence is sufficiently certain. Provisions for returned goods are determined based on historical rates of goods returned for each sales channel.

License and other income

License and other income are recognized in the period in which they are generated in accordance with the terms of the underlying agreements.

Operating income is recognized in the income statement when the service is used or generated where there is a direct relationship between the costs incurred and the corresponding income.

Interest income

Interest is recognized pro rata temporis taking into account the effective yield on the asset.

FUNCTIONAL COSTS

Operating expenses are essentially allocated to the individual function based on the respective cost centers. Expenses incurred in connection with cross-functional activities or projects are spread among the function costs concerned using an adequate allocation principle.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are likewise expensed as incurred if they do not satisfy the criteria for recognition as internally generated intangible assets. Production-related development costs are generally included in the calculation of the cost of unfinished and finished goods. These essentially comprise the cost of technical product development in the third phase of the collection creation process.

INCOME TAXES

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are recognized for all temporary differences between the tax bases and the carrying amounts for financial reporting purposes of the separate entities and the carrying amounts in the consolidated financial statements in accordance with IFRSs and for certain consolidation entries. Deferred tax assets and deferred tax liabilities are recognized using the liability method.

Deferred tax assets also include tax credits that result from the expected utilization of existing unused tax losses in subsequent years and the realization of which can be assumed with reasonable assurance.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse. Deferred tax liabilities are recognized on the retained earnings of foreign subsidiaries to the extent that it is likely that these will be distributed in the future.

Deferred tax assets and deferred tax liabilities are presented on a net basis to the extent that the Group companies have a right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity. Deferred taxes relating to items recognized directly in equity are likewise recognized directly in equity.

INTANGIBLE ASSETS

Acquired and internally generated intangible assets are recognized if it is probable that a future economic benefit will flow to the company from the use of the asset and the cost of the asset can be reliably determined. Acquired intangible assets and internally generated intangible assets are measured at cost. Cost of conversion includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. Borrowing costs are expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied. Purchased and internally generated intangible assets with finite useful lives are amortized using the straight-line method over their useful life. The average useful life of software and licenses remains unchanged at six years. Rights to use the HUGO BOSS brand name which were reacquired in connection with business combinations and the acquisition of other business units (“reacquired rights”) are also recognized under intangible assets and amortized over the contractual useful life. Key money is also considered to be an intangible asset. These are one-off payments made to the previous tenant when leases are entered into for own retail stores in prime locations. The distinction between finite and indefinite useful life is made by reference to the actual circumstances in the countries in which the retail stores are located. Key money with a finite useful life is written down on a straight-line basis over the term of the lease agreement, seven years on average. At present, key money with indefinite useful lives is recognized in France and Denmark.

Intangible assets with an indefinite useful life are tested for impairment once a year. If the carrying amount of the asset is no longer recoverable, an impairment loss is recognized.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are used in business operations for longer than one year are measured at cost less accumulated depreciation. Cost of conversion includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. Borrowing costs are expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied. The underlying useful lives correspond to the expected useful lives within the Group.

A useful life of 30 years is generally set for buildings. Buildings and leasehold improvements on third-party land are depreciated over the term of the underlying lease agreements or the lower useful lives. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a corresponding provision are satisfied.

Property, plant and equipment are generally depreciated using the straight-line method. Technical equipment and machinery has a useful life ranging between 5 and 15 years, while other equipment, operating and office equipment has a useful life of between 2 and 15 years.

The useful lives and depreciation methods used for property, plant and equipment are reviewed regularly to ensure that the methods and periods of depreciation are consistent with the expected economic benefit from the items of property, plant and equipment.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets (property, plant and equipment and intangible assets including goodwill) are assessed at every reporting date as to whether there is an indication of impairment ("triggering events"). If there is any such indication, the recoverable amount of the asset is estimated. Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives (key money and brand rights) and goodwill acquired in a business combination are tested for impairment annually. The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. The value in use is the present value of the expected cash flows. The expected cash flows are discounted using the after-tax weighted average cost of capital that reflects the risks specific to the asset. In determining fair value less costs to sell, external appraisals are taken into account, if available. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest identifiable group of assets to which the asset belongs (cash-generating unit – CGU) is determined.

If the carrying amount of the asset or CGU exceeds the corresponding recoverable amount, an impairment loss is immediately recognized through profit or loss. If a CGU is impaired, the carrying amount of any goodwill allocated to the unit is reduced first. Any remaining impairment loss reduces the other non-current assets of the CGU pro rata.

If, following an impairment loss recognized in prior periods, an asset or CGU has a higher recoverable amount, the impairment loss is reversed to the lower of the recoverable amount or the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. The impairment loss is reversed through profit or loss. Reversals of impairment losses recognized on goodwill are not permitted.

ENTITIES UNDER JOINT CONTROL ACCOUNTED FOR USING THE EQUITY METHOD

Companies in which HUGO BOSS and one more party have joint control are accounted for using the equity method and initially recognized at cost. The carrying amounts of investments accounted for using the equity method are increased or decreased annually by the Group's share of the net profit or loss, dividend distributions or other changes in equity. If the losses incurred by the investment accounted for using the equity method are equal to or exceed the carrying amount, no additional shares in losses are recognized since no loss compensation obligations exist vis-à-vis the investments accounted for using the equity method.

INVENTORIES

Raw materials and supplies as well as merchandise are generally measured at moving average cost. Work in progress and finished goods are measured at cost. Cost of conversion of finished goods includes direct material, direct labor, proportionate material and production overheads, and production-related amortization and depreciation insofar as this is a consequence of production. Also included are general administrative expenses, product development expenses, expenses for social facilities, expenses for voluntary social benefits and occupational pensions, to the extent that they are related to production and are incurred in the production period. Borrowing costs are expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied.

Inventories are carried at the lower of cost or realizable sales price less costs to sell.

NON-CURRENT ASSETS HELD FOR SALE

Individual non-current assets or disposal groups are classified as "held for sale" if their sale is highly probable and they are available for immediate sale in their present condition. Non-current assets held for sale are reported separately in the statement of financial position and are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation of the assets or disposal groups ceases when they are classified as non-current assets held for sale.

LEASES

In the case of lease arrangements with the Group as lessee, economic ownership of the leased asset is allocated to the lessee in accordance with IAS 17 if substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group (finance lease). The depreciation methods and useful lives applied correspond to those for comparable assets acquired for a consideration. Leased assets are generally capitalized as of the date on which the agreement is concluded at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Initial direct costs are added to the carrying amount of the asset. The lease obligations, which correspond to the carrying amount of the leased assets and are amortized and measured in subsequent periods using the effective interest method, are reported under financial liabilities. The interest component of the lease liabilities is reported in the consolidated income statement over the term of the lease.

If economic ownership of a leased asset is attributable to the lessor (operating lease), the leased asset is recognized by the lessor. The corresponding lease payments are generally recognized as an expense on a straight-line basis over the lease term.

A substantial number of rental agreements have been entered into within the HUGO BOSS Group which qualify as operating leases based on their substance, such that the leased asset is attributable to the lessor. This concerns in particular the rental agreements for the real estate used by the retail stores operated by the Group, warehouses and office space used by the Group companies, most of which are based on minimum lease payments. Lease arrangements are also in place that contain agreements on contingent rents (particularly rents linked to sales). Some agreements contain renewal options that are taken into account when determining the lease term and present value of the minimum lease payments, if it is reasonably certain at the inception of the lease that the option will be exercised.

FINANCIAL INSTRUMENTS

Pursuant to IAS 39, a financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets encompass cash and cash equivalents, trade receivables and other loans and receivables originated by the Group, derivative financial assets held for trading as well as other financial assets.

Financial liabilities comprise trade payables, liabilities due to banks, liabilities from finance leases, derivative financial liabilities held for trading and other financial liabilities.

Financial assets and financial liabilities, to the extent that they are currently relevant to the HUGO BOSS Group, are classified into the following categories:

a / Financial assets at fair value through profit or loss (FAHfT)
b / Loans and receivables (LaR)
c / Financial liabilities at fair value through profit or loss (FLHfT)
d / Other financial liabilities measured at amortized cost using the effective interest method (FLAC)
e / Available-for-sale assets at fair value (AFS)

If there is no active market and fair value cannot be reliably determined, equity instruments are measured at amortized cost.

Financial assets and liabilities are designated to the above categories upon initial recognition. If permitted and necessary, any reclassifications are made at the end of the fiscal year.

FINANCIAL ASSETS

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset.

Financial assets are recognized initially at fair value. For all financial assets that are not measured at fair value through profit or loss, directly attributable transaction costs are also taken into account.

As a rule, the fair values recognized in the statement of financial position are the market prices of the corresponding financial assets. If these are not available, fair value is determined using generally accepted valuation models by reference to current market parameters. Such techniques include using recent arm’s length market transactions, reference to the current market value of another instrument which is substantially the same, or discounted cash flow analysis and other valuation models.

Cash and cash equivalents recognized in the statement of financial position comprise cash in hand, balances with banks and other short-term deposits with an original term of less than three months; they are measured at amortized cost.

Trade receivables and other loans and receivables are subsequently measured at amortized cost (less any impairment losses), using the effective interest method where applicable. Gains and losses are recognized through profit or loss when the receivables are derecognized, impaired or settled.

Financial assets are measured at fair value through profit or loss if they were acquired for the purpose of selling them in the near future. This includes derivative financial instruments that are not designated to an effective hedging relationship in accordance with IAS 39. Gains and losses from financial assets measured at fair value through profit or loss are always posted to profit or loss.

Financial assets that are not measured at fair value through profit or loss are tested for impairment at every reporting date. If the carrying amount of a financial asset exceeds its fair value, it is reduced to the fair value. This decrease constitutes an impairment loss that is posted through profit or loss. An impairment loss recognized in profit or loss in a prior period is reversed if this is necessary on account of events occurring after it was originally recognized. Available-for-sale assets comprise non-derivative financial assets which are not allocated to any other measurement category and other financial assets which contain non-consolidated subsidiaries.

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset expire or are transferred. In the latter case, substantially all the significant risks and rewards of ownership of the financial assets must be transferred or control over the asset must be transferred.

FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value less any directly attributable transaction costs.

Derivatives that are not designated to an effective hedging relationship are measured at fair value though profit or loss. Negative fair values are reported under other financial liabilities. Gains and losses from subsequent measurement are recognized in profit or loss.

Trade payables and interest-bearing loans are subsequently measured at amortized cost using the effective interest method. Any resulting gains and losses are posted to profit or loss when the liabilities are derecognized or extinguished.

A financial liability is derecognized when the obligation underlying the liability is discharged, canceled or expired.

DERIVATIVE FINANCIAL INSTRUMENTS

In the HUGO BOSS Group, derivative financial instruments are solely used to hedge interest rate and currency risks from the operating business.

When hedges are entered into, specific derivatives are allocated to hedged items. The requirements of IAS 39 for the designation of hedges are satisfied.

Pursuant to IAS 39, all derivative financial instruments are measured at fair value through profit or loss irrespective of the purpose or intention for which they were concluded. Changes in the fair value of derivative financial instruments are generally recognized in profit or loss.

To the extent that the financial instruments used are effective hedges as part of a hedging relationship in accordance with the requirements of IAS 39 (cash flow hedges), fair value fluctuations during the term of the derivative do not affect profit or loss for the period. Instead, fair value fluctuations are recognized in equity in the corresponding reserve item. The cumulative amounts recognized in equity are recycled through profit or loss in the same period during which the hedged cash flows affect profit or loss.

Fair value generally corresponds to the market value or quoted price. If there is no active market, fair value is determined using generally accepted valuation models and bank valuations. In the HUGO BOSS Group all financial instruments that are not quoted in an active market are measured using observable measurement parameters.

It is the Group's policy to solely enter into effective derivatives for the purpose of hedging interest and currency risks. The substantive and formal requirements of IAS 39 for hedge accounting were satisfied both at the inception of the hedges and on the reporting date.

OWN SHARES

If the Group reacquires own equity instruments, those instruments are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if sold or reissued, is recognized as a share premium. The Group cannot exercise the voting rights of own shares. Moreover, they are not allocated dividends.

PROVISIONS

Provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions for rebuild obligations in retail stores are recognized as liabilities at the present value of the best estimate of the amount required to settle the obligation. Corresponding assets are capitalized at the equivalent amount and depreciated over the term of the lease agreement. Provisions with a term of more than one year are discounted using a risk-free interest rate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

PROVISIONS FOR PENSIONS

Provisions for pensions are measured using the projected unit credit method required under IAS 19 for defined benefit plans, which takes into account future adjustments to salaries and pensions. The year-end present value determined using the projected unit credit method was compared to the fair value of plan assets in external funds to the extent that offsetting is permissible (asset ceiling). Actuarial gains and losses are immediately posted in full to other comprehensive income. Actuarial gains and losses are not reclassified from other comprehensive income to consolidated net income in subsequent years. The same applies to all effects of the asset ceiling. Net interest determined by multiplying the net defined benefit liability by the discount rate underlying the net defined benefit obligation (DBO) is reported in the financial result. The difference between the actual return on plan assets and the anticipated return on plan assets obtained using the discount rate is posted to other comprehensive income. The service cost is reported in the operating result.

RESTRUCTURING PROVISIONS

Restructuring expenses are recognized in the period in which they are incurred or in which the criteria for the recognition of a provision are satisfied. Early termination payments are recognized as an expense and an obligation if the Company has verifiably made a commitment under a formal plan by either offering termination benefits intended as an incentive for voluntary redundancy or has committed to early termination before the normal retirement age is reached.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognized. They are disclosed in the notes to the financial statements, unless an outflow of resources embodying economic benefits is very unlikely. Contingent assets are likewise not recognized. They are disclosed in the notes to the financial statements if an inflow of economic benefits is probable.

SEGMENT REPORTING

In accordance with the management approach, the HUGO BOSS Group's segment reporting is based on the internal organizational and reporting structure. The data used to determine the internal indicators are derived from the financial statements prepared in accordance with IFRSs.

EXERCISE OF JUDGMENT AND ESTIMATES WHEN APPLYING ACCOUNTING POLICIES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. These estimates and assumptions are made to obtain a fair presentation of the Group's net assets, financial position and results of operations. The underlying assumptions are continually revised. However, actual amounts can deviate from the original estimates.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

OBLIGATIONS UNDER OPERATING LEASES

The Group has entered into leases for retail stores, warehouses and office spaces. These leases are classified as operating leases on the basis of the customary limits for determining the proportion of the useful life of the assets in question and the present value of the minimum lease payments. In this connection, it has been determined that the opportunities and risks arising from ownership of this floor space and real estate leased under operating leases remain with the corresponding property companies and lessors.

CONSOLIDATION OF STRUCTURED ENTITIES

Leasing companies are recognized in accordance with the guidance provided in IFRS 10 on structured entities. HUGO BOSS consolidates leasing entities if it has power over the entity's relevant activities and is thus able to affect the amount of the variable returns. In view of the leases which were already determined when two entities were established, HUGO BOSS assumes in its assessment that the decision-making rights with respect to the use of the leased assets during the term of the lease and with respect to the exercise of the call and renewal options provided for in the lease, which were calculated on the basis of the respective expected market value and are therefore unfavorable for HUGO BOSS as at December 31, 2014, do not constitute any decision-making powers with respect to the relevant activities of the entity in question.

The most important forward-looking assumptions and other key sources of estimation uncertainty as at the reporting date giving rise to a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Specific fundamental assumptions were made to determine the recoverable amount when assessing the recoverability of intangible assets (goodwill, brand rights with indefinite useful lives, key money with finite and indefinite useful lives) and property, plant and equipment of the Group's own retail business. In this context, the expected cash flows used in impairment testing are derived from budgets from medium-term planning for each respective CGU. Management assumes that the assumptions and estimates underlying the discounted cash flows are appropriate. However, changes in the economic environment and the industry-specific growth assumptions can have consequences for impairment testing resulting in the need to recognize additional impairment losses or to reverse impairment losses in the future.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 14.

Impairment losses of EUR 15,281 thousand (2013: EUR 13,881 thousand) and reversals of impairment losses of EUR 0 thousand (2013: EUR 2,248 thousand) were made. Further explanations are provided in Notes 10 to 12 and 14.

INVENTORY MEASUREMENT

Write-downs provide for inventory risks from slow-moving goods and the resulting decrease in the recoverability.

Write-downs are recognized on raw materials based on analyses of range of coverage and movement rate. Unfinished goods, finished goods and merchandise are measured based on the net realizable value through the Group's own sales channels.

Merchandise and finished goods are tested for impairment on the basis of analyses of movement rate, range of coverage, and net realizable value. Impairment losses recognized to account for lower expected sales prices both at the level of the sales companies and from the perspective of the Group are anticipated through these write-down routines.

Inventories of EUR 80,575 thousand (2013: EUR 82,312 thousand) were recognized at net realizable value. In fiscal year 2014, impairment losses of EUR 11,259 thousand were recognized (2013:EUR 13,004 thousand). These are explained in Note 16.

INDIVIDUAL BAD DEBT ALLOWANCES

The recoverability of trade receivables is assessed based on the estimated likelihood of default. Accordingly, receivables from wholesale customers on whose assets insolvency proceedings have been initiated are written off in full (to the extent that any collateral provided is not recoverable) by recognizing individual bad debt allowances. Individual bad debt allowances ranging between 1% and 100% are recognized on overdue receivables. All subsidiaries of the HUGO BOSS Group have to prepare an analysis of the aging structure of their trade receivables. This permits the recognition of risk-adjusted valuation allowances. External appraisals on the value of collateral were also obtained in the course of assessing the recoverability of receivables.

In the event of the deterioration of the financial position of wholesale customers and concession partners, the amounts actually derecognized can exceed the bad debt allowances already recognized, which can have an adverse impact on the results of operations.

Impairment losses of EUR 15,876 thousand (2013: EUR 15,126 thousand) were recognized as of the reporting date. Further explanations are provided in Note 17.

PROVISIONS

As the HUGO BOSS Group has operating activities in numerous countries, it is subject to many different legal conditions. Owing to the complexity of international requirements, differences arising between the actual events and the assumptions made or any adjustments to such assumptions could necessitate future adjustments to provisions recognized by the Group. Based on reasonable estimates, provisions are recognized for the potential ramifications of legal issues. Such assessment also takes into account the estimation of local, external experts such as lawyers and tax advisors. Any deviations between the original estimates and the actual outcome can impact the Group's net assets, financial position and results of operations in the given period.

Other provisions of EUR 140,573 thousand (2013: EUR 122,812 thousand) were recognized as of the reporting date. Further explanations are provided in Note 25.

Since 2012, a tax field audit is in progress for the assessment periods 2007 through 2011 at HUGO BOSS AG, which has not been completed yet. Based on the findings available so far and the audit notes of the ongoing tax field audit, the Company has identified potential tax risks from issues recognized and issues not recognized on the face of the statement of financial position as well as from structural changes. As the tax field audit had not been completed at the time of preparing the financial statements, new findings in connection with the tax field audit could lead to changes in the risks provided for as liabilities as of December 31, 2014.

Income tax liabilities of EUR 59,944 thousand (2013: EUR 63,372 thousand) were recognized as of the reporting date. These include provisions relating to risks from the tax field audit of HUGO BOSS AG for the years 2007 through 2011. Further explanations are provided in Note 7.

PROVISIONS FOR PENSIONS

The expense from defined benefit plans is determined based on actuarial calculations. This involves making assumptions about discount rates, future wage and salary increases, mortality rates and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds.

Provisions for pensions of EUR 45,628 thousand (2013: EUR 29,795 thousand) were recognized as of the reporting date. Please refer to Note 26 for further details.

DEFERRED TAXES ON UNUSED TAX LOSSES

Deferred tax assets are recognized on unused tax losses to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilized. In this regard, management exercises judgment as to the expected timing and the amount of the taxable profits and measures deferred tax assets on unused tax losses accordingly.

As of the reporting date, deferred taxes were recognized on unused tax losses amounting to EUR 10,662 thousand (2013: EUR 10,295 thousand). Please refer to Note 7 for further details.

ACCOUNTING TREATMENT OF BUSINESS COMBINATIONS/ACQUISITIONS OF OTHER BUSINESS UNITS

Goodwill is disclosed in the statement of financial position in connection with business combinations and the acquisition of other business units. This constitutes the difference between the consideration transferred and the amount of the non-controlling interest in the assets acquired and the liabilities assumed. Moreover, any reacquired rights are capitalized and amortized over their useful lives.

All identifiable assets and liabilities are recognized at fair value upon first-time consolidation. The fair values recognized constitute a significant estimate. If intangible assets are identified, the fair value is determined using appropriate valuation methods taking their nature into account. These measurements are based on various input factors and are partially associated with assumptions of management about the future development of the value of the respective asset and the discount rates used.

No companies or other business units were acquired during fiscal year 2014. Explanations on the acquisitions recognized in fiscal year 2013 can be found in the notes on business combinations/acquisitions of other business units.

BUSINESS COMBINATIONS/ACQUISITIONS OF OTHER BUSINESS UNITS

TAKEOVERS IN FISCAL YEAR 2014

No companies were acquired in the reporting period from January 1 to December 31, 2014.

TAKEOVERS IN FISCAL YEAR 2013

In fiscal year 2013, the HUGO BOSS Group acquired a total of ten stores and the associated assets in asset deals from former franchise partners in Australia, the United States and Singapore. In addition, one store was taken over in France as part of a share deal. The business acquisitions were made to support the expansion of the Group's own retail business.

The following overview shows the allocation of the purchase price to the acquired assets performed in fiscal year 2013 as well as the resulting goodwill:

(in EUR thousand)

	2013
Purchase consideration transferred	
Agreed purchase price	12,556
Liabilities incurred	(552)
Total purchase price	**12,003**
Fair value of the acquired assets and liabilities assumed	
Intangible assets	8,532
Property, plant and equipment	2,875
Inventories	1,870
Cash and cash equivalents	92
Other assets	254
Total assets	**13,622**
Financial liabilities	933
Trade payables	530
Other liabilities	728
Total liabilities	**2,191**
Goodwill	**572**

Control over the assets in each case was achieved through payment of the agreed purchase price.
As not all of the information needed for complete recognition of the business acquisitions was available in fiscal year 2013, a purchase price allocation was performed on a preliminary basis.

As part of the purchase price allocations, intangible assets were identified on a preliminary basis in the form of reacquired rights. These are rights to use the HUGO BOSS brand name that HUGO BOSS had granted to the franchise partners for the respective stores under franchise agreements. The franchise agreements were concluded at arm's length conditions.

Goodwill is attributable to Asia and contains non-separable intangible assets and expected synergy effects. The goodwill is not expected to be tax-deductible. In accordance with IAS 36, it is not amortized but is instead tested for impairment annually.

Total transaction costs amounted to EUR 301 thousand which were recognized immediately through profit or loss in the consolidated income statement in fiscal year 2013.

The purchase price allocations were finalized in fiscal year 2014 within twelve months of the acquisition date in each case. The finalization of the purchase price allocations had only an immaterial effect on the HUGO BOSS Group's net assets, financial position and results of operations in fiscal year 2014 and the comparable period in 2013.

If the business acquisitions had taken place as of January 1, 2013, Group sales would have been EUR 7,596 thousand higher in fiscal year 2013. The change in consolidated net income would have been immaterial.

The additional consolidated sales generated by the business acquisitions came to EUR 6,751 thousand in fiscal year 2013.

ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE OF CONTROL

Effective from June 30, 2014, HUGO BOSS took over the remaining 40% share in the already fully-consolidated "joint venture" from its long-standing franchise partner Rainbow Group. The shares were acquired by HUGO BOSS International B.V., Amsterdam, the Netherlands, which therefore now holds 100% of the shares in HUGO BOSS Lotus Hong Kong Ltd., Hong Kong, and its subsidiaries in Macau and China. The agreed purchase price for the remaining 40% of the shares is HKD 198,872 thousand (EUR 18,839 thousand), which has already been paid in full. The carrying amount of the non-controlling shares acquired is EUR 27,539 thousand. This figure includes transaction costs in the amount of EUR 79 thousand. The difference of EUR 8,700 thousand between the purchase price and carrying amount of the assets has been recorded directly in equity.

(in EUR thousand)

	Dec. 31, 2014
Carrying amount of non-controlling interests acquired	27,539
Consideration paid to non-controlling interests	(18,839)
Excess of consideration paid recognized in Group's equity	**8,700**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1| SALES

(in EUR thousand)

	2014	2013
Sale of goods	2,513,952	2,374,270
Licenses	57,664	57,863
TOTAL	**2,571,616**	**2,432,133**

2| COST OF SALES

(in EUR thousand)

	2014	2013
Cost of purchase	755,406	737,734
Cost of conversion	117,117	114,849
TOTAL	**872,523**	**852,583**

Cost of purchase contains the cost of materials, which corresponds to the amount of inventories expensed in the fiscal year. The line item also mainly includes freight-in and customs costs.

In fiscal year 2014, impairment losses on inventories and the reversal of impairment losses previously charged resulted in net income of EUR 655 thousand (2013: net income of EUR 9,509 thousand). This is included in the cost of sales.

Capitalized overheads allocated to production cost comprise the cost of technical product development in the third phase of the collection creation process and the overhead costs of the product implementation and procurement phase.

3| SELLING AND DISTRIBUTION EXPENSES

(in EUR thousand)

	2014	2013
Expenses for Group's own retail business, sales and marketing organization	764,042	694,410
Marketing expenses	163,003	137,498
Logistic expenses	67,816	59,680
TOTAL	**994,861**	**891,588**

The expenses for the Group's own retail business and the sales and marketing organization mostly relate to personnel and lease expenses for wholesale distribution and retail services. Moreover, selling expenses contain sales-based commission, freight-out and customs costs as well as credit card charges.

The marketing expenses comprise expenses of EUR 180,406 thousand (2013: EUR 154,283 thousand) and income from the allocation of marketing expenses of EUR 17,403 thousand (2013: EUR 16,785 thousand). Income from the allocation of marketing expenses mainly contains costs for the allocation of the cost of store fittings, marketing materials and advertising and sponsorship activities.

Logistics expenses mainly include personnel and lease expenses for warehouse logistics.

In total, selling and distribution expenses contain other taxes of EUR 2,501 thousand (2013: EUR 2,834 thousand).

4| ADMINISTRATION EXPENSES

(in EUR thousand)

	2014	2013
General administrative expenses	174,679	169,835
Research and development costs	61,525	58,683
TOTAL	**236,204**	**228,518**

Administration expenses primarily comprise rent for premises, maintenance expenses, IT operating expenses and legal and consulting fees as well as personnel expenses in these functions.

Research and development costs in the HUGO BOSS Group primarily relate to the creation of collections. Total expenditure on research and development of EUR 61,525 thousand (2013: EUR 58,683 thousand) breaks down as follows: personnel expenses of EUR 42,254 thousand (2013: EUR 40,447 thousand) amortization of EUR 2,083 thousand (2013: EUR 1,675 thousand), and other operating expenses of EUR 17,188 thousand (2013: EUR 16,561 thousand).

Significant income was generated in the area of administration expenses by cross-charging of other costs and services amounting to EUR 9,141 thousand (2013: EUR 6,629 thousand) and from the reversal of provisions EUR 3,138 thousand (2013: EUR 11,360 thousand).

In total, administration expenses contain other taxes of EUR 3,843 thousand (2013: EUR 2,677 thousand).

5| OTHER OPERATING EXPENSES AND INCOME

The net expense arising from other operating expenses and income of EUR 19,307 thousand in fiscal year 2014 resulted from special items which were essentially related to the early dissolution of the agreement with a trade agent in the Middle East and the closure of the production site in Cleveland, Ohio, which is scheduled for the first half of 2015. Net expense amounted to EUR 3,291 thousand in the previous year and was mainly related to organizational adjustments made in Europe.

Other operating expenses and income include income of EUR 2,600 thousand (2013: income of EUR 381 thousand). Of this, EUR 1,511 thousand were the result of the sale of a showroom in France. As in the prior year, the remaining income of EUR 1,089 thousand is largely attributable to the reversal of provisions.

6| FINANCIAL RESULT

(in EUR thousand)

	2014	2013
Interest income on bank deposit	429	539
Other interest income	1,198	1,455
Other interest and similar income	**1,627**	**1,994**
Interest expenses from financial liabilities	(4,474)	(10,013)
Other interest expenses	(1,671)	(6,409)
Interest and similar expenses	**(6,145)**	**(16,422)**
Net interest income/expenses	**(4,518)**	**(14,428)**
Exchange rat gains/losses from receivable and liabilities	357	(19,027)
Gains/losses from hedging transactions	(5,048)	10,449
Other financial expenses/income	(2,364)	319
Other financial items	**(7,055)**	**(8,259)**
Financial result	**(11,573)**	**(22,687)**

The interest expenses from financial liabilities contain expenses in connection with interest rate swaps amounting to EUR 1,134 thousand (2013: EUR 5,791 thousand). Other interest expenses contain the net interest amount from provisions for pensions and interest expenses from the measurement of other non-current provisions at present value amounting to EUR 1,384 thousand (2013: EUR 2,865 thousand). In addition, the other interest expenses item contains interest on non-financial liabilities such as tax liabilities.

The exchange rate gains and losses from receivables and liabilities comprise exchange rate gains of EUR 25,668 thousand (2013: EUR 21,468 thousand) and exchange rate losses of EUR 25,311 thousand (2013: EUR 40,495 thousand). The result from hedging transactions contains the effects from the fair value measurement of foreign exchange forwards and swaps.

7 | INCOME TAXES

(in EUR thousand)

	2014	2013
Current taxes	122,915	122,332
Deferred taxes	(20,247)	(22,225)
TOTAL	**102,668**	**100,107**

Income taxes report corporate income tax plus solidarity surcharge and trade tax of German Group companies together with the comparable income taxes of foreign Group companies.

At HUGO BOSS AG, the domestic income tax rate still comes to 28.0% (2013: 28.0%). As in the prior year, the tax rates abroad range between 0% and 40%.

In fiscal year 2014, current income taxes include expenses relating to other periods amounting to EUR 6,043 thousand (2013: EUR 16,181 thousand). These include expenses relating to the recognition of provisions for risks from the tax field audit for the years 2007 through 2011 including subsequent effects. This is counterbalanced by income relating to other periods of EUR 3,789 thousand (2013: EUR 760 thousand).

Deferred taxes are calculated based on the tax rates enacted or substantively enacted by the reporting date that apply or are expected to apply in the countries concerned at the time of realization.

The following table presents a reconciliation of the expected income tax expense that would be theoretically incurred if the current domestic income tax rate of 28.0% (2013: 28.0%) were applied at a Group level to the current income tax expense reported by the Group. The domestic income tax rate applied takes into account a corporate income tax rate (including solidarity surcharge) of 15.8% (2013: 15.8%) and a trade tax rate of 12.2% (2013: 12.2%).

(in EUR thousand)

	2014	2013
Pre-tax result	**437,148**	**433,466**
Anticipated income tax	122,401	121,371
Tax effect of permanent items	3,773	(4,107)
Tax rate-related deviation	(20,189)	(19,342)
Thereof effects of changes in tax rates	(4,543)	1,076
Thereof effects of addback deduction for local taxes	873	(6,993)
Thereof adjustment of tax amount to diverging local tax rate	(16,519)	(13,425)
Tax refund/back taxes	2,254	15,421
Deferred tax effects from prior years	255	(6,087)
Valuation allowance on deferred tax assets	(35)	(8,070)
Tax effects from distributable profit of subsidiaries	(4,824)	1,696
Other deviations	(967)	(775)
Income tax expenditure reported	**102,668**	**100,107**
Income tax burden	23 %	23 %

The income tax burden was reduced by tax-free income of EUR 11,332 thousand (2013: EUR 9,181 thousand). The opposite tax effects as a result of the non-deductible business expenses come to EUR 15,105 thousand (2013: EUR 5,074 thousand).

Tax effects from the add-back/deduction for local taxes amounting to EUR 873 thousand (2013: income of EUR 6,993 thousand) stem for the most part from the requirements on trade tax additions and deductions for the calculation of the trade tax assessment basis.

Additional deviations related to the tax rate amounting to EUR 16,519 thousand (2013: EUR 13,425 thousand) are attributable to the difference between the nominal income tax rate of 28.0% in Germany and the effective tax rates abroad.

In addition to the effects from the origination or reversal of temporary differences between carrying amounts in the consolidated financial statements and the tax bases, the deferred tax expense includes income from the impact of changes in tax rates of EUR 4,543 thousand (2013: expenses of EUR 1,076 thousand).

Deferred tax expense from prior years of EUR 255 thousand was recognized in fiscal year 2014 (2013: income of EUR 6,087 thousand). This is mainly attributable to the recognition of deferred tax liabilities and the derecognition of deferred tax assets attributable to corrections in prior years.

Other comprehensive income includes deferred taxes amounting to EUR 4,549 thousand (2013: EUR 924 thousand). Of this amount, EUR 700 thousand (2013: EUR 1,487 thousand) is attributable to the recognition directly in equity of fluctuations in the fair value of derivatives designated to hedging relationships and income of EUR 3,849 thousand (2013: income of EUR 563 thousand) from the recognition of actuarial gains and losses from provisions for pensions in equity.

Deferred tax assets and liabilities are presented on a net basis if they pertain to the same taxable entity and the same taxation authority. Deferred taxes in the consolidated statement of financial position are related to the following items:

(in EUR thousand)

	2014		2013	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	44,938	(42,730)	33,375	(15,588)
Unused tax losses	20,923	0	23,070	0
Inventory measurement	42,374	(3,733)	39,835	(3,298)
Recognition and measurement of non-current assets	53,269	(14,392)	22,787	(16,878)
Receivables measurement	6,968	(2,478)	4,842	(2,153)
Market valuation of financial instruments	1,802	0	1,793	(2,497)
Retained earnings of subsidiaries	0	(2,768)	0	(7,334)
Other differences in recognition and measurement	442	(1,374)	132	(1,507)
	170,716	**(67,475)**	**125,834**	**(49,255)**
Impairments[1]	(12,991)	0	(13,348)	0
Netting	(57,343)	57,343	(31,793)	31,793
TOTAL	**100,382**	**(10,132)**	**80,693**	**(17,462)**

[1] Including unrecognized unused tax losses.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses and interest carryforwards, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and unused tax losses and interest carryforwards can be utilized.

Of the deferred tax assets, EUR 76,373 thousand (2013: EUR 41,976 thousand) are non-current, while EUR 60,369 thousand (2013: EUR 41,306 thousand) of the deferred tax liabilities are non-current. The full amount is reported as non-current in the statement of financial position.

If there is uncertainty as to their future recoverability, deferred taxes on unused tax losses and temporary differences are not recognized or are written down. Such write-downs are determined by taking into account all positive and negative factors influencing the generation of sufficient future profit.

Deferred taxes were written down by EUR 10,261 thousand (2013: EUR 12,775 thousand) due to unused tax losses that are not expected to be usable in the future and by EUR 2,730 thousand (2013: EUR 573 thousand) due to temporary differences.

Distributable profits at foreign subsidiaries are to be paid out in the coming years, partly to Germany. The tax expense attributable to the distribution amounting to EUR 1,200 thousand (2013: EUR 1,200 thousand) was recognized as a deferred tax liability. In addition, deferred taxes were recognized for distributable profits from subsidiaries paid out to other subsidiaries to the extent that withholding tax is payable on future dividends. Deferred tax liabilities of EUR 1,568 thousand (2013: EUR 6,134 thousand) were recognized for these withholding tax expenses.

Further deferred tax liabilities were not recognized on distributable profits at subsidiaries amounting to EUR 381,013 thousand (2013: EUR 509,582 thousand) as the present intention is to permanently reinvest these profits. If the profits were to be distributed in Germany, 5% would be subject to taxation in Germany or possibly trigger withholding tax in other countries. Distributions thus as a rule lead to an added tax expense. Estimation of unrecognized deferred tax liabilities on undistributed profits would require an unreasonable effort.

Unused income tax losses mainly pertain to foreign Group companies and break down as follows:

(in EUR thousand)

	2014	2013
Expiry within		
1 year	8,700	2,222
2 years	1,122	8,687
3 years	6,809	1,082
4 years	7,161	8,366
5 years	3,276	7,123
After 5 years	25,490	33,544
unlimited carryforward	19,170	14,844
TOTAL	**71,728**	**75,868**

As in prior fiscal years, a corresponding deferred tax asset of EUR 10,662 thousand was recognized on unused tax losses as of December 31, 2014 (2013: EUR 10,295 thousand). In fiscal year 2014, no deferred taxes were recognized on unused tax losses of EUR 32,249 thousand (2013: EUR 43,260 thousand).

8| NON-CONTROLLING INTERESTS IN CONSOLIDATED NET INCOME

The consolidated financial statements include companies in which HUGO BOSS AG has a shareholding that is less than 100%. In accordance with IFRS 10, non-controlling interests are reported in the statement of financial position within equity, separately from equity attributable to equity holders of the parent company. Net income attributable to non-controlling interests is likewise reported separately in the consolidated income statement.

9| EARNINGS PER SHARE

In accordance with IAS 33, earnings per share is determined by dividing net income attributable to the equity holders of the parent company by the weighted average number of shares outstanding during the fiscal year.

There were no shares outstanding that could have diluted earnings per share as of December 31, 2014, or December 31, 2013.

(in EUR thousand)

	2014	2013
Net income attributable to equity holders of the parent company	333,262	328,965
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) in EUR[2]	4.83	4.77

[1] Not including own shares.
[2] Basic and diluted earnings per share.

10| ADDITIONAL DISCLOSURES TO THE CONSOLIDATED INCOME STATEMENT

PERSONNEL EXPENSES

(in EUR thousand)

	2014	2013
Cost of sales	88,957	84,354
Selling and distribution expenses	283,093	267,817
Administration expenses	133,300	128,650
Other operating expenses/income	9,001	2,244
TOTAL	**514,351**	**483,065**

The special items included in other operating expenses and income in fiscal year 2014 amounting to EUR 9,001 thousand were essentially related to the closing of the production site in Cleveland, Ohio, which is scheduled for the first half of 2015 and organizational adjustments made in Europe and the Americas.

The special items included in other operating expenses and income in fiscal year 2013 amounting to EUR 2,244 thousand mainly relate to the organizational adjustments made in Europe.

(in EUR thousand)

	2014	2013
Wages and salaries	435,692	411,383
Social security	72,405	65,837
Expenses and income for retirement and other employee benefits	6,254	5,845
TOTAL	**514,351**	**483,065**

The average headcount for the year was as follows:

	2014	2013
Industrial employees	4,861	4,740
Commercial and administrative employees	9,652	8,934
TOTAL	**14,513**	**13,674**

AMORTIZATION AND DEPRECIATION

(in EUR thousand)

	2014	2013
Cost of sales	5,656	5,461
Selling and distribution expenses	96,237	78,799
Administration expenses	20,867	21,002
TOTAL	**122,760**	**105,262**

Amortization of intangible assets and depreciation of property plant and equipment amount to EUR 122,760 thousand (2013: EUR 105,262 thousand). A breakdown of amortization and depreciation to the corresponding positions of the statement of financial position is presented in the following notes to the consolidated statement of financial position.

COST OF MATERIALS

In the past fiscal year, the cost of materials came to EUR 715,081 thousand (2013: EUR 706,211 thousand).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in EUR thousand)

	Property, plant and equipment	Intangible assets	TOTAL
Cost of acquisition			
January 1, 2013	**806,920**	**238,028**	**1,044,948**
Change in the basis of consolidation	(55,567)	2,453	(53,114)
Currency translation effects	(20,390)	(4,253)	(24,643)
Additions	163,045	20,196	183,241
Disposals	(26,158)	(9,108)	(35,266)
Transfers	4,101	(8,363)	(4,262)
December 31, 2013	**871,951**	**238,953**	**1,110,904**
Change in the basis of consolidation	0	0	0
Currency translation effects	33,591	5,624	39,215
Additions	109,428	25,307	134,735
Disposals	(45,780)	(3,152)	(48,932)
Transfers	(15,798)	(1,218)	(17,016)
December 31, 2014	**953,392**	**265,514**	**1,218,906**
Amortization, depreciation and impairment			
January 1, 2013	**449,466**	**95,818**	**545,284**
Change in the basis of consolidation	554	0	554
Currency translation effects	(12,825)	(911)	(13,736)
Amortization and depreciation	76,160	17,469	93,629
Impairment	10,644	989	11,633
Disposals	(23,503)	(6,500)	(30,003)
Transfers	2,873	(7,135)	(4,262)
December 31, 2013	**503,369**	**99,730**	**603,099**
Change in the basis of consolidation	0	0	0
Currency translation effects	20,564	1,829	22,393
Amortization and depreciation	88,846	18,633	107,479
Impairment	15,022	259	15,281
Disposals	(43,096)	(1,717)	(44,813)
Transfers	(14,662)	(1,218)	(15,880)
December 31, 2014	**570,043**	**117,516**	**687,559**
Carrying amount December 31, 2014	**383,349**	**147,998**	**531,347**
Carrying amount December 31, 2013	**368,582**	**139,223**	**507,805**

11| INTANGIBLE ASSETS

(in EUR thousand)

	Software, licenses and other rights	Brand rights	Key Money	Internally developed Software	Goodwill	**TOTAL**
Cost of acquisition						
January 1, 2013	**146,547**	**14,992**	**31,925**	**5,603**	**38,961**	**238,028**
Change in the basis of consolidation	(525)	0	2,978	0	0	2,453
Currency translation effects	(1,208)	0	(1,045)	0	(2,000)	(4,253)
Additions	19,444	0	218	0	534	20,196
Disposals	(5,956)	0	(3,152)	0	0	(9,108)
Transfers	(8,515)	0	152	0	0	(8,363)
December 31, 2013	**149,787**	**14,992**	**31,076**	**5,603**	**37,495**	**238,953**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	3,391	0	612	0	1,621	5,624
Additions	22,305	0	2,583	0	419	25,307
Disposals	(2,969)	0	(183)	0	0	(3,152)
Transfers	(1,715)	0	0	0	497	(1,218)
December 31, 2014	**170,799**	**14,992**	**34,088**	**5,603**	**40,032**	**265,514**
Amortization/impairment						
January 1, 2013	**76,149**	**0**	**12,886**	**5,603**	**1,180**	**95,818**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	(495)	0	(369)	0	(47)	(911)
Amortizazion	15,554	0	1,915	0	0	17,469
Impairment	30	0	959	0	0	989
Disposals	(5,531)	0	(969)	0	0	(6,500)
Transfers	(7,071)	0	(64)	0	0	(7,135)
December 31, 2013	**78,636**	**0**	**14,358**	**5,603**	**1,133**	**99,730**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	1,514	0	315	0	0	1,829
Amortization	16,873	0	1,760	0	0	18,633
Impairment	0	0	259	0	0	259
Disposals	(1,557)	0	(160)	0	0	(1,717)
Transfers	(1,218)	0	0	0	0	(1,218)
December 31, 2014	**94,248**	**0**	**16,532**	**5,603**	**1,133**	**117,516**
Carrying amount December 31, 2014	**76,551**	**14,992**	**17,556**	**0**	**38,899**	**147,998**
Carrying amount December 31, 2013	**71,151**	**14,992**	**16,718**	**0**	**36,362**	**139,223**

SOFTWARE, LICENSES AND OTHER RIGHTS

The item software, licenses and other rights mainly contains software and software licenses as well as intangible assets identified in the course of purchase price allocations.

The Columbus IT project launched in fiscal year 2003 led to the acquisition of new software covering all areas of enterprise resource management. This affected systems for procurement, production management, logistics, distribution and financial systems (worldwide). Over the full duration of the project, intangible assets totaling EUR 76,318 thousand (2013: EUR 68,223 thousand) were capitalized in connection with Columbus for the ERP system, comprising the industry solution SAP AFS and SAP Retail for the company's own retail business. Of this total cost, EUR 49,531 thousand had already been amortized as of the reporting date (2013: EUR 42,883 thousand). As a result of investments in software and user rights in connection with the continuous enhancement of the ERP system, the remaining amortization period has increased to 4.0 years (2013: 3.0 years). Apart from the aforementioned software, other software licenses totaling EUR 33,471 thousand (2013: EUR 26,670 thousand) are included, whose remaining amortization period is 5.5 years (2013: 6.6 years). The disposals from the change in the basis of consolidation in fiscal year 2013 stemmed from the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG.

In addition, the line item software, licenses and other rights contains intangible assets from purchase price allocations. As part of the acquisition accounting of the joint venture entities in fiscal year 2010, some of the items capitalized included business licenses and franchise agreements that had a net carrying amount of EUR 12,667 thousand as of December 31, 2014 (2013: EUR 12,475 thousand) and a remaining amortization period of 10.6 years (2013: 11.5 years). The franchise agreements identified as part of the purchase price allocation of the mono-brand stores of the franchise partner Moss Bros in Great Britain in 2011 are reported at a net carrying amount of EUR 833 thousand as of the reporting date (2013: EUR 1,760 thousand). The remaining amortization period is a further 0.6 years (2013: 1.1 years). When the purchase price allocation was finalized for franchise agreements identified in fiscal year 2013, an insignificant reclassification was effected within intangible assets.

BRAND RIGHTS

The reported brand rights amounting to EUR 14,992 thousand (2013: EUR 14,992 thousand), which are primarily attributable to the rights for the use of the brand names BOSS, HUGO and HUGO BOSS in the United States, are also classified as assets with indefinite useful lives.

KEY MONEY

Key money totaling EUR 17,556 thousand (2013: EUR 16,718 thousand) was recognized as of the reporting date. Of that amount, 6,353 thousand (2013: EUR 5,776 thousand) pertains to key money with an indefinite useful life and EUR 11,203 thousand (2013: EUR 10,942 thousand) to key money with a finite useful life. As of December 31, 2014, key money with an indefinite useful life only concerns DOS in France at EUR 6,353 thousand (2013: EUR 5,776 thousand). The key money with an indefinite useful life in Denmark had already been written off in full in fiscal year 2013. Key money with a finite useful life primarily concerns DOS in Switzerland, Great Britain and Brazil. An amortization period of 6.4 years remains (2013: 5.7 years).

Further information on the impairment losses can be found in Note 14.

12| PROPERTY, PLANT AND EQUIPMENT

(in EUR thousand)

	Lands and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Construction in progress	**TOTAL**
Cost of acquisition					
January 1, 2013	**252,872**	**87,077**	**442,233**	**24,738**	**806,920**
Change in the basis of consolidation	(17,849)	0	1,071	(38,789)	(55,567)
Currency translation effects	(5,400)	(413)	(14,464)	(113)	(20,390)
Additions	21,328	3,754	104,991	32,972	163,045
Disposals	(3,923)	(1,812)	(20,423)	0	(26,158)
Transfers	8,127	19	9,440	(13,485)	4,101
December 31, 2013	**255,155**	**88,625**	**522,848**	**5,323**	**871,951**
Change in the basis of consolidation	0	0	0	0	0
Currency translation effects	5,476	550	27,496	69	33,591
Additions	11,633	1,908	93,020	2,867	109,428
Disposals	(3,665)	(2,470)	(39,645)	0	(45,780)
Transfers	(3,093)	(8,594)	(1,102)	(3,009)	(15,798)
December 31, 2014	**265,506**	**80,019**	**602,617**	**5,250**	**953,392**
Depreciation/impairment					
January 1, 2013	**114,532**	**63,902**	**271,032**	**0**	**449,466**
Change in the basis of consolidation	0	0	554	0	554
Currency translation effects	(3,015)	(404)	(9,406)	0	(12,825)
Depreciation	13,196	5,084	57,880	0	76,160
Impairment	(380)	0	11,024	0	10,644
Disposals	(3,238)	(1,619)	(18,646)	0	(23,503)
Transfers	0	0	2,870	3	2,873
December 31, 2013	**121,095**	**66,963**	**315,308**	**3**	**503,369**
Change in the basis of consolidation	0	0	0	0	0
Currency translation effects	5,462	527	14,575	0	20,564
Depreciation	15,195	4,637	69,014	0	88,846
Impairment	0	0	15,022	0	15,022
Disposals	(3,544)	(2,468)	(37,084)	0	(43,096)
Transfers	(2,615)	(8,363)	(3,684)	0	(14,662)
December 31, 2014	**135,593**	**61,296**	**373,151**	**3**	**570,043**
Carrying amount December 31, 2014	**129,913**	**18,723**	**229,466**	**5,247**	**383,349**
Carrying amount December 31, 2013	**134,060**	**21,662**	**207,540**	**5,320**	**368,582**

Land charges in connection with land and buildings amount to EUR 42,043 thousand (2013: EUR 45,019 thousand).

Impairment losses of EUR 15,022 thousand (2013: EUR 10,644 thousand) were recognized on property, plant and equipment, which have been allocated to the corresponding functions in the consolidated income statement. Most of the impairment losses were recognized after impairment testing of property, plant equipment in connection with the Group's own retail business. No impairment losses (2013: EUR 1,868 thousand) or impairment reversals (2013: EUR 2,248 thousand) were recognized on land and buildings in fiscal year 2014. Transfers mainly relate to the reclassification as "non-current assets held for sale". Further information on the impairment losses can be found in Note 14.

The changes in the basis of consolidation in fiscal year 2013 concern from the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG as well as the business combination in France.

13| NON-CURRENT ASSETS HELD FOR SALE

As part of the consolidation process for its production sites, HUGO BOSS reached and announced its decision in the fourth quarter of 2014 to close its site in Cleveland, Ohio, in the first half of 2015. As a result of the intent to sell in fiscal year 2015, property, plant and equipment and intangible assets relating to buildings, technical equipment and machines in the amount of EUR 1,136 thousand belonging to HUGO BOSS Cleveland, Inc., Cleveland, Ohio, USA, were classified as "non-current assets held for sale".

14| IMPAIRMENT TESTING IN THE HUGO BOSS GROUP

Non-financial assets (property, plant and equipment and intangible assets including goodwill) are assessed at every reporting date as to whether there is an indication of impairment ("triggering events"). Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives (key money and brand rights) and goodwill acquired in a business acquisition are tested for impairment annually. As of the reporting date December 31, 2014, the following non-current assets were tested for impairment in the course of annual impairment testing or in response to a triggering event:

- Depreciated property, plant and equipment and amortized intangible assets at the Group's own retail store level
- Other intangible assets with indefinite useful lives (key money)
- Brand rights with an indefinite useful life
- Goodwill

The assessment of impairment is based on detailed planning of results of operations, of the statement of financial position and of investments for the next three years for all units of the Group prepared annually in the company-wide budget planning process, taking account of the current business situation. For periods beyond the planning horizon of the budget, a long-term growth rate is set to project future cash flows. The long-term growth rates used for this purpose are consistent with external sources of information. Investment and trade net working capital planning is based on budget planning data and is extrapolated on the basis of historical experience.

The cost of capital for the HUGO BOSS Group determined using an after-tax WACC model that discounts all forecast cash flows in local currency, while factoring in both general market and country-specific risk mark-ups (sovereign risk mark-up) as well as a currency risk mark-up (inflation risk mark-up). The after-tax cost of capital rate used as of December 31, 2014, is based on a risk-free interest rate of 2.0% (2013: 2.75%) and a market risk mark-up of 5.5% (2013: 5.5%).

DEPRECIATED PROPERTY, PLANT AND EQUIPMENT AND AMORTIZED INTANGIBLE ASSETS AT THE GROUP'S OWN RETAIL STORES LEVEL

In the HUGO BOSS Group, **the directly operated stores (DOS)** have been identified as a CGU, i.e., the smallest group of assets that can independently generate cash flows.

The DOS assets amortized or depreciated on a systematic basis are tested for impairment if there are indications or changes to planning assumptions suggesting that the carrying amount of the assets is not recoverable. For this purpose, after preparing the annual budget planning, HUGO BOSS conducts a triggering event test at DOS level. If defined year-on-year sales and profitability indicators are not reached, the non-current assets of the DOS in question are tested for impairment.

The recoverable amount of the DOS is determined by calculating the value in use based on a discounted cash flow method. The planned cash flows for the DOS from the bottom-up one-year budget approved by management of HUGO BOSS AG are used for this purpose. The forecast period is derived based on the expected useful lives for all DOSs and is reassessed annually. After the bottom-up budget, the values for the remaining useful lives are determined based on sales and cost developments specific to each country and CGU. The growth rates used for this purpose are based on the nominal, expected retail growth in each respective market for the corresponding planning year. Single-digit growth rates were thus determined for most DOSs. Low double-digit growth rates were determined for some emerging markets. At the end of the residual useful life, it is assumed that the respective DOS is wound up and that sales proceeds are obtained equivalent to the residual value of the operating assets. When calculating the value in use of the DOS, cash flows were discounted using a weighted average cost of capital of between 4.4% and 14.8% (2013: between 4.5% and 16.5%). This was based on a risk-free interest rate of 0.8% (2013: 1.3%) with an equivalent term.

DOS impairment testing in the past fiscal year resulted in impairment losses of EUR 15,281 thousand (2013: EUR 13,178 thousand), which were immediately recognized in the income statement under selling and distribution expenses. In response to negative developments in the profitability of individual locations, impairment losses had to be recognized on the non-current assets of certain DOSs following impairment testing. The increase is primarily attributable to retail store locations in the Americas and Asia/Pacific. Impairment losses in Europe, on the other hand, were lower than the prior year.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The following table presents the main assumptions underlying the calculation of the value in use or fair value less costs to sell of the goodwill and intangible assets with indefinite useful lives assigned to each group of CGUs:

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	**Intangible assets with indefinite useful life**	**WACC**	**Long-term growth rate**
2014				
Europe	**277**	**6,353**	**6.9–8.1%**	**3.2–3.3%**
Sales unit UK	277	0	8.1%	3.2%
DOS within the sales unit France	0	6,353	6.9%	3.3%
Asia/Pacific	**232**	**0**	**8.0%**	**3.8%**
Sales unit USA	232	0	8.0%	3.8%
Asia/Pacific	**19,680**	**0**	**7.8–8.3%**	**3.6–5.0%**
Sales unit Shenzhen	4,746	0	8.2%	5.0%
Sales unit Macau	5,935	0	7.8%	3.9%
Sales unit Australia	8,587	0	8.3%	4.9%
Sales unit Singapore	412	0	8.1%	3.6%
Licenses	**0**	**14,992**	**8.0–8.3%**	**2.4–3.8%**
Brand rights U.S.A.	0	13,615	8.0%	3.8%
Brand rights Italy	0	1,377	8.3%	2.4%
Corporate Units	**18,710**	**0**	**8.3%**	**2.0%**
Production unit shoes and leather accessories Italy	18,710	0	8.3%	2.0%
TOTAL	**38,899**	**21,345**	**6.9–8.3%**	**2.0–5.0%**
2013				
Europe	**259**	**5,776**	**8.1–8.6%**	**2.8–4.1%**
Sales unit UK	259	0	8.6%	4.1%
DOS within the sales unit France	0	5,776	8.1%	2.8%
Asia/Pacific	**17,399**	**0**	**8.0–9.8%**	**4.1–6.0%**
Sales unit Shenzhen	4,219	0	9.8%	6.0%
Sales unit Macau	5,214	0	8.0%	4.1%
Sales unit Australia	7,782	0	9.4%	4.9%
Sales unit Singapore	184	0	8.2%	4.2%
Licenses	**0**	**14,992**	**8.4–10.7%**	**1.6–4.1%**
Brand rights U.S.A.	0	13,615	8.4%	4.1%
Brand rights Italy	0	1,377	10.7%	1.6%
Corporate Units	**18,710**	**0**	**10.7%**	**1.9%**
Production unit shoes and leather accessories Italy	18,710	0	10.7%	1.9%
TOTAL	**36,368**	**20,768**	**8.0–10.7%**	**1.6–6.0%**

In the table, **goodwill** was allocated to Europe, the Americas and Asia/Pacific and linked to the corporate units and the relevant CGU. The takeover of the mono-brand stores in fiscal year 2011 gave rise to goodwill that is allocable to the sales unit UK. Goodwill stemming from the acquisition of stores from a former franchise partner in 2013 is allocable to the sales unit USA. In Asia/Pacific, goodwill acquired from the acquisition of the shares in the sales units Lotus (Shenzhen) Commerce Limited and Lotus Concept Trading (Macau) Co., Ltd., in fiscal year 2010. Goodwill from the acquisition of shares in the Australia sales unit in 2002 as well as the takeover of a retail store operated by a franchise partner in 2013 are allocated to the Australia sales unit. Goodwill also arose in fiscal year 2013 from the takeover of a franchise partner in Singapore. The goodwill allocated to the corporate units results from the acquisition of shares in the companies of the shoes and leather accessories business unit in fiscal year 2004.

The table presents the combined **intangible assets with indefinite useful lives** for all countries in Europe. The key money with an indefinite useful life is allocable to various retail locations in the markets France and Denmark; viewed individually, these are not material. Brand rights for the use of the brands, mainly for the U.S. and Italian markets, are allocated to the licenses segment. Brand rights are tested for impairment at country level.

The procedure used to assess the recoverability of goodwill and intangible assets with indefinite useful lives at CGU level is presented below:

OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE (KEY MONEY)

Key money with an indefinite useful life paid in connection with the conclusion of a rental agreement is tested for impairment once a year or if there are indications of impairment. The recoverable amount of the CGU is determined with the assistance of external appraisals that calculate either the fair value less costs to sell or the value in use using discounted cash flow models.

For DOS to which key money with an indefinite useful life was allocated, no impairment losses were recognized in fiscal year 2014 (2013: EUR 605 thousand). In fiscal year 2013, the impairment losses mainly concern the key money of two DOS in France, caused by the change in the local real estate market.

BRAND RIGHTS WITH AN INDEFINITE USEFUL LIFE

The brand rights with an indefinite useful life are primarily attributable to rights acquired in 1997 for the use of the brands BOSS, HUGO and HUGO BOSS in the United States and the brand rights acquired in Italy. The indefinite useful life stems from the estimate of an indefinite use of the registered brand name.

The recoverable amount of brand rights with an indefinite life is determined based on fair value less costs to sell and classified as Level 3 of the fair value hierarchy pursuant to IFRS 13. This is based on a sales forecast for the respective market approved by management as part of the budget process. Country-specific sales growth rates are also used. After the five-year detailed planning phase, planned sales are extrapolated using a long-term nominal retail growth rate for each of the respective markets.

No impairment losses were recognized on the brand rights with indefinite useful lives in fiscal years 2014 and 2013.

GOODWILL

The recoverable amount of the respective CGUs was derived from the value in use determined using cash flow projections based on medium-term financial budgets approved by management. Restructuring to which the Group has not yet committed to and investment to improve or enhance the earnings power of the tested CGU that is not allocable to current business operations are not taken into account. After the detailed planning phase, country-specific sales growth rates derived from normal retail growth are used.

As in the prior year, no impairment losses were recognized on any goodwill in fiscal year 2014.

KEY ASSUMPTIONS USED TO CALCULATE THE VALUE IN USE AND FAIR VALUE LESS COSTS TO SELL

The following key assumptions, estimation uncertainty and judgments by management underlie the calculation of the value in use and fair value less costs to sell of the aforementioned assets:

- Nominal, long-term retail growth
- Gross profit margin
- Fixed cost development
- Discount rates
- Expected useful life of DOS

Estimation of growth rate – Growth rates are derived from published market research for the industry that is based on country-specific nominal retail growth. These growth rates were mainly factored in after the detailed planning phase and in the terminal value used to calculate the value in use.

Estimating gross profit margin – The planned gross profit margin factors in both efficiency improvements and margin shifts due to differences in the sales mix of the various channels. A constant gross profit margin was assumed after the detailed planning phase.

Cost development – The cost development is derived from growth of real gross domestic product in each country and the inflation rate in each country.

Discount rates – The discount rates reflect current market assessments of the risks specific to each CGU. This takes into account the interest effect and the risks specific to the assets. Country-specific costs of capital are taken into account for individual CGUs, which factor in sovereign risk and a currency risk mark-ups. The after-tax weighted average cost of capital (WACC) takes into account both debt and equity. In addition, the beta factor, the cost of borrowed capital and the capital structure are derived by reference to a peer group in accordance with IAS 36 and calculated based on publicly available market data.

Useful life of DOS – The forecast period underlying the impairment testing of non-current assets at DOS level amortized or depreciated on a systematic basis is based on the average remaining terms of the lease agreements. These are determined and reassessed annually. Prolongation options are taken into account when determining the average remaining terms if management can exercise the option without incurring significant costs.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

As of December 31, 2014, scenarios for critical measurement parameters such as the discount rates used and the growth rates underlying forecast cash flows were determined to verify the values in use determined. Management of the HUGO BOSS Group considers it plausible for the discount rate to increase by 10.0% on average in relative terms. In addition, for the DOS under review and the CGUs to which goodwill is allocated, an annual relative divergence in growth rates of 15.0% in the detailed planning phase is deemed plausible. Furthermore, for the CGUs to which goodwill is allocated, a 15.0% decrease in the relative sales growth rates underlying the extrapolation of cash flows after the detailed planning phase is deemed plausible.

A 10.0% increase in the discount rate would result in an additional impairment of EUR 372 thousand (2013: EUR 102 thousand) for the DOS under review. Under the above assumption, the value of use of all items of goodwill would exceed their respective carrying amounts.

In the event of a 15.0% reduction of the annual growth rates in the detailed planning phase, it would be necessary to recognize an additional impairment loss of EUR 1,645 thousand (2013: EUR 923 thousand) for the DOS under review; by contrast, the value in use of all items of goodwill would exceed their carrying amounts.

In the event of a 15.0% reduction in the growth rate of sales used to extrapolate the cash flow forecast after the detailed planning period, the value in use of all items of goodwill would exceed their carrying amounts (2013: 15.0%).

15| FINANCIAL AND OTHER ASSETS

(in EUR thousand)

	2014			2013		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Financial assets	42,181	22,528	19,653	40,685	23,323	17,362
Tax refund claims and prepayments	13,520	12,353	1,167	11,437	9,743	1,694
Other assets	78,242	70,669	7,573	63,612	59,659	3,953
Other financial assets	130	0	130	38	0	38
TOTAL	**134,073**	**105,550**	**28,523**	**115,772**	**92,725**	**23,047**

Financial assets include positive market values of currency hedges amounting to EUR 3,908 thousand (2013: EUR 5,026 thousand), interest hedges of EUR 0 thousand (2013: EUR 1,252 thousand) and rent deposits for the Group's own retail stores of EUR 13,714 thousand (2013: EUR 12,956 thousand). Financial assets also include receivables from credit card companies amounting to EUR 15,924 thousand (2013: EUR 16,302 thousand).

The tax refund claims and tax prepayments are mostly VAT receivables.

Other assets contain refund claims from returns in the amount of EUR 17,353 thousand (2013: EUR 13,692 thousand), bonus receivables from supplier arrangements and prepayments for service agreements and leases.

Impairment losses of EUR 457 thousand were recognized on other assets in the past fiscal year (2013: EUR 266 thousand).

Other financial assets contain the investment carried at amortized cost in the subsidiary HUGO BOSS Korea Ltd., South Korea, which was founded in fiscal year 2014 but not consolidated. In the prior year, other financial assets contained shares in the subsidiary HUGO BOSS Finland OY, Helsinki, Finland, which was not consolidated.

Also included in other financial assets are interests in entities under joint control accounted for using the equity method. The carrying amount of shares in the property companies whose activities consist of the leasing of buildings and associated properties amounts to EUR 35 thousand. The maximum default risk is equal to this capital contribution.

The following is a summary of financial information for entities under joint control accounted for using the equity method. The information contained therein relates to 100% of the associates and not to the Group’s share of those associates.

(in EUR thousand)

	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	124,470	102,005
Current assets	9,115	29,513
Liabilities	137,253	134,658

(in EUR thousand)

	Dec. 31, 2014	Dec. 31, 2013
Sales	6,355	1,909
Depreciation and amortization	(4,279)	(1,077)
Other interest and similar income	40	59
Interest and similar expenses	(2,450)	(628)
Net income/(loss)	(633)	(823)

The financial information is based on financial statements prepared in accordance with local gaap. IFRS financial statements are not prepared for reasons of materiality.

16| INVENTORIES

(in EUR thousand)

	2014	2013
Finished goods and merchandise	448,245	379,600
Raw materials and supplies	52,817	54,025
Work in progress	6,346	7,212
TOTAL	**507,408**	**440,837**

Inventories carried at fair value less costs to sell amount to EUR 80,575 thousand (2013: EUR 82,312 thousand). In fiscal year 2014, impairment losses of EUR 11,259 thousand (2013: EUR 13,004 thousand) were recognized, mainly on finished goods and raw materials, and reported within cost of sales. This was counterbalanced by reversals of impairment losses of EUR 11,914 thousand (2013: EUR 22,513 thousand), following the sale of finished goods and raw materials on which impairment losses had previously been recognized.

17| TRADE RECEIVABLES

(in EUR thousand)

	2014	2013
Trade receivables, gross	266,408	241,330
Accumulated allowance	(15,876)	(15,126)
Trade receivables, net	**250,532**	**226,204**

Trade receivables are non-interest-bearing and are generally due between 30 and 90 days.

All recognizable risks are provided for by appropriate valuation allowances. Actual default leads to derecognition of the receivables in question.

Valuation allowances on doubtful debts developed as follows:

(in EUR thousand)

	2014	2013
Allowances for doubtful accounts as of January 1	**15,126**	**16,628**
Additions	7,021	4,632
Use	(2,647)	(1,829)
Release	(3,793)	(4,009)
Currency differences	169	(296)
Allowances for doubtful accounts as of December 31	**15,876**	**15,126**

Any expenses and income from allowances on trade receivables are reported under selling and distribution expenses.

As at December 31, the ageing analysis of trade receivables is as follows:

(in EUR thousand)

	2014	2013
Trade receivables, net	**250,532**	**226,204**
Thereof neither overdue, nor impaired	**192,007**	**160,287**
Thereof overdue, but not impaired	**51,779**	**56,489**
≤ 30 days	32,467	34,793
30 to 60 days	14,726	14,658
60 to 90 days	4,586	7,038
90 to 120 days	0	0
120 to 180 days	0	0
180 to 360 days	0	0
> 360 days	0	0
Thereof: overdue and impaired	**6,746**	**9,428**

As regards receivables that were neither overdue nor impaired, there were no indications as of the reporting date that the debtors would not settle their payment obligations. Specific valuation allowances ranging between 1% and 100% are recognized on trade receivables.

Pursuant to the general terms and conditions for sales, ownership of the goods supplied is transferred to wholesale partners upon complete payment of all receivables. No collateral has been provided in the Group for individual receivables.

18| CASH AND CASH EQUIVALENTS

(in EUR thousand)

	2014	2013
Balances with banks and other cash items	121,055	108,890
Checks/ec-cash	590	863
Cash in hand	6,986	9,489
TOTAL	**128,631**	**119,242**

Apart from liquid assets in the narrow sense – i.e. checks, cash in hand, balances with banks – cash and cash equivalents contain short-term deposits that can be converted to cash and cash equivalents at any time and are only subject to insignificant fluctuations in value.

As of the end of the reporting date, the line item balances with banks and other cash items contains short-term deposits of EUR 10,000 thousand (2013: EUR 25,000 thousand).

19| SUBSCRIBED CAPITAL

The fully paid in share capital of HUGO BOSS AG is unchanged and amounts to EUR 70,400 thousand as of December 31, 2014. It is made up of 70,400,000 no-par value ordinary shares. The shares have an imputed nominal value of EUR 1 each.

The Management Board of HUGO BOSS AG may with the Supervisory Board's consent increase the share capital by up to EUR 35,200 thousand until May 12, 2019 by issuing 35,200,000 new registered shares on a cash and/or non-cash basis once or repeatedly (Authorized Capital). Generally, shareholders have a subscription right.

CAPITAL MANAGEMENT

Equity comprises the equity attributable to the equity holders of the parent.

The primary objective of the HUGO BOSS Group's capital management is to secure the financial headroom to make value-enhancing investments for further business growth and, in turn, to increase the enterprise value in a sustainable manner.

To increase the enterprise value, the Group focuses on maximizing free cash flow over the long term. Maintaining positive free cash flow on a lasting basis secures the Group's financial independence and its solvency at all times. The main levers for improving free cash flow are increasing sales and operating income, defined as EBITDA (earnings before interest, taxes, depreciation and amortization) before special items. Strict management of trade net working capital and value-oriented investment activities also support the development of free cash flow. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made to the objectives, policies and methods as of December 31, 2014, and December 31, 2013.

In addition, efficient use of capital and the capital structure are regularly monitored based on the leverage ratio, i.e. the ratio of net financial liabilities to EBITDA before special items:

(in EUR thousand)

	2014	2013
Liabilities due to banks	164,294	176,250
Cash and cash equivalents	(128,631)	(119,242)
Net financial liabilities	**35,663**	**57,008**
Operating profit	**590,789**	**564,706**
Financing strength	**0.1**	**0.1**

Total leverage improved further year on year driven by the positive development of the operating result and the improvement in net financial liabilities. As in the prior year, the ratio was at 0.1 on the reporting date and thus substantially lower than the maximum permissible value pursuant to the covenant agreed as part of the refinanced syndicated loan agreement from fiscal year 2013.

20| OWN SHARES

The number of own shares remains unchanged compared to the prior year:

	2014	2013
Shares	1,383,833	1,383,833
Share of subscribed capital in %	2.0	2.0

At the Annual Shareholders' Meeting of June 21, 2010, a resolution was passed to authorize the Managing Board until June 20, 2015 to redeem registered ordinary shares and/or registered preferred shares without voting rights of the Company up to 10% in total of the current share capital.

21| CAPITAL RESERVE

The capital reserve contains premiums on the issue of shares.

22| RETAINED EARNINGS

Retained earnings contain profits that have not been distributed and that were generated in the past by the entities included in the consolidated financial statements, effects on earnings from consolidation entries in prior periods and effects from the revaluation of provisions for pensions.

23| ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income contains the differences without effect on income arising from translation of the financial statements of foreign subsidiaries amounting to EUR 15,320 thousand (2013: EUR –16,699 thousand) and the effects of the measurement of cash flow hedges after tax without effect on income. Deferred taxes on the measurement of cash flow hedges recognized directly in equity amount to EUR 387 thousand (2013: EUR –313 thousand).

Reference is made to the consolidated statement of comprehensive income for the income and expenses recognized directly in equity.

24| DIVIDEND

Pursuant to the AktG [“Aktiengesetz”: German Stock Corporation Act], the dividend that can be distributed to the shareholders is measured based on the unappropriated surplus reported in the financial statements of HUGO BOSS AG amounting to EUR 254,848 thousand. The net retained profit of HUGO BOSS AG for 2014 proposed to the Annual Shareholders’ Meeting for distribution amounts to EUR 249,839 thousand. This corresponds to EUR 3.62 per share. It is also proposed to the Annual Shareholders’ Meeting that the dividend attributable to own shares totaling EUR 5,009 thousand be carried forward to new account.

In 2014, a dividend of EUR 230,514 thousand was paid out for shares outstanding for fiscal year 2013 (in 2013 for 2012: EUR 215,330 thousand). This corresponds to EUR 3.34 per share for 2013 (2012: EUR 3.12 per share).

25| PROVISIONS

(in EUR thousand)

	2014	2013
Provisions for pensions	45,628	29,795
Other non-current provisions	24,917	22,944
Non-current provisions	**70,545**	**52,739**
Current provisions	**115,656**	**99,868**
TOTAL	**186,201**	**152,607**

Other provisions of EUR 140,573 thousand (2013: EUR 122,812 thousand) comprise current provisions of EUR 115,656 thousand (2013: EUR 99,868 thousand) and other non-current provisions of EUR 24,917 thousand (2013: EUR 22,944 thousand).

In fiscal year 2014, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2014	**Currency differences**	**Compounding**	**Addition**	**Use**	**Release**	**Balance on Dec. 31, 2014**
Provisions for personnel expenses	53,381	1,064	89	32,308	(36,213)	(5,091)	45,538
Refund for goods	20,164	494	0	24,856	(18,210)	(1,749)	25,555
Provisions for rebuild obligations	9,102	677	212	3,468	(365)	(810)	12,284
Costs of litigation, pending legal disputes	8,508	83	0	2,498	(2,141)	(1,478)	7,470
Miscellaneous provisions	31,657	1,062	0	33,524	(9,660)	(6,857)	49,726
TOTAL	**122,812**	**3,380**	**301**	**96,654**	**(66,589)**	**(15,985)**	**140,573**

The provisions for personnel expenses mainly concern the provisions for short- and medium-term profit sharing and bonuses, severance payment claims, phased retirement arrangements and overtime.

Overall, it is expected that the provisions for personnel expenses of EUR 11,317 thousand (2013: EUR 12,562 thousand) will be paid out in more than 12 months.

Provisions for goods returned, which are largely expected to be completed within 12 months, are determined based on historical rates of goods returned.

Non-current provisions for rebuild obligations relate to Group-operated retail stores, warehouses and office space used by the Group companies.

The provisions for costs of litigation and pending legal disputes include various, individually immaterial ongoing litigations as well as litigation costs for the protection of brand rights. These provisions are classified as current.

Miscellaneous provisions also contain provisions for the potential ramifications of legal and tax issues and provisions for expenses related to the decision to close the production site in Cleveland, Ohio, which has already been communicated.

The risk-free interest rates used to discount non-current provisions range between 0.5% and 4.5% (prior year: between 1.1% and 4.9%) depending on the term and currency zone in question.

26| PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are recognized for obligations from future and current post-employment benefits to eligible current and former employees of the HUGO BOSS Group. The benefits agreed under the pension plans depend for the most part on the length of service of the eligible employee. In general, company pension plans are classified into two types of plans: defined contribution plans and defined benefit plans. In the HUGO BOSS Group most of the plans are defined benefit plans. In the past year, the main defined benefit plans were granted in Germany, Switzerland and Turkey. The characteristics of these plans are described in the following.

DEFINED BENEFIT PLANS

GERMANY

Since fiscal year 2014 there have only been direct pension obligations in Germany. A distinction is also made between general and individually agreed benefits. Under the general benefits granted, each employee who joined the Company prior to July 1, 2012 is entitled to benefits from company pension plans. Employees who first receive benefits under the plan upon reaching the age of 50 or who have temporary employment agreements are excluded. Benefits comprise a retirement benefit in the form of an old-age pension, an early-retirement benefit or a disability benefit or a surviving dependents' benefit in the form of a dependent child benefit. The retirement benefits, early-retirement benefits and dependent child benefits have been indirectly granted through a welfare fund, while HUGO BOSS has granted the disability benefit directly. The general benefits previously granted via the welfare fund were transferred to HUGO BOSS AG as the sponsoring company in fiscal year 2014 in return for waiver of the plan assets granted as a loan. Active employees were subsequently offered a cash settlement of the vested benefits or, alternatively, transfer of the vested benefits to the Company's direct insurance scheme (plan settlement). The remaining general pension commitments have been retained as HUGO BOSS AG's direct pension commitments.

Individually agreed benefits are only granted to active and former members of the Managing Board. Benefits can take the form of retirement benefits as old-age pensions or disability annuities and take the form of surviving dependents' benefits as a surviving spouse or child benefit.

In addition, the HUGO BOSS Group offers the Managing Board and executives the option of acquiring additional pension benefits under deferred compensation agreements. This supplementary pension plan can take the form of retirement benefits or, alternatively, the form of occupational incapacity benefits and/or surviving dependents' benefits and/or the form of a lump-sum death grant. The pension benefits take the form of monthly payments, while surviving dependents' benefits can also be granted in the form of a lump-sum capital payment.

In Germany, the company pension plan for individually agreed benefits and deferred compensation agreements is funded by plan assets for which there is employer's pension liability insurance which is a qualifying insurance policy within the meaning of IAS 19.8 in conjunction with IAS 19.113 et seq. The assets concerned can be classified as non-marketable assets. Employer's pension liability insurance has not been taken out for general benefits granted.

SWITZERLAND

In Switzerland, employee pension plans must be allocated to a pension fund that is separate from the employer. The BVG ["Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge": Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans] imposes minimum benefits. HUGO BOSS uses a collective foundation to provide for its employees against the economic consequences of old age, disability and death. Under this model, the foundation assets are the plan assets. The board of trustees of the collective foundation is responsible for the investment policy; at present the majority of plan assets are invested in fixed interest securities such as sovereign bonds. The supreme governing body of the collective foundation comprises an equal number of employer and employee representatives. The plans are financed by employer and employee contributions, which are defined as a percentage of the insured wage. The old-age pension is calculated as the retirement assets accumulated upon reaching a pensionable age multiplied by the conversion rates specified in the fund regulations. Employees can opt to receive their pension benefits as a lump-sum payment from the retirement assets. The benefit payments under the Swiss plans encompass old-age pensions, disability benefits and surviving dependents' benefits. The collective foundation can change its financing system (contributions and future benefits) at any time. In addition, the collective foundation can terminate the affiliation agreement with HUGO BOSS; in such an event, the latter would have to join another welfare fund. Depending on the conditions of the affiliation agreement and the current partial liquidation rules, a deficit and the risks of increasing life expectancy (current pensions) can be transferred.

TURKEY

In Turkey, severance payment commitments have been made to employees, which have to be recognized as defined benefit plans in accordance with IAS 19. The severance payment that must be paid by HUGO BOSS complies with the legally required benefits of up to one month per year of service and is granted upon retirement, in the event of employment termination by the employer without due cause, upon marriage, in the event of death or conscription to military service. Employees are entitled to benefits after one year of service. The monthly salary used as a basis to calculate the obligation is capped at an amount set by the Turkish authorities. Obligations in Turkey are funded by provisions.

The pension obligations of the HUGO BOSS Group break down as follows:

(in EUR thousand)

	Present Value of the Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit Liability	
	2014	2013	**2014**	2013	**2014**	2013
Germany	81,711	73,996	56,633	58,068	25,078	15,928
Switzerland	36,055	28,252	22,333	19,428	13,722	8,824
Turkey	4,146	2,868	0	0	4,146	2,868
Others[1]	2,682	2,175	0	0	2,682	2,175
TOTAL	**124,594**	**107,291**	**78,966**	**77,496**	**45,628**	**29,795**

[1] Additional defined benefit plans are in place in Italy, France and Mexico.

The amount of the pension obligations was determined using actuarial methods in accordance with IAS 19 “Employee Benefits”.

In fiscal year 2014, the funding status of benefit obligations pursuant to IAS 19 was as follows:

(in EUR thousand)

	2014	2013
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	107,291	100,374
Currency differences	689	(1,241)
Service cost	5,686	5,804
Interest expense	3,613	3,227
Payments from settlements	(3,932)	0
Remeasurement of the carrying amount		
Actuarial gains/losses	21,218	(2,341)
Experience adjustments	(3,182)	398
Benefits paid	(10,567)	(3,361)
Contribution by participants of the plan	2,928	4,296
Past service cost	967	0
Other changes in benefit obligation	(117)	135
Present value of benefit obligation on December 31	**124,594**	**107,291**
Changes in plan assets		
Fair value of plan assets on January 1	77,496	69,137
Currency differences	406	(284)
Offsetting with plan assets	0	0
Expected return on plan assets	2,621	2,254
Expected return on plan assets (without interest income)	(373)	(160)
Benefits paid	(9,990)	(2,647)
Contribution by the employer	3,048	6,846
Contribution by participants of the plan	2,928	4,296
Asset ceiling pursuant to IAS 19.58	2,830	(1,946)
Other changes in benefit obligation	0	0
Fair value of plan assets on December 31	**78,966**	**77,496**
Funding status of the benefits funded by plan assets	**45,628**	**29,795**

As of December 31, 2014 EUR 115,201 thousand (2013: EUR 96,164 thousand) of the present value of the defined benefit obligations was funded through employer’s pension liability insurance and foundation assets, while the remaining EUR 9,393 thousand (2013: EUR 11,127 thousand) was unfunded.

ACTUARIAL ASSUMPTIONS UNDERLYING THE CALCULATION OF THE PRESENT VALUE OF THE PENSION OBLIGATION AS OF DECEMBER 31, 2014

The following premises were defined:

Actuarial assumptions	**2014**	2013
Discount rate		
Germany	2.25%	3.50%
Switzerland	1.40%	2.20%
Turkey	8.50%	10.50%
Future pension increases		
Germany	1.75%	1.75%
Switzerland	0.00%	0.00%
Turkey	0.00%	0.00%
Future salary increases		
Germany	2.50%	2.50%
Switzerland	3.50%	4,00%
Turkey	5.00%	5.00%

Pension benefits in Germany are determined on the basis of biometric principles in accordance with the 2005 G mortality tables of Prof. Dr. Klaus Heubeck. The BVG 2010 mortality tables are used to measure the obligations of Swiss companies. The pension obligations in Turkey are determined using the CSO 1980 mortality tables.

SENSITIVITY ANALYSIS OF KEY ACTUARIAL ASSUMPTIONS

The HUGO BOSS Group is exposed to special risks in connection with the aforementioned defined benefit plans. The funding status of pension obligations is influenced by both changes in the present value of the defined benefit obligations and changes in the fair value of plan assets. These are determined using actuarial methods that make assumptions concerning discount rates, future pension increases, future wage and salary increases and mortality rates. Future deviations between actual conditions and the underlying assumptions can lead to an increase or a decrease in the present value of the defined benefit obligations or the fair value of plan assets.

In addition, future amendments to the accounting standards governing the accounting treatment of pension obligations can affect the pertinent items of net assets, financial position and results of operations of the HUGO BOSS Group.

A change in the key actuarial parameters according to the scenarios presented below has the effects presented in the table below on the present value of the pension obligations as of December 31, 2014.

When conducting the sensitivity analysis, each parameter was altered ceteris paribus and not in combination with changes in other assumptions, thus excluding interdependencies between parameters. In addition, only ranges of values deemed to be reasonably plausible up to the date of preparing the HUGO BOSS Group's next set of consolidated financial statements were selected.

Actuarial assumptions	**2014**	2013
Discount rate		
December 31,		
Increase of 75 basis points	(11,943)	(12,407)
Decline of 75 basis points	14,883	15,188
Future pension increases		
December 31,		
Increase of 25 basis points	2,069	1,980
Decline of 25 basis points	(970)	(1,178)
Future salary increases		
December 31,		
Increase of 50 basis points	2,246	1,675
Decline of 50 basis points	(2,184)	(1,564)
Life expectancy		
December 31,		
Increase of 10 percent	(2,502)	(1,349)
Decline of 10 percent	2,810	1,199

BREAKDOWN OF THE PENSION EXPENSES IN THE PERIOD

The pension expenses recognized in the consolidated income statement comprise the current service cost and the net interest expense. In addition, remeasurement effects from the change in financial assumptions and experience adjustments together with the return on plan assets that is not included in interest expenses and interest income are recognized in other comprehensive income in the consolidated statement of comprehensive income. The net effect from the asset ceiling is also recognized in other comprehensive income in accordance with IAS 19.58.

(in EUR thousand)

	2014	2013
Current service costs	5,686	5,804
Past service costs	967	0
Net interest costs	992	973
Recognized pension expenses in the comprehensive statement of income	**7,645**	**6,777**
Expense from plan assets (without interest effects)	373	160
Recognized actuarial (gains)/losses	18,037	(1,943)
Asset ceiling (without interest effects of asset ceiling)	(2,929)	1,695
Recognized remeasurement of the carrying amount in the comprehensive statement of income	**15,480**	**–88**

The net interest expense is calculated by multiplying the net pension obligation by the discount rate underlying the measurement of the defined benefit obligation (DBO).

In the case of deferred compensation commitments, current service cost is only incurred in the year of deferral. An increase in the service rendered does not increase the benefits granted.

For fiscal year 2015, the Group expects employer contributions to plan assets of EUR 3,010 thousand (2014: EUR 2,296 thousand).

DURATION

The duration of the defined benefit plans of the HUGO BOSS Group on December 31 stood at:

(Duration in years)

	2014	2013
Germany	20	18
Switzerland	19	17
Turkey	13	12

DEFINED CONTRIBUTION PLANS

Employer contributions to defined contribution plans totaled EUR 16,173 thousand in the fiscal year (2013: EUR 17,093 thousand) and are reported under personnel expenses in the income statement. The HUGO BOSS Group's main defined contribution plans are in Germany, the United States, the Benelux countries, Scandinavia and Hong Kong. Significant components of the amounts recognized in the income statement are contributions to statutory pension insurance and the employer's contribution to employer-funded direct insurance in Germany.

27| FINANCIAL LIABILITIES

All interest-bearing and non-interest-bearing obligations as of the respective reporting date are reported under financial liabilities. They break down as follows:

(in EUR thousand)

	2014	2013
Non-current financial liabilities	153,643	164,768
Current financial liabilities	18,256	14,653
TOTAL	**171,899**	**179,421**

(in EUR thousand)

	2014	**With remaining term up to 1 year**	2013	With remaining term up to 1 year
Financial liabilities due to banks	164,293	15,137	176,250	13,889
Other financial liabilities	7,606	3,119	3,171	764
TOTAL	**171,899**	**18,256**	**179,421**	**14,653**

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 7,546 thousand (2013: EUR 3,051 thousand). As in the prior year, there were no liabilities from finance lease agreements.

The following tables show the terms and conditions of financial liabilities:

LIABILITIES DUE TO BANKS

	2014		2013	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	4.01%	15,137	3.84%	13,889
1 to 5 years	1.30%	116,948	1.45%	135,861
More than 5 years	2.97%	32,208	3.54%	26,500

The majority of financial liabilities due to banks are classified as non-current following the refinancing of the syndicated line of credit in fiscal year 2013.

OTHER FINANCIAL LIABILITIES

	2014		2013	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	0.90%	3,640	4.16%	764
1 to 5 years	3.60%	2,967	5.10%	1,722
More than 5 years	5.69%	999	5.48%	685

By contrast to the prior year, the share of non-interest-bearing financial liabilities has risen. As of the reporting date, they contain interest and currency derivatives with negative market values.

The table below shows the contractually agreed undiscounted cash flows for non-derivative financial liabilities and for derivative financial instruments with a negative fair value:

(in EUR thousand)

2014		Expected cash flows			
Non-derivative financial liabilities	**Carrying amount**	**Total cash flows**	**< 1 year**	**1 – 5 years**	**> 5 years**
Financial liabilities due to banks	164,293	179,029	17,010	137,092	24,927
Liabilities from finance leases	0	0	0	0	0
Derivative financial liabilities					
Undesignated derivatives	5,998	5,998	3,119	1,880	999
Derivatives subject to hedge accounting	1,548	1,548	521	1,027	0
Other financial liabilities	60	60	0	60	0
TOTAL	**171,899**	**186,635**	**20,650**	**140,059**	**25,926**

2013					
Non-derivative financial liabilities					
Financial liabilities due to banks	176,250	195,312	24,578	140,667	30,067
Liabilities from finance leases	0	0	0	0	0
Derivative financial liabilities					
Undesignated derivatives	3,051	3,170	765	1,636	769
Derivatives subject to hedge accounting	0	0	0	0	0
Other financial liabilities	120	120	0	120	0
TOTAL	**179,421**	**198,602**	**25,343**	**142,423**	**30,836**

28| OTHER LIABILITIES

(in EUR thousand)

	2014			2013		
		Thereof current	Thereof non-current		Thereof current	Thereof non-current
Other liabilities	134,747	96,876	37,871	112,889	81,922	30,967
From taxes	36,630	36,630	0	29,063	29,063	0
From social security	6,607	6,607	0	5,688	5,749	(61)

Apart from VAT liabilities and social security liabilities, other liabilities mainly contain accruals of rental obligations for the Group's own retail business as well as accrued vacation, wages and salaries.

29| TRADE PAYABLES

(in EUR thousand)

	2014	2013
Trade payables	254,959	235,286

Trade payables contain payments on account of EUR 6,237 thousand (2013: EUR 4,964 thousand).
Trade payables have a remaining term of up to one year.

30| ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

CARRYING AMOUNTS AND FAIR VALUES BY CATEGORY OF FINANCIAL INSTRUMENTS

(in EUR thousand)

		2014		2013	
Assets	IAS 39 category	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	LaR	128,631	128,631	119,242	119,242
Trade receivables	LaR	250,532	250,532	226,204	226,204
Other financial assets		42,276	42,276	40,688	40,688
Thereof:					
Available-for-sale investments	AfS	95	95	3	3
Undesignated derivatives	FAHfT	3,395	3,395	5,026	5,026
Derivatives subject to hedge accounting	n. a.	513	513	1,252	1,252
Other financial assets	LaR	38,273	38,273	34,407	34,407
Liabilities					
Financial liabilities due to banks	FLAC	164,293	169,578	176,250	179,492
Trade payables	FLAC	254,959	254,959	235,286	235,286
Other financial liabilities		7,606	7,606	3,171	3,171
Thereof:					
Undesignated derivatives	FLHfT	5,998	5,998	3,051	3,051
Derivatives subject to hedge accounting	n. a.	1,548	1,548	0	0
Other financial liabilities	FLAC	60	60	120	120
Total for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	417,436	417,436	379,853	379,853
Available-for-Sale investments	AfS	95	95	3	3
Financial Assets Held for Trading	FAHfT	3,395	3,395	5,026	5,026
Financial Liabilities Measured at Amortized Cost	FLAC	419,312	424,597	411,656	414,898
Financial Liabilities Held for Trading	FLHfT	5,998	5,998	3,051	3,051

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, other financial assets, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of loans from banks and other financial liabilities, obligations under finance leases and other non-current financial liabilities is calculated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Financial transactions with parties with a lower credit rating require the approval of the Managing Board and are concluded only to a limited degree. Derivatives valued using valuation techniques with observable market data are mainly interest rate swaps and forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the creditworthiness of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying base rates.

As of December 31, 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The credit risk of the counterparty did not lead to any significant effects.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As of December 31, 2014, as in the prior year, all financial instruments measured at fair value in the categories FAHfT, FLHfT and derivatives designated to a hedge relationship were assigned to level 2. During fiscal year 2014, there were no transfers between level 1 and level 2 or from level 3. The financial instruments measured at fair value comprised forward exchange contracts, currency swaps and interest derivatives. These were assigned to the categories FAHfT, FLHfT and derivatives used for hedging. The assets amounted to EUR 3,908 thousand and liabilities to EUR 7,546 thousand. The fair value of financial instruments carried at amortized cost in the statement of financial position was likewise determined using a level 2 method.

INTEREST AND CURRENCY RISK HEDGES

To hedge against interest and currency risks, the HUGO BOSS Group enters into hedging transactions in some areas to mitigate risk. As of the reporting date, EUR 110,916 thousand (2013: EUR 111,495 thousand) in variable interest finance liabilities were hedged. EUR 100,000 thousand (2013: EUR 100,000 thousand) thereof was designated as an effective hedging instrument. Moreover, as of the reporting date, future cash flows in foreign currencies of EUR 12,532 thousand (2013: EUR 0 thousand) were hedged and fully designated as an effective hedging instrument. The change in unrealized gains/losses from marking hedges to market in other comprehensive income amounted to EUR –1,587 thousand (2013: EUR 4,460 thousand).

NET RESULT BY MEASUREMENT CATEGORY

(in EUR thousand)

	Interest income and expenses	**Changes in fair value**	**Currency translation**	**Bad debt losses**	**Disposal of financial instruments**	**2014**	2013
Derivatives (FAHfT and FLHfT)	0	(1,341)	0	0	(4,299)	(5,640)	11,736
Loans and Receivables (LaR)	1,617	0	2,831	(2,642)	0	1,806	(12,874)
Financial liabilities measured at amortized cost (FLAC)	(7,218)	0	(2,474)	0	0	(9,692)	(16,908)

Interest on financial instruments is reported in the interest result (cf. notes to the consolidated income statement, Note 6).

The bad debt allowances recognized on trade receivables allocable to the loans and receivables measurement category are reported under selling and distribution expenses.

Exchange gains and losses from the translation of foreign currency receivables and liabilities as well as fair value changes and effects of disposals of exchange rate hedges are reported in the other financial result.

31| OFFSETTING OF FINANCIAL INSTRUMENTS

(in EUR thousand)

	Gross amounts recognized assets	Gross amounts offset liabilities	Net asset amounts disclosed in statement of fin. pos.	Liabilities not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
2014						
Cash and cash equivalents	128,631	0	128,631	0	0	128,631
Trade receivables	264,631	(14,099)	250,532	0	0	250,532
Other financial assets	42,276	0	42,276	(1,473)	0	40,803
Thereof available-for-sale	95	0	95	0	0	95
Thereof derivatives	3,908	0	3,908	(1,473)	0	2,435
Thereof other financial assets	38,273	0	38,273	0	0	38,273
TOTAL	**435,443**	**(14,099)**	**421,344**	**(1,473)**	**0**	**419,871**
2013						
Cash and cash equivalents	119,242	0	119,242	0	0	119,242
Trade receivables	239,006	(12,802)	226,204	0	0	226,204
Other financial assets	40,688	0	40,688	(126)	0	40,562
Thereof available-for-sale	3	0	3	0	0	3
Thereof derivatives	6,278	0	6,278	(126)	0	6,152
Thereof other financial assets	34,407	0	34,407	0	0	34,407
TOTAL	**398,933**	**(12,802)**	**386,131**	**(126)**	**0**	**386,005**

(in EUR thousand)

	Gross amounts recognized liabilities	Gross amounts offset assets	Net liabilities amounts disclosed in statement of fin. pos.	Assets not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
2014						
Liabilities due to banks	164,293	0	164,293	0	0	164,293
Trade payables	259,791	(4,832)	254,959	0	0	254,959
Other financial assets	7,606	0	7,606	(1,473)	0	6,133
Thereof derivatives	7,546	0	7,546	(1,473)	0	6,073
Thereof other financial liabilities	60	0	60	0	0	60
TOTAL	**431,690**	**(4,832)**	**426,858**	**(1,473)**	**0**	**425,385**
2013						
Liabilities due to banks	176,250	0	176,250	0	0	176,250
Trade payables	241,898	(6,612)	235,286	0	0	235,286
Other financial assets	3,171	0	3,171	(126)	0	3,045
Thereof derivatives	3,051	0	3,051	(126)	0	2,925
Thereof other financial liabilities	120	0	120	0	0	120
TOTAL	**421,319**	**(6,612)**	**414,707**	**(126)**	**0**	**414,581**

The liabilities of EUR 14,099 thousand (2013: EUR 12,802 thousand) offset against trade receivables as of the reporting date are outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes of the HUGO BOSS Group. These amounted to EUR 4,832 thousand (2013: EUR 6,612 thousand).

Standard master agreements for financial future contracts are in place between the HUGO BOSS Group and its counterparties governing the offsetting of derivatives. These prescribe that derivative assets and derivative liabilities with the same counterparty can be combined into a single offsetting receivable.

OTHER NOTES

32| CONTINGENT LIABILITIES

As in the previous year, there were no contingent liabilities towards external third parties as at the reporting date.

Contingent liabilities arising from the provision of collateral for third-party liabilities are valued at EUR 8,547 thousand as at December 31, 2014 (2013: EUR 8,547 thousand) and relate to the consolidated structured entities BIL Leasing Verwaltungs-GmbH & Co. 869 KG, ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG and ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG.

33| OTHER FINANCIAL OBLIGATIONS

OPERATING LEASES

A substantial number of rental agreements have been entered into which qualify as operating leases based on their substance, such that the leased asset is attributable to the lessor.

Operating leases concern in particular the rental agreements for the real estate used by the retail stores operated by the Group, warehouses and office space used by the Group companies, most of which are based on minimum lease payments. The main real estate lease agreements (operating leases) for the use of buildings and associated land include purchase options and, in some cases, renewal options for the respective property. Lease arrangements that contain agreements on contingent rents (particularly rents linked to sales) are also in place.

Rental expenses under operating leases of EUR 318,442 thousand were recognized in fiscal year 2014 (2013: EUR 260,463 thousand). Contingent rental expenses amounted to EUR 90,876 thousand (2013: EUR 88,690 thousand).

The following minimum lease payments under operating leases fall due in subsequent periods:

(in EUR thousand)

2014	**Due 2015**	**Due 2016 – 2019**	**Due after 2019**	**TOTAL**
Sum of future minimum lease payments (operating lease)	232,091	667,004	409,003	**1,308,098**
Other obligations	2,054	3,210	353	**5,617**
TOTAL	**234,145**	**670,214**	**409,356**	**1,313,715**

2013	Due 2014	Due 2015 – 2018	Due after 2018	**TOTAL**
Sum of future minimum lease payments (operating lease)	188,973	588,737	373,573	**1,151,283**
Other obligations	1,526	2,824	522	**4,872**
TOTAL	**190,499**	**591,561**	**374,095**	**1,156,155**

The other obligations line item contains other service and maintenance agreements.

In fiscal year 2014, the Group earned income of EUR 164 thousand from subleases (2013: EUR 282 thousand). Total future minimum lease payments from subleases as of the reporting date December 31, 2014, which are expected to be received as they pertain to non-cancellable leases, amount to EUR 493 thousand (2013: EUR 1,871 thousand).

FINANCE LEASES

In the fiscal year 2014 and in the prior year, property, plant and equipment did not contain any land whose economic ownership would be attributable to the Group in accordance with IAS 17. Nor were there any items of operating and office equipment that qualify.

OTHER FINANCIAL OBLIGATIONS

The HUGO BOSS Group has entered into advertising and sponsorship agreements that result in other financial obligations. This leads to the following payments in subsequent years:

(in EUR thousand)

2014	**Due 2015**	**Due 2016–2019**	**Due after 2019**	**TOTAL**
Advertising and sponsorship contracts	9,507	17,058	0	**26,565**
TOTAL	**9,507**	**17,058**	**0**	**26,565**
2013	Due 2014	Due 2015–2018	Due after 2018	**TOTAL**
Advertising and sponsorship contracts	10,734	15,477	0	**26,211**
TOTAL	**10,734**	**15,477**	**0**	**26,211**

In addition, there are purchase obligations for investments amounting to EUR 1,401 thousand (2013: EUR 2,118 thousand). Of this amount, EUR 712 thousand is attributable to property, plant and equipment (2013: EUR 699 thousand) and EUR 689 thousand (2013: EUR 1,419 thousand) to intangible assets. The obligations as of December 31, 2014 fall due within one year.

34| HEDGING POLICY AND FINANCIAL DERIVATIVES

The following presentation shows the nominal amounts and the fair value of derivative financial instruments:

(in EUR thousand)

	2014		2013	
Assets	**Nominal-values**	**Fair values**	Nominal-values	Fair values
Currency hedging contracts	78,262	3,908	91,716	5,026
Interest hedging contracts	0	0	100,000	1,252
Liabilities				
Currency hedging contracts	(80,266)	(2,541)	(19,505)	(185)
Interest hedging contracts	(110,916)	(5,005)	(11,495)	(2,866)
TOTAL	**(112,920)**	**(3,638)**	**160,717**	**3,227**

The nominal values are the amount hedged by the corresponding hedge. The fair values of derivative financial instruments are recognized as other financial assets or as other financial liabilities. They do not necessarily correspond to the amounts that will be generated in the future under normal market conditions.

Of the reported fair value from derivative financial instruments, an amount of EUR –2,603 thousand (2013: EUR 1,975 thousand) stems from financial assets and liabilities that were classified as held for trading.

After deducting deferred taxes, negative effects from the fair value measurement of interest hedges of EUR –1,161 thousand (2013: EUR 939 thousand) were recognized in other comprehensive income as of December 31, 2014. Of the amount recognized in other comprehensive income, interest hedges of EUR –411 thousand after tax expenses were recycled through the income statement in fiscal year 2014 (2013: expenses of EUR –3,873 thousand). This breaks down into an interest expense of EUR –548 thousand (2013: EUR –5,164 thousand) and income from deferred taxes of EUR 137 thousand (2013: EUR 1,291 thousand). The fair value changes came to EUR –2,511 thousand (prior year: EUR 588 thousand) after deferred taxes.

Unlike in the prior year, positive effects from the fair value measurement of currency hedges after deferred taxes were recognized with EUR 513 thousand in other comprehensive income as of December 31, 2014 (2013: EUR 0 thousand). Of the amount recognized in other comprehensive income, no expenses were reclassified from equity into profit for the period due to initial recognition.

As a group with international operations, HUGO BOSS is exposed to risks from exchange rate and interest fluctuations in connection with its operating activities. Derivative financial instruments are used to mitigate such risks. Only marketable instruments with adequate liquidity are used. At HUGO BOSS, use of derivative financial instruments is subject to internal policies and control mechanisms.

In its use of derivative financial instruments, the HUGO BOSS Group is exposed to the risk of counterparty default. This risk is countered by only entering into contracts with banks that have excellent to good credit ratings.

CURRENCY RISKS

The disclosures required under IFRS 7 on currency risks and a corresponding sensitivity analysis are presented in detail in the risk report section of the management report. Currency risk is determined based on currency exposure already recognized and future cash flows, since the hedging strategy aims to mitigate accounting risks and risks arising from future cash flows.

INTEREST RATE RISKS

The disclosures required under IFRS 7 on interest risks and a corresponding sensitivity analysis are presented in detail in the risk report section of the management report.

35| NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows of the HUGO BOSS Group shows the change in cash and cash equivalents over the reporting period using cash transactions. In accordance with IAS 7, the sources and applications of cash flows are categorized according to whether they relate to operating, investing or financing activities. The cash inflows and outflows from operating activities are calculated indirectly on the basis of the Group's net profit for the period. By contrast, cash flows from investing and financing activities are directly derived from the cash inflows and outflows.

Changes in the Group's cash and cash equivalents are the result of the development of the individual cash flows after exchange rate effects.

The cash and cash equivalents presented in the statement of cash flows contain all cash and cash equivalents shown in the statement of financial position, i.e. apart from liquid assets in the narrow sense – checks, cash in hand, balances with banks – cash and cash equivalents contain short-term investments that can be converted to cash and cash equivalents at any time and are only subject to insignificant fluctuations in value. Cash and cash equivalents are measured at amortized cost.

Non-cash expenses and income concern in particular unrealized exchange rate gains and losses, fair value changes of derivative financial instruments recognized in profit or loss and non-cash changes in financial liabilities.

36| SEGMENT REPORTING

The Managing Board of HUGO BOSS AG manages the company by geographic areas. The HUGO BOSS national companies are responsible for the sale of all HUGO BOSS products that are not sold as licensed products by third parties in their respective sales territories. The managing directors of the national companies report to the regional directors in charge in each case, who in turn report to the Managing Board of HUGO BOSS AG. This organizational structure enables the direct implementation of Group objectives while taking into account specific market conditions.

Accordingly, the operating segments are organized into the three regions Europe, Americas and Asia/Pacific, in addition to the license division. The regions are allocated to the corresponding distribution companies of the HUGO BOSS Group, while the complete licenses business of HUGO BOSS with third parties is allocated to the license division.

The Managing Board of HUGO BOSS AG is the chief operating decision maker of the HUGO BOSS Group.

Management of the regional business units is aligned to the value added contribution at Group level.

The most important performance indicator used by the Managing Board to make decisions about resources to be allocated to segments is EBITDA before special items. The segment result is thus defined as EBITDA before special items of the sales units plus the gross profit margin of the sourcing units and intercompany license sales.

Group financing (including interest income and expenses) and income taxes are managed on a Group-wide basis and are not allocated to operating segments.

Management of the operating figures inventories and trade receivables is assigned to the sales territories. These items are regularly reported to the Managing Board. Consequently, segment assets only contain trade receivables and inventories.

Liabilities are not part of internal management reporting. The segment liabilities are therefore not disclosed.

The accounting rules applied in the segment information are in line with the accounting rules of the HUGO BOSS Group as described in the accounting policies.

The Managing Board regularly reviews certain effects recognized in the statement of comprehensive income, including in particular amortization, depreciation and impairment losses.

Capital expenditure is also regularly reported to the Managing Board as part of internal reporting, making it a component of segment reporting.

All expenses and assets that cannot be directly allocated to the sales territories or the license segment are reported in the reconciliations below under corporate units/consolidation. All Group-wide central functions are pooled in the corporate units. The remaining expenses of the procurement, production and R&D units make up an operating cost center. No operating income is allocated to the corporate units.

(in EUR thousand)

	Europe[1]	Americas	Asia/Pacific	Licenses	Total operating segments
2014					
Sales	**1,566,538**	**586,606**	**360,808**	**57,664**	**2,571,616**
Segment profit	**536,130**	**151,084**	**112,158**	**49,128**	**848,500**
In % of sales	34.2	25.8	31.1	85.2	33.0
Segment assets	237,265	200,272	98,624	16,996	553,157
Capital expenditure	50,474	23,041	26,323	0	99,838
Impairments	(3,193)	(6,821)	(5,267)	0	(15,281)
Thereof property, plant and equipment	(2,934)	(6,821)	(5,267)	0	(15,022)
Thereof intangible assets	(259)	0	0	0	(259)
Depreciation/amortization	(33,024)	(23,808)	(18,969)	0	(75,801)
SAR expenses and hedging	0	0	0	0	0
2013					
Sales	**1,457,389**	**570,104**	**346,777**	**57,863**	**2,432,133**
Segment profit[2]	**490,227**	**152,013**	**117,291**	**49,301**	**808,832**
In % of sales[2]	33.6	26.7	33.8	85.2	33.3
Segment assets	209,729	143,200	79,360	17,623	449,912
Capital expenditure	53,013	39,110	33,603	1	125,727
Impairments	(9,125)	(2,661)	(2,095)	0	(13,881)
Thereof property, plant and equipment	(8,188)	(2,661)	(2,043)	0	(12,892)
Thereof intangible assets	(937)	0	(52)	0	(989)
Depreciation/amortization[2]	(28,022)	(17,687)	(16,709)	0	(62,418)
SAR expenses and hedging	0	0	0	0	0

[1] Including Middle East/Africa.
[2] Due to a reallocation of cost centers between Corporate Units and Europe, the amounts do not correspond to the figures reported in the prior year.

RECONCILIATION

SALES

(in EUR thousand)

	2014	2013
Sales – operating segments	**2,571,616**	**2,432,133**
Corporate units	0	0
Consolidation	0	0
TOTAL	**2,571,616**	**2,432,133**

OPERATING INCOME

(in EUR thousand)

	2014	2013
Segment profit – operating segments[1]	**848,500**	**808,832**
Depreciation/amortization – operating segments[1]	(75,801)	(62,418)
Impairments – operating segments	(15,281)	(13,881)
Special items – operating segments	(9,884)	(3,010)
Operating income (EBIT) – operating segments[1]	**747,534**	**729,523**
Corporate units[1]	(287,104)	(277,934)
Consolidation[1]	(11,709)	4,564
Operating income (EBIT) HUGO BOSS Group	**448,721**	**456,153**
Net interest income/expenses	**(4,518)**	**(14,428)**
Other financial items	**(7,055)**	**(8,259)**
Earnings before taxes HUGO BOSS Group	**437,148**	**433,466**

[1] Due to a reallocation of cost centers between Corporate Units and Europe, the amounts do not correspond to the figures reported in the prior year.

SEGMENT ASSETS

(in EUR thousand)

	2014	2013
Segment assets – operating segments	**553,157**	**449,912**
Corporate units	204,783	217,129
Consolidation	0	0
Current tax receivables	8,291	10,781
Current financial assets	22,528	23,323
Other current assets	83,022	69,402
Cash and cash equivalents	128,631	119,242
Non-current assets held for sale	1,136	0
Current assets HUGO BOSS Group	**1,001,548**	**889,789**
Non-current assets	660,252	611,545
TOTAL assets HUGO BOSS Group	**1,661,800**	**1,501,334**

CAPITAL EXPENDITURES

(in EUR thousand)

	2014	2013
Capital expenditure – operating segments	**99,838**	**125,727**
Corporate units	34,898	59,577
Consolidation	0	0
TOTAL	**134,736**	**185,304**

IMPAIRMENTS

(in EUR thousand)

	2014	2013
Impairment – operating segments	**15,281**	**13,881**
Corporate units	0	(2,248)
Consolidation	0	0
TOTAL	**15,281**	**11,633**

DEPRECIATION/AMORTIZATION

(in EUR thousand)

	2014	2013
Depreciation/amortization – operating segments[1]	**75,801**	**62,418**
Corporate units[1]	31,678	31,211
Consolidation	0	0
TOTAL	**107,479**	**93,629**

[1] Due to a reallocation of cost centers between Corporate Units and Europe, the amounts do not correspond to the figures reported in the prior year.

SAR-EXPENSES AND HEDGING

(in EUR thousand)

	2014	2013
SAR-expenses and hedging – operating segments	**0**	**0**
Corporate units	0	(295)
Consolidation	0	0
TOTAL	**0**	**(295)**

GEOGRAPHIC INFORMATION

(in EUR thousand)

	Third party sales		Non-current assets	
	2014	2013	**2014**	2013
Germany	446,246	416,541	180,682	177,813
Other European markets	1,117,688	1,039,163	185,479	172,910
U.S.A.	464,496	447,504	58,790	54,191
Other North, Central and South American markets	123,971	123,162	13,581	14,527
China	215,695	211,761	36,456	38,823
Other Asian markets	145,856	136,139	50,200	40,180
Licenses	57,664	57,863	15,029	15,046
TOTAL	**2,571,616**	**2,432,133**	**540,217**	**513,490**

37| RELATED PARTY DISCLOSURES

In the reporting period from January 1 to December 31, 2014, the following transactions requiring disclosure were conducted with related parties:

PARENT COMPANY

In fiscal year 2010, HUGO BOSS AG and Red & Black Holding GmbH, Oberursel (Taunus), as the direct parent company of HUGO BOSS AG, concluded a service agreement. This service agreement, which expired in 2013, governed the preparation of quarterly and annual financial statements as well as the consolidated financial statements of Red & Black Holding GmbH, Oberursel (Taunus). In return, HUGO BOSS AG received an adequate annual fee at arm’s length conditions amounting to EUR 50 thousand, for the last time in fiscal year 2013. Effective July 1, 2013, Red & Black Holding GmbH, Oberursel (Taunus) was merged into Red & Black Lux S.à.r.l., Luxembourg. As of December 31, 2014, the Group did not have any receivables from the business relationship which ended in 2013.

In the period from January 1 to December 31, 2014, as in the prior year, no legal transactions were conducted with Permira Holdings Limited, Guernsey, as the ultimate parent company of the HUGO BOSS Group, or with companies affiliated with this company. There were no open items relating to these business transactions as of December 31, 2014.

NON-CONSOLIDATED SUBSIDIARIES

No sales were generated with the non-consolidated subsidiary HUGO BOSS Korea Ltd. in fiscal year 2014. In the prior year no transactions were conducted with the subsidiary HUGO BOSS Finland OY, which was not consolidated at the time. The company has been included in the basis of consolidation since fiscal year 2014.

ENTITIES UNDER JOINT CONTROL

Within the scope of existing real estate lease agreements, rents in the amount of EUR 7,069 thousand were paid to companies under joint control in fiscal year 2014 (2013: EUR 2,579 thousand). There were no open liabilities relating to these business transactions as of December 31, 2014. The lease agreements also include purchase options for the respective property at expected marked value. In addition, the agreement with Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG contains a renewal option to market conditions. The remaining term of the non-cancellable lease agreements is 13 years at GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D–19 KG and 11 years at Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG.

A construction support services agreement is also in place between Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG and HUGO BOSS AG. This encompasses the preparation, execution and monitoring of construction projects, including preparation of building applications, validation of invoicing and the conclusion of agreements on behalf and for the account of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG in connection with the establishment of a flat-packed goods distribution center in Filderstadt. For the provision of construction support services, HUGO BOSS AG received a fixed fee of EUR 250 thousand, which became due when the flat-packed goods distribution center went into operation in 2014, and EUR 10 thousand for continued construction support.

RELATED PARTIES

Related parties comprise members of the Managing Board and Supervisory Board. Members of the Supervisory Board and Managing Board are reported on pages 240 to 241.

Compensation of active members of the Managing Board

Compensation within the meaning of IAS 24 for active members of the Managing Board is as follows:

The expense for short-term employee benefits totaled EUR 4,434 thousand in 2014 (2013: EUR 4,321 thousand). In 2014, a service cost of EUR 2,148 thousand was incurred for company pension plans (2013: EUR 1,638 thousand). An expense of EUR 534 thousand was incurred for other long-term employee benefits reportable in 2014 (2013: EUR 1,596 thousand). As in the prior year, no expenses were incurred from termination benefits relating to members of the Managing Board active in the reporting year. There are no obligations to make share-based payments to active members of the Managing Board, nor were there any in the prior year.

By resolution of the Annual Shareholders' Meeting of June 21, 2010, the individual amounts paid to members of the Managing Board are not disclosed. Accordingly, the disclosures required under Sec. 285 Sentence 1 No. 9 a) Sentences 5 to 8 HGB and Sec. 314 (1) No. 6 a) Sentences 5 to 8 HGB are not being made for a period of five years. This applies to the fiscal year beginning on January 1, 2010 and the following four fiscal years, i.e. until December 31, 2014. As a consequence, the total compensation is disclosed as an aggregate amount and broken down into the individual compensation components.

Total compensation of the members of the Managing Board within the meaning of Sec. 314 (1) No. 6 a) Sentences 1 to 4 HGB came to EUR 4,434 thousand in fiscal year 2014 (prior year: EUR 5,211 thousand). Of this amount, EUR 3,682 thousand was attributable to fixed salary components including fringe benefits (2013: EUR 3,466 thousand).

The total compensation for fiscal year 2014 does not include any annual bonus (in contrast to the previous year). The annual bonus is omitted if the parameter used to measure it – trade net working capital – reaches or exceeds a certain percentage above the annual target. This percentage was exceeded in fiscal year 2014.

The total compensation for fiscal year 2014 contains an amount of EUR 752 thousand for short-term variable incentives. This is related to actual target achievement for the annual bonus for 2013 and constitutes the difference between the amount of EUR 1,607 thousand paid out in 2014 and the amount of EUR 855 thousand retained as a provision in the previous year. In contrast to the previous year, no long-term variable incentives (multi-year bonuses 2013–2015 and 2014–2016) are included in total compensation for the year due to the three-year measurement period. In the previous year, total compensation included an amount of EUR 890 thousand equaling the difference between actual target achievement for the multi-year bonuses 2010–2012 and the pro rata amount which had been retained as a provision in the previous year.

In fiscal year 2014, the Managing Board received an advance installment totaling EUR 2,844 thousand (2013: EUR 0) of the multiple-year bonus for fiscal year 2013, the final amount of which is calculated on the basis of target achievement for the multiple-year period 2013–2015.

Moreover, no loans were granted to nor contingent liabilities assumed in favor of members of the Managing Board in fiscal year 2014.

Compensation of former members of the Managing Board

In 2014, former members of the Managing Board and their surviving dependents received total compensation of EUR 197 thousand (2013: EUR 3,967 thousand). In the fiscal year just ended, the total compensation does not include any payments to former members of the Managing Board in connection with post-employment benefits or the exercise of outstanding participation rights from the stock appreciation rights program (2013: EUR 3,774 thousand).

There are pension obligations of EUR 27,700 thousand for former members of the Managing Board and their surviving dependents (2013: EUR 22,811 thousand). The corresponding plan assets in the form of employer's liability insurance amount to EUR 17,801 thousand (2013: EUR 17,390 thousand).

Compensation of the Supervisory Board

The Supervisory Board received remuneration for its activities in 2013 amounting to EUR 2,134 thousand. For fiscal year 2014, total compensation is expected to come to EUR 2,209 thousand. This figure includes a provision for the variable component of EUR 1,454 thousand (2013: EUR 1,408 thousand), which is calculated on the basis of the earnings per share in the consolidated financial statements. The total compensation of the Supervisory Board falls due in the short term.

Other related party disclosures

In total, the members of the Managing Board and Supervisory Board hold less than 1% (2013: less than 1%) of the shares issued by HUGO BOSS AG.

Members of the Managing Board and Supervisory Board purchase HUGO BOSS products as part of the compensation in kind granted to them supplementary to their salary and for their personal use. Besides this, no significant transactions were concluded between companies of the HUGO BOSS Group and key management personnel and their close family members.

In addition, a type of share-based payment was introduced in 2008 for members of the Managing Board and for second-tier executives with the management participation program (MPP). Under the MPP, managers could obtain an indirect investment in Red & Black TopCo S.à r.l., Luxembourg, which is a related party within the meaning of IAS 24.9. Reference is made to Note 38 as regards the framework conditions of the MPP.

38| SHARE-BASED PAYMENTS

STOCK APPRECIATION RIGHTS PROGRAM

In fiscal 2001, HUGO BOSS AG introduced a stock appreciation rights program for Managing Board members and executives.

Under the stock appreciation rights program executives of HUGO BOSS AG and its subsidiaries were granted a certain number of participation rights, which allowed them to benefit from increases in the value of HUGO BOSS AG shares. The participation rights can only be settled in cash and do not entitle the holder to any HUGO BOSS AG shares.

1) Program change 2009

In order to avoid additional expenses in connection with hedging instruments, management of HUGO BOSS AG decided in December 2009 to revise the general terms and conditions of the stock appreciation rights program. Effective December 14, 2009, all eligible executives were therefore offered the following revised program:

1 / Waiver of the participation rights and all rights from the tranches issued in the years 2005 through 2008 in exchange for cash compensation
2 / Adjustment of the exercise conditions for the tranche issued in 2009

The compensation payment for the waiver of the rights relating to tranches 5 to 8 corresponded to the sum of the option value of each tranche multiplied by the number of participation rights. The option value factored into the calculation was determined as of December 14, 2009 by external banks engaged by HUGO BOSS AG using a valuation model as is customary in the sector. The reference value used for the share price was the unweighted average closing price of preferred shares of HUGO BOSS AG in the Xetra index of the Frankfurt stock exchange on the five trading days immediately preceding December 14, 2009.

To limit upside and downside effects from extraordinary and unforeseeable share price developments, the revised program set floors and caps on the exercise premium possible per option for the participation rights in tranche 9. In effect, the remuneration granted corresponded to at least the difference between the imputed market capitalization allocable to a preference share of HUGO BOSS AG for the five trading days immediately preceding December 14, 2009, and the strike price of the preferred share, but no more than EUR 33.20. In addition, effective December 14, 2009, the revised program allowed eligible parties to exercise up to one third of the participation rights of tranche 9 early prior to the expiry of the vesting period. This was possible for the first time as of December 14, 2009. The exercise gain in such an event corresponded to the aforementioned minimum remuneration of EUR 11.77.

Under the revised program, the holding period was prolonged to a period of three years ending December 31, 2011, (a two-year period was set prior to the revision of the program); accordingly, the exercise period was shortened to a period of two years ending December 14, 2013 (a three-year exercise period was set prior to the revision of the program). The total term of the tranche 9 issued in fiscal year 2009 remained unchanged at five years.

Following the continuous increase in the share price, the maximum possible exercise gain per option for the participation rights of tranche 9 had already been reached in October of fiscal year 2010. Under the program revised in 2009, it was possible to fully exercise tranche 9 for the first time at the beginning of 2012.

2) Early termination of tranche 9

As the stock appreciation rights program causes a considerable administrative expense in both the HR and Finance departments of the HUGO BOSS Group, management of HUGO BOSS AG decided to terminate tranche 9 early and offered all holders of participation rights in tranche 9 a payout of the maximum exercise gain possible per option exercised as of December 15, 2010. Early termination of the program did not result in any additional expenses, provided the share price did not exceed EUR 45.00 at the end of 2011. The expenses from the pro rata additions to provisions for tranche 9 relating to 2011 were merely brought forward to 2010.

As of December 31, 2010, the share price of the preferred shares stood at EUR 56.50 and was thus significantly above the share price of EUR 45.00 that would entail the maximum possible exercise gain.

Following the program revision in 2010, it was still possible to exercise any remaining participating rights of tranche 8 under the rules of the original option conditions.

3) General terms and conditions of stock appreciation rights program

With the exception of the replaced tranche 9, the other tranches of the stock appreciation rights program had a term of six years. The four-year exercise period began upon expiry of the lock-in period of two years. Following the program revision in 2009, it was still possible to exercise any remaining participating rights of tranches 5 to 8 under the regulations governing the original option conditions.

If the development of the market capitalization of HUGO BOSS AG exceeded the development of the MDAX by 5 percentage points (exercise hurdle) at the end of the lock-up period or during the subsequent exercise period, it was possible to exercise participation rights in tranche 8. The remuneration payable was based on the difference between the market capitalization allocable to a preferred share of HUGO BOSS taking into account the average share price during the five trading days preceding the exercise date and the strike price of the preferred share pursuant to the underlying terms and conditions. The strike price corresponded to the average price of a preferred share of HUGO BOSS AG during the 20 trading days preceding the date of issue.

In order to limit the risk arising from share price fluctuations in connection with the stock appreciation rights program and hence the potential impact on the cash flow and earnings of HUGO BOSS AG, a corresponding hedging program was entered into at the end of 2007 with effect as of fiscal year 2008. Under the hedging program, in the first quarter of fiscal year 2008 HUGO BOSS AG purchased from independent banks U.S. call options for HUGO BOSS preferred shares with the same terms as the granted stock appreciation rights (SAR). The subscription right was 1:1, i.e., each option corresponded to one preferred share. The total investment volume was just under EUR 33 million.

If the corresponding call options were sold back to the issuing bank when the stock option rights were exercised by employees, the outflow of funds from the exercise of stock option rights was offset by an inflow of funds from the sale of call options.

The obligations arising from the SARs for HUGO BOSS AG which were recognized in the form of corresponding provisions and the call options used as hedging instruments were recognized at fair value though profit or loss as of each reporting date. The measurements of the call options and SAR obligations were based on the market values provided by the issuing banks. As the value of the call options and the corresponding SARs were identical at the reporting date, the resulting effects on earnings largely offset each other.

Changes in the value of SARs with effect on profit or loss within the exercise period together with the corresponding hedging transaction were netted against the personnel expenses of the function administration expenses and other operating expenses/income.

In fiscal year 2014, as in the prior year, the stock appreciation rights did not affect personnel expenses. Likewise, no expense was recognized in the financial result as a result of the measurement and derecognition of hedging transactions (2013: EUR 295 thousand).

As a result, no expenses were incurred in connection with stock appreciation rights for fiscal year 2014 (2013: EUR 295 thousand). No stock appreciation rights remained as of December 31, 2013. The provisions were utilized in full in connection with the amounts paid out in fiscal year 2013. Correspondingly, an intrinsic value and a fair value for the participation rights were no longer recognized. There were no derivatives used for hedging purposes left in the portfolio.

At the Annual Shareholders' Meeting of HUGO BOSS AG on May 8, 2008 a resolution was passed by majority vote to pay out a special dividend. The SAR parameters were adjusted to the EUREX conditions in line with the prevailing exercise conditions of the SAR program. An R-factor of 87.24% was used in this context, which means that the previous strike prices (100%) and quantities were adjusted by this factor. This resulted in the following adjusted strike prices:

	Tranche 7	**Tranche 8**
Date of issue	**January 2007**	**January 2008**
Strike price (EUR) pre special dividend	39.08	42.11
Strike price (EUR) post special dividend	34.09	36.74

The stock appreciation rights program developed as follows in 2014 and 2013:

	2014	**WASP 2014[1] (EUR)**	2013	WASP 2013[1] (EUR)
Number of SARs on Jan. 1	0	0.00	68,760	36.74
Newly granted SARs	0	0.00	0	0.00
Forfeited SARs	0	0.00	0	0.00
Exercised SARs	0	0.00	(68,760)	36.74
Expired SARs	0	0.00	0	0.00
Replaced SARs	0	0.00	0	0.00
Number of SARs on Dec. 31	0	0.00	0	0.00
Number of SARs exercisable on Dec. 31	0	0.00	0	0.00

[1] WASP = Weighted average strike price.

All remaining options were exercised in 2013. Derivatives held for hedging purposes were sold in connection with the exercise.

In fiscal year 2014, no payments were made to eligible executives in connection with the stock appreciation rights program (2013: EUR 3,774 thousand).

MANAGEMENT PARTICIPATION PROGRAM

Under the management participation program (MPP) introduced in 2008, members of the Managing Board and second tier executives were given the opportunity to invest indirectly in Red & Black TopCo S.à r.l. in exchange for a payment. Since the restructuring performed at the end of 2009, Red & Black TopCo S.à r.l. holds, through Red

& Black Lux S.à r.l., a direct 100% holding in Valentino Fashion Group S.p.A in addition to the indirect investment in HUGO BOSS AG. Management of HUGO BOSS has therefore invested not only in the HUGO BOSS Group, but also in the companies of the Valentino Fashion Group not controlled or influenced by HUGO BOSS.

The indirect investment in Red & Black TopCo S.à r.l. is held via a German partnership with the company Red & Black Management Beteiligungs GmbH & Co. KG ("MPP KG"). MPP KG holds a 0.07% investment in the voting capital of Red & Black TopCo S.à r.l. and holds Class D shares. The partnership agreement has been concluded for an indefinite period of time, but at least until the end of 2024. The legal position of the managers in MPP KG is governed by the partnership agreement. The maximum investment in MPP KG is set individually. The managers are limited partners in MPP KG entered in the commercial register.

At the end of 2010, the MPP was modified for managers who already held an investment (hereinafter "old managers"), and managers who did not yet hold an investment (hereinafter "new managers") were again offered the opportunity to invest in MPP KG.

The new managers acquired the limited partnership interests in MPP KG in December 2010 at the fair value at that time. The old managers continue to hold the shares in MPP KG they acquired in 2008. The shares in MPP KG held by the old managers are neither exchanged nor sold.

Following the restructuring of the MPP, in the event of an IPO or the sale of the HUGO BOSS Group (hereinafter "exit"), management of HUGO BOSS will participate through MPP KG only in the exit proceeds allocable to HUGO BOSS (hereinafter "HB AG proceeds"). All proceeds and costs allocable to Valentino Fashion Group S.p.A. would be eliminated in the process of determining the HB AG proceeds. The right to participate in these HB AG proceeds arose pro rata temporis over a multi-year vesting period ending on December 31, 2014.

In the context of the modification of the MPP, the subordination to the individual financial instruments and the ratchet of these class D shares no longer apply. With respect to the partnership agreement, the restructuring led to the creation of liquidity preferences. These give priority to certain capital before distribution of the HB AG proceeds to the limited partners and serve as financial compensation for investors for the decline in value of the class D shares in the interim compared to the current fair value.

If MPP shares attributable to managers are sold as part of an exit, the manager is entitled to a proportionate amount of the HB AG proceeds generated net of liabilities and liquidation preferences. The managers' entitlement to payouts of the proportionate residual sales proceeds is tied to the condition that the manager concerned has not left the HUGO BOSS Group at the time of the exit. The only restrictions on the entitlement to payouts of the proportionate exit proceeds pertain to managers who leave the Company before an exit. If a manager leaves the company prematurely, Red & Black TopCo S.à r.l. has the right in principle to acquire the interests held by the manger concerned. The manager leaving is classified as a "good leaver" or a "bad leaver" when determining the acquisition price.

If the planned exit is executed, future profit distributions and future gains on disposal are allocated to participating members of the Managing Board and executives based on their position as partners. In such cases HUGO BOSS would not incur any staff costs that would have to be posted to profit or loss.

As in the prior year, the MPP did not affect the profit or loss of the HUGO BOSS Group in 2014, as no exits or comparable transactions have been entered into since the introduction of the MPP that would have required measurement at fair value. No assets or liabilities were recognized in connection with the MPP as of December 31, 2010, and nor as of the reporting date.

39| SUBSEQUENT EVENTS

HUGO BOSS will take over the last stores in the Chinese market that are still operated under the franchise model. The agreement reached with the partner Wenzhou Noble on January 26, 2015 provides for control over all 21 BOSS stores to be transferred to HUGO BOSS on April 1, 2015. This will enable the Group to implement its strategy, which aims at enhancing the brand image and upgrading the retail network, in an even more targeted manner and consistently across all channels.

Between the end of fiscal year 2014 and the release for publication of this report on February 19, 2015 there were no further notable macroeconomic, socio-political, industry-related or company-specific changes which could have a material impact on the Company's results of operations, net assets and financial position according to the expectations of management.

Finally, HUGO BOSS AG's shareholder structure changed on February 10, 2015 following two share placements by Red & Black Lux S.à r.l., an entity in which Permira Holdings Limited holds a majority interest. Prior to the placements, this entity had held 22.4 million shares, equivalent to 32% of the share capital, and was thus the largest single shareholder. Following the placement of 9 million shares with institutional investors and the sale of a further package of just under 5 million shares to PFC S.r.l. and Zignago Holding S.p.a., which are owned by the Italian Marzotto family, it now holds just under 8.5 million shares, equivalent to 12% of the share capital.

40| GERMAN CORPORATE GOVERNANCE CODE

In December 2014, the Managing Board and Supervisory Board of HUGO BOSS AG issued the declaration of compliance prescribed by Sec. 161 AktG. It is available for shareholders on the Company's website.

41| GROUP AUDITOR FEES

(in EUR thousand)

	2014	2013
Audit services	388	384
Other assurance services	56	5
Tax advisory services	228	118
Other services	45	192
TOTAL	**717**	**699**

MANAGING BOARD

CLAUS-DIETRICH LAHRS
Stuttgart, Germany

Chairman of the Managing Board

Responsible for

Sales,
Own Retail,
Communications,
Licenses

MARK LANGER
Stuttgart, Germany

Responsible for

Finance & Controlling,
Investor Relations,
Legal, Compliance and
Risk Management,
IT,
Logistics,
Human Resources
Director of Labor Relations

CHRISTOPH AUHAGEN
Stuttgart, Germany

Responsible for

Creative Management,
Brand Management,
Sourcing and Production

SUPERVISORY BOARD

DR. HELLMUT ALBRECHT Munich, Germany	Management Consultant Chairman of the Supervisory Board
ANTONIO SIMINA Metzingen, Germany	Tailor/Chairman of the Works Council HUGO BOSS AG, Metzingen, Germany Deputy Chairman of the Supervisory Board Employee representative
GERT BAUER Reutlingen, Germany	First Authorized Representative of the German Metalworkers´ Union (IG Metall), Reutlingen/Tübingen, Germany Employee representative
HELMUT BRUST Bad Urach, Germany	Senior Head of Corporate Culture, Health and Safety HUGO BOSS AG, Metzingen, Germany Employee representative
DAMON MARCUS BUFFINI Surrey, Great Britain	Managing Director Permira Advisers LLP, London, Great Britain
MONIKA LERSMACHER Kornwestheim, Germany	Secretary of the German Metalworkers´Union IG Metall Area Headquaters Baden-Württemberg, Stuttgart, Germany Employee representative
DR. KLAUS MAIER Stuttgart, Germany	Management Consultant
GAETANO MARZOTTO Milan, Italy	Chairman of the Supervisory Board Gruppo Santa Margherita S.p.A., Fossalta di Portogruaro, Italy
LUCA MARZOTTO Venice, Italy	Chief Executive Officer Zignago Holding S.p.A., Fossalta di Portogruaro, Italy
SINAN PISKIN Metzingen, Germany	Administrative Employee HUGO BOSS AG, Metzingen, Germany Employee representative
BERND SIMBECK Metzingen, Germany	Administrative employee HUGO BOSS AG, Metzingen, Germany Employee representative
DR. MARTIN WECKWERTH Frankfurt/Main, Germany	Partner Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany

ADDITIONAL DISCLOSURES ON THE MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGING BOARD

The members of HUGO BOSS' Supervisory Board are also members of an executive body at the following companies[1]:

Dr. Hellmut Albrecht	MME Moviement AG[2]	Berlin, Germany
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Monika Lersmacher	Berthold Leibinger GmbH	Ditzingen, Germany
Dr. Klaus Maier	Diehl Stiftung & Co. KG[2] Titan X Holding AB Galeria Kaufhof GmbH	Nuremberg, Germany Mjällby, Sweden Cologne, Germany
Gaetano Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A.[2] Zignago Vetro S.p.A. Alpitour S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Turin, Italy
Luca Marzotto	Zignago Holding S.p.A.[2] Santa Margherita S.p.A. H. Farm Ventures S.p.A. New High Glass Inc. Centervue S.p.A. Cà del Bosco Srl – Società Agricola Vetri Speciali S.p.A. Zignago Vetro S.p.A. Telecom Italia	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Roncade, Italy Miami, FL, U.S.A. Padua, Italy Erbusco, Italy Trento, Italy Fossalta di Portogruaro, Italy Milan, Italy

[1] The members not named have no seats on executive or advisory bodies at other companies.
[2] Member holds position of Chairman.

The Managing Board is also member of an executive body at the following company[1]:

Claus-Dietrich Lahrs	Ravensburger AG	Ravensburg, Germany

[1] The members not named have no seats on executive or advisory bodies at other companies.

PUBLICATION

The annual and consolidated financial statements of HUGO BOSS AG are published in the German Federal Gazette and on the website of HUGO BOSS.

Metzingen, February 19, 2015

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report, which is combined with the management report of HUGO BOSS AG, includes a fair review of the development and performance of the business and the position of the HUGO BOSS Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Metzingen, February 19, 2015

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report, which has been combined with the management report of the Company:

"We have audited the consolidated financial statements prepared by HUGO BOSS, Metzingen, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statements of cash flows and changes in equity and the notes to the consolidated financial statements, together with the group management report, which has been combined with the management report of the Company, for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, February 19, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok
Wirtschaftsprüfer
[German Public Auditor]

Biller
Wirtschaftsprüferin
[German Public Auditor]