HUGO BOSS

FIRST HALF YEAR REPORT
JANUARY – JUNE 2018

CONTENTS

KEY FIGURES

	Jan. – June 2018	Jan. – June 2017	Change in %	Change in %[4]	**2nd Quarter 2018**	2nd Quarter 2017	Change in %	Change in %[4]
Net sales (in EUR million)	**1,303**	1,287	1	5	**653**	636	3	6
Net sales by segments								
Europe incl. Middle East and Africa	816	784	4	6	399	372	7	9
Americas	254	274	(7)	3	137	148	(8)	0
Asia/Pacific	200	195	2	9	100	98	2	7
Licenses	33	34	(4)	(4)	17	18	(6)	(6)
Net sales by distribution channel								
Group's own retail business	820	808	2	6	442	436	1	5
Wholesale	450	445	1	5	194	182	7	10
Licenses	33	34	(4)	(4)	17	18	(6)	(6)
Net sales by brand								
BOSS	1,130	1,100	3	7	568	545	4	8
HUGO	173	187	(8)	(5)	85	91	(6)	(4)
Net sales by gender								
Menswear	1,170	1,145	2	7	588	568	4	7
Womenswear	133	142	(6)	(3)	65	68	(5)	(2)
Results of operations (in EUR million)								
Gross profit	853	849	0		437	430	2	
Gross profit margin in %	65.5	66.0	(50) bp		66.9	67.7	(80) bp	
EBITDA	204	212	(4)		105	114	(7)	
EBITDA before special items	205	205	0		106	108	(1)	
Adjusted EBITDA margin in %[1]	15.7	15.9	(20) bp		16.2	16.9	(70) bp	
EBIT	143	145	(1)		74	81	(8)	
Net income attributable to equity holders of the parent company	103	106	(2)		54	58	(7)	
Net assets and liability structure as of June 30 (in EUR million)								
Trade net working capital	535	484	11	12				
Trade net working capital in % of net sales[2]	18.8	19.2	(40) bp					
Non-current assets	656	719	(9)					
Equity	843	802	5					
Equity ratio in %	48.5	47.7	80 bp					
Total assets	1,739	1,679	4					
Financial position (in EUR million)								
Capital expenditure	51	57	(10)		33	33	0	
Free cash flow	32	132	(76)		79	125	(37)	
Depreciation/amortization	61	67	(9)		31	33	(5)	
Net financial liabilities (as of June 30)	158	166	(4)					
Total leverage (as of June 30)[3]	0.3	0.3						
Additional key figures								
Employees (as of June 30)	14,201	13,539	5					
Personnel expenses (in EUR million)	315	303	4		159	152	5	
Number of Group's own retail stores	1,090	1,128	(3)		(3)	2		
thereof freestanding retail stores	435	438	(1)		0	2		
Shares (in EUR)								
Earnings per share	1.49	1.53	(2)		0.77	0.83	(7)	
Last share price (as of June 30)	77.76	61.30	27		77.76	61.30	27	
Number of shares (as of June 30)	70,400,000	70,400,000	0		70,400,000	70,400,000	0	

[1] EBITDA before special items/sales.

[2] moving average on the basis of the last four quarters.

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

[4] currency-adjusted.

CHAPTER 1

Consolidated Interim Management Report

GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

Slight acceleration in global economic growth

The **global economy's** positive momentum continued in the first half of the year, supported by the unchanged low interest rates and the US tax reform. In July, the International Monetary Fund (IMF) therefore confirmed its growth forecast of 3.9% for the full year (2017: 3.8%). Growth in the industrialized countries is likely to remain strong, but has slowed in the Eurozone, Japan and Great Britain in particular. The US economy, on the other hand, is continuing its robust growth. Greater uncertainties are mainly related to an escalation of trade conflicts, geopolitical tensions and the uncertain outcome of the Brexit negotiations.

IMF growth forecast for Europe scaled back

Economic growth in **Europe** benefited in particular from continued strong domestic demand and the ECB's continued expansionary monetary policy in the first half of the year. Nonetheless, the IMF lowered its full-year forecast for the region slightly in July. Influenced by the appreciation of the euro against the US dollar, the rise in oil prices and the trade dispute with the U.S., Europe's economic growth is expected to be slightly below the prior year's level.

Robust growth in the US economy

The robust economic growth in the **U.S.** was recently given further impetus in the shape of the implementation of the tax reform, increased foreign demand and higher public spending. This resulted in the IMF raising its forecast for the year as a whole in April. Consequently, the US economy will see higher growth this year compared with the prior year. The economies of Latin America are also witnessing a continued upturn.

Positive economic development in Asia

The economies of **China** and other emerging countries in Asia continued to outperform other regions in the first half of the year. For the year as a whole, however, the IMF expects economic growth in China to weaken due to a declining propensity to invest and the high level of corporate debt. In Japan, growth is expected to be weaker this year, primarily as a result of reduced local demand and lower private investment.

Upper premium segment of the apparel industry remains on a growth trajectory

The **upper premium segment of the apparel industry** continued its growth in the first half of the year. This was primarily due to the robustness of the general economy and continued high demand from Chinese customers. The development of the industry was characterized by regional as well as company-specific differences. In particular, those market participants who were able to increase their brands' appeal among younger customers by means of innovative, attractive collections and a persuasive digital approach performed well. The global performance of the apparel business was, however, more muted than other segments, particularly footwear and accessories.

Industry development marked by regional differences in the first half of the year

In **Europe**, the appreciation of the euro led to a weakening of business with tourists. While countries such as France, Switzerland and Russia benefited from an increase in domestic demand, the industry faced much tougher conditions in Great Britain and Germany. In the **Americas**, the industry continued to recover during the first half of the year. In the US market, the weaker US dollar supported business with tourists. While the industry in Canada grew, the business situation in Latin America was rather mixed. The majority of the industry's growth in **Asia** continues to be attributable to the Chinese market, which benefited in particular from strong domestic demand in the first half of the year. Many of the market participants are also becoming more successful at adapting to the needs of younger, increasingly fashion-conscious customer groups who are strongly influenced by social media. The industry environment in the region's smaller markets also continued to improve in the first half of the year.

GROUP EARNINGS DEVELOPMENT

SALES PERFORMANCE

Currency-adjusted increase of 5% in Group sales

In the first six months of fiscal year 2018, HUGO BOSS generated **Group sales** of EUR 1,303 million. Sales were therefore up 1% in the Group's reporting currency compared to the prior-year (prior year: EUR 1,287 million). In local currencies, HUGO BOSS reported a 5% increase in sales compared to the prior year.

SALES BY REGION (in EUR million)

	Jan. – June 2018	**In % of sales**	Jan. – June 2017	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	816	63	784	61	4	6
Americas	254	20	274	21	(7)	3
Asia/Pacific	200	15	195	15	2	9
Licenses	33	2	34	3	(4)	(4)
TOTAL	**1,303**	**100**	**1,287**	**100**	**1**	**5**

[1] Including the Middle East and Africa.

Currency-adjusted sales growth in all regions

Sales growth in **Europe** including the Middle East and Africa was supported by both the Group's own retail business and the wholesale business. While Great Britain posted double-digit growth, sales in Germany declined slightly. Adjusted for currency effects, the **Americas** also recorded sales growth. In the U.S., growth in the Group's own retail business more than compensated for a decline in the wholesale business. The **Asia/Pacific** region benefited in particular from growth in the Chinese market. Especially, sales in Hong Kong and Macau increased at a disproportionate rate.

SALES BY DISTRIBUTION CHANNEL (in EUR million)

	Jan. – June 2018	**In % of sales**	Jan. – June 2017	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	820	63	808	63	2	6
Directly operated stores	517	40	521	40	(1)	4
Outlet	255	19	253	20	1	5
Online	48	4	34	3	41	45
Wholesale	450	35	445	34	1	5
Licenses	33	2	34	3	(4)	(4)
TOTAL	**1,303**	**100**	**1,287**	**100**	**1**	**5**

Comp store sales grow by 6% on a currency-adjusted basis

Currency-adjusted sales in the **Group's own retail business** climbed by 6% in the first half of 2018. All sales formats supported this development. In particular, the strong double-digit growth in the Group's online business exceeded the sales growth achieved by freestanding stores and shop-in-shops. Comp store sales in the Group's own retail business increased by 1% in the Group currency. In local currency, comp store sales were up 6%.

Currency-adjusted sales growth of 5% in the wholesale channel

Sales in the **wholesale channel** rose in both the reporting currency as well as in local currencies in the first half of the year. Delivery shifts had a positive impact on sales development as compared to the prior year. Alongside the pre-order business, the replenishment business, which HUGO BOSS uses to react to short-term surges in business partners' demand, also posted higher sales.

Sales decline in the license business

Sales in the **license business** declined in the first half of 2018 as a result of timing effects relating to the company's license income. License sales are expected to increase in the second half of the year.

SALES BY BRAND (in EUR million)

	Jan. – June 2018	**In % of sales**	Jan. – June 2017	In % of sales	Change in %	Currency-adjusted change in %
BOSS	1,130	87	1,100	85	3	7
HUGO	173	13	187	15	(8)	(5)
TOTAL	**1,303**	**100**	**1,287**	**100**	**1**	**5**

BOSS grows by 7%, adjusted for currency effects

The sales development of BOSS and HUGO was marked by changes in the distribution strategy in the first half of the year. The Group has decided to transfer space from HUGO to BOSS both for certain product categories in the wholesale channel and in selected own retail stores. Besides that, the Group is reducing the presence of HUGO in the outlet channel. These measures are intended to sharpen the brand message of HUGO. As a result, **HUGO** brand sales declined in the first half of the year. Double-digit growth in casualwear was unable to compensate for the declines in businesswear. The sales development of the **BOSS** brand benefited in particular from growth in casualwear. Investments in the quality of the collections led to greater desirability. Sales in the businesswear also saw significant growth.

SALES BY GENDER (in EUR million)

	Jan. – June 2018	**In % of sales**	Jan. – June 2017	In % of sales	Change in %	Currency-adjusted change in %
Menswear	1,170	90	1,145	89	2	7
Womenswear	133	10	142	11	(6)	(3)
TOTAL	**1,303**	**100**	**1,287**	**100**	**1**	**5**

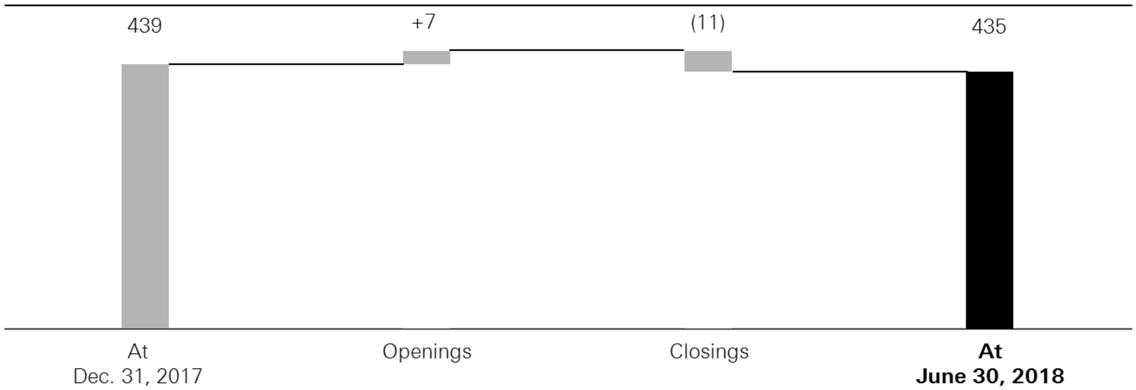
Menswear up by 7%, adjusted for currency effects

Sales of **menswear** increased primarily thanks to growth in casualwear. **Womenswear**, however, recorded a sales decrease, which is attributable to the BOSS brand and linked to the reduction of retail space in freestanding stores. This could not be offset by growth in the HUGO brand.

Number of freestanding retail stores slightly below prior year

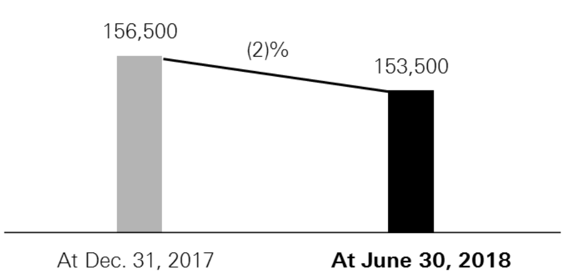
In the first six months of fiscal year 2018, the total number of the **Group's own freestanding retail stores** decreased by a net of four to 435 (December 31, 2017: 439).

NUMBER OF GROUP´S OWN FREESTANDING RETAIL STORES

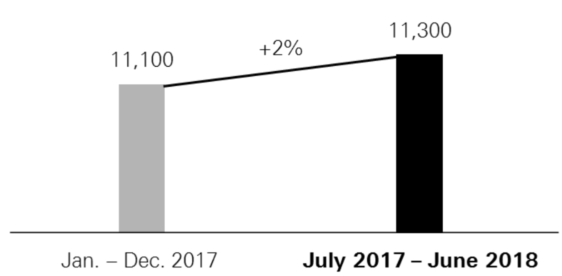


Six **BOSS stores** were newly opened, while there were 11 closures of stores with expiring leases. This included the relocation of two sites within the same metropolitan area. The first **HUGO store** with a unique store concept opened in Amsterdam in the second quarter.

TOTAL SELLING SPACE (in square meter)



SELLING SPACE PRODUCTIVITY (in EUR per square meter)



Slight increase in selling space productivity

Including shop-in-shops and outlets, the **total selling space** of the Group's own retail business declined by 2% to around 153,500 sqm (December 31, 2017: 156,500 sqm). **Selling space productivity** in the Group's own retail business rose by 2% to around EUR 11,300 per sqm in the past twelve months (January to December 2017: EUR 11,100 per sqm).

EARNINGS DEVELOPMENT

INCOME STATEMENT (in EUR million)

	Jan. – June 2018	In % of sales	Jan. – June 2017	In % of sales	Change in %
Sales	**1,303**	**100.0**	**1,287**	**100.0**	**1**
Cost of sales	(450)	(34.5)	(438)	(34.0)	(3)
Gross profit	**853**	**65.5**	**849**	**66.0**	**0**
Selling and distribution expenses	(562)	(43.1)	(570)	(44.3)	1
Administration expenses	(147)	(11.3)	(141)	(11.0)	(4)
Other operating income and expenses	(1)	0.1	7	0.6	<(100)
Operating result (EBIT)	**143**	**11.0**	**145**	**11.3**	**(1)**
Financial result	(4)	(0.3)	(6)	(0.5)	35
Earnings before taxes	**139**	**10.7**	**139**	**10.8**	**0**
Income taxes	(36)	(2.8)	(33)	(2.6)	(9)
Net income	**103**	**7.9**	**106**	**8.2**	**(2)**
Earnings per share (EUR)[1]	**1.49**		**1.53**		**(2)**
EBITDA	**204**	**15.6**	**212**	**16.4**	**(4)**
EBITDA related special items	(1)	(0.1)	7	0.5	<(100)
EBITDA before special items	**205**	**15.7**	**205**	**15.9**	**0**
Income tax rate in %	**26**		**24**		

[1]Basic and diluted earnings per share.

Decline in gross profit margin in the first half of the year

The reduction of 50 basis points in the **gross profit margin** to 65.5% is primarily due to investments in the product quality of BOSS and HUGO (prior year: 66.0%).

Selling and distribution expenses slightly down on last year

Selling and distribution expenses were down slightly on the prior year's figure in the first six months of 2018. At 43.1%, they also declined relative to sales (prior year: 44.3%). A slowdown in retail expansion and positive effects from renegotiated leases in the Group's own retail business added to this development. In addition, exchange rate effects had a positive impact over the reporting period.

Increase in administration expenses

Administration expenses were up 4% on the prior-year level in the first six months of fiscal year 2018. Relative to sales, they stood at 11.3% (prior year: 11.0%). General administration expenses increased by 6% and, at 8.9% of sales, were slightly up on the prior-year period (prior year: 8.5 %). The increase was the result of further investments in the digital transformation of the business model. HUGO BOSS expects these investments to deliver an important stimulus to sales and to accelerate operational processes. Research and development costs incurred in the development of collections fell slightly and, relative to sales, were slightly below the prior-year level at 2.4% (prior year: 2.5%).

Other operating expenses and income with no significant effect on earnings

Net expenses arising from **other operating expenses and income** in the first six months came to EUR 1 million and are related to organizational changes in Europe and the Americas. This compares to a net income of EUR 7 million in the prior year period caused by the release of unutilized provisions.

Stable development of EBITDA before special items

EBITDA before special items was stable in the first six months. The increased gross profit was able to fully offset the slight increase in operating expenses. Overall, currency effects had a negative impact on earnings growth, mainly related to the depreciation in currencies outside the Eurozone, where HUGO BOSS generates significantly more sales than costs. The absence of the one-off other operating income realized in the prior year resulted in **EBIT** being slightly down on the prior year. At 15.7%, the **adjusted EBITDA margin** was down 20 basis points on the prior year. **Amortization and depreciation** came to EUR 61 million, down 9% on the comparable prior-year period due to reduced capital expenditure (prior year: EUR 67 million).

Improved financial result due to reduced exchange rate effects

The **financial result**, measured as net expense after aggregating interest result and other financial items, improved in the first six months of fiscal year 2018. This was due to reduced exchange-rate effects as a result of greater stability in the currency markets compared with the prior year.

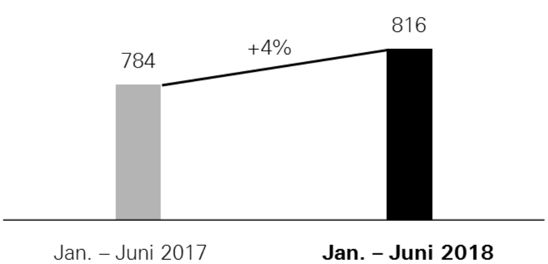
Slight decrease in net income

At 26%, the **Group's tax rate** was up on the comparable prior-year period (prior year: 24%). In the first six months of fiscal year 2018, **net income** declined slightly to EUR 103 million (prior year: EUR 106 million).

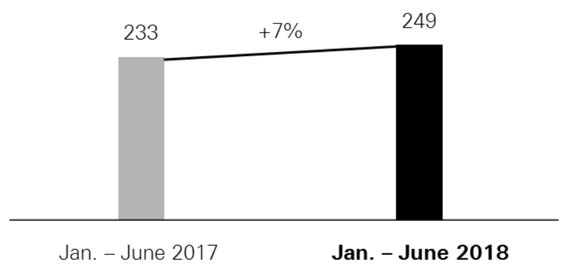
SALES AND PROFIT DEVELOPMENT OF THE BUSINESS SEGMENTS

EUROPE

SALES DEVELOPMENT EUROPE (in EUR million)



PROFIT DEVELOPMENT EUROPE (in EUR million)



Sales increase in both distribution channels

Currency-adjusted sales in Europe including the Middle East and Africa were up 6% in the first half of the year. Sales in the **Group's own retail business** climbed by 3%, coming to a total of EUR 466 million (prior year: EUR 451 million). In local currencies, the increase came to 5%. On a comp store and currency-adjusted basis, sales grew by a mid single-digit percentage rate. Sales in the **wholesale business** increased by 5% in the same period to EUR 350 million (prior year: EUR 332 million). This is equivalent to a 7% increase in local currencies. Delivery shifts had a positive impact on sales development as compared with the prior year.

Significant differences in core markets

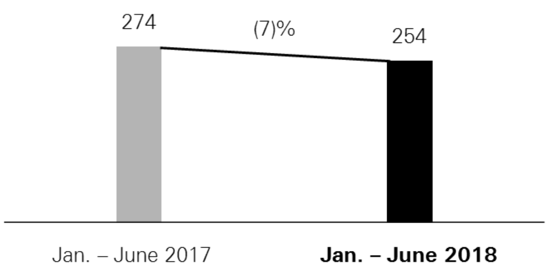
At EUR 206 million, sales in **Germany** were down 1% on the comparable prior-year period (prior year: EUR 209 million). Influenced by a challenging market environment, sales in the Group's own retail business declined. The slight growth in the wholesale business was not sufficient to compensate this. In **Great Britain**, sales in the reporting currency came to EUR 158 million, up 9% on the prior-year period (prior year: EUR 144 million). In local currency, HUGO BOSS achieved an increase of 12% in sales, which was underpinned by double-digit growth rates in both distribution channels. At EUR 83 million, sales in **France** were up 3% as against the prior-year (prior year: EUR 80 million), with the Group's own retail business outperforming the wholesale business. Both sales channels achieved growth in the **Benelux countries**, resulting in a 9% increase in sales to EUR 69 million (prior year: EUR 63 million).

Increase in segment profit

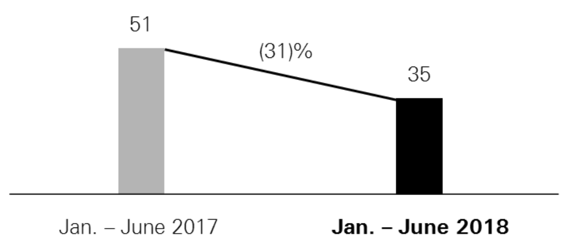
At EUR 249 million, **segment profit** in Europe was up 7% over the comparable prior-year period (prior year: EUR 233 million). Higher sales more than offset a slight increase in operating expenses. The adjusted EBITDA margin expanded by 60 basis points to 30.4% (prior year: 29.8%).

AMERICAS

SALES DEVELOPMENT AMERICAS (in EUR million)



PROFIT DEVELOPMENT AMERICAS (in EUR million)



Group's own retail business on a growth trajectory

In the Americas, sales in local currencies grew by 3%. Sales in the **Group's own retail business** contracted by 3% in the reporting currency, amounting to EUR 170 million in the first six months (prior year: EUR 176 million). However, sales rose by 7% in local currencies. On a comp store and currency-adjusted basis sales in the region rose by a high single-digit percentage rate. Sales in the **wholesale channel** came to EUR 84 million in the first six months of fiscal year 2018 (prior year: EUR 98 million). Accordingly, sales in this distribution channel decreased by 14% in the Group currency and by 4% in local currencies. This was due to more selective distribution of the BOSS core brand and the takeover of individual shop-in-shops into the Group's own retail business.

Currency-adjusted sales increases across all markets in the region

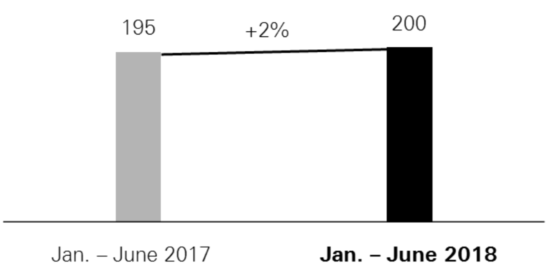
In the **United States**, sales in the reporting currency declined by 9% and totaled EUR 189 million (prior year: EUR 207 million). They were, however, up 2% in local currency. Sales in the Group's own retail business recorded robust sales growth. In **Canada**, sales came to EUR 36 million and were thus at the prior year level (prior year: EUR 36 million). Adjusted for currency effects, this corresponds to an increase of 8%. The takeover of individual shop-in-shops into the Group's own retail business resulted in a shift in sales between the distribution channels. In **Latin America**, sales decreased by 6% to EUR 29 million (prior year: EUR 31 million). However, sales rose by 6% in local currencies. The positive sales trend in the Group's own retail business more than compensated for a slight decline in sales in the wholesale channel.

Negative currency effects weigh on segment profit

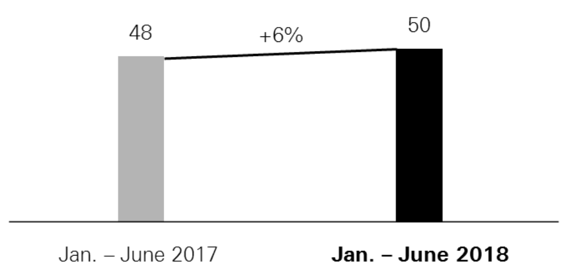
At EUR 35 million, **segment profit** in the Americas was down 31% on the prior-year period (prior year: EUR 51 million). This was largely the result of negative currency effects. At the end of the first half of the year, the adjusted EBITDA margin stood at 13.8%, 480 basis points down on the prior year (prior year: 18.6%).

ASIA/PACIFIC

SALES DEVELOPMENT ASIA/PACIFIC (in EUR million)



PROFIT DEVELOPMENT ASIA/PACIFIC (in EUR million)



Currency-adjusted sales increase of 9% in the Group's own retail business

Currency-adjusted sales in the Asia/Pacific region rose by 9% in the reporting period. Sales in the **Group's own retail business** grew by 2% to EUR 184 million in the reporting currency (prior year: EUR 180 million). This is equivalent to an increase of 9% in local currencies over the comparable prior-year period. On a comp store and currency-adjusted basis, sales also increased at a high single digit rate. At EUR 16 million, sales with **wholesale** customers were up 3% over the comparable prior-year period in the reporting currency (prior year: EUR 15 million). Sales rose by 11% adjusted for currency effects.

All markets reported currency-adjusted sales growth

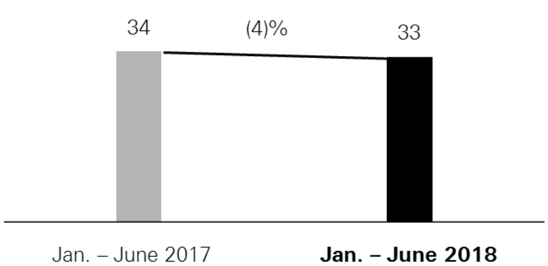
Sales in **China** came to EUR 113 million in the first half of the year (prior year: EUR 110 million). This is equivalent to an increase of 3% in the reporting currency or 9% in local currencies. Business in Hong Kong and Macau performed better than in mainland China. At EUR 27 million, sales in **Oceania** were down 7% on the comparable prior-year period (prior year: EUR 29 million). After currency adjustments, this corresponds to a rise of 2%. Sales in **Japan** also developed positively. At EUR 25 million, they were up 3% on the prior year (prior year: EUR 24 million). Currency-adjusted sales increased by 11%, primarily as a result of a strong business with tourists.

Increase in segment profit

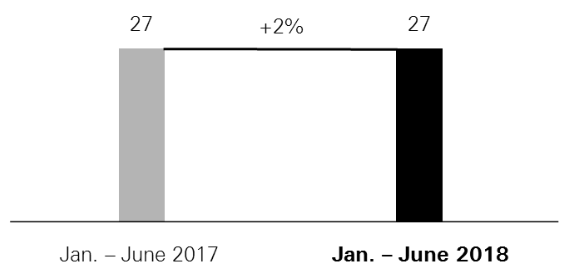
At EUR 50 million, **segment profit** in Asia/Pacific was up 6% on the comparable prior-year period (prior year: EUR 48 million). In addition to the positive sales development, a decline in operating expenses contributed to this development. Negative currency effects weighed on segment profit also in this region. Without these, the increase in profit would have been even higher. At 25.1%, the adjusted EBITDA margin was 80 basis points up on the prior year (prior year: 24.3%).

LICENSES

SALES DEVELOPMENT LICENSES (in EUR million)



PROFIT DEVELOPMENT LICENSES (in EUR million)



Declining sales in the license business

Sales in the **license business** declined in the first half of 2018 as a result of timing effects relating to the company's license income. License sales are expected to increase in the second half of the year.

At EUR 27 million, the license **segment profit** was 2% up on the comparable prior-year period (prior year: EUR 27 million).

NET ASSETS

STATEMENT OF FINANCIAL POSITION (in EUR million)

	June 30, 2018	June 30, 2017	December 31, 2017
Property, plant and equipment and intangible assets	539	579	549
Inventories	615	541	537
Trade receivables	190	188	208
Other assets	296	278	310
Cash and cash equivalents	99	93	116
Assets	**1,739**	**1,679**	**1,720**
Shareholders' Equity	843	802	915
Provisions and deferred taxes	180	203	188
Trade payables	270	245	286
Other liabilities	180	159	199
Financial liabilities	266	270	132
Equity and liabilities	**1,739**	**1,679**	**1,720**

Increase in total assets due to higher inventories

Total assets increased by 1% compared with December 31, 2017 and were also 3% up on mid-2017. This can be attributed in particular to an increase in inventories.

At 62%, the **share of current assets** was up slightly on the end of 2017 (December 31, 2017: 61%). Accordingly, the **share of non-current assets** came to 38% as of June 30, 2018 (December 31, 2017: 39%). At the end of the first half of 2018, the **equity ratio** stood at 48% (December 31, 2017: 53%).

TRADE NET WORKING CAPITAL (in EUR million)

	June 30, 2018	June 30, 2017	Change in %	Currency-adjusted change in %
Inventories	615	541	13	16
Trade receivables	190	188	1	1
Trade payables	(270)	(245)	10	12
Trade net working capital	**535**	**484**	**11**	**12**

Currency-adjusted increase of 16% in inventories

The increased **inventory levels** are intended to support sales momentum, especially in own retail. **Trade receivables** were slightly up on the prior-year period due to the increase in sales in the wholesale business. In addition to higher volumes due to increased inventory levels, postponed receipts of invoices led to an increase in **trade payables**.

Increased trade net working capital

Year-on year, **trade net working capital** was thus 11% higher in the Group's reporting currency and 12% higher in local currencies. At 18.8%, the moving average of **trade net working capital as a percentage of sales** on the basis of the last four quarters was 40 basis points below the prior-year period (prior year: 19.2%).

The decline in **provisions** compared to December 31, 2017 is primarily due to lower personnel provisions. **Other liabilities** were down on the end of 2017, largely due to lower income tax liabilities.

The increase in **current and non-current financial liabilities** compared to December 31, 2017 primarily reflects higher utilization of the syndicated loan as of the reporting date. Compared with June 30, 2017, this balance sheet item had decreased slightly.

FINANCIAL POSITION

STATEMENT OF CASH FLOW (in EUR million)

	Jan. – June 2018	Jan. – June 2017
Cash flow from operating activities	82	190
Cash flow from investing activities	(50)	(58)
Cash flow from financing activities	(50)	(117)
Change in cash and cash equivalents	**(17)**	**10**
Cash and cash equivalents at the beginning of the period	116	83
Cash and cash equivalents at the end of the period	99	93

Substantial decrease in free cash flow in the first half of the year

Free cash flow, measured as the cash inflow from operating activities and the cash outflow from investing activities, came to EUR 32 million in the reporting period (prior year: EUR 132 million).

The **cash inflow from operating activities** was significantly lower than in the prior year due to an increased cash outflow from the changes in trade net working capital. The lower level of capital expenditure resulted in a slight decline in **cash outflow from investing activities**.

The reduction in the **cash outflow from financing activities** reflects an increase in current and non-current financial liabilities over the prior year.

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

Slight decrease in net financial liabilities

Net financial liabilities are the total of all financial liabilities due to banks less cash and cash equivalents. Liabilities from finance and operating leases are not included in the calculation of this indicator. Net financial liabilities decreased compared with the first six months of the prior year to EUR 158 million (prior year: EUR 166 million). This was primarily due to the development of free cash flow in the previous twelve months.

CAPITAL EXPENDITURE

HUGO BOSS invested a total of EUR 51 million in **property, plant and equipment and intangible assets** in the first half of the year (prior year: EUR 57 million). The 10% decline compared to the prior year results from a different phasing of the investment budget.

Capital expenditure remains focused on the renovation of existing retail stores
At EUR 33 million, most of the capital expenditure in the first half of 2018 was for the **Group's own retail business** (prior year: EUR 37 million). Investments in the **renovation and modernization** of existing retail stores totaled EUR 19 million and were therefore up by 21% on the prior year (prior year: EUR 16 million). In the same period, the Group invested EUR 14 million in selective **new openings** (prior year: EUR 21 million). The decline is attributable to the slowdown in retail expansion in the own retail business.

Expansion of IT infrastructure links bricks-and-mortar stores with the online business
Capital expenditure on **administration** came to EUR 15 million in the first six months of 2018 and was therefore slightly down on the comparable prior-year period (prior year: EUR 16 million). This mainly included investments of EUR 12 million in the **IT infrastructure** (prior year: EUR 10 million). The year-on-year increase was due not only to the continuous further development of the Group-wide ERP system, but also in particular to investments in connection with the cross-channel integration and the digitization of the Group's own retail activities. Other capital expenditure on the production, logistics and distribution structure and in research and development came to EUR 3 million in the first half of the year (prior year: EUR 4 million).

REPORT ON RISKS AND OPPORTUNITIES

HUGO BOSS has a comprehensive risk management system enabling Management to identify and analyze opportunities and risks as well as to take appropriate measures at an early stage. The risk situation has not changed materially compared to the reporting year 2017. A detailed overview of the risks and opportunities can be found in the Annual Report 2017. All statements included therein regarding risks and opportunities continue to be valid.

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

Between the end of the first half of fiscal year 2018 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

HUGO BOSS confirms its outlook for 2018
This chapter sets out HUGO BOSS management's forecasts with respect to future business performance. As of the date on which this report was prepared, there is no indication of any material change in the **outlook** published in the annual report for 2017. The statements made therein continue to apply. HUGO BOSS thus confirms its outlook for the full year.

Management assumes that the changes in the **general economic situation** and in **industry development** as described in the chapter entitled "General Economic Situation and Industry Development" will not have any significant impact on the Group's business performance in 2018.

OUTLOOK 2018

Group Sales (currency-adjusted)	Increase at a low to mid-single digit percentage rate
Gross profit margin	Largely stable
EBITDA before special items	Development within a range of –2% to +2%
Consolidated net income	Increase at a low to mid-single digit percentage rate
Capital expenditure	EUR 170 million to EUR 190 million
Free cash flow	EUR 150 million to EUR 200 million

SUMMARY ON EARNINGS, NET ASSETS AND FINANCIAL POSITION

In summary, the results of operations, net assets, and financial position indicate that the HUGO BOSS Group continued to be in a sound financial position as of the date on which this report for the first six months of fiscal year 2018 was prepared.

Metzingen, July 19, 2018

HUGO BOSS AG
The Managing Board

Mark Langer
Bernd Hake
Yves Müller
Ingo Wilts

CHAPTER 2

Consolidated Interim Financial Statements

CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

CONSOLIDATED INCOME STATEMENT (in EUR million)

	2018	2017
Sales	**1,303**	**1,287**
Cost of sales	(450)	(438)
Gross profit	**853**	**849**
In % of sales	65.5	66.0
Selling and distribution expenses	(562)	(570)
Administration expenses	(147)	(141)
Other operating income and expenses	(1)	7
Operating result (EBIT)	**143**	**145**
Net interest income/expenses	(1)	(1)
Other financial items	(3)	(5)
Financial result	**(4)**	**(6)**
Earnings before taxes	**139**	**139**
Income taxes	(36)	(33)
Net income	**103**	**106**
Attributable to:		
Equity holders of the parent company	103	106
Non-controlling interests	0	0
Earnings per share (EUR)[1]	**1.49**	**1.53**

[1]Basic and diluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR million)

	2018	2017
Net income	**103**	**106**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2	2
Items to be reclassified subsequently to profit or loss		
Currency differences	7	(14)
Gains/losses from cash flow hedges	(1)	1
Other comprehensive income, net of tax	**8**	**(11)**
Total comprehensive income	**111**	**95**
Attributable to:		
Equity holders of the parent company	111	95
Non-controlling interests	0	0
Total comprehensive income	**111**	**95**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF THE HUGO BOSS GROUP AS OF JUNE 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in EUR million)

Assets	**June 30, 2018**	June 30, 2017	Dec. 31, 2017
Intangible assets	180	186	183
Property, plant and equipment	359	393	366
Deferred tax assets	98	118	94
Non-current financial assets	18	20	18
Other non-current assets	1	2	1
Non-current assets	**656**	**719**	**662**
Inventories	615	541	537
Trade receivables	190	188	208
Current tax receivables	45	38	49
Current financial assets	30	19	39
Other current assets	104	81	109
Cash and cash equivalents	99	93	116
Current assets	**1,083**	**960**	**1,058**
TOTAL	**1,739**	**1,679**	**1,720**

Equity and liabilities	**June 30, 2018**	June 30, 2017	Dec. 31, 2017
Subscribed capital	70	70	70
Own shares	(42)	(42)	(42)
Capital reserve	0	0	0
Retained earnings	791	743	869
Accumulated other comprehensive income	24	31	18
Equity attributable to equity holders of the parent company	**843**	**802**	**915**
Non-controlling interests	0	0	0
Group equity	**843**	**802**	**915**
Non-current provisions	71	77	70
Non-current financial liabilities	158	189	63
Deferred tax liabilities	13	10	11
Other non-current liabilities	55	47	55
Non-current liabilities	**297**	**323**	**199**
Current provisions	96	116	107
Current financial liabilities	108	81	69
Income tax payables	19	10	32
Trade payables	270	245	286
Other current liabilities	106	102	112
Current liabilities	**599**	**554**	**606**
TOTAL	**1,739**	**1,679**	**1,720**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

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, 2017	**70**	**(42)**	**0**	**7**	**807**	**47**	**(2)**	**887**	**1**	**888**
Net income					106			106	0	106
Other income					2	(14)	1	(11)	0	(11)
Comprehensive income					**108**	**(14)**	**1**	**95**	**0**	**95**
Dividend payment					(179)			(179)		(179)
Changes in basis of consolidation					0			0	(1)	(1)
June 30, 2017	**70**	**(42)**	**0**	**7**	**736**	**33**	**(1)**	**802**	**0**	**802**
January 1, 2018	**70**	**(42)**	**0**	**7**	**862**	**19**	**(1)**	**915**	**0**	**915**
Net income					103			103	0	103
Other income					2	7	(1)	8	0	8
Comprehensive income					**105**	**7**	**(1)**	**111**	**0**	**111**
Dividend payment					(183)			(183)		(183)
Changes in basis of consolidation					0			0		0
June 30, 2018	**70**	**(42)**	**0**	**7**	**784**	**26**	**(2)**	**843**	**0**	**843**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

CONSOLIDATED STATEMENT OF CASH FLOWS (in EUR million)

	2018	2017
Net income	103	106
Depreciation/amortization	61	67
Unrealized net foreign exchange gain/loss	7	13
Other non-cash transactions	0	0
Income tax expense/refund	36	33
Interest income and expenses	1	1
Change in inventories	(77)	10
Change in receivables and other assets	32	61
Change in trade payables and other liabilities	(26)	(31)
Result from disposal of non-current assets	0	0
Change in provisions for pensions	(1)	(3)
Change in other provisions	(9)	(24)
Income taxes paid	(45)	(43)
Cash flow from operations	**82**	**190**
Interest paid	(1)	(1)
Interest received	1	1
Cash flow from operating activities	**82**	**190**
Investments in property, plant and equipment	(40)	(41)
Investments in intangible assets	(11)	(9)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	0	(7)
Effects from changes in basis of consolidation	0	(1)
Cash receipts from disposal of property, plant and equipment and intangible assets	1	0
Cash flow from investing activities	**(50)**	**(58)**
Dividends paid to equity holders of the parent company	(183)	(179)
Change in current financial liabilities	38	6
Cash receipts from non-current financial liabilities	96	56
Repayment of non-current financial liabilities	(1)	0
Cash flow from financing activities	**(50)**	**(117)**
Change in cash and cash equivalents from changes in basis of consolidation	0	(2)
Exchange-rate related changes in cash and cash equivalents	1	(3)
Change in cash and cash equivalents	**(17)**	**10**
Cash and cash equivalents at the beginning of the period	116	83
Cash and cash equivalents at the end of the period	**99**	**93**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1| GENERAL INFORMATION

The interim financial statements of HUGO BOSS AG as of June 30, 2018, 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 19, 2018, 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 and consolidation policies applied correspond to those applied during the past fiscal year, except for the first-time application of new and amended standards, which are explained below:

FIRST-TIME APPLICATION OF IFRS 9: FINANCIAL INSTRUMENTS

In July 2014, the IASB published the final version of the IFRS 9 “Financial instruments”. This standard was adopted by the EU in November 2016 and includes revised guidance on the classification and measurement of financial assets, including guidance on the impairment of financial instruments, and thus replaces IAS 39.

The requirements of IFRS 9 for the classification and measurement of financial instruments were applied in full for the first time with effect from January 1, 2018. The option of continuing to present comparative information in accordance with IAS 39 was exercised. The requirements for hedge accounting will be applied prospectively for the 2018 financial year. The effects of the new standard were evaluated in 2017 and have the following impact on the individual phases of the project:

Phase I (classification and measurement of financial instruments):
IFRS 9 introduces a new model for classifying financial assets. This is done in a two-stage process: the SPPI test, which examines the respective cash flow conditions, and the business model, which looks at the management of financial assets. HUGO BOSS has audited the financial instruments it held as of December 31, 2017 and has reached the following conclusion: The Group will in future classify its financial instruments in the categories FVTPL (fair value through profit or loss), FVOCI (fair value through other

comprehensive income) and AC (amortized cost). As of the balance sheet date, the HUGO BOSS Group did not hold any financial assets that would need to be classified as equity instruments in accordance with IFRS 9.

A detailed overview of the new measurement categories in accordance with IFRS 9 is provided in the notes section (11) on page 38.

The transition from IAS 39 to IFRS 9 resulted in no valuation differences within the financial instruments. Furthermore, no financial instruments classified as "at fair value through profit or loss" under IAS 39 were classified differently under IFRS 9.

Phase II (impairment):
IFRS 9 introduces the expected loss model for the measurement of impairment losses, which advances the recognition of losses by requiring both incurred and expected losses to be recognized. HUGO BOSS uses the simplified approach under IFRS 9 to calculate the expected credit loss (ECL), using both external market data and internal information. The Group updates the ECL at each reporting date on the basis of the information available at that time.

- The ECL is determined by grouping trade receivables against wholesale customers and from concession models into country-specific portfolios in a new calculation model and measuring them with an average, industry-specific probability of default. At the end of the first half of the year the Group level ECL calculated for trade receivables from wholesale customers amounted to EUR 2 million.

- Trade receivables against end customers currently exist only to an insignificant extent for the purchase payment method used in online trading, while the majority of the business is processed using other payment methods (instant transfer, Paypal, credit card), which do not entail any significant credit risks due to the short payment periods.

HUGO BOSS has retrospectively reviewed the calculation of provisions for impaired receivables according to the new criteria. The analysis revealed that the current method of calculating value adjustments already implies the forward-looking default risks required by the new expected loss model under IFRS 9. As part of its impairment losses, the Group therefore makes a transfer to a separate balance sheet item for the ECL as of the balance sheet dates. The logic behind this reclassification meant that the transition from IAS 39 to IFRS 9 did not have any effects relevant to the recognition of retained earnings.

No further value adjustments result from IFRS 9 Phase II, as the application of the expected loss model to other financial assets attributable to classes AC, FVTPL or FVOCI either had only insignificant effects (e.g. for cash and cash equivalents), or corresponding instruments were not held on the balance sheet date (e.g. financing or leasing on the assets side).

Phase III (hedge accounting)
All hedges designated by HUGO BOSS in accordance with IAS 39 also meet the requirements of IFRS 9 and are therefore treated as continuing hedges. Effectiveness is assessed prospectively on a regular basis, but at least quarterly. At the end of the first half of the year the designated hedges showed no material inefficiencies.

Within the scope of its hedging activities, the HUGO BOSS Group integrates the hedging instruments in their entirety (including forward components and foreign currency basis spread) into a hedging transaction shown on the balance sheet within the meaning of IFRS 9. The cost of hedging is therefore not disclosed separately.

Please refer to the “Additional disclosures on financial instruments” section for detailed information on hedging relationships.

FIRST-TIME APPLICATION OF IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

In September 2015, the IASB postponed the entry into force of IFRS 15 “Revenue from contracts with customers” to January 1, 2018. With effect from January 1, 2018, IFRS 15 “Revenue from contracts with customers” was applied for the first time in accordance with the modified transition method. Under this method, the cumulative effect of the first-time application of IFRS 15 is presented in the opening balance sheet as of January 1, 2018.

The new revenue recognition standard replaces the existing revenue recognition requirements under IFRS, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs, and establishes a comprehensive framework for the recognition of revenue.
IFRS 15 defines a centralized, uniform five-step model for the recognition of revenue deriving from contracts with customers:

- Identify the contract(s) with a customer,
- Identify the distinct performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to each of the contract's performance obligations,
- Recognize revenue when the company satisfied a performance obligation.

HUGO BOSS analyzed and reviewed these five criteria with regard to its existing business models, in particular retail, wholesale and licenses. There were no changes to the timing and amount of revenue recognized for sales revenues generated from retail transactions and from the granting of licenses compared to the revenue recognition approach under the superseded IAS 18. According to our analysis, the timing and amount of revenue-based trademark rights and license fees is identical to the previous approach under IAS 18.

The requirements of IFRS 15 resulted to adjustment of the shop fit contributions only. Shop fit contributions are grants to WHS customers for the acquisition of typical HUGO BOSS shop fittings. Prior to the implementation of IFRS15, these costs were reported as Marketing Spending expenses. However, beginning January 1, 2018, in compliance to the requirements of IFRS 15, these costs are reclassified from Marketing Spending expenses to Sales deduction. For the second quarter of 2018, the reclassified amount is EUR 3 million.

The introduction of IFRS 15 therefore only led to the reclassification adjustment for shop fit contributions. Apart from the reclassification adjustment, no implementation effects were identified that need to be posted to retained earnings as a result of the first-time application.

3| CURRENCY TRANSLATION

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

	Currency	Average rate			Closing rate		
Country	1 EUR =	**June 2018**	June 2017	Dec. 2017	**June 30, 2018**	June 30, 2017	Dec. 31, 2017
Australia	AUD	1.5565	1.4869	1.5486	1.5787	1.4868	1.5346
China	CNY	7.5381	7.6370	7.8071	7.7170	7.7412	7.8044
Great Britain	GBP	0.8780	0.8766	0.8825	0.8861	0.8799	0.8872
Hong Kong	HKD	9.1622	8.7423	9.2497	9.1468	8.9107	9.3720
Japan	JPY	128.4140	124.3937	133.6619	129.0400	128.5900	135.0100
Switzerland	CHF	1.1558	1.0873	1.1696	1.1569	1.0935	1.1702
Turkey	TRY	5.4044	3.9416	4.5545	5.3092	4.0030	4.5155
U.S.A.	USD	1.1676	1.1211	1.1839	1.1658	1.1413	1.1993

4| ECONOMIC AND SEASONAL INFLUENCES

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

5| BASIS OF CONSOLIDATION

With effect from January 1, 2018, both HUGO BOSS Estonia OÜ and HUGO BOSS Latvia SIA were included in the consolidated financial statements as wholly owned subsidiaries.

As a result, the number of consolidated companies rose from 59 to 61 in the reporting period of January 1 to June 30, 2018 as compared to the consolidated financial statements with effect from December 31, 2017.

As of June 30, 2018, three companies in which HUGO BOSS and another party hold joint control will be accounted for using the equity method.

6| BUSINESS COMBINATIONS/ACQUISITIONS OF OTHER BUSINESS UNITS

No business combinations or acquisitions of other business units were made in the first half of fiscal year 2018.

In the first half of 2017, the HUGO BOSS Group took over three stores and the related assets and inventories under an asset deal with a former franchise partner in Dubai. The three stores in Dubai were acquired via HUGO BOSS Middle East FZ-LLC, Dubai, U.A.E., with effect from April 1, 2017. Such acquisitions are based on a preliminary purchase price allocation. The finalization of the purchase price allocation in fiscal year 2017 had no impact on the net assets, financial position and results of operations of the HUGO BOSS Group.

7| SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

SALES

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Group's own retail business	820	808
Directly operated stores	517	521
Outlet	255	253
Online	48	34
Wholesale	450	445
Licenses	33	34
TOTAL	**1,303**	**1,287**

COST OF SALES

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Cost of purchase	395	381
Cost of conversion	55	57
TOTAL	**450**	**438**

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 2018	Jan. – June 2017
Expenses for Group's own retail business, sales and marketing organization	442	442
Marketing expenses	78	88
Logistics expenses	42	40
TOTAL	**562**	**570**

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

ADMINISTRATION EXPENSES

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
General administrative expenses	116	109
Research and development costs	31	32
TOTAL	**147**	**141**

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

OTHER OPERATING EXPENSES AND INCOME

Net expenses arising from other operating expenses and income in the first six months came to EUR 1 million and are related to organizational changes in Europe and the Americas. This compares to a net income of EUR 7 million in the prior year period caused by the release of unutilized provisions.

PERSONNEL EXPENSES

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Wages and salaries	268	259
Social security	44	41
Expenses and income for retirement and other employee benefits	3	3
TOTAL	**315**	**303**

EMPLOYEES

	June 30, 2018	Dec. 31, 2017
Industrial employees	4,835	4,826
Commercial and administrative employees	11,360	11,144
TOTAL	**16,195**	**15,970**

ORDINARY DEPRECIATION

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Non-current assets		
Property, plant and equipment	46	54
Intangible assets	15	13
TOTAL	**61**	**67**

COST OF MATERIALS

In the first half of 2018, the cost of materials amounted to EUR 378 million (2017: EUR 370 million).

8| EARNINGS PER SHARE

There were no shares outstanding capable that could have of diluted earnings per share as of June 30, 2018, or June 30, 2017.

	Jan. – June 2018	Jan. – June 2017
Net income attributable to equity holders of the parent company (in EUR million)	103	106
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) (in EUR)[2]	**1.49**	**1.53**

[1]Not including own shares.

[2]Basic and diluted earnings per share

9| PROVISIONS

PROVISIONS FOR STORE CLOSURES

The provisions for store closures recognized in the past were largely utilized or reversed. The residual amount of EUR 0.7 million remaining as of the reporting date relates to the expected compensation payments for lessors, primarily in Europe.

PROVISIONS FOR PERSONNEL EXPENSES

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

The long-term incentive (LTI) program initiated at the beginning of fiscal year 2016 for members of the Managing Board and eligible management staff is recognized at its fair value on the reporting date. There are three tranches of the program at present. The third plan was issued on January 1, 2018. Each plan has a total duration of four years, split into a performance term of three years and a qualifying period of one year. The provisions recognized in this connection were valued at EUR 8 million as at June 30, 2018.

10| PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions dropped from EUR 40 million as at December 31, 2017 to EUR 39 million as at June 30, 2018. 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, 2018

The following assumptions were applied:

Actuarial assumptions	**June 30, 2018**	Dec. 31, 2017
Discount rate		
Germany	2.10%	2.10%
Switzerland	1.00%	0.70%
Future pension increases		
Germany	1.75%	1.75%
Switzerland	0.00%	0.00%
Future salary increases		
Germany	2.50%	2.50%
Switzerland	3.00%	3.00%

In comparison to December 31, 2017 the actuarial interest rate parameter in Germany remained unchanged. However, it increased in Switzerland. The pension trend and expected salary increase parameters remained unchanged in the first six months of fiscal year 2018.

BREAKDOWN OF PENSION EXPENSES IN THE PERIOD

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Current service cost	3	3
Past service cost	0	0
Net interest costs	0	1
Pension expenses recognized in the consolidated income statement	**3**	**4**
Return from plan assets (without interest effects)	0	0
Recognized actuarial (gains)/losses	(2)	(4)
Asset ceiling (without interest effects of asset ceiling)	0	0
Remeasurement of the carrying amount recognized in the consolidated statement of comprehensive income	**(2)**	**(4)**

11| ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

CARRYING AMOUNTS AND FAIR VALUES BY CATEGORY OF FINANCIAL INSTRUMENTS

(in EUR million)

			June 30, 2018		Dec. 31, 2017	
Assets	IAS 39 category	IFRS 9 category	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	LaR	AC	99	99	116	116
Trade receivables	LaR	AC	190	190	208	208
Other financial assets			48	48	56	56
Thereof:						
Undesignated derivatives	FAHfT	FVTPL	1	1	1	1
Derivatives subject to hedge accounting	Hedge Accounting	Hedge Accounting	0	0	0	0
Other financial assets	LaR	AC	47	47	55	55
Liabilities						
Financial liabilities due to banks	FLAC	AC	257	259	122	124
Trade payables	FLAC	AC	270	270	286	286
Other financial liabilities			9	9	9	9
Thereof:						
Undesignated derivatives	FLHfT	FVTPL	2	2	2	2
Derivatives subject to hedge accounting	Hedge Accounting	Hedge Accounting	2	2	1	1
Liabilities from financial leases	n.a.	n.a.	5	5	6	6
Other financial liabilities	FLAC	AC	0	0	0	0

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

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

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

As of June 30, 2018, 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, 2018, as in the prior year, all financial instruments measured at fair value in the category FVTPL and derivatives designated to a hedge relationship were assigned to level 2. During the first six months of fiscal year 2018, 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 4 million. The fair value of financial instruments carried at amortized cost in the statement of financial position was likewise determined using a level 2 method.

INTEREST AND CURRENCY RISK HEDGES

To hedge against interest and currency risks, the HUGO BOSS Group enters into hedging transactions in some areas to mitigate risk. As of the reporting date, EUR 9 million (December 31, 2017: EUR 9 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 22 million (December 31, 2017: 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, 2017: 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, 2018						
Trade receivables	201	(11)	190	0	0	190
Other financial assets	48	0	48	0	0	48
Thereof derivatives	1	0	1	0	0	1
TOTAL	**249**	**(11)**	**238**	**0**	**0**	**238**
Dec. 31, 2017						
Trade receivables	220	(12)	208	0	0	208
Other financial assets	56	0	56	0	0	56
Thereof derivatives	1	0	1	0	0	1
TOTAL	**276**	**(12)**	**264**	**0**	**0**	**264**

(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, 2018						
Trade payables	279	(9)	270	0	0	270
Other financial liabilities	9	0	9	0	0	9
Thereof derivatives	4	0	4	0	0	4
TOTAL	**288**	**(9)**	**279**	**0**	**0**	**279**
Dec. 31, 2017						
Trade payables	297	(11)	286	0	0	286
Other financial liabilities	9	0	9	0	0	9
Thereof derivatives	3	0	3	0	0	3
TOTAL	**306**	**(11)**	**295**	**0**	**0**	**295**

The trade receivables of EUR 11 million (December 31, 2017: EUR 12 million) offset against liabilities as of the reporting date are outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes of the HUGO BOSS Group. These amounted to EUR 9 million (December 31, 2017: EUR 11 million).

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

12| NOTES TO THE STATEMENT OF CASH FLOWS

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

13| SEGMENT REPORTING

(in EUR million)

	Europe[1]	Americas	Asia/Pacific	Licenses	TOTAL operating segments
Jan. – June 2018					
Sales	**816**	**254**	**200**	**33**	**1,303**
Segment profit	**249**	**35**	**50**	**27**	**361**
In % of sales	30.4	13.8	25.1	82.8	27.7
Segment assets	255	186	75	15	531
Capital expenditure	14	7	6	0	27
Impairments	0	0	0	0	0
Thereof property, plant and equipment	0	0	0	0	0
Thereof intangible assets	0	0	0	0	0
Depreciation/amortization	(22)	(10)	(8)	0	(40)
Jan. – June 2017					
Sales	**784**	**274**	**195**	**34**	**1,287**
Segment profit	**233**	**51**	**48**	**27**	**359**
In % of sales	29.8	18.6	24.3	78.2	27.9
Segment assets	222	188	73	16	499
Capital expenditure	21	11	7	0	39
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	(25)	(12)	(11)	0	(48)

[1] Including Middle East and Africa.

RECONCILIATION

SALES

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Sales - operating segments	**1,303**	**1,287**
Corporate units	0	0
Consolidation	0	0
TOTAL	**1,303**	**1,287**

OPERATING INCOME

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Segment profit – operating segments	**361**	**359**
Depreciation/amortization – operating segments	(40)	(48)
Impairments – operating segments	0	0
Special items – operating segments	0	7
Operating income (EBIT) – operating segments	**321**	**318**
Corporate units	(178)	(173)
Consolidation	0	0
Operating income (EBIT) HUGO BOSS Group	**143**	**145**
Net interest income/expenses	(1)	(1)
Other financial items	(3)	(5)
Earnings before taxes HUGO BOSS Group	**139**	**139**

SEGMENT ASSETS

(in EUR million)

	June 30, 2018	June 30, 2017	Dec. 31, 2017
Segment assets – operating segments	**531**	**499**	**487**
Corporate units	274	230	258
Consolidation	0	0	0
Current tax receivables	45	38	49
Current financial assets	30	19	39
Other current assets	104	81	109
Cash and cash equivalents	99	93	116
Current assets HUGO BOSS Group	**1,083**	**960**	**1,058**
Non-current assets	656	719	662
Total assets HUGO BOSS Group	**1,739**	**1,679**	**1,720**

CAPITAL EXPENDITURE

(in EUR million)

	June 30, 2018	June 30, 2017	Dec. 31, 2017
Capital expenditure - operating segments	**27**	**39**	**76**
Corporate units	24	18	52
Consolidation	0	0	0
TOTAL	**51**	**57**	**128**

DEPRECIATION/AMORTIZATION

(in EUR million)

	Jan. – June 2018	Jan. – June 2017
Depreciation/amortization - operating segments	**40**	**48**
Corporate units	21	19
Consolidation	0	0
TOTAL	**61**	**67**

GEOGRAPHIC INFORMATION

(in EUR million)

	Third party sales		Non-current assets	
	Jan. – June 2018	Jan. – June 2017	**June 30, 2018**	Dec. 31, 2017
Germany	207	209	211	212
Other European markets	609	575	183	189
U.S.A.	189	207	44	44
Other American markets	66	67	17	17
China	113	110	29	231
Other Asian markets	86	85	42	43
Licenses	33	34	15	15
TOTAL	**1,303**	**1,287**	**541**	**551**

14| SUBSEQUENT EVENTS

Between the end of the first six months of fiscal year 2018 and the publication of this report, there were no further material macroeconomic, socio-political, sector-related or company-specific changes that management would expect to have a significant influence on the earnings, net assets and financial position of the Group.

RESPONSIBILITY STATEMENT

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

Metzingen, July 19, 2018

HUGO BOSS AG
The Managing Board

Mark Langer
Bernd Hake
Yves Müller
Ingo Wilts

CHAPTER 3

Further Information

FORWARD-LOOKING STATEMENTS

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

FINANCIAL CALENDAR

NOVEMBER 6, 2018
Third Quarter Results 2018

NOVEMBER 15, 2018
Investor Day 2018 in London

MARCH 7, 2019
Full Year Results 2018

MAY 2, 2019
First Quarter Results 2019

MAY 16, 2019
Annual Shareholders' Meeting

AUGUST 1, 2019
Second Quarter Results 2019 & First Half Year Report 2019

NOVEMBER 5, 2019
Third Quarter Results 2019

CONTACTS

INVESTOR RELATIONS
Phone +49 7123 94 - 80903
Email investor-relations@hugoboss.com

CHRISTIAN STÖHR
Head of Investor Relations
Phone +49 7123 94 - 87563
Email christian_stoehr@hugoboss.com

DR. HJÖRDIS KETTENBACH
Head of Corporate Communications
Phone +49 7123 94 - 83377
Email hjoerdis_kettenbach@hugoboss.com