HUGO BOSS

Press Release

HUGO BOSS presents its strategic development plan

- **Focus on the two brands BOSS and HUGO**
- **Global price harmonization by end of 2018**
- **Assortments in all distribution channels will be aligned further to fit customer needs**
- **2017 will be a year of stabilization, 2018 will see a return to growth**

Metzingen/London, November 16, 2016. The Managing Board of HUGO BOSS AG is presenting its strategy at an Investor Day in London today, which should set the company on a sustainable course toward profitable growth. The key element of the new strategy is focusing the portfolio on the two brands BOSS and HUGO. Their positioning will build on the strength of HUGO BOSS in the upper premium segment. With the global harmonization of sales prices and structural improvements in distribution, the company is also ensuring a brand image that remains consistent worldwide. Online will play an even more important role going forward as a sales channel and in communicating with customers. HUGO BOSS will also increasingly digitalize and accelerate its processes. This will enable the company to respond more quickly and flexibly to future customer demands and market trends.

“By further developing our strategy we want to steer HUGO BOSS back toward sustainable growth. We are sharpening our presentation and focusing on our customers’ needs more consistently”, says Mark Langer, CEO of HUGO BOSS AG. “In BOSS and HUGO we have two strong brands with their own identity, which appeal to different target groups. With BOSS we want to be the most desirable brand in the upper premium segment. Positioning HUGO in future as a progressive brand with an attractive value proposition will open up extra growth possibilities for us.”

Realigning the brand portfolio

In order to appeal to customers clearly and rigorously, the company will only operate with two brands in future – BOSS and HUGO. BOSS will offer upper premium businesswear as well as sophisticated casualwear. BOSS Orange and BOSS Green will no longer be continued as independent brands, but instead both lines will be integrated into the BOSS core brand in order to offer the BOSS customer a consistent brand experience across all wearing occasions. The company expects to significantly strengthen its market presence in the growth segment of casualwear. HUGO will in future appeal to a broader base of younger customers with fashionable collections offered at attractive prices. HUGO's entry-level price range will be around 30 percent lower than that of the BOSS core brand. The realignment of the brand portfolio is set to be completed with the delivery of the Spring 2018 collection.

The BOSS Womenswear segment continues to be an important part of HUGO BOSS' core business. However, the company is planning to focus more closely on its menswear collections and therefore will present the BOSS Menswear collection at the New York Fashion Week next year, while BOSS Womenswear will not be presented there. The cooperation with Artistic Director Jason Wu, however, will continue to provide significant inspiration to the womenswear business.

Global harmonization of sales prices

The company will continue the harmonization of its global price architecture. 2018 in particular will see a number of further adjustments made. Any remaining price differences will result entirely from disparities in transport costs, taxes and customs charges. While this will therefore result in further price decreases in Asia, average prices in Europe are expected to rise slightly. The price structure in America will remain stable.

Adjustments to the distribution strategy

HUGO BOSS will retain its three-part distribution structure – retail, wholesale and online – but these channels will be linked together much more closely. The

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assortment offered in the highly in-demand entry-level price range are being upgraded in terms of quality and expanded across all channels. The casualwear range in HUGO BOSS' own stores will be increased to meet the rise in customer demand. The further development of omnichannel services will also play its part toward increasing sales productivity in the company's own retail business over the next few years by around 20 percent. The expansion of the network of stores, on the other hand, will be slowed down considerably. Both brands will be sold via the wholesale channel. The significance of the online sales channel will grow for BOSS but particularly so for HUGO. Across all distribution formats, the company will take the utmost care to ensure the high-quality presentation of its brands.

E-commerce at the heart of the digital strategy

HUGO BOSS' digital strategy aims to increase the performance of the e-commerce business in the short term. The design of the website hugoboss.com has recently been completely overhauled and a new mobile app introduced. The website is now being commercially optimized with a variety of measures planned. Over the long-term, HUGO BOSS expects significant growth in the online business. Additionally, the Group attaches great importance to the digitization of central processes in development, sourcing and distribution.

Making the business model more flexible

HUGO BOSS will redesign its business processes across the entire organization to make them faster and more agile. The regular process of developing a new collection is being supplemented by a concept in which best-selling items that have sold out are restocked within the season and where individual pieces can be added to the collections based on short-term trends.

The long-term outlook

HUGO BOSS has already introduced an array of measures in response to the difficult market environment over the course of the year. These include cost savings of around 65 million euros in the current year, closing loss-making stores and adapting the sales structure in the U.S. market, as well as significant price reductions in China.

The company has recently affirmed its forecast for 2016 when publishing its third quarter results. The outlook suggests that sales will grow steadily or decline by up to 3 percent on a currency-adjusted basis. The company still expects the operating result (EBITDA before special items) to decline by between 17 and 23 percent.

2017 is currently expected to be a year of stabilization, during which the Group will continue to further consolidate the wholesale distribution in the U.S. market in particular. At the same time, HUGO BOSS will drive forward the implementation of the strategy announced today. The majority of strategic changes will become effective in 2018. HUGO BOSS therefore expects to return to growth in 2018.

Further information

You can follow the Investor Day via a webcast on our website at group.hugoboss.com.

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