FIRST HALF YEAR REPORT
JANUARY–JUNE 2023

HUGO BOSS

HUGO BOSS

CONTENTS

1
CONSOLIDATED INTERIM MANAGEMENT REPORT

2
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3
FURTHER INFORMATION

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

HUGO BOSS

KEY FIGURES

(in EUR million)	Jan. – June 2023	Jan. – June 2022	Change in %	Currency-adjusted change in %
Sales	1,993	1,650	21	22
Sales by brand				
BOSS Menswear	1,557	1,305	19	21
BOSS Womenswear	134	104	29	30
HUGO	303	241	26	26
Sales by segment				
EMEA	1,229	1,054	17	18
Americas	431	334	29	27
Asia/Pacific	285	219	30	36
Licenses	48	42	16	16
Sales by distribution channel				
Brick-and-mortar retail	1,065	891	20	21
Brick-and-mortar wholesale	506	417	21	22
Digital	374	300	25	26
Licenses	48	42	16	16
Results of operations				
Gross profit	1,233	1,033	19	
Gross margin in %	61.9	62.6	(70) bp	
EBIT	186	140	33	
EBIT margin in %	9.3	8.5	90 bp	
EBITDA	346	310	12	
EBITDA margin in %	17.3	18.8	(140) bp	
Net income attributable to equity holders of the parent company	110	82	35	
Net assets and liability structure as of June 30				
Trade net working capital	850	507	68	76
Trade net working capital in % of sales[1]	17.9	13.8	410 bp	
Non-current assets	1,522	1,472	3	
Equity	1,171	1,006	16	
Equity ratio in %	35.9	35.3	60 bp	
Total assets	3,257	2,847	14	
Financial position				
Capital expenditure	107	61	75	
Free cash flow	(60)	100	<(100)	
Depreciation/amortization	160	170	(6)	
Net financial liabilities (as of June 30)	988	687	44	
Additional key figures				
Employees (as of June 30)[2]	17,947	15,411	16	
Personnel expenses	461	383	20	
Shares (in EUR)				
Earnings per share	1.60	1.18	35	
Last share price (as of June 30)	71.54	50.36	42	
Number of shares (as of June 30)	70,400,000	70,400,000	0	

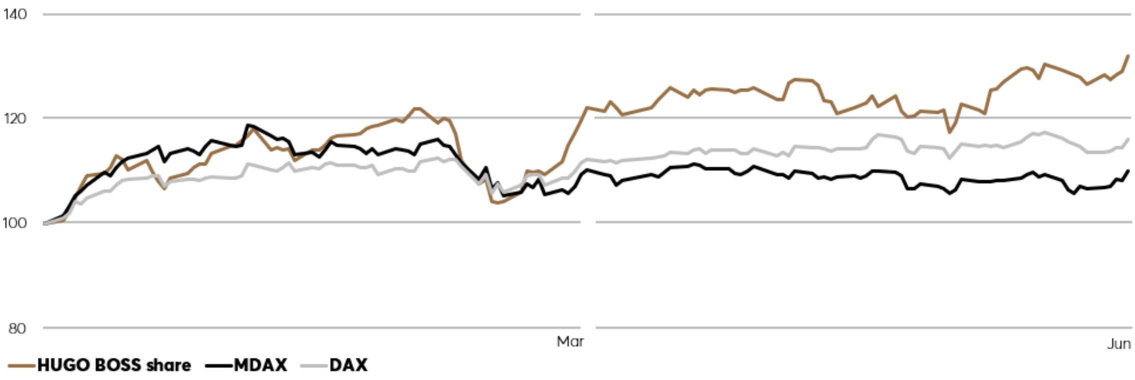
[1] Moving average on the basis of the last four quarters.
[2] Full-time equivalent (FTE).

HUGO BOSS

OUR SHARE

In the first half of 2023, global equity markets were characterized by a stubbornly high inflation, a U.S. debt ceiling brawl, a brief banking crisis, and the prospect of even higher interest rates. While the first six months brought much to unsettle equity markets, the overall sentiment remained upbeat with investors welcoming data showing that the world economy remains on a more solid footing than initially expected. Consequently, global equities gained in the first half of 2023, buoyed by receding recession worries, corporate profits broadly surpassing expectations, easing inflation – albeit more slowly than forecast, and policymakers signaling that they expect interest rates to soon reach their peaks. Whereas the U.S. Federal Reserve raised interest rates three times, including one "hawkish pause" in June, the European Central Bank hiked four times, both indicating further hikes and therefore further volatility in the markets for the remainder of the year.

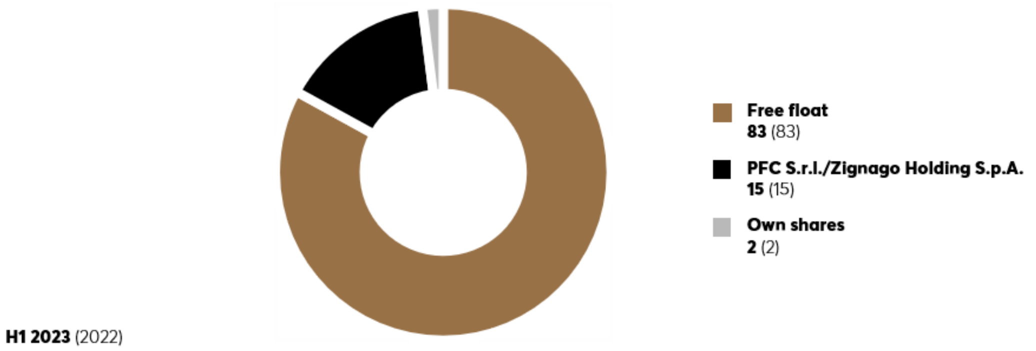
SHARE PRICE PERFORMANCE JANUARY-JUNE 2023 (INDEX: DECEMBER 31, 2022 = 100)



Against this backdrop, Germany's major indices recorded solid gains in the first half of 2023, with the DAX up 16% and the MDAX up 10%, respectively. The MSCI World Textiles, Apparel & Luxury Goods Index, which reflects the share price performance of key companies in the apparel and luxury goods segment, also recorded strong gains of 19% in the first six months of 2023.

In this context, HUGO BOSS shares ended the first half year at EUR 71.54, thus close to a new five-year high. With an increase of 32%, our share significantly outperformed both major indices and the share price performances of almost all relevant competitors. This performance particularly reflects the ongoing strong brand momentum of BOSS and HUGO in the wake of the rigorous execution of our "CLAIM 5" strategy. As a consequence, HUGO BOSS not only exceeded its full-year guidance for 2022, which had been revised upwards twice, but also raised its full-year outlook for 2023 in May – both providing noticeable impetus to our share price performance. Finally, at its Investor Day in June 2023, HUGO BOSS also raised its 2025 financial ambition while also providing a strategic update to "CLAIM 5."

SHAREHOLDER STRUCTURE AS OF JUNE 30 (IN % OF SHARE CAPITAL)



During the first half of 2023, PFC S.r.l. and Zignago Holding S.p.A., each controlled by the Marzotto family, maintained their strategic investment in HUGO BOSS. As of June 30, 2023, their voting rights thus continued to total 15.45%. Both companies have pooled their shares through a shareholder agreement. HUGO BOSS itself holds 1,383,833 own shares, which were purchased as part of a share buyback program between 2004 and 2007. This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital. The remaining 82.55% of the shares were held in free float at the end of the first half of 2023.

CHAPTER 1
CONSOLIDATED INTERIM MANAGEMENT REPORT

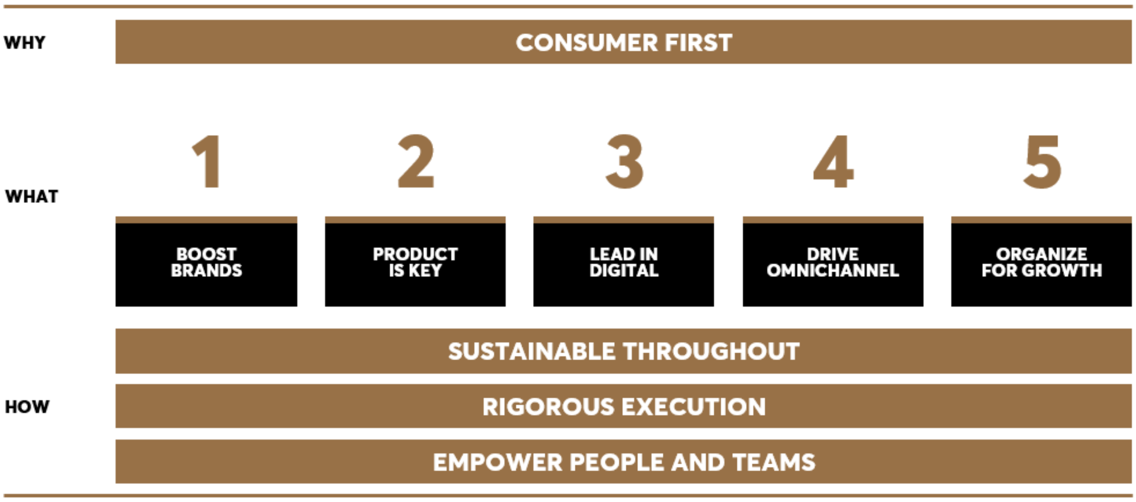
HUGO BOSS

GROUP STRATEGY

“CLAIM 5” update

Two years after introducing its “CLAIM 5” growth strategy, HUGO BOSS looks back on significant progress achieved across all five strategic priorities. Driven by the powerful and rigorous strategy execution and supported by the bold branding refresh initiated in 2022, momentum for both BOSS and HUGO has since accelerated sharply, leading to strong top- and bottom-line improvements.

GROWTH STRATEGY “CLAIM 5”



Also in the first half of 2023, our primary focus was around the rigorous execution of “CLAIM 5.” In January 2023, one year after introducing the branding refresh, BOSS and HUGO successfully launched their Spring/Summer 2023 collections, which have once again been very well received by both consumers and wholesale partners worldwide. Thanks to the accompanying global brand campaigns as well as several fashion events, including a star-studded “see now buy now” event in Miami, BOSS and HUGO were able to build on the regained brand momentum and create further buzz throughout the first six months of the year. As a result, both brands continued to expand market shares worldwide and made further strong progress in increasing brand relevance. Against this backdrop, HUGO BOSS provided an update on its **“CLAIM 5”** strategy in June 2023, which included raising our 2025 financial ambition.

While we aim to exceed our previous mid-term sales target of EUR 4 billion already this year, we are now confident of generating revenues of around EUR 5 billion by 2025. This represents a strong compound average growth rate (CAGR) of 11% compared to fiscal year 2022 (2022: EUR 3.7 billion), thus well above the anticipated industry growth. The superior top-line ambition is coupled with significant improvements in EBIT, which is forecast to grow to a level of at least EUR 600 million by 2025 (prior target: around EUR 480 million), representing a strong CAGR of at least 21% compared to fiscal year 2022. Consequently, we now target an EBIT margin of at least 12% by 2025 (prior: around 12%). The increased EBIT margin target mainly reflects our updated gross margin projections,

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exceeding initial expectations. The latter is now anticipated to range between 62% and 64% until 2025 (prior: 60% to 62%), reflecting the ongoing strong surge in brand momentum as well as additional efficiency gains to be realized in operations.

With our compelling "CLAIM 5" strategy, we have set the course to lead HUGO BOSS into a successful future. In this context, our ongoing focus on driving superior top-line growth and significant margin expansion is expected to result in strong cumulative free cash flow of around EUR 2.5 billion between 2021 and 2025 (prior: around EUR 2 billion). Fully in line with our capital allocation framework, the majority of free cash flow will be either reinvested into the business or distributed to shareholders through regular dividend payments, with our payout ratio to remain in a range between 30% and 50% of net income attributable to shareholders until 2025.

NEW 2025 FINANCIAL AMBITION

	Initial 2025 target	New 2025 target
Group sales	EUR 4 million	EUR 5 billion
Sales CAGR (2019-2025)	6%	10%
Gross margin	60%-62%	62%-64%
EBIT	~ EUR 480 million	≥ EUR 600 million
EBIT margin	~ 12%	≥ 12%
Cumulative free cash flow (2021 2025)	~ EUR 2 billion	~ EUR 2.5 billion

To deliver on our increased 2025 financial ambition, the rigorous execution of "CLAIM 5" will continue to take center stage. We will build on the strong brand momentum of BOSS and HUGO and leverage global growth opportunities from a brand, regional, and channel perspective. In doing so, HUGO BOSS is well positioned to keep gaining market shares, driving significant bottom-line improvements, and generating superior free cash flow to ensure sustainable shareholder value creation by 2025 and beyond. > Learn more at group.hugoboss.com

Sustainability

Sustainability continues to be at the heart of "CLAIM 5" – a cause that is essential to our corporate responsibility and ongoing business activities. We will therefore further intensify our efforts in this important area, focusing primarily on making an imminent contribution to a planet free of waste and pollution. As part of our sustainability strategy, we will, among other things, strongly increase our circularity initiatives, leverage nature-positive materials, fight microplastic, and keep pushing towards zero emissions. Further details on our sustainability strategy, including our sustainability targets, can be found on our corporate website. > Learn more at group.hugoboss.com

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GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

General economic situation

In the first half of the year, the global economy faced numerous uncertainties. These included persistently high levels of inflation, raising interest rates, a brief global banking crisis, and ongoing geopolitical tensions. While inflation should have peaked following the interest rate hikes of key central banks and a drop in food and energy prices, underlying price pressures remain stubborn, particularly in economies with tight labor markets. However, the anticipated slowdown in global growth in 2023 should be less severe than initially anticipated, given resilient household spending in developed economies and China's ongoing recovery after turning away from its zero-COVID policy.

Consequently, in its forecast published in July, the International Monetary Fund (IMF) now assumes global economic growth of 3.0% for 2023 (2022: 3.5%). In the eurozone, economic growth is now expected to moderate towards 0.9% in 2023 (2022: 3.5%), while the IMF predicts that the economy of the UK will expand by 0.4% (2022: 4.1%). For the U.S., the IMF anticipates growth to slow down to 1.8% in 2023 (2022: 2.1%), mainly reflecting the U.S. Federal Reserve's restrictive monetary policy. For China, the IMF now forecasts growth of 5.2% in 2023 (2022: 3.0%).

Industry development

For the global apparel industry, the first half of 2023 continued to be dominated by the persistently high level of macroeconomic and geopolitical uncertainty and the associated deterioration in consumer sentiment that became visible already in the second half of 2022. Major challenges included continued high inflation and the related pressure on the Company's input costs and consumer demand, a highly competitive labor market, and general economic volatility.

Industry growth in the first six months of 2023 was driven by both domestic demand and international tourists, the latter of which also included a larger share of Chinese nationals year over year after China lifted its zero-COVID policy at the end of 2022. For this reason, the global apparel industry also recorded a noticeable recovery in the Chinese market itself, even though this has been slower than initially expected. In Europe, and particularly in the U.S., on the other hand, overall consumer sentiment remained rather muted in light of persistently high inflation, with market players in the lower- to mid-price segment struggling in particular. It is therefore expected that companies with a leading brand perception and overall strong top-line momentum will continue to perform comparatively better also going forward.

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EARNINGS DEVELOPMENT

Sales performance

Building on the remarkable momentum in fiscal year 2022, HUGO BOSS continued its strong operational and financial performance in the first six months of 2023, posting significant top- and bottom-line improvements. Currency-adjusted Group sales increased 22%, with both brands, all regions, and all channels contributing to growth. On a reported base, revenues increased by 21% to EUR 1,993 million (prior year: EUR 1,650 million), marking the strongest first half-year in the history of HUGO BOSS from a top-line perspective. Growth was fueled by several brand, product, and sales initiatives as part of the ongoing rigorous **execution of the Company's "CLAIM 5" strategy**, which provided substantial tailwinds throughout the six-month period.

Sales by brand

SALES BY BRAND (IN EUR MILLION)

	Jan. – June 2023	In % of sales	Jan. – June 2022	In % of sales	Change in %	Currency-adjusted change in %
BOSS Menswear	1,557	78	1,305	79	19	21
BOSS Womenswear	134	7	104	6	29	30
HUGO	303	15	241	15	26	26
Total	1,993	100	1,650	100	21	22

In early 2023, one year after the bold branding refresh, BOSS and HUGO successfully launched their Spring/Summer 2023 collections, which have once again been very well received by both consumers and wholesale partners worldwide. Thanks to the accompanying global brand campaigns as well as several fashion events, BOSS and HUGO were able to drive the regained brand momentum throughout the first half of 2023. This, in turn, enabled both brands to further expand their market shares worldwide, especially among younger consumers. Consequently, BOSS Menswear, BOSS Womenswear, and HUGO posted significant double-digit sales improvements in the first half of 2023. Momentum remained strong across all wearing occasions, thus fully reflecting the brands' 24/7 lifestyle images. Overall, currency-adjusted revenues for BOSS Menswear were up 21% year over year, while revenues for BOSS Womenswear even expanded by 30%. At HUGO, currency-adjusted sales were up 26%.

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Sales by region

SALES BY REGION (IN EUR MILLION)

	Jan. – June 2023	In % of sales	Jan. – June 2022	In % of sales	Change in %	Currency-adjusted change in %
EMEA	1,229	62	1,054	64	17	18
Americas	431	22	334	20	29	27
Asia/Pacific	285	14	219	13	30	36
Licenses	48	2	42	3	16	16
Total	1,993	100	1,650	100	21	22

From a regional perspective, growth in the first half of 2023 was broad-based with all regions recording significant double-digit sales improvements fueled by ongoing strong consumer demand for BOSS and HUGO. In EMEA, currency-adjusted revenues increased by 18% year over year, reflecting robust double-digit growth in key markets such as Germany and France, as well as a particularly strong performance in growth markets such as the Middle East. With revenues up 27% currency-adjusted, momentum in the Americas remained robust with all of the region's markets posting significant double-digit growth. This also includes ongoing strong momentum in the U.S. market, as HUGO BOSS continued to successfully foster its 24/7 brand image across all channels. In Asia/Pacific, currency-adjusted revenues came in 36% above the prior-year level, driven by both sustained double-digit growth in Southeast Asia & Pacific and a noticeable recovery of the Group's business in China following the market's reopening in late 2022.

Sales by distribution channel

SALES BY DISTRIBUTION CHANNEL (IN EUR MILLION)

	Jan. – June 2023	In % of sales	Jan. – June 2022	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	1,065	53	891	54	20	21
Brick-and-mortar wholesale	506	25	417	25	21	22
Digital	374	19	300	18	25	26
Licenses	48	2	42	3	16	16
Total	1,993	100	1,650	100	21	22

From a channel perspective, growth in the first half of 2023 was also broad-based, with all consumer touchpoints recording double-digit sales improvements. The Group's brick-and-mortar retail business (including freestanding stores, shop-in-shops, and outlets) recorded currency-adjusted revenue growth of 21% year over year, supported by robust consumer sentiment across regions. While additional selling space only had a minor impact on brick-and-mortar retail growth, the vast majority of the strong performance was related to further store productivity improvements. The latter mainly reflects the successful execution of various strategic initiatives to continuously optimize and modernize the Company's global store network. On the other hand, currency-adjusted sales in brick-and-mortar wholesale grew 22%. This performance reflects the ongoing strong reception of the latest BOSS and HUGO collections among wholesale partners around the globe. In particular, both brands further improved visibility across key wholesale partners in both Europe and the U.S. Also the Group's digital business (including the Company's digital flagship hugoboss.com as well as digital revenues generated with partners) successfully continued its double-digit growth trajectory in the first six months of 2023, with currency-adjusted sales up 26%. In particular, revenues generated via the Group's digital flagship hugoboss.com increased at strong double-digit rates, supported by the re-launch of the HUGO BOSS app in February. Digital revenues generated with partners also grew at double-digit rates. Currency-adjusted sales in the license business increased by 16%, spurred by particularly robust growth in the important fragrance business, also reflecting the strong uptick in international tourism driving revenues in travel retail.

Network of own retail stores

NUMBER OF OWN FREESTANDING RETAIL STORES

As of June 30, 2023, the number of own freestanding retail stores amounted to 476, representing a slight increase compared to December 31, 2022. In the first six months of the year, a total of 17 BOSS stores were newly opened across all three regions, with particular focus on China. In addition, one HUGO store opened its doors in São Paulo, Brazil. At the same time, 12 stores with expiring leases across EMEA and the Americas were closed in the first half of 2023.

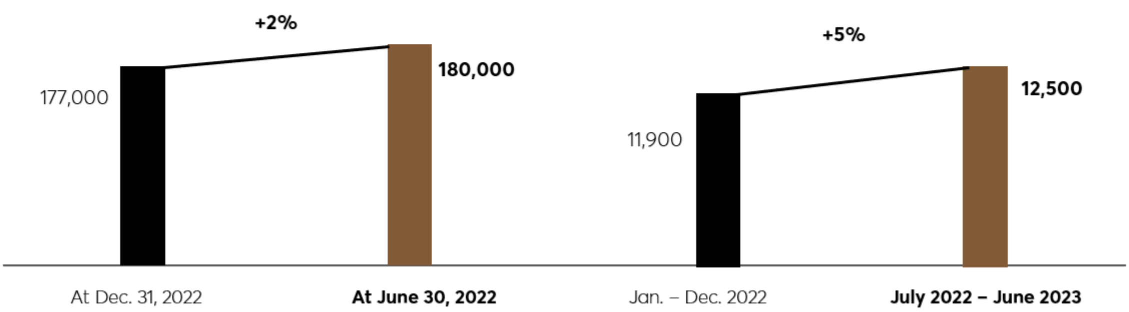
NUMBER OF OWN RETAIL STORES

June 30, 2023	EMEA	Americas	Asia/Pacific	Total
Number of own retail points of sale	583	412	358	1,353
thereof freestanding retail stores	211	110	155	476
Dec. 31, 2022				
Number of own retail points of sale	581	383	352	1,316
thereof freestanding retail stores	212	106	152	470

Including shop-in-shops and outlets, the total number of retail points of sale operated by HUGO BOSS modestly increased to 1,353 as of June 30, 2023. Besides the increase in freestanding stores, this development primarily reflects a further expansion of the shop-in-shop business in the U.S. market.

Total selling space as of June 30
(in square meter)

Brick-and-mortar sales productivity
(in EUR per square meter)



Including shop-in-shops and outlets, the **total selling space** of the Group's own retail business increased 2% to around 180,000 sq m at the end of June (December 31, 2022: 177,000 sq m). HUGO BOSS increased its sales productivity in brick-and-mortar retail by 5% to around EUR 12,500 per sq m (January to December 2022: EUR 11,900 per sq m), thus significantly above pre-pandemic levels.

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Income statement

(in EUR million)	Jan. – June 2023	Jan. - June 2022	Change in %
Sales	1,993	1,650	21
Cost of sales	(760)	(617)	(23)
Gross profit	1,233	1,033	19
In % of sales	61.9	62.6	(70) bp
Operating expenses	(1,047)	(894)	(17)
In % of sales	(52.5)	(54.2)	160 bp
Thereof selling and marketing expenses	(825)	(707)	(17)
Thereof administration expenses	(222)	(187)	(19)
Operating result (EBIT)	186	140	33
In % of sales	9.3	8.5	90 bp
Financial result	(24)	(19)	(25)
Earnings before taxes	162	120	35
Income taxes	(45)	(34)	(35)
Net income	116	86	35
Attributable to:			
Equity holders of the parent company	110	82	35
Non-controlling interests	6	5	28
Earnings per share (in EUR)[1]	1.60	1.18	35
Income tax rate in %	28	28	

[1] Basic and diluted earnings per share.

At 61.9%, the gross margin in the first half of 2023 came in 70 basis points below the prior-year level. Being up against a particularly strong comparison base, the decline in gross margin is mainly attributable to unfavorable currency effects, negative channel mix effects, and higher product costs. The latter reflects both quality investments as part of "CLAIM 5" and general cost inflation, which were only partly offset by recent price increases implemented for the Fall 2023 collections.

In the first half of 2023, operating expenses were up 17%, largely reflecting further investments into the business as part of the Company's "CLAIM 5" strategy. However, as a percentage of sales, operating expenses decreased 160 basis points to a level of 52.5%, first and foremost reflecting further efficiency gains in brick-and-mortar retail.

- Selling and marketing expenses increased 17%, mainly reflecting an increase in fulfillment, variable rental, and payroll expenses in light of the strong top-line performance. Also marketing investments contributed to the increase, growing 14% year over year. At EUR 157 million (H1 2022: EUR 138 million), marketing investments represented 7.9% of Group sales (H1 2022: 8.4%). Selling expenses for the Group's brick-and-mortar retail business increased by 9% to EUR 408 million (H1 2022: EUR 374 million), thus improving to a level of 20.5% of Group sales (H1 2022: 22.7%). Overall, as a percentage of sales, selling and marketing expenses decreased by 150 basis points to a level of 41.4% (H1 2022: 42.8%).

- Administration expenses were up 19% as compared to the prior-year period, mainly reflecting additional investments into the business as part of the Company's strategic claim "Organize for Growth" as well as overall cost inflation. As a percentage of sales, however, administration expenses slightly decreased to 11.2% (H1 2022: 11.3%).

Driven by the strong top-line performance, operating profit (EBIT) increased by 33% to EUR 186 million in the first half of 2023, enabling the Company to generate strong operating leverage despite ongoing investments into the business. Accordingly, the Group's EBIT margin expanded by 90 basis points to a level of 9.3%.

At EUR 24 million, net financial expenses (financial result) were 25% above the prior-year level, as the Company recorded higher interest expense in lease accounting under IFRS 16, reflecting the overall higher level of interest rates.

Consequently, the Group's net income amounted to EUR 116 million, up 35% against the prior-year level. Net income attributable to shareholders also increased by 35% to EUR 110 million.

Sales and earnings development of the business segments

EMEA

Currency-adjusted sales in the EMEA region (Europe, Middle East, and Africa) were up 18% in the first half of 2023, reflecting broad-based momentum across all consumer touchpoints. This development was driven by the ongoing successful execution of "CLAIM 5," strongly propelling brand momentum and fueling both local demand and business with international tourists.

SALES DEVELOPMENT EMEA (IN EUR MILLION)

	Jan. – June 2023	In % of sales	Jan. – June 2022	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	537	44	480	46	12	13
Brick-and-mortar wholesale	402	33	333	32	21	22
Digital	290	24	241	23	20	21
Total	1,229	100	1,054	100	17	18

Momentum was particularly strong in key European markets such as Germany and France as reflected by double-digit improvements across all consumer touchpoints. Consequently, revenues in Germany increased by 23% to EUR 269 million (H1 2022: EUR 218 million). Sales in France amounted to EUR 117 million, up 16% compared to the first half of 2022 (H1 2022: EUR 101 million). At the same time, currency-adjusted sales in the UK remained 1% below 2022 levels, being up against a particularly strong comparison base from the prior-year period. In Group currency, revenues declined 5% to EUR 218 million (H1 2022: EUR 230 million). When compared to pre-pandemic levels, however, revenues in the UK were up strong double-digit and thus broadly in line with the performance of other key European markets. Also in the Middle East, momentum remained strong in the first half of 2023, as reflected by double-digit growth compared to the prior-year level.

At EUR 301 million, segment earnings in EMEA came in 26% above the prior-year level (H1 2022: EUR 239 million). This corresponds to an EBIT margin of 24.5% (H1 2022: 22.7%), as the robust top-line performance enabled HUGO BOSS to generate strong operating leverage, more than compensating for a modest decline in gross margin.

Americas

In the Americas, currency-adjusted sales increased 27% year over year, fueled by the ongoing rigorous execution of "CLAIM 5" and continued strong consumer demand for BOSS and HUGO. Regional growth was broad-based, as reflected by strong double-digit revenue improvements across all consumer touchpoints.

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SALES DEVELOPMENT AMERICAS (IN EUR MILLION)

	Jan. – June 2023	In % of sales	Jan. – June 2022	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	285	66	225	67	27	25
Brick-and-mortar wholesale	89	21	70	21	27	24
Digital	58	13	40	12	45	44
Total	431	100	334	100	29	27

In the United States, the largest market for HUGO BOSS, revenues increased 22% currency-adjusted, as the Company continued to successfully foster its 24/7 brand image. Growth in the U.S. was strong across all channels, as reflected by double-digit revenue improvements in brick-and-mortar retail, brick-and mortar wholesale, as well as digital. In Group currency, sales were up 23%, amounting to EUR 279 million (H1 2022: EUR 227 million). While trends were similar in Canada with sales up 22%, HUGO BOSS continued to record particularly strong momentum in Latin America as reflected by a revenue increase of 49%, both currency-adjusted.

Segment earnings in the Americas amounted to EUR 58 million (H1 2022: EUR 56 million), which corresponds to an EBIT margin of 13.4% (H1 2022: 16.7%). Improvements in sales were more than offset by a modest decline in gross margin as well as higher operating expenses, including a step-up in variable rental expenses, marketing investments, and fulfillment expenses.

Asia/Pacific

Also the Group's business in Asia/Pacific recorded a very robust first half-year, with sales returning to strong double-digit growth of 36% currency-adjusted. Across channels, momentum was broad-based with all consumer touchpoints recording double-digit growth.

SALES DEVELOPMENT ASIA/PACIFIC (IN EUR MILLION)

	Jan. – June 2023	In % of sales	Jan. – June 2022	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	243	85	186	85	31	37
Brick-and-mortar wholesale	15	5	13	6	13	13
Digital	26	9	20	9	35	41
Total	285	100	219	100	30	36

The Group's business in China recorded a noticeable recovery in the first half of 2023 following the market's reopening in late 2022, with currency-adjusted sales up 38%. In Group currency, revenues increased by 32% to EUR 144 million (H1 2022: EUR 109 million). Also on a two-year-stack basis, currency-adjusted revenues were up by a mid-single-digit percentage. At the same time, Southeast Asia & Pacific posted ongoing double-digit sales improvements during the six-month period.

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Segment earnings in the Asia/Pacific region amounted to EUR 67 million, 81% above the prior-year level (H1 2022: EUR 37 million), translating into an EBIT margin of 23.4% (H1 2022: 16.8%). Improvements in sales fueled strong operating leverage, thereby more than offsetting a slight decline in gross margin.

Licenses

Sales in the license business increased by 16% currency-adjusted. This performance was spurred by particularly robust growth in the important fragrance business, also reflecting the strong uptick in international tourism driving revenues in travel retail.

Consequently, the license segment profit increased by 17% to EUR 41 million (H1 2022: EUR 35 million).

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NET ASSETS

CONDENSED STATEMENT OF FINANCIAL POSITION (IN EUR MILLION)

	June 30, 2023	June 30, 2022	December 31, 2022
Property, plant and equipment, intangible assets, and right-of-use assets	1,363	1,293	1,356
Inventories	1,129	760	974
Trade receivables	299	228	256
Other assets	332	323	393
Cash and cash equivalents	108	243	147
Assets held for sale[1]	27	0	0
Assets	3,257	2,847	3,127
Group equity	1,171	1,006	1,135
Provisions and deferred taxes	212	244	225
Lease liabilities	759	810	804
Trade payables	577	482	617
Other liabilities	166	159	223
Financial liabilities	349	146	122
Liabilities held for sale[1]	24	0	0
Equity and liabilities	3,257	2,847	3,127

[1] HUGO BOSS is currently revisiting its business model in Russia, which includes considerations to convert it into a wholesale business. Accordingly, the Company classified all respective assets and liabilities as assets and liabilities held for sale as of June 30, 2023.

Total assets at the end of the reporting period increased 4% compared to December 31, 2022. Compared to June 30, 2022, total assets grew by 14%, mainly reflecting an increase in inventories.

The share of current assets increased to 53% at the end of June 2023 (December 31, 2022: 51%). Accordingly, the share of non-current assets as of June 30, 2023 decreased to 47% (December 31, 2022: 49%). The Group's equity ratio remained unchanged at a level of 36% at the end of the first half of 2023 (December 31, 2022: 36%).

TRADE NET WORKING CAPITAL (IN EUR MILLION)

	June 30, 2023	June 30, 2022	Change in %	Currency-adjusted change in %
Inventories	1,129	760	48	53
Trade receivables	299	228	31	35
Trade payables	577	482	20	20
Trade net working capital	850	507	68	76

Year over year, inventories were up 53% currency-adjusted. Against the backdrop of last year's supply chain disruptions, already in 2022, HUGO BOSS intentionally increased its inventory coverage to ensure product availability for upcoming seasons. The vast majority of the Company's inventories reflects core merchandise as well as fresh merchandise for current and upcoming collections, aimed at supporting the ongoing strong top-line momentum across channels. Following the easing of global supply chain disruptions, the Company anticipates a gradual normalization of inventories starting with the second half of fiscal year 2023. Based on this, HUGO BOSS remains confident of improving inventories to a level below 20% of Group sales by 2025.

Trade net working capital (TNWC) increased 76% on a currency-adjusted basis, mainly reflecting the higher inventory levels as well as an increase in trade receivables. The latter is mainly due to the Company's robust performance in wholesale. This was partly offset by higher trade payables, which is mainly attributable to an increased utilization of the Company's supplier financing program. The moving average of TNWC as a percentage of sales based on the last four quarters amounted to 17.9%, thus above the level recorded in the prior-year period (June 30, 2022: 13.8%).

The increase in financial liabilities reflects a higher utilization of the Company's credit lines and is mainly related to the higher inventory position aimed at supporting the continued strong top-line momentum.

HUGO BOSS

FINANCIAL POSITION

Statement of cash flow and free cash flow

STATEMENT OF CASH FLOW[1] (IN EUR MILLION)

	Jan. – June 2023	Jan. – June 2022
Cash flow from operating activities	46	162
Cash flow from investing activities[2]	(106)	(62)
Cash flow from financing activities[2]	23	(158)
Change in cash and cash equivalents	(39)	(42)
Cash and cash equivalents at the beginning of the period	147	285
Cash and cash equivalents at the end of the period	108	243

[1] As the statement of cash flows is presented on a currency-adjusted basis, the values cannot be derived from the statement of financial position.
[2] Amounts shown differ from those reported in the previous year due to reclassifications.

Free cash flow amounted to minus EUR 60 million in the first half of 2023 (H1 2022: plus EUR 100 million). Strong improvements in EBIT were more than offset by the increase in inventories as well as a significant step-up in capital expenditure. Free cash flow is calculated as the sum of cash flow from operating activities and cash flow from investing activities.

Cash flow from operating activities came in well below the prior-year level as improvements in EBIT were more than offset by the increase in trade net working capital, with the latter particularly reflecting higher inventories. The significant increase in cash flow from investing activities reflects the substantial step-up in capital expenditure in the first half of 2023, aimed at supporting the successful execution of "CLAIM 5." The development of cash flow from financing activities was mainly driven by the higher utilization of the Company's credit lines in the reporting period.

Net financial liabilities

Excluding the impact of IFRS 16, the net financial position of HUGO BOSS totaled minus EUR 229 million at the end of the first half of 2023 (June 30, 2022: plus EUR 123 million), mainly reflecting the development of free cash flow over the last four quarters. Including the impact of IFRS 16, the net financial position totaled minus EUR 988 million, representing a 44% increase against the prior-year level (June 30, 2022: minus EUR 687 million).

Capital expenditure

In the first half of 2023, capital expenditure increased by 75% to EUR 107 million (H1 2022: EUR 61 million). The step-up in capital expenditure is aimed at supporting the successful execution of "CLAIM 5" by accelerating the Company's investments in its global store network and further digitalizing its business model. From a geographical perspective, 34% of capital expenditure was attributable to the EMEA region (H1 2022: 33%), while the Americas and Asia/Pacific accounted for 23% and 14%, respectively (H1 2022: 6% and 16%). The remaining 30% was related to corporate units (H1 2022: 46%).

OUTLOOK

Subsequent events

Between the end of the first half of fiscal year 2023 and the preparation of this report on July 19, 2023, there were no material macroeconomic, socio-political, industry-related, or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets, or financial position.

Outlook

In the wake of the continued successful execution of several strategic initiatives, HUGO BOSS looks back on a strong business performance in the first half-year of 2023. Following the robust financial performance of HUGO BOSS in the first quarter, together with the publication of record first quarter results in May 2023, we increased our initial full-year 2023 sales and earnings forecast, as published in March 2023. The continued strong top- and bottom-line momentum in the second quarter and the sustained brand momentum of both BOSS and HUGO prompted HUGO BOSS to raise its top- and bottom-line outlook again for the current fiscal year. The main focus in the second half of 2023 will, once again, be on the determined and relentless execution of "CLAIM 5" aimed at fostering the strong top-line momentum. At the same time, the Company is taking into account persisting high levels of macroeconomic and geopolitical uncertainty.

The Company now forecasts Group sales in fiscal year 2023 to increase by between 12% and 15% to a level of between EUR 4.1 billion and EUR 4.2 billion. For both EMEA and the Americas, HUGO BOSS now anticipates sales growth of between 10% and 15%. For the Asia/Pacific region, we now target revenue growth of between 25% and 30%.

In light of the anticipated top-line improvements, HUGO BOSS now expects EBIT in 2023 to increase by between 20% and 25% to a level of between EUR 400 million and EUR 420 million. At the same time, and broadly in line with EBIT growth, the **Group's net income** is now forecast to improve within a range of 20% to 25% in 2023.

HUGO BOSS now expects trade net working capital as a percentage of sales to increase to a level of between 18% and 19%, while capital expenditure is now forecast to total between EUR 250 million and EUR 300 million in fiscal year 2023.

HUGO BOSS

OUTLOOK FOR THE FISCAL YEAR 2023

	Results 2022	Initial outlook 2023	Increased outlook 2023[1]	New outlook 2023
Group sales	EUR 3,651 million	Increase at a mid-single-digit percentage rate	Increase of ~10% (to a level of around EUR 4 billion)	Increase within a range of 12% to 15% to a level of between EUR 4.1 billion and EUR 4.2 billion
Sales by region				
EMEA	EUR 2,303 million	Increase in the low to mid-single-digit percentage range	-	Increase of between 10% and 15%
Americas	EUR 789 million	Increase in the low to mid-single-digit percentage range	-	Increase of between 10% and 15%
Asia/Pacific	EUR 467 million	Increase in the teens percentage range	-	Increase of between 25% and 30%
Operating result (EBIT)	EUR 335 million	Increase to a level of between EUR 350 million and EUR 375 million	Increase to a level of between EUR 370 million and EUR 400 million	Increase within a range of 20% to 25% to a level of between EUR 400 million and EUR 420 million
Group's net income	EUR 222 million	Increase within a range of 5% to 12%	Increase within a range of 10% to 20%	Increase within a range of 20% to 25%
Trade net working capital as a percentage of sales	15.0%	Increase to a level of around 17%	Increase to a level of around 17%	Increase to a level of between 18% and 19%
Capital expenditure	EUR 191 million	Increase to a level of between EUR 200 million and EUR 250 million	Increase to a level of between EUR 200 million and EUR 250 million	Increase to a level of between EUR 250 million and EUR 300 million

1 Increase in sales, EBIT, and net income forecast in May 2023.

HUGO BOSS

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. During the reporting period, the Company has not identified any further material risks and opportunities besides those presented in its Annual Report for fiscal year 2022. The statements included therein regarding risks and opportunities continue to be valid. At present, no risks have been identified that either individually or in combination with other risks could endanger the Company's ability to continue as a going concern.

HUGO BOSS

SUMMARY ON EARNINGS, NET ASSETS, AND FINANCIAL POSITION

In view of its healthy balance sheet structure and the positive free cash flow generation also expected in future, HUGO BOSS continues to be in an exceedingly solid economic situation at the time of preparing this report.

Metzingen, July 19, 2023

HUGO BOSS AG
The Managing Board

Daniel Grieder
Yves Müller
Oliver Timm

CHAPTER 2
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

HUGO BOSS

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to June 30, 2023

Consolidated income statement (in EUR million)

	2023	2022
Sales	1,993	1,650
Cost of sales	(760)	(617)
Gross profit	1,233	1,033
In % of sales	61.9	62.6
Selling and marketing expenses	(825)	(707)
Administration expenses	(222)	(187)
Operating result (EBIT)	186	140
Net interest income/expenses	(19)	(11)
Other financial items	(5)	(9)
Financial result	(24)	(19)
Earnings before taxes	162	120
Income taxes	(45)	(34)
Net income	116	86
Attributable to:		
Equity holders of the parent company	110	82
Non-controlling interests	6	5
Earnings per share (EUR)[1]	1.60	1.18

[1] Basic and diluted earnings per share.

HUGO BOSS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to June 30, 2023

Consolidated statement of comprehensive income (in EUR million)

	2023	2022
Net income	116	86
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2	13
Items to be reclassified subsequently to profit or loss		
Currency differences	(8)	22
Gains/losses from cash flow hedges	(1)	1
Other comprehensive income, net of tax	(7)	37
Total comprehensive income	109	123
Attributable to:		
Equity holders of the parent company	103	117
Non-controlling interests	6	6
Total comprehensive income	109	123

HUGO BOSS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of June 30, 2023

Consolidated statement of financial position (in EUR million)

Assets	June 30, 2023	June 30, 2022	Dec. 31, 2022
Property, plant and equipment	508	427	471
Intangible assets	175	167	177
Right-of-use assets	680	699	708
Deferred tax assets	131	152	151
Non-current financial assets	26	26	26
Other non-current assets	1	1	2
Non-current assets	1,522	1,472	1,535
Inventories	1,129	760	974
Trade receivables	299	228	256
Current tax receivables	19	19	23
Current financial assets	33	14	41
Other current assets	122	111	150
Cash and cash equivalents	108	243	147
Assets held for sale	27	0	0
Current assets	1,735	1,375	1,592
Total	3,257	2,847	3,127

Equity and liabilities	June 30, 2023	June 30, 2022	Dec. 31, 2022
Subscribed capital	70	70	70
Own shares	(42)	(42)	(42)
Other capital reserve	3	0	2
Retained earnings	1,065	897	1,022
Accumulated other comprehensive income	56	69	65
Equity attributable to equity holders of the parent company	1,152	994	1,117
Non-controlling interests	18	12	19
Group equity	1,171	1,006	1,135
Non-current provisions	86	86	92
Non-current financial liabilities	285	105	89
Non-current lease liabilities	571	611	605
Deferred tax liabilities	7	15	10
Other non-current liabilities	2	0	2
Non-current liabilities	950	817	798
Current provisions	112	113	123
Current financial liabilities	64	42	33
Current lease liabilities	188	199	199
Income tax payables	7	29	20
Trade payables	577	482	617
Other current liabilities	164	159	201
Liabilities held for sale	24	0	0
Current liabilities	1,136	1,024	1,193
Total	3,257	2,847	3,127

HUGO BOSS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to June 30, 2023

Consolidated statement of changes in equity (in EUR million)

				Retained earnings		Accumulated other comprehensive income		Group equity		
	Subscribed capital	Own shares	Other Capital reserves	Legal reserve	Other reserves	Currency translation	Gains/ losses from cash flow hedges	Total before non-controlling interests	Non-controlling interests	Group equity
January 1, 2022	70	(42)	0	7	843	51	(3)	925	14	940
Net income					82			82	5	86
Other income					13	20	1	35	1	37
Comprehensive income					95	20	1	117	6	123
Dividend payment					(48)			(48)	(8)	(57)
June 30, 2022	70	(42)	0	7	890	71	(2)	994	12	1,006
January 1, 2023	70	(42)	2	7	1,016	64	0	1,117	19	1,135
Net income					110			110	6	116
Other income					2	(7)	(1)	(7)	0	(7)
Comprehensive income					112	(7)	(1)	103	6	109
Dividend payment					(69)			(69)	(6)	(75)
Share based payments			1					1		1
Changes in basis of consolidation					0			0	0	0
June 30, 2023	70	(42)	3	7	1,059	57	(1)	1,152	18	1,171

HUGO BOSS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to June 30, 2023

Consolidated statement of cash flows (in EUR million)

	2023	2022
Net income	116	86
Depreciation/amortization	160	170
Gains or losses on the monetary positions under IAS 29	0	0
Unrealized net foreign exchange gain/loss	11	(21)
Other non-cash transactions	3	12
Income tax expense/income	45	34
Interest expense/income	19	11
Change in inventories	(163)	(140)
Change in receivables and other assets	(12)	22
Change in trade payables and other liabilities	(76)	0
Result from disposal of non-current assets	(5)	(2)
Change in provisions for pensions	(5)	1
Change in other provisions	(9)	12
Income taxes paid	(39)	(24)
Cash flow from operating activities	46	162
Investments in property, plant and equipment	(92)	(45)
Investments in intangible assets	(15)	(15)
Investment in financial assets	0	(2)
Effects from changes in basis of consolidation	0	0
Cash receipts from disposal of property, plant and equipment and intangible assets	0	0
Interest received	1	1
Cash flow from investing activities[1]	(106)	(62)
Dividends paid to equity holders of the parent company	(69)	(48)
Dividends paid to non-controlling interests	(6)	(8)
Cash receipts from current financial liabilities	32	0
Repayment of current financial liabilities	(49)	(4)
Cash receipts from non-current financial liabilities	246	8
Repayment of current and non-current lease liabilities	(113)	(94)
Interest paid	(18)	(11)
Cash flow from financing activities[1]	23	(158)
Exchange rate related changes in cash and cash equivalents	(3)	16
Change in cash and cash equivalents	(39)	(42)
Cash and cash equivalents at the beginning of the period	147	285
Cash and cash equivalents at the end of the period	108	243

[1] Amounts shown differ from those reported in the previous year due to reclassifications of interest received.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1| General information

The interim financial statements of HUGO BOSS AG as of June 30, 2023, 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 interim consolidated 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 19, 2023, the interim management report and the condensed interim financial statements 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 interim consolidated 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 unless changes have been stated.

Estimation uncertainties and judgments

Inventories were measured taking into account risk provisions appropriate to the current business environment. In the current year, HUGO BOSS has implemented a change in the accounting estimate regarding the valuation technique on inventories. The new estimate takes a seasonal approach, which reflects a better devaluation factor. The carrying amount of inventories as a result of this change is reflected in the statement of financial position and in the income statement.

The recoverability of trade receivables is assessed by valuing trade receivables that are not overdue using the expected default risk. In addition, the value of trade receivables is attributed on the basis of the estimated likelihood of default. The calculation of the potential receivable default risk is based on past, current, and future default risks. All subsidiaries of HUGO BOSS have to prepare an analysis of the aging structure of their trade receivables and to follow uniform rules, for example with regard to credit assessment or the handling of doubtful receivables.

The preparation of the interim consolidated financial statements was based on estimates and assumptions taking into account the changes in the business environment, which affected the disclosures and the amount of assets and liabilities as well as income and expenses. Estimates and underlying assumptions with material impacts were made, particularly in the following aspects:

- Impairment testing of assets with a definite or indefinite useful life, including goodwill
- Valuation of inventories
- Recoverability of receivables – in particular trade receivables

Although great care has been taken in making these estimates and assumptions, actual measurements may deviate in individual cases, especially considering further developments of the situation and corresponding sanctions. The Company is closely monitoring and assessing the developments accordingly.

Impacts from the war in Ukraine

In the first half of 2023, HUGO BOSS revisited its business model in Russia, including considerations to convert it into a wholesale business. Accordingly, the Company classified all respective assets and liabilities as assets and liabilities held for sale as of March 31, 2023.

The asset and liabilities held for sale relate to the EMEA segment. In the second quarter of 2023, HUGO BOSS has reviewed the subsequent measurement of the assets and liabilities held for sale. Negotiations are ongoing regarding the sale and the expected timing.

HUGO BOSS

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		
	1 EUR =	June 2023	June 2022	Dec. 2022	June 30, 2023	June 30, 2022	Dec. 31, 2022
Australia	AUD	1.6152	1.5022	1.5682	1.6480	1.5256	1.5693
China	CNY	7.7453	7.0806	7.3872	7.9140	7.0382	7.3582
Great Britain	GBP	0.8583	0.8565	0.8692	0.8640	0.8646	0.8869
Japan	JPY	152.7207	141.3230	142.7881	157.7400	143.5300	140.6600
Russia	RUB	90.2674	61.3456	69.8198	94.9411	55.5195	79.2282
Switzerland	CHF	0.9759	1.0249	0.9863	0.9783	1.0005	0.9847
Turkey	TRY	25.3477	17.9866	19.7164	28.1540	17.5221	19.9349
U.S.A.	USD	1.0836	1.0580	1.0582	1.0938	1.0517	1.0666

4| Basis of consolidation

As of June 30, 2023, the company YOURDATA HB DIGITAL CAMPUS, Unipessoal, Lda based in Porto, Portugal was included in the consolidated financial statements.

As a result, the number of consolidated companies increased from 65 to 66 in the reporting period January 1 to June 30, 2023 compared to the consolidated financial statements as of December 31, 2022.

HUGO BOSS

5| Selected notes to the consolidated income statement

Sales

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Brick-and-mortar retail	1,065	891
Brick-and-mortar wholesale	506	417
Digital	374	300
Licenses	48	42
Total	1,993	1,650

Cost of sales

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Cost of purchase	685	565
Thereof cost of materials	658	559
Cost of conversion	75	52
Total	760	617

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 marketing expenses

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Expenses for own retail business, sales and marketing organization	591	516
Thereof brick-and-mortar retail expenses	408	374
Marketing expenses	157	138
Thereof expenses	160	139
Thereof income from re-invoicing of marketing expenses	(3)	0
Logistics expenses	77	53
Total	825	707
Thereof sundry taxes	2	1

The expenses for the 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.

HUGO BOSS

Administration expenses

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
General administrative expenses	181	149
Research and development costs	41	38
Thereof personnel expenses	30	27
Thereof depreciation and amortization	1	1
Thereof other operating expenses	10	10
Total	222	187
Thereof sundry taxes	2	2

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

Personnel expenses

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Wages and salaries	400	328
Social security	62	52
Expenses and income for retirement and other employee benefits	(1)	3
Total	461	383

Employees

	June 30, 2023	Dec. 31, 2022
Industrial employees	5,852	5,228
Commercial and administrative employees	13,437	12,572
Total	19,289	17,800

Depreciation/Amortization

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Non-current assets		
Property, plant and equipment	50	40
Intangible assets	14	13
Right-of-use assets	103	103
Total	167	156

HUGO BOSS

Impairments/write-ups

(in EUR million)	Jan. – June 2023	Jan. – June 2022
Brick-and-mortar retail	0	2
Intangible assets incl. goodwill	0	0
Right-of-use assets	(7)	12
Total	(7)	14

6| Selected notes to the consolidated statement of financial position

Leases

Leases in the balance sheet

Additions, depreciation, and changes in the right-of-use assets of lease objects are divided as follows between the assets underlying the leases as at June 30, 2023:

(in EUR million)	Stores	Warehouses	Offices and others	Total
Carrying amount as of January 1, 2023	592	40	77	708
Additions	64	5	19	88
Depreciation	(89)	(5)	(8)	(103)
Impairment	0	0	0	0
Write-up	7	0	0	7
Disposal	0	0	0	0
Transfer	(15)	0	0	(15)
FX differences	(5)	0	(1)	(6)
Carrying amount as of June 30, 2023	554	40	87	680
Carrying amount as of January 1, 2022	584	40	71	695
Additions	192	14	23	229
Depreciation	(185)	(10)	(18)	(213)
Impairment	(13)	0	0	(13)
Write-up	10	0	0	10
Disposal	(1)	(2)	0	(3)
Transfers	0	(3)	0	(3)
FX differences	5	0	1	6
Carrying amount as of December 31, 2022	592	40	77	708

HUGO BOSS

The amounts included in the income statement as of June 30, 2023, applicable to the leases are shown in the following table:

Leases in the income statement

(in EUR million)

	Jan. - June 2023	Jan. - June 2022
IFRS 16 relevant expenses	(107)	(115)
Depreciation of right-of-use assets	(103)	(103)
Impairment/write ups of right-of-use assets	7	(12)
Net income from disposal of right-of-use assets	5	2
Interest expenses for lease liabilities	(14)	(8)
Income/expenses from foreign exchange differences on lease liabilities	(2)	6
Non-IFRS 16 relevant expenses	(136)	(100)
Expenses from variable lease payments	(93)	(75)
Expenses for short-term leases	(3)	(4)
Expenses for leases of low-value assets	(2)	(5)
Income from subleases	0	0
Lease expenses for software	(14)	(9)
Other expenses (service costs)	(23)	(7)
Total expenses from lease agreements	(243)	(215)

Cash outflows from lease liabilities amounted to EUR 262 million in the first half of 2023 (H1 2022: EUR 201 million), of which EUR 113 million relates to the repayment of lease liabilities (H1 2022: EUR 94 million).

Inventories

(in EUR million)

	June 30, 2023	Dec. 31, 2022
Finished goods and merchandise	1,046	893
Raw materials and supplies	72	70
Work in progress	11	10
Total	1,129	974

The carrying amount of inventories at net realizable value is EUR 133 million (December 31, 2022: EUR 121 million).

Trade receivables

(in EUR million)

	June 30, 2023	Dec. 31, 2022
Trade receivables, gross	320	273
Accumulated allowance	(21)	(16)
Trade receivables, net	299	256

HUGO BOSS

Financial liabilities

All interest-bearing and non-interest-bearing obligations as of the respective reporting date are reported under financial liabilities. They break down as follows:

(in EUR million)

	June 30, 2023	With remaining term up to 1 year	Dec. 31, 2022	With remaining term up to 1 year
Financial liabilities due to banks	337	53	110	21
Lease liabilities	759	188	804	199
Other financial liabilities	12	11	12	11
Thereof: non IFRS 16 relevant rental contracts for own retail	10	10	10	10
Total	1,108	252	926	232

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 2 million (December 31, 2022: EUR 2 million).

HUGO BOSS has at its disposal a revolving syndicated loan of EUR 600 million, providing additional financial flexibility for the successful execution of "CLAIM 5." The proceeds of the facility can be used for general corporate purposes. Concluded in November 2021, it has a term of three years, including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300 million. The first extension option has already been exercised successfully.

At the end of the first six months, the syndicated loan was drawn in the amount of EUR 230 million as money market loan (December 31, 2022: EUR 0 million). In addition, the syndicated loan was utilized for guarantees issued amounting to EUR 20 million and for the supplier financing program amounting to EUR 60 million (December 31, 2022: EUR 22 million for guarantees, EUR 60 million for the supplier financing program).

7| Earnings per share

There were no shares outstanding that could have diluted earnings per share as of June 30, 2023 or June 30, 2022.

	Jan. – June 2023	Jan. – June 2022
Net income attributable to equity holders of the parent company (in EUR million)	110	82
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) (in EUR)[2]	1.60	1.18

[1] Not including own shares.

[2] Basic and diluted earnings per share.

HUGO BOSS

8| Provisions

Provisions for personnel expenses

Provisions for personnel expenses mainly relate to 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 the 2016 fiscal year for members of the Managing Board and eligible senior management of HUGO BOSS, which are recognized at their fair value on the reporting date. There are four tranches of the program at present. The fourth plan was issued on January 1, 2023.

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 the 2020 fiscal year will be paid out in the 2024 fiscal year and is therefore reported as EUR 14 million in the current personnel-related provisions as of June 30, 2023. For the other three plans, the non-current provisions as of June 30, 2023 amount to a total of EUR 24 million.

9| Provisions for pensions and similar obligations

Provisions for pensions decreased from EUR 28 million as of December 31, 2022 to EUR 21 million as of June 30, 2023. 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 of June 30, 2023

The following assumptions were applied:

Actuarial assumptions	June 30, 2023	Dec. 31, 2022
Discount rate		
Germany	4.03%	4.20%
Switzerland	1.90%	2.25%
Future pension increases		
Germany	2.50%	2.50%
Switzerland	0.00%	0.00%
Future salary increases		
Germany	3.00%	3.00%
Switzerland	3.00%	3.00%

In comparison to December 31, 2022, the actuarial discount rate parameter in Germany and Switzerland decreased. The pension trend and expected salary increase parameters remained unchanged in the first six months of 2023.

Breakdown of pension expenses in the period

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Current service cost	7	3
Past service cost	0	0
Net interest costs	1	1
Recognized pension expenses in the comprehensive income statement	8	3
Return from plan assets (without interest effects)	0	0
Recognized actuarial (gains)/losses	(2)	(17)
Asset ceiling (without interest effects of asset ceiling)	0	0
Recognized remeasurement of the carrying amount in the comprehensive statement of income	(2)	(17)

10| Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR million)

		June 30, 2023		Dec. 31, 2022	
Assets	IFRS 9 category	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	AC	108	108	147	147
Trade receivables	AC	299	299	256	256
Financial assets		59	59	68	68
Thereof:					
Equity investments	FVTPL	4	4	4	4
Undesignated derivatives	FVTPL	0	0	0	0
Derivatives subject to hedge accounting	Hedge Accounting	0	0	0	0
Other financial assets	AC	54	54	63	63
Liabilities					
Financial liabilities due to banks	AC	337	337	110	113
Trade and other payables	AC	577	577	617	617
thereof Reverse Factoring	AC	103	103	99	99
Lease Liabilities	n.a.	759	759	804	804
Other financial liabilities		12	12	12	12
Thereof:					
Undesignated derivatives	FVTPL	0	0	2	2
Derivatives subject to hedge accounting	Hedge Accounting	1	1	0	0
Other financial liabilities	AC	10	10	10	10

HUGO BOSS has a supplier financing program to support its suppliers. Under this program, outstanding trade payables can be settled with the supplier before maturity via the use of a credit institution. Within the program, the original liability owed to the supplier remains unaffected on the basis of an unchanged acknowledgement of debt and is shown as a trade payable. In this context, the credit institution pays the invoice amount less a discount to the supplier, whereas HUGO BOSS pays the full invoice amount when due to the credit institution.

In the current year, HUGO BOSS is in the process of implementing a new supplier financing platform, however with multiple funders involved, instead of a single credit institution.

Furthermore, HUGO BOSS has assessed the program under IFRS 9 Financial Instruments and concluded that there is no substantial modification effect on the nature of trade payables. HUGO BOSS has included the amounts from the reverse factoring program in trade net working capital.

Fair value hierarchy

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 are close to their carrying amounts mainly 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 risks, and remaining maturities.

As of June 30, 2023, the mark-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.

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

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

Level 2: Other methods where all inputs that 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 but are not based on observable market data

As of June 30, 2023, same 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 2023, there were no transfers between Level 1 and Level 2 or from Level 3. The financial instruments measured at fair value comprise of forward exchange contracts, currency swaps, and interest derivatives. The assets amounted to EUR 0.4 million (December 31, 2022: EUR 0.6 million) and the liabilities to EUR 2 million (December 31, 2022: 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 risks hedges

To hedge against interest risks and currency risks, HUGO BOSS occasionally enters into hedging transactions in some areas to mitigate the risks.

As of the reporting date, EUR 4 million (December 31, 2022: EUR 5 million) in variable interest finance liabilities was hedged through interest rate swaps. Moreover, as of the reporting date, future cash flows in foreign currencies of EUR 5 million (December 31, 2022: EUR 14 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, 2022: EUR 2 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, 2023						
Trade receivables	316	(18)	299	0	0	299
Other financial assets	59	0	59	0	0	59
Thereof derivatives	0	0	0	0	0	0
Total	375	(18)	358	0	0	358
Dec. 31, 2022						
Trade receivables	273	(17)	256	0	0	256
Other financial assets	68	0	68	0	0	68
Thereof derivatives	1	0	1	0	0	1
Total	341	(17)	324	0	0	324

HUGO BOSS

(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, 2023						
Trade payables	631	(54)	577	0	0	577
Other financial liabilities	13	0	13	0	0	13
Thereof derivatives	1	0	1	0	0	1
Total	644	(54)	590	0	0	590
Dec. 31, 2022						
Trade payables	657	(40)	617	0	0	617
Other financial liabilities	12	0	12	0	0	12
Thereof derivatives	2	0	2	0	0	2
Total	671	(40)	629	0	0	629

Liabilities of EUR 18 million netted in trade receivables (December 31, 2022: EUR 17 million) represent open credits to customers as of the balance sheet date. The netted assets within trade payables are receivables in the form of credit notes from suppliers. They amounted to EUR 54 million (December 31, 2022: EUR 40 million).

Standard master agreements for financial future contracts are in place between HUGO BOSS 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.

11| Notes to the statement of cash flows

The statement of cash flows of HUGO BOSS 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 by operating, investing, or financing activities. Cash flows 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.

HUGO BOSS

12| Segment reporting

(in EUR million)

	EMEA	Americas	Asia/Pacific	Licenses	Total operating segments
Jan. – June 2023					
Sales	1,229	431	285	48	1,993
Segment profit	301	58	67	41	466
In % of sales	24.5	13.4	23.4	84.1	23.4
Segment assets	401	387	218	22	1,028
Capital expenditure	33	25	15	0	73
Impairments	7	0	0	0	7
Thereof property, plant and equipment	0	0	0	0	0
Thereof intangible assets	0	0	0	0	0
Thereof right-of-use assets	0	0	0	0	0
Thereof write-ups	7	0	0	0	7
Depreciation/amortization	(71)	(30)	(33)	0	(134)
Jan. – June 2022					
Sales	1,054	334	219	42	1,650
Segment profit	239	56	37	35	367
In % of sales	22.7	16.7	16.8	82.9	22.2
Segment assets	294	233	181	18	726
Capital expenditure	18	4	11	0	33
Impairments	(14)	0	0	0	(14)
Thereof property, plant and equipment	(2)	0	0	0	(2)
Thereof intangible assets	0	0	0	0	0
Thereof right-of-use assets	(12)	0	0	0	(12)
Thereof write-ups	0	0	0	0	0
Depreciation/amortization	(73)	(25)	(32)	0	(130)

Reconciliation

Sales

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Sales - operating segments	1,993	1,650
Corporate units	0	0
Consolidation	0	0
Total	1,993	1,650

HUGO BOSS

Segment Earnings

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Segment profit (EBIT) – operating segments	466	367
Corporate units	(280)	(227)
Consolidation	0	0
Operating income (EBIT) – HUGO BOSS	186	140
Net interest income/expenses	(19)	(11)
Other financial items	(5)	(9)
Earnings before taxes HUGO BOSS	162	120

Segment assets

(in EUR million)

	June 30, 2023	June 30, 2022	Dec. 31, 2022
Segment assets – operating segments	1,028	726	865
Corporate units	399	262	365
Consolidation	0	0	0
Current tax receivables	19	19	23
Current financial assets	33	14	41
Other current assets	122	111	150
Cash and cash equivalents	108	243	147
Assets held for sale	27	0	0
Current assets HUGO BOSS	1,735	1,375	1,592
Non-current assets	1,522	1,472	1,535
Total assets HUGO BOSS	3,257	2,847	3,127

Capital expenditure

(in EUR million)

	June 30, 2023	June 30, 2022	Dec. 31, 2022
Capital expenditure – operating segments	73	33	122
Corporate units	35	43	69
Consolidation	0	0	0
Total	107	76	192

HUGO BOSS

Depreciation/Amortization

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Depreciation/amortization – operating segments	134	130
Corporate units	32	26
Consolidation	0	0
Total	167	156

Impairment/Write-ups

(in EUR million)

	Jan. – June 2023	Jan. – June 2022
Impairment/Write-ups – operating segments	(7)	14
Corporate units	0	0
Consolidation	0	0
Total	(7)	14

Geographic information

(in EUR million)

	Third party sales		Non-current assets	
	Jan. – June 2023	Jan. – June 2022	June 30, 2023	Dec. 31, 2022
Germany	269	218	429	427
Other EMEA markets	1,009	878	571	557
U.S.A.	278	227	173	169
Other North and Latin American markets	152	108	39	40
China	144	109	55	57
Other Asian markets	141	110	101	112
Total	1,993	1,650	1,368	1,362

13| Subsequent events

Between the end of the first half of the 2023 fiscal year and the preparation of this report on July 19, 2023, there were no material macroeconomic, sociopolitical, industry-related, or company-specific changes that the management expects to have a significant impact on the Group's earnings, net assets, or financial position.

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 19, 2023

HUGO BOSS AG
The Managing Board

Daniel Grieder
Yves Müller
Oliver Timm

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 2, 2023
Third Quarter Results 2023

March 7, 2024
Full Year Results 2023

May 2, 2024
First Quarter Results 2024

August 1, 2024
Second Quarter Results 2024 & First Half Year Report 2024

November 5, 2024
Third Quarter Results 2024