HUGO BOSS

Press release
HUGO BOSS Nine Months Results 2016

HUGO BOSS reconfirms its outlook for 2016 as a whole

- **Group sales down 2% currency-adjusted in the first nine months**
- **Significantly improved sales in China**
- **Operating profit (EBITDA before special items) declines by 18% year-to-date**
- **Cost saving target for 2016 exceeded**

Metzingen, November 2, 2016. HUGO BOSS reconfirms its financial outlook for the current fiscal year. The company's performance in the past few months has been marked by a continuously challenging market environment. Industry trends deteriorated further in Europe in particular. Nonetheless, sales and profits developed in line with the Group's expectations for the year as a whole in the third quarter. In China, momentum even improved significantly. Disciplined rebate management and extensive cost savings limited the impact of the negative sales trend on earnings.

"The third quarter has not been an easy one," commented Mark Langer, CEO of HUGO BOSS AG. "However, we are on an upward trend in China now. I'm satisfied at how quickly and comprehensively we adjusted our cost structures to the changing business conditions. All the measures we have taken to protect profitability in the current year are on plan or even ahead. It's now about gearing HUGO BOSS towards sustainable growth. This is what we're targeting in our realigned strategy, to be unveiled shortly."

China again posts positive growth on a like-for-like basis in the third quarter

The Group's currency-adjusted sales fell by 3% in the third quarter. Due to negative currency effects, HUGO BOSS recorded a decrease of 6% to EUR 703 million (Q3 2015: EUR 744 million).

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Sales in Europe declined by 2%, impacted by adverse market conditions. Sales in Great Britain grew by 5% after adjusting for currency effects. In France and the Benelux countries, sales decreased by mid to high single-digit percentage rates. Sales in Germany trailed the previous year by 10%. Sales in the Americas decreased by 9% in local currencies in the third quarter. This was mainly due to a decline of 14% in the US market, where the company intentionally limited distribution of its BOSS core brand in the wholesale channel in order to move away from brand-damaging discount campaigns. Double-digit growth rates in Central and Latin America only partly offset the decline in the US. Sales in Asia were down by 3% in local currencies on the previous year. Affected by ongoing decreases in Hong Kong and Macao as well as store closures, currency-adjusted sales in China were 4% lower than the previous year. However, sales increased on a like-for-like basis, breaking the negative trend of previous quarters. Higher volumes more than offset the effects of closer alignment of the local price architecture to price levels in Europe and America.

Currency-adjusted sales in the Group’s own retail business (including outlets and online stores) rose by 2%. On a comp store basis, however, currency-adjusted retail sales decreased by 6%. The Group’s own online business decreased by 15% after adjusting for currency effects in the third quarter. HUGO BOSS relaunched its website in October. Particular focus was placed on enhancing product presentation and expanding editorial content. A newly introduced mobile app is also taking account of the significant increase in use of the online store via mobile devices.

Third quarter wholesale sales were 11% below the prior-year level on a currency-adjusted basis. This was due to the distribution clean up in the US as well as subdued global demand. In addition, trading partners in Europe focused more on those parts of the Fall collection which were scheduled for delivery in the second quarter already.

Cost reductions only partly offset sales declines in the third quarter

In the third quarter, the gross profit margin benefited from a reduction of discounts in all sales channels. This more than offset negative currency effects. In sum, the

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Group’s gross profit margin increased by 20 basis points to 64.7% (Q3 2015: 64.5%). Operating expenses were reduced slightly due to strict cost management. As a result of lower sales, however, EBITDA before special items fell by 14% to EUR 145 million (Q3 2015: EUR 168 million). Accordingly, the adjusted operating margin shrank by 200 basis points to 20.6% in the third quarter (Q3 2015: 22.6%). The Group's net income decreased by 9% to EUR 81 million (Q3 2015: EUR 89 million).

Europe remains the strongest sales region in the first nine months of the year

The HUGO BOSS Group recorded a sales decline of 2% in local currencies in the first nine months of 2016. As a result of negative currency effects, this corresponds to a decrease of 4% in the reporting currency to EUR 1,968 million (9M 2015: EUR 2,059 million). Sales in Europe increased by 1%. Business was especially strong in Great Britain. In the Americas, sales in local currencies fell by 10%. Growth in Central and Latin America as well as Canada only partly offset the decrease in the US. In Asia, sales were down 5% on the prior year after adjusting for currency effects. China recorded a decline of 11%.

In the first nine months of the year, the Group’s own retail business (including outlets and online stores) posted a 1% increase in sales excluding currency effects. On a comp store basis, currency-adjusted sales were down by 7% on the previous year. Wholesale sales declined by 8% in local currencies.

Negative sales trend puts a strain on profits in the first nine months

At 65.4%, the gross profit margin was unchanged on the previous year (9M 2015: 65.4%). Effects from the rising share of sales in the Group's own retail business, where HUGO BOSS generates a higher gross profit margin than in the wholesale channel, were offset by the price adjustments implemented in Asia with the Spring 2016 collection. EBITDA before special items fell by 18% to EUR 346 million (9M 2015: EUR 423 million). This is mainly attributable to the lower sales, which were only partially offset by cost savings. Consequently, the adjusted EBITDA margin came to 17.6% in the first nine months, 290 basis points down on the prior year (9M 2015:

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20.5%). The consolidated net income attributable to equity holders of the parent company fell by 45% to EUR 130 million (9M 2015: EUR 235 million). This comparatively more pronounced decline is the result of one-off expenses of EUR 66 million (9M 2015: EUR 4 million). This mainly relates to the planned closures of approximately 20 freestanding stores. The associated expenses arose in the second quarter.

Free cash flow increases despite the decline in earnings

Trade net working capital came to EUR 536 million at the end of September, down by 5% on the previous year in the Group currency as well as after adjusting for currency effects (September 30, 2015: EUR 566 million). At the end of the third quarter, currency-adjusted inventories were down by 1% year on year. This is mainly due to double-digit percentage decreases in the Americas and the Asia/Pacific region. Investments contracted by 16% to EUR 119 million (9M 2015: EUR 141 million). As a result of these effects, free cash flow grew by 14% to EUR 106 million (9M 2015: EUR 92 million).

Financial outlook reconfirmed

The Managing Board reconfirms the financial outlook. Unchanged to previous projections, sales are expected to remain stable or fall by up to 3% on a currency-adjusted basis in the year as a whole. Own retail sales will be bolstered largely by the expansion of the Group’s store network. On a comp store basis, trends are expected to be negative. Wholesale sales are forecast to contract by up to 10%. Overall, the gross profit margin should remain stable in 2016 compared to the previous year. The company expects the operating result (EBITDA before special items) to decline by between 17% and 23%. Earnings will be supported by cost savings higher than originally planned, largely as a result of renegotiations of rental leases in the own retail business, strict cost management in administration, and streamlining of marketing activities. Compared with the original budget, savings of EUR 65 million will be reached, which is EUR 15 million more than planned.

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Despite the decline in earnings, the free cash flow for the year as a whole is expected to remain stable year on year. Investments will fall to between EUR 160 million and EUR 180 million. In addition, the strict management of trade net working capital will have a positive impact on cash flow.

Additional information and financial calendar

The Nine Months Report 2016 is available for download on our website group.hugoboss.com. You will also find more information there on HUGO BOSS AG. On November 16, management will provide an update on the Group's long-term strategy.

If you have any questions, please contact:

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Consolidated Income Statement

(in EUR million)	Q3 2016	Q3 2015	Change in %
Sales	**703.0**	**744.1**	**(6)**
Cost of sales	(248.4)	(264.4)	6
Gross profit	**454.6**	**479.7**	**(5)**
In % of sales	64.7	64.5	20 bp
Selling and distribution expenses	(278.4)	(280.6)	1
Administration expenses	(65.6)	(62.8)	(4)
Other operating income and expenses	(1.1)	(3.7)	70
Operating result (EBIT)	**109.5**	**132.6**	**(17)**
In % of sales	15.6	17.8	(220) bp
Net interest income/expenses	(0.6)	(1.4)	57
Other financial items	(2.8)	(16.3)	83
Financial result	**(3.4)**	**(17.7)**	**(81)**
Earnings before taxes	**106.1**	**114.9**	**(8)**
Income taxes	(25.5)	(26.4)	3
Net income	**80.6**	**88.5**	**(9)**
Attributable to:			
Equity holders of the parent company	80.6	88.5	(9)
Non-controlling interests	0.0	0.0	
Earnings per share (EUR)[1]	**1.17**	**1.28**	**(9)**

[1] Basic and diluted earnings per share.

EBITDA and Special Items

(in EUR million)	Q3 2016	Q3 2015	Change in %
EBITDA before special items	**144.5**	**168.1**	**(14)**
In % of net sales	20.6	22.6	(200) bp
EBITDA related special items	(1.5)	(3.7)	59

Sales by Region and Channel

(in EUR million)	Q3 2016	Q3 2015	Change in %	Change in % currency-adjusted
Europe	457.3	480.1	(5)	(2)
Americas	147.2	164.7	(11)	(9)
Asia/Pacific	82.5	84.3	(2)	(3)
Licenses	16.0	15.0	6	6
TOTAL	**703.0**	**744.1**	**(6)**	**(3)**
Group's own retail business	397.9	399.2	0	2
Wholesale	289.1	329.9	(12)	(11)

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Consolidated Income Statement

(in EUR million)	Jan. - Sep. 2016	Jan. - Sep. 2015	Change in %
Sales	**1,967.7**	**2,058.7**	**(4)**
Cost of sales	(680.9)	(711.7)	4
Gross profit	**1,286.8**	**1,347.0**	**(4)**
In % of sales	65.4	65.4	0 bp
Selling and distribution expenses	(838.7)	(812.9)	(3)
Administration expenses	(203.8)	(200.7)	(2)
Other operating income and expenses	(65.7)	(3.6)	<(100)
Operating result (EBIT)	**178.6**	**329.8**	**(46)**
In % of sales	9.1	16.0	(690) bp
Net interest income/expenses	(1.8)	(5.2)	65
Other financial items	(5.5)	(19.8)	72
Financial result	**(7.3)**	**(25.0)**	**71**
Earnings before taxes	**171.3**	**304.8**	**(44)**
Income taxes	(41.1)	(70.1)	41
Net income	**130.2**	**234.7**	**(45)**
Attributable to:			
Equity holders of the parent company	130.2	234.6	(45)
Non-controlling interests	0.0	0.1	
Earnings per share (EUR)[1]	**1.89**	**3.40**	**(45)**

[1] Basic and diluted earnings per share.

EBITDA and Special Items

(in EUR million)	Jan. - Sep. 2016	Jan. - Sep. 2015	Change in %
EBITDA before special items	**345.7**	**422.9**	**(18)**
In % of sales	17.6	20.5	(290) bp
EBITDA related special items	(59.8)	(3.6)	<(100)

Sales by Region and Channel

(in EUR million)	Jan. - Sep. 2016	Jan. - Sep. 2015	Change in %	Change in % currency-adjusted
Europe	1,238.1	1,253.4	(1)	1
Americas	418.5	479.9	(13)	(10)
Asia/Pacific	265.3	283.1	(6)	(5)
Licenses	45.8	42.3	8	8
TOTAL	**1,967.7**	**2,058.7**	**(4)**	**(2)**
Group's own retail business	1,183.2	1,200.5	(1)	1
Wholesale	738.7	815.9	(9)	(8)

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Consolidated Balance Sheet

(in EUR million)

Assets	**September 30, 2016**	September 30, 2015	December 31, 2015
Intangible assets	183.2	170.3	182.6
Property, plant and equipment	436.1	420.2	439.8
Deferred tax assets	129.5	138.4	115.2
Non-current financial assets	23.9	22.7	22.4
Non-current tax receivables	0.1	0.7	0.7
Other non-current assets	3.3	8.0	3.9
Non-current assets	**776.1**	**760.3**	**764.6**
Inventories	536.9	544.0	559.5
Trade receivables	210.7	248.1	239.6
Current tax receivables	25.4	13.3	21.1
Current financial assets	19.3	16.5	29.0
Other current assets	105.9	113.3	104.6
Cash and cash equivalents	67.0	55.8	81.4
Assets held for sale	0.0	0.0	0.5
Current assets	**965.2**	**991.0**	**1,035.7**
TOTAL	**1,741.3**	**1,751.3**	**1,800.3**

Equity and Liabilities	**September 30, 2016**	September 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	745.1	784.5	873.2
Accumulated other comprehensive income	32.5	47.1	54.6
Equity attributable to equity holders of the parent company	**806.1**	**860.1**	**956.3**
Non-controlling interests	0.8	(0.5)	(0.6)
Group equity	**806.9**	**859.6**	**955.7**
Non-current provisions	84.7	73.2	72.1
Non-current financial liabilities	175.0	170.4	135.0
Deferred tax liabilities	7.7	8.5	7.8
Other non-current liabilities	43.1	46.5	42.2
Non-current liabilities	**310.5**	**298.6**	**257.1**
Current provisions	139.1	113.8	102.8
Current financial liabilities	133.3	86.6	41.5
Income tax payables	29.6	51.1	46.3
Trade payables	212.1	226.4	271.5
Other current liabilities	109.8	115.2	125.4
Current liabilities	**623.9**	**593.1**	**587.5**
TOTAL	**1,741.3**	**1,751.3**	**1,800.3**

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