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Press release

**First Quarter Results impacted by difficult global market environment – Cost optimization measures specified**

- **Declines in the USA and challenging industry environment put pressure on sales and earnings**
- **Price adjustments in China received positively by customers**
- **Saving measures will already improve cost efficiency in the current year**
- **Full year outlook reconfirmed**

Metzingen, May 3, 2016. In in the first quarter of 2016, HUGO BOSS introduced a range of measures to get the company back on track towards steady growth in the medium term. In the short term, however, the difficult global market environment, company-specific challenges and investments in future growth put pressure on sales and earnings. Nonetheless, the company is reiterating its outlook for the full year, and is expecting an improved trend in sales and earnings, particularly in the second half of the year.

"We've launched a lot of initiatives in the past few weeks. The determination and energy that the whole organization has been showing in meeting our challenges is impressive", said Mark Langer, CFO at HUGO BOSS. "However, the results from the last quarter also emphasize that we still have a lot of work ahead of us. The focus in the short term is on stabilizing our US business as well as on increasing our cost efficiency and free cash flow. On top of this, we are working hard on maximizing the consistency of our global brand and price positioning and on digitalizing our business model, thus paving the way for sustainable growth in the next few years."

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**Trend in sales held back by declines in the Americas and Asia/Pacific**

Sales of the HUGO BOSS Group declined by 4% in Q1 2016 to EUR 643 million (Q1 2015: EUR 668 million). Sales were down by 3% on a currency-adjusted basis. Sales in Europe fell by 2%, or 1% adjusting for currency effects. A decline in sales in the business with tourists had a negative impact here. While sales fell in France and the Benelux in particular, business in the United Kingdom grew by 4% in local currency. In the Americas, Q1 sales in local currency were 8% lower than in the prior-year period. Sales in the US market declined by 16% adjusted for currency effects, due to declines in the wholesale business as well as in own retail. Double-digit growth rates in Canada and South America only partially compensated for the decline in the US. Sales in the Asia/Pacific region were down 5% on the prior year adjusting for currency effects. In China, sales fell by 11% year-on-year excluding currency effects. Hong Kong and Macau developed particularly weak. In mainland China, however, the price adjustments and a step up of digital communication activities led to an increase in volumes of around 10%. HUGO BOSS had further aligned prices in China with European levels by implementing a reduction of around 20%, effective with the launch of the Spring collection. The positive reception by Chinese customers underscores the success of this measure.

**Own retail sales hold up**

Sales in the Group's own retail business (including outlets and online retailing) were stable in reported terms in Q1, with growth of 1% adjusting for currency effects. Retail comp store sales excluding exchange rate effects declined by 6%, however, due to double-digit decreases in the Americas and Asia-Pacific regions. The number of freestanding stores operated by the Group increased to 438 (December 31, 2015: 430) in the first quarter, primarily due to new openings in Europe.

Sales in the wholesale business were down by 9% on the prior year in local currencies. In addition to the muted global demand from retail partners, this was mainly due to the takeover of selling space previously operated by wholesale partners, which resulted in a shift in sales from wholesale to the Group's own retail business.

Menswear sales fell slightly by 2% in local currencies in Q1 while womenswear sales were down by 4%.

**Decline of gross profit margin and increase of operating expenses affect operating profit**

The Group's gross profit margin of 64.1% was 140 basis points down on the prior year figure of 65.5%. The positive effects stemming from the larger share of sales contributed by the Group's own retail business, in which HUGO BOSS generates a higher gross profit margin than in the wholesale channel, were offset by negative effects from the write-down on inventories in Asia, increased discounting, particularly in the US market, and the price adjustments in Asia implemented with the launch of the Spring collection 2016. Operating expenses increased in particular due to the global expansion of the Group's own retail business as well as higher expenditure in connection with the digitalization of the business model. In this context, the insourcing of order fulfillment in the European online business has been completed successfully. The renegotiation of rental agreements in the Group's own retail business and the strict management of operating overhead costs limited the extent of expense increases. Nevertheless, EBITDA before special items was EUR 93 million, 29% below the prior-year figure (Q1 2015: EUR 132 million). Accordingly, the adjusted EBITDA margin declined by 520 basis points to 14.5% (Q1 2015: 19.7%). EBIT fell by 48% to EUR 54 million (Q1 2015: EUR 103 million). Special items in connection with the change in the Managing Board and significantly higher depreciation and amortization expenses contributed to the decline.

**Improved management of trade net working capital**

Trade net working capital was EUR 542 million at the end of the first quarter, down 4% on the prior-year figure (March 31, 2015: EUR 566 million). Adjusted for currency effects, this corresponds to a decline of 1%. Inventories fell by 2% to EUR 528 million (Q1 2015: EUR 539 million). In local currencies, they increased by 1%. Investments were slightly down on the prior year at EUR 38 million (Q1 2015: EUR 40 million) and were focused mainly on the Group's own retail business also in the first quarter. While investments in new store openings were lower than in the prior year, renovation expenses increased. Free cash flow totaled EUR -5 million (Q1 2015: EUR -8 million) reflecting the weaker trend in earnings, which more than offset the positive inventory effects in particular. Net financial liabilities increased year-on-year by EUR 46 million to EUR 89 million (March 31, 2015: EUR 43 million).

**Outlook for 2016 confirmed**

The management of the HUGO BOSS Group is reconfirming its outlook for the current year. It expects a low single-digit currency-adjusted percentage increase in sales compared to the prior year. The Group's own retail business is set to be the growth driver. The opening of new stores, full-year effects from stores opened in the prior year as well as takeovers are expected to make a mid to high single-digit percentage contribution to channel growth. On the other hand, a mid to high single-digit percentage decline in sales is expected for the wholesale business. The reasons for this include changes to the distribution strategy in the USA as well as the effects of acquisitions.

The gross profit margin is expected to be unchanged compared to the prior year. Positive effects from the reduction in discounts in the next few quarters, further optimization of inventory levels, qualitative improvements to the Group's distribution in the US market and the growing share of sales generated by the Group's own retail business should support improvements over the further course of the year and compensate for negative effects related to the price adjustments in Asia.

The Group's operating result (EBITDA before special items) is expected to decline by a low double-digit percentage rate in 2016. This outlook is based on the assumption of a broadly stable trend in retail comp store sales for the year as a whole.

The Group is also taking measures to improve cost efficiency and boost free cash flow compared to the prior year. It will generate cost savings of around EUR 50 million in 2016 compared to original plans by renegotiating rental agreements in the Group's own retail business, through the tight management of administrative expenses and by strictly focusing the Group's marketing activities on measures directly supporting customer traffic in own retail. The Company is also analyzing the performance of stores that had a significant negative impact on the result in the Group's own retail business in the past year. A decision on whether any of these stores will be closed will be taken in the coming months. A slower pace of expansion in the Group's own retail business and a streamlined project portfolio should reduce investment volumes in 2016 to between EUR 160 million and EUR 180 million, which is considerably lower than last year (2015: EUR 220 million).

**Further information**

The First Quarter Report 2016 is available for downloading from the corporate website at group.hugoboss.com.

HUGO BOSS

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## Consolidated Income Statement

| (in EUR million) | **Jan - March 2016** | Jan - March 2015 | Change in % |
|---|---|---|---|
| **Sales** | **642.6** | **667.5** | **-4** |
| Cost of sales | -230.7 | -230.6 | 0 |
| **Gross profit** | **411.9** | **436.9** | **-6** |
| In % of sales | 64.1 | 65.5 | -140 bp |
| Selling and distribution expenses | -278.5 | -264.3 | -5 |
| Administration costs | -72.6 | -68.4 | -6 |
| Other operating income and expenses | -7.1 | -1.4 | <-100 |
| Operating income | **53.7** | **102.8** | **-48** |
| In % of sales | 8.4 | 15.4 | -700 bp |
| Net interest income/expenses | -0.7 | -0.9 | 22 |
| Other financial items | -2.4 | -3.7 | 35 |
| **Financial result** | **-3.1** | **-4.6** | **33** |
| **Earnings before taxes** | **50.6** | **98.2** | **-48** |
| Income taxes | -12.1 | -22.6 | 46 |
| **Net income** | **38.5** | **75.6** | **-49** |
| Attributable to: | | | |
| Equity holders of the parent company | 38.5 | 75.6 | -49 |
| Non-controlling interests | 0.0 | 0.0 | |
| **Earnings per share (EUR)**[1] | **0.56** | **1.10** | **-49** |

[1] Basic and diluted earnings per share.

## EBITDA and special items

| (in EUR million) | **Jan - March 2016** | Jan - March 2015 | Change in % |
|---|---|---|---|
| **EBITDA before special items** | **93.5** | **131.5** | **-29** |
| In % of sales | 14.5 | 19.7 | -520 bp |
| Special items | -7.1 | -1.4 | <-100 |

## Sales broken down by region and sales channel

| (in EUR million) | **Jan - March 2016** | Jan - March 2015 | Change in % | Change in % adjusted for currency effects |
|---|---|---|---|---|
| Europe | 402.4 | 409.7 | -2 | -1 |
| Americas | 129.8 | 143.2 | -9 | -8 |
| Asia/Pacific | 94.7 | 100.9 | -6 | -5 |
| Licenses | 15.7 | 13.7 | 14 | 14 |
| **TOTAL** | **642.6** | **667.5** | **-4** | **-3** |
| The Group's own retail business | 370.4 | 370.1 | 0 | 1 |
| Wholesale channel | 256.5 | 283.7 | -10 | -9 |

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## Consolidated Statement of Financial Position

(in EUR million)

| Assets | 31 March, 2016 | 31 March, 2015 | 31 December, 2015 |
|---|---|---|---|
| Intangible assets | 179.4 | 161.3 | 182.6 |
| Property, plant and equipment | 439.5 | 405.6 | 439.8 |
| Deferred taxes | 110.9 | 110.1 | 115.2 |
| Non-current financial assets | 21.9 | 22.4 | 22.4 |
| Non-current tax receivables | 0.7 | 1.2 | 0.7 |
| Other non-current assets | 3.6 | 8.3 | 3.9 |
| **Non-current assets** | **756.0** | **708.9** | **764.6** |
| Inventories | 527.8 | 539.3 | 559.5 |
| Trade receivables | 206.6 | 244.0 | 239.6 |
| Current tax receivables | 29.2 | 17.0 | 21.1 |
| Current financial assets | 16.8 | 15.8 | 29.0 |
| Other current assets | 100.2 | 104.1 | 104.6 |
| Cash and cash equivalents | 61.5 | 132.3 | 81.4 |
| Non-current assets held for sale | 0.0 | 1.3 | 0.5 |
| **Current assets** | **942.1** | **1,053.8** | **1,035.7** |
| **TOTAL** | **1,698.1** | **1,762.7** | **1,800.3** |

| Liabilities | 31 March, 2016 | 31 March, 2015 | 31 December, 2015 |
|---|---|---|---|
| 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 | 910.5 | 864.7 | 873.2 |
| Accumulated other comprehensive income | 41.6 | 61.6 | 54.6 |
| **Equity attributable to equity holders of the parent company** | **980.6** | **954.8** | **956.3** |
| Non-controlling interests in equity | 0.8 | -0.5 | -0.6 |
| **Consolidated equity** | **981.4** | **954.3** | **955.7** |
| Non-current provisions | 72.4 | 91.7 | 72.1 |
| Non-current financial liabilities | 87.7 | 154.2 | 135.0 |
| Deferred tax liabilities | 6.9 | 8.7 | 7.8 |
| Other non-current liabilities | 41.7 | 44.3 | 42.2 |
| **Non-current liabilities** | **208.7** | **298.9** | **257.1** |
| Short-term provisions | 86.7 | 102.0 | 102.8 |
| Short-term financial liabilities | 76.1 | 30.4 | 41.5 |
| Income tax liabilities | 39.6 | 54.2 | 46.3 |
| Trade liabilities | 192.4 | 217.8 | 271.5 |
| Other current liabilities | 113.2 | 105.1 | 125.4 |
| **Current liabilities** | **508.0** | **509.5** | **587.5** |
| **TOTAL** | **1,698.1** | **1,762.7** | **1,800.3** |

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