

# HUGO BOSS

Press Release

HUGO BOSS First Half Year Results 2014

## **HUGO BOSS steps up growth pace**

- **Strong own retail performance supports 8% growth of Group sales in the second quarter**
- **Double-digit increase in profit**
- **Rise in sales and earnings in first half**
- **Full year outlook reconfirmed**

**Metzingen, July 31, 2014.** HUGO BOSS has stepped up its growth pace in the second quarter compared to the first three months of the year. Against this backdrop, Management reconfirms its sales and profit targets for the full year.

"Our consistently strong growth in Europe and our upturn in the Americas form the basis of these very solid quarterly results," said Claus-Dietrich Lahrs, CEO and Chairman of the Managing Board of HUGO BOSS AG. "Despite the persistently difficult environment in some key markets, we will grow even faster in the second half of the year, particularly in terms of earnings. We will expand our presence and brand strength in womenswear so as to secure long-term, profitable growth following on from this year's double-digit sales increases".

## **EBITDA margin increases by 60 basis points in second quarter**

The HUGO BOSS Group's currency-adjusted sales rose by 8% in the second quarter. Currency effects negatively impacted this development. In euro terms, the Group recorded an increase of 5% to EUR 559 million (Q2 2013: EUR 532 million<sup>1)</sup>). Europe made a particular contribution to this development, posting currency-neutral sales growth of 10%. In the Americas, growth in local

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currencies picked up pace compared to the previous quarter to reach 7%. Adjusted for currency effects, sales in Asia were up 2% on the previous year.

The wholesale business was burdened in the second quarter by a challenging market environment, the takeover of selling spaces previously managed by wholesale partners as well as delivery shifts to the third quarter. Overall, revenues in this distribution channel were 6% below the prior-year level on a currency-adjusted basis. Currency-neutral sales in the Group's own retail business (including outlets and online business), in contrast, rose by 17%. On a comp store basis, currency-adjusted revenue growth in this channel came to 4%.

The disproportionately fast growth in own retail as well as lower markdowns led to a gross profit margin increase of 150 basis points to 66.7% (Q2 2013: 65.2%). Thanks to the solid sales performance and the healthy growth of the gross profit margin, EBITDA before special items showed a stronger increase than sales, rising by 8% to EUR 110 million (Q2 2013: EUR 102 million). The adjusted EBITDA margin thus expanded by 60 basis points to 19.7% in the second quarter (Q2 2013: 19.1%). Supported by a significant decrease in net financial expenses, consolidated net income rose by 18% to EUR 63 million (Q2 2013: EUR 53 million).

## **Group's own retail business drives growth in the first half**

The HUGO BOSS Group recorded sales growth of 7% in local currencies in the first half of the year. Including negative currency effects, this corresponds to an increase of 4% in the reporting currency to EUR 1,172 million (H1 2013: EUR 1,125 million). There was growth in all regions. Europe was the strongest region with a currency-adjusted sales increase of 9%, spurred by gains on a broad front with significant double-digit growth in the UK in particular. Sales in the Americas rose by 3% in local currencies despite a persistently challenging market environment in the apparel retail sector. In Asia, first-half sales were up

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4% on the prior year after adjustment for currency effects. Solid growth, particularly in Australia and Japan, more than compensated for a more muted development in China.

Sales growth by distribution channel developed unevenly in the first half. The Group's wholesale revenues declined by 6% in local currencies. Alongside a restrained development in order intake, the takeover of selling spaces previously managed by wholesale partners as well as delivery shifts to the third quarter weighted on the sales performance in this channel. In contrast, the Group's own retail business (including outlets and online business) grew by 18% before currency effects in the first half. Currency-adjusted comp store sales were up 5% on the prior year. The number of own retail stores saw a net expansion of 18 in the first six months, rising to 1,028 sites (December 31, 2013: 1,010). In addition to 37 new openings, 14 stores previously operated by wholesale partners were taken over. 33 mostly smaller-sized stores and shop-in-shops were closed.

The higher share of sales in own retail as well as reduced markdowns led to an increase in the gross profit margin of 260 basis points to 66.0% (H1 2013: 63.4%). EBITDA before special items stood at EUR 242 million, 3% higher than the prior year (H1 2013: EUR 234 million). The increase in the gross profit margin did not entirely compensate for the higher selling and distribution expenses. As a result, the adjusted EBITDA margin for the first half was down 20 basis points at 20.6% (H1 2013: 20.8%). Consolidated net income was up by 7% to EUR 144 million (H1 2013: EUR 135 million).

## **Further reduction in net debt**

Trade net working capital amounted to EUR 456 million at the end of the first half, up 10% compared to the prior year (June 30, 2013: EUR 415 million). This was largely due to the increase in inventories of 12% to EUR 488 million (June 30, 2013: EUR 437 million). The expansion of the Group's own retail business, the takeover of selling spaces from trading partners as well as effects

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from delivery shifts impacted this development. Because of lower investments, net debt decreased by 10% to EUR 210 million despite a higher dividend payment (June 30, 2013: EUR 234 million).

## **Management reconfirms targets for 2014**

The Management of HUGO BOSS reconfirms the outlook for the full year given in March. The Company plans to achieve high single-digit sales growth after adjustment for currency effects and thus to post stronger growth than in the previous year. All regions are expected to contribute to the achievement of this goal. The Group is anticipating to achieve double-digit growth in its own retail business once again. Based on the order intake, sales performance in the wholesale channel will be significantly better in the second half year compared to the first six months. As a result, sales will remain broadly stable for the full year compared to 2013. The operating result (EBITDA before special items) is also expected to post a high single-digit increase. HUGO BOSS is planning to open around 50 new stores on a net basis excluding takeovers. Capital expenditure of EUR 110 million to EUR 130 million will focus mainly on the expansion and renovation of the Group's own retail network. Based on the anticipated increase in earnings and continued strong cash flow development, HUGO BOSS expects a positive net financial position at the end of 2014.

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For further information about HUGO BOSS, see our website at [group.hugoboss.com](http://group.hugoboss.com).

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<sup>1)</sup> Due to changes in accounting policies and corrections made, figures reported for 2012 may not correspond to the figures reported in prior years. Please refer to the annual report for more details.

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## Consolidated Income Statement

(in EUR million)	Q2 2014	Q2 2013 <sup>1</sup>	Change in %
<b>Sales</b>	<b>558.9</b>	<b>531.7</b>	<b>5</b>
Cost of sales	(185.8)	(185.0)	0
<b>Gross profit</b>	<b>373.1</b>	<b>346.7</b>	<b>8</b>
In % of sales	66.7	65.2	150 bp
Selling and distribution expenses	(227.9)	(211.6)	(8)
Administration expenses	(60.0)	(55.3)	(8)
Other operating income and expenses	(2.3)	(4.2)	45
<b>Operating result (EBIT)</b>	<b>82.9</b>	<b>75.6</b>	<b>10</b>
In % of sales	14.8	14.2	60 bp
Net interest income/expenses	(1.5)	(2.4)	38
Other financial items	0.1	(4.0)	> 100
<b>Financial result</b>	<b>(1.4)</b>	<b>(6.4)</b>	<b>78</b>
<b>Earnings before taxes</b>	<b>81.5</b>	<b>69.2</b>	<b>18</b>
Income taxes	(18.7)	(15.9)	(18)
<b>Net income</b>	<b>62.8</b>	<b>53.3</b>	<b>18</b>
Attributable to:			
Equity holders of the parent company	62.5	52.2	20
Non-controlling interests	0.3	1.1	(73)
<b>Earnings per share (EUR)<sup>2</sup></b>	<b>0.90</b>	<b>0.76</b>	<b>18</b>

<sup>1</sup> Certain amounts shown here do not correspond to prior-year figures and reflect adjustments made.

<sup>2</sup> Basic and diluted earnings per share.

## EBITDA and Special Items

(in EUR million)	Q2 2014	Q2 2013	Change in %
<b>EBITDA before special items</b>	<b>110.2</b>	<b>101.8</b>	<b>8</b>
In % of net sales	19.7	19.1	60 bp
Special items	(2.3)	(4.2)	45.0

## Sales by Region and Channel

(in EUR million)	Q2 2014	Q2 2013	Change in %	Change in % currency-adjusted
Europe	331.5	301.6	10	10
Americas	136.8	135.3	1	7
Asia/Pacific	78.7	82.8	(5)	2
Royalties	11.9	12.0	(2)	(2)
<b>TOTAL</b>	<b>558.9</b>	<b>531.7</b>	<b>5</b>	<b>8</b>
Group's own retail business	353.0	308.9	14	17
Wholesale	194.0	210.8	(8)	(6)

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## Consolidated Income Statement

(in EUR million)	Jan. - June 2014	Jan. - June 2013 <sup>1</sup>	Change in %
<b>Sales</b>	<b>1,171.5</b>	<b>1,125.2</b>	<b>4</b>
Cost of sales	(397.9)	(411.6)	3
<b>Gross profit</b>	<b>773.6</b>	<b>713.6</b>	<b>8</b>
In % of sales	66.0	63.4	260 bp
Selling and distribution expenses	(460.4)	(408.1)	(13)
Administration expenses	(120.8)	(114.5)	(5)
Other operating income and expenses	(0.8)	(4.1)	80
<b>Operating result (EBIT)</b>	<b>191.6</b>	<b>186.9</b>	<b>3</b>
In % of sales	16.4	16.6	(20) bp
Net interest income/expenses	(2.0)	(6.1)	67
Other financial items	(2.0)	(5.2)	62
<b>Financial result</b>	<b>(4.0)</b>	<b>(11.3)</b>	<b>65</b>
<b>Earnings before taxes</b>	<b>187.6</b>	<b>175.6</b>	<b>7</b>
Income taxes	(43.2)	(40.4)	(7)
<b>Net income</b>	<b>144.4</b>	<b>135.2</b>	<b>7</b>
Attributable to:			
Equity holders of the parent company	143.2	133.8	7
Non-controlling interests	1.2	1.4	(14)
<b>Earnings per share (EUR)<sup>2</sup></b>	<b>2.07</b>	<b>1.94</b>	<b>7</b>

<sup>1</sup> Certain amounts shown here do not correspond to prior-year figures and reflect adjustments made.

<sup>2</sup> Basic and diluted earnings per share.

## EBITDA and Special Items

(in EUR million)	Jan. - June 2014	Jan. - June 2013	Change in %
<b>EBITDA before special items</b>	<b>241.5</b>	<b>234.3</b>	<b>3</b>
In % of sales	20.6	20.8	(20) bp
Special items	(0.8)	(4.1)	80

## Sales by Region and Channel

(in EUR million)	Jan. - June 2014	Jan. - June 2013	Change in %	Change in % currency-adjusted
Europe	726.2	668.3	9	9
Americas	255.5	262.9	(3)	3
Asia/Pacific	165.0	169.1	(2)	4
Royalties	24.8	24.9	(1)	(1)
<b>TOTAL</b>	<b>1,171.5</b>	<b>1,125.2</b>	<b>4</b>	<b>7</b>
Group's own retail business	675.6	587.6	15	18
Wholesale	471.1	512.7	(8)	(6)

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## Consolidated Balance Sheet

(in EUR million)

	June 30, 2014	June 30, 2013 <sup>1</sup>	December 31, 2013
<b>Assets</b>			
Intangible assets	137.8	138.1	139.2
Property, plant and equipment	376.4	338.6	368.6
Deferred tax assets	87.0	74.4	80.7
Non-current financial assets	16.0	17.9	17.4
Non-current tax receivables	1.7	2.2	1.7
Other non-current assets	4.0	2.6	3.9
<b>Non-current assets</b>	<b>622.9</b>	<b>573.8</b>	<b>611.5</b>
Inventories	487.8	436.6	440.8
Trade receivables	209.0	226.0	226.2
Current tax receivables	13.5	14.3	10.8
Current financial assets	18.9	17.2	23.3
Other current assets	79.3	70.1	69.4
Cash and cash equivalents	49.7	101.1	119.3
<b>Current assets</b>	<b>858.2</b>	<b>865.3</b>	<b>889.8</b>
<b>TOTAL</b>	<b>1,481.1</b>	<b>1,439.1</b>	<b>1,501.3</b>
<b>Equity and Liabilities</b>			
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	619.4	505.7	701.5
Accumulated other comprehensive income	(9.8)	(3.4)	(15.8)
<b>Equity attributable to equity holders of the parent company</b>	<b>638.1</b>	<b>530.8</b>	<b>714.2</b>
Non-controlling interests	(0.5)	26.6	26.1
<b>Group equity</b>	<b>637.6</b>	<b>557.4</b>	<b>740.3</b>
Non-current provisions	61.0	55.2	52.7
Non-current financial liabilities	238.3	308.7	164.8
Deferred tax liabilities	15.8	21.2	17.5
Other non-current liabilities	32.2	12.2	30.9
<b>Non-current liabilities</b>	<b>347.3</b>	<b>397.3</b>	<b>265.9</b>
Current provisions	88.7	80.1	99.9
Current financial liabilities	26.7	29.4	14.6
Income tax payables	59.7	44.6	63.4
Trade payables	240.5	248.0	235.3
Other current liabilities	80.6	82.3	81.9
<b>Current liabilities</b>	<b>496.2</b>	<b>484.4</b>	<b>495.1</b>
<b>TOTAL</b>	<b>1,481.1</b>	<b>1,439.1</b>	<b>1,501.3</b>

<sup>1</sup> Certain amounts shown here do not correspond to prior-year figures and reflect adjustments made.