



**H U G O   B O S S**

**FIRST HALF YEAR REPORT  
JANUARY - JUNE 2016**

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**TO OUR  
SHAREHOLDERS**



# LETTER TO SHAREHOLDERS

**Dear Shareholders,  
Dear Ladies and Gentlemen,**

The first half of 2016 proved challenging for HUGO BOSS. The market environment was anything but easy. Growth in the premium apparel segment continued to slow down compared to the second half of 2015. In order to improve our presence in important core markets such as the United States and China, we have also made decisions that cost us sales and earnings in the short term. As a result, Group sales decreased by two percent in the first six months adjusting for currency effects. Operating profit (EBITDA before special items) declined by 21 percent.

HUGO BOSS is obviously aiming to return to profitable growth as quickly as possible. We cannot change the overall market environment. However, we have made good progress in the first half of the year in those areas that we can control directly. Over the last few months, we have implemented a series of measures to limit the increase in costs and boost our operating efficiency. By renegotiating rental agreements, applying strict cost management in administrative functions and focusing marketing activities on formats that directly support customer footfall in the Group's own retail business, we have significantly limited the rise in operating expenses. We have also continued to pursue a disciplined pricing policy despite the very challenging market environment. As a result, earnings developed better in the second quarter compared to the first three months of the year.

Our decision to harmonize our global pricing structure more extensively has also paid off. It has taken its toll on sales in Asia in the short-term. However, we have reinforced confidence in the brand and supported customer footfall in our stores. Consequently, unit sales increased by more than 15 percent in mainland China in the first six months of the year – a development that makes us confident with a view to the long-term growth prospects of this market.

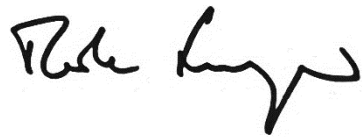
In the United States, we are making extensive changes to our distribution in the wholesale channel in order to improve the presentation of the BOSS core brand. We are thereby deliberately sacrificing sales. We have started discontinuing the distribution of the brand at purely discount driven wholesale partners to an even larger extent than originally planned. The presence of the BOSS brand will also focus on high-quality formats in the business with department stores. In this respect, we significantly limit the distribution of the brand in multibrand spaces. These measures accounted for around half of the sales decline that we reported in the U.S. wholesale business in the first half of the year.

After performing an extensive analysis on our store network, we finally decided to close around 20 freestanding stores over the next 18 months. This results in one-time expenditures of around EUR 50 million, which we booked in the second quarter. However, we do expect the closure of these stores, which have diluted the EBITDA margin by 60 basis points in the past year, to have a strongly positive effect on profits in 2017 and beyond.

The market environment will remain difficult for the foreseeable future. In view of the comp store sales decline in the Group's own retail business and the measures to improve distribution in the United States, we are adjusting our sales outlook. We now expect currency-adjusted sales to decrease by up to three percent for the full year. Additionally, we are also detailing the operating profit (EBITDA before special items) outlook and now anticipate a decline between 17 and 23 percent in 2016.

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. Over the next few weeks, we will be focusing our efforts on aligning our strategy to this goal. We will inform you in detail of our progress over the coming months.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Mark Langer', with a stylized, cursive script.

**Mark Langer**

CEO and Chairman of the Managing Board

## KEY FIGURES

	Jan. – June 2016	Jan. – June 2015	Change in %	Change in % <sup>3</sup>	2nd Quarter 2016	2nd Quarter 2015	Change in %	Change in % <sup>3</sup>
<b>Net sales (in EUR million)</b>	<b>1,264.7</b>	<b>1,314.6</b>	<b>(4)</b>	<b>(2)</b>	<b>622.1</b>	<b>647.1</b>	<b>(4)</b>	<b>(1)</b>
Net sales by segments								
Europe incl. Middle East and Africa	780.8	773.3	1	3	378.4	363.6	4	7
Americas	271.3	315.2	(14)	(11)	141.5	172.0	(18)	(14)
Asia/Pacific	182.8	198.8	(8)	(6)	88.1	97.9	(10)	(6)
Licenses	29.8	27.3	9	9	14.1	13.6	4	4
Net sales by distribution channel								
Group's own retail business	785.3	801.3	(2)	1	415.0	431.2	(4)	0
Wholesale	449.6	486.0	(8)	(6)	193.0	202.3	(5)	(1)
Licenses	29.8	27.3	9	9	14.1	13.6	4	4
<b>Results of operations (in EUR million)</b>								
Gross profit	832.2	867.3	(4)		420.3	430.4	(2)	
Gross profit margin in %	65.8	66.0	(20) bp		67.6	66.5	110 bp	
EBITDA	142.9	254.9	(44)		56.6	124.9	(55)	
EBITDA before special items	201.2	254.8	(21)		107.7	123.3	(13)	
Adjusted EBITDA margin in % <sup>1</sup>	15.9	19.4	(350) bp		17.3	19.1	(180) bp	
EBIT	69.1	197.2	(65)		15.4	94.4	(84)	
Net income attributable to equity holders of the parent company	49.5	146.1	(66)		11.1	70.6	(84)	
<b>Net assets and liability structure as of June 30 (in EUR million)</b>								
Trade net working capital	533.0	537.0	(1)	1				
Non-current assets	776.1	730.6	6					
Equity	734.9	782.1	(6)					
Equity ratio in %	42.4	46.6						
Total assets	1,734.0	1,677.8	3					
<b>Financial position (in EUR million)</b>								
Free cash flow	53.8	72.7	(26)		58.7	80.3	(27)	
Net financial liabilities (as of June 30)	281.0	214.3	31					
Capital expenditure	79.1	87.4	(9)		41.5	47.8	(13)	
Depreciation/amortization	73.8	57.8	28		41.1	30.5	35	
Total leverage (as of June 30) <sup>2</sup>	0.5	0.4						
<b>Additional key figures</b>								
Employees (as of June 30)	15,550	14,756	5					
Personnel expenses (in EUR million)	309.0	283.0	9		151.4	138.8	9	
Number of Group's own retail stores	1,122	1,088			(6)	28		
<b>Shares (in EUR)</b>								
Earnings per share	0.72	2.12	(66)		0.16	1.02	(84)	
Last share price (as of June 30)	50.90	100.25	(49)		50.90	100.25	(49)	
Number of shares (as of June 30)	70,400,000	70,400,000			70,400,000	70,400,000		

<sup>1</sup> EBITDA before special items/sales.

<sup>2</sup> Net financial liabilities/EBITDA before special items of the last 12 months.

<sup>3</sup> currency-adjusted.

**CONSOLIDATED INTERIM  
MANAGEMENT REPORT**

2

# GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

## GENERAL ECONOMIC SITUATION

### **Global economy with mixed performance in the first half of the year**

At the beginning of the year, many global macroeconomic indicators continued to weaken in both emerging markets and industrialized nations. This prompted the IMF to reduce its full-year global economy growth forecast from 3.4% to 3.2% in April 2016. However, the macroeconomic indicators have recently been improving in a number of emerging markets thanks to rising commodity prices. Indicators such as industrial production and the purchasing manager indices have also been stabilizing again in the industrialized nations.

### **Monetary policy measures support the economy in the Eurozone**

In the first half of the year, the **European economy** benefited from upbeat consumer confidence and a further easing of the ECB's expansionary monetary and fiscal policies. The economic weakness of a number of emerging markets and the resulting pressure exerted on export-oriented companies had a dampening effect. In addition, the uncertainty surrounding the outcome of the "Brexit" vote triggered high volatility in the financial and foreign exchange markets. In Germany, the IFO business climate index recovered after the lows reached at the beginning of the year, with the economy benefiting from strong local demand.

### **Appreciation of the U.S. dollar burdens U.S. economy**

The **U.S. economy** did not grow as quickly as expected in the first half of the year. Some U.S. economic data – such as retail sales and industrial production – were disappointing. In particular, the appreciation of the U.S. dollar took its toll on the manufacturing sector. Positive impetus came from consumer spending and real estate investments. The Latin American economy stabilized against the backdrop of rising commodity prices. However, the persistent recession in Brazil continued to exert pressure on the region.

### **Growth of the Chinese economy in line with expectations**

Economic conditions in **Asia** were disparate. Whereas turbulences in the Chinese equity markets and muted economic data had caused concern in January, the stable indicators in the second quarter came as a positive surprise. The Chinese purchasing manager indices for the manufacturing and service sectors recovered towards the end of the period under review, while also economic data, such as industrial production and exports, exceeded expectations. In Japan, the central bank widened its expansionary monetary policy in an effort to bolster the economy. However, weak leading indicators and the appreciation of the yen increased the likelihood of a recession.



## INDUSTRY DEVELOPMENT

### Industry development suffering from global uncertainty

In the first half of 2016, growth in the global premium and luxury goods industry continued to slow. The industry was thus unable to benefit from favorable consumer confidence to the same extent as other sectors. Financial analysts covering the sector expected low growth at best in the premium and luxury goods industry in the period under review. In many cases, the only impetus for growth came from the expansion of the store portfolio. However, comp store sales largely declined, weighing on companies' profitability. Macroeconomic uncertainty, turbulences in the equity markets, fears of terrorist attacks and increased discounting in the United States had negative effects on the industry. In addition, tourist demand generally weakened in line with expectations but continued to cause a regional shift in sales.

In **Europe**, weaker demand on the part of Asian tourists compared with the previous year placed particular strain on sales. This was caused by the growing harmonization of price structures between Europe and Asia, fears of terror attacks and stricter visa regulations. Further strain on the industry came from uncertainty surrounding the outcome of the "Brexit" vote. Improved consumer confidence, particularly in the Southern European countries, mitigated this effect only slightly. The **Americas** continued to suffer from the difficult market environment characterized by increased discounting in the United States. Unlike other industries, the local apparel industry failed to benefit from favorable consumer confidence. In addition, the strong U.S. dollar and lower tourist demand exerted pressure on the region. South America benefited from the economic recovery and stronger local demand. Canada continued to grow at a solid rate. **Asia** painted a mixed picture in the first half of the year. Whereas the market in mainland China stabilized thanks to solid local demand, conditions remained muted in Hong Kong and Macau. In Japan, growth slowed slightly due to the appreciation of the yen and a decline in tourism. South Korea benefited from strong local demand and the positive effects of tourism from China.

# GROUP EARNINGS DEVELOPMENT

## SALES PERFORMANCE

### Sales performance characterized by declines in the United States and China

In the first six months of fiscal year 2016, the HUGO BOSS Group recorded **Group sales** of EUR 1,265 million. Sales were therefore down 4% on the comparable prior-year period in the Group's reporting currency (prior year: EUR 1,315 million). Currency effects had a negative impact on Group sales in the reporting period. Thus, HUGO BOSS sustained a 2% decline in sales on a currency-adjusted basis. The main factors in this decline were the difficult market conditions and company-specific challenges in the United States and China.

#### SALES BY REGION (in EUR million)

	Jan. – June 2016	In % of sales	Jan. – June 2015	In % of sales	Change in %	Currency- adjusted change in %
Europe <sup>1</sup>	780.8	61.7	773.3	58.8	1	3
Americas	271.3	21.4	315.2	24.0	(14)	(11)
Asia/Pacific	182.8	14.5	198.8	15.1	(8)	(6)
Licenses	29.8	2.4	27.3	2.1	9	9
<b>TOTAL</b>	<b>1,264.7</b>	<b>100.0</b>	<b>1,314.6</b>	<b>100.0</b>	<b>(4)</b>	<b>(2)</b>

<sup>1</sup> Including the Middle East and Africa.

### Positive sales performance in Europe

In the first six months of fiscal year 2016, sales in **Europe** including the Middle East and Africa increased by 1% in the reporting currency to EUR 781 million (prior year: EUR 773 million). This corresponds to an increase of 3% in local currencies. Growth in Great Britain made up for the slight declines in sales in Germany and France. In the **Americas**, sales in the reporting currency dropped by 14% to EUR 271 million in the same period (prior year: EUR 315 million). The negative sales performance in the United States particularly contributed to an 11% decline in local currencies. Sales in the reporting currency in **Asia/Pacific** amounted to EUR 183 million, down 8% on the prior year (prior year: EUR 199 million). Market contraction in Hong Kong and Macau as well as price adjustments in China, which it was not possible to fully make up for through increased volumes, caused sales to decrease by 6% in local currencies.

**SALES BY DISTRIBUTION CHANNEL** (in EUR million)

	<b>Jan. – June 2016</b>	<b>In % of sales</b>	Jan. – June 2015	In % of sales	Change in %	Currency- adjusted change in %
Group's own retail business	785.3	62.1	801.3	60.9	(2)	1
Directly operated stores	513.4	40.6	526.1	40.0	(2)	0
Outlet	233.1	18.4	234.2	17.8	0	1
Online	38.8	3.1	41.0	3.1	(5)	(5)
Wholesale	449.6	35.5	486.0	37.0	(8)	(6)
Licenses	29.8	2.4	27.3	2.1	9	9
<b>TOTAL</b>	<b>1,264.7</b>	<b>100.0</b>	<b>1,314.6</b>	<b>100.0</b>	<b>(4)</b>	<b>(2)</b>

**Comp store sales down 7%**

The **Group's own retail business (retail)** declined in the first six months of fiscal year 2016. Sales in this distribution channel decreased by 2% to EUR 785 million (prior year: EUR 801 million). However, this is equivalent to a currency-adjusted increase of 1%. Comp store sales in the Group's own retail business were down 9% on the comparable prior-year period in the reporting currency and down 7% on a currency-adjusted basis. The share of the Group's own retail business in Group sales continued to expand, reaching a total of 62% in the reporting period (prior year: 61%).

**Sales performance stable in directly operated stores (DOS)**

At EUR 513 million in the first half of the year, sales via the Group's **directly operated stores (DOS)** were down 2% on the comparable prior-year period (prior year: EUR 526 million), but were stable on a currency-adjusted basis. This includes sales from own freestanding stores as well as sales generated with concession partners. With the concession model, the Group directly operates HUGO BOSS shop-in-shop units in retail partners' selling space. At EUR 233 million, sales from **outlet stores** decreased slightly short of the comparable prior-year period (prior year: EUR 234 million). This is equivalent to a currency-adjusted increase of 1%. Sales in the Group's own **online retail business** decreased by 5% to EUR 39 million in both the Group's reporting currency and in local currencies in the first half of the year (prior year: EUR 41 million).

**Currency-adjusted decline in wholesale channel sales**

Sales in the **wholesale channel** declined by 8% in the first six months of fiscal year 2016, coming to EUR 450 million (prior year: EUR 486 million). They were down 6% in currency-adjusted terms. This was mainly due to muted global demand on the part of wholesale partners and takeovers of selling space previously operated by wholesale partners, which resulted in a shift in sales from wholesale business to the Group's own retail business. These effects were partially offset by changed delivery cycles. Replenishment business, which allows HUGO BOSS to react to short-term surges in business partners' demand, was down in the first six months. The share of wholesale business in Group sales contracted from 37% in the comparable prior-year period to 36% in the reporting period.

**License business up 9%**

Sales in **license business** increased by 9% to EUR 30 million in the first half of the fiscal year in the Group's reporting currency as well as in local currencies (prior year: EUR 27 million). The articles produced by partners include fragrances, eyewear and watches. In particular, license income from fragrances grew by a double-digit rate. The share of license business in Group sales remained unchanged at 2% (prior year: 2%).

### **HUGO and BOSS Green with high double-digit sales growth**

The transition of category business in the wholesale channel, which was successfully implemented in Europe in fiscal year 2015, brought about in the first six months of fiscal year 2016 a shift in sales from the BOSS core brand to the BOSS Green brand and to HUGO. Thus, sales of the **BOSS** core brand contracted by 13% to EUR 839 million compared to the prior-year period (prior year: EUR 965 million). Adjusted for currency effects, this corresponds to a decrease of 11%. Sales of the **BOSS Green** brand climbed by 29% in the same period to EUR 152 million (prior year: EUR 117million) and by 33% in local currencies. At EUR 105 million, sales of the **BOSS Orange** brand were down 3% on the comparable prior-year period (prior year: EUR 109 million), and down 1% in currency-adjusted terms. On the other hand, sales of the **HUGO** brand grew by 37% to EUR 169 million compared to the prior-year period (prior year: EUR 123 million). This was equivalent to an increase of 39% in currency-adjusted terms.

### **Lower sales for both menswear and womenswear**

In the reporting period, **menswear** sales were down 4% on the comparable prior-year period, coming to a total of EUR 1,122 million (prior year: EUR 1,169 million). Sales were down 2% in currency-adjusted terms. The proportion of menswear in total sales remains unchanged at 89%. **Womenswear** sales decreased by 2% to EUR 143 million in the reporting currency but remained stable in local currencies (prior year: EUR 145 million). Womenswear continued to contribute 11% to total sales.

### **Network of freestanding retail stores shows net growth of 13 stores**

In the first six months of fiscal year 2016, the total number of the **Group's own freestanding retail stores** climbed by a net 13 to 443 (December 31, 2015: 430). The total selling space of the Group's own retail stores rose by 2% to around 155,000 sqm (December 31, 2015: 152,000 sqm).

In addition to 18 organic **new openings, takeovers** of seven freestanding retail stores previously operated by franchise partners contributed to the increase in selling space. At the same time, twelve freestanding retail stores were closed. In most cases, the Group made use of expiring leases.

**NUMBER OF GROUP'S OWN RETAIL STORES BY REGION**

<b>June 30, 2016</b>	Freestanding stores	Shop-in-shops	Outlets	<b>TOTAL</b>
Europe	193	349	58	<b>600</b>
Americas	93	96	47	<b>236</b>
Asia/Pacific	157	97	32	<b>286</b>
<b>TOTAL</b>	<b>443</b>	<b>542</b>	<b>137</b>	<b>1,122</b>

<b>Dec. 31, 2015</b>	Freestanding stores	Shop-in-shops	Outlets	<b>TOTAL</b>
Europe	183	363	57	<b>603</b>
Americas	92	86	48	<b>226</b>
Asia/Pacific	155	100	29	<b>284</b>
<b>TOTAL</b>	<b>430</b>	<b>549</b>	<b>134</b>	<b>1,113</b>

Including shop-in-shops and outlets, the total number of **retail stores** operated by HUGO BOSS worldwide rose by a net figure of nine to 1,122 (December 31, 2015: 1,113).

**Continued growth in the network of freestanding retail stores in Europe**

In **Europe**, the number of freestanding retail stores increased by a net figure of ten to 193 stores. The Group particularly expanded its presence in Great Britain, Italy, Poland and the Netherlands by opening a total of 15 new stores. Five freestanding retail stores were closed in the reporting period. Taking into account shop-in-shops, the number of which declined due to consolidation in Germany and Benelux, and outlets, Europe reported a net decline of three in the number of the Group's own retail stores to 600 (December 31, 2015: 603).

**Slight increase in the number of freestanding retail stores in the Americas**

In the **Americas**, the number of freestanding retail stores rose slightly. Two new openings in the United States coincided with one closure in the same period. The total number of the Group's own retail stores increased by ten to a total of 236, particularly due to the takeover of nine BOSS shop-in-shops at U.S. department store Macy's (December 31, 2015: 226).

**Market presence in Asia/Pacific strengthened**

The number of freestanding retail stores in **Asia/Pacific** rose by two to 157 stores (December 31, 2015: 155). Three freestanding stores in Malaysia and one store in Hong Kong were taken over in the course of expansion. Four new openings in New Zealand, Australia and Korea contrasted with six closures in the region. Including all shop-in-shops and outlets, there was a net increase of two to a total of 286 of the Group's own retail stores in this region (December 31, 2015: 284).

## EARNINGS DEVELOPMENT

### INCOME STATEMENT (in EUR million)

	Jan. – June 2016	In % of sales	Jan. – June 2015	In % of sales	Change in %
<b>Sales</b>	<b>1,264.7</b>	<b>100.0</b>	<b>1,314.6</b>	<b>100.0</b>	<b>(4)</b>
Cost of sales	(432.5)	(34.2)	(447.3)	(34.0)	3
<b>Gross profit</b>	<b>832.2</b>	<b>65.8</b>	<b>867.3</b>	<b>66.0</b>	<b>(4)</b>
Selling and distribution expenses	(560.3)	(44.3)	(532.2)	(40.5)	(5)
Administration costs	(138.2)	(10.9)	(138.0)	(10.5)	(0)
Other operating income and expenses	(64.6)	(5.1)	0.1	<0.1	<(100)
<b>Operating result (EBIT)</b>	<b>69.1</b>	<b>5.5</b>	<b>197.2</b>	<b>15.0</b>	<b>(65)</b>
Net interest income/expenses	(1.2)	(0.1)	(3.8)	(0.3)	68
Other financial items	(2.7)	(0.2)	(3.5)	(0.3)	23
<b>Financial result</b>	<b>(3.9)</b>	<b>(0.3)</b>	<b>(7.3)</b>	<b>(0.6)</b>	<b>46</b>
<b>Earnings before taxes</b>	<b>65.2</b>	<b>5.2</b>	<b>189.9</b>	<b>14.4</b>	<b>(66)</b>
Income taxes	(15.7)	(1.3)	(43.7)	(3.3)	64
<b>Net income</b>	<b>49.5</b>	<b>3.9</b>	<b>146.2</b>	<b>11.1</b>	<b>(66)</b>
Attributable to:					
Equity holders of the parent company	49.5	3.9	146.1	11.1	(66)
Non-controlling interests	0.0	0.0	0.1	<0.1	
<b>Earnings per share (EUR)<sup>1</sup></b>	<b>0.72</b>		<b>2.12</b>		<b>(66)</b>
<b>EBITDA</b>	<b>142.9</b>	<b>11.3</b>	<b>254.9</b>	<b>19.4</b>	<b>(44)</b>
EBITDA related special items	(58.3)	(4.6)	0.1	<0.1	<(100)
<b>EBITDA before special items</b>	<b>201.2</b>	<b>15.9</b>	<b>254.8</b>	<b>19.4</b>	<b>(21)</b>
<b>Income tax rate in %</b>	<b>24</b>		<b>23</b>		

<sup>1</sup> Basic and diluted earnings per share.

### Catalog of measures initiated by the Group to return to profitable growth

In the first six months of 2016, the Group took measures to return to **sustained profitable growth**. In the course of the current fiscal year, these measures will particularly be focusing on improvements to the Group's market position in the United States and Asia, reductions in operating costs and efforts to ensure the sustained profitability of its network of stores. In this connection, HUGO BOSS has conducted a detailed review of those stores that have diluted the Company's profitability in the past. The upshot of this was the decision made by HUGO BOSS as part of its catalog of measures to close around 20 freestanding retail stores by the end of 2017. HUGO BOSS expects the store closures to generate a positive effect on profits in 2017 and beyond. However, provisions and impairments recognized in connection with the planned closures in the current fiscal year have resulted in non-recurring expenses of EUR 52 million, which are reported within "Other operating expenses and income".

#### **Gross profit margin of 65.8% slightly down on the prior year**

**Gross profit** at the end of the first six months of fiscal year 2016 stood at EUR 832 million, down 4% on the prior year (prior year: EUR 867 million). At 65.8%, the **gross profit margin** was 20 basis points lower than in the prior year (prior year: 66.0%). 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 the price adjustments implemented in Asia with the spring 2016 collection.

#### **Expansion of the Group's own retail business results in higher selling expenses**

**Selling and distribution expenses** amounted to EUR 560 million in the first six months of fiscal year 2016, up 5% on the prior-year figure (prior year: EUR 532 million). Relative to sales, selling and distribution expenses increased from 40.5% to 44.3%. In particular, the Group's own retail business contributed to the 7% increase in selling expenses in the reporting period. Relative to sales, selling expenses accounted for 34.3% (prior year: 31.0%). The sales performance in the first six months was not sufficient to offset the increase in selling expenses. Marketing expenses were stable compared with the comparable prior-year period. As a proportion of sales, they rose slightly to 6.8% compared with the prior year (prior year: 6.6%). Logistics expenses increased by 2% over the comparable prior-year period and, at 2.9% of sales, were slightly up on the prior year (prior year: 2.7%). This was primarily due to expenses in connection with the insourcing of order processing in European online business in the early summer.

#### **Administration expenses stable**

**Administration expenses** came to EUR 138 million in the first six months of fiscal year 2016 and were thus unchanged over the prior year (prior year: EUR 138 million). Relative to sales, they stood at 10.9% (prior year: 10.5%). General administration expenses were stable and, at 8.4% of sales, were only slightly up on the prior-year period (prior year: 8.1%). Research and development costs incurred in the creation of fashion collections decreased by 1% compared to the prior-year period but accounted for 2.5% of sales, slightly more than in the prior year (prior year: 2.4%).

#### **Group net income burdened by special items**

Net expenses arising from **other operating expenses and income** in the first six months came to EUR 65 million (prior year: EUR 0 million). Non-recurring expenses particularly arose in connection with the decision to close around 20 freestanding retail stores around the world that had previously exerted a material negative effect on the result of the Group's own retail business. The expenses arising from the recognition of provisions stand at EUR 46 million and particularly relate to expected compensation payments for lessors, predominantly in Asia. In addition to this, impairments of EUR 6 million have been recognized on store fittings, predominantly in Asia and Europe. Further material special items of EUR 10 million arose in connection with changes to the Managing Board in the first half of the year.

#### **Decline in EBITDA before special items**

At EUR 201 million, the internal performance indicator **EBITDA before special items** was down 21% on the prior year (prior year: EUR 255 million). The adjusted EBITDA margin came to 15.9%, down 350 basis points on the prior year (prior year: 19.4%). This was mostly due to the decline in gross profit and the rise in operating expenses. **Amortization and depreciation** came to EUR 74 million, up 28% on the comparable prior-year period due to increased capital expenditure in the prior year and the impairments recognized on property, plant and equipment in the Group's own retail business (prior year: EUR 58 million). At the end of the first half of fiscal year 2016, **EBIT** thus stood at EUR 69 million, down 65% on the prior year (prior year: EUR 197 million).

#### **Weaker exchange rate exerts easing pressure on financial result**

The **financial result**, measured as net expense after aggregating net interest income/expenses and other financial items, declined in the first six months of fiscal year 2016 to EUR 4 million (prior year: EUR 7 million). This was attributable to significantly weaker exchange rate effects as well as reduced interest expense due to the improved conditions achieved in the syndicated credit facility renewed in the fourth quarter of fiscal year 2015.

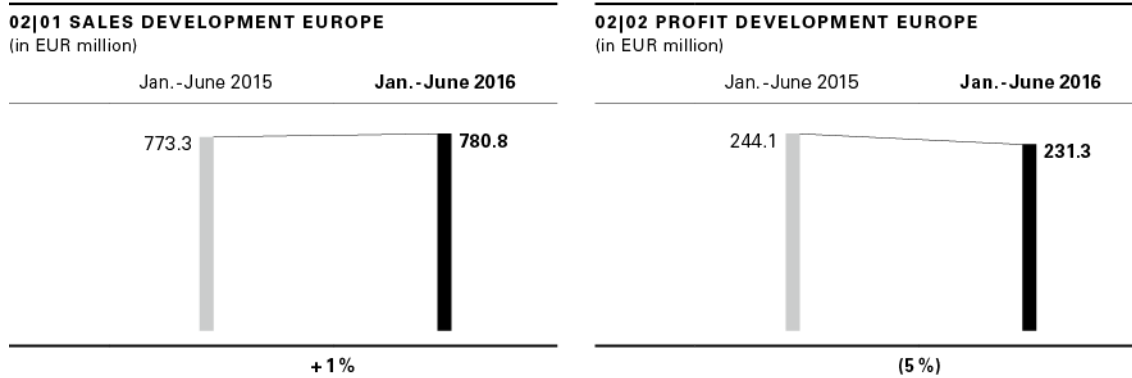
#### **Group's net income below prior-year period**

**Earnings before taxes** at the end of the first half of the year stood at EUR 65 million, down 66% on the prior year (prior year: EUR 190 million). At 24%, the Group's tax rate was slightly above the prior-year period (prior year: 23%). In the first six months of fiscal year 2016, **net income** thus decreased by 66% to EUR 50 million (prior year: EUR 146 million). The consolidated net income attributable to equity holders also fell by 66% to EUR 50 million (prior year: EUR 146 million). **Earnings per share** thus decreased by 66% to EUR 0.72 compared to the prior year (prior year: EUR 2.12).



## SALES AND PROFIT DEVELOPMENT OF THE BUSINESS SEGMENTS

### EUROPE



#### Currency-adjusted increase 3% in sales

In the first six months of fiscal year 2016, **sales** in the reporting currency in **Europe** including the Middle East and Africa grew by 1% to EUR 781 million (prior year: EUR 773 million). This corresponds to an increase of 3% in local currencies.

#### Growth achieved in both distribution channels in the region

Sales in the **Group's own retail business** climbed by 1% to EUR 452 million in Europe in the reporting period (prior year: EUR 448 million). An increase of 3% was achieved in local currencies. Sales with **wholesale** customers also increased by 1% to EUR 329 million in the reporting currency in the same period (prior year: EUR 326 million) and by 3% in local currencies.

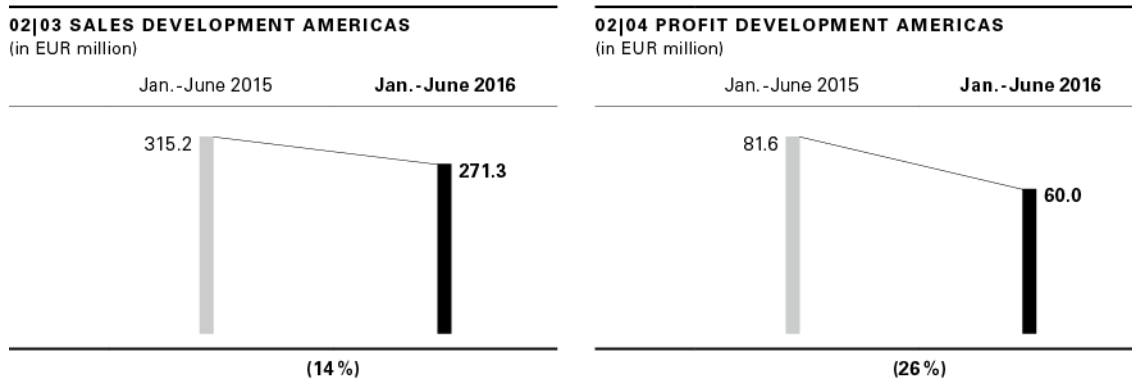
#### Varying sales performances in the core markets

At EUR 213 million, sales in **Germany** were down 2% on the comparable prior-year period (prior year: EUR 218 million). This was mostly due to the decline in sales in the Group's own retail business. On the other hand, sales in the wholesale channel were up. In **Great Britain**, sales in the reporting currency came to EUR 145 million, up 3% on the prior-year period (prior year: EUR 141 million). In the local currency, this corresponds to sales growth of 9%. Both distribution channels contributed to this positive performance. In **France**, the stable performance of the Group's own retail business partially made up for the decline in wholesale business. Thus, at EUR 86 million, sales were down 2% on the comparable prior-year period (prior year: EUR 88 million). Reflecting the continuing consolidation in the wholesale channel, sales in the **Benelux countries** came to EUR 62 million and were thus 8% down on the prior-year period (prior year: EUR 68 million). The Group's own retail business also contracted in this market during the reporting period.

#### Segment profit down on prior year

At EUR 231 million, **segment profit** in Europe was down 5% on the comparable prior-year period (prior year: EUR 244 million). This was mainly due to higher selling and distribution expenses, particularly in connection with the Group's own retail business. The adjusted EBITDA margin narrowed by 200 basis points to 29.6% (prior year: 31.6%).

## AMERICAS



### Region sales lower

In the **Americas sales** in the reporting currency decreased by 14% over the prior-year period to EUR 271 million (prior year: EUR 315 million). In currency-adjusted terms, sales in this region were down by 11%.

### Substantial currency-adjusted decline in wholesale channel sales

Sales in the **Group's own retail business** contracted by 7% in the reporting currency, amounting to EUR 168 million in the first six months (prior year: EUR 180 million). This is equivalent to a currency-adjusted decline of 3% in sales. Sales in the **wholesale channel** reached EUR 103 million in the first six months of fiscal year 2016 (prior year: EUR 135 million). Accordingly, sales in this distribution channel decreased by 24% in the Group currency and by 21% in local currencies. This was due to takeovers of shop-in-shops, more selective distribution, particularly of the BOSS core brand, as well as the challenging general market conditions.

### Disparate sales development in region's individual markets

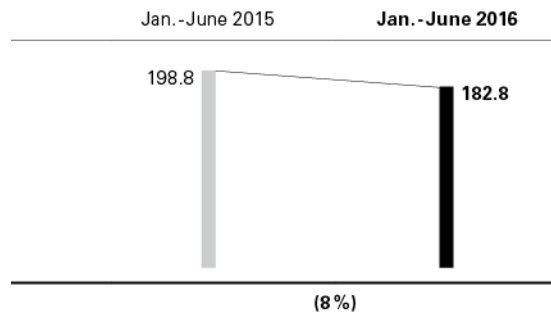
Sales in the **United States** decreased by 19% to EUR 206 million in the Group's reporting currency as well as in the local currency in the first six months of fiscal year 2016 (prior year: EUR 254 million). In **Canada**, sales in the Group's reporting currency climbed by 2% to EUR 34 million (prior year: EUR 33 million). Accordingly, they were up 10% in currency-adjusted terms. Against the backdrop of challenging macroeconomic conditions, sales in **Central and South America** rose by 13% in the reporting currency to EUR 32 million (prior year: EUR 28 million). They were up 36% in local currencies. This favorable performance was driven by takeovers in connection with the expansion of the Group's own retail business in fiscal year 2015 as well as a substantial increase in comp store sales.

### Segment profit burdened by sales development in the United States

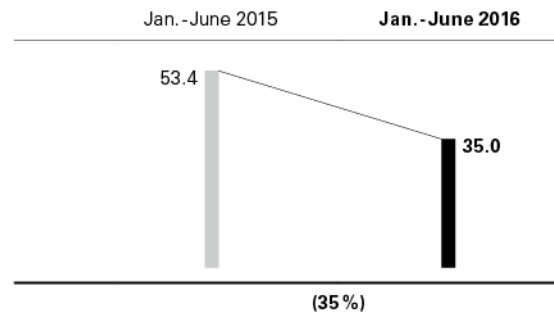
At EUR 60 million, **segment profit** in the Americas was down 26% on the prior-year period (prior year: EUR 82 million). This was due to lower sales in the United States and higher discounting. At the end of the first half of the year, the adjusted EBITDA margin stood at 22.1%, 380 basis points down on the prior year (prior year: 25.9%).

## ASIA/PACIFIC

### 02|05 SALES DEVELOPMENT ASIA/PACIFIC (in EUR million)



### 02|06 PROFIT DEVELOPMENT ASIA/PACIFIC (in EUR million)



#### Region sales development under strain from challenging market conditions

In the first six months of 2016, **sales in Asia/Pacific** decreased by 8% over the prior year to EUR 183 million in the reporting currency (prior year: EUR 199 million). Market contraction in Hong Kong and Macau as well as price adjustments in China, which it was not possible to fully make up for through increased volumes, caused sales to decrease by 6% in local currencies.

#### Decline in sales in the Group's own retail business

Sales in the **Group's own retail business** in this region decreased by 5% to EUR 165 million in the reporting currency (prior year: EUR 173 million). This is equivalent to a decline of 2% in local currencies compared to the prior-year period. At EUR 18 million, sales with **wholesale** customers were also down 30% on the prior year in the Group's reporting currency (prior year: EUR 26 million). Currency-adjusted sales fell by 28%. Takeovers of selling space previously operated by wholesale partners essentially contributed to this.

#### Disparate sales development in the individual markets

Sales in **China** came to EUR 103 million and were thus down 16% on the prior year in the Group's reporting currency (prior year: EUR 123 million). This translates into a currency-adjusted decline of 14%. At EUR 28 million, sales in **Oceania** were down 4% on the comparable prior-year period (prior year: EUR 29 million). However, currency-adjusted sales in this market were up 2%. Sales in **Japan** also increased. Thus, at EUR 23 million, they were up 9% on the prior-year period (prior year: EUR 21 million), which is equivalent to a currency-adjusted increase of 2%.

#### Segment profit lower

At EUR 35 million, **segment profit** in Asia/Pacific was down 35% on the comparable prior-year period (prior year: EUR 53 million). This was largely due to lower sales. At 19.1%, the adjusted EBITDA margin was significantly down on the prior year (prior year: 26.8%).

## LICENSES

### 02|07 SALES DEVELOPMENT LICENSES

(in EUR million)

Jan.-June 2015

Jan.-June 2016



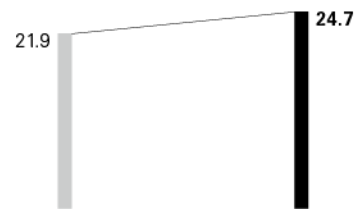
+9%

### 02|08 PROFIT DEVELOPMENT LICENSES

(in EUR million)

Jan.-June 2015

Jan.-June 2016



+13%

### License business up 9%

**Sales in license business** increased by 9% to EUR 30 million in the first half of the fiscal year in the Group's reporting currency and in local currencies (prior year: EUR 27 million). The articles produced by partners include fragrances, eyewear and watches. In particular, license income from fragrances grew by a double-digit rate.

At EUR 25 million, the license **segment profit** was 13% up on the comparable prior-year period (prior year: EUR 22 million).

## NET ASSETS

### 02|09 STATEMENT OF FINANCIAL POSITION (in %)

ASSETS	June 30, 2015	June 30, 2016
Property, plant and equipment and intangible assets	35	36
Inventories	34	32
Trade receivables	12	11
Other assets	16	18
Cash and cash equivalents	3	3
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Assets (in EUR million)</b>	<b>1,677.8</b>	<b>1,734.0</b>

#### Total assets up 3% on the previous year

At the end of the first half of 2016, **total assets** were valued at EUR 1,734 million and thus were 3% higher than at the end of the comparable prior-year period (June 30, 2015: EUR 1,678 million). At 55%, the **share of current assets** was on a par with the prior year (June 30, 2015: 57%). Accordingly, the **share of non-current assets** came to 45% as of June 30, 2016 (June 30, 2015: 43%).

At EUR 619 million at the end of the reporting period, **property, plant and equipment and intangible assets** were up 7% on the prior-year period (June 30, 2015: EUR 580 million). This was particularly due to increased capital expenditure in the second half of fiscal year 2015.

#### Currency-adjusted increase of 2% in inventories

At EUR 566 million, **inventories** as of June 30, 2016 were slightly up on the prior year (June 30, 2015: EUR 563 million). Due to the strict management of this item, the currency-adjusted increase was capped at 2%.

#### Decrease in trade receivables

**Trade receivables** decreased by 9% to EUR 192 million compared to the prior-year period (June 30, 2015: EUR 211 million). Adjusted for currency effects, this equates to a decrease of 8%. This was mainly due to declining sales in wholesale business in the reporting period as well as strict receivables management.

**Other assets** rose by 15% over the prior year to EUR 307 million (June 30, 2015: EUR 268 million). This development is mainly attributable to an increase in deferred tax assets because of additional temporary differences and higher tax receivables.

At EUR 50 million, **cash and cash equivalents** were down 12% over the prior year (June 30, 2015: EUR 56 million). This was principally due to decreasing free cash flow.

**02|10 STATEMENT OF FINANCIAL POSITION** (in %)

<b>EQUITY AND LIABILITIES</b>	June 30, 2015	June 30, 2016
Shareholders' equity	47	42
Provisions and deferred taxes	12	13
Trade payables	14	13
Other liabilities	11	12
Financial liabilities	16	20
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Equity and liabilities</b> (in EUR million)	<b>1,677.8</b>	<b>1,734.0</b>

**Decrease in equity ratio to 42%**

**Equity** dropped by 6% to EUR 735 million as of the reporting date (June 30, 2015: EUR 782 million). Consequently, the **equity ratio** fell to 42% (June 30, 2015: 47%).

At EUR 228 million, **provisions and deferred taxes** were up 18% on the prior year (June 30, 2015: EUR 194 million). This includes provisions for pensions and other personnel expenses amounting to EUR 97 million (June 30, 2015: EUR 96 million). Other provisions came to EUR 121 million (June 30, 2015: EUR 89 million) and deferred tax liabilities to EUR 9 million (June 30, 2015: EUR 9 million). The increase in other provisions compared with June 30, 2015 primarily reflects the restructuring provisions which were set aside in connection with the decision to close around 20 stores around the world ahead of schedule.

**Decrease in trade payables**

**Trade payables** decreased by 5% over the prior year to EUR 225 million (June 30, 2015: EUR 237 million). In currency-adjusted terms, this was a decline of 3%.

**Other liabilities** increased by 7% compared to the prior-year period to EUR 203 million (June 30, 2015: EUR 191 million) and, in addition to VAT liabilities and outstanding social security liabilities, mainly contain accrued liabilities for rental obligations for the Group's own retail business as well as accrued vacation, wages and salaries. The change over the course of the year primarily results from an increase in accrued liabilities for rental obligations as a result of the expansion of the Group's own retail business and higher current tax liabilities.

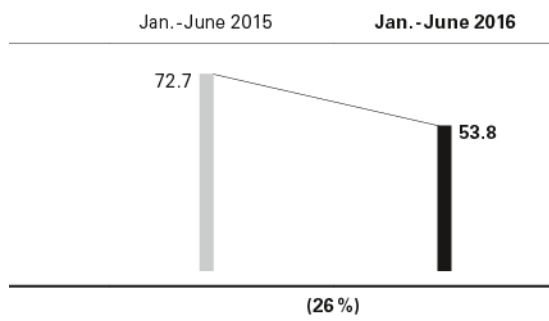
Total **current and non-current financial liabilities** increased by 25% to EUR 343 million as of the reporting date (June 30, 2015: EUR 275 million). This was materially driven by the development of earnings in the first half of the year. Due to favorable interest rates, in addition to the utilization of EUR 178 million (June 30, 2015: EUR 178 million) of the syndicated loan, greater use was also made of short-term bilateral credit facilities as of the reporting date.

**Trade net working capital more or less stable**

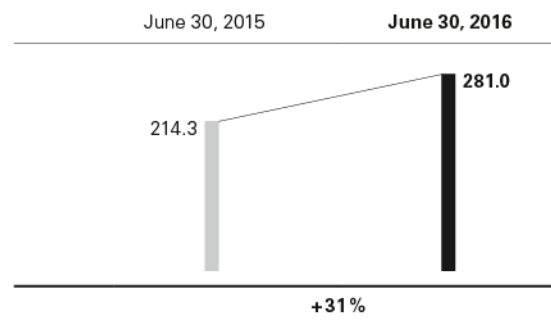
**Trade net working capital** is the HUGO BOSS Group's key performance indicator for measuring the efficiency of capital employed. The only components factored into the calculation of this indicator are inventories, trade receivables and trade payables. Trade net working capital decreased by 1% over the prior year to EUR 533 million (June 30, 2015: EUR 537 million). This corresponds to an increase of 1% in local currencies. The decline in trade receivables was offset by a slight increase in inventories and reduced trade payables. At 19.6%, the moving average of **trade net working capital as a percentage of sales** on the basis of the last four quarters was 20 basis points below the prior-year period (prior year: 19.8%).

## FINANCIAL POSITION

### 02|11 FREE CASH FLOW (in EUR million)



### 02|12 NET FINANCIAL LIABILITIES (in EUR million)



#### Free cash flow burdened by lower profit in the first half of the year

**Free cash flow**, measured as the cash inflow from operating activities and the cash outflow from investing activities, came to EUR 54 million in the reporting period (prior year: EUR 73 million).

At EUR 131 million, **cash flow from operating activities** was down 20% on the prior-year period (prior year: EUR 165 million). This was particularly due to the decline in Group net income. The **cash outflow from investing activities** came to EUR 77 million, 16% down on the prior-year period (prior year: EUR 92 million). The main focus of investment in the first half of 2016 was on the Group's own retail business.

The **cash outflow from financing activities** totaled EUR 85 million in the first half of fiscal year 2016 (prior year: EUR 148 million). This was due to an increase in current and non-current financial liabilities over the prior year.

As cash flow is adjusted for currency effects, these figures cannot be derived from the statement of financial position.

**Cash and cash equivalents** came to EUR 50 million as of the reporting date (June 30, 2015: EUR 56 million).

#### Increase in net financial liabilities due to free cash flow

**Net financial liabilities**, the total of all financial liabilities due to banks less cash and cash equivalents, increased compared to the first six months of the prior year to EUR 281 million (prior year: EUR 214 million). The key factor here was the change in free cash flow.



## CAPITAL EXPENDITURE

### Capital expenditure lower than in the prior year

The HUGO BOSS Group's total capital expenditure on property, plant and equipment and intangible assets came to EUR 79 million in the first six months of 2016, down 9% on the prior year (prior year: EUR 87 million).

Accounting for 69% of the total, the **Group's own retail business** remained the focus of capital expenditure activity in the reporting period (prior year: 62%). At EUR 55 million, the total capital expenditure volume remained the virtually same compared to the prior-year period (prior year: EUR 54 million). In this connection, the main focus was on the **renovation and modernization** of existing retail stores, which accounted for EUR 29 million (prior year: EUR 19 million). Capital expenditure particularly concentrated on Europe, where, among other things, stores in Hamburg, London and Rome were modernized. Capital expenditure on **openings** of the Group's own new retail stores came to EUR 26 million in the first six months of fiscal year 2016 (prior year: EUR 35 million).

Investments in the **production, logistics and distribution structure** and in **research and development** came to EUR 7 million (prior year: EUR 14 million). Capital expenditure on **administration** came to EUR 17 million in the first six months of fiscal year 2016 (prior year: EUR 19 million) and primarily relates to the expansion of IT infrastructure, particularly in connection with the takeover of material parts of the e-commerce value chain in Europe in the early summer of 2016 as well as further measures for the planned roll-out of omnichannel services.

## REPORT ON RISKS AND OPPORTUNITIES

HUGO BOSS has a comprehensive risk management system enabling Management to identify and analyze opportunities and risks as well as to take appropriate measures at an early stage. The risk situation has not changed materially compared to the reporting year 2015. A detailed overview of the risks and opportunities can be found in the Annual Report 2015. All statements included therein regarding risks and opportunities continue to be valid.

The outcome of the referendum in Great Britain, as a result of which the country will now be leaving the European Union, will lead to risks for HUGO BOSS in the form of a potential decline in consumer confidence in Great Britain as well as the rest of Europe. Please refer to the Outlook for further details.

## SUBSEQUENT EVENTS AND OUTLOOK

In 2016, the deterioration in industry conditions in core markets and the specific challenges facing HUGO BOSS will burden the Company's financial results. Group sales on a currency-adjusted basis should remain flat or decline slightly. The Group's operating profit (EBITDA before special items) is expected to drop by between 17% and 23%. Disciplined cost management by the Group will mitigate the effects on profit of the comp store sales decline in its own retail business.

### SUBSEQUENT EVENTS

Between the end of the first half of fiscal year 2016 and the publication of this report, there were no material macroeconomic, socio-political, sector-related or company-specific changes that management would expect to have a significant influence on the earnings, net assets and financial position of the Group.

### OUTLOOK

#### Forward-looking statements

The following report presents the forecasts by the management of HUGO BOSS with respect to the future course of business and describes the expected development of significant macroeconomic and industry-specific conditions. It reflects management's current knowledge at the time the report was prepared, while also taking into account the fact that actual developments may differ considerably from these forecasts, either positively or negatively, due to the occurrence of risks and opportunities as described in the report on risks and opportunities in the Annual Report 2015. Other than the statutory publication requirements, the HUGO BOSS Group does not assume any obligation to update the statements contained in this report.

#### External factors influence development of business

Economic and industry-specific developments have a major influence on the development of the operations and financial position of HUGO BOSS. The Group must base its forecasts for expected business performance on assumptions regarding global economic and sector trends. These assumptions are outlined below. The Group monitors these conditions over the course of the year in order to be able to respond to possible changes as quickly and comprehensively as possible.

#### IMF lowers forecast for global economic growth to 3.2%

In April 2016, the IMF reduced its forecast for **global economic growth** for 2016 for the second time to now 3.2%. This lowered forecast is particularly based on the assumption of slower growth in the emerging markets and a more muted outlook for the United States. The IMF projects growth of 1.5% for the **European economy** in 2016 despite the recession in Russia, which is also likely to have a negative effect on other countries in the region. Low energy prices and expansionary monetary and fiscal policies should more than compensate for the effects of weaker foreign demand. The IMF expects growth of 2.4% in the **United States** and therefore no longer assumes that there will be any acceleration of growth over 2015. The strong dollar and lower investments in the oil sector are the main reasons for this. The IMF assumes that the economy in **Latin America** will shrink by 0.5%. The southern part of the region in particular is suffering from lower oil prices, while the persistent recession in Brazil is weighing on the entire region. The **Asian economy** will grow at a slightly slower pace of 6.4% in 2016 according to the IMF. Growth in China should continue to slow particularly as a result of a decline in industrial production. On the other hand, the services sector should exhibit stable growth.

Moderate growth is projected for Japan. However, the appreciation of the yen and more muted demand in the emerging markets are likely to weigh on economic growth. The widening of the expansionary monetary policy and lower energy prices should dampen the negative effects. India and smaller emerging markets in Asia should continue to benefit from strong domestic demand and to grow strongly.

#### **Industry development characterized by great uncertainties in 2016**

Financial analysts covering the sector expect, at best, subdued sales growth in the premium and luxury goods industry on average in 2016. Overall, however, the outlook is characterized by great uncertainties and has continued to deteriorate particularly as a result of the possible negative effects of the “Brexit” vote on consumer confidence. Companies in the industry are scaling back the expansion of their own retail stores in response to the more muted growth rates. The focus is now on improving the profitability of the existing retail floor space. The expansion of online offerings and their integration with in-store retailing will play a more important role going forward. In the wholesale channel, increased discounting is likely to continue against the backdrop of declining footfall and higher inventories. The decline in comp store sales, investments in expanding online offerings and the growing harmonization of global price structures are likely to put pressure on margins across the industry.

In **Europe**, industry development is subject to great uncertainty in 2016. In particular, the shift in tourist flows from Europe to Asia and the increasing fear of terrorist attacks are taking their toll on the outlook for the industry. Additional pressure is coming from the uncertainty surrounding the “Brexit” vote and the possible negative effects that it may have on consumer confidence. Industry growth in the **Americas** is likely to stay at the same low level in 2016. Demand is likely to remain muted in the United States. The wholesale channel is therefore expected to continue with high discounts. Volatile equity markets, uncertainty ahead of the upcoming presidential elections and the strong US dollar will likely continue to place a damper on the industry. However, the Latin American markets should recover slightly and benefit from a repatriation of local demand. The **Asian premium and luxury goods market** is set to remain stable. The stronger harmonization of price structures in the region with those in Europe and the United States, more stringent visa requirements for trips to Europe and broader customs checks are likely to trigger a shift in Chinese consumers’ demand back to the domestic market. South Korea should benefit from increasing tourism and strong local demand. However, Japan is unlikely to grow as strong as in 2015 in view of the appreciation of the yen and a decline in tourism, and also further significant declines in sales are expected in Hong Kong and Macau.

**Group sales stable to slightly lower**

HUGO BOSS assumes that the challenging economic and industry-specific situation in many markets will have an adverse effect on the Group's business performance. In light of the assumptions set out above regarding macroeconomic developments and the sector in 2016, the Group assumes that sales on a currency-adjusted basis will remain stable or drop by up to 3%. Accordingly, sales performance will be weaker than the global economy and the industry as a whole.

**OUTLOOK 2016**

<b>SALES (CURRENCY-NEUTRAL)</b>	Stable to -3%
<b>EBITDA BEFORE SPECIAL ITEMS</b>	Decline between 17% and 23%
<b>CAPITAL EXPENDITURE</b>	EUR 160 million to EUR 180 million
<b>FREE CASHFLOW</b>	Slight decline

**Growth in Europe offset by declines in the Americas and Asia/Pacific**

In 2016, Group sales will likely come under pressure from declines in the Americas and Asia. The difficult market conditions in the Americas, which are characterized by high levels of discounting, will have a negative influence on the Group. HUGO BOSS is primarily addressing this by adjusting its distribution strategy in its wholesale business, in particular by limiting distribution of the BOSS core brand. Sales in Asia will probably decrease particularly in view of the challenges facing the Chinese market. Hong Kong and Macau in particular will experience substantial declines. As part of the harmonization of its global price structures, HUGO BOSS is aligning its sales prices in Asia more closely to those in Europe and the United States in 2016. In spite of the expected rise in demand, this will have negative repercussions on sales in the short term. On the other hand, Europe, the Group's largest region, should continue to grow. Growth will be driven by the increasing focus on the Group's own retail business in this region. Sales in the license business should also increase.

**Management of the Group's own retail business aimed at boosting productivity**

Sales in the Group's own retail business will likely grow faster than the Group as a whole in 2016. The close integration of physical retailing with the Group's online offerings forms a key aspect of retail management, aimed at providing consumers with a seamless, integrated shopping experience. In particular, the Group is taking over material parts of the e-commerce value chain in Europe in 2016 to offer omnichannel services in the future. In addition, intensified customer relationship management, demand-driven in-store selling space allocation, and improvements to systems and processes in retail management will unleash potential for improving selling-space productivity.

#### **Optimization of the Group-wide store network**

Furthermore, the Group will be optimizing its store network by renovating stores and also prematurely closing those stores that have a diluting effect on operating margins. Selective new openings will focus on projects that are highly likely to have an immediate positive effect on margins. In addition, the Group is widening its control over the distribution of the core BOSS brand in American wholesale business by taking over shop-in-shops from retail partners. Overall, the expansion of the Group's own store network and the takeovers are expected to make a mid to high single-digit percentage contribution to sales growth in the Group's own retail business. A significant part of this will relate to the full-year effects of the opening of new stores and takeovers in the previous year.

#### **Sales in wholesale business expected to be lower**

Wholesale sales are expected to decline by up to 10% over the prior year particularly as a result of the changed distribution strategy in the U.S. market. In the U.S. wholesale business, HUGO BOSS will be scaling back the distribution of the BOSS core brand in particular and taking over shop-in-shops from retail partners to improve the quality of its brand presentation. The sales recorded at points of sale that have been taken over will be accounted for as own retail instead of wholesale. Subdued global demand from wholesale partners, who are reducing their orders based on a more muted market outlook and in many cases high inventories, is likely to have an adverse effect on sales in this channel.

#### **Stable gross profit margin expected**

The growing share of own retail is expected to support the Group's gross profit margin in 2016. The gross profit margin generated through this distribution channel is higher than in wholesale. However, the price adjustments in Asia will make up for this effect. The effects of inventory management and discount management should generally have a neutral effect on margins. For this reason, the Group assumes that the gross profit margin will generally remain stable in the year as a whole.

#### **Operating expenses expected to increase despite improved cost efficiency**

The continued transformation towards a customer-focused business model will have an influence on operating expenses in 2016. As part of this transformation, HUGO BOSS is enhancing the quality of its systems and processes in its own retail business. In particular, the Group is taking control of order processing in its online business in Europe. In addition, HUGO BOSS will be investing in brand communication activities on a similar scale to the prior year to support customer demand. At the same time, the Group has initiated a program for improving its cost efficiency. These measures particularly include the renegotiation of leases for its own retail stores, reduced overhead costs and the premature closure of loss-making stores in the second half of the year. Accordingly, the Group expects to be able to reduce the increase in operating expenses to a substantially lower rate compared with the previous year.

#### **Decrease of EBITDA before special items expected**

The Group's operating profit (EBITDA before special items) is expected to decline between 17% and 23% in 2016. This particularly reflects the effects of the closer harmonization of the different regional price structures and the transformation of the business model. This forecast assumes that retail comp store sales in the Group's own retail business will be down. However, the declines arising in the year as a whole should not exceed the level recorded in the first half of the year. Depreciation and amortization will increase significantly as a result of higher capital expenditure in the prior year. Group net income and earnings per share will be weaker than EBITDA before special items particularly as a result of special items in connection with the planned store closures. The financial result however should improve due to less pronounced exchange rate effects, which had a considerably negative effect in the prior year.

**Trade net working capital expected to decrease relative to sales**

Strict management of trade net working capital continues to be given high priority in order to support improvement of the operating cash flow. In 2016, the Group is striving to reduce trade net working capital as a percentage of sales. Potential for improvement has specifically been identified in a reduction of the days' inventories outstanding. Optimized merchandise planning and increased flexibility and speed in merchandise management will help to reduce days' inventories outstanding, particularly in the Group's own retail business.

**Investment activity lower than prior year**

The Group plans to scale back its capital expenditure in 2016 compared to the prior year without compromising its medium to long-term growth prospects. The Group's own retail business will remain the focus of its investment activities in 2016. Particular attention will be paid to renovating existing retail stores. Furthermore, the Group plans to reinforce its operating infrastructure primarily in the areas of IT and logistics. Special consideration is being given to the implementation of measures for the introduction of omnichannel services. However, in view of the expected non-recurrence of one-time expenditures recorded in the previous year, a reduced rate of expansion in the Group's own retail business compared with the prior year and a strict focus on projects making the greatest positive contribution to enterprise value, the investment volume will drop to between EUR 160 million and EUR 180 million in 2016.

**Slight decline in free cash flow over the prior year expected**

The Group projects a slight decline in free cash flow in 2016 compared with the prior year. The positive effects from the strict management of trade net working capital and a reduction in investments will not fully compensate for the lower profit. The free cash flow will primarily be used to finance the dividend payment. The Group expects net financial liabilities at the end of the year to be slightly above the prior year's level. Given its strong internal financing power and the refinancing of its syndicated loan facility in 2015, which is securing its long-term liquidity requirements on favorable terms, the Group is not planning any significant financing activities in 2016.

**The Group plans to return to sustainable profitable growth beyond 2016**

The Group plans to return to a profitable growth trajectory in the medium term. However, persistently adverse macroeconomic and sector-related conditions in key markets, rising costs in sourcing processes and unexpected fluctuation in demand in the Group's own retail business could have negative financial implications. The Group has contingency plans in place to limit the likelihood and impact of these and other risks. The details are presented in the risk report in the Annual Report 2015.

## SUMMARY ON EARNINGS, NET ASSETS AND FINANCIAL POSITION

In summary, the results of operations, net assets, and financial position indicate that the HUGO BOSS Group continued to be in a sound financial position as of the date on which this report for the first six months of fiscal year 2016 was prepared.

Metzingen, July 21, 2016

HUGO BOSS AG  
The Managing Board

**Mark Langer**  
**Bernd Hake**





**CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

## CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2016

### CONSOLIDATED INCOME STATEMENT (in EUR million)

	2016	2015
<b>Sales</b>	<b>1,264.7</b>	<b>1,314.6</b>
Cost of sales	(432.5)	(447.3)
<b>Gross profit</b>	<b>832.2</b>	<b>867.3</b>
In % of sales	65.8	66.0
Selling and distribution expenses	(560.3)	(532.2)
Administration expenses	(138.2)	(138.0)
Other operating income and expenses	(64.6)	0.1
<b>Operating result (EBIT)</b>	<b>69.1</b>	<b>197.2</b>
Net interest income/expenses	(1.2)	(3.8)
Other financial items	(2.7)	(3.5)
<b>Financial result</b>	<b>(3.9)</b>	<b>(7.3)</b>
<b>Earnings before taxes</b>	<b>65.2</b>	<b>189.9</b>
Income taxes	(15.7)	(43.7)
<b>Net income</b>	<b>49.5</b>	<b>146.2</b>
Attributable to:		
Equity holders of the parent company	49.5	146.1
Non-controlling interests	0.0	0.1
<b>Earnings per share (EUR)<sup>1</sup></b>	<b>0.72</b>	<b>2.12</b>

<sup>1</sup> Basic and diluted earnings per share.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR million)

	2016	2015
<b>Net income</b>	<b>49.5</b>	<b>146.2</b>
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of defined benefit plans	(4.9)	1.1
<b>Items to be reclassified subsequently to profit or loss</b>		
Currency differences	(17.0)	41.6
Gains/losses from cash flow hedges	0.8	(0.8)
<b>Other comprehensive income, net of tax</b>	<b>(21.1)</b>	<b>41.9</b>
<b>Total comprehensive income</b>	<b>28.4</b>	<b>188.1</b>
Attributable to:		
Equity holders of the parent company	28.4	188.0
Non-controlling interests	0.0	0.1
<b>Total comprehensive income</b>	<b>28.4</b>	<b>188.1</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF THE HUGO BOSS GROUP AS OF JUNE 30, 2016

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (in EUR million)

<b>Assets</b>	<b>June 30, 2016</b>	June 30, 2015	Dec. 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
<b>Non-current assets</b>	<b>776.1</b>	<b>730.6</b>	<b>764.6</b>
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
<b>Current assets</b>	<b>957.9</b>	<b>947.2</b>	<b>1,035.7</b>
<b>TOTAL</b>	<b>1,734.0</b>	<b>1,677.8</b>	<b>1,800.3</b>
<b>Equity and liabilities</b>	<b>June 30, 2016</b>	June 30, 2015	Dec. 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
<b>Equity attributable to equity holders of the parent company</b>	<b>734.1</b>	<b>782.6</b>	<b>956.3</b>
Non-controlling interests	0.8	(0.5)	(0.6)
<b>Group equity</b>	<b>734.9</b>	<b>782.1</b>	<b>955.7</b>
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
<b>Non-current liabilities</b>	<b>371.2</b>	<b>363.7</b>	<b>257.1</b>
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
<b>Current liabilities</b>	<b>627.9</b>	<b>532.0</b>	<b>587.5</b>
<b>TOTAL</b>	<b>1,734.0</b>	<b>1,677.8</b>	<b>1,800.3</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in EUR million)

	Retained earnings			Accumulated other comprehensive income			Group equity			
	Subscribed capital	Own shares	Capital reserve	Legal reserve	Other reserves	Currency translation	Gains/ losses from cash flow hedges	Total before non-controlling interests	Non-controlling interests	Group equity
<b>January 1, 2015</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>794.7</b>	<b>15.3</b>	<b>(0.7)</b>	<b>844.4</b>	<b>(0.5)</b>	<b>843.9</b>
Net income					146.1			146.1	0.1	146.2
Other income					1.1	41.6	(0.8)	41.9	0.0	41.9
<b>Comprehensive income</b>					<b>147.2</b>	<b>41.6</b>	<b>(0.8)</b>	<b>188.0</b>	<b>0.1</b>	<b>188.1</b>
Dividend payment					(249.8)			(249.8)		(249.8)
Acquisition of non-controlling interests					(0.1)			(0.1)		(0.1)
<b>June 30, 2015</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>692.1</b>	<b>56.9</b>	<b>(1.5)</b>	<b>782.6</b>	<b>(0.5)</b>	<b>782.1</b>
<b>January 1, 2016</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>866.5</b>	<b>54.4</b>	<b>0.2</b>	<b>956.2</b>	<b>(0.5)</b>	<b>955.7</b>
Net income					49.5			49.5	0.0	49.5
Other income					(4.9)	(17.0)	0.8	(21.1)		(21.1)
<b>Comprehensive income</b>					<b>44.6</b>	<b>(17.0)</b>	<b>0.8</b>	<b>28.4</b>	<b>0.0</b>	<b>28.4</b>
Changes in basis of consolidation					(0.7)			(0.7)	1.3	0.6
Dividend payment					(249.8)			(249.8)		(249.8)
<b>June 30, 2016</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>660.6</b>	<b>37.4</b>	<b>1.0</b>	<b>734.1</b>	<b>0.8</b>	<b>734.9</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2016

## CONSOLIDATED STATEMENT OF CASH FLOWS (in EUR million)

	<b>2016</b>	2015
Net income	49.5	146.2
Depreciation/amortization	73.8	57.8
Unrealized net foreign exchange gain/loss	(5.0)	0.6
Other non-cash transactions	6.7	(0.4)
Income tax expense/refund	15.7	43.7
Interest income and expenses	1.2	3.8
Change in inventories	(8.9)	(21.9)
Change in receivables and other assets	51.4	56.1
Change in trade payables and other liabilities	(31.5)	(21.1)
Result from disposal of non-current assets	(2.2)	(2.1)
Change in provisions for pensions	1.3	2.3
Change in other provisions	36.1	(12.2)
Income taxes paid	(56.3)	(86.8)
<b>Cash flow from operations</b>	<b>131.8</b>	<b>166.0</b>
Interest paid	(1.1)	(2.1)
Interest received	0.4	0.7
<b>Cash flow from operating activities</b>	<b>131.1</b>	<b>164.6</b>
Investments in property, plant and equipment	(66.5)	(65.8)
Investments in intangible assets	(10.2)	(6.2)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	(2.9)	(20.8)
Cash receipts from disposal of property, plant and equipment and intangible assets	2.3	0.9
<b>Cash flow from investing activities</b>	<b>(77.3)</b>	<b>(91.9)</b>
Dividends paid to equity holders of the parent company	(249.8)	(249.8)
Change in current financial liabilities	64.2	24.0
Cash receipts from non-current financial liabilities	100.8	79.1
Repayment of non-current financial liabilities	0.0	(0.9)
Cash outflows for the purchase of additional interests in subsidiaries	0.0	(0.1)
<b>Cash flow from financing activities</b>	<b>(84.8)</b>	<b>(147.7)</b>
Exchange-rate related changes in cash and cash equivalents	(0.8)	2.7
<b>Change in cash and cash equivalents</b>	<b>(31.8)</b>	<b>(72.3)</b>
Cash and cash equivalents at the beginning of the period	81.4	128.6
<b>Cash and cash equivalents at the end of the period</b>	<b>49.6</b>	<b>56.3</b>

# CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 // GENERAL INFORMATION

The interim financial statements of HUGO BOSS AG as of June 30, 2016, were prepared pursuant to Sec. 37w WpHG [“Wertpapierhandelsgesetz”: Securities Trading Act] in accordance with the International Financial Reporting Standards (IFRSs) and their interpretations applicable as of the reporting date. The provisions of IAS 34 on interim financial reporting were applied in particular.

This interim management report and the consolidated interim financial statements were neither audited in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] nor reviewed by a person qualified to audit financial statements. In a resolution dated July 21, 2016, the condensed interim financial statements and the interim management report were authorized for issue to the Supervisory Board by the Managing Board. Before they were published, the interim management report and the condensed interim financial statements were also discussed with the audit committee of the Supervisory Board.

## 2 // ACCOUNTING POLICIES

All the interim financial statements of the companies included in the consolidated interim financial statements were prepared in accordance with uniform accounting policies. A detailed description of the accounting policies and consolidation measures applied can be found in the notes to the 2015 consolidated financial statements.

### CHANGED ACCOUNTING RULES

The consolidated interim financial statements were prepared in accordance with the IFRSs effective on the reporting date, as published by the IASB and applicable in the EU.

The application of the revisions to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 27 “Separate Financial Statements”, IAS 28 “Investments in Associates and Joint Ventures” and IAS 38 “Intangible Assets” did not result in any changes to the Group’s net assets, financial conditions and results of operations.

The annual improvements to the IFRSs implemented in the 2012 – 2014 cycle are subject to mandatory application from January 1, 2016. They concern IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits” and IAS 34 “Interim Financial Reporting”. They do not result in any changes to the six-month report.

### Share-based compensation programs

Share-based compensation programs are accounted for in accordance with IFRS 2. The HUGO BOSS Group's long-term incentive (LTI) program initiated with effect from January 1, 2016 for members of the Managing Board and eligible management staff is a cash-settled share-based payment transaction. The expenses arising from the LTI and the liabilities for these benefits are recognized over the expected vesting period. This amount is recalculated at each reporting date and fundamentally measured using an option price model. Any changes in the fair value are posted to profit and loss. The resultant expense is recorded within personnel expenses and the liability recognized as provisions for personnel expenses.

### 3 // CURRENCY TRANSLATION

The most important exchange rates applied in the interim financial statements developed as follows in relation to the euro:

Country	Currency	Average rate			Closing rate		
		June 2016	June 2015	Dec. 2015	June 30, 2016	June 30, 2015	Dec. 31, 2015
Australia	AUD	1.5195	1.4536	1.5025	1.4911	1.4526	1.4897
China	CNY	7.3943	6.9582	7.0179	7.3680	6.9121	7.0608
Great Britain	GBP	0.7877	0.7210	0.7253	0.8255	0.7085	0.7340
Hong Kong	HKD	8.7112	8.6922	8.4311	8.6041	8.6306	8.4376
Japan	JPY	118.7137	138.8083	132.3842	113.8500	136.8100	131.0700
Switzerland	CHF	1.0899	1.0454	1.0826	1.0854	1.0376	1.0835
U.S.A.	USD	1.1222	1.1212	1.0878	1.1090	1.1133	1.0887

### 4 // ECONOMIC AND SEASONAL INFLUENCES

As a globally operating company, the HUGO BOSS Group is exposed to a variety of economic developments. Sector-related seasonal fluctuations are typical for HUGO BOSS. However, its business has changed fundamentally over the past few years. The business, which used to be dominated by the two pre-order seasons (spring/summer and fall/winter) with early orders placed accordingly, has become increasingly more complex. Pre-order business now consists of four seasonal pre-sales every year. Furthermore, the importance of seasonal influence is declining as a result of the global expansion of the Group's own retail operations. Moreover, HUGO BOSS is seeking to increase efficiency through greater use of replenishment business to service less fashion-oriented items. The number of monthly theme-oriented deliveries is also increasing continuously. These factors are steadily reducing the seasonality of its business.



## 5 // BASIS OF CONSOLIDATION

In the reporting period from January 1 to June 30, 2016, the number of consolidated companies in comparison to the consolidated financial statements as of December 31, 2015 rose from 57 to 60.

In the first quarter, HUGO BOSS Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia, was consolidated as a 100% subsidiary for the first time.

With effect from January 1, 2016, HUGO BOSS Middle East FZ-LLC, Dubai, U.A.E., was consolidated as a 100% subsidiary for the first time.

HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U.A.E., which was established in the fourth quarter of 2015 together with the AL FUTTAIM Group in Dubai and in which HUGO BOSS Middle East FZ-LLC, Dubai, U.A.E. holds 49% of the shares, was included for the first time with effect from January 1, 2016.

As was the case on December 31, 2015, two companies over which HUGO BOSS and a further party have joint control are accounted for using the equity method as of June 30, 2016.

## 6 // BUSINESS COMBINATIONS/ACQUISITIONS OF OTHER BUSINESS UNITS

In the first half of 2016, the HUGO BOSS Group took over a total of four stores and the related assets and inventories under asset deals with former franchise partners in Malaysia and Hong Kong. Three stores in Malaysia were acquired with effect from January 1, 2016 via HUGO BOSS Malaysia Sdn.Bhd., Kuala Lumpur, Malaysia, which had been incorporated in fiscal year 2015 and consolidated for the first time in 2016. One store in Hong Kong was acquired via HUGO BOSS Hong Kong Ltd., Hong Kong, China, effective May 1, 2016. The business acquisitions were made to support the expansion of the Group's own retail business in Asia/Pacific.

The following overview shows the preliminary allocation of the purchase price to the acquired net assets as well as the resulting goodwill:

(in EUR million)		<b>June 30, 2016</b>
<b>Purchase consideration transferred</b>		
Agreed purchase price		2.9
Liabilities incurred		0.0
<b>Total purchase price</b>		<b>2.9</b>
<b>Fair Value of the acquired assets and liabilities assumed</b>		
Intangible assets		0.0
Property, plant and equipment		0.9
Inventories		0.7
<b>Total assets</b>		<b>1.6</b>
<b>Total liabilities</b>		<b>0.0</b>
<b>Goodwill</b>		<b>1.3</b>

Control over the assets is achieved through payment of the agreed purchase price. Goodwill is attributable to the Asia/Pacific segment and contains non-separable intangible assets and expected synergy effects. In accordance with IAS 36, it is not systematically amortized but instead undergoes annual impairment testing. Transaction costs of an immaterial amount arose and were recognized immediately through profit or loss in the consolidated income statement.

The additional consolidated sales generated by the takeovers amounted to EUR 1.8 million in the first six months of fiscal year 2016.

The acquisition in fiscal year 2015 of stores operated in China by a former franchise partner was based on a preliminary purchase price allocation as not all the information required to account for it in full was available in fiscal year 2015. The purchase price allocation was finalized in the first quarter of fiscal year 2016 and, hence, within twelve months of the acquisition date. The finalization of the purchase price allocation had only an insignificant effect on the HUGO BOSS Group's net assets, financial position and results of operation in the first quarter of 2016 and in the comparable period in 2015.

## **7 // SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT**

In the first six months of 2016, the Group took measures to return to sustained profitable growth. In the course of the current fiscal year, these measures will particularly be focusing on improvements to the Group's market position in the United States and Asia, reductions in operating costs and efforts to ensure the sustained profitability of its network of stores. In this connection, HUGO BOSS has conducted a detailed review of those stores that have diluted the Company's profitability in the past. The upshot of this was the decision made by HUGO BOSS as part of its catalog of measures to close around 20 freestanding stores by the end of 2017. HUGO BOSS expects the store closures to generate a positive effect on profits in 2017 and beyond. However, provisions and impairments recognized in connection with the planned closures in the current fiscal year have resulted in non-recurring expenses of EUR 52 million, which are reported within "Other operating expenses and income".

## COST OF SALES

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
Cost of purchase	370.0	385.4
Cost of conversion	62.5	61.9
<b>TOTAL</b>	<b>432.5</b>	<b>447.3</b>

Cost of purchase contains the cost of materials, which corresponds to the amount of inventories expensed in the fiscal year. This line item also mainly includes freight-in and customs costs.

Capitalized overheads allocated to production cost comprise the cost of technical product development in the third phase of the collection creation process and the overhead costs of the product implementation and procurement phase.

## SELLING AND DISTRIBUTION EXPENSES

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
Expenses for Group's own retail business, sales and marketing organization	437.2	409.5
Marketing expenses	86.4	86.7
Logistics expenses	36.7	36.0
<b>TOTAL</b>	<b>560.3</b>	<b>532.2</b>

The expenses for the Group's own retail business and the sales and marketing organization mostly relate to personnel and rental expenses for wholesale distribution and retail services. Moreover, selling expenses contain sales-based commission, freight-out, customs costs, credit card charges and impairments of receivables.

## ADMINISTRATION EXPENSES

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
General administrative expenses	106.4	105.9
Research and development costs	31.8	32.1
<b>TOTAL</b>	<b>138.2</b>	<b>138.0</b>

Administration expenses mainly comprise rent for premises, maintenance expenses, IT operating expenses and legal and consulting fees as well as personnel expenses in these functions. Research and development costs in the HUGO BOSS Group primarily relate to the creation of collections.

## OTHER OPERATING EXPENSES AND INCOME

Net expenses arising from other operating expenses and income in the first six months came to EUR 65 million (prior year: EUR 0 million). Non-recurring expenses particularly arose in connection with the decision to close around 20 freestanding retail stores around the world that had previously exerted a material negative effect on the result of the Group's own retail business. The expenses arising from the recognition of provisions stand at EUR 46 million and particularly relate to expected compensation payments for lessors, predominantly in Asia. In addition to this, impairments of EUR 6 million have been recognized on store fittings, predominantly in Asia and Europe. Further material special items of EUR 10 million arose in connection with changes to the Managing Board in the first half of the year.

## PERSONNEL EXPENSES

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
Wages and salaries	264.3	239.2
Social security	40.8	40.2
Expenses and income for retirement and other employee benefits	3.9	3.6
<b>TOTAL</b>	<b>309.0</b>	<b>283.0</b>

## EMPLOYEES

	June 30, 2016	Dec. 31, 2015
Industrial employees	5,081	5,043
Commercial and administrative employees	10,469	10,263
<b>TOTAL</b>	<b>15,550</b>	<b>15,306</b>

## AMORTIZATION AND DEPRECIATION

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
Non-current assets		
Property, plant and equipment	62.0	49.0
Intangible assets	11.8	8.8
<b>TOTAL</b>	<b>73.8</b>	<b>57.8</b>

In connection with the decision to close around 20 freestanding stores around the world, impairments of EUR 6 million were recognized on store fittings in the first half of the fiscal year (prior year: EUR 0 million).

## COST OF MATERIALS

In the first half of 2016, the cost of materials amounted to EUR 358 million (2015: EUR 331 million).

## 8 // EARNINGS PER SHARE

	Jan. – June 2016	Jan. – June 2015
Net income attributable to equity holders of the parent company (in EUR million)	49.5	146.1
Average number of shares outstanding <sup>1</sup>	69,016,167	69,016,167
Earnings per share (EPS) (in EUR) <sup>2</sup>	0.72	2.12

<sup>1</sup> Not including own shares.

<sup>2</sup> Basic and diluted earnings per share.

Pursuant to IAS 33, earnings per share are calculated by dividing the net income attributable to equity holders of the parent company by the weighted average number of shares outstanding during the reporting period. There were no shares outstanding capable of diluting earnings per share as of June 30, 2016, or June 30, 2015.

## 9 // NON-CURRENT ASSETS HELD FOR SALE

In the third quarter of 2015, HUGO BOSS announced that it would be closing its showroom in Aix-en-Provence in France. As a result, property, plant and equipment comprising land, buildings as well as operating and office equipment valued at EUR 0.5 million belonging to HUGO BOSS France SAS, Paris, France, were classified as “non-current assets held for sale” as of December 31, 2015 due to the intent to sell them. The sale was completed in the first quarter of 2016.

## 10 // OWN SHARES

In the first six months of fiscal year 2016, HUGO BOSS AG did not buy back any of its own shares. As a result, it continues to hold a total of 1,383,833 ordinary shares. This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital.

## 11 // ACCUMULATED OTHER COMPREHENSIVE INCOME

The cumulative other comprehensive income contains the differences reported within equity arising from translation of the foreign currencies used for the financial statements of foreign subsidiaries in the amount of EUR 37.4 million (December 31, 2015: EUR 54.4 million) and the effects of the measurement of cash flow hedges after tax within equity.

Reference is made to the consolidated statement of comprehensive income for the income and expenses recognized directly in equity.

## 12 // PROVISIONS

### **Provisions for store closures**

The provisions recognized in the first half of 2016 in connection with the planned closures are valued at EUR 46.3 million and particularly relate to the expected compensation payments for lessors, primarily in Asia.

The amount of the provisions for the store closures recognized at the end of the reporting period is based on assumptions made by management. The main assumptions concern the type of closure (termination of lease in return for payment of compensation) or the continued fulfillment of the lease by subletting the premises below the rental price. The provisions recognized are based on the best possible estimate of the compensation payments and subletting proceeds. It is always possible for the actual compensation payable or the actual subletting proceeds received to differ from these assumptions. Any deviations between the original estimates and the actual outcome can impact the Group's net assets, financial position and results of operations in the given period.

### **Provisions for personnel expenses**

The provisions for personnel expenses mainly concern the provisions for short and medium-term profit sharing and bonuses, severance payment claims, phased retirement arrangements and overtime.

The long-term incentive (LTI) program initiated at the beginning of fiscal year 2016 for members of the Managing Board and eligible management staff is recognized at its fair value on the reporting date. The provisions recognized in this connection were valued at EUR 0.5 million as at June 30, 2016. The LTI has an average remaining period of 3.5 years.

### 13 // PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions increased from EUR 39 million as at December 31, 2015, to EUR 47 million as at June 30, 2016. The actuarial calculation of the present value of the defined benefit obligation includes service cost, net interest expenses and other relevant parameters.

#### ACTUARIAL ASSUMPTIONS UNDERLYING THE CALCULATION OF THE PRESENT VALUE OF PENSION OBLIGATIONS AS AT JUNE 30, 2016

The following assumptions were applied:

Actuarial assumptions	June 30, 2016	Dec. 31, 2015
<b>Discount rate</b>		
Germany	1.75%	2.50%
Switzerland	0.19%	0.90%
Turkey	10.20%	10.00%
<b>Future pension increases</b>		
Germany	1.75%	1.75%
Switzerland	0.00%	0.00%
Turkey	0.00%	0.00%
<b>Future salary increases</b>		
Germany	2.50%	2.50%
Switzerland	3.00%	3.00%
Turkey	5.00%	5.00%

In comparison to December 31, 2015, there was a decline in the discount rate parameter in Germany and Switzerland. The actuarial discount rate in Turkey rose in the same period of time. The parameters pension trend and expected salary increase remained unchanged in the first six months of fiscal year 2016.

#### BREAKDOWN OF PENSION EXPENSES IN THE PERIOD

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
Current service cost	2.6	3.6
Past service cost	0.0	0.0
Net interest costs	0.5	0.6
<b>Pension expenses recognized in the consolidated income statement</b>	<b>3.1</b>	<b>4.2</b>
Return from plan assets (without interest effects)	0.0	(1.5)
Recognized actuarial (gains)/losses	6.3	(0.5)
Asset ceiling (without interest effects of asset ceiling)	0.0	0.0
<b>Remeasurement of the carrying amount recognized in the consolidated statement of comprehensive income</b>	<b>6.3</b>	<b>(2.0)</b>

## 14 // ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments that are recognized in the financial statements.

### CARRYING AMOUNTS AND FAIR VALUES BY CATEGORY OF FINANCIAL INSTRUMENTS

(in EUR million)

	IAS 39 category	June 30, 2016		Dec. 31, 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>					
Cash and cash equivalents	LaR	49.6	49.6	81.4	81.4
Trade receivables	LaR	192.1	192.1	239.6	239.6
Other financial assets		54.8	54.8	51.4	51.4
Thereof:					
Available for sale	AfS	0.1	0.1	0.5	0.5
Undesignated derivatives	FAHfT	0.2	0.2	5.9	5.9
Derivatives subject to hedge accounting	n.a.	1.0	1.0	0.7	0.7
Other financial assets	LaR	53.5	53.5	44.3	44.3
<b>Liabilities</b>					
Financial liabilities due to banks	FLAC	330.7	333.8	163.6	165.5
Trade payables	FLAC	224.6	224.6	271.5	271.5
Other financial liabilities		12.8	12.8	12.8	12.8
Thereof:					
Undesignated derivatives	FLHfT	4.5	4.5	3.3	3.3
Derivatives subject to hedge accounting	n.a.	0.1	0.1	0.5	0.5
Liabilities from financial leases	n.a.	8.2	8.2	9.0	9.0
Other financial liabilities	FLAC	0.0	0.0	0.0	0.0
<b>Total for categories of financial instruments according to IAS 39:</b>					
Loans and Receivables	LaR	295.2	295.2	365.3	365.3
Available-for-Sale investments	AfS	0.1	0.1	0.5	0.5
Financial Assets Held for Trading	FAHfT	0.2	0.2	5.9	5.9
Financial Liabilities Measured at Amortised Cost	FLAC	555.3	558.4	435.1	437.0
Financial Liabilities Held for Trading	FLHfT	4.5	4.5	3.3	3.3

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, other financial assets, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is calculated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial



institutions with very good to good credit ratings (investment grade). Financial transactions with parties with a lower credit rating require the approval of the Managing Board and are concluded to only a limited degree. Derivatives valued using valuation techniques with observable market data are mainly interest rate swaps and forward exchange contracts. The most frequently applied techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit worthiness of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying base rates.

As of June 30, 2016, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The credit risk of the counterparty did not lead to any significant effects.

### **FAIR VALUE HIERARCHY**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities

**Level 2:** Other methods for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

**Level 3:** Methods that use inputs with a significant effect on the recorded fair value that are not based on observable market data

As in the prior year, all financial instruments measured at fair value in the categories FAHfT, FLHfT and derivatives designated to a hedge relationship were assigned to level 2 as of June 30, 2016. During the first six months of fiscal year 2016, there were no transfers between level 1 and level 2 or from level 3. The financial instruments measured at fair value comprised forward exchange contracts, currency swaps and interest derivatives. These were assigned to the categories FAHfT, FLHfT as well as derivatives used for hedging. The assets amounted to EUR 1.2 million and the liabilities to EUR 4.6 million. The fair value of financial instruments carried at amortized cost is also measured using the level 2 method.

## INTEREST AND CURRENCY RISK HEDGES

To hedge against interest and currency risks, the HUGO BOSS Group enters into hedging transactions in some cases to mitigate risk. As of the reporting date, variable-interest financial liabilities of EUR 10 million (December 31, 2015: EUR 10 million) were hedged. Of these, an amount of EUR 0 million was designated as an effective hedging instrument. Moreover, as of the reporting date, future cash flows in foreign currencies of EUR 20 million (December 31, 2015: EUR 24 million) were hedged and fully designated as an effective hedging instrument. The unrealized gains recognized in other comprehensive income from marking hedges to the market came to EUR 0.8 million (prior year: unrealized losses of EUR 0.8 million).

## 15 // OFFSETTING OF FINANCIAL INSTRUMENTS

(in EUR million)

	Gross amounts recognized assets	Gross amounts offset liabilities	Net asset amounts disclosed in statement of fin. pos.	Liabilities not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
<b>June 30, 2016</b>						
Cash and cash equivalents	49.6	0.0	49.6	0.0	0.0	49.6
Trade receivables	213.5	(21.4)	192.1	0.0	0.0	192.1
Other financial assets	54.8	0.0	54.8	(0.3)	0.0	54.5
Thereof available-for-sale	0.1	0.0	0.1	0.0	0.0	0.1
Thereof derivatives	1.2	0.0	1.2	(0.3)	0.0	0.9
Thereof other financial assets	53.5	0.0	53.5	0.0	0.0	53.5
<b>TOTAL</b>	<b>317.9</b>	<b>(21.4)</b>	<b>296.5</b>	<b>(0.3)</b>	<b>0.0</b>	<b>296.2</b>
<b>Dec. 31, 2015</b>						
Cash and cash equivalents	81.4	0.0	81.4	0.0	0.0	81.4
Trade receivables	252.9	(13.3)	239.6	0.0	0.0	239.6
Other financial assets	51.4	0.0	51.4	(0.9)	0.0	50.5
Thereof available-for-sale	0.5	0.0	0.5	0.0	0.0	0.5
Thereof derivatives	6.6	0.0	6.6	(0.9)	0.0	5.7
Thereof other financial assets	44.3	0.0	44.3	0.0	0.0	44.3
<b>TOTAL</b>	<b>385.7</b>	<b>(13.3)</b>	<b>372.4</b>	<b>(0.9)</b>	<b>0.0</b>	<b>371.5</b>

(in EUR million)

	Gross amounts recognized liabilities	Gross amounts offset assets	Net liabilities amounts disclosed in statement of fin. pos.	Assets not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
<b>June 30, 2016</b>						
Liabilities due to banks	330.7	0.0	330.7	0.0	0.0	330.7
Trade payables	232.9	(8.3)	224.6	0.0	0.0	224.6
Other financial liabilities	12.8	0.0	12.8	(0.3)	0.0	12.5
Thereof derivatives	4.6	0.0	4.6	(0.3)	0.0	4.3
Thereof other financial liabilities	8.2	0.0	8.2	0.0	0.0	8.2
<b>TOTAL</b>	<b>576.4</b>	<b>(8.3)</b>	<b>568.1</b>	<b>(0.3)</b>	<b>0.0</b>	<b>567.8</b>
<b>Dec. 31, 2015</b>						
Liabilities due to banks	163.6	0.0	163.6	0.0	0.0	163.6
Trade payables	277.9	(6.4)	271.5	0.0	0.0	271.5
Other financial liabilities	12.8	0.0	12.8	(0.9)	0.0	11.9
Thereof derivatives	3.8	0.0	3.8	(0.9)	0.0	2.9
Thereof other financial liabilities	9.0	0.0	9.0	0.0	0.0	9.0
<b>TOTAL</b>	<b>454.3</b>	<b>(6.4)</b>	<b>447.9</b>	<b>(0.9)</b>	<b>0.0</b>	<b>447.0</b>

The liabilities of EUR 21.4 million (December 31, 2015: EUR 13.3 million) offset against trade receivables as of the reporting date are outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes of the HUGO BOSS Group. These amounted to EUR 8.3 million (December 31, 2015: EUR 6.4 million).

Standard master agreements for financial future contracts are in place between the HUGO BOSS Group and its counterparties, governing the offsetting of derivatives. These prescribe that derivative assets and derivative liabilities with the same counterparty can be combined into a single offsetting receivable.

## 16 // CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities in comparison to December 31, 2015.

## 17 // NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows of the HUGO BOSS Group shows the change in cash and cash equivalents over the reporting period using cash transactions. In accordance with IAS 7, the sources and applications of cash flows are categorized according to whether they relate to operating, investing or financing activities. The cash inflows and outflows from operating activities are calculated indirectly on the basis of the Group's net income for the period. By contrast, cash flows from investing and financing activities are directly derived from the cash inflows and outflows. The changes in the items of the statement of financial position presented in the statement of cash flows cannot be derived directly from the statement of financial position on account of exchange rate translations.

## 18 // SEGMENT REPORTING

(in EUR million)

	Europe <sup>1</sup>	Americas	Asia/Pacific	Licenses	Total operating segments
<b>Jan. – June 2016</b>					
<b>Sales</b>	<b>780.8</b>	<b>271.3</b>	<b>182.8</b>	<b>29.8</b>	<b>1,264.7</b>
<b>Segment profit</b>	<b>231.3</b>	<b>60.0</b>	<b>35.0</b>	<b>24.7</b>	<b>351.0</b>
In % of sales	29.6	22.1	19.1	82.8	27.8
Segment assets	239.6	210.0	94.9	13.2	557.7
Capital expenditure	34.7	15.6	9.7	0.0	60.0
Impairments	-2.0	-0.3	-4.0	0.0	-6.3
Thereof property, plant and equipment	-1.6	-0.3	-4.0	0.0	-5.9
Thereof intangible assets	-0.4	0.0	0.0	0.0	-0.4
Depreciation/amortization	(22.8)	(12.3)	(12.9)	0.0	(48.0)

<sup>1</sup> Including Middle East and Africa.

(in EUR million)

	Europe <sup>1</sup>	Americas	Asia/Pacific	Licenses	Total operating segments
<b>Jan. – June 2015</b>					
<b>Sales</b>	<b>773.3</b>	<b>315.2</b>	<b>198.8</b>	<b>27.3</b>	<b>1,314.6</b>
<b>Segment profit</b>	<b>244.1</b>	<b>81.6</b>	<b>53.4</b>	<b>21.9</b>	<b>401.0</b>
In % of sales	31.6	25.9	26.8	80.2	30.5
Segment assets	224.8	250.9	118.6	12.2	606.5
Capital expenditure	22.6	19.4	24.5	0.0	66.5
Impairments	0.0	0.0	0.0	0.0	0.0
Thereof property, plant and equipment	0.0	0.0	0.0	0.0	0.0
Thereof intangible assets	0.0	0.0	0.0	0.0	0.0
Depreciation/amortization	(18.0)	(12.0)	(12.3)	0.0	(42.3)

<sup>1</sup> Including Middle East and Africa.

## RECONCILIATION

### SALES

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
<b>Sales - operating segments</b>	<b>1,264.7</b>	<b>1,314.6</b>
Corporate units	0.0	0.0
Consolidation	0.0	0.0
<b>TOTAL</b>	<b>1,264.7</b>	<b>1,314.6</b>

### OPERATING INCOME

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
<b>Segment profit – operating segments</b>	<b>351.0</b>	<b>401.0</b>
Depreciation/amortization – operating segments	(48.0)	(42.3)
Impairments – operating segments	(6.3)	0.0
Special items – operating segments	(47.2)	0.9
<b>Operating income (EBIT) – operating segments</b>	<b>249.5</b>	<b>359.6</b>
Corporate units	(181.7)	(162.4)
Consolidation	1.3	0.0
<b>Operating income (EBIT) HUGO BOSS Group</b>	<b>69.1</b>	<b>197.2</b>
<b>Net interest income/expenses</b>	<b>(1.2)</b>	<b>(3.8)</b>
<b>Other financial items</b>	<b>(2.7)</b>	<b>(3.5)</b>
<b>Earnings before taxes HUGO BOSS Group</b>	<b>65.2</b>	<b>189.9</b>

### SEGMENT ASSETS

(in EUR million)

	June 30, 2016	June 30, 2015	Dec. 31, 2015
<b>Segment assets – operating segments</b>	<b>557.7</b>	<b>606.5</b>	<b>631.5</b>
Corporate units	199.9	167.4	167.6
Consolidation	0.0	0.0	0.0
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
<b>Current assets HUGO BOSS Group</b>	<b>957.9</b>	<b>947.2</b>	<b>1,035.7</b>
Non-current assets	776.1	730.6	764.6
<b>Total assets HUGO BOSS Group</b>	<b>1,734.0</b>	<b>1,677.8</b>	<b>1,800.3</b>

## CAPITAL EXPENDITURE

(in EUR million)

	June 30, 2016	June 30, 2015	Dec. 31, 2015
<b>Capital expenditure - operating segments</b>	<b>60.0</b>	<b>66.5</b>	<b>154.0</b>
Corporate units	19.1	20.9	66.4
Consolidation	0.0	0.0	0.0
<b>TOTAL</b>	<b>79.1</b>	<b>87.4</b>	<b>220.4</b>

## IMPAIRMENTS/WRITE-UPS

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
<b>Impairment – operating segments</b>	<b>6.3</b>	<b>0.0</b>
Corporate units	0.0	0.0
Consolidation	0.0	0.0
<b>TOTAL</b>	<b>6.3</b>	<b>0.0</b>

## DEPRECIATION/AMORTIZATION

(in EUR million)

	Jan. – June 2016	Jan. – June 2015
<b>Depreciation/amortization - operating segments</b>	<b>48.0</b>	<b>42.3</b>
Corporate units	19.5	15.5
Consolidation	0.0	0.0
<b>TOTAL</b>	<b>67.5</b>	<b>57.8</b>

## GEOGRAPHIC INFORMATION

(in EUR million)

	Third party sales		Non-current assets	
	Jan. – June 2016	Jan. – June 2015	June 30, 2016	Dec. 31, 2015
Germany	213.1	217.9	205.7	203.8
Other European markets	567.7	555.3	220.1	218.3
U.S.A.	206.2	254.3	71.7	68.9
Other North, Central and South American markets	65.1	60.9	17.2	18.4
China	102.6	122.7	34.4	42.0
Other Asian markets	80.2	76.2	59.2	61.1
Licenses	29.8	27.3	15.0	15.0
<b>TOTAL</b>	<b>1,264.7</b>	<b>1,314.6</b>	<b>623.3</b>	<b>627.5</b>

## **19 // RELATED PARTY DISCLOSURES**

Related parties comprise members of the Managing Board and Supervisory Board.

Expense of EUR 10.2 million arose for termination benefits in connection with the termination of the service contracts of Mr. Claus-Dietrich Lahrs, effective February 29, 2016, and of Mr. Christoph Auhagen, effective April 22, 2016. The advance bonus payments of EUR 3.4 million accruing in earlier years were deducted from the termination benefits. This amount was included in "Other operating expenses and income" in the reporting period.

## **20 // SUBSEQUENT EVENTS**

Between the end of the first six months of fiscal year 2016 and the publication of this report, there were no further material macroeconomic, socio-political, sector-related or company-specific changes that management would expect to have a significant influence on the earnings, net assets and financial position of the Group.

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the year.

Metzingen, July 21, 2016

HUGO BOSS AG  
The Managing Board

**Mark Langer**  
**Bernd Hake**



**FURTHER  
INFORMATION**

**4**

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should", and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

## FINANCIAL CALENDAR

### **NOVEMBER 2, 2016**

Publication of the Nine Months Report 2016

### **NOVEMBER 16, 2016**

Investor Day

## CONTACTS

### **INVESTOR RELATIONS**

**Phone** +49 7123 94 - 80903

**E-Mail** [investor-relations@hugoboss.com](mailto:investor-relations@hugoboss.com)

### **DENNIS WEBER**

Head of Investor Relations

**Phone** +49 7123 94 - 86267

**Fax** +49 7123 94 - 886267

### **DR. HJÖRDIS KETTENBACH**

Head of Corporate Communication

**Phone** +49 7123 94 - 83375

**Fax** +49 7123 94 - 80237

### **ORDER SERVICE ANNUAL REPORT**

[Orderservice.hugoboss.com](http://Orderservice.hugoboss.com)

