HUGO BOSS

Press release
HUGO BOSS First Half Year Results 2016

HUGO BOSS makes initial progress on the return to sustained profitable growth

- **Currency-adjusted Group sales down 1% in the second quarter**
- **Business in Europe develops positively**
- **Improvement in gross profit margin and strict cost management limit decline in EBITDA before special items to 13% in the second quarter**
- **Planned store closures and structural change in U.S. wholesale business shape quarterly results and outlook**
- **Sales expected to decrease between 0% and 3% in the full year 2016**
- **Full year EBITDA before special items expected to decline between 17% and 23%**

Metzingen, August 5, 2016. HUGO BOSS sales and earnings developed slightly better in the second quarter than in the first three months of the year. Irrespective of a very difficult market environment, the Company has applied a disciplined pricing policy and reduced costs. In addition to the previously announced changes in the Chinese store portfolio, around 20 freestanding stores will be closed globally in the coming 18 months in order to support the return to sustained profitable growth. These 20 stores have diluted the Group's EBITDA margin by around 60 basis points last year. The Group expects this decision to have a positive impact on profits, especially in 2017 and beyond. That is why it accepts considerable one-off expenses in connection with the closures. In addition, the distribution of the BOSS core brand in the U.S. wholesale business will be focused on high-quality and sustained profitable formats even more than previously anticipated.

"In an anything but easy market environment, we have performed well over the past few months," says Mark Langer, CEO of HUGO BOSS AG. "We have already significantly improved our operating efficiency by introducing a series of measures.

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To return to profitable growth again in the medium term, we have made decisions that are painful to begin with. These include the closure of stores and a structural change of our distribution in the U.S. wholesale channel. The market environment will remain difficult for the foreseeable future. However, it is in our own hands to strengthen our brands and our business model. As a company, we need to become more customer-centric, faster and more flexible."

Solid increase in second quarter sales in Europe

In the second quarter, HUGO BOSS sales were down by 1% in currency-adjusted terms. In euro terms, the Group recorded a 4% drop to EUR 622 million (Q2 2015: EUR 647 million) due to negative currency effects. With a currency-adjusted 7% increase in sales, Europe performed very well. However, this was also attributable to a different timing of wholesale deliveries. In Great Britain, currency-adjusted sales even rose by a double-digit rate. In France and Benelux, however, losses were incurred due to weak tourism trends. In the Americas, sales fell by 14% in local currencies. The U.S. market was down 21%. The decline in the United States not only reflects the difficult market environment but is also the result of the limited distribution of the BOSS core brand in the wholesale channel. The Company is deliberately sacrificing sales in order to avoid brand damage from promotional activity. Double-digit growth rates in Latin America and solid increases in Canada only partially made up for these negative effects. Sales in Asia were down 6% on the prior year, adjusted for currency effects. While Australia and smaller markets in the region, such as Singapore and Korea, developed well, the Chinese market reported a 16% decline in sales in local currencies, with weakness primarily in Hong Kong and Macau. In mainland China, the price adjustments introduced at the beginning of the year and stronger digital brand communication resulted in a double-digit increase in sales volumes.

Currency-adjusted sales in the Group's own retail business (including outlets and online stores) remained stable in the second quarter. Retail comp store sales fell by 8% excluding currency effects, however. The wholesale business saw a currency-adjusted decline of 1% due to muted customer demand and takeovers of selling space previously operated by partners. The higher share of Fall collection sales

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compared to the prior year resulting from a different timing of deliveries supported sales. Without this effect, sales in the wholesale business would have decreased by a mid- to high-single-digit percentage rate.

Group net income in second quarter burdened by one-time special items

The gross profit margin rose by 110 basis points to 67.6% in the second quarter (Q2 2015: 66.5%). This is mainly due to improvements in inventory management and lower discounts. The 3% rise in operating expenses was primarily attributable to the upgrade and expansion of the Group's own retail business. However, measures to increase operating efficiency limited the increase in operating expenses. The Group successfully renegotiated rental agreements and reduced administration expenses. However, due to the decline in sales, EBITDA before special items dropped by 13% to EUR 108 million in the second quarter (Q2 2015: EUR 123 million). Accordingly, the adjusted operating margin shrank by 180 basis points to 17.3% (Q2 2015: 19.1%). Special items amounting to EUR 57 million (Q2 2015: EUR 2 million) were mainly related to the decision to close around 20 freestanding retail stores globally over the next 18 months. This reduced the Group net income by 84% to EUR 11 million (Q2 2015: EUR 71 million).

Positive volume effects support development in China in the first half of the year

In the first half of the year, HUGO BOSS reported a 2% sales decline in local currencies. In the reporting currency, this translates to a decrease of 4% to EUR 1,265 million (H1 2015: EUR 1,315 million). With a currency-adjusted 3% increase in sales, Europe performed well. The growth came primarily from Great Britain and smaller markets such as Scandinavia and Italy. The decline in the tourism business put pressure on France and other European markets. In the Americas, sales in local currencies fell by 11%. In a difficult market environment, the U.S. market was weaker than the region as a whole, reporting a decline of 19%. In Asia, sales were down 6% on the prior year after adjustment for currency effects. In China, the price adjustments introduced at the beginning of the year led to a 20% decline in average sales prices. However, the impact was largely offset by higher

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volumes. Overall, sales in China decreased by 14% in currency-adjusted terms due to weakness in Hong Kong and Macau.

By distribution channel, currency-adjusted sales rose by 1% in the Group's own retail business in the first half of the year. Comp store sales were down 7% on the prior year after adjustment for currency effects. The Group's own retail store network was expanded by a net 13 locations in the first six months, growing to 443 freestanding stores (December 31, 2015: 430). The Group's wholesale sales declined by 6% in local currencies. This was mainly due to muted global demand and takeovers of selling space previously operated by partners.

Menswear sales were down by 2% on the comparable prior-year period in currency-adjusted terms. Womenswear sales remained stable in local currencies. BOSS Womenswear however continued to generate above-average growth.

The gross profit margin fell by 20 basis points to 65.8% (H1 2015: 66.0%). Positive effects from the higher share of sales contributed by the Group's own retail business were overcompensated by the price adjustments in Asia. EBITDA before special items stood at EUR 201 million, 21% down on the prior year (H1 2015: EUR 255 million). This primarily reflects lower sales, which could only be partially compensated by the successful implementation of measures to protect the gross profit margin, cost savings and initiatives to improve operating efficiency. The adjusted EBITDA margin came to 15.9% in the first half of the year, 350 basis points down on the prior year (H1 2015: 19.4%). The decision to close stores and changes in management led to one-off expenses amounting to EUR 65 million (H1 2015: EUR 0 million). The consolidated net income attributable to equity holders fell by 66% to EUR 50 million (H1 2015: EUR 146 million).

Trade net working capital decreases

Trade net working capital decreased by 1% year-on-year to EUR 533 million (June 30, 2015: EUR 537 million). In local currencies, this corresponds to growth of 1%. Inventories increased by 2% on a currency-adjusted basis. Free cash flow shrank by 26% to EUR 54 million (H1 2015: EUR 73 million). Reduced capital

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expenditures and the improvement in trade net working capital could not fully compensate for the profit decline. Net financial liabilities increased by 31% to EUR 281 million due to the lower free cash flow (June 30, 2015: EUR 214 million).

HUGO BOSS adjusts sales forecast and details earnings guidance

The Company has adjusted its sales forecast based on its performance in the first half of the year and the planned expansion of measures to improve distribution in the United States. The Managing Board now expects currency-adjusted sales to either remain stable or decline by up to 3% in the full year. Sales are projected to decrease in the Americas and Asia. On the other hand, Europe, the Group's largest region, should continue to grow. Sales in the Group's own retail business will be supported by the expansion of the store network and takeovers, while comp store sales are expected to be down. However, the full year decline should not exceed the level recorded in the first half of the year, when comp store sales fell by 7%. Wholesale sales are expected to contract by up to 10%. This is largely due to an even stronger focus on high-quality and sustained profitable formats in the U.S. wholesale business compared to original plans.

The gross profit margin should remain stable overall in 2016. The growing share of sales generated by the Group's own retail business is likely to support margin development. However, the price adjustments in Asia will compensate for this effect. The Company now expects operating profit (EBITDA before special items) to decline between 17% and 23% in the full year. Cost savings and initiatives to increase operating efficiency will cushion the effects on profit of the anticipated comp store sales decline in own retail.

As a result of the drop in earnings, free cash flow will also be slightly down in 2016 compared to the prior year. Investments will moderate to a range of EUR 160 million to EUR 180 million. The expansion of the Group's own retail business will slow down and one-off investments from the prior year will not recur. Furthermore, the planned reduction in trade net working capital relative to sales should have a positive impact on cash flow.

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Additional information and financial calendar

The First Half Year 2016 report is available for download on our website group.hugoboss.com.

The Nine Months Results will be published on November 2. On November 16, Management will present the Group’s long-term strategic outlook.

If you have any questions, please contact:

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H U G O   B O S S

Consolidated Income Statement

(in EUR million)	**Q2 2016**	Q2 2015	Change in %
Sales	**622,1**	**647,1**	**(4)**
Cost of sales	(201,8)	(216,7)	7
Gross profit	**420,3**	**430,4**	**(2)**
In % of sales	67,6	66,5	110 bp
Selling and distribution expenses	(281,9)	(268,0)	(5)
Administration expenses	(65,6)	(69,6)	6
Other operating income and expenses	(57,4)	1,6	> 100
Operating result (EBIT)	**15,4**	**94,4**	**(84)**
In % of sales	2,5	14,6	(1.210) bp
Net interest income/expenses	(0,5)	(2,9)	83
Other financial items	(0,3)	0,3	> 100
Financial result	**(0,8)**	**(2,6)**	**(67)**
Earnings before taxes	**14,6**	**91,8**	**(84)**
Income taxes	(3,5)	(21,1)	83
Net income	**11,1**	**70,7**	**(84)**
Attributable to:			
Equity holders of the parent company	11,1	70,6	(84)
Non-controlling interests	0,0	0,1	
Earnings per share (EUR)[1]	**0,16**	**1,02**	**(84)**

[1] Basic and diluted earnings per share.

EBITDA and Special Items

(in EUR million)	**Q2 2016**	Q2 2015	Change in %
EBITDA before special items	**107,7**	**123,3**	**(13)**
In % of net sales	17,3	19,1	(180) bp
EBITDA related special items	(51,1)	1,6	> 100

Sales by Region and Channel

(in EUR million)	**Q2 2016**	Q2 2015	Change in %	Change in % currency-adjusted
Europe	378,4	363,6	4	7
Americas	141,5	172,0	(18)	(14)
Asia/Pacific	88,1	97,9	(10)	(6)
Licenses	14,1	13,6	4	4
TOTAL	**622,1**	**647,1**	**(4)**	**(1)**
Group's own retail business	415,0	431,2	(4)	0
Wholesale	193,0	202,3	(5)	(1)

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H U G O B O S S

Consolidated Income Statement

(in EUR million)	Jan. - Juni 2016	Jan. - Juni 2015	Change in %
Sales	**1.264,7**	**1.314,6**	**(4)**
Cost of sales	(432,5)	(447,3)	3
Gross profit	**832,2**	**867,3**	**(4)**
In % of sales	65,8	66,0	(20) bp
Selling and distribution expenses	(560,3)	(532,2)	(5)
Administration expenses	(138,2)	(138,0)	0
Other operating income and expenses	(64,6)	0,1	> 100
Operating result (EBIT)	**69,1**	**197,2**	**(65)**
In % of sales	5,5	15,0	(950) bp
Net interest income/expenses	(1,2)	(3,8)	68
Other financial items	(2,7)	(3,5)	23
Financial result	**(3,9)**	**(7,3)**	**46**
Earnings before taxes	**65,2**	**189,9**	**(66)**
Income taxes	(15,7)	(43,7)	64
Net income	**49,5**	**146,2**	**(66)**
Attributable to:			
Equity holders of the parent company	49,5	146,1	(66)
Non-controlling interests	0,0	0,1	
Earnings per share (EUR)[1]	**0,72**	**2,12**	**(66)**

[1] Basic and diluted earnings per share.

EBITDA and Special Items

(in EUR million)	Jan. - Juni 2016	Jan. - Juni 2015	Change in %
EBITDA before special items	**201,2**	**254,8**	**(21)**
In % of sales	15,9	19,4	(350) bp
EBITDA related special items	(58,3)	0,1	> 100

Sales by Region and Channel

(in EUR million)	Jan. - Juni 2016	Jan. - Juni 2015	Change in %	Change in % currency-adjusted
Europe	780,8	773,3	1	3
Americas	271,3	315,2	(14)	(11)
Asia/Pacific	182,8	198,8	(8)	(6)
Licenses	29,8	27,3	9	9
TOTAL	**1.264,7**	**1.314,6**	**(4)**	**(2)**
Group's own retail business	785,3	801,3	(2)	1
Wholesale	449,6	486,0	(8)	(6)

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Consolidated Balance Sheet

(in EUR million)

Assets	June 30, 2016	June 30, 2015	December 31, 2015
Intangible assets	180,5	165,5	182,6
Property, plant and equipment	438,8	414,4	439,8
Deferred tax assets	129,7	117,5	115,2
Non-current financial assets	23,1	22,9	22,4
Non-current tax receivables	0,6	1,2	0,7
Other non-current assets	3,4	9,1	3,9
Non-current assets	**776,1**	**730,6**	**764,6**
Inventories	565,5	563,4	559,5
Trade receivables	192,1	210,5	239,6
Current tax receivables	29,6	13,4	21,1
Current financial assets	31,7	18,3	29,0
Other current assets	89,4	85,3	104,6
Cash and cash equivalents	49,6	56,3	81,4
Assets held for sale	0,0	0,0	0,5
Current assets	**957,9**	**947,2**	**1.035,7**
TOTAL	**1.734,0**	**1.677,8**	**1.800,3**

Equity and Liabilities	June 30, 2016	June 30, 2015	December 31, 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	667,2	698,7	873,2
Accumulated other comprehensive income	38,4	55,4	54,6
Equity attributable to equity holders of the parent company	**734,1**	**782,6**	**956,3**
Non-controlling interests	0,8	(0,5)	(0,6)
Group equity	**734,9**	**782,1**	**955,7**
Non-current provisions	79,9	75,3	72,1
Non-current financial liabilities	237,4	232,5	135,0
Deferred tax liabilities	9,1	9,1	7,8
Other non-current liabilities	44,8	46,8	42,2
Non-current liabilities	**371,2**	**363,7**	**257,1**
Current provisions	138,7	109,2	102,8
Current financial liabilities	106,1	42,1	41,5
Income tax payables	25,3	41,3	46,3
Trade payables	224,6	236,9	271,5
Other current liabilities	133,2	102,5	125,4
Current liabilities	**627,9**	**532,0**	**587,5**
TOTAL	**1.734,0**	**1.677,8**	**1.800,3**

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