

HUGO BOSS

Quarterly Statement for Q1 2017

Metzingen, May 3, 2017

HUGO BOSS starts the year with higher sales and earnings

- **Currency-adjusted sales growth of 1% in the first quarter**
- **Positive development in Europe and Asia**
- **EBITDA before special items grows by 4% thanks to strict cost and rebate management**
- **Full year financial outlook reconfirmed**

Mark Langer, Chairman of the Managing Board of HUGO BOSS AG:

“We’ve made a solid start to the current fiscal year. In Europe and Asia especially, we’ve been heading in a positive direction. Our strategic realignment is coming along well, and in some areas it’s already proving a success. The positive feedback from our retail partners and customers regarding the realignment of our brand portfolio makes me convinced that we are on the right track. In the next weeks, we will be presenting our new collections to the public. That’s an important milestone in implementing our strategy. I am convinced that, after this year of stabilization, we will return to profitable and sustainable growth.”

HUGO BOSS recorded higher sales and earnings in the first quarter of 2017 compared to the prior year. Growth in Europe and Asia more than compensated for the decline in sales seen in the Americas. The core markets of Great Britain and China showed particularly solid growth. The business in Germany was up, too, thanks to the wholesale business. In the U.S., the market environment was affected by declining footfall in the retail business and heavy discounting. In comparison to the prior year, however, HUGO BOSS managed to restrict the decline in sales in the American market, even though the company evaded the discount pressure from trade partners as much as possible and the wholesale business continued to be burdened by

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distribution restrictions. A solid increase in earnings in the first quarter was bolstered by ongoing strict cost management. The company therefore confirms its financial outlook for the full year.

In the second half of the year in particular, HUGO BOSS will expand its offering in the commercially important entry-level price range and strengthen its collection in the Casualwear section especially. A comprehensive set of measures primarily focused on increasing customer footfall and commercially optimizing the hugoboss.com website is intended to bring the e-commerce business back on course towards growth. Correspondingly, the company expects sales in the Group's own retail business to increase during the rest of the year.

A milestone in the realignment of our business model is the Spring/Summer 2018 collection, which will be the first to reflect the future concentration on the BOSS and HUGO brands. This will be presented to our retail partners in the next few weeks. Additionally, both brands will put on their own fashion shows – HUGO at the Pitti Immagine Uomo in Florence in mid-June and BOSS at the New York Fashion Week in July.

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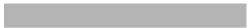



Q1 sales development by segment

	in EUR million	Change in %	Change in % currency-adjusted
Europe	 412	↗ + 2	↗ + 3
Americas	 125	↘ (4)	↘ (7)
Asia/Pacific	 97	↗ + 3	↗ + 1
Licenses	 17	↗ + 5	↗ + 5
Group	 651	↗ + 1	↗ + 1

- Bolstered by increased local demand and a recovery in business with tourists, sales in **Europe** increased by 3% in local currencies. Sales in Great Britain in particular grew by 7%. Growth in the wholesale channel led to a slight increase in sales in Germany, whereas sales in France and the Benelux declined due to the ongoing challenging market environment in the apparel sector.
- The sales development in the **Americas** was attributable in particular to a decline in sales of 7% in the United States, where, in the second quarter of 2016, the company began to limit the distribution of its BOSS core brand in the wholesale channel in order to move away from brand-damaging promotions. The Group also recorded declines in sales in Canada and Latin America.
- Sales development in the **Asia** region benefited from the ongoing upswing on the Chinese market. Sales in China rose by 3%, backed additionally by some innovative marketing activities on social media. With double-digit sales growth on a like-for-like basis the Chinese mainland was significantly better than Hong Kong and Macau.

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Q1 sales development by channel

	in EUR million	Change in %	Change in % currency-adjusted
Retail	 371	→ 0	→ 0
Wholesale	 263	↗ +3	↗ +2
Licenses	 17	↗ +5	↗ +5
Group	 651	↗ +1	↗ +1

- Sales in **the Group's own retail business** (including outlets and online stores) remained stable during the first quarter.
 - On a like-for-like and currency-adjusted basis, sales declined by 3%, mainly due to falls in the mid-single digit range in the Americas region. Whereas like-for-like sales in the Asia/Pacific region remained stable, in Europe they were in the low single-digit range below the prior-year level.
 - Overall, sales in the Group's own retail business in Europe were roughly stable and totaled EUR 205 million (Q1 2016: EUR 210 million). The Americas region, on the other hand, recorded a currency-adjusted decrease in sales of 3%. Revenues totaled EUR 77 million (Q1 2016: EUR 76 million). In Asia, sales grew by 4% in local currencies to EUR 90 million (Q1 2016: EUR 84 million).
 - Sales in freestanding stores and outlets were 1% and 7% above the prior year's figures respectively on a currency-adjusted basis, whilst sales in shops-in-shops declined by 3%. Sales in the Group's own online business declined by 27% mainly as a result of a decline in the number of visitors.
- The main reason for the increase in sales in the **wholesale business** was the positive development in Europe, which benefited from delivery shifts as compared to the prior year.

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- With EUR 207 million, sales in the wholesale business in Europe were 7% higher than in the prior year (Q1 2016: EUR 193 million). In the Americas, sales on a currency-adjusted basis fell by 12% to EUR 49 million (2016: EUR 54 million). The Asia/Pacific region recorded a decrease in sales of 30% in local currencies to EUR 8 million (Q1 2016: EUR 11 million).
- Sales in the **license business** increased by 5% to EUR 17 million (Q1 2016: EUR 16 million) in particular due to higher license income from fragrances.

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Q1 sales development by brand and gender

	in EUR million	Change in %	Change in % currency-adjusted
BOSS ¹ <small>HUGO BOSS</small>	554	↘ (1)	↘ (1)
HUGO <small>HUGO BOSS</small>	97	↗ +17	↗ +16
Group	651	↗ +1	↗ +1

¹ Including BOSS Green and BOSS Orange.

- The sales development of the **BOSS** core brand was related to scaling back distribution in the American wholesale business. The athleisure offering, which in 2017 is still sold under the BOSS Green brand, continued to post double-digit growth.
- **HUGO** recorded a significant increase in sales. The brand benefited from a growing wholesale presence as well as growth in the Group's own retail business.

	in EUR million	Change in %	Change in % currency-adjusted
Menswear	577	↗ +1	↗ +1
Womenswear	74	↗ +3	↗ +2
Group	651	↗ +1	↗ +1

- The increase in sales in the **Menswear** business was bolstered by growth of HUGO and BOSS Green.
- The **Womenswear** business also benefited from positive sales development in the HUGO brand.

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Q1 earnings development

Condensed income statement (in EUR million)			
	Q1 2017	Q1 2016	Change in %
Sales	651.0	642.6	1
Cost of sales	(231.8)	(230.7)	0
Gross profit	419.2	411.9	2
In % of sales	64.4	64.1	30 bp
Selling and distribution expenses	(282.7)	(278.5)	(1)
Administration expenses	(72.3)	(72.6)	0
Other operating income and expenses	0.2	(7.1)	> 100
Operating result (EBIT)	64.4	53.7	20
Net income	48.0	38.5	25
EBITDA before special items	97.4	93.5	4
In % of sales	15.0	14.5	50 bp

- The increase in the **gross profit margin** resulted from a significantly lower rate of discounts compared to the prior year. Negative currency effects associated with the devaluation of the British pound, however, offset this effect to some extent.
- The ongoing strict cost management limited the increase in **operating expenses**. Marketing expenses remained stable.
- **Other operating income and expenses** played no part during the reporting period. Thus, the **EBIT** increased by a double-digit rate.
- The **Group's net income** also benefited from an improved financial result.
- The positive development in **EBITDA before special items** can be attributed to the increase in gross profit.

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Q1 earnings development by segments

Segment earnings	in EUR million	Change in %
Europe	127	↗ + 8
Americas	15	↘ (42)
Asia/Pacific	25	↗ + 41
Licenses	14	↗ + 5

- In **Europe**, the positive sales development as well as a slight decline in operating expenses led to an increase in segment earnings. The adjusted EBITDA margin rose by 150 basis points to 30.8% (Q1 2016: 29.3%).
- In the **Americas**, the decline in sales in the United States, negative inventory valuation effects and higher sales and marketing expenses all contributed to a significant fall in earnings. At 12.3%, the adjusted EBITDA margin was 810 basis points below the prior-year figure (Q1 2016: 20.4%).
- Segment earnings in the **Asia/Pacific** region benefited from positive sales growth as well as significantly lower discount levels. In the prior year earnings were also held back by negative inventory valuation effects. At 25.3%, the adjusted EBITDA margin was up 690 basis points on the prior year (Q1 2016: 18.4%).
- **License** segment earnings also exceeded the prior year's level thanks to the positive sales development.

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Net assets and financial position

March 31, 2017	in EUR million	Change in % ¹	Change in % currency-adjusted ¹
TNWC	543	→ 0	↘ (1)
Inventories	514	↘ (3)	↘ (4)
Net financial liabilities	109	↗ +23	

¹ Change compared to March 31, 2016.

- On a currency-adjusted basis, **trade net working capital (TNWC)** was slightly below the prior year's value. The positive development in **inventories** was essentially attributable to declines in the Americas and the Asia/Pacific region.
- The increase in **net financial liabilities** was primarily due to the free cash flow development of the last twelve months.

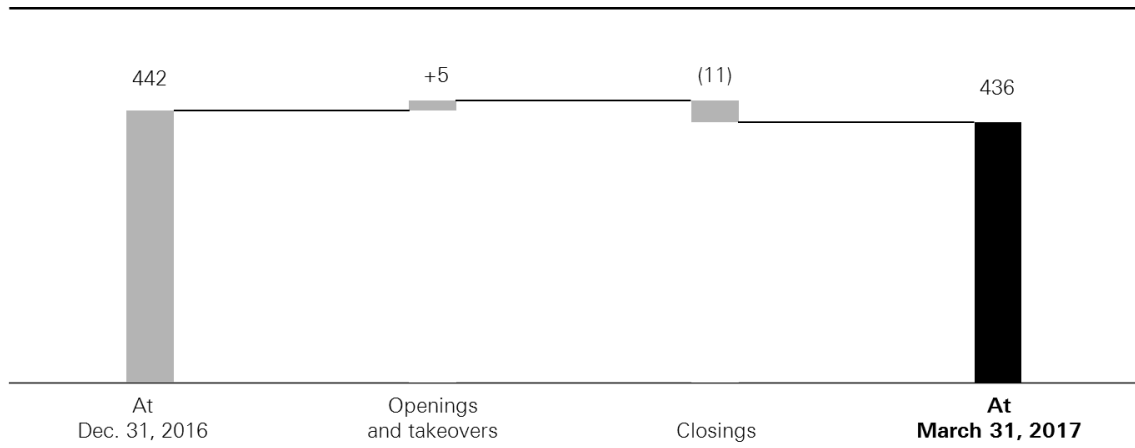
Three months	in EUR million	Change in % ¹
Capital expenditure	23	↘ (38)
Free cash flow	7	↗ >100

¹ Change compared to Q1 2016.

- The modernization of own retail stores formed the focus of the **investment activity** in the first quarter 2017. The decline compared to the prior year results from a different phasing of the investment budget.
- In addition to the increase in net income, the lower investment volumes as well as the trade net working capital development meant an increase in **free cash flow**.

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Network of freestanding retail stores



- In the first quarter, the number of the Group's own **freestanding retail stores** declined by a net figure of six to 436 (December 31, 2016: 442). As at March 31, 2017, five of the around 20 store closures agreed upon in the fiscal year 2016 had been completed.
 - In **Europe**, two new stores were opened in Moscow and Newcastle. At the same time, six freestanding retail stores were closed. In most cases, the Group made use of expiring leases.
 - In the **Americas** region, the number of freestanding retail stores decreased as a result of two closures in the United States.
 - The size of the store network in the **Asia/Pacific** region, however, remained unchanged. Three new store openings in Korea canceled out the same number of store closures.

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Outlook 2017

	Outlook 2017	Change compared to previous outlook
Group Sales (currency-adjusted)	Largely stable development	→
Gross profit margin	Slight increase	→
EBITDA before special items	Development within a range of –3% to +3%	→
Consolidated net income	Increase at low double-digit percentage rate	→
Capital expenditure	EUR 150 million to EUR 170 million	→
Free cash flow	More or less stable compared to the prior year	→

- The Managing Board reconfirms the financial outlook for the full year.
- A detailed presentation of the outlook for 2017 can be found in the [Annual Report 2016](#).

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Financial calendar and contacts

May 23, 2017

Annual Shareholders' Meeting

August 2, 2017

Publication of the First Half Year Report 2017 and Investor Day in Metzingen

November 2, 2017

Publication of the Third Quarter Results 2017

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FINANCIAL INFORMATION

For Q1 2017

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Key figures – quarter

	Q1 2017	Q1 2016	Change in %	Change in % ¹
Net sales (in EUR million)	651.0	642.6	1	1
Net sales by segments				
Europe incl. Middle East and Africa	411.9	402.4	2	3
Americas	125.2	129.8	(4)	(7)
Asia/Pacific	97.4	94.7	3	1
Licenses	16.5	15.7	5	5
Net sales by distribution channel				
Group's own retail business	371.5	370.4	0	0 ²
Wholesale	263.0	256.5	3	2
Licenses	16.5	15.7	5	5
Net sales by brand				
BOSS	554.3	559.7	(1)	(1)
HUGO	96.7	82.9	17	16
Net sales by gender				
Menswear	577.1	571.0	1	1
Womenswear	73.9	71.6	3	2
Results of operations (in EUR million)				
Gross profit	419.2	411.9	2	
Gross profit margin in %	64.4	64.1	30 bp	
EBITDA	97.6	86.4	13	
EBITDA before special items ³	97.4	93.5	4	
Adjusted EBITDA margin in %	15.0	14.5	50 bp	
EBIT	64.4	53.7	20	
Net income attributable to equity holders of the parent company	48.0	38.5	25	
Net assets and liability structure as of March 31 (in EUR million)				
Trade net working capital	542.7	542.1	0	(1)
Trade net working capital in % of net sales ⁴	19.8	19.5	30 bp	
Non-current assets	733.5	756.0	(3)	
Equity	930.3	981.4	(5)	
Equity ratio in %	55.3	57.8	(250) bp	
Total assets	1,682.7	1,698.1	(1)	
Financial position (in EUR million)				
Capital expenditure	23.5	37.6	(38)	
Free cash flow	6.9	-4.9	>100	
Depreciation/amortization	33.2	32.7	2	
Net financial liabilities (as of March 31)	108.7	88.6	23	
Total leverage (as of March 31) ⁵	0.2	0.2	0	
Additional key figures				
Employees (as of March 31)	13,530	13,585	0	
Personnel expenses (in EUR million)	151.7	157.6	(4)	
Number of Group's own retail stores	1,126	1,128	0	
thereof freestanding retail stores	436	438	0	
Shares (in EUR)				
Earnings per share	0.70	0.56	25	
Last share price (as of March 31)	68.54	57.64	19	
Number of shares (as of March 31)	70,400,000	70,400,000		

¹ currency-adjusted.

² on a comp store basis (3)%.

³ EBITDA before special items/sales.

⁴ moving average on the basis of the last four quarters.

⁵ Net financial liabilities/EBITDA before special items.

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Consolidated income statement - quarter

(in EUR million)	Q1 2017	Q1 2016	Change in %
Sales	651.0	642.6	1
Cost of sales	(231.8)	(230.7)	0
Gross profit	419.2	411.9	2
In % of sales	64.4	64.1	30 bp
Selling and distribution expenses	(282.7)	(278.5)	(1)
Administration expenses	(72.3)	(72.6)	0
Other operating income and expenses	0.2	(7.1)	> 100
Operating result (EBIT)	64.4	53.7	20
In % of sales	9.9	8.4	150 bp
Financial result	(1.3)	(3.1)	58
Earnings before taxes	63.1	50.6	25
Income taxes	(15.1)	(12.1)	(25)
Net income	48.0	38.5	25
Earnings per share (EUR)¹	0.70	0.56	25

¹ Basic and diluted earnings per share.

EBITDA before special items – quarter

(in EUR million)	Q1 2017	Q1 2016	Change in %
EBIT	64.4	53.7	20
Amortization and depreciation	33.2	32.7	2
EBITDA	97.6	86.4	13
EBITDA related special items	(0.2)	7.1	> 100
EBITDA before special items	97.4	93.5	4
In % of sales	15.0	14.5	50 bp

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Consolidated statement of financial position

(in EUR million)			
	March 31, 2017	March 31, 2016	December 31, 2016
Assets			
Intangible assets	182.9	179.4	185.4
Property, plant and equipment	408.0	439.5	416.3
Deferred tax assets	116.5	110.9	124.7
Non-current financial assets	22.9	21.9	21.0
Non-current tax receivables	0.1	0.7	0.1
Other non-current assets	3.1	3.6	4.2
Non-current assets	733.5	756.0	751.7
Inventories	514.1	527.8	568.0
Trade receivables	208.9	206.6	228.2
Current tax receivables	49.3	29.2	42.6
Current financial assets	16.6	16.8	28.3
Other current assets	88.1	100.2	96.3
Cash and cash equivalents	72.2	61.5	83.5
Current assets	949.2	942.1	1,046.9
TOTAL	1,682.7	1,698.1	1,798.6
Equity and Liabilities			
Subscribed capital	70.4	70.4	70.4
Own shares	(42.3)	(42.3)	(42.3)
Capital reserve	0.4	0.4	0.4
Retained earnings	860.3	910.5	813.3
Accumulated other comprehensive income	42.0	41.6	44.8
Equity attributable to equity holders of the parent company	930.8	980.6	886.6
Non-controlling interests	(0.5)	0.8	1.0
Group equity	930.3	981.4	887.6
Non-current provisions	80.1	72.4	78.6
Non-current financial liabilities	79.1	87.7	134.1
Deferred tax liabilities	3.4	6.9	9.2
Other non-current liabilities	49.6	41.7	49.3
Non-current liabilities	212.2	208.7	271.2
Current provisions	123.1	86.7	148.6
Current financial liabilities	114.8	76.1	77.1
Income tax payables	15.9	39.6	27.3
Trade payables	180.3	192.4	271.7
Other current liabilities	106.1	113.2	115.1
Current liabilities	540.2	508.0	639.8
TOTAL	1,682.7	1,698.1	1,798.6

Trade Net Working Capital (TNWC)

(in EUR million)				
	March 31, 2017	March 31, 2016	Change in %	Currency- adjusted change in %
Inventories	514.1	527.8	(3)	(4)
Trade receivables	208.9	206.6	1	0
Trade payables	(180.3)	(192.4)	(6)	(7)
TNWC	542.7	542.1	0	(1)

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Consolidated statement of cash flows

(in EUR million)	2017	2016
Net income	48.0	38.5
Depreciation/amortization	33.2	32.7
Unrealized net foreign exchange gain/loss	(3.5)	1.7
Other non-cash transactions	0.8	5.6
Income tax expense/refund	15.1	12.1
Interest income and expenses	0.9	0.7
Change in inventories	49.9	24.9
Change in receivables and other assets	40.1	42.2
Change in trade payables and other liabilities	(98.7)	(85.2)
Result from disposal of non-current assets	(0.5)	(2.1)
Change in provisions for pensions	0.8	0.3
Change in other provisions	(24.2)	(15.5)
Income taxes paid	(30.4)	(24.4)
Cash flow from operations	31.5	31.5
Interest paid	(0.4)	(0.5)
Interest received	0.2	0.2
Cash flow from operating activities	31.3	31.2
Investments in property, plant and equipment	(20.3)	(32.4)
Investments in intangible assets	(3.1)	(3.2)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	0.0	(2.7)
Change in scope of consolidation	(1.1)	0.0
Cash receipts from disposal of property, plant and equipment and intangible assets	0.1	2.2
Cash flow from investing activities	(24.4)	(36.1)
Dividends paid to equity holders of the parent company	0.0	0.0
Change in current financial liabilities	38.5	33.7
Cash receipts from non-current financial liabilities	0.0	28.5
Repayment of non-current financial liabilities	(55.2)	(76.1)
Cash outflows for the purchase of additional interests in subsidiaries	0.0	0.0
Cash flow from financing activities	(16.7)	(13.9)
Change in cash and cash equivalents from changes in scope of consolidation	(1.6)	0.0
Exchange-rate related changes in cash and cash equivalents	0.1	(1.1)
Change in cash and cash equivalents	(11.3)	(19.9)
Cash and cash equivalents at the beginning of the period	83.5	81.4
Cash and cash equivalents at the end of the period	72.2	61.5

Free cash flow

(in EUR million)	2017	2016
Cash flow from operating activities	31.3	31.2
Cash flow from investing activities	-24.4	-36.1
Free cash flow	6.9	-4.9

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Segment earnings - quarter

(in EUR million)					
	Q1 2017	In % of sales	Q1 2016	In % of sales	Change in %
Europe	126.8	30.8	117.9	29.3	8
Americas	15.4	12.3	26.5	20.4	(42)
Asia/Pacific	24.7	25.3	17.5	18.4	41
Licenses	14.0	84.9	13.4	85.3	5
Earnings of operating segments	180.9	27.8	175.3	27.3	3
Corporate units / consolidation	(83.5)		(81.8)		(2)
EBITDA before special items	97.4	15.0	93.5	14.5	4

Number of Group's own retail retail stores

March 31, 2017	Freestanding stores	Shop-in-shops	Outlets	TOTAL
Europe	187	346	62	595
Americas	92	105	48	245
Asia/Pacific	157	89	40	286
TOTAL	436	540	150	1,126
Dec. 31, 2016				
Europe	191	354	63	608
Americas	94	89	49	232
Asia/Pacific	157	90	37	284
TOTAL	442	533	149	1,124