

HUGO BOSS

Press release

HUGO BOSS Full Year Results 2014

HUGO BOSS expects solid top- and bottom-line growth in 2015 despite market uncertainties

- **Sales and earnings improvement in 2014**
- **8% increase in dividend to EUR 3.62 per share proposed**
- **Group sales expected to rise at a mid-single-digit rate on a currency-adjusted basis in 2015**
- **EBITDA growth between 5% and 7% projected**

Metzingen, March 12, 2015. HUGO BOSS achieved record sales and earnings last fiscal year. However, the deterioration in market conditions emerging towards the end of the year, in particular in Europe, has continued to affect business in the new year. Despite this, HUGO BOSS expects solid growth in 2015. Thus, currency-adjusted Group sales should rise at a mid-single-digit rate, while operating profit (EBITDA before special items) is projected to increase between 5% and 7%.

"We did well in a challenging market environment last year," said Claus-Dietrich Lahrs, Chief Executive Officer of HUGO BOSS AG, during the Company's annual press conference in Metzingen. "We continued to enhance and hone our strategy. Accordingly, we will be expanding our market position in the luxury and womenswear segments and reinforcing our own retail business by offering omnichannel services. As a result, I am confident that we will again be able to master the macroeconomic challenges this year. Looking ahead over the next few years, HUGO BOSS faces excellent prospects for growth."

Improved operating margin in the fourth quarter

In the fourth quarter of last year, HUGO BOSS was able to increase Group sales by 3% after currency adjustments. In euro terms, this corresponds to an increase of 5% to EUR 684 million (Q4 2013: EUR 649 million). Sales growth on a currency-adjusted basis exceeded the Group average in Europe (up 4%) and Asia (up 5%). A 1% increase was achieved in the Americas.

Sales in the Group's own retail business (including outlets and online business) climbed by 6% over the previous year on a currency-adjusted basis in the fourth quarter. Comp store sales in the Group's own retail business were unchanged. The wholesale business remained stable compared with the previous year before currency effects.

The gross margin contracted in light of the high comparison base in the previous year. Higher markdowns in the Group's own retail business caused the gross margin to decline by 80 basis points to 68.2% (Q4 2013: 69.0%). Driven by sales growth and disciplined cost management, EBITDA before special items still climbed by 6% to EUR 167 million (Q4 2013: EUR 157 million). As a result, the adjusted EBITDA margin increased by 30 basis points to 24.5% in the fourth quarter (Q4 2013: 24.2%). Special items of EUR 16 million (Q4 2013: EUR 0 million) were primarily related to the premature termination of a contract with a commercial agent in the Middle East and the planned closure of the production facility in Cleveland (Ohio) in the United States. At EUR 75 million, the consolidated net income attributable to the shareholders of the parent company was 11% down on the previous year (Q4 2013: EUR 84 million).

Group's own retail business the main growth driver in 2014

In 2014 as a whole, the Group's performance was underpinned by all regions. Currency-adjusted Group sales rose by 6%. In the reporting currency, sales were also up 6%, coming to EUR 2,572 million (2013: EUR 2,432 million). Driven by double-digit growth in Great Britain and expansion in nearly all markets in the region, sales in Europe increased by 7%. In the Americas, sales climbed by 4%

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on a currency-neutral basis. Asia/Pacific posted a 7% increase in currency-neutral sales thanks to market share gains in China and solid growth in the other markets.

Full year sales in the Group's own retail business were up 12% on the previous year on a currency-adjusted basis. Currency-adjusted comp store sales rose by 3%. The Group's retail network grew by a net 31 to 1,041 in the course of the year (2013: 1,010). Wholesale sales declined by 1% before currency effects.

The womenswear business rose at a particularly sharp rate, with sales climbing by 10% to EUR 289 million (2013: EUR 263 million). Adjusted for currency effects, this translates into an increase of 11%. In fact, BOSS Womenswear under the guidance of Artistic Director Jason Wu grew by as much as 18% over the previous year.

The disproportionately strong growth in the Group's own retail business as well as lower markdowns caused the gross margin to improve by 120 basis points to 66.1% (2013: 64.9%). Despite the increased selling and distribution expenses arising from the expansion of the Group's own retail business, EBITDA before special items rose by 5% to EUR 591 million (2013: EUR 565 million). However, the adjusted EBITDA margin contracted by 20 basis points to 23.0% (2013: 23.2%). At EUR 333 million, the consolidated net income attributable to the shareholders of the parent company was up 1% on the previous year (2013: EUR 329 million).

Further reduction in net debt

HUGO BOSS increased its free cash flow substantially in 2014, thus further lowering debt. Free cash flow improved by 17% to EUR 268 million (2013: EUR 230 million). This was primarily due to a reduction in capital expenditure to EUR 135 million (2013: EUR 185 million), driven by the non-recurrence of prior year expenditures related to the new flat-packed goods distribution center. As a result, net debt declined to EUR 36 million (2013: EUR 57 million). Average trade net working capital climbed by 16% to

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EUR 503 million (2013: EUR 432 million). However, the year-over-year increase in inventories moderated compared to earlier in the year to 15% in euro terms and 8% in local currencies at the end of the period.

Dividend increase exceeds net income growth

The Managing Board and the Supervisory Board of HUGO BOSS AG have resolved to propose an 8% increase in the dividend to EUR 3.62 for fiscal year 2014 (2013: EUR 3.34). This proposal takes account of the Group's profit development last year including non-cash special items, the solidity of the Group's balance sheet and the outlook for 2015. It is equivalent to a payout ratio of 75% of consolidated net income attributable to the shareholders of the parent company (2013: 70%).

Management expects solid top- and bottom-line growth in 2015

HUGO BOSS plans to increase sales at a mid-single-digit rate on a currency-adjusted basis in 2015, with all regions to contribute to the achievement of this goal. Growth in its own retail business will outpace the Group average. Retail comp store sales are expected to rise. In addition to the opening of around 50 new stores, growth in this sales channel will be additionally driven by takeovers. Wholesale sales will be slightly lower compared to the prior year primarily as a result of the takeover-induced shift in sales. Operating profit (EBITDA before special items) should be up by between 5% and 7%. Capital expenditure will come to between EUR 200 million and EUR 220 million. The implied increase compared with the previous year will be due to higher spending on the Group's own retail business as well as the rollout of omnichannel services and the expansion of the production facility in Turkey among other things.

For further information about HUGO BOSS, visit our website at group.hugoboss.com.

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If you have any questions, please contact:

Dr. Hjördis Kettenbach

Head of Corporate Communication

Phone: +49 (0)7123 94-2375

Fax: +49 (0)7123 94-80237

Dennis Weber

Head of Investor Relations

Phone: +49 (0)7123 94-86267

Fax: +49 (0)7123 94-886267

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Consolidated Income Statement

(in EUR million)	Q4 2014	Q4 2013	change in %
Sales	683.6	649.0	5
Cost of sales	(217.3)	(200.9)	(8)
Gross profit	466.3	448.1	4
in % of sales	68.2	69.0	(80) bp
Selling and distribution expenses	(289.0)	(264.5)	(9)
Administration costs	(56.3)	(64.9)	13
Other operating income/expenses	(15.9)	0.1	>(100)
Operating result (EBIT)	105.1	118.8	(12)
in % of sales	15.4	18.3	(290) bp
Net interest income/expenses	(1.1)	(6.9)	84
Other interest and similar income	0.3	0.5	40
Interest and similar expenses	(1.4)	(7.4)	81
Other financial items	(3.4)	(0.1)	>(100)
Financial result	(4.5)	(7.0)	36
Earnings before taxes	100.6	111.8	(10)
Income taxes	(25.3)	(26.1)	3
Net income	75.3	85.7	(12)
Attributable to:			
Equity holders of the parent company	75.3	84.4	(11)
Non-controlling interests	0.0	1.3	(100)
Earnings per share (EUR)¹	1.09	1.22	(11)

¹ Basic and diluted earnings per share.

EBITDA and Special Items

(in EUR million)	Q4 2014	Q4 2013	change in %
EBITDA before special items	167.4	157.3	6
in % of net sales	24.5	24.2	30 bp
Special items	(15.9)	0.1	>(100)

Sales by Region and Channel

(in EUR million)	Q4 2014	Q4 2013	change in %	change in % currency-adjusted
Europe	382.0	365.9	4	4
Americas	174.9	164.2	7	1
Asia/Pacific	108.7	99.9	9	5
Royalties	18.0	19.0	(5)	(5)
TOTAL	683.6	649.0	5	3
Group's own retail business	438.3	406.0	8	6
Wholesale	227.3	224.0	2	0

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Consolidated Income Statement

(in EUR million)			
	2014	2013	Change in %
Sales	2,571.6	2,432.1	6
Cost of sales	(872.5)	(852.5)	(2)
Gross profit	1,699.1	1,579.6	8
In % of sales	66.1	64.9	120 bp
Selling and distribution expenses	(994.9)	(891.6)	(12)
Administration costs	(236.2)	(228.5)	(3)
Other operating income/expenses	(19.3)	(3.3)	>(100)
Operating result (EBIT)	448.7	456.2	(2)
In % of sales	17.4	18.7	(130) bp
Net interest income/expenses	(4.5)	(14.4)	69
Other interest and similar income	1.6	2.0	(20)
Interest and similar expenses	(6.1)	(16.4)	63
Other financial items	(7.1)	(8.3)	14
Financial result	(11.6)	(22.7)	49
Earnings before taxes	437.1	433.5	1
Income taxes	(102.6)	(100.1)	(2)
Net income	334.5	333.4	0
Attributable to:			
Equity holders of the parent company	333.3	329.0	1
Non-controlling interests	1.2	4.4	(73)
Earnings per share (EUR)¹	4.83	4.77	1
Dividend per share (EUR)	3.62²	3.34	8

¹ Basic and diluted earnings per share.

² Proposed dividend.

EBITDA and Special Items

(in EUR million)			
	2014	2013	Change in %
EBITDA before special items	590.8	564.7	5
In % of sales	23.0	23.2	(20) bp
Special items	(19.3)	(3.3)	>(100)

Sales by Region and Channel

(in EUR million)				
	2014	2013	Change in %	Change in % currency-adjusted
Europe	1,566.5	1,457.3	7	7
Americas	586.6	570.1	3	4
Asia/Pacific	360.8	346.8	4	7
Royalties	57.7	57.9	0	0
TOTAL	2,571.6	2,432.1	6	6
Group's own retail business	1,471.3	1,314.1	12	12
Wholesale	1,042.6	1,060.1	(2)	(1)

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Consolidated Balance Sheet

(in EUR million)

	December 31, 2014	December 31, 2013
Assets		
Intangible assets	148.0	139.2
Property, plant and equipment	383.3	368.6
Deferred tax assets	100.4	80.7
Non-current financial assets	19.8	17.4
Non-current tax receivables	1.2	1.7
Other non-current assets	7.6	4.0
Non-current assets	660.3	611.5
Inventories	507.4	440.8
Trade receivables	250.5	226.2
Current tax receivables	8.3	10.8
Current financial assets	22.5	23.3
Other current assets	83.0	69.4
Cash and cash equivalents	128.6	119.2
Assets held for sale	1.1	0.0
Current assets	1,001.5	889.8
TOTAL	1,661.8	1,501.3
Equity and Liabilities		
Subscribed capital	70.4	70.4
Own shares	(42.4)	(42.4)
Capital reserve	0.4	0.4
Retained earnings	801.3	701.5
Accumulated other comprehensive income	14.7	(15.8)
Equity attributable to equity holders of the parent company	844.4	714.2
Non-controlling interests	(0.5)	26.1
Group equity	843.9	740.3
Non-current provisions	70.5	52.7
Non-current financial liabilities	153.6	164.8
Deferred tax liabilities	10.1	17.5
Other non-current liabilities	37.9	31.0
Non-current liabilities	272.2	265.9
Current provisions	115.7	99.9
Current financial liabilities	18.3	14.7
Income tax payables	59.9	63.4
Trade payables	255.0	235.3
Other current liabilities	96.9	81.9
Current liabilities	545.7	495.1
TOTAL	1,661.8	1,501.3