CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

04|01 CONSOLIDATED INCOME STATEMENT (in EUR thousand)

	Notes	**2015**	2014
Sales	(1)	**2,808,746**	**2,571,616**
Cost of sales	(2)	(955,930)	(872,523)
Gross profit		**1,852,816**	**1,699,093**
In % of sales		66.0	66.1
Selling and distribution expenses	(3)	(1,136,551)	(994,861)
Administration expenses	(4)	(264,307)	(236,204)
Other operating income and expenses	(5)	(4,246)	(19,307)
Operating result (EBIT)		**447,712**	**448,721**
Net interest income/expenses		**(5,901)**	**(4,518)**
Other interest and similar income		1,190	1,627
Interest and similar expenses		(7,091)	(6,145)
Other financial items		**(21,837)**	**(7,055)**
Financial result	(6)	**(27,738)**	**(11,573)**
Earnings before taxes		**419,974**	**437,148**
Income taxes	(7)	(100,556)	(102,668)
Net income		**319,418**	**334,480**
Attributable to:			
Equity holders of the parent company		319,355	333,262
Non-controlling interests	(8)	63	1,218
Earnings per share (EUR) [1]	(9)	**4.63**	**4.83**
Dividend per share (EUR)	(24)	**3.62** [2]	**3.62**

[1] Basic and diluted earnings per share.
[2] 2015: Proposed dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

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

	2015	2014
Net income	**319,418**	**334,480**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2,404	(11,632)
Items to be reclassified subsequently to profit or loss		
Currency differences	39,081	31,634
Gains/losses from cash flow hedges	842	(1,587)
Other comprehensive income, net of tax	**42,327**	**18,415**
Total comprehensive income	**361,745**	**352,895**
Attributable to:		
Equity holders of the parent company	361,682	352,062
Non-controlling interests	63	833
Total comprehensive income	**361,745**	**352,895**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF THE HUGO BOSS GROUP AS OF DECEMBER 31, 2015

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

Assets	Notes	**2015**	2014
Intangible assets	(11)	182,602	147,998
Property, plant and equipment	(12)	439,788	383,349
Deferred tax assets	(7)	115,166	100,382
Non-current financial assets	(15), (30)	22,448	19,783
Non-current tax receivables	(7)	689	1,167
Other non-current assets	(15)	3,910	7,573
Non-current assets		**764,603**	**660,252**
Inventories	(16)	559,509	507,408
Trade receivables	(17)	239,614	250,532
Current tax receivables	(7)	21,124	8,291
Current financial assets	(15), (30)	29,017	22,528
Other current assets	(15)	104,582	83,022
Cash and cash equivalents	(18)	81,409	128,631
Assets held for sale	(13)	487	1,136
Current assets		**1,035,742**	**1,001,548**
TOTAL		**1,800,345**	**1,661,800**

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)	873,107	801,330
Accumulated other comprehensive income	(23)	54,595	14,672
Equity attributable to equity holders of the parent company		**956,138**	**844,438**
Non-controlling interests	(8)	(463)	(520)
Group equity		**955,675**	**843,918**
Non-current provisions	(25), (26)	72,082	70,545
Non-current financial liabilities	(27), (30)	134,975	153,643
Deferred tax liabilities	(7)	7,776	10,132
Other non-current liabilities	(28)	42,242	37,871
Non-current liabilities		**257,075**	**272,191**
Current provisions	(25)	102,773	115,656
Current financial liabilities	(27), (30)	41,475	18,256
Income tax payables	(7)	46,361	59,944
Trade payables	(29)	271,506	254,959
Other current liabilities	(28)	125,480	96,876
Current liabilities		**587,595**	**545,691**
TOTAL		**1,800,345**	**1,661,800**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

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

	Subsribed capital	Own shares	Capital reserve
Notes	(19)	(20)	(21)
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**
January 1, 2015	**70,400**	**(42,363)**	**399**
Net income			
Other income			
Comprehensive income			
Dividend payment			
Acquisition of non-controlling interests			
Changes in basis of consolidation			
December 31, 2015	**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	**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**
	6,641	**794,689**	**15,320**	**(648)**	**844,438**	**(520)**	**843,918**
		319,355			319,355	63	319,418
		2,404	39,081	842	42,327		42,327
		321,759	**39,081**	**842**	**361,682**	**63**	**361,745**
		(249,839)			(249,839)		(249,839)
		(114)			(114)	(6)	(120)
		(29)			(29)		(29)
	6,641	**866,466**	**54,401**	**194**	**956,138**	**(463)**	**955,675**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

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

	Notes	**2015**	2014
	(35)		
Net income		319,418	334,480
Depreciation/amortization	(10)	142,099	122,760
Unrealized net foreign exchange gain/loss		7,915	(3,049)
Other non-cash transactions		(2,229)	5,178
Income tax expense/refund	(7)	100,556	102,668
Interest income and expenses	(6)	5,901	4,518
Change in inventories		(22,852)	(45,778)
Change in receivables and other assets		595	(31,987)
Change in trade payables and other liabilities		38,963	27,684
Result from disposal of non-current assets		(2,000)	(2,478)
Change in provisions for pensions	(26)	(7,110)	(1,319)
Change in other provisions		(9,261)	13,969
Income taxes paid		(145,525)	(128,389)
Cash flow from operations		**426,470**	**398,257**
Interest paid	(6)	(4,076)	(4,458)
Interest received	(6)	1,190	1,628
Cash flow from operating activities		**423,584**	**395,427**
Investments in property, plant and equipment	(12)	(154,256)	(104,459)
Investments in intangible assets	(11)	(39,857)	(25,307)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	(35)	(22,951)	0
Cash receipts from sales of property, plant and equipment and intangible assets		1,106	2,702
Cash flow from investing activities		**(215,958)**	**(127,064)**
Dividends paid to equity holders of the parent company	(24)	(249,839)	(230,514)
Dividends paid to non-controlling interests		0	0
Change in current financial liabilities		24,278	262
Cash receipts from non-current financial liabilities		76,280	0
Repayment of non-current financial liabilities		(105,973)	(12,447)
Cash outflows for the purchase of additional interests in subsidiaries without change of control		(114)	(18,838)
Cash flow from financing activities		**(255,368)**	**(261,537)**
Exchange-rate related changes in cash and cash equivalents		520	2,563
Change in cash and cash equivalents		**(47,222)**	**9,389**
Cash and cash equivalents at the beginning of the period		128,631	119,242
Cash and cash equivalents at the end of the period	(18)	**81,409**	**128,631**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015

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 23, 2016.

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, 2015, 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 2015 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 2015:

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
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
IAS 19 Employee Benefits	November 2013	February 1, 2015	January 2015	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.

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 2015 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 date of expected first-time application was postponed by one year from January 1, 2017 until January 1, 2018. 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 date of expected first-time application was postponed by one year from January 1, 2017 until January 1, 2018. 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. This version replaces all previous versions of IFRS 9. 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. In July 2015, a draft proposal was tabled providing for the date of first-time application to be postponed indefinitely pending completion of the research project on accounting in accordance with the equity method.
IFRS 10 IFRS 12 IAS 28 Consolidated Financial Statements 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	November 2015	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.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 15 Revenue from Contracts with Customers	May 2014	January 1, 2018	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. HUGO BOSS does not expect any material impact on the consolidated financial statements as a result of the first-time application of IFRS 15. In September 2015, the date of expected first-time application was postponed by one year from January 1, 2017 until January 1, 2018.
IFRS 16 Leases	January 2016	January 1, 2019	Pending	IFRS 16 "Leases" provides guidance on recognition, measurement, presentation and disclosure requirements and replaces IAS 17 and the related interpretations. In the future, all leases must be placed on the lessee's balance sheet. The guidance for recognition by the lessor still draws a distinction between finance leases and operating leases and therefore does not differ materially from the accounting guidance provided in IAS 17. Given the substantial number of operating leases, HUGO BOSS expects the first-time application of IFRS 16 to have a material effect on the consolidated financial statements.
IAS 1 Presentation of Financial Statements	December 2014	January 1, 2016	December 2015	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 compre-hen-sive 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 7 Statement of Cash Flows	January 2016	January 1, 2017	Pending	The amendment provides clarifying and improved guidance for financial statement users concerning changes to liabilities arising from a company's financing activities.
IAS 12 Income Taxes	January 2016	January 1, 2017	Pending	The amendments clarify the differing practices for the recognition of deferred income tax assets for unrealized losses.
IAS 16 IAS 38 Property, Plant and Equipment Intangible Assets	May 2014	January 1, 2016	December 2015	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.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IAS 27 Separate Financial Statements	August 2014	January 1, 2016	December 2015	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	February 1, 2015	January 2015	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	September 2014	January 1, 2016	December 2015	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, China
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 Korea Ltd.	Seoul, South Korea
HUGO BOSS Licensing, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS Lotus Hong Kong Ltd.	Hong Kong, China
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 New Zealand Ltd.	Auckland, New Zealand
HUGO BOSS Nordic ApS	Copenhagen, Denmark
HUGO BOSS Portugal & Companhia	Lisbon, Portugal

[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 Retail, Inc.	New York, NY, U.S.A.
HUGO BOSS Rus LLC	Moscow, Russia
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 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 Limited	London, Great Britain
HUGO BOSS USA, Inc.	New York, NY, U.S.A.
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG	Metzingen, Germany[3]
Lotus (Shenzhen) Commerce Ltd.	Shenzhen, China
Lotus Concept Trading (Macau) Co., Ltd.	Macau
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG	Grünwald, Germany[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 April 9, 2015, the HUGO BOSS Group established a new subsidiary in the United Arab Emirates, HUGO BOSS Middle East FZ-LLC, Dubai, U.A.E. The HUGO BOSS Group holds 100% of the equity in this company. HUGO BOSS Middle East FZ-LLC is not included in the consolidated financial statements as of December 31, 2015 due to its immateriality for the Group.

Effective October 23, 2015, the HUGO BOSS Group also established a subsidiary in Malaysia, HUGO BOSS MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia. The HUGO BOSS Group holds 100% of the equity in this company. HUGO BOSS MALAYSIA SDN. BHD. is not included in the consolidated financial statements as of December 31, 2015 due to its immateriality for the Group.

Effective November 25, 2015, HUGO BOSS established HUGO BOSS ALFUTTAIM UAE TRADING L.L.C, Dubai, U.A.E., in conjunction with the AL-FUTTAIM Group in Dubai. HUGO BOSS Middle East FZ-LLC, Dubai, U.A.E., holds 49% of the equity of this newly established company. HUGO BOSS ALFUTTAIM UAE TRADING L.L.C., Dubai, U.A.E., is not included in the consolidated financial statements as of December 31, 2015 due to its immateriality for the Group. It is expected to be fully consolidated for the first time from January 1, 2016.

HUGO BOSS AG controls HUGO BOSS ALFUTTAIM UAE TRADING L.L.C. as it holds decision-making powers over the subsidiary on account of special rights, participates in its positive and negative variable returns and is able to affect these returns through its decision-making powers.

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, 2015, the number of consolidated companies increased from 56 to 57 in comparison to the consolidated financial statements as of December 31, 2014. Overall, the number of companies included in the consolidated financial statements was as follows in fiscal year 2015:

	2015	2014
January 1	**56**	**55**
Newly founded/consolidated companies	2	1
Merged companies/disposal	(1)	0
Derecognized due to loss of control	0	0
December 31	**57**	**56**

The new company HUGO BOSS Korea Ltd., Seoul, South Korea, which was founded in fiscal year 2014, was not included in the consolidated financial statements as of December 31, 2014 due to its immateriality for the Group. The subsidiary was consolidated for the first time in fiscal year 2015.

With retroactive effect from January 1, 2015, the previously fully consolidated subsidiary HUGO BOSS Switzerland Retail AG, Zurich, Switzerland, was merged into the fully consolidated HUGO BOSS (Schweiz) AG, Zug, Switzerland, as part of the optimization of the Group structure and has therefore been deconsolidated.

HUGO BOSS New Zealand Ltd., Auckland, New Zealand, was consolidated as a 100% subsidiary for the first time in fiscal year 2015.

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. HUGO BOSS AG is deemed to exercise control if as the parent company it has power over the subsidiary on account of voting or other rights, is exposed to variable returns from its involvement in the subsidiary and is able to use its power over the subsidiary to affect the amount of these returns. The subsidiary is deconsolidated as soon as the parent company relinquishes control over it.

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 aggregate sales, earnings and total assets 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. These are entities which have been structured in such a way that they are controlled by the parent company regardless of who holds the voting or comparable rights. This is the case, for example, if the exercise of voting rights is confined to administrative tasks and the material activities are governed by contracts.

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

When a company obtains control over another company, this constitutes a business combination within the meaning of IFRS 3. 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

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.

DETERMINATION OF THE FUNCTIONAL CURRENCY

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. The items of the income statement were translated into euros at the average monthly exchange rates and aggregated in the course of the year. 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 =	**2015**	2014	**2015**	2014
Australia	AUD	1.5025	1.4726	1.4897	1.4829
China	CNY	7.0179	8.1977	7.0608	7.5358
Great Britain	GBP	0.7253	0.8067	0.7340	0.7789
Hong Kong	HKD	8.4311	10.3179	8.4376	9.4170
Japan	JPY	132.3842	140.2427	131.0700	145.2300
Switzerland	CHF	1.0826	1.2149	1.0835	1.2024
Turkey	TRY	3.1732	2.9085	3.1838	2.8272
U.S.A.	USD	1.0878	1.3305	1.0887	1.2141

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. This is the case as soon as delivery to the wholesale partner has been executed and all obligations affecting the acceptance of the goods by the wholesale partner have been settled.

In the Group's own retail business, opportunities and risks arising from the goods pass to the customer upon payment of the goods. Sales are recognized when transactions with customers are completed.

Sales via the online channel are recognized upon delivery of the goods to the customer. The date of delivery is deemed to be the date on which the opportunities and risks arising from the goods pass to the customer.

Claims under return agreements and rights of return are recognized in gross figures in the income statement and the balance sheet in connection with the recognition of sales. The income recognized in the income statement is reduced by an amount equaling the estimated sales attributable to the returned goods and the disposal of goods recorded through profit and loss when the goods are dispatched is adjusted for the estimated value of the returns. A miscellaneous non-financial asset is recognized equaling the amount of the historical costs for which a return is expected. Allowance is also made for additional costs and the loss arising from the resale of the returned goods.

Lincese 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 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 the Group’s 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 19 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 up to the maximum of the recoverable amount. The reversal is limited to the amortized carrying amount which would have been determined had no impairment loss been recognized in the past. 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 at the date on which the agreement is entered into 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 that contain agreements on contingent rents (particularly rents linked to sales) are also in place. 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 include 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 their fair value less any directly attributable transaction costs.

Derivatives that are not designated to an effective hedging relationship are measured at fair value through 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 economically effective derivatives for the purpose of hedging interest and currency risks. The necessary substantive and formal requirements of IAS 39 for accounting for existing cashflow hedges 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 equals 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. Please refer to Note 26 for further details.

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:

CLASSIFICATION OF LEASES

The Group has entered into leases for retail stores, office space, warehouses, land and IT servers. The leases for the retail stores operated by the Group, office space and warehouses 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. On the other hand, the leases for a warehouse and the land on which it is located in Midway, Georgia, U.S.A., and for IT servers in Metzingen provide for the material opportunities and risks arising from ownership to be transferred to the lessee. Accordingly, they are classified as finance leases.

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 key activities and is thus able to affect the amount of the variable returns. In view of the leases which were already determined when two of these 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, 2015, 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. In addition, allowance was made for the step-by-step harmonization of global price structures, particularly in Asia/Pacific in the expected cash flows of the 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 17,726 thousand (2014: EUR 15,281 thousand) were recognized as at the reporting date. As in the previous year, there had been no reversals. 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 67,594 thousand (2014: EUR 61,411 thousand) were recognized at net realizable value. In fiscal year 2015, impairment losses of EUR 25,954 thousand were recognized (2014: EUR 12,437 thousand) were recognized as at the reporting date. 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 15,284 thousand (2014: EUR 15,876 thousand) were recognized as at 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 135,532 thousand (2014: EUR 140,573 thousand) were recognized as at the reporting date. Further explanations are provided in Note 25.

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 39,323 thousand (2014: EUR 45,628 thousand). 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. The probability of future availability is assessed in the light of various factors such as future taxable earnings in the forecast periods and historical earnings. HUGO BOSS applies a forecast period of a maximum of five years for this purpose. Actual figures may differ from the estimates.

As at the reporting date, deferred taxes were recognized on unused tax losses amounting to EUR 14,010 thousand (2014: EUR 10,662 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.

Explanations on the acquisitions recognized in fiscal year 2015 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 2015

In fiscal year 2015, the HUGO BOSS Group acquired a total of 46 stores and the associated assets in asset deals with former franchise partners in South Korea, China, New Zealand and Brazil. The stores in South Korea were acquired effective March 1, 2015, via HUGO BOSS Korea Ltd., South Korea, while the stores in China were acquired effective April 1, 2015, via HUGO BOSS China Retail Co. Ltd., Shanghai, China. One store in New Zealand was acquired via HUGO BOSS New Zealand Ltd., Auckland, New Zealand, effective September 1, 2015. One store in Brazil was acquired via HUGO BOSS do Brasil Ltda., São Paulo, Brazil, effective October 2, 2015. The business acquisitions were made to support the expansion of the Group’s own retail business in Asia/Pacific and the Americas.

The following overview shows the allocation of the purchase price to the acquired assets performed in fiscal year 2015 as well as the resulting goodwill:

(in EUR thousand)

	2015
Purchase consideration transferred	
Agreed purchase price	21,891
Contingent purchase price payment (not paid yet)	1,060
Liabilities incurred	0
Total purchase price	**22,951**
Fair value of the acquired assets and liabilities assumed	
Intangible assets	591
Property, plant and equipment	2,980
Inventories	6,066
Cash and cash equivalents	0
Other assets	0
Total assets	**9,637**
Financial liabilities	0
Trade payables	0
Other liabilities	0
Total liabilities	**0**
Goodwill	**13,314**

Control over the assets in each case was achieved through payment of the agreed purchase price.

A contingent purchase price payment was agreed upon in the contract with the former franchise partner in China. In the event of the successful negotiation of leases, the former franchise partner is expected to receive additional payments of a total of EUR 1,133 thousand. The fair value of the contingent purchase price payment stood at EUR 1,060 thousand as at the reporting date.

In the case of the stores acquired in China during the fiscal year, the acquisition was recognized based on a preliminary purchase price allocation which will be finalized within twelve months of the acquisition date.

As part of the purchase price allocations, intangible assets were identified 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/Pacific and Americas 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 instead tested for any impairment annually.

Transaction costs of an immaterial amount arose and were recognized immediately through profit or loss in the consolidated income statement.

If the business acquisitions had taken place as at January 1, 2015, Group sales would have been EUR 2,999 thousand higher in fiscal year 2015. The change in consolidated net income would have been immaterial.

The additional consolidated sales generated by the business acquisitions came to EUR 12,153 thousand in fiscal year 2015.

TAKEOVERS IN FISCAL YEAR 2014

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

ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE OF CONTROL

With effect from June 30, 2015 HUGO BOSS AG, Metzingen, Germany, exercised the option of transferring the remaining 6% share of the previously already fully consolidated ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG, Grünwald, Germany. HUGO BOSS AG thus holds 100% of the shares in ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG. The purchase price of EUR 120 thousand was paid to the general partner. The carrying amount of the non-controlling shares acquired is EUR 6 thousand. The difference of EUR 114 thousand between the purchase price and carrying amount of the assets was recognized directly in equity.

(in EUR thousand)

	Dec. 31, 2015
Carrying amount of non-controlling interests acquired	6
Consideration paid to non-controlling interests	(120)
Excess of consideration paid recognized in Group's equity	**(114)**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1| SALES

(in EUR thousand)

	2015	2014
Sale of goods	2,746,658	2,513,952
Licenses	62,088	57,664
TOTAL	**2,808,746**	**2,571,616**

2| COST OF SALES

(in EUR thousand)

	2015	2014
Cost of purchase	835,761	755,406
Cost of conversion	120,169	117,117
TOTAL	**955,930**	**872,523**

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 2015, impairment losses on inventories and the reversal of impairment losses previously charged resulted in net expense of EUR 10,746 thousand (2014: net income of EUR 6,376 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)

	2015	2014
Expenses for Group's own retail business, sales and marketing organization	872,529	764,042
Marketing expenses	190,456	163,003
Logistic expenses	73,566	67,816
TOTAL	**1,136,551**	**994,861**

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. Selling expenses comprise sales-based commissions, freight-out and customs costs as well as credit card charges.

The marketing expenses comprise expenses of EUR 207,997 thousand (2014: EUR 180,406 thousand) and income from the allocation of marketing expenses of EUR 17,541 thousand (2014: EUR 17,403 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 3,180 thousand (2014: EUR 2,501 thousand).

4| ADMINISTRATION EXPENSES

(in EUR thousand)

	2015	2014
General administrative expenses	199,389	174,679
Research and development costs	64,918	61,525
TOTAL	**264,307**	**236,204**

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 64,918 thousand (2014: EUR 61,525 thousand) breaks down as follows: personnel expenses of EUR 44,463 thousand (2014: EUR 42,254 thousand), amortization of EUR 2,280 thousand (2014: EUR 2,083 thousand), and other operating expenses of EUR 18,175 thousand (2014: EUR 17,188 thousand).

Significant income was generated in the area of administration expenses by cross-charging of other costs and services amounting to EUR 10,214 thousand (2014: EUR 9,141 thousand) and from the reversal of provisions EUR 5,148 thousand (2014: EUR 3,138 thousand).

In total, administration expenses contain other taxes of EUR 4,262 thousand (2014: EUR 3,843 thousand).

5| OTHER OPERATING EXPENSES AND INCOME

The net expense arising from other operating expenses and income of EUR 4,246 thousand in fiscal year 2015 resulted from special items which were mainly related to early dissolutions of contracts with trade agents and service providers as well as organizational changes in Europe and the Americas. In the previous year, the net expenses amounted to EUR 19,307 thousand and were primarily 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 planned at the time for the first half of 2015.

Other operating expenses and income include income of EUR 8,504 thousand (2014: income of EUR 2,600 thousand) chiefly relating to the release of the provisions recognized in 2014 in connection with the sale of the production site in Cleveland, Ohio.

6| FINANCIAL RESULT

(in EUR thousand)

	2015	2014
Interest income on bank deposit	351	429
Other interest income	839	1,198
Interest and similar income	**1,190**	**1,627**
Interest expenses from financial liabilities	(4,076)	(4,474)
Other interest expenses	(3,015)	(1,671)
Interest and similar expenses	**(7,091)**	**(6,145)**
Net interest income/expenses	**(5,901)**	**(4,518)**
Exchange rat gains/losses from receivable and liabilities	(8,252)	357
Gains/losses from hedging transactions	(8,581)	(5,048)
Other financial expenses/income	(5,004)	(2,364)
Other financial items	**(21,837)**	**(7,055)**
Financial result	**(27,738)**	**(11,573)**

The interest expenses from financial liabilities contain expenses in connection with interest rate swaps amounting to EUR 1,028 thousand (2014: EUR 1,134 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 1,450 thousand (2014: EUR 1,384 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 35,571 thousand (2014: EUR 25,668 thousand) and exchange rate losses of EUR 43,823 thousand (2014: EUR 25,311 thousand). The result from hedging transactions contains the effects from the fair value measurement of foreign exchange forwards and swaps.

Expenses arising from the refinancing of the syndicated credit facility in fiscal year 2015 are included in other financial expenses/income. This item includes expenses from the early termination of interest rate swaps of EUR 1,845 thousand (2014: EUR 0 thousand).

7 | INCOME TAXES

(in EUR thousand)

	2015	2014
Current taxes	117,716	122,915
Deferred taxes	(17,160)	(20,247)
TOTAL	**100,556**	**102,668**

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 comes to 29.5% (2014: 28.0%). As in the prior year, the tax rates abroad range between 0% and 40%.

In fiscal year 2015, current income taxes include expenses relating to other periods amounting to EUR 3,496 thousand (2014: EUR 6,043 thousand), income relating to other periods of EUR 484 thousand (2014: EUR 3,789 thousand) and deductible withholding tax of EUR 590 thousand (2014: EUR 0 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 29.5% (2014: 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% (2014: 15.8%) and a trade tax rate of 13.7% (2014: 12.2%).

(in EUR thousand)

	2015	2014
Pre-tax result	**419,974**	**437,148**
Anticipated income tax	124,102	122,401
Tax effect of permanent items	5,368	3,773
Tax rate-related deviation	(27,596)	(20,189)
Thereof effects of changes in tax rates	(7,318)	(4,543)
Thereof effects of addback deduction for local taxes	941	873
Thereof adjustment of tax amount to diverging local tax rate	(21,218)	(16,519)
Tax refund/back taxes	3,601	2,254
Deferred tax effects from prior years	(4,594)	255
Valuation allowance on deferred tax assets	(842)	(35)
Tax effects from distributable profit of subsidiaries	443	(4,824)
Other deviations	74	(967)
Income tax expenditure reported	**100,556**	**102,668**
Income tax burden	24%	23%

The income tax burden was reduced by tax-free income of EUR 3,316 thousand (2014: EUR 11,332 thousand). The opposite tax effects as a result of non-deductible business expenses come to EUR 8,684 thousand (2014: EUR 15,105 thousand).

Tax effects from the add-back/deduction for local taxes amounting to EUR 941 thousand (2014: income of EUR 873 thousand) stem for the most part from the rules 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 21,218 thousand (2014: EUR 16,519 thousand) are attributable to the difference between the nominal income tax rate of 29.5% 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, deferred tax expenses include income from the impact of changes in tax rates of EUR 7,318 thousand (2014: income of EUR 4,543 thousand)

Deferred tax income from prior years of EUR 4,594 thousand was recognized in fiscal year 2015 (2014: expenses of EUR 255 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 tax expenses amounting to EUR 1,896 thousand (2014: income of EUR 4,549 thousand). Of that amount, EUR 387 thousand (2014: income of EUR 700 thousand) is attributable to the recognition directly in equity of fluctuations in the fair value of derivatives designated as hedging relationships and expenses of EUR 1,509 thousand (2014: income of EUR 3,849 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)

	2015		2014	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	41,188	(45,565)	44,938	(42,730)
Unused tax losses	23,037	0	20,923	0
Inventory measurement	58,187	(3,115)	42,374	(3,733)
Recognition and measurement of non-current assets	53,367	(14,315)	53,269	(14,392)
Receivables measurement	8,637	(2,427)	6,968	(2,478)
Market valuation of financial instruments	1,034	(94)	1,802	0
Retained earnings of subsidiaries	0	(3,369)	0	(2,768)
Other differences in recognition and measurement	823	(971)	442	(1,374)
	186,273	**(69,856)**	**170,716**	**(67,475)**
Impairments[1]	(9,027)	0	(12,991)	0
Netting	(62,080)	62,080	(57,343)	57,343
TOTAL	**115,166**	**(7,776)**	**100,382**	**(10,132)**

[1] Including unrecognized unused tax losses.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses 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 59,656 thousand (2014: EUR 76,373 thousand) are non-current, while EUR 44,106 thousand (2014: EUR 60,369 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 9,027 thousand (2014: EUR 10,261 thousand) due to unused tax losses that are not expected to be usable in the future.

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 (2014: 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 2,169 thousand (2014: EUR 1,568 thousand) were recognized for these withholding tax expenses.

Further deferred tax liabilities were not recognized on distributable profits at subsidiaries amounting to EUR 374,351 thousand (2014: EUR 381,013 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)

	2015	2014
Expiry within		
1 year	997	8,700
2 years	5,113	1,122
3 years	7,875	6,809
4 years	3,630	7,161
5 years	15,262	3,276
After 5 years	23,058	25,490
unlimited carryforward	27,405	19,170
TOTAL	**83,340**	**71,728**

As in prior fiscal years, a corresponding deferred tax asset of EUR 14,010 thousand was recognized on unused tax losses as at December 31, 2015 (2014: EUR 10,662 thousand). In fiscal year 2015, no deferred taxes were recognized on unused tax losses of EUR 27,907 thousand (2014: EUR 32,249 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, 2015, or December 31, 2014.

(in EUR thousand)

	2015	2014
Net income attributable to equity holders of the parent company	319,355	333,262
Average number of shares outstanding [1]	69,016,167	69,016,167
Earnings per share (EPS) in EUR [2]	4.63	4.83

[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)

	2015	2014
Cost of sales	93,290	88,957
Selling and distribution expenses	321,715	283,093
Administration expenses	152,031	133,300
Other operating expenses/income	(4,243)	9,001
TOTAL	**562,793**	**514,351**

The net income resulting from other operating expenses and income in fiscal year 2015 was EUR 4,243 thousand. Income resulting from the release of provisions recognized in fiscal year 2014 relating to the sale of the production facility in Cleveland, Ohio, is partly offset here by expenses in connection with organizational adjustments in Europe and the Americas.

In the prior year, the net expense of EUR 9,001 thousand resulting from other operating expenses and income mainly related to the then planned closure of the production facility in Cleveland, Ohio and organizational adjustments in Europe and the Americas.

(in EUR thousand)

	2015	2014
Wages and salaries	478,320	435,692
Social security	78,813	72,405
Expenses and income for retirement and other employee benefits	5,660	6,254
TOTAL	**562,793**	**514,351**

The average headcount for the year was as follows:

EMPLOYEES

	2015	2014
Industrial employees	5,043	4,861
Commercial and administrative employees	10,263	9,652
TOTAL	**15,306**	**14,513**

AMORTIZATION AND DEPRECIATION

(in EUR thousand)

	2015	2014
Cost of sales	6,020	5,656
Selling and distribution expenses	111,124	96,237
Administration expenses	24,955	20,867
TOTAL	**142,099**	**122,760**

Amortization of intangible assets and depreciation of property plant and equipment amount to EUR 142,099 thousand (2014: EUR 122,760 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 765,699 thousand (2014: EUR 715,081 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, 2014	**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**
Change in the basis of consolidation	0	0	0
Currency translation effects	31,099	4,459	35,558
Additions	166,579	53,770	220,349
Disposals	(51,796)	(6,135)	(57,931)
Transfers	(2,797)	1,119	(1,678)
December 31, 2015	**1,096,477**	**318,727**	**1,415,204**
Amortization, depreciation and impairment			
January 1, 2014	**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**
Change in the basis of consolidation	0	0	0
Currency translation effects	18,329	1,696	20,025
Amortization and depreciation	103,822	20,551	124,373
Impairment	16,572	1,154	17,726
Disposals	(50,023)	(6,073)	(56,096)
Transfers	(2,054)	1,281	(773)
December 31, 2015	**656,689**	**136,125**	**792,814**
Carrying amount December 31, 2015	**439,788**	**182,602**	**622,390**
Carrying amount December 31, 2014	**383,349**	**147,998**	**531,347**

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, 2014	**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**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	2,631	0	1,246	0	582	4,459
Additions	30,885	0	9,571	0	13,314	53,770
Disposals	(6,135)	0	0	0	0	(6,135)
Transfers	894	0	225	0	0	1,119
December 31, 2015	**199,074**	**14,992**	**45,130**	**5,603**	**53,928**	**318,727**
Amortization/impairment						
January 1, 2014	**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**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	1,266	0	430	0	0	1,696
Amortization	18,769	0	1,782	0	0	20,551
Impairment	0	0	1,154	0	0	1,154
Disposals	(6,073)	0	0	0	0	(6,073)
Transfers	892	0	389	0	0	1,281
December 31, 2015	**109,102**	**0**	**20,287**	**5,603**	**1,133**	**136,125**
Carrying amount December 31, 2015	**89,972**	**14,992**	**24,843**	**0**	**52,795**	**182,602**
Carrying amount December 31, 2014	**76,551**	**14,992**	**17,556**	**0**	**38,899**	**147,998**

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 with a historical cost of EUR 77,199 thousand (2014: EUR 76,318 thousand) were capitalized in connection with "Columbus" for the ERP system, comprising the industry solution SAP AFS and SAP Retail for the Group's own retail business. Of this, EUR 52,272 thousand (2014: EUR 49,531 thousand) had already been amortized as at the reporting date. As a result of investments in software and licenses in connection with the continuous enhancement of the ERP system, the remaining amortization period decreased only slightly to 3.9 years (2014: 4.0 years). Apart from the aforementioned software, other software licenses totaling EUR 50,029 thousand (2014: EUR 33,471 thousand) are included, whose remaining amortization period is 5.6 years (2014: 5.5 years).

In addition, the line item software, licenses and other rights contains intangible assets from purchase price allocations. Under acquisition accounting for the joint venture entities in fiscal year 2010, some of the items capitalized included business licenses and franchise agreements with a remaining carrying amount of EUR 12,289 thousand as at December 31, 2015 (2014: EUR 12,667 thousand) and a remaining amortization period of 9.6 years (2014: 10.6 years). The re-acquired rights capitalized as a result of purchase price allocation in connection with the takeover of retail stores of a former franchise partner in Singapore in 2013 have a residual carrying amount of EUR 1,702 thousand (2014: EUR 2,250 thousand). The remaining amortization period is 3.9 years (2014: 4.9 years).

BRAND RIGHTS

The reported brand rights amounting to EUR 14,992 thousand (2014: 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 24,843 thousand (2014: EUR 17,556 thousand) was recognized as at the reporting date. Of that amount, 6,397 thousand (2014: EUR 6,353 thousand) pertains to key money with an indefinite useful life and EUR 18,446 thousand (2014: EUR 11,203 thousand) to key money with a finite useful life. As at December 31, 2015, key money with an indefinite useful life only concerns the DOS in France at EUR 6,397 thousand (2014: EUR 6,353 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 the DOS in Great Britain, Switzerland and Italy. An amortization period of 9.1 years remains (2014: 6.4 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, 2014	**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**
Change in the basis of consolidation	0	0	0	0	0
Currency translation effects	(15,039)	556	45,733	(151)	31,099
Additions	24,853	5,585	122,259	13,882	166,579
Disposals	(15,152)	(984)	(35,617)	(43)	(51,796)
Transfers	(306)	(1,644)	3,006	(3,853)	(2,797)
December 31, 2015	**259,862**	**83,532**	**737,998**	**15,085**	**1,096,477**
Depreciation/impairment					
January 1, 2014	**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**
Change in the basis of consolidation	0	0	0	0	0
Currency translation effects	(11,821)	536	29,614	0	18,329
Depreciation	16,155	4,635	83,032	0	103,822
Impairment	0	0	16,572	0	16,572
Disposals	(15,174)	(903)	(33,946)	0	(50,023)
Transfers	(83)	(1,644)	(327)	0	(2,054)
December 31, 2015	**124,670**	**63,920**	**468,096**	**3**	**656,689**
Carrying amount December 31, 2015	**135,192**	**19,612**	**269,902**	**15,082**	**439,788**
Carrying amount December 31, 2014	**129,913**	**18,723**	**229,466**	**5,247**	**383,349**

Land charges in connection with land and buildings amount to EUR 39,118 thousand (2014: EUR 42,043 thousand).

Impairment losses of EUR 16,572 thousand (2014: EUR 15,022 thousand) were recognized on property, plant and equipment and have been allocated to the corresponding functional areas 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. 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.

13| NON-CURRENT ASSETS HELD FOR SALE

In the third quarter of 2015, HUGO BOSS announced that it would be closing its showroom in Aix-en-Provence in France. As a result, property, plant and equipment comprising land, buildings and operating and office equipment valued at EUR 487 thousand belonging to HUGO BOSS France SAS, Paris, France, were classified as "non-current assets held for sale" due to the intent to sell them in fiscal year 2016.

As part of the consolidation process for its production sites, HUGO BOSS sold its site in Cleveland, Ohio, in the second quarter of 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, United States, were classified as "non-current assets held for sale" as at December 31, 2014 as a result of the intent to sell. The sale took place in the second quarter of 2015.

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 to determine whether there is any evidence 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 at the reporting date December 31, 2015, 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 at December 31, 2015, is based on a risk-free interest rate of 1.5% (2014: 2.0%) and a market risk mark-up of 6.0% (2014: 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 on the basis of discounted cash flow models. The planned cash flows for the DOS from the bottom-up one-year budget approved by the management of HUGO BOSS AG are used for calculating the value in use. The forecast period is derived based on the expected useful lives for all DOS 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 all DOS. At the end of the residual useful life, it is assumed that the respective DOS is wound up and that proceeds are obtained from the sale of the operating assets. In the calculation of the value in use of the DOS, cash flows were discounted using a weighted average cost of capital of between 3.5% and 18.1% (2014: between 4.4% and 14.8%). This was based on a risk-free interest rate of 0.3% (2014: 0.8%) with an equivalent term. Alternatively, the recoverable amount of the DOS is determined with the assistance of external reports which calculate the fair value less the costs to sell at level 3 of the fair value hierarchy in accordance with IFRS 13. Depending on the underlying legal framework and the available information, the fair value, particularly for key money with a finite useful life, is determined by reference to previous and comparable transactions using a multiplication process or as the present value of the differences in rents between the current lease and current market rents; in this case, the valuation period is determined on the basis of the lease.

DOS impairment testing in the past fiscal year resulted in impairment losses of EUR 17,726 thousand (2014: EUR 15,281 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. There are no material differences in impairment losses on retail store locations from region to region. The increase over the previous year is primarily due to Europe.

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
2015				
Europe	**294**	**6,397**	**5.9–6.8%**	**3.0–3.2%**
Sales unit UK	294	0	6.8%	3.0%
DOS within the sales unit France	0	6,397	5.9%	3.2%
Americas	**336**	**0**	**7.1–19.4%**	**3.4–5.9%**
Sales unit USA	257	0	7.1%	3.4%
Sales unit Brasil	79		19.4%	5.9%
Asia/Pacific	**33,455**	**0**	**6.3–7.5%**	**3.4–5.0%**
Sales unit Macau	6,610	0	6.3%	3.4%
Sales unit Australia	8,550	0	6.9%	4.9%
Sales unit Singapore	429	0	7.5%	3.7%
Sales unit South Korea	7,372	0	7.2%	3.7%
Sales unit China	10,188	0	6.8%	5.0%
Sales unit New Zealand	306	0	6.4%	4.1%
Licenses	**0**	**14,992**	**6.8–7.1%**	**2.5–3.4%**
Brand rights U.S.A.	0	13,615	7.1%	3.4%
Brand rights Italy	0	1,377	6.8%	2.5%
Corporate Units	**18,710**	**0**	**6.8%**	**2.9%**
Production unit shoes and leather accessories Italy	18,710	0	6.8%	2.9%
TOTAL	**52,795**	**21,389**	**5.9–19.4%**	**2.5–2.9%**
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%
Americas	**232**	**0**	**8.0%**	**3.8%**
Sales unit U.S.A.	232		8.0%	3.8%
Asia/Pacific	**19,680**	**0**	**7.8–8.3%**	**3.6–5.0%**
Sales unit China	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%**

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 monobrand 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. Goodwill stemming from the takeover of a store from a former franchise partner in 2015 is allocable to the sales unit Brazil. In Asia/Pacific, goodwill acquired from business combinations relates to the acquisition of the shares in the sales units Lotus (Shenzhen) Commerce Limited and Lotus Concept Trading (Macau) Co., Ltd., in fiscal year 2010 among other things. In addition, goodwill from the acquisition of shares in the sales unit Australia in 2002 as well as the takeover of a retail store operated by a franchise partner in 2013 are allocable to the sales unit Australia. Additional goodwill arose in 2013 from the takeover of a franchise partner in Singapore and in 2015 from the takeover of HUGO BOSS monobrand stores in South Korea, China and New Zealand. 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 license 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 the fair value less costs to sell at level 3 of the valuation hierarchy in accordance with IFRS 13 or the value in use using discounted cash flow models.

Impairment losses of EUR 450 thousand were calculated for the DOS to which key money with an indefinite useful life was allocated in fiscal year 2015 (2014: EUR 0 thousand).

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 on the basis of their fair value less costs to sell and classified at 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 2015 and 2014.

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 2015.

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 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.

Estimation of 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 distribution 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 post-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 the DOS – The forecast period underlying the impairment testing of non-current assets at the DOS level amortized or depreciated on a systematic basis is based on the average remaining terms of the lease agreements. These are determined and reviewed 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 at December 31, 2015, 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. Based on past developments and the Management's expectations with regard to market trends, growth rates below the country-specific nominal retail growth were applied in some cases. For these models, the Management considers an annual relative variation in the growth rate of 10% in the detailed planning phase to be possible thereafter as well.

DOS sensitivities – A 10.0% increase in the discount rate would result in an additional impairment on the DOS considered of EUR 446 thousand (2014: EUR 372 thousand). In the event of a 15.0% reduction of the annual growth rates, it would be necessary to recognize an additional impairment loss on the DOS considered of EUR 3,066 thousand (2014: EUR 1,645 thousand).

Goodwill sensitivities – The values in use of all items of goodwill exceed the respective carrying amounts even in the case of a 10% increase in the discount rate. With respect to the goodwill for the CGUs in South Korea and China, a 15% reduction in the rate of growth would result in impairment losses assuming unchanged costs. For the purpose of impairment testing, sales growth in South Korea was extrapolated on the basis of nominal retail growth in the mid single digits. In this model, the recoverable amount for the CGU "Sales unit South Korea" exceeds the carrying amount by EUR 3,475 thousand. If the annual growth rate were to decrease by 6%, the recoverable amount would equal the carrying amount of the CGU. With respect to the CGU "Sales unit China", management has already applied a growth rate under the national rate of retail growth for impairment testing purposes. In view of the challenges in the Chinese market, management expects sales to decline in the first planning year. A growth rate in the mid single digits is assumed to be realistic in the following years. In this case, the recoverable amount of the CGU exceeds the carrying amount by EUR 80,475 thousand. If the annual growth rate decreased by 12%, the recoverable amount would equal the carrying amount of the CGU. In the event of a 15.0% reduction in the growth rate of sales used to extrapolate the cash flow forecasts after the detailed planning period, the value in use of all items of goodwill would exceed their carrying amounts (2014: 15.0%).

15| FINANCIAL AND OTHER ASSETS

(in EUR thousand)

	2015			2014		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Financial assets	50,969	29,017	21,952	42,181	22,528	19,653
Tax refund claims and prepayments	16,977	16,288	689	13,520	12,353	1,167
Other assets	92,204	88,294	3,910	78,242	70,669	7,573
Other financial assets	496	0	496	130	0	130
TOTAL	**160,646**	**133,599**	**27,047**	**134,073**	**105,550**	**28,523**

Financial assets include positive market values of currency hedges amounting to EUR 6,677 thousand (2014: EUR 3,908 thousand) as well as rent deposits for the Group's own retail stores of EUR 14,053 thousand (2014: EUR 13,714 thousand). Financial assets also include receivables from credit card companies amounting to EUR 16,085 thousand (2014: EUR 15,924 thousand).

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

Other assets contain refund claims from returns in the amount of EUR 17,463 thousand (2014: EUR 17,353 thousand), bonus receivables from supplier arrangements and prepayments for service agreements and leases.

Impairment losses of EUR 90 thousand were recognized on other assets in the past fiscal year (2014: EUR 457 thousand).

Other financial assets include the investment measured at amortized cost in subsidiaries which have been established but are not consolidated due to their immateriality.

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, 2015[1]	Dec. 31, 2014[2]
Non-current assets	118,285	123,119
Current assets	1,006	8,145
Liabilities	127,947	136,283
Sales	10,845	6,355
Depreciation and amortization	(9,914)	(5,630)
Other interest and similar income	3	40
Interest and similar expenses	(4,158)	(2,450)
Net income/(loss)	(3,483)	(1,984)

[1] Figures are based on the preliminary financial statements as of December 31, 2015.
[2] Prior-year figures are based on the final financial statements as of December 31, 2014. Different values in the annual report 2014 occur due to preliminary end-of-year figures as at December 31, 2014.

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)

	2015	2014
Finished goods and merchandise	512,056	448,245
Raw materials and supplies	41,719	52,817
Work in progress	5,734	6,346
TOTAL	**559,509**	**507,408**

The carrying amount of inventories recognized at net realizable value amount to EUR 67,594 thousand (2014: EUR 61,411 thousand). In fiscal year 2015, impairment losses of EUR 25,954 thousand (2014: EUR 12,437 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 15,208 thousand (2014: EUR 18,813 thousand), following the sale of finished goods and raw materials on which impairment losses had previously been recognized.

17| TRADE RECEIVABLES

(in EUR thousand)

	2015	2014
Trade receivables, gross	254,898	266,408
Accumulated allowance	(15,284)	(15,876)
Trade receivables, net	**239,614**	**250,532**

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)

	2015	2014
Allowances for doubtful accounts as of January 1	**15,876**	**15,126**
Additions	4,454	7,021
Use	(1,940)	(2,647)
Release	(2,740)	(3,793)
Currency differences	(366)	169
Allowances for doubtful accounts as of December 31	**15,284**	**15,876**

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)

	2015	2014
Trade receivables, net	**239,614**	**250,532**
Thereof neither overdue, nor impaired	**177,148**	**192,007**
Thereof overdue, but not impaired	**56,682**	**51,779**
≤ 30 days	37,759	32,467
30 to 60 days	12,042	14,726
60 to 90 days	6,881	4,586
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	**5,784**	**6,746**

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)

	2015	2014
Balances with banks and other cash items	74,380	121,055
Checks/ec-cash	650	590
Cash in hand	6,379	6,986
TOTAL	**81,409**	**128,631**

Cash and cash equivalents contain balances with banks, checks and cash in hand.

As of the end of the reporting date, the line item balances with banks and other cash items contains no short-term deposits (2014: EUR 10,000 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, 2015. 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, 2015, and December 31, 2014.

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)

	2015	2014
Liabilities due to banks	163,604	164,294
Cash and cash equivalents	(81,409)	(128,631)
Net financial liabilities	**82,195**	**35,663**
Operating profit	**594,057**	**590,789**
Total leverage	**0.1**	**0.1**

Despite greater investments in the Group's own retail business and the resultant increase in net financial liabilities, the total leverage ratio was unchanged over the previous year. As in the prior year, the ratio stood at 0.1 on the reporting date and was thus substantially lower than the maximum permissible value pursuant to the covenant agreed as part of the syndicated loan agreement refinanced in fiscal year 2015.

20| OWN SHARES

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

	2015	2014
Shares	1,383,833	1,383,833
Share of subscribed capital in %	2.0	2.0

At the Annual Shareholders' Meeting of May 12, 2015, a resolution was passed authorizing the Managing Board to acquire the Company's own shares up to a total of 10% of the current share capital until May 11, 2020.

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 54,401 thousand (2014: EUR –15,320 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 0 thousand (2014: EUR 387 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 2015 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 2015, a dividend of EUR 249,839 thousand was paid out for shares outstanding for fiscal year 2014 (in 2014 for 2013: EUR 230,514 thousand). This corresponds to EUR 3.62 per share for 2014 (2013: EUR 3.34 per share).

25| PROVISIONS

(in EUR thousand)

	2015	2014
Provisions for pensions	39,323	45,628
Other non-current provisions	32,759	24,917
Non-current provisions	**72,082**	**70,545**
Current provisions	**102,773**	**115,656**
TOTAL	**174,855**	**186,201**

Other provisions of EUR 135,532 thousand (2014: EUR 140,573 thousand) comprise current provisions of EUR 102,773 thousand (2014: EUR 115,656 thousand) and other non-current provisions of EUR 32,759 thousand (2014: EUR 24,917 thousand).

In fiscal year 2015, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2015	Currency differences	Compounding	Addition	Use	Release	Balance on Dec. 31, 2015
Provisions for personnel expenses	45,538	1,322	26	41,418	(29,741)	(4,173)	54,390
Provisions for goods returned	25,555	708	0	29,084	(24,143)	(1,021)	30,183
Provisions for rebuild obligations	12,284	800	(22)	1,878	(508)	(234)	14,198
Costs of litigation, pending legal disputes	7,470	79	0	2,445	(3,365)	(732)	5,897
Miscellaneous provisions	49,726	1,114	0	19,272	(22,686)	(16,562)	30,864
TOTAL	**140,573**	**4,023**	**4**	**94,097**	**(80,443)**	**(22,722)**	**135,532**

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 16,706 thousand (2014: EUR 11,317 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 other provisions are also recognized for the potential ramifications of legal and tax issues.

The risk-free interest rates used to discount non-current provisions range between 0.1% and 4.5% (2014: between 0.5% and 4.5%) 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. In fiscal year 2014, the general benefits previously granted via the welfare fund were transferred to HUGO BOSS AG as the sponsoring company in return for the 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	
	2015	2014	**2015**	2014	**2015**	2014
Germany	85,085	81,711	70,541	56,633	14,544	25,078
Switzerland	44,952	36,055	28,543	22,333	16,409	13,722
Turkey	5,435	4,146	0	0	5,435	4,146
Others [1]	2,935	2,682	0	0	2,935	2,682
TOTAL	**138,407**	**124,594**	**99,084**	**78,966**	**39,323**	**45,628**

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

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

In fiscal year 2015, the funding status of benefit obligations pursuant to IAS 19 was as follows:

(in EUR thousand)

	2015	2014
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	124,594	107,291
Currency differences	3,318	689
Service cost	7,169	5,686
Interest expense	2,808	3,613
Payments from settlements	0	(3,932)
Remeasurement of the carrying amount		
Actuarial gains/losses due to changes in financial assumptions	(2,377)	21,218
Actuarial gains/losses due to changes in demographic assumptions	2,317	0
Experience adjustments	(99)	(3,182)
Benefits paid	(2,777)	(10,567)
Contribution by participants of the plan	4,155	2,928
Past service cost	(774)	967
Other changes in benefit obligation	73	(117)
Present value of benefit obligation on December 31	**138,407**	**124,594**
Changes in plan assets		
Fair value of plan assets on January 1	78,966	77,496
Currency differences	2,397	406
Offsetting with plan assets	0	0
Expected return on plan assets	1,651	2,621
Expected return on plan assets (without interest income)	3,839	(373)
Benefits paid	(1,496)	(9,990)
Contribution by the employer	9,572	3,048
Contribution by participants of the plan	4,155	2,928
Asset ceiling pursuant to IAS 19.58	0	2,830
Other changes in benefit obligation	0	0
Fair value of plan assets on December 31	**99,084**	**78,966**
Funding status of the benefits funded by plan assets	**39,323**	**45,628**

As of December 31, 2015 EUR 82,810 thousand (2014: EUR 79,146 thousand) of the present value of the defined benefit obligations was funded through employer’s pension liability insurance and EUR 44,952 thousand (2014: EUR 36,055 thousand) through foundation assets, while the remaining EUR 10,643 thousand (2014: EUR 9,393 thousand) was unfunded.

ACTUARIAL ASSUMPTIONS UNDERLYING THE CALCULATION OF THE PRESENT VALUE OF THE PENSION OBLIGATION AS OF DECEMBER 31, 2015

The following premises were defined:

Actuarial assumptions	2015	2014
Discount rate		
Germany	2.50%	2.25%
Switzerland	0.90%	1.40%
Turkey	10.00%	8.50%
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	3.00%	3.50%
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, 2015.

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	**2015**	2014
Discount rate		
December 31,		
Increase of 75 basis points	(15,643)	(11,943)
Decline of 75 basis points	19,401	14,883
Future pension increases		
December 31,		
Increase of 25 basis points	4,295	2,069
Decline of 25 basis points	(2,758)	(970)
Future salary increases		
December 31,		
Increase of 50 basis points	1,978	2,246
Decline of 50 basis points	(1,888)	(2,184)
Life expectancy		
December 31,		
Increase of 10 percent	3,741	2,810
Decline of 10 percent	(4,086)	(2,502)

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)

	2015	2014
Current service costs	7,169	5,686
Past service costs	(774)	967
Net interest costs	1,158	992
Recognized pension expenses in the comprehensive statement of income	**7,553**	**7,645**
Expense from plan assets (without interest effects)	(3,839)	373
Recognized actuarial (gains)/losses	(159)	18,037
Asset ceiling (without interest effects of asset ceiling)	0	(2,929)
Recognized remeasurement of the carrying amount in the comprehensive statement of income	**(3,998)**	**15,480**

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 5,438 thousand (2014: EUR 3,010 thousand).

DURATION

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

(Duration in years)

	2015	2014
Germany	18	20
Switzerland	15	19
Turkey	8	13

DEFINED CONTRIBUTION PLANS

Employer contributions to defined contribution plans totaled EUR 16,883 thousand in the fiscal year (2014: EUR 16,173 thousand) and are reported under personnel expenses in the income statement. The HUGO BOSS Group's main defined contribution plans are in Germany and the United States. 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)

	2015	2014
Non-current financial liabilities	134,975	153,643
Current financial liabilities	41,475	18,256
TOTAL	**176,450**	**171,899**

(in EUR thousand)	**2015**	**With remaining term up to 1 year**	2014	With remaining term up to 1 year
Financial liabilities due to banks	163,604	38,691	164,293	15,137
Other financial liabilities	12,846	2,783	7,606	3,119
TOTAL	**176,450**	**41,474**	**171,899**	**18,256**

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 3,807 thousand (2014: EUR 7,546 thousand) and liabilities under finance leases of EUR 9,039 thousand (2014: EUR 0 thousand).

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

LIABILITIES DUE TO BANKS

	2015		2014	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	1.28%	38,691	4.01%	15,137
1 to 5 years	0.68%	95,398	1.30%	116,948
More than 5 years	2.95%	29,515	2.97%	32,208

Following the refinancing of the syndicated credit facility in fiscal year 2015, the non-current part of the financial liabilities was reduced and the less expensive current financial facilities utilized.

OTHER FINANCIAL LIABILITIES

	2015		2014	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	2.88%	2,783	0.90%	3,640
1 to 5 years	4.06%	8,090	3.60%	2,967
More than 5 years	4.32%	1,973	5.69%	999

By contrast to the prior year, the share of non-interest-bearing financial liabilities has declined. As of the reporting date, they contain 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)

2015		**Expected cash flows**			
Non-derivative financial liabilities	**Carrying amount**	**Total cash flows**	**< 1 year**	**1–5 years**	**> 5 years**
Financial liabilities due to banks	163,604	173,586	39,752	112,235	21,599
Liabilities from finance leases	9,039	9,503	1,441	6,637	1,425
Derivative financial liabilities					
Undesignated derivatives	3,265	3,265	896	1,730	639
Derivatives subject to hedge accounting	542	542	542	0	0
Other financial liabilities	0	0	0	0	0
TOTAL	**176,450**	**186,896**	**42,631**	**120,602**	**23,663**
2014					
Non-derivative financial liabilities					
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**

28| OTHER LIABILITIES

(in EUR thousand)

	2015			2014		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Other liabilities	167,722	125,480	42,242	134,747	96,876	37,871
From accruals of rental obligations for the Group's own retail business	70,845	32,391	38,454	52,144	16,281	35,863
From taxes	38,104	38,104	0	36,630	36,630	0
From social security, accrued vacation, wages and salaries	23,861	23,861	0	23,438	23,438	0

29| TRADE PAYABLES

(in EUR thousand)

	2015	2014
Trade payables	271,506	254,959

Trade payables contain payments on account of EUR 6,870 thousand (2014: EUR 6,237 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)

		2015		2014	
Assets	IAS 39 category	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	LaR	81,409	81,409	128,631	128,631
Trade receivables	LaR	239,614	239,614	250,532	250,532
Other financial assets		51,430	51,430	42,276	42,276
Thereof:					
Available-for-sale investments	AfS	461	461	95	95
Undesignated derivatives	FAHfT	5,942	5,942	3,395	3,395
Derivatives subject to hedge accounting	n. a.	736	736	513	513
Other financial assets	LaR	44,291	44,291	38,273	38,273
Liabilities					
Financial liabilities due to banks	FLAC	163,604	165,513	164,293	169,578
Trade payables	FLAC	271,506	271,506	254,959	254,959
Other financial liabilities		12,846	12,846	7,606	7,606
Thereof:					
Undesignated derivatives	FLHfT	3,265	3,265	5,998	5,998
Derivatives subject to hedge accounting	n. a.	542	542	1,548	1,548
Liabilities from finance leases	n. a.	9,039	9,039	0	0
Other financial liabilities	FLAC	0	0	60	60
TOTAL for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	365,314	365,314	417,436	417,436
Available-for-Sale investments	AfS	461	461	95	95
Financial Assets Held for Trading	FAHfT	5,942	5,942	3,395	3,395
Financial Liabilities Measured at Amortized Cost	FLAC	435,110	437,019	419,312	424,597
Financial Liabilities Held for Trading	FLHfT	3,265	3,265	5,998	5,998

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, 2015, 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, 2015, 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 2015, 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 6,678 thousand and liabilities to EUR 3,807 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 10,299 thousand (2014: EUR 110,916 thousand) in variable interest finance liabilities were hedged. EUR 0 thousand (2014: 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 24,349 thousand (2014: EUR 12,532 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 1,229 thousand (2014: EUR -1,587 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**	**2015**	2014
Derivatives (FAHfT and FLHfT)	0	6,105	0	0	(16,014)	(9,909)	(5,640)
Loans and Receivables (LaR)	1,190	0	(11,105)	(3,076)	0	(12,991)	1,806
Financial liabilities measured at amortized cost (FLAC)	(4,076)	0	2,853	0	0	(1,223)	(9,692)

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
2015						
Cash and cash equivalents	81,409	0	81,409	0	0	81,409
Trade receivables	252,954	(13,340)	239,614	0	0	239,614
Other financial assets	51,430	0	51,430	(867)	0	50,563
Available-for-sale	461	0	461	0	0	461
Thereof derivatives	6,678	0	6,678	(867)	0	5,811
Thereof other financial assets	44,291	0	44,291	0	0	44,291
TOTAL	**385,793**	**(13,340)**	**372,453**	**(867)**	**0**	**371,586**
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	42,311	0	42,311	(1,473)	0	40,838
Available-for-sale	130	0	130	0	0	130
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	**435,573**	**(14,099)**	**421,474**	**(1,473)**	**0**	**420,001**

(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
2015						
Liabilities due to banks	163,604	0	163,604	0	0	163,604
Trade payables	277,882	(6,376)	271,506	0	0	271,506
Other financial liabilities	12,846	0	12,846	(867)	0	11,979
Thereof derivatives	3,807	0	3,807	(867)	0	2,940
Thereof other financial liabilities	9,039	0	9,039	0	0	9,039
TOTAL	**454,332**	**(6,376)**	**447,956**	**(867)**	**0**	**447,089**
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 liabilities	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**

The liabilities of EUR 13,340 thousand (2014: EUR 14,099 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 6,376 thousand (2014: EUR 4,832 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

Contingent liabilities arising from the provision of collateral for third-party liabilities are valued at EUR 8,547 thousand as at December 31, 2015 (2014: 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.

Under terms of the sale of the production site in Cleveland, Ohio, in the second quarter of 2015 and the transfer of production staff to the purchaser, HUGO BOSS Cleveland Inc. accepted subsidiary liability in connection with the termination of its participation in the existing multi-employer pension fund. If the purchaser terminates its participation in the pension plan before the expiry of five years and is unable to pay a settlement amount in favor of the pension fund, HUGO BOSS Cleveland Inc. in its capacity as the seller is liable under the Employee Retirement Income Security Act for an amount equaling the present value of the obligations calculated using actuarial methods, which is capped at about USD 3.7 million. Management considers the case of liability occurring as not likely. Hence no provisions have been set aside as at the reporting date.

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 364,914 thousand were recognized in fiscal year 2015 (2014: EUR 318,442 thousand). Contingent rental expenses amounted to EUR 104,292 thousand (2014: EUR 90,876 thousand).

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

(in EUR thousand)

2015	**Due 2016**	**Due 2017–2020**	**Due after 2020**	**TOTAL**
Sum of future minimum lease payments (operating lease)	254,638	776,587	377,872	**1,409,097**
Other obligations	2,170	4,128	124	**6,422**
TOTAL	**256,808**	**780,715**	**377,996**	**1,415,519**

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**

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

In fiscal year 2015, the Group earned income of EUR 137 thousand from subleases (2014: EUR 164 thousand). Total future minimum lease payments from subleases as at the reporting date December 31, 2015, which are expected to be received as they pertain to non-cancellable leases, amount to EUR 315 thousand (2014: EUR 493 thousand).

FINANCE LEASES

Leases under which economic ownership rights to the leased assets are deemed to be held by HUGO BOSS as the lessee have been in force since fiscal year 2015. The leased assets comprise the warehouse and the land on which it is located in Midway, Georgia, U.S.A., and IT servers in Metzingen.

The assets had a net carrying amount of EUR 9,083 thousand as at December 31, 2015 (2014: EUR 0 thousand), which is reported within property, plant and equipment. Interest expenses and depreciation for fiscal year 2015 came to EUR 193 thousand (2014: EUR 0 thousand).

The minimum lease payments under the finance leases in fiscal year 2015 include the rights of utilization for a remaining period of 6.7 years for the warehouse and the land on which it is located in Midway, Georgia, U.S.A., and 4.5 years for the IT servers in Metzingen. The minimum lease payment for these rights stands at a total of EUR 9,173 thousand, the expected future interest payment EUR 134 thousand and the present value of the minimum lease payments EUR 9,039 thousand.

The present values and future minimum lease payments for the remaining terms of these leases, which expire in 2022 and 2020, respectively, break down as follows:

(in EUR thousand)

2015	Due 2016	Due 2017–2020	Due after 2020	TOTAL
Minimum lease payments	1,382	6,455	1,336	**9,173**
Estimated amount representing interest	36	96	2	**134**
Present value of minimum lease payments	**1,346**	**6,359**	**1,334**	**9,039**

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)

2015	**Due 2016**	**Due 2017–2020**	**Due after 2020**	**TOTAL**
Advertising and sponsorship contracts	11,808	9,314	0	**21,122**
TOTAL	**11,808**	**9,314**	**0**	**21,122**
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**

In addition, there are purchase obligations for investments amounting to EUR 7,759 thousand (2014: EUR 1,401 thousand). Of this amount, EUR 5,469 thousand (2014: EUR 712 thousand) is attributable to property, plant and equipment and EUR 2,290 thousand (2014: EUR 689 thousand) to intangible assets. The obligations as at December 31, 2015 are due for settlement 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)

	2015		2014	
	Nominal-values	**Fair values**	Nominal-values	Fair values
Assets				
Currency hedging contracs	241,709	6,677	78,262	3,908
Interest hedging contracts	0	0	0	0
Liabilities				
Currency hedging contracs	(67,754)	(867)	(80,266)	(2,541)
Interest hedging contracts	(10,299)	(2,940)	(110,916)	(5,005)
TOTAL	**163,656**	**2,870**	**(112,920)**	**(3,638)**

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 2,677 thousand (2014: EUR –2,603 thousand) stems from financial assets and liabilities that were classified as held for trading.

As at December 31, 2015, the effect arising from the measurement of interest hedges at their fair value is no longer recognized in other comprehensive income due to the refinancing operation and the resultant dissolution of the interest hedges (2014: EUR -1,161 thousand). In fiscal year 2015, the total expenses of EUR –1,161 thousand recognized in other comprehensive income were recycled through the income statement (2014: expenses of EUR -411 thousand). The recycled expenses break down into interest expense of EUR –449 thousand (2014: EUR -548 thousand), income from deferred taxes of EUR 112 thousand (2014: EUR 137 thousand), expenses of EUR 824 thousand (2014: EUR 0 thousand) from the premature dissolution of the interest hedges, after the deduction of deferred taxes. The fair value changes came to EUR 0 thousand (2014: EUR -2,511 thousand) after deferred taxes.

The positive effects from the fair value measurement of currency hedges of EUR 194 thousand were recognized in other comprehensive income as at December 31, 2015 (2014: EUR 513 thousand). Of the amount recognized in other comprehensive income, income of EUR 513 thousand was recycled through the income statement in fiscal year 2015 (2014: EUR 0 thousand). The fair value changes came to EUR 194 thousand (2014: EUR 513 thousand).

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 including Middle East and Africa, 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**
2015					
Sales	**1,683,249**	**670,480**	**392,929**	**62,088**	**2,808,746**
Segment profit	**535,382**	**187,443**	**99,963**	**51,634**	**874,422**
In % of sales	31.8	28.0	25.4	83.2	31.1
Segment assets	258,285	239,598	115,246	18,404	631,533
Capital expenditure	65,989	46,089	41,879	0	153,957
Impairments	(6,053)	(6,255)	(5,418)	0	(17,726)
Thereof property, plant and equipment	(4,931)	(6,224)	(5,418)	0	(16,573)
Thereof intangible assets	(1,122)	(31)	0	0	(1,153)
Depreciation/amortization	(32,685)	(25,079)	(24,454)	0	(82,218)
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)

[1] Including Middle East/Africa.

RECONCILIATION

SALES

(in EUR thousand)

	2015	2014
Sales – operating segments	**2,808,746**	**2,571,616**
Corporate units	0	0
Consolidation	0	0
TOTAL	**2,808,746**	**2,571,616**

OPERATING INCOME

(in EUR thousand)

	2015	2014
Segment profit – operating segments	**874,422**	**848,500**
Depreciation/amortization – operating segments	(82,218)	(75,801)
Impairments – operating segments	(17,726)	(15,281)
Special items – operating segments	(2,323)	(9,884)
Operating income (EBIT) – operating segments	**772,155**	**747,534**
Corporate units	(329,120)	(287,104)
Consolidation	4,677	(11,709)
Operating income (EBIT) HUGO BOSS Group	**447,712**	**448,721**
Net interest income/expenses	**(5,901)**	**(4,518)**
Other financial items	**(21,837)**	**(7,055)**
Earnings before taxes HUGO BOSS Group	**419,974**	**437,148**

SEGMENT ASSETS

(in EUR thousand)

	2015	2014
Segment assets – operating segments	**631,533**	**553,157**
Corporate units	167,590	204,783
Consolidation	0	0
Current tax receivables	21,124	8,291
Current financial assets	29,017	22,528
Other current assets	104,582	83,022
Cash and cash equivalents	81,409	128,631
Non-current assets held for sale	487	1,136
Current assets HUGO BOSS Group	**1,035,742**	**1,001,548**
Non-current assets	764,603	660,252
Total assets HUGO BOSS Group	**1,800,345**	**1,661,800**

CAPITAL EXPENDITURES

(in EUR thousand)

	2015	2014
Capital expenditure – operating segments	**153,957**	**99,838**
Corporate units	66,384	34,898
Consolidation	0	0
TOTAL	**220,341**	**134,736**

IMPAIRMENTS

(in EUR thousand)

	2015	2014
Impairment – operating segments	**17,726**	**15,281**
Corporate units	0	0
Consolidation	0	0
TOTAL	**17,726**	**15,281**

DEPRECIATION/AMORTIZATION

(in EUR thousand)

	2015	2014
Depreciation/amortization – operating segments	**82,218**	**75,801**
Corporate units	42,155	31,678
Consolidation	0	0
TOTAL	**124,373**	**107,479**

GEOGRAPHIC INFORMATION

(in EUR thousand)

	Third party sales		**Non-current assets**	
	2015	2014	**2015**	2014
Germany	464,753	446,246	203,769	180,682
Other European markets	1,218,510	1,117,688	218,314	185,479
U.S.A.	529,799	464,496	68,891	58,790
Other North, Central and South American markets	140,667	123,971	18,441	13,581
China	232,271	215,695	42,004	36,456
Other Asian markets	160,658	145,856	61,052	50,200
Licenses	62,088	57,664	15,014	15,029
TOTAL	**2,808,746**	**2,571,616**	**627,485**	**540,217**

37| RELATED PARTY DISCLOSURES

In the reporting period from January 1 to December 31, 2015, the following transactions requiring disclosure were conducted with related parties:

PARENT COMPANY

As at January 1, 2015, Red & Black Lux S.à r.l., Luxembourg, held 31.82% of the voting rights in HUGO BOSS AG. Red & Black Lux S.à r.l., Luxembourg, sold all of the voting rights which it held in HUGO BOSS AG effective March 17, 2015. The period of office of the six members of the Supervisory Board representing the shareholders, thereof two representatives of the Permira Group, expired at the end of the Annual Shareholders' Meeting on May 12, 2015.

Following the sale of all their share holdings, Permira Holdings Limited, Guernsey, and the parties related to it, no longer constitute related parties as defined in IAS 24 as at December 31, 2015. In the period from January 1 until May 12, 2015, as in the prior year, no legal transactions were conducted with Permira Holdings Limited, Guernsey, as the former ultimate parent company of the HUGO BOSS Group, or with companies affiliated with this company.

NON-CONSOLIDATED SUBSIDIARIES

In fiscal year 2015, sales of EUR 575 thousand arose from business relations with non-consolidated subsidiaries and were matched by outstanding receivables of the same amount as at December 31, 2015. In the prior year no transactions were conducted with the subsidiary HUGO BOSS Korea Ltd., Seoul, South Korea, which was not consolidated at the time. The company has been included in the basis of consolidation since fiscal year 2015.

ENTITIES UNDER JOINT CONTROL

Within the scope of existing real estate lease agreements, rents in the amount of EUR 11,576 thousand were paid to companies under joint control in fiscal year 2015 (2014: EUR 7,069 thousand). There were no open liabilities relating to these business transactions as at December 31, 2015. 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 12 years at GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG and 10 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. Prior to the commencement of operations at the flat-packed goods distribution center, this encompassed the preparation, execution and supervision 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 2014, HUGO BOSS AG received a lump-sum amount of EUR 250 thousand in consideration of the construction support services provided. This amount was due for payment upon the distribution center going into operation in 2014.

The construction services contract was extended after the distribution center went into operation to ensure that structural and technical modifications could be made in the period from 2015 until 2024. In 2015, HUGO BOSS AG received EUR 10 thousand in consideration of the further construction support services. No further lump-sum payments are planned.

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 253 to 255.

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 4,498 thousand in 2015 (2014: EUR 4,434 thousand). In 2015, a service cost of EUR 2,033 thousand was incurred for company pension plans (2014: EUR 2,148 thousand). An expense of EUR 564 thousand was incurred for other long-term employee benefits reportable in 2015 (2014: EUR 534 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.

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 4,918 thousand in fiscal year 2015 (2014: EUR 4,434 thousand). Of this amount, EUR 3,690 thousand was attributable to fixed salary components including fringe benefits (2014: EUR 3,682 thousand).

An amount of EUR 644 thousand (2014: EUR 752 thousand) was for the annual bonus agreed for fiscal year 2015. The multiple-year bonus for the period from 2013 until 2015 accounts for a total of EUR 584 thousand (2014: EUR 0 thousand). The annual bonus for 2015 and the multiple-year bonus for 2013 until 2015 will be paid in fiscal year 2016 within a week of the Supervisory Board approving the consolidated financial statements for 2015.

In fiscal year 2015, the Managing Board received an advance installment totaling EUR 2,844 thousand towards the multiple-year bonus for 2014 (2014: EUR 2,844 thousand advance towards the multiple-year bonus for 2013), the final amount of which is calculated on the basis of target achievement for the multiple-year period from 2014 until 2016. Total advances towards the multiple-year bonuses for 2013 until 2015 and for 2014 until 2016 stood at EUR 5,688 thousand as at the reporting date (2014: EUR 2,844 thousand).

Moreover, no loans were granted to nor contingent liabilities assumed in favor of members of the Managing Board in fiscal year 2015.

Compensation of former members of the Managing Board

In 2015, former members of the Managing Board and their surviving dependents received total compensation of EUR 245 thousand (2014: EUR 197 thousand).

There are pension obligations of EUR 26,525 thousand for former members of the Managing Board and their surviving dependents (2014: EUR 27,700 thousand). The corresponding plan assets in the form of employer's liability insurance amount to EUR 17,982 thousand (2014: EUR 17,801 thousand).

Compensation of the Supervisory Board

The Supervisory Board received compensation for its activities in 2014 amounting to EUR 2,184 thousand. For fiscal year 2015, total compensation is expected to come to EUR 2,087 thousand. This figure includes a variable component of EUR 1,332 thousand (2014: EUR 1,454 thousand), which is calculated on the basis of the expected earnings per share in the consolidated financial statements.

Other related party disclosures

In total, the members of the Managing Board and Supervisory Board hold less than 1% (2014: 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, 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

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 one-time payment. Following the restructuring performed at the end of 2009, Red & Black TopCo S.à r.l. had a direct 100% holding in Valentino Fashion Group S.p.A via Red & Black Lux S.à r.l. up until its sale in 2012 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 of the managers in Red & Black TopCo S.à r.l. was held via a German partnership with "Red & Black Management Beteiligungs GmbH & Co. KG ("MPP KG"). The managers were limited partners in MPP KG and entered in the commercial register. The limited-partnership share capital was contributed in cash by the partners. The amount of the limited-partnership share equaled the market value of the shares granted in return.

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 previous managers continued to hold the shares in MPP KG they acquired in 2008.

Via the shares held in MPP KG, the management of HUGO BOSS was able to participate in the proceeds from a stock-market flotation or the sales of the shares in HUGO BOSS AG. The right to participate in these MPP proceeds arose pro rata temporis over a multi-year vesting period ending on December 31, 2014. Entitlement to a share of the proceeds was only granted if the manager concerned had not yet left the HUGO BOSS Group on the date of the sale. If a manager left the company prematurely, Red & Black TopCo S.à r.l. had the right to acquire the interests held by the manager concerned.

Red & Black Lux S.à r.l. sold all of the voting rights which it held in HUGO BOSS AG effective March 17, 2015. In connection with this, MPP KG was wound up, the proceeds of the sale distributed to the shareholders and MPP terminated. As a result of the structure of the MPP, this did not have any effect on profit and loss in the HUGO BOSS Group; nor was it required to recognize any assets or liabilities as at the reporting date.

39| SUBSEQUENT EVENTS

Between the end of fiscal year 2015 and the release for publication of this report on February 23, 2016 there were no 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.

40| GERMAN CORPORATE GOVERNANCE CODE

In December 2015, 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)

	2015	2014
Audit services	1,760	1,467
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	481	388
Other assurance services	134	104
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	50	45
Tax advisory services	652	374
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	433	228
Other services	171	180
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	59	56
TOTAL	**2,717**	**2,125**

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

MICHEL PERRAUDIN (from May 12, 2015)
Hergiswil, Switzerland

Management Consultant
Chairman of the Supervisory Board

DR. HELLMUT ALBRECHT (till May 12, 2015)
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 (till May 12, 2015)
Reutlingen, Germany

First Authorized Representative of the German Metalworkers´ Union (IG Metall),
Reutlingen/Tübingen, Germany
Employee representative

HELMUT BRUST (till May 12, 2015)
Bad Urach, Germany

Senior Head of Corporate Culture, Health & Safety
HUGO BOSS AG,
Metzingen, Germany
Employee representative

DAMON MARCUS BUFFINI (till May 12, 2015)
Surrey, Great Britain

Managing Director
Permira Advisers LLP,
London, Great Britain

TANJA SILVANA GRZESCH (from May 12, 2015)
Sonnenbuehl, Germany

Deputy Chairperson and Treasurer
of the German Metalworkers´ Union (IG Metall),
Reutlingen/Tübingen, Germany
Employee representative

ANITA KESSEL (from May 12, 2015)
Metzingen, Germany

Administrative Employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

KIRSTEN KISTERMANN-CHRISTOPHE
(from May 12, 2015)
Oberursel, Germany

Managing Director
Société Générale S.A.,
Frankfurt/Main, Germany

FRIDOLIN KLUMPP (from May 12, 2015)
Caslano, Switzerland

Senior Vice President Global Human Resources
HUGO BOSS AG,
Metzingen, Germany
Employee representative

MONIKA LERSMACHER
Kornwestheim, Germany

Secretary of the German Metalworkers´ Union
IG Metall Area Headquarters Baden-Württemberg,
Stuttgart, Germany
Employee representative

DR. KLAUS MAIER (till May 12, 2015) 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
AXEL SALZMANN (from May 12, 2015) Großhansdorf, Germany	Chief Financial Officer Bilfinger SE, Mannheim, Germany
BERND SIMBECK (till May 12, 2015) Metzingen, Germany	Administrative employee HUGO BOSS AG, Metzingen, Germany Employee representative
HERMANN WALDEMER (from May 12, 2015) Blitzingen, Switzerland	Consultant
DR. MARTIN WECKWERTH (till May 12, 2015) 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]

Michel Perraudin	ODLO Sports Holding AG[2]	Huenenberg, Switzerland
Kirsten Kistermann-Christophe	GSW Immobilien AG	Berlin, Germany
Monika Lersmacher	Berthold Leibinger GmbH	Ditzingen, Germany
Hermann Waldemer	FCA US LLC	Auburn Hills, MI, United States
Gaetano Marzotto	Zignago Holding S.p.A.	Fossalta di Portogruaro, Italy
	Santa Margherita S.p.A.[2]	Fossalta di Portogruaro, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
	Alpitour S.p.A.	Turin, Italy
	Clouditaly Telecommunicazioni S.p.A.	Rome, Italy
	GGDB Holding S.p.A.	Milan, Italy
	Tipo S.p.A.	Milan, Italy
Luca Marzotto	Zignago Holding S.p.A.[2]	Fossalta di Portogruaro, Italy
	Santa Margherita S.p.A.	Fossalta di Portogruaro, Italy
	Centervue S.p.A.	Padua, Italy
	Cà del Bosco Srl - Società Agricola	Erbusco, Italy
	Vetri Speciali S.p.A.	Trento, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
	Golden Goose S.p.A.	Milan, Italy
	GGDB Holding S.p.A.	Milan, Italy
	Telecom Italia S.p.A.	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, Deutschland

[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 23, 2016

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 23, 2016

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 2015. 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 23, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok
Wirtschaftsprüfer
[German Public Auditor]

Biller
Wirtschaftsprüferin
[German Public Auditor]