HUGO BOSS

FIRST HALF YEAR REPORT JANUARY - JUNE 2020

CONTENTS

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

KEY FIGURES

(in EUR million)	Jan. – June 2020[1]	Jan. – June 2019	Change in %	Change in %[2]
Sales	830	1,339	(38)	(38)
Sales by segment				
Europe incl. Middle East and Africa	535	832	(36)	(36)
Americas	124	255	(51)	(52)
Asia/Pacific	143	216	(34)	(34)
Licenses	28	36	(21)	(21)
Sales by distribution channel				
Own retail business	525	857	(39)	(39)[3]
Wholesale	277	446	(38)	(38)
Licenses	28	36	(21)	(21)
Sales by brand				
BOSS	704	1,158	(39)	(39)
HUGO	126	181	(30)	(30)
Sales by gender				
Menswear	746	1,211	(38)	(39)
Womenswear	84	128	(34)	(35)
Results of operations				
Gross profit	499	869	(43)	
Gross profit margin in %	60.1	64.9	(470) bp	
EBIT	(263)[4]	137	< (100)	
EBIT margin in %	(31.7)[5]	10.3	(4,200) bp	
EBITDA	44	308	(86)	
EBITDA margin in %	5.4	23.0	(1,760) bp	
Net income	(204)[6]	89	< (100)	
Net assets and liability structure as of June 30				
Trade net working capital	600	575	4	7
Trade net working capital in % of sales[7]	24.7	20.5	420 bp	
Non-current assets	1,622	1,638	(1)	
Equity	790	886	(11)	
Equity ratio in %	29.4	31.9	(250) bp	
Total assets	2,690	2,773	(3)	
Financial position				
Capital expenditure	34	79	(56)	
Free cash flow	(46)	136	< (100)	
Depreciation/amortization	308[8]	170	81	
Net financial liabilities (as of June 30)	1,210	1,198	1	
Additional key figures				
Employees (as of June 30)	13,728	14,464	(5)	
Personnel expenses	283	336	(16)	
Number of own retail stores	1,121	1,096	2	
thereof freestanding retail stores	432	420	3	
Shares (in EUR)				
Earnings per share	(2.95)[9]	1.29	< (100)	
Last share price (as of June 30)	26.90	58.50	(54)	
Number of shares (as of June 30)	70,400,000	70,400,000	0	

[1] Including non-cash impairment charges in the amount of EUR 125 million related to the negative impact of COVID-19 on the Group's retail business.

[2] Currency-adjusted.

[3] On a comp store basis (41)%.

[4] Excluding non-cash impairment charges, EBIT amounted to minus EUR 138 million.

[5] Excluding non-cash impairment charges, EBIT margin amounted to (16.6)%.

[6] Excluding non-cash impairment charges, net income amounted to minus EUR 113 million.

[7] Moving average on the basis of the last four quarters.

[8] Excluding non-cash impairment charges, depreciation and amortization amounted to EUR 182 million.

[9] Excluding non-cash impairment charges, EPS amounted to minus EUR 1.64.

CHAPTER 1

CONSOLIDATED INTERIM MANAGEMENT REPORT

GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

General economic situation

The global spread of **COVID-19** had a severe negative impact on the global economy in the first half of 2020. In particular, a rise in precautionary savings as well as a sharp deterioration in demand from implemented lockdowns and social distancing weighed on the overall consumption. Besides this, companies have started to defer investments in light of the prevailing high levels of uncertainties. Policy countermeasures such as interest rate reductions and the expansion of quantitative easing programs are expected to only partially offset the decline in private consumption.

According to the International Monetary Fund (IMF), the second quarter is expected to be the trough for global activity, which is projected to recover gradually thereafter. Based on the latest estimates from June 2020, the **global economy** is projected to decline by minus 4.9% this year (2019: plus 2.9%). This forecast depends on several uncertainties related to the further development of COVID-19 in many key markets and additional countermeasures taken to curb the spread of the pandemic. For emerging markets, the pandemic's negative economic consequences are generally forecast to be less pronounced than for industrial economies, supported by an expected V-shaped recovery in China.

In **Europe**, where the economy was severely impacted by the pandemic, national policymakers and the European Central Bank (ECB) have taken swift and comprehensive actions to ease monetary policy. In addition, following several weeks of lockdown, many governments across Europe have started to ease precautionary measures, starting in May. Economies with a comparatively large manufacturing sector, such as Germany, should be less impacted than those with a relatively high dependence on the service sector and tourism, including markets such as Italy and Spain. In June, the IMF revised down its growth expectations particularly for those countries where the lockdown lasted comparatively long, such as France and the UK.

According to the IMF, economic activity in the **United States** should have troughed in April as activity has started to pick up in those sectors most affected by the lockdown. Strong fiscal stimulus and financial relief for small and medium-sized businesses are expected to fuel the recovery. However, the continuing spread of the pandemic in large parts of the U.S. continues to pose a severe risk for economic recovery. While the economies in **Latin America** held up comparatively well in the first quarter, they got significantly disrupted by the pandemic in the second quarter.

In **China**, the swift recovery following the lockdown during the first quarter is expected to continue, hence allowing its economy to return to its prior growth path. In addition, fiscal easing as well as infrastructure investments should provide further support to China's economy. However, the external shock from lockdowns in other major economies continues to add uncertainty and downward pressure on consumption in China. In **Japan**, the lockdown lasted significantly longer. The restart was thus slower than anticipated, resulting in a downward revision of the IMF estimate in June.

Industry development

In the first half of fiscal year 2020, the **upper premium segment of the apparel industry** was significantly affected by the global spread of COVID-19. Temporary lockdowns resulting in widespread store closures, a sharp deterioration in consumer sentiment, as well as international travel restrictions weighed on global industry sales. Overall, market participants with a high penetration in online have been able to show greater resilience during the lockdown as compared to those largely depending on brick-and-mortar retail.

From a regional perspective, the performance varied significantly by market. While most markets in **Asia**, such as Japan and Southeast Asia, continued to be affected by a large degree of store closures in the second quarter, industry sales in mainland China have meanwhile returned to growth. This was fueled by a repatriation of local demand and some pent-up demand towards the end of the second quarter. In **Europe**, while demand for premium apparel has started to pick up towards the end of the second quarter, the overall recovery is substantially slower as compared to mainland China. While local demand should continue to improve gradually, the collapse of international travel flows is expected to continue to weigh on industry sales. In the **Americas**, the resurging pandemic and long-lasting store closures in many key cities continue to weigh on industry growth. In addition, unrest and demonstrations in May and June have put an additional strain on consumer sentiment in the U.S. market.

EARNINGS DEVELOPMENT

Sales performance

In the first six months of fiscal year 2020, both the retail sector and the apparel industry were severely impacted by the global spread of COVID-19. Temporary lockdowns resulting in widespread store closures, a sharp deterioration in consumer sentiment, as well as international travel restrictions weighed on global industry sales. The business of HUGO BOSS was significantly impacted by the negative implications of the pandemic. This was particularly evident in Europe and the Americas, by far the Company's largest regions. In both regions, the vast majority of the Company's stores and shop-in-shops were closed from mid-March until the end of May. Consequently, **Group sales** declined to EUR 830 million, corresponding to a decrease of 38% against the prior-year period, both in reporting currency and currency-adjusted (H1 2019: EUR 1,339 million).

Sales by region

Sales by region (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	535	64	832	62	(36)	(36)
Americas	124	15	255	19	(51)	(52)
Asia/Pacific	143	17	216	16	(34)	(34)
Licenses	28	3	36	3	(21)	(21)
Total	**830**	**100**	**1,339**	**100**	**(38)**	**(38)**

[1] Including the Middle East and Africa.

After a very encouraging start to the year, the global spread of COVID-19 from the end of January onwards had a severe impact on the Group's business. The sales decrease in **Europe**, including the Middle East and Africa, is attributable to double-digit declines in all key markets, reflecting the temporary store closures that weighed strongly on the region's overall performance. In Germany, where the first stores reopened already at the beginning of May, revenue declines were less pronounced than in the region's other key markets such as Great Britain. In the **Americas** region, the sales decline was more pronounced than in Europe. While the pandemic and the corresponding temporary store closures weighed strongly on the region's overall performance, unrest and demonstrations in May and June put an additional strain on the Group's U.S. business. Also in **Asia/Pacific**, markets recorded double-digit sales declines. However, mainland China, a strategically important market for HUGO BOSS, was able to return to growth already in the second quarter.

Sales by distribution channel

Sales by distribution channel (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	525	63	857	64	(39)	(39)
Brick and mortar retail	432	52	798	60	(46)	(46)
Own online business	93	11	59	4	58	58
Wholesale	277	33	446	33	(38)	(38)
Licenses	28	3	36	3	(21)	(21)
Total	**830**	**100**	**1,339**	**100**	**(38)**	**(38)**

Currency-adjusted sales in the **Group's own retail business** (including freestanding stores, shop-in-shops, outlets, and online stores) declined by 39%, largely reflecting the temporary store closures during the first half of 2020. Comp store sales in the own retail business declined by 41%, currency-adjusted. Momentum in the Group's own **online business** saw a strong acceleration during the first six months, with currency-adjusted sales up 58%. This development was driven by strong double-digit sales improvements across all regions.

Sales in the **wholesale business** were down 38% in the first half of the year, as large-scale temporary closures of wholesale points of sale resulted in significantly lower deliveries to wholesale partners, in particular in Europe and North America. Besides this, the intensification of the online concession model in 2019 led to a shift in sales from wholesale to retail. Also, following a change in the basis of consolidation, the sales generated from six of the Group's own stores in the United Arab Emirates have been attributed to retail sales starting January 1, 2020. Compared to the prior-year period, this has led to a slight shift in sales from whole-sale to own retail.

Sales in the **license business** were also negatively impacted by the economic consequences of the pandemic. Currency-adjusted sales were down 21% on the prior year.

Sales by brand

Sales by brand (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
BOSS	704	85	1,158	86	(39)	(39)
HUGO	126	15	181	14	(30)	(30)
Total	**830**	**100**	**1,339**	**100**	**(38)**	**(38)**

The negative implications of the pandemic weighed on both brands in the first half of 2020. While all major wearing occasions for **BOSS** ended the first half of 2020 below the prior-year level, the sales decline in casualwear and athleisure wear was less pronounced than in formalwear. Also for **HUGO**, casualwear proved to be more resilient than formalwear, with sales developing broadly stable in the first half of 2020.

Sales by gender

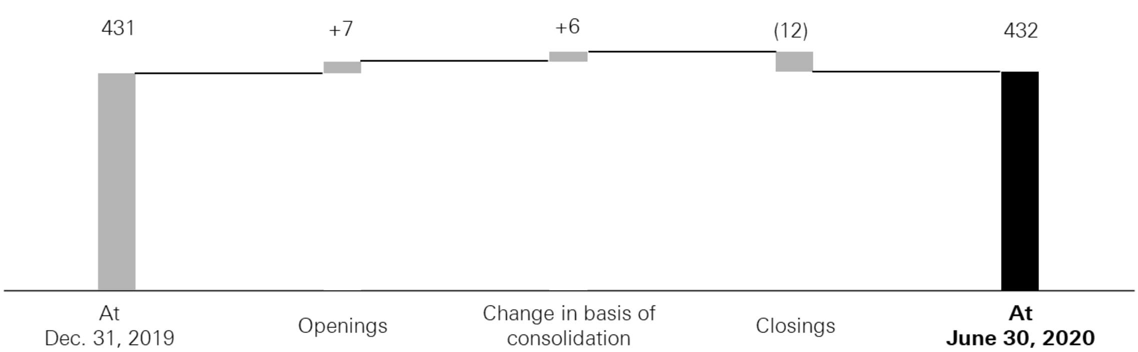
Sales by gender (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Menswear	746	90	1,211	90	(38)	(39)
Womenswear	84	10	128	10	(34)	(35)
Total	**830**	**100**	**1,339**	**100**	**(38)**	**(38)**

Both **menswear** and **womenswear** recorded double-digit sales declines in the first half of the year.

Network of own retail stores

Number of Group´s own freestanding retail stores

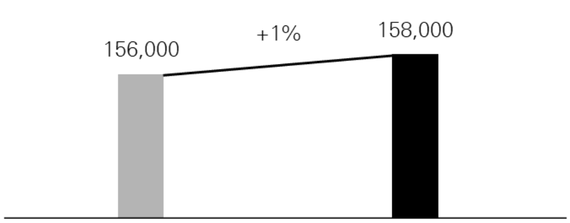


As of June 30, 2020, the number of own **freestanding retail stores** remained broadly stable as compared to December 31, 2019. In addition to six newly opened BOSS stores, five BOSS stores in the United Arab Emirates have now also been added to the Group´s own store network following a change in the basis of consolidation. In the first six months of the year, nine BOSS stores with expiring leases were closed globally. The first half year also saw the opening of one HUGO store in Moscow. The change in the basis of consolidation resulted in the addition of one HUGO store in Dubai. By contrast, three HUGO stores with expiring leases were closed in the U.S. and Japan.

June 30, 2020	Freestanding stores	Shop-in-shops	Outlets	TOTAL
Europe	212	315	73	**600**
Americas	91	84	49	**224**
Asia/Pacific	129	107	61	**297**
TOTAL	**432**	**506**	**183**	**1,121**
Dec. 31, 2019				
Europe	203	311	70	**584**
Americas	94	84	50	**228**
Asia/Pacific	134	109	58	**301**
TOTAL	**431**	**504**	**178**	**1,113**

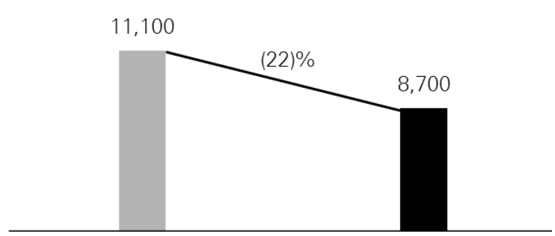
Including shop-in-shops and outlets, the total number of retail stores operated by HUGO BOSS amounted to 1,121 as of June 30, 2020 (December 31, 2019: 1,113).

Total selling space (in square meter)



At Dec. 31, 2019 | **At June 30, 2020**

Selling space productivity (in EUR per square meter)



Jan. – Dec. 2019 | **July 2019 – June 2020**

The **total selling space** of the own retail business was around 158,000 sqm at the end of June (December 31, 2019: 156,000 sqm). The slight increase was related to the addition of several points of sale to the Group´s own store network over the course of the last six months, including six stores in the United Arab Emirates. Temporary store closures led to a decrease in **selling space productivity** in brick-and-mortar retail by 22% to around EUR 8,700 per sqm for the period from July 2019 to June 2020 (January to December 2019: EUR 11,100 per sqm).

Income statement

Income statement (in EUR million)

	Jan. – June 2020	Jan. - June 2019	Change in %
Sales	**830**	**1,339**	**(38)**
Cost of sales	(331)	(470)	30
Gross profit	**499**	**869**	**(43)**
In % of sales	60.1	64.9	(470) bp
Operating expenses	**(763)**	**(732)**	**(4)**
In % of sales	(91.9)	(54.6)	(3,720) bp
Thereof selling and distribution expenses	(617)	(580)	(6)
Thereof impairments charges[1]	(125)	0	<(100)
Thereof administration expenses	(146)	(152)	4
Operating result (EBIT)	**(263)**	**137**	**<(100)**
In % of sales	(31.7)	10.3	(4,200) bp
Financial result	(20)	(17)	(16)
Earnings before taxes	**(283)**	**121**	**<(100)**
Income taxes	79	(31)	> 100
Net income	**(204)**	**89**	**<(100)**
Earnings per share (in EUR)[2]	**(2.95)**	**1.29**	**<(100)**
Income tax rate in %	**28**	**26**	

[1] Non-cash impairment charges related to the negative impact of COVID-19 on the Group's retail business.

[2] Basic and diluted earnings per share.

The decline in **gross profit margin** is mainly attributable to inventory valuation effects predominately relating to the Spring/Summer 2020 collection. The sale of this collection was significantly affected by the COVID-19 pandemic and the corresponding temporary store closures. In addition, slightly higher markdowns also contributed to the decline in gross profit margin.

Comprehensive expense-reduction measures initiated at an early stage enabled HUGO BOSS to considerably cut its underlying **operating expenses** in the first half of 2020. However, impairment charges totaling EUR 125 million heavily weighed on selling and distribution expenses. Those non-cash impairments charges were entirely attributable to the pandemic's negative impact on the Group's retail business, as they primarily related to impairments for right-of-use assets in the amount of EUR 88 million and fixed store assets in the amount of EUR 33 million. Excluding the impairment charges, operating expenses decreased by 13% to EUR 637 million (H1 2019: EUR 732 million).

- The increase in **selling and distribution expenses** is purely attributable to the impairment charges. Excluding those, underlying selling and distribution expenses were down by a strong 15% to EUR 491 million, driven by the comprehensive cost-saving measures that HUGO BOSS had implemented in the wake of the pandemic (H1 2019: EUR 580 million). In particular, the Company was able to significantly reduce its rental and payroll costs, while also recording lower marketing expense.

- Despite one-off expenses in the mid-single-digit million euro range, primarily relating to changes in the Managing Board, **administration expenses** were below the prior-year level. This mainly reflects positive effects from the initiated cost-saving measures. The latter primarily related to reducing payroll as well as eliminating non-business-critical expenses.

The severe sales decline as well as the lower gross profit margin inevitably weighed on the Group's earnings development. While the **operating result (EBIT)** for the first half of 2020 amounted to minus EUR 263 million, this development also reflects the non-cash impairment charges. Excluding the impairment charges, EBIT amounted to minus EUR 138 million (H1 2019: plus EUR 137 million). The various expense-reduction measures implemented at an early stage enabled HUGO BOSS to cushion the earnings decline to some extent.

The **Group's net income** amounted to minus EUR 204 million. When excluding the impairment charges, net income amounted to minus EUR 113 million in the first half of the year (H1 2019: plus EUR 89 million). The decline was less pronounced than that of EBIT, reflecting a tax income as a result of the pretax losses for the first half year.

Sales and earnings development of the business segments

Europe

Currency-adjusted sales in **Europe**, including the Middle East and Africa, were down 36% in the first half of the year, as the COVID-19 pandemic and the corresponding temporary store closures weighed on the region's sales development. On a comp store and currency-adjusted basis, sales in the own retail business decreased by a low to mid-double-digit percentage rate.

Sales development Europe (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	303	57	483	58	(37)	(37)
Wholesale	232	43	349	42	(34)	(34)
Total	**535**	**100**	**832**	**100**	**(36)**	**(36)**

All key European markets posted double-digit sales declines, with **Great Britain** lagging behind as stores that were closed in March only reopened towards the end of June. On the other hand, in **Germany**, where first stores reopened already at the beginning of May, revenue declines were less pronounced than in the region's other key markets, including **France** and the **Benelux countries**. Overall, the decline in the retail channel was comparable to that in the wholesale channel. The latter was affected by significantly lower deliveries to wholesale partners. Besides that, the expansion of the concession model in the own online business as well as the attribution of the Group's six stores in the United Arab Emirates to the retail business led to a shift in sales from wholesale to retail.

At minus EUR 53 million, **segment earnings** in Europe were well below the prior-year level (H1 2019: plus EUR 205 million). This corresponds to an EBIT margin of minus 9.9% (H1 2019: plus 24.6%). Non-cash impairment charges of EUR 73 million weighed on segment earnings. Excluding these impairment charges, EBIT totaled plus EUR 20 million, as significant cost savings were able to partially offset the decline in sales as well as negative inventory valuation effects. Accordingly, the EBIT margin excluding impairment charges amounted to plus 3.7%.

Americas

In the **Americas** region, the sales decline was more pronounced than in Europe. Currency-adjusted sales fell 52%, as the pandemic and the corresponding temporary store closures weighed strongly on the region's overall performance. On a comp store and currency-adjusted basis, the own retail business recorded a sales decline in the mid-double-digit percentage range.

Sales development Americas (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	88	71	175	69	(50)	(50)
Wholesale	35	28	80	31	(56)	(56)
Total	**124**	**100**	**255**	**100**	**(51)**	**(52)**

The extent of the revenue decline was quite similar across the region's key markets, including the **U.S.**, **Canada**, and **Latin America**. Besides the negative impact of the pandemic, unrest and demonstrations in May and June put an additional strain on the Group's U.S. business. Overall, the decline in own retail sales was somewhat less pronounced than in the wholesale channel. The economic consequences of the pandemic resulted in significantly lower deliveries to wholesale partners.

Segment earnings in the Americas amounted to minus EUR 80 million and were thus well below the prior-year level (H1 2019: plus EUR 18 million). This corresponds to an EBIT margin of minus 64.8% (H1 2019: plus 7.2%). Also in this region, non-cash impairment charges of EUR 39 million had a negative impact on earnings. Excluding those charges, EBIT amounted to minus EUR 41 million. Lower operating expenses were only partly able to offset the decline in sales as well negative inventory valuation effects. This corresponds to an EBIT margin of minus 33.1%, excluding impairment charges.

Asia/Pacific

After a very encouraging start to the year, the retail environment in **Asia/Pacific** deteriorated sharply at the end of January, as the region was first hit by the pandemic. Currency-adjusted sales in the region declined by 34% in the reporting period. On a comp store and currency-adjusted basis, own retail sales recorded a low to mid-double-digit percentage decline.

Sales development Asia/Pacific (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	133	93	200	92	(33)	(33)
Wholesale	10	7	17	8	(41)	(41)
Total	**143**	**100**	**216**	**100**	**(34)**	**(34)**

Most of the region's key markets such as **Southeast Asia** and **Japan**, recorded double-digit sales declines. Business in **Hong Kong** and **Macao** also suffered from significantly lower tourist flows. In contrast, **mainland China** – a strategically important market for HUGO BOSS – was able to gradually recover from the end of March onwards, thus returning to double-digit growth in June. Overall, however, currency-adjusted sales in mainland China were still down 15% in the first six months.

Segment earnings in the Asia/Pacific region amounted to minus EUR 5 million compared to plus EUR 53 million in the prior-year period. This corresponds to an EBIT margin of minus 3.3% (H1 2019: plus 24.3%). Excluding non-cash impairment charges of EUR 13 million, EBIT amounted to plus EUR 9 million, representing an EBIT margin of plus 6.0%. Also in this region, significant cost savings positively impacted the earnings development in the reporting period.

Licenses

The **license business** was also negatively impacted by the economic consequences of the pandemic, recording a currency-adjusted sales decline of 21% in the first half of 2020.

As a result of the sales decline, the **license segment profit** decreased by 26% to EUR 22 million (H1 2019: EUR 29 million).

NET ASSETS

Condensed statement of financial position (in EUR million)

	June 30, 2020	June 30, 2019	December 31, 2019
Property, plant and equipment, intangible assets and right-of-use assets	1,418	1,519	1,592
Inventories	644	641	627
Trade receivables	168	207	216
Other assets	345	300	310
Cash and cash equivalents	115	106	133
Assets	**2,690**	**2,773**	**2,877**
Shareholders' equity	790	886	1,002
Provisions and deferred taxes	189	183	190
Lease liabilities	948	1,002	957
Trade payables	211	272	315
Other liabilities	172	124	196
Financial liabilities	379	306	218
Equity and liabilities	**2,690**	**2,773**	**2,877**

Total assets at the end of the reporting period decreased by 6% as compared to December 31, 2019. This development was mainly driven by impairments on store assets and right-of-use assets related to the negative implications of COVID-19 on the Group's retail business. In addition, lower trade receivables reflecting the decline in wholesale sales also contributed to the decrease of total assets. Compared to June 30, 2019, this corresponds to a decrease of 3%.

The **share of current assets** remained at 40% at the end of the first half of the year (December 31, 2019: 40%). Accordingly, the **share of non-current assets** as of June 30, 2020 amounted to 60% (December 31, 2019: 60%). The Group's **equity ratio** declined to 29% at the end of the first half of 2020 (December 31, 2019: 35%).

Trade net working capital (in EUR million)

	June 30, 2020	June 30, 2019	Change in %	Currency-adjusted change in %
Inventories	644	641	0	2
Trade receivables	168	207	(19)	(17)
Trade payables	(211)	(272)	(22)	(23)
Trade net working capital (TNWC)	**600**	**575**	**4**	**7**

As of June 30, 2020, currency-adjusted **inventories** grew by 2%. The write-down of inventories for the Spring/Summer 2020 season as well as the successful execution of the Group's measures to significantly limit inventory inflow had a positive impact on the development of inventories. The slightly higher inventory position as well as lower **trade payables** led to an increase in **trade net working capital** of 7% currency-adjusted as compared to the prior-year period. Lower **trade receivables**, reflecting the decline in wholesale sales, only partly offset the increase in trade net working capital. The moving average of **trade net working capital as a percentage of sales** based on the last four quarters was 24.7%, 420 basis points above the prior-year level (June 30, 2019: 20.5%), mainly reflecting the sales decline in the first half of 2020.

Higher utilization of the syndicated loan as of the reporting date led to an increase in **financial liabilities**.

FINANCIAL POSITION

Financing

To safeguard its financial flexibility, HUGO BOSS has successfully exercised the increase option of its existing **revolving syndicated loan**. The latter now totals EUR 633 million, of which EUR 212 million was utilized at the end of June. In this context, the Company has also agreed with its syndicate banks to suspend the financial covenant under the syndicated loan until the end of June 2021. In addition to that, HUGO BOSS has secured **further credit commitments** totaling EUR 275 million, provided by six international banks and partially backed by KfW, Germany's state-owned development bank. The credit commitments have a maturity until June 2022. At the end of the reporting period, these credit facilities were not drawn.

Statement of cash flow

Statement of cash flow (in EUR million)

	Jan. – June 2020	Jan. – June 2019
Cash flow from operating activities	(13)	214
Cash flow from investing activities	(33)	(78)
Cash flow from financing activities	29	(176)
Change in cash and cash equivalents	**(18)**	**(40)**
Cash and cash equivalents at the beginning of the period	133	147
Cash and cash equivalents at the end of the period	115	106

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

Free cash flow, measured as the total of cash flow from operating activities and cash flow from investing activities, amounted to minus EUR 46 million in the reporting period (H1 2019: plus EUR 136 million).

The strong decrease in **cash flow from operating activities** was mainly driven by the sales and earnings decline in the first half of 2020. However, the successful execution of the Group's comprehensive measures to protect cash flow enabled HUGO BOSS to cushion the decline to some extent. This also includes the postponement of all non-business-critical investments, which led to a decline in **cash flow from investing activities** in the first half of 2020.

The positive development of **cash flow from financing activities** reflects the lower dividend payment for fiscal year 2019 as well as a higher utilization of the Group's credit lines versus the prior year.

Net financial liabilities

In light of the successful execution of measures aimed at safeguarding cash flow, **net financial liabilities**, measured as the total of all financial and lease liabilities less cash and cash equivalents, remained broadly stable at EUR 1,210 million (June 30, 2019: EUR 1,198 million).

Capital expenditure

In order to secure its free cash flow during the pandemic, HUGO BOSS adjusted its capital expenditure to the current situation in the first half year of 2020 and postponed all non-business-critical investments. At EUR 34 million, investments in **property, plant and equipment and intangible assets** were therefore significantly below the prior-year level (H1 2019: EUR 79 million). Investment activity was again focused on continuously optimizing and modernizing the Group´s own retail network.

OUTLOOK

Subsequent events

Between the end of the first half of fiscal year 2020 and the publication of this report, there were no material macroeconomic, socio-political, sector-related, or company-specific changes that management would expect to have a significant influence on the earnings, net assets, and financial position of the Group.

Outlook

The economic consequences of the COVID-19 pandemic, including the temporary closure of a large number of retail stores of HUGO BOSS as well as points of sale at important wholesale partners, will noticeably weigh on the Group’s business activities in fiscal year 2020. As the further development of the pandemic in many key markets remains uncertain, a reliable forecast for the Group’s key performance indicators is currently not possible.

While the Group remains optimistic that the global retail environment will continue to gradually improve, thus supporting the Group’s further recovery in the second half of 2020, HUGO BOSS expects **sales** and **operating result (EBIT)** in fiscal year 2020 to be well below the prior-year level. In addition, **capital expenditure** is projected to be substantially lower as compared to fiscal year 2019, reflecting the Company’s initiatives to postpone non-business-critical investments. Against the backdrop of the continuing uncertainties regarding the further development of COVID-19, **trade net working capital as a percentage of sales** is expected to increase in fiscal year 2020.

In the wake of the COVID-19 pandemic, on March 18, 2020, HUGO BOSS had withdrawn its initial outlook for fiscal year 2020 as provided in the 2019 Annual Report.

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. In its Annual Report for fiscal year 2019, published on March 5, 2020, the Group described the design of its comprehensive risk management system as well as external, strategic, financial, operative, and organizational risks and opportunities that could materially affect its business and financial performance. Since then, the Group’s overall risk profile has not changed materially, with the exception of risks associated with the **COVID-19 pandemic**.

Key uncertainties relate to the duration of the pandemic and its overall negative impact on the global retail sector and the apparel industry. In particular, the expected recovery of the global retail environment might take longer than currently anticipated. Additionally, a sharp resurgence in the number of infections in key markets might lead to further lockdowns and temporary store closures, putting an additional strain on consumer sentiment and store traffic. The extent of financial impact on the Group’s business is extremely difficult to predict at this stage. Consequently, the sales and earnings development of HUGO BOSS in the full year 2020 might be impacted negatively or positively, thus varying from current expectations.

HUGO BOSS continues to closely monitor the further development of the pandemic and its impact on the Group’s business activities. Already at an early stage, the Group has set up a cross-functional crisis team as well as various task forces to monitor and mitigate the diverse effects of the pandemic, with a focus on securing the health and safety of employees, partners, and customers while, at the same time, safeguarding the financial flexibility and stability of the Company. Regarding the latter, during the reporting period, the Company initiated **comprehensive measures** with a total volume of around EUR 600 million to secure its cash flow. These measures include additional cost savings, the postponement of non-business-critical investments, the reduction of inventory inflow, as well as the suspension of the dividend payment for fiscal year 2019, except for the legal minimum dividend of EUR 0.04 per share. On top of that, the Group has secured further credit commitments and successfully exercised the increase option of its revolving syndicated loan.

Additional risks and opportunities not known to HUGO BOSS or that the Group currently consider immaterial could also affect its business operations. At present, no risks have been identified that either individually or in combination with other risks could endanger the Group’s ability to continue as a going concern.

SUMMARY ON EARNINGS, NET ASSETS AND FINANCIAL POSITION

In view of its healthy balance sheet structure and the strong cash flow generation that is expected to continue in the future, HUGO BOSS continues to be in a sound financial position.

Metzingen, July 22, 2020

HUGO BOSS AG
The Managing Board

Yves Müller
Heiko Schäfer
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, 2020

Consolidated income statement (in EUR million)

	2020	2019[2]
Sales	**830**	**1,339**
Cost of sales	(331)	(470)
Gross profit	**499**	**869**
In % of sales	60.1	64.9
Selling and distribution expenses	(617)	(580)
Administration expenses	(146)	(152)
Operating result (EBIT)	**(263)**	**137**
Net interest income/expenses	(14)	(12)
Other financial items	(6)	(5)
Financial result	**(20)**	**(17)**
Earnings before taxes	**(283)**	**121**
Income taxes	79	(31)
Net income	**(204)**	**89**
Attributable to:		
Equity holders of the parent company	(203)	89
Non-controlling interests	0	0
Earnings per share (EUR)[1]	**(2.95)**	**1.29**

[1] Basic and diluted earnings per share.

[2] The IFRS 16 impact on financials for the period from January to June 2019 has been adjusted in the course of the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of the HUGO BOSS Group for the period from January 1 to June 30, 2020

Consolidated statement of comprehensive income (in EUR million)

	2020	2019
Net income	**(204)**	**89**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1	(6)
Items to be reclassified subsequently to profit or loss		
Currency differences	(14)	6
Gains/losses from cash flow hedges	(2)	1
Other comprehensive income, net of tax	**(15)**	**1**
Total comprehensive income	**(219)**	**90**
Attributable to:		
Equity holders of the parent company	(218)	90
Non-controlling interests	0	0
Total comprehensive income	**(219)**	**90**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the HUGO BOSS Group as of June 30, 2020

Consolidated statement of financial position (in EUR million)

Assets	**June 30, 2020**	June 30, 2019[1]	Dec. 31, 2019
Property, plant and equipment	452	406	517
Intangible assets	189	189	197
Right-of-use assets	777	924	877
Deferred tax assets	181	96	98
Non-current financial assets	21	21	22
Other non-current assets	2	2	2
Non-current assets	**1,622**	**1,638**	**1,713**
Inventories	644	641	627
Trade receivables	168	207	216
Current tax receivables	27	40	33
Current financial assets	14	28	32
Other current assets	100	114	123
Cash and cash equivalents	115	106	133
Current assets	**1,068**	**1,135**	**1,164**
Total	**2,690**	**2,773**	**2,877**

Equity and liabilities	**30. Juni 2020**	June 30, 2019[1]	Dec. 31, 2019
Subscribed capital	70	70	70
Own shares	(42)	(42)	(42)
Capital reserve	0	0	0
Retained earnings	726	823	933
Accumulated other comprehensive income	30	35	40
Equity attributable to equity holders of the parent company	**784**	**886**	**1,002**
Non-controlling interests	6	0	0
Group equity	**790**	**886**	**1,002**
Non-current provisions	85	79	87
Non-current financial liabilities	304	187	106
Non-current lease liabilities	783	800	789
Deferred tax liabilities	11	15	11
Other non-current liabilities	1	0	0
Non-current liabilities	**1,184**	**1,081**	**994**
Current provisions	93	89	92
Current financial liabilities	75	119	112
Current lease liabilities	166	202	168
Income tax payables	61	29	66
Trade payables	211	272	315
Other current liabilities	110	95	130
Current liabilities	**716**	**806**	**882**
Total	**2,690**	**2,773**	**2,877**

[1] The IFRS 16 impact on financials for the period from January to June 2019 has been adjusted in the course of the previous year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of the HUGO BOSS Group for the period from January 1 to June 30, 2020

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, 2019 (as reported)	**70**	**(42)**	**0**	**7**	**919**	**27**	**(1)**	**981**	**0**	**981**
Change in accounting policies (IFRS16)					1			1		1
January 1, 2019 adjusted	**70**	**(42)**	**0**	**7**	**920**	**27**	**(1)**	**982**	**0**	**982**
Net income					89			89		89
Other income					(6)	6	1	1		1
Comprehensive income					**83**	**6**	**1**	**90**	**0**	**90**
Dividend payment					(186)			(186)		(186)
Changes in basis of consolidation					0			0		0
June 30, 2019	**70**	**(42)**	**0**	**7**	**817**	**33**	**0**	**886**	**0**	**886**
January 1, 2020	**70**	**(42)**	**0**	**7**	**926**	**39**	**1**	**1,002**	**0**	**1,002**
Net income					(203)			(203)	0	(204)
Other income					1	(14)	(2)	(15)	0	(15)
Comprehensive income					**-202**	**(14)**	**(2)**	**(218)**	**0**	**(219)**
Dividend payment					(3)			(3)		(3)
Changes in basis of consolidation					3			3	6	9
June 30, 2020	**70**	**(42)**	**0**	**7**	**724**	**25**	**(1)**	**784**	**6**	**790**

CONSOLIDATED STATEMENT OF CASH FLOWS

of the HUGO BOSS Group for the period from January 1 to June 30, 2020

Consolidated statement of cash flows (in EUR million)

	2020	2019
Net income	(204)	89
Depreciation/amortization	307	170
Unrealized net foreign exchange gain/loss	13	1
Other non-cash transactions	(1)	1
Income tax expense/refund	(79)	31
Interest expense/income	14	12
Change in inventories	(19)	(20)
Change in receivables and other assets	86	25
Change in trade payables and other liabilities	(125)	(42)
Result from disposal of non-current assets	(5)	(1)
Change in provisions for pensions	1	1
Change in other provisions	2	(8)
Income taxes paid	(5)	(47)
Cash flow from operating activities	**(13)**	**214**
Investments in property, plant and equipment	(25)	(63)
Investments in intangible assets	(9)	(15)
Cash receipts from disposal of property, plant and equipment and intangible assets	1	0
Cash flow from investing activities	**(33)**	**(78)**
Dividends paid to equity holders of the parent company	(3)	(186)
Change in current financial liabilities	(46)	26
Cash receipts from non-current financial liabilities	206	111
Repayment of non-current financial liabilities	0	(4)
Repayment of current and non-current lease liabilities	(115)	(112)
Interest paid	(14)	(12)
Interest received	1	1
Cash flow from financing activities	**29**	**(176)**
Change in cash and cash equivalents from changes in basis of consolidation	2	0
Exchange rate related changes in cash and cash equivalents	(3)	1
Change in cash and cash equivalents	**(18)**	**(40)**
Cash and cash equivalents at the beginning of the period	133	147
Cash and cash equivalents at the end of the period	**115**	**106**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1| General information

The interim financial statements of HUGO BOSS AG as of June 30, 2020, 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 22, 2020, 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.

3| COVID-19 impacts

In the wake of the COVID-19-pandemic and the related temporary closures of retail stores, the global apparel industry, including the upper premium segment, faced significant challenges in the first half of 2020. For HUGO BOSS, this inevitably resulted in a decline in sales, profitability, and cash flow in the first six months of the year. The global spread of the COVID-19 had a significant impact on the business as the vast majority of the own store network of HUGO BOSS was affected by temporary closures in the first half year. In order to prepare this condensed interim financial report estimates and assumptions were made by Management taking into account the changes in the corporate environment. These had an impact on the measurement and presentation of the assets and liabilities recognized as well as income and expenses reported. Estimates and underlying assumptions with major effects have particularly been made with respect to the following issues:

- impairment testing of assets with finite and indefinite useful lives including goodwill,

- recoverability of receivables – in particular trade receivables,

- measurement of inventories.

Although great care has been taken in preparing estimates and assumptions covering the economic consequences of COVID-19, actual results may deviate, especially taking into account the persisting COVID-19-related uncertainties.

This half year financial report contains forward-looking statements. These statements are based on certain assumptions, like weighted base-, best- and worst-case-scenarios and expectations held at the time these statements were published. Forward-looking statements are therefore subject to risks and uncertainties and may significantly deviate from the actual earnings. With regard to forward-looking statements in particular, risks and uncertainties are to a large extent determined by factors that are outside of the control of HUGO BOSS and that can only be estimated with an adequate degree of certainty. These factors include, among others, future market conditions and economic developments, the actions of other market participants, the full impact of our cash flow initiatives, as well as legislative and political decisions.

IFRS 16 leases:

In the second quarter of 2020, the International Accounting Standards Board (IASB) released an amendment to IFRS 16 that provides lessees with an exemption from assessing a COVID-19-related rent concession as a lease modification. The amendment is not yet endorsed by the European Parliament, but it is highly probable that the amendment will be endorsed. Therefore, Management has decided to apply the amendments to IFRS 16 for the period ending June 30, 2020. The rent concessions exempted must meet the following conditions:

- directly related to COVID-19;

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before June 30, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and

- there is no substantive change to other terms and conditions of the lease.

The Group has analyzed all rent concessions received in the current fiscal year. For those concessions that meet the above conditions, the Group has chosen not to assess these concessions as lease modifications. A gain is recognized on the profit and loss in the amount of EUR 13 million.

Impairment testing:

In monitoring the effects of COVID-19 on the Group's retail operations for the second quarter of 2020, the Group has observed that the negative implications of the pandemic weigh strongly on the Group's business. The Group has temporarily closed a large part of its own retail stores, as well as many points of sale at important partners globally. For stores that have reopened there are limitations to the capacity of customers allowed inside stores. Throughout the Group's international network of all stores (freestanding stores, shop-in-shops, and outlets) are being observed to have varying recovery rates. In general, Management has considered the economic effects of COVID-19 as a significant triggering event for impairment over the Group's retail operations. Accordingly, HUGO BOSS has performed a full-scope review over the directly operated stores (DOS), goodwill, and brand rights' recoverable amounts. The results of Management's analysis has resulted in an impairment charge of EUR 125 million.

Consistent with year-end 2019, a DOS is defined as an independent cash-generating unit (CGU). There have been no significant changes to the approach taken in determining the recoverable amounts for DOS since 2019. The recoverable amount of the DOS is determined by calculating the value in use on the basis of discounted cash flow models. In calculation of the value in use of the DOS, the cash flows were discounted using country-specific weighted average cost of capital between 6.3% and 18.9% (2019: between 4.2% and 19.5%). This was based on a risk-free interest rate with an equivalent term of (0.6)% (2019: (0.7)%) and a market risk premium of 7.0% (2019: 6.5%). If the carrying amount of the DOS exceeds the calculated value in use, the fair value of the right-of-use assets are also calculated separately using external data sources. For key money with a limited useful life, a fair value is determined on the basis of past and comparable transactions using a multiplier method or as the present value of the difference between the current rental agreement and the current market rent.

In determining this impairment, Management analyzed three discounted cash flow scenarios (base-, best- and worst-case-senarios), deriving the probability of occurrence for each case based on Management assumptions (20%, 70% and 10%, respectively). The cash flow scenarios were based on adjusted operating budgets and Management's best estimates of the long-term impacts of COVID-19, including the impacts on net sales, gross profit margins, and fixed costs. Given the current uncertainties in the real estate markets and the non-availability of updated market data, Management assessed the latest available information and determined to include an appropriate discount when assessing the recoverability of the right-of-use assets and key money with limited useful life.

Key assumptions used to calculate the value in use:

The following key assumptions, estimation uncertainties, and Management judgments underlie the calculation of the value in use:

Estimation of growth rates – Recovery and growth of net sales from the initial economic impacts of COVID-19 have been derived from industry-related market research that is publically available. This research has been integrated into Management's estimate of net sales for the remaining months of 2020, as well as the growth in 2021 and thereafter. A U-shaped recovery with a rapid and effective control of the virus spread and a slow economic recovery is assumed for the base-case scenario.

Estimation of gross profit margin – Gross profit margin factors have been reviewed and adjusted for the remaining months of 2020 and for fiscal year 2021. A constant gross profit margin is assumed afterwards.

Fixed cost trends – No significant changes are expected for the variable fixed cost ratios. For the remaining fixed costs an inflation rate has been factored in.

The final value-in-use calculation was based on a weighted average of the three scenarios and was compared against the carrying values to identify individual impairment amounts. This resulted in an impairment amount of EUR 125 million, whereas EUR 26 million is related to property, plant and equipment, EUR 7 million to key money with limited useful life, and EUR 88 million to the right-of-use assets of the DOS.

Management's review of all major goodwill allocations resulted in an impairment in the amount of EUR 4 million. This was attributable to the sales units in Australia. No other goodwill-carrying CGU required an impairment based on the weighted scenarios for base-case (70%), worst-case (20%), and best-case (10%).

Inventories:

In the wake of COVID-19 and the corresponding temporary store closures, inventory risks resulted from inventory items being kept in storage for longer, accompanied by a potential reduction in their marketability. According to the principle of net realizable value, impairments on inventories are recognized accordingly and are monitored on a monthly basis. As part of the process, system-based analyses of movement rate, range of coverage, and net realizable value based on past inventory movements are applied in a uniform manner across the Group and led to an increase of the inventory write-down quota. On top of the system-based analysis, Management anticipated an additional risk of reduction in marketability predominately relating to the Spring/Summer 2020 collection as of the reporting date in the amount of EUR 25 million.

Trade receivables:

HUGO BOSS runs a two-step approach for trade receivable validation.

In a first step, the non-overdue trade receivables are weighed with the expected credit loss (ECL) and, in addition, the recoverability of trade receivables are assessed based on the estimated likelihood of default. The calculation for the expected credit loss is based on credit risks from the past as well as current situations and applied to future situations. The analyses of the ECL showed that even with the impact of COVID-19, the risk rating for the ECL is nearly unchanged. In a second step, individual bad debt allowances ranging between 1% and 100% are recognized on non-overdue and overdue receivables, based on the aging structure and the individual assessment of the recoverability of the trade receivables. A write-down of receivables in the first six months of 2020 amounted to EUR 9 million and was mainly related to an individual risk assessment due to COVID-19.

4| 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 2020**	June 2019	Dec. 2019	**June 30, 2020**	June 30, 2019	Dec. 31, 2019
Australia	AUD	1.6331	1.6257	1.6143	1.6406	1.6244	1.5995
China	CNY	7.9744	7.7847	7.7880	7.9841	7.8185	7.8205
Great Britain	GBP	0.8988	0.8908	0.8476	0.9154	0.8966	0.8508
Hong Kong	HKD	8.7232	8.8296	8.6659	8.7456	8.8866	8.7473
Japan	JPY	121.0913	121.9880	121.2561	121.0700	122.6000	121.9400
Switzerland	CHF	1.0715	1.1170	1.0931	1.0669	1.1105	1.0854
Turkey	TRY	7.6675	6.5577	6.4814	7.7082	6.5507	6.6621
U.S.A.	USD	1.1255	1.1280	1.1103	1.1284	1.1380	1.1234

5| Basis of consolidation

In the reporting period January 1 to June 30, 2020, the number of consolidated companies increased by one to 62.

As of January 1, 2020, the consolidation method for HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U.A.E. was changed from the equity method to full consolidation. The "at equity consolidation" was made in the past because of the joint control of the business partner. All decisions had to be decided unanimously by HUGO BOSS and Al Futtaim. HUGO BOSS agreed to an amendment of the joint venture contract on February 11, 2020. HUGO BOSS Middle East FZ-LLC, U.A.E still holds 49%, but owns the casting vote rights for business-plan decisions and for the General Manager appointment. Due to this change, HUGO BOSS now has the power and ability to control the relevant business activities of HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U.A.E., allowing a full consolidation.

Based on full consolidation, sales increased by EUR 6 million, and EBIT increased by EUR 3 million for the first half year.

6| Selected notes to the Consolidated Income Statement

Sales

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Own retail business	525	857
Directly operated stores / outlet	432	798
Online	93	59
Wholesale	277	446
Licenses	28	36
Total	**830**	**1,339**

Cost of sales

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Cost of purchase	284	415
Thereof cost of materials	233	404
Cost of conversion	47	55
Total	**331**	**470**

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 2020	Jan. – June 2019
Expenses for own retail business, sales and marketing organization	505	453
Marketing expenses	73	81
Logistics expenses	39	46
Total	**617**	**580**

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.

Administration expenses

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
General administrative expenses	118	120
Research and development costs	28	33
Total	**146**	**153**

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 2020	Jan. – June 2019
Wages and salaries	238	287
Social security	42	46
Expenses and income for retirement and other employee benefits	3	3
Total	**283**	**336**

Employees

	June 30, 2020	Dec. 31, 2019
Industrial employees	4,828	5,012
Commercial and administrative employees	11,834	12,032
Total	**16,662**	**17,044**

Depreciation/Amortization

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Non-current assets		
Property, plant and equipment	52	48
Intangible assets	12	11
Right-of-use assets	118	111
Total	**182**	**170**

Impairment

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Directly operated stores	33	0
Intangible assets / goodwill	4	0
Right-of-use assets	88	0
Total	**125**	**0**

7| Selected notes to the Consolidated Statement of Financial Position

Leases

Starting on January 1, 2019, HUGO BOSS Group has been applying the new standard IFRS 16.

HUGO BOSS has concluded material lease agreements for the rental of retail stores and office and storage space, with an average term of five years, which were classified as relevant for IFRS 16. Some of the agreements include purchase and renewal options. For leases of low-value assets and for short-term lease liabilities, the option of immediately recognizing expenses was exercised. Similarly, leases with variable rent payments for which no minimum rents are stipulated in the contract are directly recognized as expenses. As a result, the right-of-use asset and lease liability are not recognized. The effects of all HUGO BOSS Group leases on the balance sheet, the income statement, and the consolidated statement of cash flows as at June 30, 2020, are presented below.

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, 2020:

(in EUR million)

	Stores	Warehouse	Offices and others	Total
Carrying amount as of Jan. 1, 2020	**746**	**33**	**81**	**877**
Additions	118	5	8	132
Depreciation	(107)	(4)	(10)	(120)
Impairment	(88)	0	0	(88)
Disposal	(0)	0	0	(0)
FX differences	0	0	0	(24)
Carrying amount as of June 30, 2020	**669**	**35**	**80**	**777**

(in EUR million)

	Stores	Warehouse	Offices and others	Total
Carrying amount as of Jan. 1, 2019	**814**	**86**	**90**	**991**
Additions	138	6	10	154
Depreciation	(204)	(7)	(18)	(229)
Disposal	(3)	(53)	(0)	(56)
FX differences	0	0	0	17
Carrying amount as of Dec. 31, 2019	**746**	**33**	**81**	**877**

The amounts included in the income statement and the consolidated statement of cash flows as of June 30, 2020, applicable to the leases are shown in the following tables:

Leases in the income statement

(in EUR million)

	Jan. - June 2020	Jan. - June 2019
Depreciation of RoU Assets	(118)	(112)
Impairment of RoU Assets	(88)	0
Net income from disposal of RoU Assets	1	0
Interest expenses for lease liabilities	(11)	(11)
Income/expenses from foreign exchange differences on lease liabilities	(2)	0
Expenses for variable lease payments	(37)	(63)
Expenses for short-term leases	(1)	(1)
Lease expenses for software and expenses for leases of low-value assets	(8)	(8)
Income from subleases	1	0
Other expenses (service costs)	(4)	(4)
Total expenses from lease agreements	**(266)**	**(199)**

Leases in the consolidated statement of cash flows

(in EUR million)

	Jan. - June 2020	Jan. - June 2019
Interest paid on lease liabilities	(11)	(11)
Repayment of lease liabilities	(126)	(123)
Variable lease payments	(37)	(63)
Payments for short-term leases	(1)	(1)
Payments for software and for operating leases of low-value assets	(8)	(8)
Payments received from subleases	1	0
Other payments	(4)	(4)
Total cash outflows for leases	**(185)**	**(210)**

For impacts due to the COVID-19 pandemic on Group's leases please refer to notes section 3, "COVID-19 impacts".

Inventories

(in EUR million)

	Jan. - June 2020	Dec. 2019
Finished goods and merchandise	599	578
Raw materials and supplies	38	43
Work in progress	6	6
Total	**644**	**627**

The carrying amount of inventories carried at net realizable value amounted to EUR 121 million (2019: EUR 86 million). Significant estimates were made for inventories as follows: Write-downs are made for inventory risks resulting from the length of storage, especially due to COVID-19, and the resulting reduced usability in some cases. For raw materials, write-downs are made on the basis of range of coverage and marketability analyses. For work in progress, finished goods, and merchandise, the valuation is based on the net selling price targeted through the Group's own sales channels. To determine the net selling price, the Group uses analyses of the storage period for merchandise and finished goods.

For impacts due to the COVID-19 pandemic on the Group's inventories please refer to notes section 3, "COVID-19 impacts".

Trade receivables

(in EUR million)

	Jan. - June 2020	Dec. 2019
Trade receivables, gross	189	226
Accumulated allowance	(21)	(10)
Trade receivables, net	**168**	**216**

For impacts due to the COVID-19 pandemic on Group's trade receivables please refer to notes section 3, "COVID-19 impacts".

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)

	Jan. - June, 2020	**With remaining term up to 1 year**	Dec. 2019	With remaining term up to 1 year
Financial liabilities due to banks	376	73	215	110
Lease liabilities	948	166	957	168
Other financial liabilities	2	2	3	2
Total	**1,327**	**240**	**1,175**	**280**

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 2 million (2019: EUR 3 million).

HUGO BOSS has taken further steps to safeguard its financial flexibility as it has successfully exercised the increase option of its existing revolving syndicated loan. The latter now totals EUR 633 million, of which EUR 212 million was utilized at the end of June. In this context, the Company has also agreed with its syndicate banks to suspend the financial covenant under the syndicated loan until the end of June 2021. On top of that, HUGO BOSS has secured further credit commitments totaling EUR 275 million, provided by six international banks and partially backed by KfW, Germany's state-owned development bank. The credit commitments have a maturity until June 2022. At the end of the reporting period, these credit facilities were not drawn.

8| Earnings per share

There were no shares outstanding that could have diluted earnings per share as of June 30, 2020, or June 30, 2019.

	Jan. – June 2020	Jan. – June 2019
Net income attributable to equity holders of the parent company (in EUR million)	(203)	89
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) (in EUR)[2]	**(2.95)**	**1.29**

[1] Not including own shares.

[2] Basic and diluted earnings per share.

9| Provisions

Provisions for personnel expenses

Provisions for personnel expenses mainly relate to 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 the fiscal year 2016 for members of the Managing Board and eligible senior management of HUGO BOSS, which are 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, 2020.

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 2017 will be paid out in fiscal year 2021 and is therefore reported as EUR 3 million in current personnel-related provisions as of June 30, 2020. For the other three plans, the non-current provision created as of June 30, 2020, amounts to a total of EUR 2 million.

10| Provisions for pensions and similar obligations

Provisions for pensions decreased from EUR 51 million as of December 31, 2019 to EUR 49 million as of June 30, 2020. 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, 2020

The following assumptions were applied:

Actuarial assumptions	June 30, 2020	Dec. 31, 2019
Discount rate		
Germany	1.60%	1.45%
Switzerland	0.40%	0.10%
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, 2019, the actuarial discount rate parameter in Germany and Switzerland increased. The pension trend and expected salary increase parameters remained unchanged in the first six months of fiscal year 2020.

Breakdown of pension expenses in the period

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Current service cost	3	3
Past service cost	0	0
Net interest costs	1	0
Pension expenses recognized in the consolidated income statement	**4**	**3**
Return from plan assets (without interest effects)	0	0
Recognized actuarial (gains)/losses	(1)	10
Asset ceiling (without interest effects of asset ceiling)	0	0
Remeasurement of the carrying amount recognized in the consolidated statement of comprehensive income	**(1)**	**10**

11| Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR million)

		June 30, 2020		Dec. 31, 2019	
Assets	IFRS 9 category	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	AC	115	115	133	133
Trade receivables	AC	168	168	216	216
Other financial assets		35	35	54	54
Thereof:					
Undesignated derivatives	FVTPL	0	0	0	0
Derivatives subject to hedge accounting	Hedge Accounting	1	1	2	2
Other financial assets	AC	34	34	48	48
Liabilities					
Financial liabilities due to banks	AC	376	378	215	221
Trade payables	AC	211	211	315	315
Lease Liabilities	n.a.	948	948	957	957
Other financial liabilities		2	2	3	3
Thereof:					
Undesignated derivatives	FVTPL	1	1	2	2
Derivatives subject to hedge accounting	Hedge Accounting	1	1	0	0
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 interest rates currently available for debt on similar terms, credit risk, and remaining maturities.

As of June 30, 2020, 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, 2020, as in the prior year, all financial instruments measured at fair value in the category Fair Value Through the Statement of Profit or Loss (FVTPL) and derivatives designated to a hedge relationship were assigned to level 2. During the first six months of fiscal year 2020, 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, HUGO BOSS enters into hedging transactions in some areas to mitigate risk. As of the reporting date, EUR 7 million (December 31, 2019: EUR 7 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 17 million (December 31, 2019: EUR 20 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, 2019: 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, 2020						
Trade receivables	178	(10)	168	0	0	168
Derivatives	1	0	1	(1)	0	0
Total	**179**	**(10)**	**169**	**(1)**	**0**	**168**
Dec. 31, 2019						
Trade receivables	228	(12)	216	0	0	216
Derivatives	2	0	2	0	0	2
Total	**230**	**(12)**	**218**	**0**	**0**	**218**

(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, 2020						
Trade payables	228	(17)	211	0	0	211
Derivatives	2	0	2	(1)	0	1
Total	**230**	**(17)**	**213**	**(1)**	**0**	**212**
Dec. 31, 2019						
Trade payables	326	(11)	315	0	0	315
Derivatives	3	0	3	0	0	3
Total	**329**	**(11)**	**318**	**0**	**0**	**318**

The trade receivables of EUR 10 million (December 31, 2019: EUR 12 million) offset against liabilities as of the reporting date includes outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes of HUGO BOSS. These amounted to EUR 17 million (December 31, 2019: EUR 11 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.

12| 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 flow 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.

13| Segment reporting

(in EUR million)

	Europe[1]	Americas	Asia/Pacific	Licenses	Total operating segments
Jan. – June 2020					
Sales	**535**	**124**	**143**	**28**	**830**
Segment profit	**(53)**	**(80)**	**(5)**	**22**	**(116)**
In % of sales	(9.9)	(64.8)	(3.3)	77.4	(14.0)
Segment assets	284	142	110	12	548
Capital expenditure	33	9	27	0	69
Impairments	(72)	(39)	(14)	0	(125)
Thereof property, plant and equipment	(22)	(9)	(2)	0	(33)
Thereof intangible assets	(50)	(30)	(12)	0	(92)
Depreciation/amortization	(78)	(33)	(44)	0	(155)
Jan. – June 2019					
Sales	**832**	**255**	**216**	**36**	**1,339**
Segment profit	**205**	**18**	**53**	**29**	**305**
In % of sales	24.6	7.2	24.3	82.0	22.8
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	(77)	(30)	(38)	0	(145)

[1] Including Middle East and Africa.

Reconciliation

Sales

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Sales - operating segments	**830**	**1,339**
Corporate units	0	0
Consolidation	0	0
Total	**830**	**1,339**

Sales and earnings development of the business segments

Sales by distribution channel

Sales development Europe (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	303	57	483	58	(37)	(37)
Wholesale	232	43	349	42	(34)	(34)
Total	**535**	**100**	**832**	**100**	**(36)**	**(36)**

Sales development Americas (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	88	71	175	69	(50)	(50)
Wholesale	35	28	80	31	(56)	(56)
Total	**124**	**100**	**255**	**100**	**(51)**	**(52)**

Sales development Asia/Pacific (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Own retail business	133	93	200	92	(33)	(33)
Wholesale	10	7	17	8	(41)	(41)
Total	**143**	**100**	**216**	**100**	**(34)**	**(34)**

Sales by brand

Sales by brand (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
BOSS	704	85	1,158	86	(39)	(39)
HUGO	126	15	181	14	(30)	(30)
Total	**830**	**100**	**1,339**	**100**	**(38)**	**(38)**

Sales by gender

Sales by gender (in EUR million)

	Jan. – June 2020	**In % of sales**	Jan. – June 2019	In % of sales	Change in %	Currency-adjusted change in %
Menswear	746	90	1,211	90	(38)	(39)
Womenswear	84	10	128	10	(34)	(35)
Total	**830**	**100**	**1,339**	**100**	**(38)**	**(38)**

Segment earnings

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Segment profit (EBIT) – operating segments	**(116)**	**305**
Corporate units	(147)	(168)
Consolidation	0	0
EBIT HUGO BOSS Group	**(263)**	**137**
Net interest income/expenses	(14)	(12)
Other financial items	(6)	(5)
Earnings before taxes HUGO BOSS Group	**(283)**	**121**

Segment assets

(in EUR million)

	June 30, 2020	June 30, 2019	Dec. 31, 2019
Segment assets – operating segments	**548**	**557**	**564**
Corporate units	264	290	279
Consolidation	0	0	0
Current tax receivables	27	40	33
Current financial assets	14	28	32
Other current assets	100	114	123
Cash and cash equivalents	115	106	133
Current assets HUGO BOSS Group	**1,068**	**1,135**	**1,164**
Non-current assets	1,622	1,638	1,713
Total assets HUGO BOSS Group	**2,690**	**2,773**	**2,877**

Capital expenditure

(in EUR million)

	June 30, 2020	June 30, 2019	Dec. 31, 2019
Capital expenditure - operating segments	**69**	**977**	**260**
Corporate units	16	210	81
Consolidation	0	0	0
Total	**85**	**1,187**	**341**

Depreciation/amortization

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Depreciation/amortization - operating segments	**155**	**145**
Corporate units	27	25
Consolidation	0	0
Total	**182**	**170**

Impairment

(in EUR million)

	Jan. – June 2020	Jan. – June 2019
Impairment – operating segments	**125**	**0**
Corporate units	0	0
Consolidation	0	0
Total	**125**	**0**

Geographic information

(in EUR million)

	Third party sales		Non-current assets	
	Jan. – June 2020	Jan. – June 2019	June 30, 2020	Dec. 31, 2019
Germany	134	202	319	459
Other European markets	430	665	615	637
U.S.A.	89	188	228	217
Other American markets	34	67	46	55
China	85	123	42	43
Other Asian markets	58	94	169	187
Total	**830**	**1,339**	**1,419**	**1,598**

14| Related party disclosures

In the reporting period from January 1 to June 30, 2020, the following transactions requiring disclosure were conducted with related parties:

Expense of EUR 4 million arose for termination benefits in connection with the termination of the service contracts of Mark Langer, effective July 16, 2020.

Christoph Auhagen, former Managing Board Member, who left the board April 22, 2016 received a compensation for a pension entitlement which was fully backed by a pension liability insurance. No cash flow and no additional expenses resulted from this settlement.

15| Subsequent events

Between the end of the first six months of fiscal year 2020 and the publication of this report, there were no material macroeconomic, socio-political, sector-related or company-specific changes that management would expect to have a significant influence on the earnings, net assets and financial position of the Group.

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 22, 2020

HUGO BOSS AG
The Managing Board

Yves Müller
Heiko Schäfer
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 3, 2020
Third Quarter Results 2020