HUGO BOSS

FIRST HALF YEAR REPORT
JANUARY – JUNE 2019

CONTENTS

Due to rounding, numbers presented in this First Half Year Report may not add up precisely to the totals provided.

SALES FIGURES

(in EUR million)	Jan. – June 2019	Jan. – June 2018	Change in %	Change in %[1]
Sales	**1,339**	**1,303**	**3**	**1**
Sales by segment				
Europe incl. Middle East and Africa	832	816	2	2
Americas	255	254	0	(6)
Asia/Pacific	216	200	8	6
Licenses	36	33	8	8
Sales by distribution channel				
Own retail business	857	820	5	3[2]
Wholesale	446	450	(1)	(2)
Licenses	36	33	8	8
Sales by brand				
BOSS	1,158	1,130	2	1
HUGO	181	173	5	4
Sales by gender				
Menswear	1,211	1,170	4	2
Womenswear	128	133	(4)	(5)

[1] currency-adjusted.

[2] on a comp store basis 3%.

FURTHER KEY FIGURES

	Jan. – June 2019 including IFRS 16	IFRS 16 impact	Jan. – June 2019 excluding IFRS 16	Jan. – June 2018	Change in % including IFRS 16	Change in % excluding IFRS 16
Results of operations (in EUR million)						
Sales	1,339	0	1,339	1,303	3	3
Gross profit	869	0	869	853	2	2
Gross profit margin in %	64.9	0	64.9	65.5	(60) bp	(60) bp
EBIT	130	(1)	130	143	(9)	(9)
EBIT margin in %[1]	9.7	0	9.7	11.0	(130) bp	(130) bp
EBITDA	308	119	189	204	51	(7)
EBITDA margin in %[2]	23.0	890 bp	14.1	15.6	730 bp	(150) bp
Net income attributable to equity holders of the parent company	84	(9)	92	103	(19)	(11)
Net assets and liability structure as of June 30 (in EUR million)						
Trade net working capital	575	0	575	535	7	7
Trade net working capital in % of sales[3]	19.9	0	19.9	18.8	100 bp	100 bp
Non-current assets	1,695	985	710	656	> 100	8
Equity	944	58	886	843	12	5
Equity ratio in %	33.4	(1.470) bp	48.0	48.5	(1.510) bp	(40) bp
Total assets	2,830	985	1,845	1,739	63	6
Financial position (in EUR million)						
Capital expenditure	79	0	79	51	53	53
Free cash flow	134	122	12	31	> 100	(61)
Depreciation/amortization	178	119	59	61	> 100	(3)
Net financial liabilities (as of June 30)	1,198	998	201	158	> 100	27
Total leverage (as of June 30)[4]	n.a.	n.a.	0.4	0.3	n.a.	35
Additional key figures						
Employees (as of June 30)	14,464	0	14,464	14,201	2	2
Personnel expenses (in EUR million)	336	0	336	315	7	7
Shares (in EUR)						
Earnings per share	1.22	(0.12)	1.34	1.49	(19)	(11)
Last share price (as of June 30)	58.50	0	58.50	77.76	(25)	(25)
Number of shares (as of June 30)	70,400,000	0	70,400,000	70,400,000	0	0

[1] EBIT/sales.
[2] EBITDA/sales.
[3] Moving average on the basis of the last four quarters.
[4] Net financial liabilities/EBITDA before special items.

CHAPTER 1

CONSOLIDATED INTERIM MANAGEMENT REPORT

GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

General economic situation

The momentum of the **global economy** slowed noticeably in the first half of 2019. Above all, ongoing uncertainties surrounding the trade conflict between the U.S. and China and the unclear outcome of Brexit have had a lasting impact on the mood of companies and private households and have resulted in a slowdown in capital expenditure, exports and private consumption. Based on estimates by the International Monetary Fund (IMF), the global economy will grow by just 3.3% this year (2018: 3.6%). Growth in both industrialized countries and emerging markets is expected to be lower than in the prior year. However, for the second half of the year, the IMF expects growth rates to stabilize gradually.

In **Europe**, the economy lost further momentum in the first half of the year. Therefore, in April, the IMF once again lowered its forecast for the full year. This was largely due to less private consumption and lower industrial production overall, a further slowdown in the Italian economy and the impact of the protracted protests in France in the first half of the year. In Great Britain, the unclear outcome of Brexit also put a strain on the economy. This was only partially offset by an initial impetus from the implementation of fiscal policy measures.

Also in the **U.S.**, economic growth in the first half of the year has been weaker than in the prior year. In addition to a decline in private consumption, which is mainly attributable to an easing of the positive effects of the tax reform, economic development was particularly burdened by the trade conflict with China and the punitive tariffs imposed in the course of that conflict. In April, the IMF therefore lowered its full-year forecast for the U.S. economy slightly. It is therefore now reasonable to assume that growth this year will be around half a percentage point below that of the prior year. The economies of Latin America are also seeing an upturn that is slower than originally anticipated by the IMF.

On the other hand, economic momentum in **China** was to an extent less sluggish in the first half of the year than initially expected. The more expansive monetary and fiscal policy adopted by the Chinese government largely compensated for the negative effects of the trade conflict with the United States. In view of a potential easing of tension in the trade dispute between the U.S. and China, the IMF again raised its full-year forecast for China slightly in April, but it continues to anticipate slightly lower growth than in the prior year. While the economy of other emerging markets in Asia also grew strongly in the first half of the year, Japan achieved only low growth, in line with expectations.

Industry development

In the first half of the year, the **upper premium segment of the apparel industry** again recorded robust growth. At the regional level, however, the picture was clearly different. The continued high demand in the emerging markets of Asia, particularly Mainland China, compensated for a slowdown in market momentum in Europe and North America.

In **Europe**, the slowdown in the overall economy had a negative impact on demand for apparel. In key markets such as Germany and Great Britain in particular, the industry had a difficult time in the first half of the year. This was only partially offset by increased business from tourists resulting from the depreciation of the euro. Following the strong growth of the prior year, the industry slowed significantly in the **Americas** in the first half of the year. In North America, this was mainly due to the weakening of the positive effects of the U.S. tax reform, declining traffic in malls and department stores, weaker business from tourists, and a highly promotional market environment overall, all of which had a negative effect on industry development. Also in the first half of the year, the industry in **Asia** was boosted primarily due to disproportionate growth in Mainland China. Demand in the region, mainly from younger, increasingly fashion-conscious consumers who are strongly influenced by social media, remains consistently strong. This was supported in particular by the Chinese government's economic stimulus program, the global price harmonization implemented by many market participants over the past few years, and an increasingly individualized customer approach by the companies. With the exception of Hong Kong and Macau, both of which lost sales to Mainland China, the market environment also developed positively in the region's smaller markets.

EARNINGS DEVELOPMENT

Sales performance

In the first six months of fiscal year 2019, HUGO BOSS generated **Group sales** of EUR 1,339 million. Sales were therefore up 3% in the Group's reporting currency compared to the prior year level (prior year: EUR 1,303 million). This represents a currency-adjusted sales increase of 1%.

Sales by region

Sales by region (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	832	62	816	63	2	2
Americas	255	19	254	20	0	(6)
Asia/Pacific	216	16	200	15	8	6
Licenses	36	3	33	2	8	8
Total	**1,339**	**100**	**1,303**	**100**	**3**	**1**

[1] Including the Middle East and Africa.

The increase in sales in **Europe**, including the Middle East and Africa, is attributable to growth in the Group's own retail business. While sales in Great Britain increased overall, they fell slightly in Germany against the backdrop of an ongoing challenging market environment. Sales performance in the **Americas** was below the prior year level, primarily because of the difficult U.S. market environment. The **Asia/Pacific** region benefited in particular from double-digit growth in Mainland China.

Sales by distribution channel

Sales by distribution channel (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	857	64	820	63	5	3
Directly operated stores	520	39	517	40	1	(1)
Outlet	278	21	255	19	9	7
Online	59	4	48	4	22	20
Wholesale	446	33	450	35	(1)	(2)
Licenses	36	3	33	2	8	8
Total	**1,339**	**100**	**1,303**	**100**	**3**	**1**

Currency-adjusted sales in the **Group's own retail business** climbed by 3% in the first half of 2019. Above all, significant double-digit growth in the own online business surpassed the sales growth achieved in brick-and-mortar retail. Comp store sales in the own retail business increased by 4% in the reporting currency. Adjusted for currency effects, this represents a comp store increase of 3%.

As expected, sales in the **wholesale channel** declined slightly in the first half of the year both in the reporting currency and adjusted for currency effects. This was mainly due to the ongoing challenging market environment in the U.S. and key European markets. Delivery shifts in wholesale compared to the prior year and the intensification of online partnerships under the concession model attributable to the own retail business also contributed to the decline in sales.

The **license business** experienced positive development in the first half of 2019. Thanks to growth in all product groups, particularly in fragrances, sales increased by a total of 8%.

Sales by brand

Sales by brand (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
BOSS	1,158	86	1,130	87	2	1
HUGO	181	14	173	13	5	4
Total	**1,339**	**100**	**1,303**	**100**	**3**	**1**

The sales development of **BOSS** benefited from growth in casualwear and athleisurewear in the first half of the year. Sales of the businesswear of BOSS remained on the prior year level. For the **HUGO** brand, double-digit growth in casualwear led to a disproportionate increase in sales.

Sales by gender

Sales by gender (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
Menswear	1,211	90	1,170	90	4	2
Womenswear	128	10	133	10	(4)	(5)
Total	**1,339**	**100**	**1,303**	**100**	**3**	**1**

In **menswear**, growth in casualwear and athleisurewear led to an increase in sales. The decline in sales in **womenswear** reflects lower sales in businesswear and is primarily attributable to the reduction of retail space of the BOSS brand in freestanding stores in 2018. Growth in casualwear could only partially compensate for this.

Network of own retail stores

Number of Group´s own freestanding retail stores

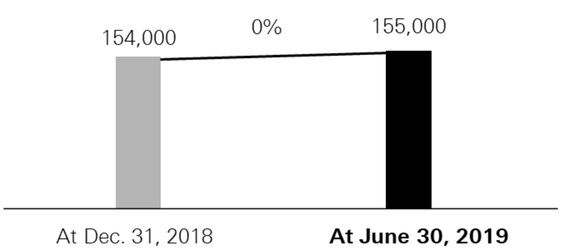
In the first six months of fiscal year 2019, the number of own **freestanding retail stores** increased by a net figure of one to 420 (December 31, 2018: 419). Eleven newly opened **BOSS stores**, mainly in Asia, contrasted with the closures of 13 stores with expiring leases. In the first half of the year, four **HUGO stores** with a unique store concept also opened – including in Singapore and Tokyo. On the other hand, one store with an expiring lease has been closed.

June 30, 2019	Freestanding stores	Shop-in-shops	Outlets	TOTAL
Europe	200	310	67	**577**
Americas	91	83	50	**224**
Asia/Pacific	129	109	57	**295**
TOTAL	**420**	**502**	**174**	**1,096**
Dec. 31, 2018[1]				
Europe	200	303	67	**570**
Americas	89	85	52	**226**
Asia/Pacific	130	112	54	**296**
TOTAL	**419**	**500**	**173**	**1,092**

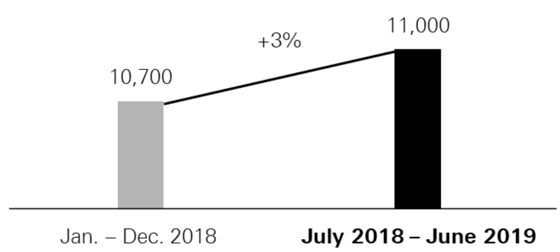
[1] The prior year's figures were revised retroactively as of December 31, 2018. As part of the redefinition of the criteria for differentiating freestanding stores and shop-in-shops, a number of sales points in the Asia/Pacific region that were previously designated as freestanding stores were reclassified as shop-in-shops. In addition, as part of the two brand strategy, individual points of sale of the BOSS brand within certain department stores were combined numerically into one shop-in-shop, mainly in Europe and the Americas. Both measures have no impact on the Group's total selling space.

Including shop-in-shops and outlets, the total number of retail stores operated by HUGO BOSS globally rose as of June 30, 2019 by a net figure of four to 1,096 (December 31, 2018: 1,092).

Total selling space (in square meter)



Selling space productivity (in EUR per square meter)



Including shop-in-shops and outlets, the **total selling space** of the own retail business was around 155,000 sqm at the end of the first half of the year (December 31, 2018: 154,500 sqm). HUGO BOSS increased **selling space productivity** in brick-and-mortar retail by 3% to around EUR 11,000 per sqm (January to December 2018: EUR 10,700 per sqm).

Income statement

(in EUR million)

	Jan. – June 2019 including IFRS 16	IFRS 16 impact	Jan. – June 2019 excluding IFRS 16	Jan. - June 2018	Change in % including IFRS 16	Change in % excluding IFRS 16
Sales	**1,339**	**0**	**1,339**	**1,303**	**3**	**3**
Cost of sales	(470)	0	(470)	(450)	(4)	(4)
Gross profit	**869**	**0**	**869**	**853**	**2**	**2**
In % of sales	64.9	0	64.9	65.5	(60) bp	(60) bp
Operating expenses	**(740)**	**(1)**	**(739)**	**(710)**	**(4)**	**(4)**
In % of sales	(55.3)	0	(55.2)	(54.5)	(70) bp	(70) bp
Thereof selling and distribution expenses	(587)	0	(587)	(562)	(4)	(4)
Thereof administration expenses	(153)	(1)	(152)	(147)	(4)	(3)
Thereof other operating income and expenses	-	-	-	(1)	-	-
Operating result (EBIT)	**130**	**(1)**	**130**	**143**	**(9)**	**(9)**
In % of sales	9.7	0	9.7	11.0	(130) bp	(130) bp
Financial result	(17)	(11)	(6)	(4)	<(100)	(45)
Earnings before taxes	**113**	**(12)**	**125**	**139**	**(19)**	**(11)**
Income taxes	(29)	3	(32)	(36)	19	11
Net income	**84**	**(9)**	**92**	**103**	**(19)**	**(11)**
Earnings per share (in EUR)[1]	**1.22**	**(0,12)**	**1.34**	**1.49**	**(19)**	**(11)**
Income tax rate in %	**26**		**26**	**26**		

[1] Basic and diluted earnings per share.

The decline of 60 basis point in **gross profit margin** to 64.9% is mainly attributable to inventory valuation effects that occurred in 2018 as well as negative currency effects (prior year: 65.5%). Positive effects related to a higher share of sales from the own retail business could only partially compensate for this.

Operating expenses in the first six months of fiscal year 2019 were above the prior year level. Currency effects had a negative impact on selling and distribution expenses in particular. Operating expenses as a percentage of sales were also up on the prior year level.

- **Selling and distribution expenses** increased by 4%. As a percentage of sales, selling and distribution expenses also increased, amounting to 43.8% both including and excluding the effects of IFRS 16 (prior year: 43.1%). The increase was mainly due to currency effects and the intensification of digital marketing activities. Positive effects related to efficiency measures in the own retail business limited the increase in expenses in the first half of the year.

- **Administration expenses** rose by 4% in the first six months of fiscal year 2019. As a percentage of sales, administration expenses were only slightly above the prior year level at 11.4%, taking into account the impact of IFRS 16. Excluding the effects of IFRS 16, they were at the prior year level of 11.3% (prior year: 11.3%). Tight cost management was able to compensate for the higher expenses connected with reorganization measures implemented in the first quarter and further investments in the digital transformation of the business model. Research and development costs included in the administration expenses item came in on the prior year level, both in absolute and in relative terms. As a percentage of sales, they amounted to 2.4% (prior year: 2.4%).

The higher operating expenses led to a decline in **operating result (EBIT)** in the first half-year. The increase in gross profit therefore only partially compensated for the higher operating expenses. Currency effects had a slightly negative impact on earnings development overall. At 9.7%, the **EBIT margin** was 130 basis points below the prior year level, both taking into account IFRS 16 as well as excluding the effects of IFRS 16. As a result of the first-time adoption of IFRS 16, **depreciation and amortization** was significantly higher than in the same period of the prior year, amounting to EUR 178 million. Excluding the effects of IFRS 16, however, depreciation and amortization decreased slightly to EUR 59 million (prior year: EUR 61 million).

The **financial result** as the net expense of the interest result and other financial items was significantly higher than the prior year level owing to higher interest expenses resulting from the first-time adoption of IFRS 16. Excluding the effects of IFRS 16, the financial result was also above the prior year level due to negative currency effects.

At 26%, the **Group's tax rate** was at the prior year level (prior year: 26%). The **Group's net income** was also below the prior year level due to the increase in operating expenses.

Sales and earnings development of the business segments

Starting in fiscal year 2019, **EBIT** replaces EBITDA before special items used by the Group up through 2018 as one of the key performance indicators. As such, from now on, segment profits will also be presented on the basis of EBIT. The corresponding prior year figures therefore deviate from the figures reported in 2018.

Europe

Currency-adjusted sales in **Europe** including the Middle East and Africa were up 2% in the first half of the year. On a comp store and currency-adjusted basis, sales in the own retail business increased by a low single-digit percentage rate.

Sales development Europe (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	483	58	466	58	4	4
Wholesale	349	42	350	42	0	0
Total	**832**	**100**	**816**	**100**	**2**	**2**

Sales in **Germany** declined by 2% during the reporting period to EUR 202 million (prior year: EUR 206 million). Against the backdrop of a challenging market environment, sales in the own retail business decreased. Stable development in the wholesale business only partially compensated for this. In **Great Britain**, sales in the reporting currency came to EUR 165 million, up 4% on the prior year level (prior year: EUR 158 million). Also currency-adjusted sales grew 4%, driven by high single-digit growth in the own retail business. At EUR 82 million, sales in **France** were down 1% on the comparable prior year level (prior year: EUR 83 million), with a decline in wholesale only partially compensated for by growth in the own retail business. In the **Benelux countries**, sales amounted to EUR 69 million as in the prior year (prior year: EUR 69 million).

At EUR 214 million, **segment profit** in Europe was down 6% from the prior year level (prior year: EUR 226 million). Higher sales only partially compensated for negative currency effects and an increase in operating expenses. The EBIT margin decreased by 210 basis points to 25.7% (prior year: 27.8%). Excluding the effects of IFRS 16, EBIT also decreased by 6%, amounting to EUR 213 million. This corresponds to an EBIT margin of 25.6%.

Americas

In the **Americas**, the difficult environment in the U.S. market put a particular strain on sales development in the first half of the year. In particular, an easing of the positive effects of the tax reform, a weaker business with tourists and a highly promotional market environment in general weighed on sales performance. As a result, currency-adjusted sales in the region decreased by 6%. On a comp store and currency-adjusted basis, the own retail business recorded a low single-digit percentage decline in sales.

Sales development Americas (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	175	69	170	67	3	(3)
Wholesale	80	31	84	33	(5)	(11)
Total	**255**	**100**	**254**	**100**	**0**	**(6)**

In the **United States**, sales in the reporting currency declined by 1% to EUR 188 million (prior year: EUR 189 million). Currency-adjusted sales decreased by 7%. In **Canada,** sales, at EUR 34 million, were 5% below the prior year level (prior year: EUR 36 million). Adjusted for currency effects, this corresponds to a decrease of 7%. Sales growth in the wholesale channel could not fully compensate for the decline in the own retail business. In **Latin America**, sales increased by 12% to EUR 33 million (prior year: EUR 29 million). Adjusted for currency effects, this market recorded an increase of 7%. Growth in both distribution channels contributed to this positive performance.

In the Americas, negative currency effects were the main reason for a significant decrease in **segment profit** to EUR 18 million (prior year: EUR 25 million). At 7.0%, the EBIT margin was down 280 basis points on the prior year (prior year: 9.8%). Excluding the effects of IFRS 16, EBIT amounted to EUR 19 million. The corresponding EBIT margin was 7.3%.

Asia/Pacific

Currency-adjusted sales in the **Asia/Pacific** region rose by 6% in the reporting period. On a comp store and currency-adjusted basis, the own retail business even recorded double-digit sales growth.

Sales development Asia/Pacific (in EUR million)

	Jan. – June 2019	**In % of sales**	Jan. – June 2018	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	200	92	184	92	8	6
Wholesale	17	8	16	8	8	5
Total	**216**	**100**	**200**	**100**	**8**	**6**

Sales in the strategic growth market of **China** increased by 8% in the first half of the year to EUR 123 million (prior year: EUR 113 million). Adjusted for currency effects, this corresponds to a rise of 6%. While sales in Mainland China grew by double-digit rates, business in Hong Kong and Macau was, as expected, challenging. At EUR 25 million, sales in **Oceania** were down 7% on the prior year level (prior year: EUR 27 million). This corresponds to a currency-adjusted sales decrease of 5%. Business performance in **Japan**, on the other hand, was positive. At EUR 29 million, sales in Japan grew 15% in the first six months compared to the prior year (prior year: EUR 25 million). Primarily thanks to strong business with tourists, currency-adjusted sales increased by 8%.

Segment profit in the Asia/Pacific region was EUR 52 million, significantly higher than the prior year level (prior year: EUR 42 million). Here, the positive sales development more than offset an increase in operating expenses. At 23.9%, the EBIT margin was 300 basis points higher than the prior year level (prior year: 21.0%). Excluding the effects of IFRS 16, EBIT also increased significantly to EUR 53 million. This corresponds to an EBIT margin of 24.3%.

Licenses

The **license business** experienced positive development in the first half of 2019. Thanks to growth in all product groups, particularly in fragrances, sales increased by 8%.

As a result of the increase in sales, the license **segment profit**, at EUR 29 million, was up 9% on the prior year level (2018: EUR 27 million). The first-time adoption of IFRS 16 did not have any effect on the segment profit.

NET ASSETS

Statement of financial position (in EUR million)

	June 30, 2019 including IFRS 16	IFRS 16 impact	June 30, 2019 excluding IFRS 16	June 30, 2018	December 31, 2018
Property, plant and equipment, intangible assets and right-of-use assets	1,585	990	595	539	574
Inventories	641	0	641	615	618
Trade receivables	207	0	207	190	214
Other assets	291	(5)	296	296	305
Cash and cash equivalents	106	0	106	99	147
Assets	**2,830**	**985**	**1,845**	**1,739**	**1,858**
Shareholders' equity	944	58	886	843	981
Provisions and deferred taxes	182	1	181	180	180
Lease liabilities	1,002	998	4	5	0
Trade payables	272	0	272	270	295
Other liabilities	124	(72)	196	180	228
Financial liabilities	306	0	306	261	176
Equity and liabilities	**2,830**	**985**	**1,845**	**1,739**	**1,858**

Total assets increased significantly in the course of accounting for right-of-use assets as part of the first-time adoption of IFRS 16. Excluding the effects of IFRS 16, however, total assets were 1% lower than on December 31, 2018. Compared to the value as of June 30, 2018, this corresponds to an increase of 6%.

Taking into account the effects of IFRS 16, the **share of current assets** was 40% at the end of the first half of the year. Excluding the effects of IFRS 16, the share came to 62% (December 31, 2018: 62%). Accordingly, the **share of non-current assets** as of June 30, 2019 came to 60% taking into account the effects of IFRS 16 and 38% excluding the effects of IFRS 16 (December 31, 2018: 38%). As a result of the first-time inclusion of leasing liabilities following the first-time adoption of IFRS 16, the **equity ratio** was 33% at the end of the first half of 2019, significantly below the prior year level. Excluding the effects of IFRS 16, however, the equity ratio remained unchanged at 48% (December 31, 2018: 48%).

Trade net working capital (in EUR million)

	June 30, 2019	June 30, 2018	Change in %	Currency-adjusted change in %
Inventories	641	615	4	3
Trade receivables	207	190	9	9
Trade payables	(272)	(270)	1	0
Trade net working capital	**575**	**535**	**7**	**6**

Year-on-year, **trade net working capital** was 7% higher in the reporting currency and 6% higher, after adjusting for currency effects. In addition to a temporary increase in **trade receivables**, this development also reflects an increase in **inventories**. In terms of the latter, however, the Company was able to achieve a normalization and thus a significant improvement compared to the end of 2018 as a result of the continued strict focus on inventory management. The moving average of **trade net working capital as a percentage of sales** based on the last four quarters was 19.9%, 100 basis points above the prior year level (prior year: 18.8%).

Other liabilities were significantly below the prior year level. Even without taking into account the effects of IFRS 16, this balance sheet item was below the figure at the end of 2018. This is mainly due to lower income tax liabilities. Increased use of the syndicated loan as of the reporting date led to an increase in **current and non-current financial liabilities**.

FINANCIAL POSITION

Statement of cash flow

Statement of cash flow (in EUR million)

	Jan. – June 2019 including IFRS 16	IFRS 16 impact	Jan. – June 2019 excluding IFRS 16	Jan. – June 2018
Cash inflow from operating activities	212	122	90	81
Cash outflow from investing activities	(78)	0	(78)	(50)
Cash outflow from financing activities	(175)	(122)	(53)	(49)
Change in cash and cash equivalents	**(40)**	**0**	**(40)**	**(17)**
Cash and cash equivalents at the beginning of the period	147	0	147	116
Cash and cash equivalents at the end of the period	106	0	106	99

Taking into account the effects of IFRS 16, **free cash flow**, measured as the sum of cash inflow from operating activities and cash outflow from investing activities, amounted to EUR 134 million. Excluding the effects of IFRS 16, however, there was a decline in free cash flow to EUR 12 million (prior year: EUR 31 million).

As a result of the first-time adoption of IFRS 16, **cash inflow from operating activities** increased significantly in the first half of the year. Even without taking into account the effects of IFRS 16, cash inflow from operating activities was 11% above the prior year level. This was mainly due to a significant reduction in cash outflow from the change in trade net working capital. The increased level of investment in the first half of the year resulted in a significant increase in **cash outflow from investing activities**.

The first-time adoption of IFRS 16 led to a significant increase in **cash outflow from financing activities**. Excluding the effects of IFRS 16, it was only slightly above the prior year level.

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

Net financial liabilities

Net financial liabilities are the total of all financial liabilities due to banks and leasing liabilities less cash and cash equivalents. The adoption of IFRS 16 led to a significant increase in net financial liabilities to EUR 1,198 million due to the first-time inclusion of leasing liabilities. Excluding the effects of IFRS 16, net financial liabilities amounted to EUR 201 million and were therefore up by 27% on the prior year level (prior year: EUR 158 million). This was primarily due to the development of free cash flow in the last twelve months.

Capital expenditure

HUGO BOSS invested a total of EUR 79 million in **property, plant and equipment and intangible assets** in the first half of the year (prior year: EUR 51 million). The significant increase compared to the prior year is mainly due to higher capital expenditure to renovate existing retail stores and the expansion of the IT infrastructure in the course of the further digitization of the business model.

At EUR 52 million, most of the capital expenditure in the first half of 2019 was for the **own retail business** (prior year: EUR 33 million). Investments in the **renovation and modernization** of existing retail stores totaled EUR 35 million (prior year: EUR 19 million). In the second quarter, eight BOSS stores were reopened under the new store concept, including Stockholm, Tokyo and Macau. Customers now have the opportunity to experience the BOSS collections in this new environment in around 40 major cities. In the same period, the Group invested EUR 18 million in selective **new openings** (prior year: EUR 14 million). This primarily includes capital expenditure for the construction of the new outlet in Metzingen, which is scheduled to open in the fall of 2019.

Capital expenditure on **administration** came to EUR 21 million in the first six months of 2019 and was therefore around a third higher than the prior year level (prior year: EUR 15 million). This mainly included investments of EUR 14 million in the **IT infrastructure** (prior year: EUR 12 million). The year-on-year increase was due not only to the continuous further development of the Group-wide ERP system, but also in particular to investments in connection with the cross-channel integration and the digitization of the Group's own retail activities. Other capital expenditure on the production, logistics and distribution structure and on research and development came to EUR 6 million in the first half of the year (prior year: EUR 3 million). The increase is largely due to investments in logistics.

OUTLOOK

Subsequent Events

On July 2, 2019, Bernd Hake, member of the Managing Board for the Group's own retail business, wholesale and global merchandising, stepped down from the Managing Board of HUGO BOSS AG by mutual agreement with the Company's Supervisory Board. In the future, the duties previously assigned to Bernd Hake will be performed by Chief Executive Officer Mark Langer.

Between the end of the first half of fiscal year 2019 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.

Outlook

This chapter sets out HUGO BOSS management's forecasts with respect to future business performance.

HUGO BOSS confirms the **financial outlook** for the full year 2019. At the same time, management now expects sales and earnings to reach the lower end of the existing outlook. In doing so, HUGO BOSS takes into account the persisting challenges in the U.S. market in particular.

HUGO BOSS expects currency-adjusted **sales growth** to reach the lower end of the existing outlook (increase at a mid-single-digit percentage rate). The acceleration in sales in the second half of the year will be driven by the own retail business, which is forecast to achieve currency-adjusted sales growth in the mid to high single-digit percentage range in full year 2019. In addition to an acceleration in comp store sales growth, the Company expects further growth stimuli for the second half of the year from intensified online partnerships under the concession model and from the ongoing optimization of its store network.

For the **Americas** region, HUGO BOSS now expects a slight decline in currency-adjusted sales for the full year (previous forecast: increase at a low to mid-single-digit percentage rate). For **Europe**, on the other hand, the Group continues to anticipate a currency-adjusted sales increase at a low to mid-single-digit percentage rate. For **Asia/Pacific**, an increase in currency-adjusted sales at a mid to high single-digit percentage rate is continued to be expected.

HUGO BOSS expects to achieve **EBIT** growth at the lower end of the existing outlook (increase at a high single-digit percentage rate) for the full year (excluding the expected effects of IFRS 16). In addition to an increase in gross profit expected for the second half of the year, the anticipated further improvement in cost efficiency should also contribute positively to operating profit development. Growth of **net income** is also expected to come to the lower end of the existing outlook (increase at a high single-digit percentage rate).

To facilitate comparison, the **effects of IFRS 16** have not been taken into account in the outlook statements for fiscal year 2019. Based on current information, the Group expects the operating result (EBIT) to decrease by a low single-digit million euro amount in fiscal year 2019 following the first-time adoption of IFRS 16 (previous assumption: increase by a low double-digit million euro amount). At the same time, the Group's net income should decrease by a low double-digit million euro amount (previous assumption: decrease by a single-digit million euro amount). Further information on the updated assumptions relating to the effects of IFRS 16 can be found in the notes to the consolidated financial statements for the first half-year report for 2019.

Management assumes that the changes in the **general economic situation** and in **industry development** as described in the chapter entitled "General Economic Situation and Industry Development" will not have any significant impact on the Group's business performance in 2019.

A detailed presentation of the outlook of HUGO BOSS for 2019 can be found in the Annual Report 2018.

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 2018. A detailed overview of the risks and opportunities can be found in the Annual Report 2018. All statements included therein regarding risks and opportunities continue to be valid.

SUMMARY ON EARNINGS, NET ASSETS AND FINANCIAL POSITION

In summary, the results of operations, net assets, and financial position indicate that the HUGO BOSS Group continued to be in a sound financial position as of the date on which this report for the first six months of fiscal year 2019 was prepared.

Metzingen, July 24, 2019

HUGO BOSS AG
The Managing Board

Mark Langer
Yves Müller
Ingo Wilts

CHAPTER 2

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of the HUGO BOSS Group for the period from January 1 to June 30, 2019

Consolidated income statement (in EUR million)

	2019 including IFRS 16	**IFRS 16 impact**	**2019 excluding IFRS 16**	2018
Sales	**1,339**	**0**	**1,339**	**1,303**
Cost of sales	(470)	0	(470)	(450)
Gross profit	**869**	**0**	**869**	**853**
In % of sales	64.9	0	64.9	65.5
Selling and distribution expenses	(587)	0	(587)	(562)
Administration expenses	(153)	(1)	(152)	(147)
Other operating income and expenses	-	-	-	(1)
Operating result (EBIT)	**130**	**(1)**	**130**	**143**
Net interest income/expenses	(12)	(11)	(1)	(1)
Other financial items	(5)	0	(5)	(3)
Financial result	**(17)**	**(11)**	**(6)**	**(4)**
Earnings before taxes	**113**	**(12)**	**125**	**139**
Income taxes	(29)	3	(32)	(36)
Net income	**84**	**(9)**	**92**	**103**
Attributable to:				
Equity holders of the parent company	84	(9)	92	103
Non-controlling interests	0	0	0	0
Earnings per share (EUR)[1]	**1.22**	**(0.12)**	**1.34**	**1.49**

[1]Basic and diluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of the HUGO BOSS Group for the period from January 1 to June 30, 2019

Consolidated statement of comprehensive income (in EUR million)

	2019	2018
Net income	**84**	**103**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(7)	2
Items to be reclassified subsequently to profit or loss		
Currency differences	6	7
Gains/losses from cash flow hedges	1	(1)
Other comprehensive income, net of tax	**0**	**8**
Total comprehensive income	**84**	**111**
Attributable to:		
Equity holders of the parent company	84	111
Non-controlling interests	0	0
Total comprehensive income	**84**	**111**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the HUGO BOSS Group as of June 30, 2019

Consolidated statement of financial position (in EUR million)

Assets	**June 30, 2019 including IFRS 16**	**IFRS 16 impact**	**June, 30 2019 excluding IFRS 16**	June 30, 2018	Dec. 31, 2018
Property, plant and equipment	406	0	406	359	389
Intangible assets	189	0	189	180	185
Right-of-use assets	990	990	0	0	0
Deferred tax assets	87	(5)	92	98	90
Non-current financial assets	21	0	21	18	19
Other non-current assets	2	0	2	1	3
Non-current assets	**1,695**	**985**	**710**	**656**	**686**
Inventories	641	0	641	615	618
Trade receivables	207	0	207	190	214
Current tax receivables	40	0	40	45	39
Current financial assets	28	0	28	30	32
Other current assets	114	0	114	104	123
Cash and cash equivalents	106	0	106	99	147
Current assets	**1,135**	**0**	**1,135**	**1,083**	**1,172**
Total	**2,830**	**985**	**1,845**	**1,739**	**1,858**

Equity and liabilities	**June 30, 2019 including IFRS 16**	**IFRS 16 Effect**	**June, 30 2019 excluding IFRS 16**	June 30, 2018	Dec. 31, 2018
Subscribed capital	70	0	70	70	70
Own shares	(42)	0	(42)	(42)	(42)
Capital reserve	0	0	0	0	0
Retained earnings	881	58	823	791	926
Accumulated other comprehensive income	35	0	35	24	26
Equity attributable to equity holders of the parent company	**944**	**58**	**886**	**843**	**981**
Non-controlling interests	0	0	0	0	0
Group equity	**944**	**58**	**886**	**843**	**981**
Non-current provisions	79	0	79	71	69
Non-current financial liabilities	187	0	187	154	83
Non-current lease liabilities	800	797	3	4	0
Deferred tax liabilities	14	1	13	13	13
Other non-current liabilities	0	(60)	60	55	61
Non-current liabilities	**1,080**	**738**	**342**	**297**	**225**
Current provisions	89	0	89	96	98
Current financial liabilities	119	0	119	107	93
Current lease liabilities	202	201	1	1	0
Income tax payables	29	0	29	19	44
Trade payables	272	0	272	270	295
Other current liabilities	95	(11)	106	106	123
Current liabilities	**806**	**190**	**616**	**599**	**653**
Total	**2,830**	**985**	**1,845**	**1,739**	**1,858**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of the HUGO BOSS Group for the period from January 1 to June 30, 2019

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, 2018	**70**	**(42)**	**0**	**7**	**862**	**19**	**(1)**	**915**	**0**	**915**
Net income					103			103	0	103
Other income					2	7	(1)	8	0	8
Comprehensive income					**105**	**7**	**(1)**	**111**	**0**	**111**
Dividend payment					(183)			(183)		(183)
Changes in basis of consolidation					0			0	0	0
June 30, 2018	**70**	**(42)**	**0**	**7**	**784**	**26**	**(2)**	**843**	**0**	**843**
January 1, 2019 (as reported)	**70**	**(42)**	**0**	**7**	**919**	**27**	**(1)**	**980**	**0**	**980**
Change in accounting policies/corrections	0	0	0	0	66	0	0	66	0	66
January 1, 2019 adjusted	**70**	**(42)**	**0**	**7**	**985**	**27**	**(1)**	**1,046**	**0**	**1,046**
Net income					84			84	0	84
Other income					(7)	6	1	0	0	0
Comprehensive income					**77**	**6**	**1**	**84**	**0**	**84**
Dividend payment					(186)			(186)		(186)
Changes in basis of consolidation					0			0		0
June 30, 2019	**70**	**(42)**	**0**	**7**	**875**	**33**	**0**	**944**	**0**	**944**

CONSOLIDATED STATEMENT OF CASH FLOWS

of the HUGO BOSS Group for the period from January 1 to June 30, 2019

Consolidated statement of cash flows (in EUR million)

	2019 including IFRS 16	**IFRS 16 impact**	**2019 excluding IFRS 16**	2018
Net income	84	(9)	92	103
Depreciation/amortization	178	119	59	61
Unrealized net foreign exchange gain/loss	2	1	1	7
Other non-cash transactions	1	7	-6	0
Income tax expense/refund	29	(3)	32	36
Change in inventories	(19)	0	-19	(77)
Change in receivables and other assets	26	0	26	32
Change in trade payables and other liabilities	(37)	4	-41	(26)
Result from disposal of non-current assets	0	0	0	0
Change in provisions for pensions	12	0	12	(1)
Change in other provisions	(8)	0	-8	(9)
Income taxes paid	(56)	3	-59	(45)
Cash flow from operating activities	**212**	**122**	**90**	**81**
Investments in property, plant and equipment	(63)	0	-63	(40)
Investments in intangible assets	(15)	0	-15	(11)
Cash receipts from disposal of property, plant and equipment and intangible assets	0	0	0	1
Cash flow from investing activities	**(78)**	**0**	**-78**	**(50)**
Dividends paid to equity holders of the parent company	(186)	0	-186	(183)
Dividends paid to non-controlling interests	0	0	0	0
Change in current financial liabilities	25	0	25	38
Cash receipts from non-current financial liabilities	111	0	111	96
Repayment of non-current financial liabilities	(4)	0	-4	(1)
Repayment of current and non-current lease liabilities	(111)	(111)	0	0
Interest income and expenses	(10)	(11)	1	1
Interest paid	(1)	0	-1	(1)
Interest received	1	0	1	1
Cash flow from financing activities	**(175)**	**(122)**	**(53)**	**(49)**
Exchange-rate related changes in cash and cash equivalents	1	0	1	1
Change in cash and cash equivalents	**-40**	**0**	**-40**	**(17)**
Cash and cash equivalents at the beginning of the period	147	0	147	116
Cash and cash equivalents at the end of the period	**106**	**0**	**106**	**99**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1| General information

The interim financial statements of HUGO BOSS AG as of June 30, 2019, were prepared pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: Securities Trading Act] in accordance with the International Financial Reporting Standards (IFRS) and their interpretations applicable as of the reporting date. In particular, the regulations of IAS 34 on interim financial reporting were applied.

This interim management report and the consolidated interim financial statements were neither audited in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] nor reviewed by a person qualified to audit financial statements. In a resolution dated July 24, 2019, 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 the IFRS effective on the reporting date, as published by the IASB and applicable in the EU in accordance with uniform accounting and measurement methods.

The accounting, valuation and consolidation policies applied correspond to those applied during the prior fiscal year, except for the first-time application of IFRS 16, which is explained below:

First-time application of IFRS 16: Leases

The new IFRS 16 “Leases” standard provides guidance on recognition, measurement, presentation and relevant disclosure requirements, and replaces IAS 17 and its related interpretations. The provisions of IFRS 16 require the lessee to disclose certain lease arrangements on the balance sheet in the form of leasing liabilities and a right of use to the leased asset. This means that the distinction for the lessee between financing and operating lease arrangements no longer applies.

IFRS 16 was applied for the first time in accordance with the provisions of the modified transitional approach, with the resulting effects recognized separately in retained earnings as of January 1, 2019. The comparative figures for fiscal year 2018 were not adjusted.

GROUP LEASING ARRANGEMENTS AND THEIR TREATMENT ON THE BALANCE SHEET

The Group has entered into a substantial number of leases for retail stores, office spaces and warehouses.

In accordance with IFRS 16, the lessee discloses a leasing liability of the value of the future leasing payments in the balance sheet as well as a corresponding so-called right-of-use asset. The leasing payments consist of the total of all leasing payments less incentive payments for the conclusion of the contract. If these are indexbased, the indexing will not be taken into account until the time it is exercised. Lease extension options are to be included if their exercise is sufficiently certain. Contractually agreed compensation payments for early termination of the contract by the lessee must also be included if early termination of the contract is contemplated. Leasing liability is compounded over the term of the contract using the effective interest method, and is updated actuarially with consideration of the lease payments made.

The parallel right of use to be applied is always to be capitalized with the value of the leasing liability. Lease payments already made and directly allocable costs are also to be included. Payments received from the lessor that are related to the lease are to be deducted. Restoration obligations under leasing conditions shall also be considered in the valuation of the right of use. A provision must be expensed for the obligation. The right of use is amortized systematically over the term of the lease agreement.

The amortization of the capitalized right of use and the interest expense from the compounding of the recognized leasing liability are recognized in the income statement.

KEY ASSUMPTIONS

The determination of the conversion effect was based on assumptions for the discount rates used, the terms of the lease agreements, and the accrual of fixed lease payments. To determine the present value of future minimum lease payments, HUGO BOSS uses maturity-appropriate and country-specific borrowing rates derived from the cost of capital used for the impairment tests. The average interest rate applied is 2.9%. In addition to the basic lease term, the Group includes extension options in the determination of the term of the contract if the extension is included in the detailed budget approved by the Board for the following year or has already been approved separately by the Board. The fixed lease payments also include fixed minimum agreed amounts for contracts, which have predominantly variable rent.

EXERCISE OF OPTIONS

Various options are provided for the lessee. This includes an option to create a portfolio of contracts with the same or similar characteristics, which HUGO BOSS AG does not exercise. The Group exercises the option to not apply right of use to low-value assets (limited to less than EUR 5 thousand) or to short-term leasing agreements (lasting 12 months or less). Consequently, lease expenses for these assets must be recognized directly in the income statement. Furthermore, the option to sever lease and non-lease (service) components will be exercised, and the non-lease components will not be considered in rights of use to be applied.

EFFECTS OF IFRS 16

The first-time application of IFRS 16 affected the following positions on the balance sheet, in the income statement and in the consolidated statement of cash flows:

On the date of first-time application, January 1, 2019, total assets rose significantly in the amount of EUR 1,056 million due to the increase in property, plant and equipment and intangible assets as a result of the rights of use to be capitalized. This amount essentially corresponds to the discounted amount currently included in the notes to the consolidated financial statements under No. 24 future minimum lease payments disclosed in accordance with IAS 17.

The reconciliation of the operating lease obligations as of December 31, 2018, to the recognized lease liabilities as of January 1, 2019, is as follows:

Reconciliation of lease liability (in EUR million)

Operating lease liability as of December 31, 2018	**1,369**
Current lease liability due within 12 months	0
Lease liability from low-value assets and furnishings	(3)
Lease liability from software	(27)
Non-lease related components (service)	(7)
Others[1]	(113)
Gross lease liability as of January 01, 2019	**1,219**
Discounting	(162)
Present value of the lease liability due to the first time application of IFRS 16 as of January 01, 2019	**1,056**
Present value of the liability from finance lease as of December 31, 2018	5
Total lease liability as of January 01, 2019	**1,061**

[1] The Others line item primarily consists of rental payments for newly included lease extension options and variable lease payments.

As part of the conversion to the new leasing standard, for all lease agreements that are relevant to IFRS 16 there will also be a reversal of previously deferred liabilities from rental obligations (so-called "straight-lining"), including the associated deferred taxes. The straight-lining effect of EUR 75.7 million and deferred taxes of EUR 9.3 million were offset against retained earnings in the context of the conversion as of January 1, 2019. The total amount of EUR 66.4 million is presented in the changes in accounting policy in the consolidated statement of changes in equity. In addition, in the consolidated net income, an effect of EUR (8.5) million is attributable to the application of IFRS 16.

HUGO BOSS had originally expected the first-time application of IFRS 16 to lead to a positive effect on operating result (EBIT) for fiscal year 2019 in a low double-digit million euro amount.

The first half of 2019 saw a negative effect of EUR 0.5 million. As this development cannot be expected to be reversed in the second half of 2019, it should now be assumed that EBIT will decrease by a low single-digit million euro amount in fiscal year 2019 as a result of the first-time application of IFRS 16. At the same time, consolidated net income should decrease by a low double-digit million euro amount (prior assumption: single-digit million euro decrease).

The changes result almost exclusively from the deviations in depreciation and amortization and the corrected assumptions for the neutralization of the straight-lining effect in accordance with IAS 17. The forecast for the full year 2019 is based on the outstanding rental obligations as of June 30 and assumes that the average values for fixed rent, depreciation and amortization, and straight-lining from the first six months will continue for the rest of the fiscal year.

For free cash flow, an increase in the low triple-digit millions of euros was expected based on the first-time application of IFRS 16. This was confirmed by its development in the first half of the year and the assumption is maintained.

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 =	**June 2019**	June 2018	Dec. 2018	**June 30, 2019**	June 30, 2018	Dec. 31, 2018
Australia	AUD	1.6257	1.5565	1.5858	1.6244	1.5787	1.6220
China	CNY	7.7847	7.5381	7.8465	7.8185	7.7170	7.8750
Great Britain	GBP	0.8908	0.8780	0.8975	0.8966	0.8861	0.8945
Hong Kong	HKD	8.8296	9.1622	8.9011	8.8866	9.1468	8.9675
Japan	JPY	121.9880	128.4140	127.8542	122.6000	129.0400	125.8500
Switzerland	CHF	1.1170	1.1558	1.1294	1.1105	1.1569	1.1269
Turkey	TRY	6.5577	5.4044	6.0303	6.5507	5.3092	6.0422
U.S.A.	USD	1.1280	1.1676	1.1380	1.1380	1.1658	1.1450

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 January 1 to June 30, 2019, the number of consolidated companies is 61, unchanged from the consolidated financial statements as of December 31, 2018.

As of June 30, 2019, three companies in which HUGO BOSS and another party hold joint control will be accounted for using the equity method.

6| Business combinations/acquisitions of other business units

No business combinations or acquisitions of other business units were made in the first half of fiscal year 2019.

7| Selected notes to the Consolidated Income Statement

Sales

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Group's own retail business	857	820
Directly operated stores	520	517
Outlet	278	255
Online	59	48
Wholesale	446	450
Licenses	36	33
Total	**1,339**	**1,303**

Cost of sales

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Cost of purchase	415	395
Thereof cost of materials	404	378
Cost of conversion	55	55
Total	**470**	**450**

The acquisition costs for purchased goods included in the cost of sales primarily relate to the cost of materials for the goods sold as well as incoming freight and customs costs.

Selling and distribution expenses

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Expenses for Group's own retail business, sales and marketing organization	460	442
Marketing expenses	81	78
Logistics expenses	46	42
Total	**587**	**562**

The expenses for the Group’s own retail business and the sales and marketing organization mostly relate to personnel and lease expenses for wholesale and retail distribution. They also include sales-based commission, freight-out, customs costs, credit card charges and impairment losses on receivables.

Administration expenses

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
General administrative expenses	120	116
Research and development costs	33	31
Total	**153**	**147**

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.

Personnel expenses

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Wages and salaries	287	268
Social security	46	44
Expenses and income for retirement and other employee benefits	3	3
Total	**336**	**315**

Employees

	June 30, 2019	Dec. 31, 2018
Industrial employees	5,077	5,023
Commercial and administrative employees	11,928	11,792
Total	**17,005**	**16,815**

Ordinary depreciation

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Non-current assets		
Property, plant and equipment	48	46
Intangible assets	11	15
Right of use assets	119	0
Total	**178**	**61**

8| Earnings per share

There were no shares outstanding that could have of diluted earnings per share as of June 30, 2019, or June 30, 2018.

	Jan. – June 2019	Jan. – June 2018
Net income attributable to equity holders of the parent company (in EUR million)	84	103
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) (in EUR)[2]	**1.22**	**1.49**

[1] Not including own shares.

[2] Basic and diluted earnings per share.

9| Provisions

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 majority of personnel-related provisions arise from the **long-term incentive (LTI) program** initiated at the beginning of fiscal year 2016 for members of the Managing Board and eligible management staff of the HUGO BOSS Group, which is recognized at its fair value on the reporting date. There are four tranches of the program at present. The fourth plan was issued on January 1, 2019.

Each plan has a total duration of four years, split into a performance term of three years and a qualifying period of one year. This means that the plan issued in fiscal year 2016 will be paid out in fiscal year 2020 and is therefore reported as EUR 6 million in current personnel-related provisions as of June 30, 2019. For the other three plans, the non-current provision created as of June 30, 2019, amounts to a total of EUR 7 million.

10| Provisions for pensions or similar obligations

The provisions for pensions dropped from EUR 36 million as at December 31, 2018 to EUR 46 million as at June 30, 2019. The actuarial calculation of the present value of the defined benefit obligation includes service cost, net interest expenses and other relevant parameters.

Actuarial assumptions underlying the calculation of the present value of pension obligations as at June 30, 2019

The following assumptions were applied:

Actuarial assumptions	**June 30, 2019**	Dec. 31, 2018
Discount rate		
Germany	1.40%	2.20%
Switzerland	0.40%	1.10%
Future pension increases		
Germany	1.75%	1.75%
Switzerland	0.00%	0.00%
Future salary increases		
Germany	2.50%	2.50%
Switzerland	2.00%	2.00%

In comparison to December 31, 2018 the actuarial interest rate parameter in Germany and Switzerland decreased. The pension trend and expected salary increase parameters remained unchanged in the first six months of fiscal year 2019.

Breakdown of pension expenses in the period

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Current service cost	3	3
Past service cost	0	0
Net interest costs	0	0
Pension expenses recognized in the consolidated income statement	**3**	**3**
Return from plan assets (without interest effects)	0	0
Recognized actuarial (gains)/losses	10	(2)
Asset ceiling (without interest effects of asset ceiling)	0	0
Remeasurement of the carrying amount recognized in the consolidated statement of comprehensive income	**10**	**(2)**

11| Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR million)

		June 30, 2019		Dec. 31, 2018	
Assets	IFRS 9 category	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	AC	106	106	147	147
Trade receivables	AC	207	207	214	214
Other financial assets		46	46	50	50
Thereof:					
Undesignated derivatives	FVTPL	0	0	1	1
Derivatives subject to hedge accounting	Hedge Accounting	1	1	0	0
Other financial assets	AC	45	45	49	49
Liabilities					
Financial liabilities due to banks	AC	303	305	169	171
Trade payables	AC	272	272	295	295
Lease Liabilities	n.a.	1,002	1,002	5	5
Other financial liabilities		2	2	3	3
Thereof:					
Undesignated derivatives	FVTPL	2	2	2	2
Derivatives subject to hedge accounting	Hedge Accounting	0	0	1	1
Other financial liabilities	AC	0	0	0	0

The following methods and assumptions were used to estimate the fair values:

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

The fair value of loans from banks and other financial liabilities, obligations under finance leases and 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.

As of June 30, 2019, the market 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 of June 30, 2019, as in the prior year, all financial instruments measured at fair value in the category FVTPL and derivatives designated to a hedge relationship were assigned to level 2. During the first six months of fiscal year 2019, 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 category FVTPL and derivatives used for hedging. The assets amounted to EUR 1 million and the liabilities to EUR 2 million. The fair value of financial instruments carried at amortized cost in the statement of financial position was likewise determined using a 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 areas to mitigate risk. As of the reporting date, EUR 8 million (December 31, 2018: EUR 8 million) in variable interest finance liabilities were hedged through interest rate swaps. Moreover, as of the reporting date, future cash flows in foreign currencies of EUR 18 million (December 31, 2018: EUR 12 million) were hedged and fully designated as an effective hedging instrument. The change in unrealized gains/losses from marking hedges to market in other comprehensive income amounted to EUR 1 million (June 30, 2018: EUR (1) million).

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
June 30, 2019						
Trade receivables	215	(8)	207	0	0	207
Derivatives	1	0	1	(0)	0	1
Total	**216**	**(8)**	**208**	**(0)**	**0**	**208**
Dec. 31, 2018						
Trade receivables	221	(7)	214	0	0	214
Derivatives	1	0	1	0	0	1
Total	**222**	**(7)**	**215**	**0**	**0**	**215**

(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
June 30, 2019						
Trade payables	282	(10)	272	0	0	272
Derivatives	2	0	2	(0)	0	2
Total	**284**	**(10)**	**274**	**(0)**	**0**	**274**
Dec. 31, 2018						
Trade payables	304	(9)	295	0	0	295
Derivatives	3	0	3	0	0	3
Total	**307**	**(9)**	**298**	**0**	**0**	**298**

The trade receivables of EUR 8 million (December 31, 2018: EUR 7 million) offset against liabilities 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 10 million (December 31, 2018: EUR 9 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.

12| 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.

The presentation of the consolidated statement of cash flows was adjusted in the context of the application of IFRS 16. The repayment of the leasing liabilities and the corresponding interest component will be reported in cash inflow and outflow from financing activities in the future. All other interest components will also be presented here beginning in fiscal year 2019. The comparative figures for 2018 have been adjusted retrospectively for the interest positions as appropriate. The amortization of right of use assets recognized since January 1, 2019 has had a positive effect in the amount of EUR 119 million on cash inflows from operating activities, and thus also on free cash flow. On the other hand, it is counteracted by the effect on cash inflow and outflow from financing activities due to the newly recognized repayments for leasing liabilities in the amount of EUR 111 million and their interest component in the amount of EUR 11 million.

13| Segment reporting

(in EUR million)

	Europe[1]	Americas	Asia/Pacific	Licenses	Total operating segments
Jan. – June 2019					
Sales	**832**	**255**	**216**	**36**	**1,339**
Segment profit[2]	**214**	**18**	**52**	**29**	**313**
In % of sales	25.7	7.0	23.9	82.0	23.3
Segment assets	258	186	98	15	557
Capital expenditure	507	275	195	0	977
Impairments	0	0	0	0	0
Thereof property, plant and equipment	0	0	0	0	0
Thereof intangible assets	0	0	0	0	0
Depreciation/amortization	(80)	(33)	(40)	0	(153)
Jan. – June 2018					
Sales	**816**	**254**	**200**	**33**	**1,303**
Segment profit[2]	**226**	**25**	**42**	**27**	**321**
In % of sales	27.8	9.8	21.0	81.1	24.6
Segment assets	255	186	75	15	531
Capital expenditure	14	7	6	0	27
Impairments	0	0	0	0	0
Thereof property, plant and equipment	0	0	0	0	0
Thereof intangible assets	0	0	0	0	0
Depreciation/amortization	(22)	(10)	(8)	0	(40)

[1] Including Middle East and Africa.

[2] Beginning the financial year 2019 and including 2018, the Group uses EBIT instead earning before interest and taxes (EBITDA) as segment profit. In this context, the presentation of segment profit will henceforth be based on EBIT. The figures for the previous year therefore differ from those reported in the previous year.

Reconciliation

Sales

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Sales - operating segments	**1,339**	**1,303**
Corporate units	0	0
Consolidation	0	0
Total	**1,339**	**1,303**

Segment profit

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Segment profit (EBIT) – operating segments	**313**	**321**
Corporate units	(183)	(150)
Consolidation	0	0
EBIT HUGO BOSS Group	**130**	**143**
Net interest income/expenses	(12)	(1)
Other financial items	(5)	(3)
Earnings before taxes HUGO BOSS Group	**113**	**139**

Segment assets

(in EUR million)

	June 30, 2019	June 30, 2018	Dec. 31, 2018
Segment assets – operating segments	**557**	**531**	**546**
Corporate units	290	274	285
Consolidation	0	0	0
Current tax receivables	40	45	39
Current financial assets	28	30	32
Other current assets	114	104	123
Cash and cash equivalents	106	99	147
Current assets HUGO BOSS Group	**1,135**	**1,083**	**1,172**
Non-current assets	1,695	656	686
Total assets HUGO BOSS Group	**2,830**	**1,739**	**1,858**

Capital expenditure

(in EUR million)

	June 30, 2019	June 30, 2018	Dec. 31, 2018
Capital expenditure - operating segments	**977**	**27**	**84**
Corporate units	210	24	71
Consolidation	0	0	0
Total	**1,187**	**51**	**155**

Depreciation/amortization

(in EUR million)

	Jan. – June 2019	Jan. – June 2018
Depreciation/amortization - operating segments	**153**	**40**
Corporate units	25	21
Consolidation	0	0
Total	**178**	**61**

Geographic information

(in EUR million)

	Third party sales		Non-current assets	
	Jan. – June 2019	Jan. – June 2018	**June 30, 2019**	Dec. 31, 2018
Germany	202	207	414	238
Other European markets	665	642	645	208
U.S.A.	188	189	244	41
Other American markets	67	66	56	16
China	123	113	40	31
Other Asian markets	94	86	190	45
Total	**1,339**	**1,303**	**1,589**	**579**

14| Subsequent events

On July 2, 2019, Bernd Hake, member of the Managing Board for the Group's own retail business, wholesale and global merchandising, stepped down from the Managing Board of HUGO BOSS AG by mutual agreement with the Company's Supervisory Board. In the future, the duties previously assigned to Bernd Hake will be managed by Chief Executive Officer Mark Langer.

Between the end of the first six months of fiscal year 2019 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.

CHAPTER 3

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

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

Metzingen, July 24, 2019

HUGO BOSS AG
The Managing Board

Mark Langer
Yves Müller
Ingo Wilts

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.

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FINANCIAL CALENDAR

November 5, 2019
Third Quarter Results 2019

March 5, 2020
Full Year Results 2019