HUGO BOSS

Press release

HUGO BOSS expects stable development in 2017 and is laying the foundation for a return to profitable growth

Fiscal year 2016

- Sales decline by 2% in currency-adjusted terms
- EBITDA before special items of EUR 493 million reaches top end of the forecast range
- Proposed dividend of EUR 2.60 per share underlines financial strength

Outlook 2017

- Sales should remain largely stable on a currency-adjusted basis
- EBITDA before special items expected to develop within a range of -3% to +3% compared to the prior year
- CEO Mark Langer: "The realignment is beginning to take effect"

Mark Langer, CEO of HUGO BOSS AG: "2016 was not an easy year for HUGO BOSS. However, we reacted quickly and consistently to the changes in our environment and introduced a set of measures to put us back on the right track. The realignment is beginning to take effect and the first results are becoming visible. In particular, we managed to turn around our business in China. This year we will implement concrete measures of the strategy which we decided upon last autumn. We are adjusting our business model to changes in customer behavior. With the clear alignment of our brand portfolio into BOSS and HUGO we will be able to make better use of our strengths in the upper premium segment. I am very confident that HUGO BOSS will return to sustainable and profitable growth after this phase of stabilization."

Metzingen, March 9, 2017. 2017 will be a year of stabilization for HUGO BOSS. In a fiscal year which will be marked by the implementation of a number of strategic initiatives, the Company is expecting sales to remain largely stable on a currency-adjusted basis. The operating result is set to develop more or less similar to sales:

EBITDA before special items is expected to develop within a corridor of -3% to +3% compared to the prior year.

Sales fell slightly in fiscal year 2016, which was marked by a difficult market environment and company-specific challenges. Cost discipline and rigorous discount management limited the negative impact on earnings. More than EUR 100 million in costs and investments were saved. Furthermore, the Company has worked on strengthening its position in core markets. In the U.S. wholesale business, HUGO BOSS largely withdrew from formats which did not correspond with its brand positioning. In China, the Company completed the turnaround in the second half of the year.

Fiscal year 2016 in detail

The Group's sales dropped by 4% to EUR 2,693 million in 2016 (2015: EUR 2,809 million). Adjusted for currency effects, this is a decrease of 2%. In Europe, sales in local currencies grew by 1%. An increase in the high single-digit range in Great Britain and growth in smaller markets was partially offset by sales declines in Germany and France. In the Americas, sales fell by 12% when adjusted for currency effects. The main driver behind this result was a double-digit decline in sales in the U.S. The Company significantly restricted the distribution of its brands in the wholesale business, and in doing so consciously accepted a loss in sales. In Asia/Pacific, sales fell by 2% when adjusted for currency effects. Sales in China decreased 6% in currency-adjusted terms, however momentum improved markedly over the course of the year. In the fourth quarter, sales on the Chinese mainland grew by almost 20% on a like-for-like basis, meaning that sales were up also in Asia/Pacific as a whole.

Sales in the Group's own retail business were 2% above the prior year's level in local currencies in 2016. Currency-adjusted retail comp store sales fell by 6%. In the fourth quarter however, development in all regions improved on the previous quarters, which limited the comp store sales decline to 3%. At year-end, the number of free-standing retail stores was 442 (2015: 430). Including shops-in-shops and outlets, the

Group's retail store network grew by around 1% to roughly 154,000 sqm (December 31, 2015: 152,000 sqm). Sales in the wholesale business in local currencies were 9% below last year's level, which was mainly due to the discontinuation of business with discount driven retailers. The license business improved by 12% particularly due to the positive sales performance in fragrances.

Menswear sales fell by 2% in local currencies and womenswear sales declined by 1%.

Adjusted EBIDTA margin of 18.3 percent

The gross profit margin in 2016 was unchanged on the previous year at 66.0%. Positive effects due to the increasing share of sales coming from the Group's own retail business were canceled out by the reduction in selling prices in Asia as well as negative inventory valuation effects. Savings of EUR 65 million compared to the original budgeting limited the increase in costs. The renegotiation of rental agreements in the Group's own retail business and strict management of operating overhead costs contributed to the savings. Nevertheless, EBITDA before special items declined by 17% during the year as a whole to EUR 493 million (2015: EUR 594 million). The adjusted EBITDA margin was 18.3%, down 290 basis points on the prior year (2015: 21.2%). Other operating expenses of EUR 67 million were mostly related to the planned store closures (2015: EUR 4 million). As a result, the Group's net income fell more strongly than EBITDA before special items. At EUR 194 million it was 39% lower than the year before (2015: EUR 319 million).

Free cash flow increases

At the end of 2016, inventories were 2% above the prior year's level, and 1% in local currencies. In both the Americas and Asia/Pacific, inventories declined by a double-digit percentage rate. Trade net working capital fell by 1% to EUR 524 million (2015: EUR 528 million). Free cash flow increased by 6% on the prior year to EUR 220 million (2015: EUR 208 million). This was due to a decrease in investments to EUR 157 million (2015: EUR 220 million). The reduced rate of expansion in the

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Group's own retail business and the non-recurrence of prior year one-time investments had a significant influence on this. Net financial liabilities increased to EUR 113 million (2015: EUR 82 million).

Dividend of EUR 2.60 per share proposed

The Managing Board and the Supervisory Board of HUGO BOSS AG intend to propose a dividend of EUR 2.60 per share for fiscal year 2016 to the Annual Shareholders' Meeting (2015: EUR 3.62). This corresponds to a payout ratio of 93% of the consolidated net income attributable to the shareholders of the parent company in 2016 (2015: 78%). The proposed dividend takes into account the decline in earnings on the one hand. On the other hand, it reflects the unchanged strong cash flow and the Company’s robust financial position. It also takes account of the expenses in connection with store closures in 2016, which will not occur again in 2017.

Largely stable sales and earnings development expected in 2017

In 2017 HUGO BOSS will focus on the implementation of measures derived from the realignment of Group strategy decided upon last autumn:

- HUGO BOSS is realigning the portfolio of its brands and its brand positioning. The BOSS Green and BOSS Orange brand lines are being integrated into the BOSS core brand, meaning that in future the Company will operate with the two brands BOSS and HUGO
- In accordance with the brand strategy, distribution is being adapted to meet the requirements of customers more closely
- The digital transformation of the business model is being pushed further
- Entrepreneurial thinking is being fostered and business processes redesigned to make them faster and more agile

The measures will have a first positive impact on earnings in 2017. The full effects will support results from 2018 onwards.

In 2017, HUGO BOSS expects sales to develop largely stable when adjusted for currency effects. Similar to the Group as a whole, sales in Europe should remain largely stable compared to the prior year, too. While trends are anticipated to improve for the Americas and the U.S. in particular, sales are still forecasted to decline slightly year-on-year due to the distribution changes in the wholesale business. Sales in Asia will increase slightly, helped by growth in China. Sales in the license segment should also increase solidly due to growth in fragrances.

For the Group's own retail business, sales are expected to grow by up to a mid single-digit percentage rate. This forecast is based on the assumption of a like-for-like sales performance between -3% and +3%. Store openings should make a low single-digit contribution to growth in own retail. A low to mid single-digit percentage decline in sales is projected for the wholesale business. This is mainly due to the changed distribution strategy in the U.S. market, for which a low double-digit percentage decline is expected in the wholesale business.

A slight increase is forecasted in the gross profit margin due to sales growth in the Group's own retail business and lower inventory write-downs. The Group’s operating expense development will be impacted particularly by the ongoing transformation to a customer-centric business model. The Group is therefore expecting a slight increase in marketing expenses compared to sales. In other areas, the Group is continuing with its strict cost management. The positive effects from the renegotiated rental agreements in the Group's own retail business, cost discipline in general administration and the closure of loss-making stores will limit the increase in operating expenses. EBITDA before special items in 2017 is therefore expected to develop within a range of -3% to +3% compared to the prior year. The Group's net income and earnings per share are expected to grow by a double-digit percentage rate – particularly due to the absence of non-recurring expenses in the prior year.

The Managing Board will discuss the financial results for fiscal year 2016 and the outlook for 2017 at today's Press and Analysts' Conferences. For further information, please visit our website at group.hugoboss.com.

HUGO BOSS

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HUGO BOSS

Consolidated Income Statement

(in EUR million)	Q4 2016	Q4 2015	Change in %
Sales	**725,2**	**750,0**	**(3)**
Cost of sales	(234,6)	(244,2)	4
Gross profit	**490,6**	**505,8**	**(3)**
In % of sales	67,7	67,4	30 bp
Selling and distribution expenses	(336,7)	(323,7)	(4)
Administration costs	(68,0)	(63,5)	(7)
Other operating income/expenses	(1,0)	(0,7)	(46)
Operating result (EBIT)	**84,9**	**117,9**	**(28)**
In % of sales	11,7	15,7	(400) bp
Financial result	**(0,5)**	**(2,7)**	**80**
Earnings before taxes	**84,4**	**115,2**	**(27)**
Income taxes	(20,9)	(30,5)	31
Net income	**63,5**	**84,7**	**(25)**
Earnings per share (EUR)[1]	**0,91**	**1,23**	**(26)**

[1] Basic and diluted earnings per share.

EBITDA and special items

(in EUR million)	Q4 2016	Q4 2015	Change in %
EBITDA before special items	**147,4**	**171,2**	**(14)**
In % of sales	20,3	22,8	(250) bp
EBITDA related special items	(0,6)	(0,7)	14

Sales broken down by region and sales channel

(in EUR million)	Q4 2016	Q4 2015	Change in %	Change in % adjusted for currency effects
Europe	421,9	429,8	(2)	2
Americas	163,4	190,6	(14)	(14)
Asia/Pacific	116,2	109,8	6	5
Royalties	23,7	19,8	20	20
TOTAL	**725,2**	**750,0**	**(3)**	**(1)**
Group's own retail business	493,9	488,3	1	4
Wholesale	207,6	241,9	(14)	(13)

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Consolidated Income Statement

(in EUR million)	2016	2015	Change in %
Sales	**2.692,8**	**2.808,7**	**(4)**
Cost of sales	(915,3)	(955,9)	4
Gross profit	**1.777,5**	**1.852,8**	**(4)**
In % of sales	66,0	66,0	0 bp
Selling and distribution expenses	(1.175,5)	(1.136,6)	(3)
Administration costs	(271,8)	(264,3)	(3)
Other operating income/expenses	(66,7)	(4,2)	<(100)
Operating result (EBIT)	**263,5**	**447,7**	**(41)**
In % of sales	9,8	15,9	(610) bp
Financial result	**(7,9)**	**(27,7)**	**72**
Earnings before taxes	**255,6**	**420,0**	**(39)**
Income taxes	(62,0)	(100,6)	38
Net income	**193,6**	**319,4**	**(39)**
Earnings per share (EUR)[1]	**2,80**	**4,63**	**(40)**
Dividend per share (EUR)[2]	**2,60**	**3,62**	**(28)**

[1] Basic and diluted earnings per share.

[2] 2016: Dividend proposal.

EBITDA and special items

(in EUR million)	2016	2015	Change in %
EBITDA before special items	**493,1**	**594,1**	**(17)**
In % of sales	18,3	21,2	(290) bp
EBITDA related special items	(60,4)	(4,2)	<(100)

Sales broken down by region and sales channel

(in EUR million)	2016	2015	Change in %	Change in % adjusted for currency effects
Europe	1.660,0	1.683,2	(1)	1
Americas	581,9	670,5	(13)	(12)
Asia/Pacific	381,5	392,9	(3)	(2)
Licenses	69,4	62,1	12	12
TOTAL	**2.692,8**	**2.808,7**	**(4)**	**(2)**
Group's own retail business	1.677,1	1.688,8	(1)	2
Wholesale	946,3	1.057,8	(11)	(9)

HUGO BOSS

Consolidated Statement of Financial Position

(in EUR million)

Assets	**31 December, 2016**	31 December, 2015
Intangible assets	185,4	182,6
Property, plant and equipment	416,3	439,8
Deferred tax assets	124,7	115,2
Non-current financial assets	21,0	22,4
Non-current tax receivables	0,1	0,7
Other non-current assets	4,2	3,9
Non-current assets	**751,7**	**764,6**
Inventories	568,0	559,5
Trade receivables	228,2	239,6
Current tax receivables	42,6	21,1
Current financial assets	28,3	29,0
Other current assets	96,3	104,6
Cash and cash equivalents	83,5	81,4
Assets held for sale	0,0	0,5
Current assets	**1.046,9**	**1.035,7**
TOTAL	**1.798,6**	**1.800,3**

Equity and Liabilities	**December 31, 2016**	December 31, 2015
Subscribed capital	70,4	70,4
Own shares	(42,4)	(42,4)
Capital reserve	0,4	0,4
Retained earnings	813,3	873,1
Accumulated other comprehensive income	44,8	54,6
Equity attributable to equity holders of the parent company	**886,5**	**956,1**
Non-controlling interests	1,0	(0,5)
Group equity	**887,6**	**955,7**
Non-current provisions	78,6	72,1
Non-current financial liabilities	134,1	135,0
Deferred tax liabilities	9,2	7,8
Other non-current liabilities	49,4	42,2
Non-current liabilities	**271,2**	**257,1**
Current provisions	148,6	102,8
Current financial liabilities	77,1	41,5
Income tax payables	27,3	46,4
Trade payables	271,7	271,5
Other current liabilities	115,1	125,5
Current liabilities	**639,9**	**587,6**
TOTAL	**1.798,6**	**1.800,3**

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