HUGO BOSS

NINE MONTHS REPORT
JANUARY – SEPTEMBER 2016

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TO OUR SHAREHOLDERS

LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Ladies and Gentlemen,

The market environment remains challenging for HUGO BOSS. Within the premium segment of the apparel industry, the European market especially has deteriorated further in recent months. In core markets, such as the US and China, we took decisions that cost us sales and earnings in the short term. Group sales fell accordingly in the first nine months of the year before currency effects by 2 percent, and our operating result (EBITDA before special items) decreased by 18 percent.

However, the figures conceal the progress we have made in important parts of our business. For example, our decision to better harmonize our global price architecture has increasingly paid off. Particularly in China, we have adjusted our prices in the last twelve months to match more closely those in Europe and America. The significantly enhanced value proposition proves to be a key competitive advantage. At the same time, we have considerably expanded our digital brand communication in this market and are now able to reach many more consumers than before. Demand on the Chinese mainland has picked up overall. Price adjustments have continued to weigh on sales, but customer traffic in our stores has increased, and we have recorded solid double-digit percentage rises in volumes. In the third quarter, we posted comp store sales increases again after declines in the past quarters.

We also increasingly benefit from measures we put in place to limit increases in costs and to improve our operating efficiency. We will exceed our goal of making cost savings of EUR 50 million in the current year. We currently expect cost reductions for 2016 to amount to EUR 65 million. This is largely due to renegotiations of rental leases in our own retail segment, strict cost management in administration, and streamlining of our marketing activities. We will therefore achieve a key goal that we set for ourselves in 2016: to adjust our cost structures to lower market and company growth.

In light of the above, we are confirming our financial outlook. Sales for the year as a whole will decrease by up to 3% on a currency-adjusted basis. We still expect the operating result (EBITDA before special items) to decline by between 17% and 23%.

Of course, we have the ambition to achieve better results in the future. We must now work more intensively on our market presence and brand promise. We will critically review the positioning of our brands. The roots of the BOSS brand lie in premium men’s clothing, and we will focus our energies here much more intensively once again. We will also have to significantly improve our market position in the United States. This requires changes to our distribution, which we have already initiated. We also need to use our potential stemming from an increased digitization of our business model better than we have until now. With the recent relaunch of the hugoboss.com website and the introduction of a mobile app, we have taken important steps in the right direction, and there will be more to come.

As you can see, we work diligently in order to bring HUGO BOSS back on track for growth. We are a company that has run a very successful business for many years, which makes the developments over the past 12 months all the more sobering not just for me, but for everyone at HUGO BOSS. There is no doubt that the company continues to rest on a strong foundation. But we have the ambition to regain our footing again in the future. On our Investor Day on November 16, we will be giving you a detailed account of our plans for the medium and long term. You are cordially invited to follow the entire event on our website at group.hugoboss.com.

Sincerely yours,

Mark Langer
CEO and Chairman of the Managing Board

KEY FIGURES

	Jan. – Sep. 2016	Jan. – Sep. 2015	Change in %	Change in %[3]	**3rd Quarter 2016**	3rd Quarter 2015	Change in %	Change in %[3]
Net sales (in EUR million)	**1,967.7**	**2,058.7**	**(4)**	**(2)**	**703.0**	**744.1**	**(6)**	**(3)**
Net sales by segments								
Europe incl. Middle East and Africa	1,238.1	1,253.4	(1)	1	457.3	480.1	(5)	(2)
Americas	418.5	479.9	(13)	(10)	147.2	164.7	(11)	(9)
Asia/Pacific	265.3	283.1	(6)	(5)	82.5	84.3	(2)	(3)
Licenses	45.8	42.3	8	8	16.0	15.0	6	6
Net sales by distribution channel								
Group's own retail business	1,183.2	1,200.5	(1)	1	397.9	399.2	0	2
Wholesale	738.7	815.9	(9)	(8)	289.1	329.9	(12)	(11)
Licenses	45.8	42.3	8	8	16.0	15.0	6	6
Results of operations (in EUR million)								
Gross profit	1,286.8	1,347.0	(4)		454.6	479.7	(5)	
Gross profit margin in %	65.4	65.4	0 bp		64.7	64.5	20 bp	
EBITDA	285.9	419.3	(32)		143.0	164.3	(13)	
EBITDA before special items	345.7	422.9	(18)		144.5	168.1	(14)	
Adjusted EBITDA margin in %[1]	17.6	20.5	(290) bp		20.6	22.6	(200) bp	
EBIT	178.6	329.8	(46)		109.5	132.6	(17)	
Net income attributable to equity holders of the parent company	130.2	234.6	(45)		80.6	88.5	(9)	
Net assets and liability structure as of Sep. 30 (in EUR million)								
Trade net working capital	535.5	565.7	(5)	(5)				
Non-current assets	776.1	760.3	2					
Equity	806.9	859.6	(6)					
Equity ratio in %	46.3	49.1						
Total assets	1,741.3	1,751.3	(1)					
Financial position (in EUR million)								
Free cash flow	105.6	92.3	14		51.8	19.6	> 100	
Net financial liabilities (as of Sep. 30)	229.7	194.0	18					
Capital expenditure	118.6	141.0	(16)		39.5	53.6	(26)	
Depreciation/amortization	107.3	89.5	20		33.5	31.7	6	
Total leverage (as of Sep. 30)[2]	0.4	0.3						
Additional key figures								
Employees (as of Sep. 30)	15,634	14,809	6					
Personnel expenses (in EUR million)	455.2	423.3	8		146.2	140.3	4	
Number of Group's own retail stores	1,119	1,105			(3)	17		
Shares (in EUR)								
Earnings per share	1.89	3.40	(44)		1.17	1.28	(9)	
Last share price (as of Sep. 30)	49.23	100.40	(51)		49.23	100.40	(51)	
Number of shares (as of Sep. 30)	70,400,000	70,400,000			70,400,000	70,400,000		

[1] EBITDA before special items/sales.

[2] Net financial liabilities/EBITDA before special items of the last 12 months.

[3] currency-adjusted.

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CONSOLIDATED INTERIM MANAGEMENT REPORT

GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

GENERAL ECONOMIC SITUATION

IMF lowers forecast for global economic growth

At the beginning of the year many global macroeconomic indicators continued to weaken in both the emerging markets and industrialized economies. Moreover, Great Britain's decision to leave the European Union caused additional uncertainty. This prompted the IMF to scale back its forecast for full-year global growth in October for the third time this year to only 3.1% (previously: 3.2%). Many economic indicators weakened in the industrialized economies, particularly the United States, Great Britain and Japan. However, rising commodity prices have recently caused the economic indicators of a number of emerging markets to improve.

Upbeat consumer confidence supports the Eurozone economy

The **European economy** benefited from the ECB's decision to extend its expansionary monetary and fiscal policies. This was reflected in strong domestic demand and a recovery in investments. Uncertainty in connection with the Brexit vote placed a burden on the economy in the third quarter. In Germany, economic growth exceeded expectations and was underpinned in particular by real estate investments and public spending.

U.S. growth falls short of expectations

The **U.S. economy** did not grow as quickly as expected in the first nine months of the year. This was mainly attributable to reduced investments in the energy sector and the resulting negative effects on other parts of the economy. Additional strain was caused by uncertainty surrounding the outcome of the presidential elections. Positive impetus came from consumer spending and rising real estate investments. The Latin American economy stabilized against the backdrop of rising commodity prices. In Brazil, consumer confidence appears to have bottomed out, with economic output contracting less quickly than expected.

Growth of the Chinese economy in line with expectations

Economic conditions in **Asia** were disparate. In the first nine months of the year, economic growth in China was in line with expectations. Most of the Chinese economic indicators improved in the third quarter, with the economy benefiting from the expansionary monetary policy and resultant lending growth. In Japan, the central bank continued to broaden its expansionary monetary policy in an effort to bolster the economy. However, muted domestic demand and the sharp appreciation of the yen placed a burden on the economy.

INDUSTRY DEVELOPMENT

Industry development is unable to benefit from favorable consumer confidence
In the first nine months of 2016, growth in the global premium and luxury goods industry continued to slow. Financial analysts covering the sector expected low growth at best in the premium and luxury goods industry in the period under review. The industry was thus unable to benefit from favorable consumer confidence to the same extent as other sectors.

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, turbulence in the equity markets, fears of terrorist attacks and high discounting in the United States and many other markets 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 prior 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 conditions. Only Great Britain recorded positive effects as a result of the depreciation of the pound sterling. Moreover, the apparel market came under pressure from weak local demand in Germany and other Western European markets in particular. On the other hand, the industry benefited from an improvement in consumer confidence in a number of Southern European countries. The **Americas** suffered from surplus retail floor space and increased discounting in the wholesale market in the United States. In many cases, the premium and luxury goods industry responded to this by reducing distribution via the wholesale channel. 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 in Brazil and Mexico. Conditions in Canada remained solid but lost momentum towards the end of the period under review. **Asia** painted a mixed picture in the first nine months of the year. Whereas the market in mainland China stabilized thanks to a repatriation of local demand, conditions remained difficult in Hong Kong and Macau. In Japan, growth slowed due to the appreciation of the yen and a decline in local demand. 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 nine months of fiscal year 2016, the HUGO BOSS Group recorded **Group sales** of EUR 1,968 million. Sales were therefore down 4% on the comparable prior-year period in the Group's reporting currency (prior year: EUR 2,059 million). Currency effects had a negative impact on Group sales in the reporting period. On a currency-adjusted basis, HUGO BOSS sustained a 2% decline in sales. 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. – Sep. 2016	**In % of sales**	Jan. – Sep. 2015	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	1,238.1	62.9	1,253.4	60.9	(1)	1
Americas	418.5	21.3	479.9	23.3	(13)	(10)
Asia/Pacific	265.3	13.5	283.1	13.7	(6)	(5)
Licenses	45.8	2.3	42.3	2.1	8	8
TOTAL	**1,967.7**	**100.0**	**2,058.7**	**100.0**	**(4)**	**(2)**

[1] Including the Middle East and Africa.

Regionally disparate sales performance in the nine-month period

In the first nine months of fiscal year 2016, sales in **Europe** including the Middle East and Africa decreased by 1% in the reporting currency to EUR 1,238 million (prior year: EUR 1,253 million). However, they increased by 1% on a currency-adjusted basis. A positive sales growth in Great Britain was contrasted by a decline in sales in Germany and France. In the **Americas**, sales in the reporting currency decreased by 13% to EUR 419 million in the same period (prior year: EUR 480 million). The negative sales performance in the United States particularly contributed to a 10% decline in local currencies. Sales in the reporting currency in **Asia/Pacific** amounted to EUR 265 million, down 6% on the prior year (prior year: EUR 283 million). Market contractions 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 5% in local currencies.

SALES BY DISTRIBUTION CHANNEL (in EUR million)

	Jan. – Sep. 2016	**In % of sales**	Jan. – Sep. 2015	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	1,183.2	60.2	1,200.5	58.3	(1)	1
Directly operated stores	761.2	38.7	776.5	37.7	(2)	1
Outlet	367.8	18.7	364.1	17.7	1	3
Online	54.2	2.8	59.9	2.9	(10)	(8)
Wholesale	738.7	37.5	815.9	39.6	(9)	(8)
Licenses	45.8	2.3	42.3	2.1	8	8
TOTAL	**1,967.7**	**100.0**	**2,058.7**	**100.0**	**(4)**	**(2)**

Slight increase in Group's own retail business in currency-adjusted terms

The **Group's own retail business (retail)** declined in the first nine of fiscal year 2016. Sales in this distribution channel decreased by 1% to EUR 1,183 million (prior year: EUR 1,201 million). However, they increased by 1% on a currency-adjusted basis. 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 60% in the reporting period (prior year: 58%).

Currency-adjusted sales increase in directly operated stores (DOS)

At EUR 761 million in the first nine months of the year, sales via the Group's **directly operated stores (DOS)** were down 2% on the comparable prior-year period (prior year: EUR 777 million), but were up 1 % in currency-adjusted terms. 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. Sales in **outlet stores** rose by 1% to EUR 368 million (prior year: EUR 364 million). This is equivalent to a currency-adjusted increase of 3%. Sales in the Group's own **online retail business** decreased by 10% in the Group's reporting currency and by 8% in local currencies to EUR 54 million in the first nine months of the year (prior year: EUR 60 million).

Currency-adjusted decline in wholesale channel sales

Sales in the **wholesale channel** declined by 9% in the first nine months of fiscal year 2016, coming to EUR 739 million (prior year: EUR 816 million). They were down 8% in currency-adjusted terms. This was mainly due to muted global demand on the part of wholesale partners and measures to enhance distribution in American wholesale business. In addition, the takeover of selling space previously operated by wholesale partners caused a shift in sales from wholesale business to the Group's own retail business. The share of wholesale business in Group sales contracted from 40% in the comparable prior-year period to 38% in the reporting period.

License business up 8%

Sales in **license business** increased by 8% to EUR 46 million in the first nine months of the fiscal year in the Group's reporting currency as well as in local currencies (prior year: EUR 42 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 and is now being addressed by BOSS Green and HUGO, as well as scaling back the distribution of the BOSS core brand in American wholesale business impacted on sales of the Group's brands in the first nine months of 2016. Sales of the **BOSS** core brand contracted by 14% to EUR 1,273 million compared to the prior-year period (prior year: EUR 1,481 million). Adjusted for currency effects, this corresponds to a decrease of 12%. On the other hand, sales of the **BOSS Green** brand climbed by 29% in the same period to EUR 249 million (prior year: EUR 193 million) and by 33% in local currencies. At EUR 169 million, sales of the **BOSS Orange** brand were down 6% on the comparable prior-year period (prior year: EUR 180 million), and down 4% in currency-adjusted terms. Sales of the **HUGO** brand grew by 36% to EUR 277 million compared to the prior-year period (prior year: EUR 204 million). This was equivalent to an increase of 37% in currency-adjusted terms.

Declining sales development for menswear and womenswear

In the reporting period, **menswear** sales were down 5% on the comparable prior-year period, coming to a total of EUR 1,748 million (prior year: EUR 1,830 million). Sales were down 2% in currency-adjusted terms. The proportion of menswear in total sales remains unchanged at 89%. **Womenswear** sales fell by 4% in the Group's reporting currency and by 2% in local currencies, coming to EUR 220 million (prior year: EUR 229 million). Womenswear continued to contribute 11% to total sales.

Network of freestanding retail stores shows net growth of 14 stores

In the first nine months of fiscal year 2016, the total number of the **Group's own freestanding retail stores** climbed by a net 14 to 444 (December 31, 2015: 430).

In addition to 25 organic **new openings**, **takeovers** of eight freestanding retail stores previously operated by franchise partners contributed to the increase in selling space. At the same time, 19 freestanding retail stores were closed. In most cases, the Group made use of expiring leases.

NUMBER OF GROUP´S OWN RETAIL STORES BY REGION

Sep. 30, 2016	Freestanding stores	Shop-in-shops	Outlets	TOTAL
Europe	194	351	61	**606**
Americas	93	90	48	**231**
Asia/Pacific	157	90	35	**282**
TOTAL	**444**	**531**	**144**	**1,119**
Dec. 31, 2015				
Europe	183	363	57	**603**
Americas	92	86	48	**226**
Asia/Pacific	155	100	29	**284**
TOTAL	**430**	**549**	**134**	**1,113**

Including shop-in-shops and outlets, the total number of **retail stores** operated by HUGO BOSS worldwide rose by a net figure of six to 1,119 (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 eleven to 194 stores. The Group particularly expanded its presence in Great Britain, Italy, Poland and the Netherlands by opening a total of 20 new stores. Nine 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 increase of three in the number of the Group's own retail stores to 606 (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. Three new openings in the United States coincided with two closures in the same period. The total number of the Group's own retail stores increased by five to a total of 231, 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. Six new openings in New Zealand, Australia and Korea contrasted with eight closures in the region. Including all shop-in-shops and outlets, there was a net decrease of two to a total of 282 of the Group's own retail stores in this region (December 31, 2015: 284).

EARNINGS DEVELOPMENT

INCOME STATEMENT (in EUR million)

	Jan. – Sep. 2016	**In % of sales**	Jan. – Sep. 2015	In % of sales	Change in %
Sales	**1,967.7**	**100.0**	**2,058.7**	**100.0**	**(4)**
Cost of sales	(680.9)	(34.6)	(711.7)	(34.6)	4
Gross profit	**1,286.8**	**65.4**	**1,347.0**	**65.4**	**(4)**
Selling and distribution expenses	(838.7)	(42.6)	(812.9)	(39.5)	(3)
Administration costs	(203.8)	(10.4)	(200.7)	(9.7)	(2)
Other operating income and expenses	(65.7)	(3.3)	(3.6)	(0.2)	<(100)
Operating result (EBIT)	**178.6**	**9.1**	**329.8**	**16.0**	**(46)**
Net interest income/expenses	(1.8)	(0.1)	(5.2)	(0.2)	65
Other financial items	(5.5)	(0.3)	(19.8)	(1.0)	72
Financial result	**(7.3)**	**(0.4)**	**(25.0)**	**(1.2)**	**71**
Earnings before taxes	**171.3**	**8.7**	**304.8**	**14.8**	**(44)**
Income taxes	(41.1)	(2.1)	(70.1)	(3.4)	41
Net income	**130.2**	**6.6**	**234.7**	**11.4**	**(45)**
Attributable to:					
Equity holders of the parent company	130.2	6.6	234.6	11.4	(45)
Non-controlling interests	0.0	0.0	0.1	0.0	
Earnings per share (EUR)[1]	**1.89**		**3.40**		**(45)**
EBITDA	**285.9**	**14.5**	**419.3**	**20.3**	**(32)**
EBITDA related special items	(59.8)	(3.1)	(3.6)	(0.2)	<(100)
EBITDA before special items	**345.7**	**17.6**	**422.9**	**20.5**	**(18)**
Income tax rate in %	**24**		**23**		

[1] Basic and diluted earnings per share.

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

In the first nine 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. Three of these closures had been completed as of September 30, 2016. HUGO BOSS expects the store closures to generate a positive effect on profits in 2017 and beyond. However, within the current fiscal year non-recurring expenses of EUR 49 million have incurred, which are reported within "Other operating expenses and income". The expenses include provisions and impairments in connection with planned store closures and already settled compensation payments for lessors.

Gross profit margin of 65.4% unchanged over the prior year

Gross profit at the end of the first nine months of fiscal year 2016 stood at EUR 1,287 million, down 4% on the prior year (prior year: EUR 1,347 million). At 65.4%, the **gross profit margin** was unchanged over the prior year (prior year: 65.4%). 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 came to EUR 839 million in the first nine months of 2016, up 3% on the prior-year figure (prior year: EUR 813 million). Relative to sales, they rose from 39.5% to 42.6%, primarily as a result of the lower sales. In particular, the Group's own retail business contributed to the 5% increase in selling expenses in the reporting period. Relative to sales, selling expenses accounted for 33.1% (prior year: 30.2%). Marketing expenses were more or less stable compared with the comparable prior-year period. As a proportion of sales, they remained unchanged at 6.5 % compared with the prior year (prior year: 6.5 %). Logistics expenses increased by 1% over the comparable prior-year period and, at 2.8% 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.

Slight increase in administration expenses

Administration expenses came to EUR 204 million in the first nine months of 2016, up 2% on the prior-year figure (prior year: EUR 201 million). Relative to sales, they stood at 10.4% (prior year: 9.7 %). General administration expenses rose at a disproportionately low rate due to cost savings recorded in the nine-month period. At 7.9% of sales, they were only slightly higher than in the prior year (prior year: 7.4 %). Research and development costs incurred in the creation of fashion collections decreased by 1% compared to the prior-year period but accounted for 2.4% of sales, slightly more than in the prior year (prior year: 2.3 %).

Group net income burdened by special items

The net expenses arising from **other operating expenses and income** came to EUR 66 million in the first nine months (prior year: EUR 4 million). Non-recurring expenses arose in particular 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 and already settled payments stand at EUR 43 million and particularly relate to 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 period under review.

Decline in EBITDA before special items

At EUR 346 million, the internal performance indicator **EBITDA before special items** was down 18% on the prior year (prior year: EUR 423 million). The adjusted EBITDA margin came to 17.6%, down 290 basis points on the prior year (prior year: 20.5%). This is mainly attributable to the lower sales, which were only partially offset by cost savings. **Amortization and depreciation** came to EUR 107 million, up 20% 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 90 million). At the end of the first nine months of fiscal year 2016, **EBIT** stood at EUR 179 million, down 46% on the prior year (prior year: EUR 330 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 nine months of fiscal year 2016 to EUR 7 million (prior year: EUR 25 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.

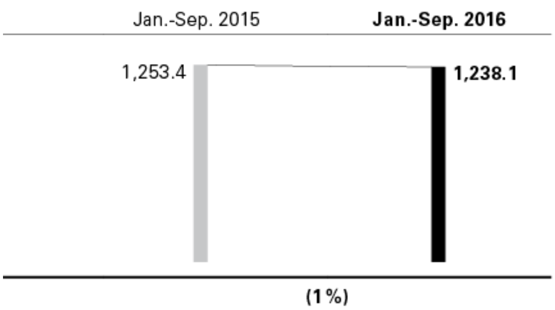
Group's net income below prior-year period

Earnings before taxes at the end of the first nine months stood at EUR 171 million, down 44% on the prior year (prior year: EUR 305 million). At 24%, the Group's tax rate was slightly above the prior-year period (prior year: 23%). In the first nine months of fiscal year 2016, **net income** therefore declined by 45% to EUR 130 million (prior year: EUR 235 million). The Group's net income attributable to equity holders also fell by 45% to EUR 130 million (prior year: EUR 235 million). **Earnings per share** consequently fell by 45% to EUR 1.89 compared to the prior year (prior year: EUR 3.40).

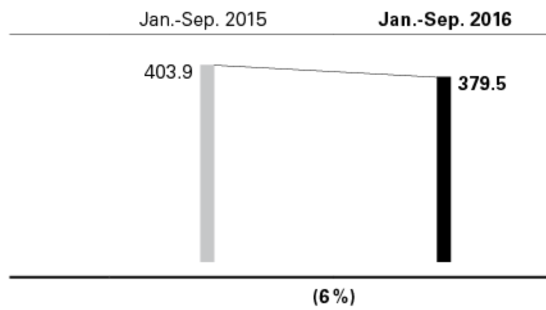
SALES AND PROFIT DEVELOPMENT OF THE BUSINESS SEGMENTS

EUROPE

02|01 SALES DEVELOPMENT EUROPE
(in EUR million)



02|02 PROFIT DEVELOPMENT EUROPE
(in EUR million)



Currency-adjusted increase of 1% in sales

In the first nine months of fiscal year 2016, **sales** in the reporting currency in **Europe** including the Middle East and Africa decreased by 1% to EUR 1,238 million (prior year: EUR 1,253 million) but rose by 1% in local currencies.

Sales in region determined by Group's own retail business

Sales in the **Group's own retail business** climbed slightly to EUR 687 million in Europe in the reporting period (prior year: EUR 685 million). An increase of 3% was achieved in local currencies. On the other hand, sales with **wholesale** customers declined by 3% to EUR 551 million in the reporting currency in the same period (prior year: EUR 569 million) and by 1 % in local currencies.

Mixed conditions in the core markets

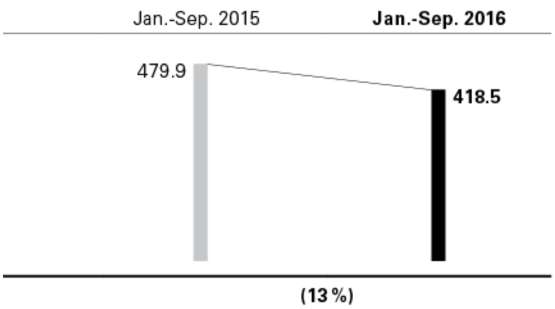
At EUR 335 million, sales in **Germany** were down 5 % on the comparable prior-year period (prior year: EUR 352 million). This was primarily due to the decline in sales in the Group's own retail business. Sales in the wholesale channel were also lower. In **Great Britain**, sales in the reporting currency came to EUR 225 million, down 2% on the prior-year period (prior year: EUR 230 million). This was due to the depreciation of the pound sterling against the euro. However, sales were up 8% in the local currency. Both distribution channels contributed to this positive performance. In **France**, sales came to EUR 134 million, down 4% on the comparable prior-year period (prior year: EUR 140 million). Reflecting the continuing consolidation in the wholesale channel, sales in the **Benelux countries** came to EUR 99 million and were therefore 7% down on the prior-year period (prior year: EUR 107 million). The Group's own retail business in this market also contracted during the reporting period.

Segment profit down on prior year

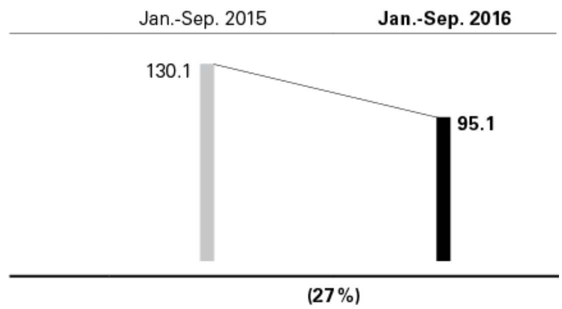
At EUR 380 million, **segment profit** in Europe was down 6% on the comparable prior-year period (prior year: EUR 404 million). This was due to higher selling and marketing expenses, particularly in connection with the Group's own retail business. The adjusted EBITDA margin narrowed by 150 basis points to 30.7% (prior year: 32.2%).

AMERICAS

02|03 SALES DEVELOPMENT AMERICAS
(in EUR million)



02|04 PROFIT DEVELOPMENT AMERICAS
(in EUR million)



Region sales decrease
In the **Americas** sales in the reporting currency fell by 13% over the prior-year period to EUR 419 million (prior year: EUR 480 million). In currency-adjusted terms, sales in this region were down by 10%.

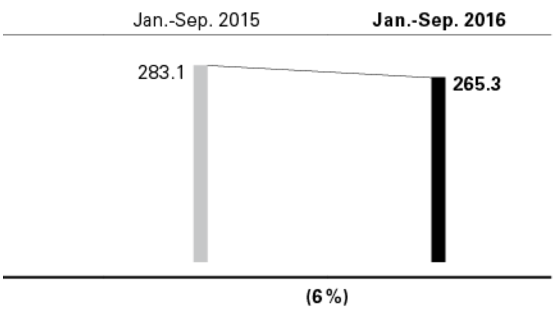
Substantial currency-adjusted decline in wholesale channel sales
Sales in the **Group's own retail business** contracted by 6% in the reporting currency, amounting to EUR 257 million in the first nine months (prior year: EUR 273 million). This is equivalent to a currency-adjusted decline of 3% in sales. Sales in the **wholesale channel** reached EUR 161 million in the first nine months of fiscal year 2016 (prior year: EUR 207 million). Accordingly, sales in this distribution channel decreased by 22% in the Group currency and by 20% in local currencies. This was due to more selective distribution, particularly of the BOSS core brand, softening demand on the part of wholesale partners and takeovers of shop-in-shops.

Disparate sales development in region's individual markets
Sales in the **United States** declined by 17% to EUR 317 million in the Group's reporting currency as well as in the local currency in the first nine months of fiscal year 2016 (prior year: EUR 384 million). In **Canada**, sales in the Group's reporting currency climbed by 1% to EUR 55 million (prior year: EUR 54 million). They were up 6% in currency-adjusted terms. Despite the challenging macroeconomic conditions, sales in **Central and South America** rose by 12% in the reporting currency to EUR 47 million (prior year: EUR 42 million). They were up 31% 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.

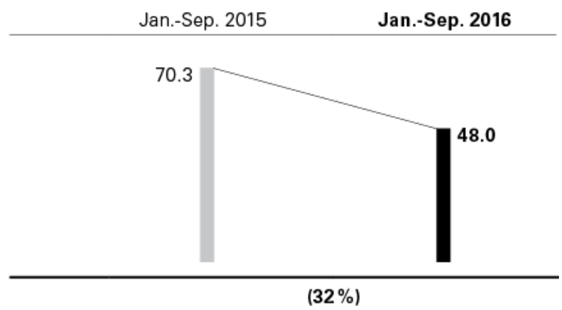
Segment profit burdened by sales development in the United States
At EUR 95 million, **segment profit** in the Americas was down 27% on the prior-year period (prior year: EUR 130 million). This was due to lower sales in the United States and higher discounting. At the end of the first nine months of 2016, the adjusted EBITDA margin stood at 22.7%, 440 basis points down on the prior year (prior year: 27.1%).

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 nine months of 2016, **sales** in **Asia/Pacific** decreased by 6% over the prior year to EUR 265 million in the reporting currency (prior year: EUR 283 million). Market contractions in Hong Kong and Macau as well as price adjustments in China, which it was not possible to fully compensate through increased volumes, caused sales to decrease by 5% in local currencies.

Slight decline in sales in the Group's own retail business

Sales in the **Group's own retail business** in this region fell by 2% to EUR 239 million in the reporting currency (prior year: EUR 243 million). Local currency sales, by contrast, remained stable over the prior-year period. At EUR 27 million, sales with **wholesale** customers were down 33% from the prior year in the Group's reporting currency (prior year: EUR 40 million). Currency-adjusted sales fell by 32 %. Takeovers of selling space previously operated by wholesale partners made a material contribution towards this.

Disparate sales in the individual markets

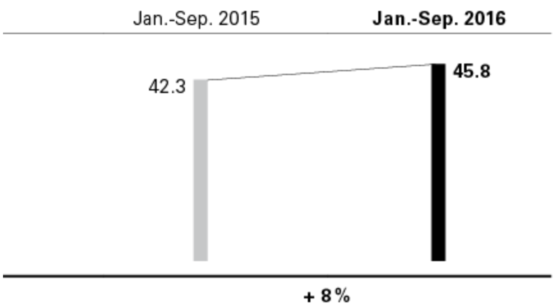
Sales in **China** came to EUR 146 million and were therefore down 14% on the prior year in the Group's reporting currency (prior year: EUR 170 million). This translates into a currency-adjusted decline of 11%. Business in mainland China was substantially stronger than in Hong Kong and Macau. These latter two markets are also considered to be China. At EUR 42 million, sales in **Oceania** were down 2% on the comparable prior-year period (prior year: EUR 43 million). However, currency-adjusted sales in this market were up 1%. Sales in **Japan** also increased. At EUR 33 million, they were up 11% on the prior-year period (prior year: EUR 29 million), which is equivalent to a currency-adjusted increase of 1%.

Segment profit decrease

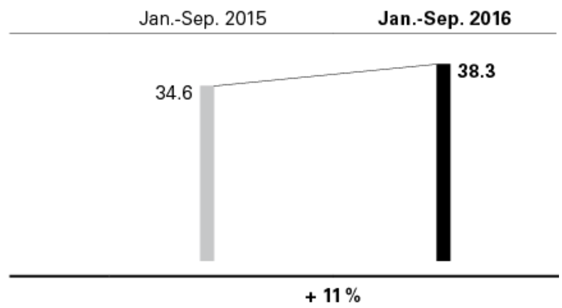
At EUR 48 million, **segment profit** in Asia/Pacific was down 32% on the comparable prior-year period (prior year: EUR 70 million). This was largely due to lower sales. At 18.1%, the adjusted EBITDA margin was significantly down on the prior year (prior year: 24.8%).

LICENSES

02|07 SALES DEVELOPMENT LICENSES
(in EUR million)



02|08 PROFIT DEVELOPMENT LICENSES
(in EUR million)



License business up 8%

Sales in **license business** increased by 8% to EUR 46 million in the first nine months of the year in the Group's reporting currency and in local currencies (prior year: EUR 42 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 38 million, the license **segment profit** was 11% up on the comparable prior-year period (prior year: EUR 35 million).

NET ASSETS

02|09 STATEMENT OF FINANCIAL POSITION (in %)

ASSETS	Sep. 30, 2015	**Sep. 30, 2016**
Property, plant and equipment and intangible assets	34	**35**
Inventories	31	**31**
Trade receivables	14	**12**
Other assets	18	**18**
Cash and cash equivalents	3	**4**
TOTAL	100	**100**
ASSETS (in EUR million)	1,751.3	**1,741.3**

Total assets down 1% on the prior year

At the end of the first nine months of 2016, **total assets** were valued at EUR 1,741 million and were therefore 1% lower than in the comparable prior-year period (September 30, 2015: EUR 1,751 million). At 55%, the **share of current assets** was below the prior-year level (September 30, 2015: 57 %). Accordingly, the **share of non-current assets** came to 45% as of September 30, 2016 (September 30, 2015: 43 %).

At EUR 619 million at the end of the reporting period, **property, plant and equipment and intangible assets** were up 5% on the prior-year period (September 30, 2015: EUR 591 million). This was due in particular to increased capital expenditure in the fourth quarter of fiscal year 2015.

Currency-adjusted decrease of 1% in inventories

Inventories were 1% lower than in the prior year in both the Group's reporting currency and in local currencies, amounting to a total of EUR 537 million on September 30, 2016 (September 30, 2015: EUR 544 million). Double-digit declines were recorded in the Americas and Asia/Pacific, which were primarily due to systematic inventory management.

Decrease in trade receivables

Trade receivables fell by 15% to EUR 211 million compared to the prior-year period (September 30, 2015: EUR 248 million). Adjusted for currency effects, this equates to a decrease of also 15%. This primarily reflects lower sales and rigorous receivables management.

Other assets fell by 2% over the prior year to EUR 307 million (September 30, 2015: EUR 313 million). A decline in accrued tax assets as a result of less temporary differences was partially offset by higher income tax receivables in connection with the declining earnings development.

At EUR 67 million, **cash and cash equivalents** were up 20% over the prior year (September 30, 2015: EUR 56 million).

02|10 STATEMENT OF FINANCIAL POSITION (in %)

EQUITY AND LIABILITIES	Sep. 30, 2015	**Sep. 30, 2016**
Shareholders' equity	49	**46**
Provisions and deferred taxes	11	**13**
Trade payables	13	**12**
Other liabilities	12	**11**
Financial liabilities	15	**18**
TOTAL	100	**100**
EQUITY AND LIABILITIES (in EUR million)	1,751.3	**1,741.3**

Decrease in equity ratio to 46%

Equity decreased by 6% to EUR 807 million as of the reporting date (September 30, 2015: EUR 860 million). Consequently, the **equity ratio** fell to 46% (September 30, 2015: 49%).

At EUR 232 million, **provisions and deferred taxes** were up 18% on the prior year (September 30, 2015: EUR 196 million). This includes provisions for pensions and other personnel expenses amounting to EUR 114 million (September 30, 2015: EUR 103 million). Other provisions came to EUR 110 million (September 30, 2015: EUR 84 million) and deferred tax liabilities to EUR 8 million (September 30, 2015: EUR 9 million). The increase in provisions compared with September 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 6% over the prior year to EUR 212 million (September 30, 2015: EUR 226 million). In currency-adjusted terms, this was a decline of also 6%.

Other liabilities decreased by 14% compared to the prior-year period to EUR 182 million (September 30, 2015: EUR 213 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 prior year is primarily due to lower current income tax payables in connection with the declining earnings development.

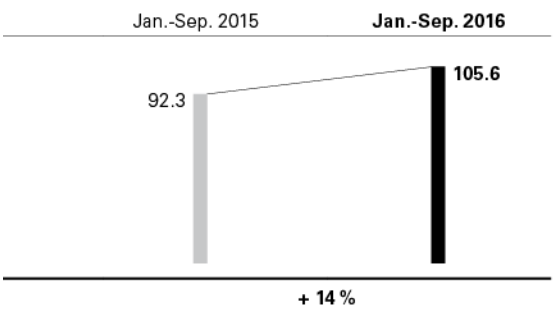
Total **current and non-current financial liabilities** increased by 20% to EUR 308 million as of the reporting date (September 30, 2015: EUR 257 million). This was materially driven by the development of earnings in the first nine months of fiscal year 2016. Due to favorable interest rates, in addition to the utilization of EUR 117 million (September 30, 2015: EUR 118 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 down 5%

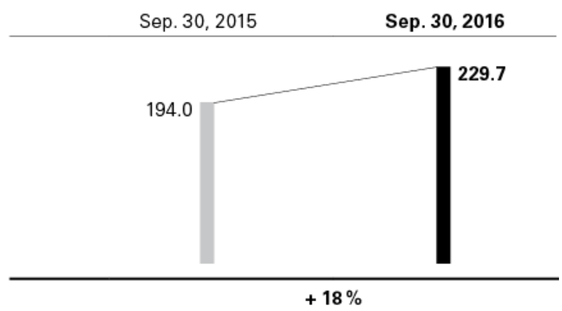
Trade net working capital is the HUGO BOSS Group's key performance indicator for measuring the efficiency of capital employed. The only components factored into the calculation of this indicator are inventories, trade receivables and trade payables. Trade net working capital fell by 5% over the prior year to EUR 536 million (September 30, 2015: EUR 566 million). This corresponds to a similar decline of 5% in local currencies. The decrease in inventories and in trade receivables was partially counterbalanced by reduced trade payables. At 19.7 %, the moving average of **trade net working capital as a percentage of sales** on the basis of the last four quarters was 10 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)



14% increase in free cash flow in the nine-month period

Free cash flow, measured as the cash inflow from operating activities and the cash outflow from investing activities, came to EUR 106 million in the reporting period (prior year: EUR 92 million).

At EUR 222 million, **cash flow from operating activities** was down 7% on the prior-year period (prior year: EUR 237 million). The positive effects of the strict management of trade net working capital did not fully compensate the lower profit. The **cash outflow from investing activities** came to EUR 116 million, 20% down on the prior-year period (prior year: EUR 145 million). In the first nine months of 2016 the main focus of capital expenditure, which was substantially lower than in the prior year, was again on the Group's own retail business.

The **cash outflow from financing activities** totaled EUR 119 million at the end of the nine-month period (prior year: EUR 165 million). This was due to an increase in current and non-current financial liabilities over the prior year. With EUR 250 million, the dividend payment was unchanged over the prior year (prior year: EUR 250 million).

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

Cash and cash equivalents increased due to the described cash flows to EUR 67 million as of the reporting date (September 30, 2015: EUR 56 million).

Earnings development causes increase in net financial liabilities

Net financial liabilities, the total of all financial liabilities due to banks less cash and cash equivalents, increased compared to the first nine months of the prior year to EUR 230 million (prior year: EUR 194 million). This was materially driven by the development of earnings in the first nine months of fiscal year 2016 and the dividend payment, which was unchanged over the prior year.

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 119 million in the first nine months of 2016, down 16% on the prior year (prior year: EUR 141 million).

Accounting for 65 % of the total, the **Group's own retail business** remained the focus of capital expenditure activity in the reporting period (prior year: 64%). This translates into total capital expenditure of EUR 78 million (prior year: EUR 90 million). Capital expenditure on **openings** of the Group's own new retail stores came to EUR 41 million in the first nine months of fiscal year 2016 (prior year: EUR 47 million). In Europe, new retail stores were opened in Madrid, Lyons and Cannes among other places. In the Americas, an attractive new site was added with the opening of a store at the World Trade Center in New York. In addition, EUR 37 million was spent on the **renovation and modernization** of existing retail stores in the reporting period (prior year: EUR 43 million). Capital expenditure particularly concentrated on Europe, where, among other things, stores in Hamburg, London and Barcelona were modernized.

Investments in the **production, logistics and distribution structure** and in **research and development** came to EUR 12 million (prior year: EUR 23 million). Capital expenditure on **administration** came to EUR 29 million in the first nine months of fiscal year 2016 (prior year: EUR 28 million) and primarily relates to the expansion of IT infrastructure, including for 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 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 some core markets and the specific challenges facing HUGO BOSS will burden the Company's financial results. Group sales should remain flat or decline slightly on a currency-adjusted basis. The Group's operating profit (EBITDA before special items) is expected to decrease by between 17% and 23%. Disciplined cost management will mitigate the profit impact of the expected comp store sales decline in own retail.

SUBSEQUENT EVENTS

Between the end of the third quarter 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 the current knowledge of the Management 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 3.1%
In October, the IMF reduced its forecast for **global economic growth** for 2016 for the third time to now 3.1%. The forecast was adjusted to allow for heightened uncertainty in the wake of the Brexit vote and lower-than-expected growth in the United States. However, the IMF raised its growth forecast for Europe to 1.7%. Growth should be supported by low oil prices and monetary policies. The IMF has lowered its forecast for **U.S.** growth to 1.6% as the economy was weaker than expected in the first half of the year. The negative effects of the strong dollar, lower investments in the oil sector and uncertainty ahead of the presidential election are placing a damper on growth.

With respect to **Latin America**, the IMF now expects economic output to contract by 0.6%, which is somewhat more than originally projected. Conditions in the region are very mixed. While the recession in Brazil is not expected to worsen any further, Venezuela and Argentina are likely to sink deeper into recession. According to the IMF, the **Asian economy** will now grow at a slightly slower pace than originally assumed of 6.5% in 2016. 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. In Japan, growth is likely to remain weak. 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 will dampen the negative effects. India and smaller emerging markets in Asia should continue to benefit from strong domestic demand and grow swiftly.

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. Generally speaking, the outlook is fraught with great uncertainty and, aside from a few exceptions, has continued to deteriorate year to date. 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 and reducing costs. 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**, the industry outlook is fraught with high levels of uncertainty in 2016. In particular, weaker business with tourists and heightened fears of terrorist attacks are burdening industry trends. Additional pressure is coming from the uncertainty surrounding the Brexit vote and the possible negative effects that it may have on consumer confidence. The premium apparel industry is expected to underperform the premium and luxury goods industry as a whole. 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. This is expected to be reflected in continued elevated discounting in the wholesale channel. Volatile equity markets, insecurity 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 revival of local demand. The **Asian premium and luxury goods market** is set to remain stable. The closer harmonization of price structures in the region with those in Europe and the United States, stricter visa requirements for trips to Europe and increased 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 strongly as in 2015 in view of the appreciation of the yen and a decline in tourism, and also further significant sales declines are expected in Hong Kong and Macau.

Group sales stable to slightly lower

HUGO BOSS anticipates 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 industry in 2016, the Group anticipates that sales on a currency-adjusted basis will remain stable or decrease by up to 3%. Accordingly, sales performance will be weaker than the global economy and the industry as a whole.

OUTLOOK 2016

SALES (CURRENCY-NEUTRAL)	Stable to -3%
EBITDA BEFORE SPECIAL ITEMS	Decline between 17% and 23% compared to prior year
CAPITAL EXPENDITURE	EUR 160 million to EUR 180 million
FREE CASHFLOW	Stable compared to prior year

Sales held back by declines in the Americas and Asia

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 increased 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 will be aligning its sales prices in Asia more closely to those in Europe and the United States in 2016. However, the expected volume uplift will not fully compensate the negative price effect at least in the short term. Performance in Europe though, the Group’s largest region, is expected to be better compared to the two other regions. Nonetheless, the muted industry conditions will have a dampening effect on sales. Revenues in the license segment should grow.

Management of the Group’s own retail business aims at achieving greater integration of sales channels

The Group's own retail business will likely perform better than the Group as a whole in 2016. However, comp store sales are expected to decrease by up to 7% on a currency-adjusted basis. 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 enable it to offer omnichannel services in the future. In addition, further key activities include the relaunch of the hugoboss.com web site and the introduction of a mobile app.

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 expanding its control over the distribution of the core BOSS brand in American wholesale business by taking over shop-in-shops at its retail partners' stores. All told, the expansion of the Group's own store network and the takeovers are expected to make a contribution of a mid to high single-digit percentage 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 prior year.

Sales in wholesale business expected to be lower

Wholesale sales are expected to contract 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 retail instead of wholesale. Subdued global demand from wholesale partners, who are reducing their orders based on a more muted market outlook, 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 anticipates that the gross profit margin will remain stable overall in the year as a whole.

Improved cost efficiency limiting the increase in operating expenses

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 will be taking control of order processing in its online business in Europe. In addition, HUGO BOSS will be investing in brand communication activities to support customer demand in the menswear segment in particular. Accordingly, marketing expenses will remain on a par with 2015 relative to sales. At the same time, the Group has initiated a program for improving its cost efficiency. In particular, these measures entail the renegotiation of leases for its own retail stores, the reduction of operating overhead costs and the premature closure of loss-making stores. Accordingly, the Group expects to be able to reduce the increase in operating expenses to a substantially lower rate compared with the prior 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 reflects the sales decline in particular, which will be offset only partially by cost savings. 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, predominantly as a result of special items incurred during the first half year in connection with the planned store closures. The financial result however should improve due to less pronounced exchange rate effects, which had a considerable negative effect in the prior year.

Trade net working capital is expected to remain stable relative to sales

Rigorous management of trade net working capital continues to be given high priority in order to support the development of the operating cash flow. In 2016, the Group is striving to keep trade net working capital stable as a percentage of sales. A decline is expected in absolute terms. A disciplined approach to inventory management will materially contribute to this.

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 outlook. 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 prior year, a reduced rate of expansion in the Group's own retail business compared with the prior year and a stringent focus on projects making the greatest positive contribution to enterprise value, the investment volume will decrease to between EUR 160 million and EUR 180 million in 2016.

Free cash flow is likely to remain stable compared with the prior year

The Group expects free cash flow to remain at a similarly high level compared with the prior year in 2016. The positive effects from the rigorous management of trade net working capital and a reduction in investments are likely to 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, a loss of attractiveness on the part of the Group brands, rising costs in sourcing processes and unexpected fluctuations 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 nine months of fiscal year 2016 was prepared.

Metzingen, October 21, 2016

HUGO BOSS AG
The Managing Board

Mark Langer
Bernd Hake
Ingo Wilts

3

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED INCOME STATEMENT (in EUR million)

	2016	2015
Sales	**1,967.7**	**2,058.7**
Cost of sales	(680.9)	(711.7)
Gross profit	**1,286.8**	**1,347.0**
In % of sales	65.4	65.4
Selling and distribution expenses	(838.7)	(812.9)
Administration expenses	(203.8)	(200.7)
Other operating income and expenses	(65.7)	(3.6)
Operating result (EBIT)	**178.6**	**329.8**
Net interest income/expenses	(1.8)	(5.2)
Other financial items	(5.5)	(19.8)
Financial result	**(7.3)**	**(25.0)**
Earnings before taxes	**171.3**	**304.8**
Income taxes	(41.1)	(70.1)
Net income	**130.2**	**234.7**
Attributable to:		
Equity holders of the parent company	130.2	234.6
Non-controlling interests	0.0	0.1
Earnings per share (EUR)[1]	**1.89**	**3.40**

[1] Basic and diluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR million)

	2016	2015
Net income	**130.2**	**234.7**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(7.7)	(1.5)
Remeasurements of defined benefit plans (gross)	(9.9)	(2.1)
Income taxes	2.2	0.7
Items to be reclassified subsequently to profit or loss		
Currency differences	(22.0)	35.1
Gains/losses from cash flow hedges	(0.1)	(2.7)
Other comprehensive income, net of tax	**(29.8)**	**30.9**
Total comprehensive income	**100.4**	**265.6**
Attributable to:		
Equity holders of the parent company	100.4	265.5
Non-controlling interests	0.0	0.1
Total comprehensive income	**100.4**	**265.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF THE HUGO BOSS GROUP AS OF SEPTEMBER 30, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in EUR million)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 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**
January 1, 2015	**70.4**	**(42.3)**	**0.4**	**6.6**	**794.7**	**15.3**	**(0.6)**	**844.5**	**(0.5)**	**844.0**
Net income					234.6			234.6	0.1	234.7
Other income					(1.5)	35.1	(2.7)	30.9	0.0	30.9
Comprehensive income					**233.1**	**35.1**	**(2.7)**	**265.5**	**0.1**	**265.6**
Dividend payment					(249.8)			(249.8)		(249.8)
Acquisition of non-controlling interests					(0.1)			(0.1)		(0.1)
September 30, 2015	**70.4**	**(42.3)**	**0.4**	**6.6**	**777.9**	**50.4**	**(3.3)**	**860.1**	**(0.5)**	**859.6**
January 1, 2016	**70.4**	**(42.3)**	**0.4**	**6.6**	**866.5**	**54.4**	**0.2**	**956.2**	**(0.5)**	**955.7**
Net income					130.2			130.2	0.0	130.2
Other income					(7.7)	(22.0)	(0.1)	(29.8)		(29.8)
Comprehensive income					**122.5**	**(22.0)**	**(0.1)**	**100.4**	**0.0**	**100.4**
Changes in basis of consolidation					(0.7)			(0.7)	1.3	0.6
Dividend payment					(249.8)			(249.8)		(249.8)
September 30, 2016	**70.4**	**(42.3)**	**0.4**	**6.6**	**738.5**	**32.4**	**0.1**	**806.1**	**0.8**	**806.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

CONSOLIDATED STATEMENT OF CASH FLOWS (in EUR million)

	2016	2015
Net income	130.2	234.7
Depreciation/amortization	107.3	89.5
Unrealized net foreign exchange gain/loss	(3.2)	17.9
Other non-cash transactions	5.4	0.5
Income tax expense/refund	41.1	70.1
Interest income and expenses	1.8	5.2
Change in inventories	15.6	(15.7)
Change in receivables and other assets	23.0	(16.8)
Change in trade payables and other liabilities	(62.6)	(11.6)
Result from disposal of non-current assets	(2.2)	(1.8)
Change in provisions for pensions	2.2	(4.9)
Change in other provisions	37.6	(3.9)
Income taxes paid	(73.8)	(123.7)
Cash flow from operations	**222.4**	**239.5**
Interest paid	(1.7)	(3.2)
Interest received	0.8	1.0
Cash flow from operating activities	**221.5**	**237.3**
Investments in property, plant and equipment	(96.6)	(102.3)
Investments in intangible assets	(19.1)	(23.5)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	(2.9)	(20.3)
Cash receipts from disposal of property, plant and equipment and intangible assets	2.7	1.1
Cash flow from investing activities	**(115.9)**	**(145.0)**
Dividends paid to equity holders of the parent company	(249.8)	(249.8)
Change in current financial liabilities	92.2	69.2
Cash receipts from non-current financial liabilities	41.8	17.1
Repayment of non-current financial liabilities	(3.1)	(1.5)
Cash outflows for the purchase of additional interests in subsidiaries	0.0	(0.1)
Cash flow from financing activities	**(118.9)**	**(165.1)**
Exchange-rate related changes in cash and cash equivalents	(1.1)	0.0
Change in cash and cash equivalents	**(14.4)**	**(72.8)**
Cash and cash equivalents at the beginning of the period	81.4	128.6
Cash and cash equivalents at the end of the period	**67.0**	**55.8**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 // GENERAL INFORMATION

The interim financial statements of HUGO BOSS AG as of September 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 October 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 nine months 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:

	Currency	Average rate			Closing rate		
Country	1 EUR =	**Sep. 2016**	Sep. 2015	Dec. 2015	**Sep. 30, 2016**	Sep. 30, 2015	Dec. 31, 2015
Australia	AUD	1.4787	1.5888	1.5025	1.4642	1.6009	1.4897
China	CNY	7.4845	7.1510	7.0179	7.4820	7.1316	7.0608
Great Britain	GBP	0.8515	0.7310	0.7253	0.8614	0.7391	0.7340
Hong Kong	HKD	8.6987	8.7016	8.4311	8.7021	8.6831	8.4376
Japan	JPY	114.4273	134.9413	132.3842	113.8800	134.3800	131.0700
Switzerland	CHF	1.0927	1.0913	1.0826	1.0876	1.0901	1.0835
U.S.A.	USD	1.1215	1.1228	1.0878	1.1221	1.1204	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 September 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 September 30, 2016.

6 // BUSINESS COMBINATIONS/ACQUISITIONS OF OTHER BUSINESS UNITS

In the first nine months 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)

	Sep. 30, 2016
Purchase consideration transferred	
Agreed purchase price	2.9
Liabilities incurred	0.0
Total purchase price	**2.9**
Fair Value of the acquired assets and liabilities assumed	
Intangible assets	0.0
Property, plant and equipment	0.9
Inventories	0.7
Total assets	**1.6**
Total liabilities	**0.0**
Goodwill	**1.3**

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 2.8 million in the first nine 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 nine months of 2016 and in the comparable period in 2015.

7 // SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

In the first nine 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. Three of these closures had been completed as of September 30, 2016. HUGO BOSS expects the store closures to generate a positive effect on profits in 2017 and beyond. However, within the current fiscal year non-recurring expenses of EUR 49 million have incurred, which are reported within “Other operating expenses and income”. The expenses include provisions and impairments in connection with planned store closures and already settled compensation payments for lessors.

COST OF SALES

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Cost of purchase	590.1	622.0
Cost of conversion	90.8	89.7
TOTAL	**680.9**	**711.7**

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. – Sep. 2016	Jan. – Sep. 2015
Expenses for Group's own retail business, sales and marketing organization	655.2	623.6
Marketing expenses	128.1	134.4
Logistics expenses	55.4	54.9
TOTAL	**838.7**	**812.9**

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. – Sep. 2016	Jan. – Sep. 2015
General administrative expenses	155.9	152.5
Research and development costs	47.9	48.2
TOTAL	**203.8**	**200.7**

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

The net expenses arising from other operating expenses and income came to EUR 66 million in the first nine months (prior year: EUR 4 million). Non-recurring expenses arose in particular 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 and already settled payments stand at EUR 43 million and particularly relate to 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 period under review.

PERSONNEL EXPENSES

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Wages and salaries	389.2	357.4
Social security	60.2	60.4
Expenses and income for retirement and other employee benefits	5.8	5.5
TOTAL	**455.2**	**423.3**

EMPLOYEES

	Sep. 30, 2016	Dec. 31, 2015
Industrial employees	5,061	5,043
Commercial and administrative employees	10,573	10,263
TOTAL	**15,634**	**15,306**

AMORTIZATION AND DEPRECIATION

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Non-current assets		
Property, plant and equipment	89.2	75.6
Intangible assets	18.1	13.9
TOTAL	**107.3**	**89.5**

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 nine months of the fiscal year (prior year: EUR 0 million).

COST OF MATERIALS

In the first nine months of 2016, the cost of materials amounted to EUR 570 million (2015: EUR 538 million).

8 // EARNINGS PER SHARE

	Jan. – Sep. 2016	Jan. – Sep. 2015
Net income attributable to equity holders of the parent company (in EUR million)	130.2	234.6
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) (in EUR)[2]	1.89	3.40

[1] Not including own shares.

[2] 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 September 30, 2016, or September 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 nine 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 32.4 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 as at September 30, 2016 in connection with the planned closures are valued at EUR 36 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 1 million as at September 30, 2016. The LTI has an average remaining period of 3.3 years.

13 // PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions increased from EUR 39 million as at December 31, 2015 to EUR 52 million as at September 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 SEPTEMBER 30, 2016

The following assumptions were applied:

Actuarial assumptions	**Sep. 30, 2016**	Dec. 31, 2015
Discount rate		
Germany	1.52%	2.50%
Switzerland	0.19%	0.90%
Turkey	10.13%	10.00%
Future pension increases		
Germany	1.75%	1.75%
Switzerland	0.00%	0.00%
Turkey	0.00%	0.00%
Future salary increases		
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 nine months of fiscal year 2016.

BREAKDOWN OF PENSION EXPENSES IN THE PERIOD

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Current service cost	3.7	5.4
Past service cost	0.0	0.0
Net interest costs	0.7	0.8
Pension expenses recognized in the consolidated income statement	**4.4**	**6.2**
Return from plan assets (without interest effects)	0.0	(2.3)
Recognized actuarial (gains)/losses	9.9	(1.9)
Asset ceiling (without interest effects of asset ceiling)	0.0	6.3
Remeasurement of the carrying amount recognized in the consolidated statement of comprehensive income	**9.9**	**2.1**

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)

		Sep. 30, 2016		Dec. 31, 2015	
Assets	IAS 39 category	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	LaR	67.0	67.0	81.4	81.4
Trade receivables	LaR	210.7	210.7	239.6	239.6
Other financial assets		43.2	43.2	51.4	51.4
Thereof:					
Available for sale	AfS	0.1	0.1	0.5	0.5
Undesignated derivatives	FAHfT	0.3	0.3	5.9	5.9
Derivatives subject to hedge accounting	n.a.	0.4	0.4	0.7	0.7
Other financial assets	LaR	42.4	42.4	44.3	44.3
Liabilities					
Financial liabilities due to banks	FLAC	296.7	299.7	163.6	165.5
Trade payables	FLAC	212.1	212.1	271.5	271.5
Other financial liabilities		11.5	11.5	12.8	12.8
Thereof:					
Undesignated derivatives	FLHfT	3.5	3.5	3.3	3.3
Derivatives subject to hedge accounting	n.a.	0.2	0.2	0.5	0.5
Liabilities from financial leases	n.a.	7.8	7.8	9.0	9.0
Other financial liabilities	FLAC	0.0	0.0	0.0	0.0
Total for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	320.1	320.1	365.3	365.3
Available-for-Sale investments	AfS	0.1	0.1	0.5	0.5
Financial Assets Held for Trading	FAHfT	0.3	0.3	5.9	5.9
Financial Liabilities Measured at Amortised Cost	FLAC	508.8	511.8	435.1	437.0
Financial Liabilities Held for Trading	FLHfT	3.5	3.5	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 September 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 September 30, 2016. During the first nine 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 0.7 million and the liabilities to EUR 3.7 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 31 million (December 31, 2015: EUR 24 million) were hedged and fully designated as an effective hedging instrument. The unrealized losses recognized in other comprehensive income from marking hedges to the market came to EUR 0.1 million (prior year: unrealized losses of EUR 2.7 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**
Sep. 30, 2016						
Cash and cash equivalents	67.0	0.0	67.0	0.0	0.0	67.0
Trade receivables	235.9	(25.2)	210.7	0.0	0.0	210.7
Other financial assets	43.2	0.0	43.2	(0.5)	0.0	42.7
Thereof available-for-sale	0.1	0.0	0.1	0.0	0.0	0.1
Thereof derivatives	0.7	0.0	0.7	(0.5)	0.0	0.2
Thereof other financial assets	42.4	0.0	42.4	0.0	0.0	42.4
TOTAL	**346.1**	**(25.2)**	**320.9**	**(0.5)**	**0.0**	**320.4**
Dec. 31, 2015						
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
TOTAL	**385.7**	**(13.3)**	**372.4**	**(0.9)**	**0.0**	**371.5**

(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
Sep. 30, 2016						
Liabilities due to banks	296.7	0.0	296.7	0.0	0.0	296.7
Trade payables	220.2	(8.1)	212.1	0.0	0.0	212.1
Other financial liabilities	11.5	0.0	11.5	(0.5)	0.0	11.0
Thereof derivatives	3.7	0.0	3.7	(0.5)	0.0	3.2
Thereof other financial liabilities	7.8	0.0	7.8	0.0	0.0	7.8
TOTAL	**528.4**	**(8.1)**	**520.3**	**(0.5)**	**0.0**	**519.8**
Dec. 31, 2015						
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
TOTAL	**454.3**	**(6.4)**	**447.9**	**(0.9)**	**0.0**	**447.0**

The liabilities of EUR 25.2 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 8.1 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[1]	**Americas**	**Asia/Pacific**	**Licenses**	**Total operating segments**
Jan. – Sep. 2016					
Sales	**1,238.1**	**418.5**	**265.3**	**45.8**	**1,967.7**
Segment profit	**379.5**	**95.1**	**48.0**	**38.3**	**560.9**
In % of sales	30.7	22.7	18.1	83.6	28.5
Segment assets	270.2	189.3	91.9	14.9	566.3
Capital expenditure	47.6	25.3	14.3	0.0	87.2
Impairments	(2.0)	(0.4)	(3.5)	0.0	(5.9)
Thereof property, plant and equipment	(1.5)	(0.4)	(3.4)	0.0	(5.3)
Thereof intangible assets	(0.5)	0.0	(0.1)	0.0	(0.6)
Depreciation/amortization	(34.0)	(18.6)	(19.0)	0.0	(71.6)

[1] Including Middle East and Africa.

(in EUR million)

	Europe[1]	Americas	Asia/Pacific	Licenses	Total operating segments
Jan. – Sep. 2015					
Sales	**1,253.4**	**479.9**	**283.1**	**42.3**	**2,058.7**
Segment profit	**403.9**	**130.1**	**70.3**	**34.6**	**638.9**
In % of sales	32.2	27.1	24.8	81.7	31.0
Segment assets	285.4	261.7	112.2	14.0	673.3
Capital expenditure	43.4	27.3	32.3	0.0	103.0
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	(27.9)	(18.7)	(18.4)	0.0	(65.0)

[1] Including Middle East and Africa.

RECONCILIATION

SALES

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Sales - operating segments	**1,967.7**	**2,058.7**
Corporate units	0.0	0.0
Consolidation	0.0	0.0
TOTAL	**1,967.7**	**2,058.7**

OPERATING INCOME

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Segment profit – operating segments	**560.9**	**638.9**
Depreciation/amortization – operating segments	(71.6)	(65.0)
Impairments – operating segments	(5.9)	0.0
Special items – operating segments	(52.6)	(2.4)
Operating income (EBIT) – operating segments	**430.8**	**571.5**
Corporate units	(253.3)	(241.3)
Consolidation	1.1	(0.4)
Operating income (EBIT) HUGO BOSS Group	**178.6**	**329.8**
Net interest income/expenses	**(1.8)**	**(5.2)**
Other financial items	**(5.5)**	**(19.8)**
Earnings before taxes HUGO BOSS Group	**171.3**	**304.8**

SEGMENT ASSETS

(in EUR million)

	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
Segment assets – operating segments	**566.3**	**673.3**	**631.5**
Corporate units	181.3	118.8	167.6
Consolidation	0.0	0.0	0.0
Current tax receivables	25.4	13.3	21.1
Current financial assets	19.3	16.5	29.0
Other current assets	105.9	113.3	104.6
Cash and cash equivalents	67.0	55.8	81.4
Assets held for sale	0.0	0.0	0.5
Current assets HUGO BOSS Group	**965.2**	**991.0**	**1,035.7**
Non-current assets	776.1	760.3	764.6
Total assets HUGO BOSS Group	**1,741.3**	**1,751.3**	**1,800.3**

CAPITAL EXPENDITURE

(in EUR million)

	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
Capital expenditure - operating segments	**87.2**	**103.0**	**154.0**
Corporate units	31.4	38.0	66.4
Consolidation	0.0	0.0	0.0
TOTAL	**118.6**	**141.0**	**220.4**

IMPAIRMENTS/WRITE-UPS

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Impairment – operating segments	**5.9**	**0.0**
Corporate units	0.0	0.0
Consolidation	0.0	0.0
TOTAL	**5.9**	**0.0**

DEPRECIATION/AMORTIZATION

(in EUR million)

	Jan. – Sep. 2016	Jan. – Sep. 2015
Depreciation/amortization - operating segments	**71.6**	**65.0**
Corporate units	29.8	24.5
Consolidation	0.0	0.0
TOTAL	**101.4**	**89.5**

GEOGRAPHIC INFORMATION

(in EUR million)

	Third party sales		Non-current assets	
	Jan. – Sep. 2016	Jan. – Sep. 2015	Sep. 30, 2016	Dec. 31, 2015
Germany	334.5	348.4	207.3	203.8
Other European markets	903.5	905.0	218.9	218.3
U.S.A.	317.2	384.3	74.5	68.9
Other North, Central and South American markets	101.3	95.6	16.5	18.4
China	146.2	170.0	32.0	42.0
Other Asian markets	119.2	113.1	58.6	61.1
Licenses	45.8	42.3	15.0	15.0
TOTAL	**1,967.7**	**2,058.7**	**622.8**	**627.5**

19 // RELATED PARTY DISCLOSURES

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

Expense of EUR 10.5 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 nine 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.

Metzingen, October 21, 2016

HUGO BOSS AG
The Managing Board

Mark Langer
Bernd Hake
Ingo Wilts

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FURTHER INFORMATION

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 16, 2016
Investor Day

MARCH 9, 2017
Press and Analysts' Conference

MAY 3, 2017
Publication of the First Quarter Results 2017

MAY 23, 2017
Annual Shareholders' Meeting

AUGUST 2, 2017
Publication of the First Half Year Report 2017

NOVEMBER 2, 2017
Publication of the Nine Months Results 2017

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