CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2020

Consolidated income statement (in EUR thousand)

	Notes	2020	2019
Sales	(1)	**1,945,843**	**2,884,056**
Cost of sales	(1)	(758,641)	(1,008,619)
Gross profit		**1,187,202**	**1,875,437**
In % of sales		61.0	65.0
Selling and distribution expenses	(2)	(1,137,977)	(1,234,587)
Administration expenses	(3)	(284,843)	(296,354)
Operating result (EBIT)		**(235,618)**	**344,496**
Net interest income/expenses		(26,168)	(31,465)
Other interest and similar income		2,281	1,609
Interest and similar expenses		(28,449)	(33,074)
Other financial items		**(11,450)**	**(7,438)**
Financial result	(4)	**(37,618)**	**(38,903)**
Earnings before taxes		**(273,236)**	**305,593**
Income taxes	(5)	54,054	(100,350)
Net income		**(219,182)**	**205,243**
Attributable to:			
Equity holders of the parent company		(219,593)	205,113
Non-controlling interests		412	130
Earnings per share (EUR)[1]	(6)	**(3.18)**	**2.97**
Dividend per share (EUR)[2]	(16)	**0.04**	**0.04**

[1] Basic and diluted earnings per share.
[2] 2020: Proposed dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2020

Consolidated statement of comprehensive income (in EUR thousand)

	2020	2019
Net income	**(219,182)**	**205,243**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(4,071)	(12,706)
Items to be reclassified subsequently to profit or loss		
Currency differences	(18,707)	12,016
Gains/losses from cash flow hedges	(3,153)	1,934
Other comprehensive income, net of tax	**(25,931)**	**1,244**
Total comprehensive income	**(245,113)**	**206,487**
Attributable to:		
Equity holders of the parent company	(245,054)	206,357
Non-controlling interests	(58)	130
Total comprehensive income	**(245,113)**	**206,487**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2020

Consolidated statement of financial position (in EUR thousand)

Assets	Notes	2020	2019
Property, plant and equipment	(8)	407,543	516,767
Intangible assets[1]	(8)	170,272	176,507
Right-of-use assets[1]	(9)	744,439	898,367
Deferred tax assets	(5)	171,212	97,924
Non-current financial assets	(11), (22)	21,476	21,518
Other non-current assets	(11)	628	2,120
Non-current assets		**1,515,570**	**1,713,203**
Inventories	(12)	618,458	626,514
Trade receivables	(13)	172,001	216,222
Current tax receivables	(5)	18,484	33,359
Current financial assets	(11), (22)	20,717	32,341
Other current assets	(11)	99,985	123,200
Cash and cash equivalents	(14)	125,277	132,626
Current assets		**1,054,922**	**1,164,262**
Total		**2,570,492**	**2,877,465**

Equity and liabilities			
Subscribed capital	(15)	70,400	70,400
Own shares	(15)	(42,363)	(42,363)
Capital reserve		399	399
Retained earnings		706,391	932,817
Accumulated other comprehensive income		18,984	40,374
Equity attributable to equity holders of the parent company		**753,811**	**1,001,627**
Non-controlling interests		6,126	41
Group equity		**759,937**	**1,001,668**
Non-current provisions	(17), (18), (19)	91,216	86,819
Non-current financial liabilities[1]	(20), (22)	196,053	106,039
Non-current lease liabilities	(9)	649,400	789,472
Deferred tax liabilities	(5)	12,541	11,264
Other non-current liabilities[1]	(21)	1,617	389
Non-current liabilities		**950,827**	**993,983**
Current provisions	(17)	117,858	91,746
Current financial liabilities[1]	(20), (22)	84,585	117,745
Current lease liabilities	(9)	212,876	167,703
Income tax payables	(5)	41,525	65,683
Trade and other payables		299,237	314,646
Other current liabilities[1]	(21)	103,647	124,291
Current liabilities		**859,728**	**881,814**
Total		**2,570,492**	**2,877,465**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2020

Consolidated statement of changes in equity (in EUR thousand)

				Retained earnings		Accumulated other comprehensive income		Group equity		
	Subscribed capital	Own shares	Capital reserve	Legal reserves	Other reserves	Currency translation	Gains/losses from cash flow hedges	Total before non-controlling interests	Non-controlling interests	Group equity
Notes	(15)	(15)								
January 1, 2019 (as reported)	**70,400**	**(42,363)**	**399**	**6,641**	**919,496**	**27,178**	**(754)**	**980,997**	**(302)**	**980,695**
Change in accounting policies/ corrections (IFRS 16)					969			969		969
January 1, 2019 (adjusted)	**70,400**	**(42,363)**	**399**	**6,641**	**920,465**	**27,178**	**(754)**	**981,966**	**(302)**	**981,664**
Net income					205,112			205,112	130	205,243
Other income					(12,706)	12,016	1,935	1,244		1,244
Comprehensive income					**192,406**	**12,016**	**1,935**	**206,357**	**130**	**206,487**
Dividend payment					(186,344)			(186,344)		(186,344)
Acquisition of non-controlling interests					(353)			(353)	213	(140)
December 31, 2019	**70,400**	**(42,363)**	**399**	**6,641**	**926,175**	**39,194**	**1,180**	**1,001,627**	**41**	**1,001,668**
January 1, 2020	**70,400**	**(42,363)**	**399**	**6,641**	**926,175**	**39,194**	**1,180**	**1,001,627**	**41**	**1,001,668**
Net income					(219,593)			(219,593)	412	(219,182)
Other income					(4,071)	(18,237)	(3,153)	(25,461)	(470)	(25,931)
Comprehensive income					**(223,664)**	**(18,237)**	**(3,153)**	**(245,054)**	**(58)**	**(245,113)**
Dividend payment					(2,761)			(2,761)		(2,761)
Changes in basis of consolidation									6,143	6,143
December 31, 2020	**70,400**	**(42,363)**	**399**	**6,641**	**699,750**	**20,957**	**(1,973)**	**753,811**	**6,126**	**759,937**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2020

Consolidated statement of cash flows (in EUR thousand)

	Notes	**2020**	2019
	(23)		
Net income		(219,182)	205,243
Depreciation/amortization	(8)	465,327	362,463
Unrealized net foreign exchange gain/loss		20,635	(3,687)
Other non-cash transactions		(984)	1,093
Income tax expense/refund	(5)	(54,054)	100,350
Interest income and expenses	(4)	26,167	31,465
Change in inventories		(5,410)	3,514
Change in receivables and other assets		64,983	8,666
Change in trade payables and other liabilities		(44,233)	37,767
Result from disposal of non-current assets		(1,651)	(1,192)
Change in provisions for pensions	(19)	(7,527)	(11,838)
Change in other provisions		27,454	(5,218)
Income taxes paid		(31,613)	(76,909)
Cash flow from operating activities		**239,912**	**651,717**
Investments in property, plant and equipment	(8)	(58,469)	(157,633)
Investments in intangible assets	(8)	(19,611)	(33,680)
Acquisition of subsidiaries and other business entities		1,961	0
Acquisition of groups of assets		0	(3,872)
Cash receipts from sales of property, plant and equipment and intangible assets		370	435
Cash flow from investing activities		**(75,749)**	**(194,750)**
Dividends paid to equity holders of the parent company	(16)	(2,761)	(186,344)
Change in current financial liabilities	(22)	(56,632)	(107)
Cash receipts from non-current financial liabilities	(22)	104,793	0
Repayment of non-current financial liabilities	(22)	0	(35,000)
Cash outflows of rent payments		(187,466)	(227,394)
Interest paid		(27,512)	(24,926)
Interest received		2,284	1,623
Cash flow from financing activities		**(167,294)**	**(472,148)**
Exchange-rate related changes in cash and cash equivalents		(4,218)	1,089
Change in cash and cash equivalents		**(7,349)**	**(14,092)**
Cash and cash equivalents at the beginning of the period		132,626	146,717
Cash and cash equivalents at the end of the period	(14)	**125,277**	**132,625**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2020

General information

HUGO BOSS AG is a publicly listed stock corporation with registered offices in Dieselstrasse 12, 72555 Metzingen, Germany. The Company is filed in the commercial register of Stuttgart local court under HRB 360610.

The purpose of HUGO BOSS AG and its subsidiaries (together "HUGO BOSS" or "the Group") is the development, marketing and distribution of high-end men's and women's fashion and accessories in the premium segment.

The consolidated financial statements of HUGO BOSS AG as of December 31, 2020, were prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional regulations pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated financial statements and the combined management report of HUGO BOSS AG, Metzingen, were approved by the Managing Board for submission to the Supervisory Board by a decision on March 5, 2021.

Due to rounding and the presentation in EUR thousand, it is possible that the individual figures in the consolidated financial statements do not add up to the stated total.

Impact of COVID-19

In fiscal year 2020, the rapid spread of COVID-19 led to a significant impact on the global business of HUGO BOSS. In particular, widespread temporary store closures in light of global lockdowns, large-scale restrictions on public life including extensive social distancing measures, and international travel restrictions put a significant strain on sales, operating result (EBIT) and free cash flow.

The consolidated financial statements for the fiscal year 2020 are prepared on the basis of the going-concern principle and the balance sheet items are reported accordingly. At an early stage of the pandemic, HUGO BOSS initiated extensive measures to secure its cash flow, which were successfully implemented during the course of the year. The measures were mainly aimed at reducing operating expenses, postponing non-business-critical investments, reducing the merchandise inflow, and suspending the dividend for fiscal year 2019, with the exception of the legal minimum dividend of EUR 0.04 per share. In addition, the Group secured further credit commitments in 2020 and successfully exercised the option to increase its revolving syndicated loan, thus further strengthening its financial flexibility during the year. With regard to the regulations of the current syndicate loan agreement it was agreed to a covenant suspension with the financing banks until Jun 30, 2021. Due to the sales, earnings, and free cash flow development of the Group in 2021, management expects that the upper limit of the covenant will be easily met from the second half of 2021 on. In light of its healthy balance sheet structure, its strong free cash flow generation that is expected to continue in the future as well as sufficient free credit lines, management considers HUGO BOSS to be in a sound financial position.

In the course of preparing the consolidated financial statements, estimates and underlying assumptions with a material impact in the context of the COVID-19 pandemic were made, particularly with regard to the following:

- IFRS 16 Leases – accounting for rent concessions in consequence of COVID-19
- Review of the value of assets with a definite and indefinite useful life including goodwill
- Valuation of inventories
- Recoverability of receivables – in particular those relating to trade receivables
- Estimation of the value of deferred tax assets

The estimates made and the assumptions on which they are based can be found in the individual sections of the notes.

Although great care has been taken in the preparation of estimates and assumptions relating to the economic consequences of COVID-19, actual results may differ, taking into account, in particular, the existing uncertainties associated with COVID-19. The estimates and assumptions made depend on the further course of the pandemic, for example with regard to new waves of infections, mutations of the virus, and renewed or extended lockdowns, and its impact on the global economy over the course of the year. In addition, it is extremely difficult to forecast any progress of medical treatments for COVID-19, the global availability and efficacy of the vaccines, any improvement in consumer confidence or potential market tension and the respective impacts of these factors on the expected economic recovery.

These consolidated financial statements contain forward-looking statements, which are subject to both risks and uncertainties, and may differ substantially from actual results. In particular, they are influenced by factors beyond the control of HUGO BOSS and which can only be estimated with a high degree of uncertainty. These factors include, among others, future market conditions and economic developments, the actions of other market participants, as well as legal and political decisions.

Financial reporting

The updates and amendments to the IASB's standards and interpretations for fiscal year 2020 do not have a material impact on the presentation of the Group's financial position and results of operations for the changes described below. This includes:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase 1
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

The following amendments to the IASB's revised standards and interpretations have a material impact on the presentation of the Group's financial position and results of operation:

- Amendments to IFRS 16: COVID-19-Related Rent Concessions

On May 28, 2020, the IASB published "COVID-19-Related Rent Concessions – Amendment to IFRS 16". The amendments grant lessees temporary relief until June 30, 2021 in the application of the regulations under IFRS 16 relating to accounting for lease modifications due to rent concessions granted as a result of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a lessor's pandemic-related rent concession constitutes an amendment to the lease. In this case no adjustment of the right-of-use asset is made and the reduction in rent is recognized in the income statement. A lessee that makes this election shall account for any qualified change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Consolidation principles

The basis of consolidation comprises HUGO BOSS AG and all subsidiaries, including structured entities, over which HUGO BOSS AG can exercise direct or indirect control. HUGO BOSS AG is deemed to exercise control if, as the parent company, it has power over the subsidiary on account of voting or other rights, is exposed to variable returns from its involvement in the subsidiary and is able to use its power over the subsidiary to affect the amount of these returns. The subsidiary is deconsolidated as soon as the parent company relinquishes control over it.

Subsidiaries with an immaterial influence on the Group's net assets, financial position and results of operations are not included in the consolidated financial statements. Influence is deemed immaterial if the aggregate sales, earnings and total assets make up less than 1% of the corresponding Group figures. This is reassessed at each reporting date. Non-consolidated subsidiaries are measured at fair value or, if this cannot be determined reliably, at cost, and reported under other non-current financial assets.

Structured entities which are controlled by the parent company are also consolidated. These are entities which have been structured in such a way that they are controlled by the parent company regardless of who holds the voting or comparable rights. This is the case, for example, if the exercise of voting rights is confined to administrative tasks and the material activities are governed by contracts.

Joint ventures are consolidated using the equity method. Joint control is the contractually agreed sharing of control of an arrangement. It exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The sale of shares in subsidiaries as a result of which the Group's share in such subsidiary increases or decreases without any loss of control is recognized within the equity of the corresponding equity providers.

Basis of consolidation

The consolidated financial statements include HUGO BOSS AG based in Metzingen, Germany, and the entities that it controlled in the reporting period from January 1 to December 31, 2020. The main Group companies included in the consolidated financial statements are as follows:

GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH	Metzingen, Germany[2]
HUGO BOSS (Schweiz) AG	Zug, Switzerland
HUGO BOSS Australia Pty. Ltd.	Preston, Australia
HUGO BOSS Benelux B.V. y CIA S.C.	Madrid, Spain
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH	Metzingen, Germany[2]
HUGO BOSS Canada, Inc.	Toronto, Canada
HUGO BOSS China Retail Co. Ltd.	Shanghai, China
HUGO BOSS Fashions, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS France SAS	Paris, France
HUGO BOSS International B.V.	Amsterdam, Netherlands
HUGO BOSS International Markets AG	Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH	Metzingen, Germany[2]
HUGO BOSS Japan K.K.	Tokyo, Japan
HUGO BOSS Mexico S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Retail, Inc.	New York, NY, USA
HUGO BOSS Rus LLC	Moscow, Russia
HUGO BOSS Textile Industry Ltd.	Izmir, Turkey
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland
HUGO BOSS Trade Mark Management GmbH & Co. KG	Metzingen, Germany[2]
HUGO BOSS UK Limited	London, Great Britain
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG	Metzingen, Germany[2]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG	Metzingen, Germany[2]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG	Grünwald, Germany[1,2]

[1] Investments with a 94% share in capital and 15% of voting rights.
[2] Subsidiaries that exercise the exemption of Sec. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].

In the reporting period from January 1 to December 31, 2020, the number of consolidated companies in comparison to the consolidated financial statements as of December 31, 2019, increased by two to 63.

In fiscal year 2020, HUGO BOSS Middle East FZ-LLC, U.A.E. received the decisive voting rights to obtain decision-making power in HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U.A.E. as part of a contractual amendment to the joint venture agreement. As a result of this change, HUGO BOSS now has decision-making power and the ability to control the business activities of HUGO BOSS AL-FUTTAIM UAE TRADING L.L.C., Dubai, U. A. E., therefore the consolidation method changed from at-equity to full consolidation. HUGO BOSS Middle East FZ-LLC, U. A. E. still holds 49% of the investment shares.

In addition, Salam Stores HUGO BOSS WLL, Qatar, U. A. E. was founded together with joint venture partner Salam Studio & Stores in fiscal year 2020. Due to contractual agreements, HUGO BOSS International B.V. holds the majority of voting rights in Salam Stores HUGO BOSS WLL, Qatar, U.A.E., and therefore the company has been included in the consolidated financial statements for 2020.

Companies in which HUGO BOSS and one more party have joint control are accounted for using the equity method:

GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG	Grünwald, Germany[1]

[1] Investment with a 100% share in capital and 15% of voting rights.

HUGO BOSS exercises discretion with regards to the consolidation of structured companies. Companies established to hold and lease property are included in the scope of consolidation if HUGO BOSS has the power of control over the companies' relevant activities and therefore the ability to affect the amount of their variable returns.

Business combinations

When a company obtains control over another company, this constitutes a business combination within the meaning of IFRS 3. All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed (including contingent liabilities) in a business combination are measured at their acquisition-date fair values. Non-controlling interests are measured at their proportionate share in the fair value of the identifiable assets and liabilities. Acquisition-related costs incurred are expensed.

Goodwill

Goodwill resulting from a business combination is the excess between the consideration transferred and the fair value of the non-controlling interest in the assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the acquiree, the difference is reassessed and then recognized in profit or loss.

After initial recognition, goodwill is carried at cost in the functional currency of the foreign acquiree less any accumulated impairment losses. Any goodwill recognized is tested for impairment annually and whenever there is an indication that the assets might be impaired.

Intercompany transactions

The effects of intercompany transactions are eliminated. Receivables and liabilities between the consolidated companies are offset against each other, intercompany gains and losses pertaining to intangible assets, property, plant and equipment and inventories are eliminated; intercompany income is offset against the corresponding intercompany expenses. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12.

Determination of the functional currency

The Group's reporting currency, the euro, is the functional currency of the parent company, HUGO BOSS AG. As a rule, the functional currency of the subsidiaries included in the consolidated financial statements is the corresponding local currency. For units that conduct a significant portion of their sales and procurement activities and that finance operations in a currency other than the corresponding local currency, the functional currency is the currency of the primary business environment. Accordingly, the euro is the functional currency of HUGO BOSS Textile Industry Ltd., Turkey, and HUGO BOSS International Markets AG, Switzerland, as these companies conduct most of their business in euro.

Foreign currency transactions and balances

In the separate financial statements, transactions in foreign currency are translated at the exchange rates valid at the dates of the transactions. Monetary items (cash and cash equivalents, receivables and payables) denominated in foreign currencies are translated into the functional currency at closing rates.

The resulting exchange rate gains and losses are recognized through profit and loss in other financial items.

Translation of the separate financial statements

The financial statements of the foreign Group companies whose functional currency is not the euro are translated into the Group reporting currency, the euro. Items are translated using the modified closing rate in accordance with IAS 21, under which assets, including goodwill, and liabilities are translated at closing rates, and income statement items are translated at the average exchange rates for the reporting period. The items of the income statement were translated into euros at the average monthly exchange rates and aggregated in the course of the year. Differences from currency translation of income statements at average rates and statements of financial position at closing rates are reported without effect on profit or loss in other comprehensive income. The currency difference resulting from the translation of equity at historical rates is likewise posted to other comprehensive income. Currency differences recognized in other comprehensive income are reclassified to the income statement if the corresponding Group company is sold.

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

	Currency	**Average rate**		**Closing rate**	
Country	1 EUR =	**2020**	2019	**2020**	2019
Australia	AUD	1.6171	1.6143	1.5896	1.5995
China	CNY	7.9568	7.7880	8.0225	7.8205
Great Britain	GBP	0.9064	0.8476	0.8990	0.8508
Hong Kong	HKD	9.4302	8.6659	9.5142	8.7473
Japan	JPY	126.2703	121.2561	126.4900	121.9400
Switzerland	CHF	1.0819	1.0931	1.0802	1.0854
Turkey	TRY	9.3956	6.4814	9.1164	6.6621
U.S.A.	USD	1.2165	1.1103	1.2271	1.1234

Accounting policies

The financial statements of HUGO BOSS AG and the German and foreign subsidiaries are prepared pursuant to uniform accounting policies in accordance with IFRS 10.

Recognition of income and expenses
Income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured at the fair value of the consideration received. Income is reported after deductions including discounts and other price deductions and net of VAT. The specific recognition criteria described below must also be met before income is recognized.

Sale of merchandise and goods
Income is recognized in accordance with IFRS 15: HUGO BOSS recognizes income from the sale of goods when control of the goods is transferred to the buyer. In the wholesale channel, this is the case as soon as delivery to the wholesale partner has been executed and all obligations affecting the acceptance of the goods by the wholesale partner have been settled. In the Group’s own retail business, the control passes to the customer upon payment for the goods. Sales are recognized when transactions with customers are completed. Sales via the online channel are recognized upon delivery of the goods to the customer. The date of delivery is deemed to be the date on which the control of the goods sold passes to the customer.

Claims under return agreements and rights of return are recognized in gross figures in the income statement and the balance sheet in connection with the recognition of sales. The income recognized in the income statement is reduced by an amount equaling the estimated sales attributable to the returned goods and the disposal of goods recorded through profit and loss when the goods are dispatched is adjusted for the estimated value of the returns. A miscellaneous non-financial asset is recognized equaling the amount of the historical costs for which a return is expected. Allowance is also made for additional costs and the loss arising from the resale of the returned goods. In addition, a provision is recognized in the amount of the estimated returned sales.

Shop fit contributions to retailers are recognized in the income statement as sales deductions.

License and other income
License and other income are recognized in the period in which they are generated in accordance with the terms of the underlying agreements.

Operating income is recognized in the income statement when the service is used or generated where there is a direct relationship between the costs incurred and the corresponding income.

Interest income
Interest is recognized pro rata temporis taking into account the effective yield on the asset.

Functional costs
Operating expenses are essentially allocated to the individual function based on the respective cost centers. Expenses incurred in connection with cross-functional activities or projects are spread among the function costs concerned using an adequate allocation principle.

Research and development costs
Research costs are expensed as incurred. Development costs are likewise expensed as incurred if they do not satisfy the criteria for recognition as internally generated intangible assets. Production-related development costs are generally included in the calculation of the cost of unfinished and finished goods. These essentially comprise the cost of technical product development in the third phase of the collection creation process.

Income taxes
The tax rates and tax laws used to calculate the income tax are those that are enacted or substantively enacted on the reporting date in the countries where the Group operates and generates taxable income.

Receivables and provisions for current income taxes are recognized to the extent that their realization is probable.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are recognized for all temporary differences between the tax bases and the carrying amounts for financial reporting purposes of the separate entities and the carrying amounts in the consolidated financial statements in accordance with IFRS and for certain consolidation adjustments.

Deferred tax assets also include tax credits that result from the expected utilization of existing unused tax losses in subsequent years and the realization of which can be assumed with sufficient probability. Deferred tax assets and deferred tax liabilities are presented on a net basis to the extent that the deferred tax assets and deferred tax liabilities relate to the same taxable entity. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse.

Income taxes are recorded in the income statement with the exception of those relating to items recognized directly in equity.

Property, plant and equipment
Property, plant and equipment that are used in business operations for longer than one year are measured at cost less accumulated depreciation. Cost of conversion includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. The underlying useful lives correspond to the expected useful lives within the Group. Property, plant and equipment are generally depreciated using the straight-line method.

Buildings and leasehold improvements on third-party land are depreciated over the term of the underlying lease agreements or the lower useful lives.

The useful lives and depreciation methods for property, plant and equipment and intangible assets are reviewed periodically to ensure that the depreciation method and period are consistent with the expected pattern of economic benefits from the respective assets.

Intangible assets

Intangible assets are recognized if it is probable that a future economic benefit will flow to the company from the use of the asset and the cost of the asset can be reliably determined. Acquired intangible assets and internally generated intangible assets are measured at cost. Cost of conversion includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. Intangible assets with a finite useful life are systematically amortized using the straight-line method over their useful life.

Intangible assets include software and licenses, trademark and reacquired rights. Intangible assets with an infinite useful life are tested for impairment once a year. If the carrying amount of the asset is no longer recoverable, an impairment loss is recognized.

Impairment of non-financial assets

Non-financial assets (property, plant and equipment and right-of-use assets from leases including goodwill) are assessed at every reporting date as to whether there is an indication of impairment (“triggering events”). If there is any such indication, the recoverable amount of the asset is estimated. Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and goodwill acquired in a business combination are tested for impairment annually. The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. The value in use is the present value of the expected cash flows. The expected cash flows are discounted using the after-tax weighted average cost of capital that reflects the risks specific to the asset. In determining fair value less costs to sell, external appraisals are taken into account, if available. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest identifiable group of assets to which the asset belongs (cash-generating unit – CGU) is determined.

If the carrying amount of the asset or CGU exceeds the corresponding recoverable amount, an impairment loss is immediately recognized through profit or loss. If a CGU is impaired, the carrying amount of any goodwill allocated to the unit is reduced first. Any remaining impairment loss reduces the other non-current assets of the CGU pro rata.

If, following an impairment loss recognized in prior periods, an asset or CGU has a higher recoverable amount, the impairment loss is reversed up to the maximum of the recoverable amount. The reversal is limited to the amortized carrying amount which would have been determined had no impairment loss been recognized in the past. The impairment loss is reversed through profit or loss. Reversals of impairment losses recognized on goodwill are not permitted.

Inventories

Raw materials and supplies as well as merchandise are generally measured at moving average cost. Work in progress and finished goods are measured at cost. Cost of conversion of finished goods includes direct material, direct labor, proportionate material and production overheads, and production-related amortization and depreciation insofar as this is a consequence of production. Also included are general administrative expenses, product development expenses, expenses for social facilities, expenses for voluntary social benefits and occupational pensions, to the extent that they are related to production and are incurred in the production period. Borrowing costs are expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied.

Inventories are carried at the lower of cost or realizable sales price less costs to sell.

Leases

In accordance with IFRS 16, there is a lease relationship if the lessor has contractually transferred the right to use an identified asset for a defined period in return for remuneration by the lessee.

Under IFRS 16, the lessee recognizes a lease liability in the amount of the present value of the future lease payments and a corresponding right-of-use asset in the statement of financial position. The lease payments comprise the total of all fixed lease payments less incentive payments for the conclusion of the contract, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. Lease extension options are to be included if their exercise is reasonably certain. Contractually agreed payments for compensation in the event of early termination of the lease by the lessee must also be recognized if it cannot be assumed with reasonable certainty that the lease will be continued.

The lease liability is compounded over the term using the effective interest method and updated using financial mathematics, taking into account the lease payments made.

The right of use to be recognized in parallel is generally capitalized at the value of the lease liability. Lease payments already made and directly attributable costs must also be included. Payments received from the lessor in connection with the lease are to be deducted (including Key Money). Restoration obligations arising from leases must also be taken into account when measuring the right-of-use asset. A provision must be recognized for the obligation. The right of use is amortized on a straight-line basis over the term of the lease.

The amortization of the capitalized right-of-use asset is recognized in the income statement in the respective functional areas and the interest expense from the compounding of the recognized lease liability is recognized in the financial result.

Financial instruments
A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities, to the extent that they are currently relevant to the HUGO BOSS Group, are classified into the following categories:

FVTPL (Fair Value through Profit & Loss)	Financial assets and liabilities valued at Fair Value Through Profit or Loss.
AC (Amortised Cost)	Financial assets and liabilities that continue to be valued at Amortized Cost through the effective interest method.
FVOCI (Fair Value through Other Comprehensive Income)	Assets and liabilities valued at Fair Value through Other Comprehensive Income.

Financial assets and liabilities are designated to the above categories upon initial recognition.

Financial assets
Financial assets are initially classified under IFRS 9 using a two-stage test whereby the respective cash flow conditions and the business model for management of financial assets are examined. This test takes place at the financial instrument level.

Financial assets are recognized initially at fair value. This takes into account any directly attributable transaction costs relating to the acquisition.

All purchases and disposals of financial assets are recognized at their value at the settlement date, the day when the group is obliged to purchase or sell the asset.

As a rule, the fair values recognized in the statement of financial position are the market prices of the corresponding financial assets. If these are not available, fair value is determined using generally accepted valuation models by reference to current market parameters. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, or discounted cash flow analysis and other valuation models.

Cash and cash equivalents recognized in the statement of financial position comprise cash in hand, balances with banks and other short-term deposits with an original term of less than three months; they are measured at amortized cost.

Trade receivables and other loans and receivables are subsequently measured at amortized cost (less any impairment losses), using the effective interest method where applicable. Gains and losses are recognized through profit or loss when the receivables are derecognized, impaired or settled.

Where material, HUGO BOSS calculates and records an allowance under the Expected Loss Model in IFRS 9 for all financial instruments that are not classified as FVTPL. The Expected Credit Loss (ECL) is always determined in a two-stage process. Only defaults that are likely within one year are considered for portfolios that have seen no significant increase in credit risk since their inception (12-month ECL). However, for portfolios that have seen a significant increase in credit risk since their inception, all defaults expected over their term are considered (lifetime ECL).

In its evaluation of whether the credit risk of a financial asset has changed, the Group utilizes all reasonable and reliable information that is available without excessive cost or expenses.

The FVTPL (fair value through profit or loss) category is assigned to financial assets when they meet the requirements of the SPPI test and the testing of the business model for management of financial asset value under IFRS 9. This includes derivative financial instruments that are not designated to an effective hedging relationship in accordance with IFRS 9. Gains and losses from financial assets are always posted to profit or loss.

Financial assets that are assigned to the AC category are tested for impairment at every reporting date. If the carrying amount of a financial asset exceeds its fair value, it is reduced to the fair value. This decrease constitutes an impairment loss that is posted through profit or loss. An impairment loss recognized in profit or loss in a prior period is reversed if this is necessary on account of events occurring after it was originally recognized.

HUGO BOSS classifies a receivable as in default when a debtor does not settle contractual payments that are over 90 days overdue. When receivables are written off or derecognized, the Group continues to conduct recovery measures to collect the receivable due. In some cases, a financial instrument may nevertheless also be treated as in default or partially in default if internal or external information indicates that full collection of the outstanding payment is viewed as unlikely. Individual depreciation rates between 1% and 100% are used in this case. A financial asset is derecognized when there is no reasonable prospect of repayment of the contractual cash flows.

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset expire or are transferred. In the latter case, substantially all the significant risks and rewards of ownership of the financial assets must be transferred or control over the asset must be transferred.

Financial liabilities
Financial liabilities are recognized initially at fair value. This takes into account any directly attributable transaction costs.

Derivatives that are not designated to an effective hedging relationship are measured at fair value through profit or loss. Negative fair values are reported under other financial liabilities. Gains and losses from subsequent measurement are recognized in profit or loss.

Trade payables and other financial liabilities are subsequently measured at amortized cost using the effective interest method. Any resulting gains and losses are posted to profit or loss when the liabilities are derecognized or extinguished.

A financial liability is derecognized when the obligation underlying the liability is discharged, canceled or expired.

Hedging instruments
At HUGO BOSS, derivative financial instruments are solely used to hedge interest rate and currency risks from the operating business.

When hedges are entered into, specific derivatives are allocated to hedged items. The requirements of IFRS 9 for the designation of hedges are satisfied.

Under IFRS 9, all derivative financial instruments currently held by the Group are generally to be classified as FVTPL (fair value through profit or loss) and to be accounted at fair value, unless they are part of an effective hedging relationship. Changes in the fair value of derivative financial instruments are generally recognized in profit or loss.

To the extent that the financial instruments used are effective hedges as part of a hedging relationship in accordance with the requirements of IFRS 9 (cash flow hedges), fair value fluctuations during the term of the derivative do not affect profit or loss for the period. Instead, fair value fluctuations are recognized in equity in the corresponding reserve item. The cumulative amounts recognized in equity are recycled through profit or loss in the same period during which the hedged cash flows affect profit or loss.

Grants from public authorities
Grants from public authorities are recognized when the Company meets the conditions associated with the grant with sufficient certainty and the benefits are granted. The grants must be recognized in the income statement in the periods in which the Company recognizes the eligible expenses.

If expenses or losses have already been incurred or if the grants are used for immediate financial support, irrespective of specific expenses, the grants are recognized in the income statement in the period in which the corresponding claim exists.

Provisions
Provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions with a term of more than one year are discounted using a risk-free interest rate. Where the effect of the time value of money is material, the amount of the provision equals the present value of the expenditures expected to be required to settle the obligation.

Provisions for rebuild obligations
Provisions for rebuild obligations in retail stores are recognized as liabilities at the present value of the best estimate of the amount required to settle the obligation. Corresponding assets are capitalized at the equivalent amount and depreciated over the term of the lease agreement.

Provisions for pensions

The measurement of pension provisions relates to the Group's obligation to provide benefit-based and contribution-based plans. IAS 19 mandates the use of the projected unit credit method for the provision of benefit-based plans, which takes into account future adjustments to salaries and pensions. The year-end present value determined using the projected unit credit method was compared to the fair value of plan assets in the employer's pension liability insurance to the extent that offsetting is permissible (asset ceiling). Actuarial gains and losses are immediately posted in full to other comprehensive income. Actuarial gains and losses are not reclassified from other comprehensive income to consolidated net income in subsequent years. The same applies to all effects of the asset ceiling. Net interest determined by multiplying the net pension liability by the discount rate underlying the gross pension obligation (DBO) is reported in the financial result. The difference between the actual interest return on plan assets and the anticipated return on plan assets obtained using the discount rate is posted separately to other comprehensive income. The service cost is reported under the relevant functional costs. The contributions from contribution-based pension schemes are recognized as expenses in the income statement on maturity.

Share-based compensation programs

Share-based compensation programs are accounted for in accordance with IFRS 2. The long-term incentive (LTI) program initiated with effect from January 1, 2016, for members of the Managing Board and eligible management staff is a cash-settled, share-based payment transaction. The expenses arising from the LTI and the liabilities for settling these benefits are recognized over the expected vesting period. This amount is recalculated on each reporting date and measured using an option price model. Any changes in the fair value are posted to profit and loss. The resultant expense is recorded within personnel expenses and the liability recognized as a provision for personnel expenses.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized. They are disclosed in the notes to the financial statements, unless an outflow of resources embodying economic benefits is very unlikely. Contingent assets are likewise not recognized. They are disclosed in the notes to the financial statements if an inflow of economic benefits is probable.

Exercise of judgment and estimates when applying accounting policies

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. These estimates and judgments are made to obtain a fair presentation of the Group's net assets, financial position and results of operations. The main judgments and estimates used are specified in the notes to the financial statements.

Business combinations/acquisitions of other business units

Takeovers in fiscal year 2020
As of January 1, 2020, HUGO BOSS Middle East FZ-LLC, U.A.E. received the decisive voting rights to obtain decision-making power in HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U.A.E. as part of a contractual amendment to the joint venture agreement. In the absence of considerations transferred, goodwill was measured at the fair value of the shares of investment at the date where control was established. Firstly, the carrying amount of the shares of investment are adjusted to its fair value at the date where control is established, with adjustments recorded in the profit and loss. The comparison between the fair value of the investment and the proportionate revalued equity resulted in goodwill of EUR 4,873 thousand. The resulting income was recorded under selling and distribution expenses. In total, income of EUR 5,894 thousand was recognized from the adjustment of the shares of the investment and the comparison with the proportionate share of revalued equity.

(in EUR thousand)	2020
Purchase consideration transferred	
Agreed purchase price	0
Fair value of the shares of the investment	10,775
Book value of minority interests of the investment	6,142
Total consideration transferred	**16,917**
Fair value of the acquired assets and liabilities assumed	
Right-of-use assets	17,498
Property, plant and equipment	4,448
Inventories	7,766
Cash and cash equivalents	1,961
Other assets	3,214
Total assets	**34,887**
Financial liabilities	18,541
Trade payables	1,153
Other liabilities	3,149
Total liabilities	**22,843**
Goodwill	**4,873**

Goodwill is attributable to Europe segment. The goodwill is not expected to be tax-deductible.

The joint venture agreement includes call options entitiling the holder to acquire up to 100% of the voting rights, which may be exercised in favour of foreign investors under certain conditions and only in the event of legal changes.

The additional consolidated sales generated by the acquisition in the 2020 fiscal year amounted to EUR 28,025 thousand. However, the impact on net income was insignificant.

In the course of the establishment of Salam Stores HUGO BOSS WLL, Qatar, U. A. E., the joint venture partner contributed two stores and related assets to the HUGO BOSS Group.

Acquisition in the fiscal year 2019
No acquisitions were made in fiscal 2019.

Notes to the Consolidated Income Statement

1 | Sales and cost of sales

Sales

(in EUR thousand)

	2020	2019
Own retail business	1,278,581	1,869,105
Brick-and-mortar retail	1,057,215	1,718,024
Online	221,366	151,080
Wholesale	603,088	931,243
Licenses	64,174	83,708
Total	**1,945,843**	**2,884,056**

Cost of Sales

(in EUR thousand)

	2020	2019
Total cost of sales	**758,641**	**1,008,619**
Cost of purchase	664,027	898,954
Thereof cost of materials	568,616	886,318
Cost of conversion	94,614	109,665

The cost of materials included in the cost of sales include inbound freight and customs costs of EUR 95,255 thousand (2019: EUR 119,620 thousand).

2 | Selling and distribution expenses

(in EUR thousand)

	2020	2019
Expenses for own retail business, sales and marketing organization	896,556	963,693
Marketing expenses	158,737	179,600
Thereof expenses	162,095	184,467
Thereof income from allocation of marketing expense	(3,358)	(4,867)
Logistic expenses	82,684	91,294
Total	**1,137,977**	**1,234,587**
Thereof other taxes	2,746	2,505

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, as well as depreciation of right-of-use assets for lease objects under IFRS 16. They also include sales-based commission, freight-out, customs costs, credit card charges and impairment losses to assets of retail stores. Furthermore, they also include impairment losses to trade receivables of EUR 10,759 thousand (2019: EUR 5,766 thousand).

Logistics expenses mainly include personnel expenses for warehouse logistics and right-of-use depreciation of lease objects.

3|Administration expenses

(in EUR thousand)

	2020	2019
General administrative expenses	**226,509**	**231,112**
Research and development expenses	**58,334**	**65,242**
Thereof personnel expenses	44,574	47,256
Thereof depreciation and amortization	2,567	2,626
Thereof other operating expense	11,193	15,360
Total	**284,843**	**296,354**
Thereof taxes	4,151	4,188

Administration expenses mainly comprises of personnel expenses of the respective departments, maintenance costs, IT operating expenses, legal and consulting fees, and depreciation and amortization of right-of-use assets.

Research and development expenses primarily relate to the collection development.

Administration expenses include other income of EUR 13,711 thousand (2019: EUR 15,832 thousand). This includes, among other things, capitalized internally developed software as well as canteen income. Additionally, income was generated by the reversal of provisions by EUR 3,919 thousand (2019: EUR 6,938 thousand).

4|Financial result

(in EUR thousand)

	2020	2019
Interest and similar income	2,281	1,609
Interest and similar expenses	(28,449)	(33,074)
Net interest income/expenses	**(26,168)**	**(31,465)**
Exchange rate gains/losses from receivables and liabilities	(16,113)	3,202
Gains/losses from hedging transactions	8,659	(10,305)
Other financial expenses/income	(3,996)	(335)
Other financial items	**(11,450)**	**(7,438)**
Financial result	**(37,618)**	**(38,903)**

Interest income includes income from bank deposits amounting to EUR 1,741 thousand (2019: EUR 1,033 thousand) and other interest income of EUR 540 thousand (2019: EUR 576 thousand).

Interest expenses include expenses from financial liabilities in the amount of EUR 6,781 thousand (2019: EUR 2,853 thousand) and other interest expenses in the amount of EUR 21,668 thousand (2019: EUR 30,221 thousand). These items mainly comprise interest expenses from the discounting of future minimum lease obligations of EUR 20,615 thousand (2019: EUR 22,222 thousand). In addition to interest on loans, this also includes the net interest amount from for pension provisions, interest on non-financial liabilities (such as tax liabilities from tax audits) and interest expenses from the valuation at present value of other non-current provisions in the amount of EUR 1,053 thousand (2019: EUR 7,999 thousand).

The exchange rate gains and losses from receivables and liabilities comprise exchange rate gains of EUR 22,273 thousand (2019: EUR 23,931 thousand) as well as exchange rate losses of EUR 38,386 thousand (2019: EUR 20,729 thousand). The result from hedging transactions contains the effects from the fair value measurement and derecognition of foreign exchange forwards and swaps.

5|Income taxes

(in EUR thousand)

	2020	2019
Current taxes	21,330	105,159
Deferred taxes	(75,384)	(4,809)
Total	**(54,054)**	**100,350**

Income taxes report corporate income tax plus solidarity surcharge and trade tax of German Group companies together with the comparable income taxes of foreign Group companies.

At HUGO BOSS AG, the domestic income tax rate comes to 29.5% (2019: 29.5%). The tax rates abroad range between 0% and 34%.

Current income taxes for fiscal year 2020 included non-current expenses of EUR 2,755 thousand (2019: EUR 24,396 thousand), non-current income of EUR 2,131 thousand (2019: EUR 5,337 thousand) and deductible withholding tax of EUR 4,431 thousand (2019: EUR 1,697 thousand). The non-current expenses of 2019 include provisions for risks from external tax audits of HUGO BOSS AG for the years from 2012 to 2015.

The following table presents a reconciliation of the expected income tax expense that would be theoretically incurred if the current domestic income tax rate of 29.5% (2019: 29.5%) were applied at a Group level to the current income tax expense reported by the Group. The domestic income tax rate applied takes into account a corporate income tax rate (including solidarity surcharge) of 15.8% (2019: 15.8%) and a trade tax rate of 13.7% (2019: 13.7%).

(in EUR thousand)

	2020	2019
Earnings before taxes	**(273,236)**	**305,593**
Anticipated income tax	(80,741)	90,303
Tax effect of permanent items	5,076	11,089
Tax rate-related deviation	13,109	(19,385)
Thereof effects of changes in tax rates	389	1,832
Thereof adjustment of tax amount to diverging local tax rate	12,720	(21,217)
Tax refund/tax arrears	5,055	20,757
Deferred tax effects from prior years	(1,431)	2
Valuation allowance on deferred tax assets	5,925	(630)
Tax effects from distributable profit of subsidiaries	135	(1,028)
Other deviations	(1,182)	(758)
Income tax expenditure reported	**(54,054)**	**100,350**
Income tax burden	20%	33%

The income tax burden was reduced by tax-free income of EUR 270 thousand (2019: EUR 2,350 thousand). The opposite tax effects as a result of non-deductible business expenses come to EUR 5,346 thousand (2019: EUR 13,439 thousand). Tax rate-related deviations are caused by the distribution of profits around the globe and diverging local tax rates in the different countries. In fiscal year 2020, valuation allowances were recognized for deferred tax assets that were no longer expected to be realized in the foreseeable future. This amounts to a tax expense of EUR 5,925 thousand (2019: income of EUR 630 thousand).

Other comprehensive income includes deferred tax income amounting to EUR 1,008 thousand (2019: expenses of EUR 3,247 thousand). As in the prior year, this amount in the fiscal year 2020 is calculated from the recognition of actuarial gains and losses from provisions for pensions in equity.

Deferred tax assets and liabilities are presented on a net basis if they pertain to the same taxable entity and the same taxation authority. Deferred taxes in the consolidated statement of financial position are related to the following items:

(in EUR thousand)

	2020		2019	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	27,624	(2,623)	21,701	(655)
Unused tax losses	51,078	0	7,578	0
Inventory measurement	38,108	(5,129)	29,580	(5,334)
Recognition and measurement of non-current assets	49,778	(25,514)	35,706	(11,658)
Receivables measurement	4,095	(86)	3,960	(165)
Financial liabilities and financial assets	22,425	(34)	12,082	(6)
Retained earnings of subsidiaries	0	(3,976)	0	(3,988)
Other differences in recognition and measurement	8,197	(5,272)	5,817	(7,958)
Net amount	**201,305**	**(42,634)**	**116,424**	**(29,764)**
Netting	(30,093)	30,093	(18,500)	18,500
Total	**171,212**	**(12,541)**	**97,924**	**(11,264)**

Of the deferred tax assets, EUR 87,357 thousand (2019: EUR 60,465 thousand) are non-current, while EUR 29,400 thousand (2019: EUR 15,837 thousand) of the deferred tax liabilities are non-current.

Deferred taxes on IFRS 16 balance sheet items were reported on a net basis. The deferred tax asset on lease liabilities amounts to EUR 171,376 thousand (2019: 176,305 thousand); the deferred tax liability on rights-of-use assets amounts to EUR 149,804 thousand (2019: 164,708 thousand). After netting, there is a deferred tax claim of EUR 21,572 thousand (2019: 11,597 thousand), which is reported under financial liabilities.

Distributable profits at foreign subsidiaries are to be paid out in the coming years, partly to Germany. The tax expense attributable to the distribution to Germany amounting to EUR 1,087 thousand (2019: EUR 1,087 thousand) was recognized as a deferred tax liability. In addition, deferred taxes were recognized for distributable profits from subsidiaries paid out to other subsidiaries to the extent that withholding tax is payable on future dividends. For these withholding tax charges, deferred tax liabilities of EUR 2,889 thousand (2019: EUR 2,901 thousand) were recognized.

Further deferred tax liabilities were not recognized due to differences between their respective net assets and tax part carrying amount at subsidiaries amounting to EUR 170,982 thousand (2019: EUR 327,715 thousand), as the present intention is to permanently reinvest these profits. If the profits were to be distributed in Germany, 5% would be subject to taxation in Germany or possibly trigger withholding tax in other countries. Distributions thus as a rule lead to an added tax expense. Estimation of unrecognized deferred tax liabilities on undistributed profits would require an unreasonable effort.

Deferred tax assets on losses carried forward and allowable temporary differences were included insofar as deferred tax liabilities exist or the corporate planning yields a profit in subsequent years. The recoverability assessment is based on detailed planning of operational results for the next year for all units of the Group, which is prepared annually in the Company-wide budget planning process and approved by the Supervisory Board. The assessment takes into account management's assumptions on the expected recovery of the Group's own retail stores from the effects of COVID-19. Concerning the global apparel industry, experts anticipate that the recovery to pre-pandemic sales and earnings levels will be reached by fiscal year 2023. As of the reporting date, deferred tax assets amounting to EUR 125,526 thousand (2019: EUR 24,165 thousand) were accounted for at Group companies that made losses in the reporting period or prior period.

Unused income tax losses pertain to domestic and foreign Group companies and break down as follows:

(in EUR thousand)

	2020	2019
Expiry within		
1 year	708	4,475
2 years	301	648
3 years	4,841	1,998
4 years	2,424	356
5 years	3,506	2,375
After 5 years	72,815	13,498
Unlimited carryforward	187,736	61,943
Total	**272,331**	**85,293**

As in prior fiscal years, a corresponding deferred tax asset of EUR 51,078 thousand was recognized on unused tax losses as of December 31, 2020 (2019: EUR 7,578 thousand were recognized). In the fiscal year 2020, no deferred taxes were recognized for losses carried forward of EUR 65,055 thousand (2019: EUR 53,767 thousand). Of this, EUR 375 thousand (2019: EUR 303 thousand) expires in 2021, EUR 167 thousand (2019: EUR 1,271 thousand) in 2022, EUR 4,841 thousand (2019: 356 thousand) in 2023, EUR 637 thousand (2019: EUR 720 thousand) in 2024, EUR 2,199 thousand in 2025, EUR 13,181 thousand (2019: EUR 420 thousand) in over five years and EUR 43,655 thousand (2019: EUR 49,689 thousand) can be carried forward indefinitely.

Judgments that deferred tax assets are recognized on unused tax losses were made to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilized. The probability of the future usability is assessed taking into account various factors, such as future taxable results in the planning periods, past results and measures already taken to increase profitability as well as available tax planning strategies. HUGO BOSS applies a forecast period of a maximum of five years for this purpose. Actual figures may differ from the estimates.

The income tax receivables relate mainly to tax advance payments and reimbursement claims. These are based on reasonable estimates to the extent that reimbursement by the financial administration office is judged to be largely probable on the basis of relevant case law. This assessment also takes into account the estimates of local external experts.

Since 2017, an external tax audit is ongoing at HUGO BOSS AG for the 2012–2015 assessment periods. Based on the information available to date, the Company has identified possible tax risks from balance sheet and off-balance sheet items, as well as structural changes. The external tax audit has completed the audit procedures during the course of preparing these financial statements. As a result, voluntary tax remittances and additional provisions (including interest) were additionally recorded.

6 | Earnings per share

There were no shares outstanding that could have diluted earnings per share as of December 31, 2020, or December 31, 2019.

(in EUR thousand)

	2020	2019
Net income attributable to equity holders of the parent company	(219,593)	205,113
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) in EUR[2]	(3.18)	2.97

[1] Not including own shares.
[2] Basic and diluted earnings per share.

7 | Additional disclosures to the consolidated income statement

Personnel expenses

(in EUR thousand)

	2020	2019
Cost of sales	76,896	87,126
Selling and distribution expenses	319,549	373,837
Administration expenses	173,476	178,932
Total	**569,921**	**639,895**

Personnel costs include income from state subsidies. These mainly originate from employment-related benefit initiatives put in place by various governments across the globe as a result of COVID-19 and amount to EUR 25,071 thousand.

(in EUR thousand)

	2020	2019
Wages and salaries	479,938	541,061
Social security	84,787	94,406
Expenses and income for retirement and other employee benefits	5,196	4,428
Total	**569,921**	**639,895**

The average headcount for the year was as follows:

Employees

	2020	2019
Industrial employees	4,639	5,012
Commercial and administrative employees	11,619	12,032
Total	**16,258**	**17,044**

Ordinary depreciation

(in EUR thousand)

	2020	2019
Cost of sales	5,907	6,013
Selling and distribution expenses	308,370	308,254
Administration expenses	40,983	38,071
Total	**355,260**	**352,338**

Impairments

(in EUR thousand)

	2020	2019
Directly operated stores	57,283	10,836
Intangible assets incl. Goodwill	4,684	0
Right-of-use assets	48,102	1,063
Total	**110,069**	**11,899**

Notes to the Consolidated Statement of Financial Position

8 | Intangible assets and property, plant and equipment

(in EUR thousand)

2020	**Gross value Jan. 1**	Change in the basis of consolidation	Currency differences	Additions	Disposals	Transfers	**Gross value Dec. 31**	**Accumulated amortization, depreciation and impairment Jan. 1**	Change in the basis of consolidation	Currency differences	Depreciation	Impairment	Write-up	Disposals	Transfers	**Accumulated amortization, depreciation and impairment Dec. 31**	**Net value Dec. 31**
Software, licenses and other rights	**288,992**	0	(1,440)	19,444	(2,362)	0	**304,634**	**184,327**	0	(1,145)	23,847	203	0	(2,251)	0	**204,981**	**99,653**
Brand rights	**14,992**	0	0	0	0	0	**14,992**	**0**	0	0	0	0	0	0	0	**0**	**14,992**
Goodwill	**58,373**	4,873	(1,532)	0	0	0	**61,714**	**1,522**	0	85	0	4,480	0	0	0	**6,087**	**55,627**
Intangible Assets	**362,357**	**4,873**	**(2,972)**	**19,444**	**(2,362)**	**0**	**381,340**	**185,849**	**0**	**(1,060)**	**23,847**	**4,683**	**0**	**(2,251)**	**0**	**211,068**	**170,272**
Lands and buildings	**282,230**	764	(1,182)	362	(22,961)	(637)	**258,576**	**102,440**	0	(861)	9,634	0	0	(22,758)	(1,628)	**86,827**	**171,749**
Technical equipment and machinery	**119,714**	105	(301)	1,626	(1,574)	337	**119,907**	**68,245**	29	(261)	7,430	0	0	(1,505)	0	**73,938**	**45,969**
Other equipment, operating and office equipment	**907,596**	6,514	(35,340)	52,396	(60,247)	4,080	**874,999**	**635,976**	2,144	(26,148)	85,488	57,283	0	(59,172)	0	**695,571**	**179,428**
Construction in progress	**13,892**	3	(409)	5,568	(4,033)	(4,620)	**10,401**	**3**	0	0	0	0	0	0	0	**3**	**10,398**
Property, plant and equipment	**1,323,432**	**7,386**	**(37,232)**	**59,952**	**(88,815)**	**(840)**	**1,263,883**	**806,664**	**2,173**	**(27,270)**	**102,553**	**57,283**	**0**	**(83,435)**	**(1,628)**	**856,340**	**407,543**
Total	**1,685,789**	**12,259**	**(40,204)**	**79,396**	**(91,177)**	**(840)**	**1,645,223**	**992,513**	**2,173**	**(28,330)**	**126,400**	**61,966**	**0**	**(85,686)**	**(1,628)**	**1,067,408**	**577,815**
2019																	
Software, licenses and other rights	**263,448**	524	600	29,988	(5,591)	23	**288,992**	**167,516**	0	2,254	20,128	0	0	(5,571)	0	**184,327**	**104,665**
Brand rights	**14,992**	0	0	0	0	0	**14,992**	**0**	0	0	0	0	0	0	0	**0**	**14,992**
Goodwill	**57,804**	0	398	171	0	0	**58,373**	**1,519**	0	3	0	0	0	0	0	**1,522**	**56,851**
Intangible Assets[1]	**336,244**	**524**	**998**	**30,159**	**(5,591)**	**23**	**362,357**	**169,035**	**0**	**2,257**	**20,128**	**0**	**0**	**(5,571)**	**0**	**185,849**	**176,508**
Lands and buildings	**196,134**	49,665	2,033	44,774	(11,355)	979	**282,230**	**102,385**	0	1,157	9,513	0	0	(10,615)	0	**102,440**	**179,790**
Technical equipment and machinery	**80,165**	33,719	176	6,559	(2,247)	1,342	**119,714**	**65,291**	0	159	5,013	0	0	(2,218)	0	**68,245**	**51,469**
Other equipment, operating and office equipment	**840,598**	266	12,670	100,487	(72,671)	26,246	**907,596**	**600,858**	0	8,860	87,632	10,836	(300)	(71,910)	0	**635,976**	**271,620**
Construction in progress	**34,681**	0	46	7,772	(17)	(28,590)	**13,892**	**3**	0	0	0	0	0	0	0	**3**	**13,889**
Property, plant and equipment	**1,151,578**	**83,650**	**14,925**	**159,592**	**(86,290)**	**(23)**	**1,323,432**	**768,537**	**0**	**10,176**	**102,158**	**10,836**	**(300)**	**(84,743)**	**0**	**806,664**	**516,768**
Total	**1,487,822**	**84,174**	**15,923**	**189,751**	**(91,881)**	**0**	**1,685,789**	**937,572**	**0**	**12,433**	**122,286**	**10,836**	**(300)**	**(90,314)**	**0**	**992,513**	**693,276**

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

Software, licenses and other rights

For the Group-wide ERP system consisting of the industry solutions SAP AFS and SAP Retail, intangible assets with acquisition costs of EUR 84,999 thousand (2019: EUR 85,096 thousand), were capitalized, of which EUR 74,819 thousand (2019: EUR 72,270 thousand) had already been amortized as of the reporting date. The remaining amortization period is 3.1 years (2019: 4.2 years). In addition to the software described, other software licenses are included in the amount of EUR 83,836 thousand (2019: EUR 85,229 thousand), the remaining amortization period of which is 4.2 years (2019: 4.8 years). The average useful life of software and licenses is in between 3 to 7 years.

In addition, the line item “Software, licenses and other rights” contains intangible assets from purchase price allocations. Among others, business licenses and repurchased franchise rights with a useful life of 1 to 10 years were included.

Brand rights

The reported brand rights amounting to EUR 14,992 thousand (2019: EUR 14,992 thousand), which are primarily attributable to the brand rights acquired for the use of the brand names BOSS, HUGO and HUGO BOSS in the United States, are classified as assets with infinite useful lives. The infinite useful life stems from the estimate of an indefinite use of the registered brand name.

Property, plant and equipment

Land charges in connection with land and buildings amounting to EUR 131,537 thousand (2019: EUR 135,419 thousand) are attributable to the acquisition of the shares in Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG.

Impairment losses of EUR 57,283 thousand (2019: EUR 10,836 thousand) were recognized on property, plant and equipment, which mainly relate to property, plant and equipment for individual Group-owned retail stores. Impairment losses on property, plant and equipment were recognized in full in selling and distribution expenses.

In terms of property, plant and equipment, buildings are generally amortized over a useful life of 30 years, technical facilities and machines over a useful life of 5 to 19 years, and other facilities and operating and office equipment over 2 to 15 years.

Purchase obligations

In addition, there are purchase obligations for investments amounting to EUR 1,802 thousand (2019: EUR 401 thousand). Of this amount, EUR 1,731 thousand (2019: EUR 104 thousand) is attributable to property, plant and equipment and EUR 71 thousand to intangible assets (2019: EUR 297 thousand). The obligations as of December 31, 2020, are due for settlement within one year.

Acquisition of a group of assets

In fiscal year 2019, HUGO BOSS AG made a severance payment in the amount of EUR 4,300 thousand to the general partner of Distribution Center Vermietungsgesellschaft mbH & Co.object HUGO BOSS Filderstadt KG. As a result, all shares were transferred to HUGO BOSS AG after the general partner resigned. The Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG was thus transferred to HUGO BOSS AG.

This transaction does not constitute an acquisition of a business as defined by IFRS 3, but rather the acquisition of a group of assets. As part of the acquisition process, all assets and liabilities were therefore measured on the basis of the respective accounting standard. The difference between the total purchase price and the fair values of the assets and liabilities was allocated on the basis of the relative fair values. This led to an addition of intangible assets of EUR 500 thousand and property, plant and equipment of EUR 83,659 thousand.

9 | Leases

HUGO BOSS has entered into a significant number of leases for the rental of retail stores, office and warehouse space with an average remaining term of five years. Some of the agreements include purchase and renewal options. The Group excerises judgments to the effect that, in addition to the basic rental period, extension options are included when determining the contract term if the extension has already been finally negotiated with the landlord and signed by both sides. Reasonably certainty is therefore only available once the contract has been signed. For leases of low-value assets and for short-term lease liabilities, the option of immediate expense recognition was exercised. Similarly, leases with variable rentals for which no minimum rent is contractually fixed are expensed immediately. Accordingly, the right-of-use asset and lease liability for these leases are not recognized.

The effects of all HUGO BOSS leases on the balance sheet, the income statement and the consolidated statement of cash flows as at December 31, 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 December 31, 2020:

(in EUR thousand)

	Stores	Warehouse	Offices and others	Total
Carrying amount as of January 1, 2020	**781,015**	**34,296**	**83,056**	**898,367**
Change in the basis of consolidation	17,498	0	0	17,498
Additions	167,022	5,154	9,000	181,176
Depreciation	(208,023)	(6,070)	(14,767)	(228,860)
Impairment	(48,098)	(4)	0	(48,102)
Disposal	(34,872)	(1,065)	(194)	(36,131)
Transfers	0	(789)	0	(789)
FX differences	(33,663)	(1,478)	(3,580)	(38,721)
Carrying amount as of December 31, 2020	**640,879**	**30,044**	**73,515**	**744,438**
Carrying amount as of January 1, 2019[1]	**832,037**	**86,237**	**90,095**	**1,008,369**
Additions	141,604	6,330	9,728	157,662
Depreciation	(205,129)	(6,771)	(18,152)	(230,052)
Impairment	(1,063)	0	0	(1,063)
Write-up	1,976	0	0	1,976
Disposal	(2,980)	(53,010)	(193)	(56,183)
FX differences	14,570	1,510	1,578	17,658
Carrying amount as of December 31, 2019	**781,015**	**34,296**	**83,056**	**898,367**

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

Maturity analysis of lease liabilities

The following table shows the breakdown of lease liabilities according to their maturities:

(in EUR thousand)	Discounted
Due within one year	212,876
Due between one and five years	462,187
Due after five years	187,213
Total	**862,276**

The amounts included in the income statement and the consolidated statement of cash flows as of December 31, 2020, applicable to the leases are shown in the following tables:

Leases in the income statement

(in EUR thousand)	**2020**	2019
Depreciation right-of-use assets[1]	(228,860)	(230,052)
Impairment of right-of-use assets[1]	(48,102)	(1,063)
Net income from disposal of RoU Assets	4,577	281
Interest expenses for lease liabilities	(20,615)	(22,222)
Income/expenses from foreign exchange differences on lease liabilities	(2,950)	9
Expenses from variable lease payments	(96,393)	(132,992)
Expenses for short-term leases	(1,896)	(2,578)
Expenses for leases of low-value assets	(4,290)	(4,641)
Income from subleases	2,200	1,397
Lease expenses for software	(15,542)	(15,764)
Other expenses (service costs)	(31,520)	(34,046)
Total expenses from lease agreements	**(443,391)**	**(441,671)**

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

Leases in the consolidated statement of cash flows

(in EUR thousand)	**2020**	2019
Interest paid on lease liabilities	(20,615)	(22,222)
Repayment of lease liabilities	(187,466)	(227,394)
Variable lease payments	(96,393)	(132,992)
Payments for short-term leases	(1,896)	(2,578)
Payments for operating leases of low-value assets	(4,290)	(4,641)
Payments received from subleases	2,200	1,397
Payments for software	(15,542)	(15,764)
Other payments	(31,520)	(34,046)
Total cash outflows for leases	**(355,522)**	**(438,240)**

Material future non-recognized lease payments with maturities
The following future lease payments are not included in the valuation of lease liabilities as a result of IFRS 16 regulations:

(in EUR thousand)

	Due 2021	Due 2022–2025	Due after 2025	Total
Variable lease payments	150,819	626,239	494,771	1,271,829
Payments from uncertain termination options	693	11,204	12,293	24,190
Payments from uncertain extension options	5,443	141,703	149,025	296,171
Total lease payments	**156,955**	**779,146**	**656,089**	**1,592,190**

In addition, payments from short-term leases, leases for software and for low-value assets are expected, although these are immaterial from the perspective of the HUGO BOSS Group.

The determination of future off-balance sheet lease payments is based on management assumptions regarding the term of the leases and the amount of the lease payment. In determining future lease payments, HUGO BOSS assumes the remaining term of the original lease plus the one-time exercise of renewal options, which are not yet sufficiently certain based on current knowledge. The future variable lease payments are derived on the basis of the sales planned for DOS and outlets bottom-up for 2021 and projected using a like-for-like growth rate. Future payments from uncertain renewal options take into account all contracts with renewal options existing as of December 31, 2020, and are based on the assumption of constant future rental payments.

In the course of the COVID-19 pandemic, all lease concessions which met the requirements of the IASB "COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases" were treated not as lease modifications but as a negative variable lease payment. The amount recognized in the income statement for the consideration of rental concessions as a result of the COVID-19 pandemic amounts to EUR 25,321 thousand for the fiscal year 2020. As of the reporting date, there were also EUR 23,264 thousand in rent deferrals.

10 | Impairment testing

An impairment test must be carried out for all assets within the scope of application of IAS 36, if there is any evidence of impairment ("triggering events") as of the reporting date. Regardless of the existence of any triggering events, intangible assets with infinite useful lives and goodwill are tested annually.

As a result of the global spread of COVID-19 and its significant impact on the business development of HUGO BOSS, indications of impairment for non-current assets (property, plant and equipment, rights of use, intangible assets including brand rights and goodwill) were already apparent in the first half of the year. Based on this triggering event, impairment tests were carried out on reporting date at the level of individual assets and cash-generating units (CGU). In order to determine the recoverable amount, the cash flows were derived on the basis of updated financial forecasts, assumptions and estimates.

Systematically depreciated property, plant and equipment and amortized right-of-use assets at the level of the Group's own retail stores

At HUGO BOSS, the Group's own retail stores (DOS) have been identified as a CGU, i.e. the smallest group of assets that can independently generate cash flows.

The recoverable amount of the DOS is determined by calculating the value in use on the basis of discounted cash flow models. The approved budget for the DOS by the Management and Supervisory Board are used for calculating the value in use at reporting date. Furthermore, the gross profit margin of the upstream entities and the corporate assets at the level of the subsidiary and at the level of the DOS were taken into consideration. The forecast period is derived on the expected useful lives for all DOS and is reassessed annually. After the bottom-up budget, the values for the remaining useful lives are determined based on sales and cost developments specific to each country and CGU. The growth rates used are based on management's assumptions regarding the expected recovery of business development for the DOS from the effects of COVID, coupled with considering the expected nominal growth in each respective market. Low single-digits to high single-digit growth rates were thus determined for all DOS. At the end of the residual useful life, it is assumed that the respective DOS is wound up and that the operating assets are sold. In calculating the value in use of the DOS, the cash flows were discounted using a weighted average cost of capital of between 4.6% and 18.3% (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% (2019: 6.5%). If an impairment loss is recognized, it is allocated proportionally to the non-current assets of the CGU. If the carrying amount of assets of the DOS exceeds the determined value in use, the fair value is also determined separately. In addition, no asset may be recognized at less that its fair value. Accordingly, the fair value of the right of use asset is determined separately. Where available, information from actual lease extensions or new leases for comparable own retail stores is used to derive the market rent and thus the fair value. If no internal data is available for comparable properties then the market rent is derived with the help of assessments by external real estate specialists using properties in comparable locations. If the terms on which the lease was concluded correspond to the current market terms derived from actual lease agreements or assessments of external real estate specialists, it is assumed that the right of use is the recoverable value. If the fair value exceeds the calculated value in use, the impairment loss resulting from the calculation of the value in use of the CGU is allocated to the other non-current assets of the CGU.

In the past fiscal year, the impairment tests of DOS resulted in impairments of non-current assets amounting to EUR 105,969 thousand (2019: EUR 10,348 thousand), which were recognized in profit or loss under "Sales and marketing expenses". Of this amount, EUR 57,283 thousand related to property, plant and equipment as well as EUR 48,102 thousand to rights of use assets. The impairment losses are attributable to all regions.

Goodwill and intangible assets with infinite useful life

The assessment of impairment is based on detailed planning of results of operations, of the statement of financial position and of investments for the next year for all units of the Group, which is prepared annually in the Company-wide budget planning process and approved by the Supervisory Board, taking account of the current business situation. For periods beyond the budget's planning horizon, a yearly growth rate is set to project future cash flows in the detailed planning period of four additional years. The growth rates used are based on management's assumptions regarding the expected recovery of business development for the DOS from the effects of COVID-19, coupled with considering external information. Investment and trade net working capital planning is based on budget planning data and is updated on assumptions and estimates made by management. The cost of capital for HUGO BOSS, determined using an after-tax WACC model that discounts all forecast cash flows in the local currency, factors in both general market and country-specific risk premiums (sovereign risk premiums) as well as a currency risk premiums (inflation risk premiums). The after-tax cost of capital rate used as of December 31, 2019, is based on a risk-free interest rate of 0.0% (2019: 0.1%) and a market risk mark-up of 7% (2019: 6.5%).

The following table presents the carrying amounts as well as the main assumptions underlying the calculation of the value in use or fair value less costs to sell off the goodwill and intangible assets with infinite useful lives assigned to each group of CGUs. The goodwill created in previous fiscal years as a result of the takeover of the monobrand stores of former franchise partners is allocated to the relevant sales units (groups of CGUs). Production units will continue to be regarded as corporate assets. The corporate assets are taken into account in the impairment tests of the units. The intangible assets with infinite useful lives are pooled at the level of the respective country. The impairment test for brand rights for the use of brand names in the USA and Italy is performed at the country level.

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	**Intangible assets with indefinite useful life**	**WACC**	**Long-term growth rate**
2020				
DOS within the sales unit France	1,758	0	6.1%	3.0%
Sales unit Macau	5,883	0	6.7%	3.0%
Sales unit Australia	4,172	0	7.2%	3.0%
Sales unit South Korea	7,255	0	6.7%	3.0%
Sales unit China	8,836	0	9.4%	3.0%
Sales unit USA & Canada	2,903	13,615	5.9%	3.0%
Sales unit Italy	436	1,377	7.6%	3.0%
Sales unit Dubai	10,733	0	8.5%	3.0%
Other sales units	13,651			
Total	**55,627**	**14,992**	**5.9–9.4%**	**3.0%**
2019				
DOS within the sales unit France	1,476	0	5.5%	3.3%
Sales unit Macau	6,373	0	5.9%	3.1%
Sales unit Australia	8,336	0	6.9%	3.0%
Sales unit South Korea	7,471	0	6.6%	3.5%
Sales unit China	9,058	0	8.3%	3.5%
Sales unit U.S.A. & Canada	3,288	13,615	7.1%	3.0%
Sales unit Italy	436	1,377	7.1%	2.2%
Sales unit Dubai	6,342	0	8.6%	3.0%
Other sales units[1]	14,071			
Total	**56,851**	**14,992**	**5.5–8.6%**	**2.2–3.5%**

[1] Other sales units adjusted compared to the previous year.

The recoverable amount of the respective group of CGUs is derived from the value in use determined using forecast cash flow based on medium-term financial budgets approved by Management. Restructuring measures which the Group has not yet committed to and investments to enhance the earnings power of the group of CGUs tested that is not allocable to current business operations are not taken into account. After the detailed planning phase, country-specific sales growth rates derived from normal retail growth are used.

In 2020, there was an impairment loss of EUR 4,100 thousand on the goodwill of the sales unit in Australia, which was recognized in profit or loss under “Sales and marketing expenses”. No impairment loss was recognized for other goodwill in fiscal year 2020.

The recoverable amount of brand rights with an indefinite life is determined on the basis of the value in use at the level of the respective CGU in addition to their fair value less costs to sell and classified at level 3 of the fair value hierarchy pursuant to IFRS 13. This is based on a sales forecast for the respective market approved by management as part of the budget process. Country-specific sales growth rates are also used. After the five-year detailed planning phase, planned sales are extrapolated using a long-term nominal retail growth rate for each of the respective markets.

No impairment losses were recognized on the brand rights with indefinite useful lives in fiscal years 2020 and 2019.

Key assumptions used to calculate the value in use and fair value less costs to sell
The following key assumptions, estimation uncertainties and judgments by Management underlie the calculation of the value in use and fair value less costs to sell off the aforementioned assets:

- Pace and intensity of the recovery of the upper premium segment of the apparel industry from the impact of the COVID-19 pandemic (i.e. recovery curve)
- Sustainable nominal retail growth
- Market rent levels
- Discount rates
- Expected useful life of DOS

Estimation of recovery curve – the recovery curve assumptions are based on external studies on the recovery of the global apparel industry from the impact of the COVID-19 pandemic and were used in particular to derive country-specific growth rates for the years 2021 to 2023.

Estimation of growth rates – Growth rates are generally derived from published industry-related market research based on country-specific nominal retail growth. These growth rates were implemented in the calculation of the value in use, particularly, after the detailed planning phase from 2024 onwards, and in the perpetual annuity.

Estimation of market rent values – both internal and external lease data for comparable properties are used to derive the fair value of the rights of use.

Discount rates – The discount rates reflect current market assessments of the risks specific to each CGU. This takes into account the interest effect and the risks specific to the assets.

Useful life of DOS – The forecast period is based on the average remaining terms of the lease agreements, which are determined and reviewed on an annual basis.

Sensitivity to changes in assumptions
Although considerable efforts have been made in deriving of estimates and assumptions relating in particular to the economic consequences of COVID-19, actual results may differ, especially taking into account the persisting significant uncertainties associated with COVID-19. Changes in the assumptions made may therefore lead to further impairment losses or reversals of impairment losses in the future.

The assumption made by management regarding the recovery curve is the key factor in the derivation of cash flows. It is assumed that the first half of 2021 in particular will still be significantly impacted by the negative impact of the pandemic. In this context, industry sales in brick-and-mortar retail in the first half of the year are likely to suffer from the lockdowns imposed in many key markets and the associated store closures. In addition, the persistently weak consumer confidence and ongoing international travel restrictions are expected to weigh significantly on global industry sales, particularly in the first half of the year. For the second half of the year, a gradual recovery in consumer confidence as well as a recovery in global tourism is expected, under the assumption of comprehensive vaccine availability in industrialized countries and key emerging markets by the summer of 2021. For the global apparel industry, industry experts expect that sales and earnings can reach pre-pandemic levels by 2023. However, there is considerable uncertainty regarding the assumptions on the development of the global economy and the recovery of the industry. For example, it is currently difficult to predict to what extent the further development of the pandemic – for example with regard to new waves of infections and lockdowns, or possible mutations of the virus – will ultimately affect the global economy over the course of the year. In addition, it is extremely difficult to forecast any progress in the medical treatment of COVID-19, the global availability and efficacy of the vaccines, any improvement in consumer confidence or potential financial market tension and the respective impacts of these factors on the expected economic recovery.

When testing the right-of-use assets for impairment, assumptions are made for the market rent levels of the rights of use on the basis of internal and external input factors. However, due to the current high level of uncertainty regarding the further course of the pandemic, these may also be subject to fluctuations and thus affect the amount of impairment losses recognized for the rights of use.

Therefore, management has identified possible sensitvities with respect to these two critical valuation parameters.

With regard to the recovery curve, management believes that a slower recovery in sales revenue is possible in 2021 and has reduced the growth rates per quarter by 10% in the forecast analysis. However, it is still assumed that, in accordance with the assumptions of industry experts, pre-pandemic levels can be reached again by 2023 for groups own retail business. A reduction of the growth rates in the individual quarters of 2021 by 10% each would result in an additional impairment requirement on the non-current assets of DOS of EUR 8,008 thousand.

With regard to the market rent level, management assumes that an adjustment of the market conditions both downwards and upwards in the amount of 5% each is feasible. In the event of a reduction in the average market rental level by 5%, additional impairment losses on rights of use amounting to EUR 6,671 thousand would arise. An increase in the market rent level by 5% would result in reversals of impairment losses in the amount of EUR 7,635 thousand.

As of December 31, 2020, to verify the values in use for all items of goodwill, sensitvities for critical valuation parameters such as the discount rates as well as the growth rates used to derive the cash flow forecasts. The Management of HUGO BOSS considers it possible a reduction in sales development in 2021 and an average relative increase in the discount rate of 10.0% each. Furthermore, for the groups of CGUs to which goodwill is allocated, a 15.0% decrease in the relative sales growth rates underlying the extrapolation of forecast cash flows after the detailed planning phase is deemed possible.

In the case of a 10.0% increase in the discount rate, the values in use of all items of goodwill would exceed their carrying amounts as in the prior year.

In the event of a 10.0% reduction in sales growth in 2021, the values in use of all items of goodwill, with the exception of the CGU in Australia, would exceed the respective carrying amounts, as in the previous year. In the case of the goodwill for the CGU in Australia, the reduction in the growth rate by 10% would result in an impairment loss of EUR 4,172 thousand, assuming that costs remain unchanged.

In the event of a 15.0% reduction in the growth rate of sales used to extrapolate the forecast cash flow after the detailed planning period, the values in use of all items of goodwill would exceed their carrying amounts as in the prior year.

11 | Financial and other assets

(in EUR thousand)

	2020			2019		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Financial assets	42,183	20,717	21,466	49,586	32,341	17,245
Tax refund claims and prepayments	12,860	12,860	0	18,098	18,098	0
Other assets	87,753	87,125	628	107,223	105,103	2,120
Other financial assets	10	0	10	4,273	0	4,273
Total	**142,806**	**120,702**	**22,104**	**179,180**	**155,542**	**23,638**

Financial assets include positive market values of currency hedges amounting to EUR 953 thousand (2019: EUR 1,828 thousand) as well as rent deposits for the Group’s own retail stores of EUR 12,082 thousand (2019: EUR 10,923 thousand). Financial assets also include receivables from credit card companies amounting to EUR 13,483 thousand (2019: EUR 23,587 thousand).

The tax refund claims and tax prepayments are mostly VAT receivables.

Other assets mainly include prepayments for service agreements in the amount of EUR 19,384 thousand (2019: EUR 18,576 thousand), reimbursement claims from returns in the amount of EUR 29,803 thousand (2019: EUR 18,007 thousand) and receivables from supplier arrangements in the amount of EUR 1,008 thousand (2019: EUR 17,746 thousand). No impairment losses were recognized on other assets in fiscal year 2020.

Also included in other financial assets are interests in entities under joint control accounted for using the equity method. The carrying amount of shares in the property companies whose activities consist of the leasing of buildings and associated properties remains unchanged at EUR 10 thousand. The maximum default risk is equal to this capital contribution. Moreover, as of December 31, 2019 the carrying amount of the shares of HUGO BOSS AL FUTTAIM UAE TRADING L.L.C. amounted to EUR 4,263 thousand. With effect from January 1, 2020, HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U. A. E. was fully consolidated.

The following is a summary of financial information for entities under joint control accounted for using the equity method. The information contained therein relates to 100% of the jointly controlled entities and not to the Group’s share of those associates:

(in EUR thousand)

	2020[1]	2019
Non-current assets	22,240	47,066
Current assets	114	11,085
Liabilities	23,405	47,144
Sales	1,725	42,700
Depreciation and amortization	(1,077)	(7,536)
Other interest and similar income	0	1
Interest and similar expenses	(525)	(1,033)
Net profit (loss)	(14)	5,720

[1] The financial information is based on the financial statements prepared in accordance with local law and the preliminary unaudited financial statements as of December 31, 2020, In the previous year HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U. A. E. was included.

12 | Inventories

(in EUR thousand)

	2020	2019
Finished goods and merchandise	581,227	577,466
Raw materials and supplies	31,998	42,931
Work in progress	5,233	6,117
Total	**618,458**	**626,514**

The carrying amount of inventories carried at net realizable value is EUR 148,871 thousand (2019: EUR 86,252 thousand). In fiscal year 2020, impairment losses of EUR 94,937 thousand (2019: EUR 8,372 thousand) were recognized particularly on finished goods and raw materials. This was counterbalanced by reversals of impairment losses of EUR 35,665 thousand (2019: EUR 6,495 thousand), as previously impaired inventories of finished goods and raw materials could still be sold. Impairment losses on inventories and the reversal of write-downs resulted in net expenses of EUR 59,272 thousand (2019: net income of EUR 1,876 thousand). This is included in the cost of sales.

In the course of the COVID-19 pandemic and the associated temporary store closures, inventory risks have arisen because merchandise is being stored for a longer period of time, which may be accompanied by a potential reduction in its marketability. According to the principle of net realizable value, impairments on inventories have been recognized accordingly and monitored on a monthly basis. As part of the process, system-based analyses of movement rate, range of coverage and net realizable value were applied in a uniform manner across the Group. This led to an increase in the depreciation rate on inventories in the Group.

13 | Trade receivables

(in EUR thousand)

	2020	2019
Trade receivables, gross	189,799	225,826
Accumulated allowance	(17,798)	(9,604)
Trade receivables, net	**172,001**	**216,222**

As at December 31, 2020, the aging analysis of trade receivables is as follows:

(in EUR thousand)

	2020	2019
Trade receivables, net	**172,001**	**216,222**
Thereof neither overdue nor impaired	**138,195**	**193,035**
Thereof overdue, but not impaired	**22,411**	**20,109**
≤ 30 days	17,270	15,578
31 to 60 days	2,916	2,414
61 to 90 days	2,225	2,117
91 to 120 days	0	0
121 to 180 days	0	0
181 to 360 days	0	0
> 360 days	0	0
Thereof: overdue and impaired	**11,395**	**3,078**

Trade receivables are non-interest-bearing and are generally due between 30 and 90 days. Valuation allowances on doubtful debts developed as follows:

(in EUR thousand)

	2020	2019
Allowances for doubtful accounts as of January 1	**9,604**	**11,655**
Additions	11,894	5,489
Use	(1,104)	(2,133)
Release	(2,398)	(5,466)
Currency differences	(198)	59
Allowances for doubtful accounts as of December 31	**17,798**	**9,604**

Any expenses and income from allowances on trade receivables are reported under selling and distribution expenses.

Pursuant to the general terms and conditions for sales, ownership of the goods supplied is transferred to wholesale partners upon complete payment of all receivables. No collateral has been provided in the Group for individual receivables.

The recoverability of trade receivables is assessed in the first instance by valuing trade receivables that are not overdue using the expected default risk. In addition, the value of trade receivables is attributed on the basis of the estimated likelihood of default. The calculation of the potential receivable default risk is based on past, current and future default risks. In a second step, individual value adjustments of between 1% and 100% are made for due and non-due receivables, based on the age structure and the individual assessment of the recoverability of trade receivables. All subsidiaries of HUGO BOSS have to prepare an analysis of the aging structure of their trade receivables. This permits the recognition of risk-adjusted valuation allowances.

In the event of the deterioration of the financial position of wholesale customers and concession partners, the amounts actually derecognized can exceed the bad debt allowances already recognized, which can have an adverse impact on the results of operations. In order to limit the risk, the group-wide accounts receivable management follows uniform regulations, for example with regard to the credit check as well as the allocation and compliance with customer credit limits, the monitoring of the age structure of accounts receivable or the handling of doubtful accounts receivable. In individual cases, this can lead to deliveries to customers only after prepayment or even to the waiver of business with customers who are not classified as creditworthy.

As of December 31, 2020, receivables written-off in the amount of EUR 4,043 thousand (2019: EUR 2,445 thousand) were still subject to recovery measures.

The maximum credit risk from trade receivables corresponding to their gross value is EUR 189,799 thousand (2019: EUR 225,826 thousand) as of the reporting date.

14 | Cash and cash equivalents

(in EUR thousand)

	2020	2019
Balances with banks and other cash items	118,416	122,789
Cheques	1,499	692
Cash in hand	5,362	9,145
Total	**125,277**	**132,626**

15 | Equity

Equity is made up of subscribed capital, own shares, capital reserve, retained earnings and accumulated other comprehensive income. Retained earnings contain profits that were generated in the past by the entities included in the consolidated financial statements and effects from the revaluation of pension provisions. Accumulated other comprehensive income contains the differences arising from translation outside profit and loss of the foreign currencies used for the financial statements of foreign subsidiaries as well as the effects of the measurement outside profit and loss of cash flow hedges after tax.

Subscribed capital

Capital Management

The fully paid in share capital of HUGO BOSS AG is unchanged and amounts to EUR 70,400 thousand as of December 31, 2019. It is made up of 70,400,000 no-par value ordinary shares. The shares have an imputed nominal value of EUR 1 each.

The Management Board of HUGO BOSS AG may with the Supervisory Board’s consent increase the share capital by up to EUR 35,200 thousand until May 15, 2024, by issuing 35,200,000 new registered shares on a cash and/or non-cash basis once or repeatedly (authorized capital). In general, shareholders have a subscription right.

The primary objective of the capital management of HUGO BOSS is to secure sufficient financial headroom for value-adding investments, in order to ensure further growth and a sustainable increase in enterprise value.

The Group focuses on maximizing free cash flow over the long term in order to increase its enterprise value. Consistently generating positive free cash flow safeguards the Group’s independence and liquidity at all times. Increasing sales and operating income (EBIT) are the main levers for improving free cash flow. In addition, strict management of trade net working capital and a value-oriented capital expenditure approach support the development of free cash flow. To maintain or adjust its capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares.

The efficient use of capital and the capital structure are regularly monitored by way of a financial covenant – financial leverage, defined as the ratio of net financial liabilities to operating profit (EBITDA) – according to the regulations of the current syndicate loan agreement. The determination of financial leverage, originally specified in the syndicated loan agreement, and the level to be maintained, explicitly excludes the impact of any changes in accounting standards. Thus, it remains unaffected by the impact of IFRS 16, which has been applicable since 2019 – specifically, the impact of IFRS 16 on EBITDA. With regard to the COVID-19 pandemic, HUGO BOSS has agreed to a covenant suspension under the syndicated loan with its financing banks until June 30, 2021. As of the balance sheet date, under the original terms of the syndicated loan agreement, the covenant would have been breached. Due to the expected sales, earnings, and free cash flow development of the Group in 2021, management expects that the contractually agreed covenant will again be in the contractually agreed range of 0 to 3.5 from the second half of 2021 on.

(in EUR thousand)

	2020	2019
Liabilities due to banks	266,599	215,303
Cash and cash equivalents	(125,277)	(132,626)
Net financial liabilities	**141,322**	**82,677**
Operating profit (EBITDA excl. IFRS 16 impact)	**(21,024)**	**466,524**
Total leverage	**(6.7)**	**0.2**

Own Shares

The number of own shares amounts to 1,383,833 (2019: 1,383,833). The overall percentage amounts to 2.0% of subscribed capital (2019: 2.0%).

At the Annual Shareholder's Meeting on May 27, 2020, a resolution was passed authorizing the Managing Board to acquire the Company's own shares up to a total of 10% of the current share capital until May 26, 2025.

16 | Dividend

In 2020, the dividend payment for fiscal year 2019 was suspended except for the legal minimum dividend of EUR 2,761 thousand in accordance with Section 254 (1) of the German Stock Corporation Act (AktG), in order to further secure financial stability and strengthen the internal financing capability of HUGO BOSS during the COVID-19 pandemic. This corresponded to a dividend payment of EUR 0.04 per share for fiscal year 2019 (2018: EUR 2.70 per share). The undistributed profit for financial year 2019 thus amounted to EUR 190,839 thousand.

The fiscal year 2020 of HUGO BOSS AG closed with a net loss of EUR 152,577 thousand (net income 2019: EUR 169,120 thousand). Retained earnings, including the undistributed profits carried forward from the previous year, amount to EUR 38,262 thousand. Due to the persisting high uncertainties in light of the COVID-19 pandemic, the Managing Board and Supervisory Board of HUGO BOSS intend to propose to distribute only the legal minimum dividend of EUR 0.04 per share (2019: EUR 0.04 per share) for financial year 2020. This corresponds to an amount of EUR 2,761 thousand (2019: EUR 2,761 thousand). The retained earnings in the amount of EUR 35,501 thousand will be carried forward.

17 | Provisions

(in EUR thousand)

	2020	2019
Provisions for pensions	54,342	50,982
Other non-current provisions	36,874	35,837
Non-current provisions	**91,216**	**86,819**
Current provisions	**117,858**	**91,746**
Total	**209,074**	**178,565**

Other provisions of EUR 154,732 thousand (2019: EUR 127,583 thousand) comprise current provisions of EUR 117,858 thousand (2019: EUR 91,746 thousand) and other non-current provisions of EUR 36,874 thousand (2019: EUR 35,837 thousand). The risk-free interest rates used to discount other non-current provisions range between 0.1% and 4.5% (2019: between 0.3% and 4.5%) depending on the term and currency zone in question. In fiscal year 2020, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2020	Changes in currency and the consolidated group	Com-pounding	Addition	Use	Release	Balance on Dec. 31, 2020
Provisions for personnel expenses	61,300	(207)	47	52,150	(47,633)	(3,989)	61,668
Provisions for goods returned	24,264	(301)	0	36,584	(19,559)	(2,569)	38,419
Provisions for rebuild obligations	17,327	186	86	2,128	(935)	(307)	18,485
Costs of litigation, pending legal disputes	2,599	(285)	0	6,289	(1,806)	(150)	6,647
Other provisions	22,093	13	0	15,241	(5,968)	(1,866)	29,513
Total	**127,583**	**(594)**	**133**	**112,392**	**(75,901)**	**(8,881)**	**154,732**

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.

It is expected that EUR 17,660 thousand (2019: EUR 17,481 thousand) of the personnel provisions will be paid out after more than twelve months.

Provisions for goods returned
Provisions for goods returned, which are largely expected to be completed within 12 months, are determined based on historical rates of goods returned. In light of COVID-19 pandemic, individual agreements related to returns were put in place to counteract the increased return rate, due to lock-downs.

Provisions for rebuild obligations
Non-current provisions for rebuild obligations relate to Group-operated retail stores, warehouses and office space used by the Group companies. They are recognized on the basis of the expected settlement amounts and the rental period agreed upon. Estimates are made in terms of the cost as well as the actual timing of the utilization.

Provisions for costs of litigation and pending legal disputes
The provisions for costs of litigation and pending legal disputes include various, individually immaterial ongoing litigations as well as litigation costs for the protection of brand rights. These provisions are classified as current.

Miscellaneous other provisions
Based on reasonable estimates, provisions are recognized for the potential ramifications of legal issues. Such assessment also takes into account the estimation of local, external experts such as lawyers and tax advisors. Any deviations between the original estimates and the actual outcome can impact the Group’s net assets, financial position and results of operations in the given period.

18 | Share-based long-term compensation program

A large part of the long-term provisions for personnel expenses consists of the Long Term Incentive (LTI) Program implemented at the beginning of fiscal year 2016. This program serves as a long-term share-based compensation component for the Managing Board and eligible management staff of HUGO BOSS. As of December 31, 2020, there are four tranches in the LTI Program:

- 2017 – 2019 LTI Bonus Plan (issued on January 1, 2017)
- 2018 – 2020 LTI Bonus Plan (issued on January 1, 2018)
- 2019 – 2021 LTI-Bonus Plan (issued on January 1, 2019)
- 2020 – 2022 LTI-Bonus Plan (issued on January 1, 2020)

Each plan has a total duration of four years, which is split into a performance term of three years and a qualifying period of one year. The plan participant receives an individual number of virtual shares, the so-called "performance shares" (initial grant) at the beginning of the performance term, calculated as follows:

Individual LTI-budget in euros / average HUGO BOSS share price over the three months before the beginning of the performance term.

The number of the virtual shares issued as of December 31, 2020, and the remaining terms of each plan are displayed in the following table:

LTI Tranche	Number of virtual shares (Initial Grant)	Remaining terms
2017 – 2019	147,588	0 years
2018 – 2020	128,554	1 year
2019 – 2021	154,470	2 years
2020 – 2022	252,530	3 years

The final entitlement of the participants in the plan depends on the following components:

(1) individual number of performance shares (initial grant)

(2) degree of attainment of pre-defined targets (components): relative total shareholder return (RTSR); return on capital employed (ROCE); degree of employee satisfaction; score in the Dow Jones Sustainability Index (DJSI) during the performance term

(3) average HUGO BOSS share price over the last three months of the waiting period.

A detailed explanation of the individual target components can be found in the management report on page 132 et seq.

The final entitlement is paid out in cash no later than six weeks after the resolution has been passed by the Management of HUGO BOSS regarding the confirmation of the annual financial statement for the corresponding fiscal years 2020, 2021, 2022 and 2023 respectively. Accordingly, the 2017 tranche will be paid out in the fiscal year 2021.

The long-term incentive program is to be classified as share-based, cash-settled compensation and is therefore accounted for pursuant to the standards of IFRS 2. The expected entitlement of the plan participant is the basis for the calculation of a long-term personnel provision recognized on a pro rata basis over the term of the respective plans and re-evaluated on each reporting date. The amount of the entitlement and the provision are evaluated using a Monte Carlo simulation, considering the following components:

(1) expected degree of attainment of individual target components listed above

(2) fair value per share option/performance shares (expected HUGO BOSS share price at the end of the period)

The fair value of the performance shares is calculated by an external expert using an option pricing model.

The fair values for the three plans moved in the following ranges as of December 31, compared to the previous year:

LTI Tranche	Fair values per share option 2020	Fair values per share option 2019
2017–2019	EUR 15.71	between EUR 23.53 and 26.72
2018–2020	between EUR 17.03 and 19.35	between EUR 23.78 and 30.71
2019–2021	between EUR 14.11 and 18.22	between EUR 20.36 and 29.88
2020–2022	between EUR 15.18 and 22.31	–

The fair value measurement for the respective plans is based on the following parameters:

	2020	2019
HUGO BOSS share price at reporting date in EUR	27.29	43.26
Expected dividend return in %	4.00	4.00
Expected volatility in %	35.00	30.00
Risk free interest rate in % (LTI Tranche 2017)	(0.67)	(0.69)
Risk free interest rate in % (LTI Tranche 2018)	(0.73)	(0.63)
Risk free interest rate in % (LTI Tranche 2019)	(0.75)	(0.58)
Risk free interest rate in % (LTI Tranche 2020)	(0.77)	–

As of December 31, 2020, four tranches totalling EUR 6,183 thousand (2019: EUR 10,471 thousand) were recognized as liabilities. Therefore, a total income for share-based payment pursuant to IFRS 2 of EUR 4,288 thousand (2019: Expense of EUR 3,499 thousand) was recognized in personnel expenses in fiscal year 2020.

19 | Provisions for pensions and similar obligations

Provisions for pensions are recognized for obligations from future and current post-employment benefits to eligible current and former employees. The benefits agreed under the pension plans depend for the most part on the length of service of the eligible employee. In general, company pension plans are classified into two types of plans: defined contribution plans and defined benefit plans. At HUGO BOSS most of the plans are defined benefit plans. In the past year, the main defined benefit plans were granted in Germany and Switzerland. The characteristics of these plans are described in the following.

Defined benefit plans

Germany

Since the fiscal year 2014, there have only been direct pension obligations in Germany. A distinction is also made between general and individually agreed benefits. Under the general benefits granted, each employee who joined the Company prior to July 1, 2012, is entitled to benefits from Company pension plans. Employees who first receive benefits under the plan upon reaching the age of 50 or who have temporary employment agreements are excluded. Benefits comprise a post-employment benefit in the form of an old-age pension, an early-retirement benefit, a disability benefit or a surviving dependents' benefit in the form of a dependent child benefit.

Individually agreed benefits are only granted to active and former members of the Managing Board. Benefits can take the form of a post-employment benefit as an old-age pension or disability annuity and take the form of a surviving dependents' benefit as a surviving spouse or dependent child benefit. All active members of the Managing Board have received pension commitments which are regulated in individual contracts and the amounts of which are measured as a percentage of the contractually agreed pensionable income depending on their duration of membership of the Managing Board. The basis for determining the pensionable income is defined as the basic salary under the service agreement. For Executive Board members this takes the form of a defined benefit. The Group pays an annual pension contribution into a reinsurance contract for the life of the Executive Board member. This corresponds to 40% of the pensionable compensation, which is calculated on the basis of the basic salary in accordance with the employment contract. This form of pension commitment will also be used for future appointments to the Executive Board. To simplify the process, one former Executive Board member was offered the option in fiscal year 2019 of settling the previous pension commitment against payment of a one-time amount equivalent to the actuarial present value under commercial law. This offer was accepted and payment was made in the first quarter of 2020.

In addition, HUGO BOSS offers the Managing Board and executives the opportunity to acquire additional pension benefits through salary conversions ("deferred compensation agreements"). This additional pension can be granted in the form of retirement benefits, optionally in the form of occupational disability benefits and/or surviving dependents' benefits and/or in the form of a lump-sum payment in the event of death. The pension benefits are paid as a monthly pension, whereby surviving dependents' benefits can also be granted as a lump sum.

In Germany, the Company pension plan for individually agreed benefits and deferred compensation agreements is funded by plan assets for which there is an employer's pension liability insurance, which is a qualifying insurance policy within the meaning of IAS 19.8 in conjunction with IAS 19.113 et seq. The assets concerned can be classified as non-marketable assets. Employer's pension liability insurance has not been taken out for general benefits granted.

Switzerland

In Switzerland, employee pension plans must be allocated to a pension fund that is separate from the employer. The BVG [“Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge”: Swiss Federal Act on Occupational Retirement, Survivors’ and Disability Pension Plans] imposes minimum benefits. HUGO BOSS uses a collective foundation to provide for its employees against the economic consequences of old age, disability and death. Under this model, the foundation assets are the plan assets. The board of trustees of the collective foundation is responsible for the investment policy; at present the majority of plan assets are invested in fixed interest securities such as sovereign bonds. The supreme governing body of the collective foundation comprises an equal number of employer and employee representatives. The plans are financed by employer and employee contributions, which are defined as a percentage of the insured wage. The old-age pension is calculated as the retirement assets accumulated upon reaching a pensionable age multiplied by the conversion rates specified in the fund regulations. Employees can opt to receive their pension benefits as a lump-sum payment from the retirement assets. The benefit payments under the Swiss plans encompass old-age pensions, disability benefits and surviving dependents’ benefits. The collective foundation can change its financing system (contributions and future benefits) at any time. In addition, the collective foundation can terminate the affiliation agreement with HUGO BOSS; in such an event, the latter would have to join another welfare fund. Depending on the conditions of the affiliation agreement and the current partial liquidation rules, a deficit and the risks of increasing life expectancy (current pensions) can be transferred.

The pension obligations breakdown is as follows:

(in EUR thousand)

	Present value of the defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020	2019	**2020**	2019	**2020**	2019
Germany	119,806	120,089	99,080	98,287	20,725	21,802
Switzerland	63,189	59,687	40,189	38,025	23,000	21,662
Others[1]	10,617	10,920	0	0	10,617	10,920
Total	**193,612**	**190,696**	**139,269**	**136,312**	**54,342**	**54,384**

[1] Additional defined benefit plans are in place in Turkey, Italy, France, Mexico and Austria.

The amount of the pension obligations was determined using actuarial methods in accordance with IAS 19 “Employee Benefits”.

In the fiscal year 2020, the funding status of benefit obligations pursuant to IAS 19 was as follows:

(in EUR thousand)

	2020	2019
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	190,695	154,744
Currency differences	(1,523)	1,207
Service cost	4,612	5,398
Interest expense	2,273	3,643
Payments from settlements	(6,689)	(21)
Remeasurement of the carrying amount		
Actuarial gains/losses due to changes in financial assumptions	7,240	21,748
Experience adjustments	(740)	3,771
Benefits paid	(4,966)	(3,704)
Contribution by participants of the plan	3,507	3,906
Past service cost	(797)	3
Present value of benefit obligation on December 31	**193,612**	**190,695**
Changes in plan assets		
Fair value of plan assets on January 1	136,311	119,228
Currency differences	187	1,294
Expected return on plan assets	1,437	2,277
Expected return on plan assets (without interest income)	2,901	7,457
Payments from settlements	(6,673)	0
Benefits paid	(3,655)	(2,169)
Contribution by the employer	5,255	4,318
Contribution by participants of the plan	3,507	3,906
Fair value of plan assets on December 31	**139,270**	**136,311**
Funding status of the benefits funded by plan assets	**54,342**	**54,384**

As of December 31, 2020, EUR 117,432 thousand (2019: EUR 117,758 thousand) of the present value of the defined benefit obligation is financed through employer's pension liability insurance and EUR 63,189 thousand (2019: EUR 59,687 thousand) through foundation assets; while the remaining EUR 12,991 thousand (2019: EUR 13,306 thousand) was unfunded.

Actuarial assumptions underlying the calculation of the present value of the pension obligations as of December 31, 2020

Discretion is exercised to the extent that the expense from benefit-based plans is determined based on actuarial calculations. This involves making assumptions about discount rates, future wage and salary increases, mortality rates and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds.

The following premises were defined:

Actuarial assumptions	2020	2019
Discount rate		
Germany	1.10%	1.45%
Switzerland	0.15%	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%

Pension benefits in Germany are determined on the basis of biometric principles in accordance with the 2018 G mortality tables of Prof. Dr. Klaus Heubeck. The BVG 2015 mortality tables are used to measure the obligations of Swiss companies.

Sensitivity analysis of key actuarial assumptions

HUGO BOSS is exposed to special risks in connection with the aforementioned defined benefit plans. The funding status of pension obligations is influenced by both changes in the present value of the defined benefit obligations and changes in the fair value of plan assets. These are determined using actuarial methods that make assumptions concerning discount rates, future pension increases, future wage and salary increases and mortality rates. Future deviations between actual conditions and the underlying assumptions can lead to an increase or a decrease in the present value of the defined benefit obligations or the fair value of plan assets.

In addition, future amendments to the accounting standards governing the accounting treatment of pension obligations can affect the pertinent items of net assets, financial position and results of operations.

A change in the key actuarial parameters according to the scenarios presented below has the effects presented in the table below on the present value of the pension obligations as of December 31, 2020.

When conducting the sensitivity analysis, each parameter was altered ceteris paribus and not in combination with changes in other assumptions, thus excluding interdependencies between parameters. In addition, only ranges of values deemed to be reasonably plausible up to the date of preparing the next set of consolidated financial statements were selected.

(in EUR thousand)

Change in present value of the pension obligations	**2020**	2019
Discount rate December 31		
Increase of 75 basis points	(21,361)	(21,131)
Decline of 75 basis points	25,972	25,670
Future pension increases December 31		
Increase of 25 basis points	5,845	5,859
Decline of 25 basis points	(3,938)	(4,080)
Future salary increases December 31		
Increase of 50 basis points	1,146	1,636
Decline of 50 basis points	(1,081)	(1,542)
Life expectancy December 31		
Increase of 10 percent	(6,250)	6,279
Decline of 10 percent	6,375	(6,166)

Breakdown of the pension expenses in the period

The pension expenses of the period is composed of the following items:

(in EUR thousand)

	2020	2019
Current service costs	4,612	5,398
Past service costs	(797)	3
Net interest costs	836	1,366
Recognized pension expenses in the comprehensive statement of income	**4,651**	**6,767**
Expense from plan assets (without interest effects)	(2,901)	(7,457)
Recognized actuarial (gains)/losses	6,500	25,520
Recognized remeasurement of the carrying amount in the comprehensive statement of income	**3,599**	**18,063**

The net interest expense is calculated by multiplying the net pension obligation by the discount rate underlying the measurement of the defined benefit obligation (DBO).

In the case of deferred compensation commitments, current service cost is only incurred in the year of deferral. An increase in the service rendered does not increase the benefits granted.

For fiscal year 2021, the Group expects employer contributions to plan assets of EUR 4,935 thousand (2020: EUR 4,198 thousand).

Duration

The duration of the benefit-based plans on December 31, 2020, is 18 years for Germany (2019: 18 years) and 20 years for Switzerland (2019: 20 years).

Defined contribution plans

Employer contributions to contribution-based plans totaled EUR 19,754 thousand in the past fiscal year (2019: EUR 21,938 thousand) and are reported under personnel expenses. The main contribution-based plan of HUGO BOSS is in Germany. They receive the contributions to statutory pension insurance and the employer's contribution to employer-funded direct insurance in Germany.

20 | 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 thousand)

	2020	**With remaining term up to 1 year**	2019	With remaining term up to 1 year
Financial liabilities due to banks	266,599	71,128	215,303	110,269
Lease liabilities	862,276	212,876	957,175	167,703
Other financial liabilities[1]	14,039	13,457	8,4821	7,4761
thereof: non IFRS 16 relevant rental contracts for own retail	10,211	10,211	5,832	5,731
Total	**1,142,914**	**297,461**	**1,180,960**	**285,448**

[1] The amounts shown differ from the values reported in the previous year due to reclassifications.

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 3,828 thousand (2019: EUR 2,650 thousand).

The following tables show the terms and conditions of financial liabilities:

(in EUR thousand)

	2020		2019	
Remaining term	**Weighted average interest rate**	**Carrying amounts**	Weighted average interest rate	Carrying amounts
Liabilities due to banks				
Up to 1 year	0.85%	71,128	0.38%	110,269
1 to 5 years	1.52%	156,572	2.75%	60,186
More than 5 years	3.97%	38,899	3.87%	44,847
Other financial liabilities[1]				
Up to 1 year	0.16%	13,457	0.32%	7,476
1 to 5 years	5.77%	582	5.21%	1,006
More than 5 years	0.00%	0	0.00%	0

[1] The amounts shown differ from the values reported in the previous year due to reclassifications.

HUGO BOSS has exercised the option to increase its revolving syndicated loan to EUR 633 million in order to ensure financial flexibility during the COVID-19 pandemic in fiscal year 2020 (December 31, 2019: EUR 450 million). At the end of the fiscal year 2020, EUR 105 million of the loan had been drawn (December 31, 2019: EUR 0 million). In addition, HUGO BOSS secured further credit commitments totaling EUR 275 million in fiscal year 2020. These are provided by six international banks and are partially backed by KfW, Germany's state-owned development bank. At the end of the reporting period, these credit lines were not drawn.

The table below shows the contractually agreed undiscounted cash flows for non-derivative financial liabilities and for derivative financial instruments with a negative fair value.

(in EUR thousand)

2020			**Expected cash flows**		
Non-derivative financial liabilities	**Carrying amount**	**Total cash flows**	**< 1 year**	**1–5 years**	**> 5 years**
Financial liabilities due to banks	266,599	282,025	90,711	191,314	0
Lease liabilities	862,276	894,005	221,115	479,058	193,832
Other financial liabilities	10,211	10,211	10,211	0	0
Derivative financial liabilities					
Undesignated derivatives	1,853	1,853	1,271	582	0
Derivatives subject to hedge accounting	1,975	1,975	1,975	0	0
Total	**1,142,914**	**1,190,069**	**325,283**	**670,954**	**193,832**
2019					
Non-derivative financial liabilities					
Financial liabilities due to banks	215,303	220,260	110,538	63,632	46,090
Lease liabilities	957,175	1,041,297	188,282	584,828	268,187
Other financial liabilities[1]	5,832	5,832	5,731	101	0
Derivative financial liabilities					
Undesignated derivatives	2,329	2,329	1,425	904	0
Derivatives subject to hedge accounting	321	321	321	0	0
Total	**1,180,960**	**1,270,039**	**306,297**	**649,465**	**314,277**

[1] The amounts shown differ from the values reported in the previous year due to reclassifications.

21 | Other liabilities

(in EUR thousand)

	2020			2019		
	Total	**Current**	**Non-current**	Total	Current	Non-current
Other liabilities[1]	105,264	103,647	1,617	124,680	124,291	389
thereof indirect taxes	36,859	36,859	0	57,312	57,312	0
thereof social security, accrued vacation, wages and salaries	32,486	32,486	0	29,756	29,756	0

[1] The amounts shown differ from the values reported in the previous year due to reclassifications.

22 | Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR thousand)

		2020		2019	
Assets	**IFRS 9 category**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	AC	125,277	125,277	132,626	132,626
Trade receivables	AC	172,001	172,001	216,222	216,222
Other financial assets		42,193	42,193	53,859	53,859
Thereof:					
Undesignated derivatives	FVTPL	951	951	327	327
Derivatives subject to hedge accounting	Hedge Accounting	2	2	1,501	1,501
Other financial assets	AC	41,230	41,230	47,758	47,758
Liabilities					
Financial liabilities due to banks	AC	266,599	270,067	215,303	220,539
Trade and other payables	AC	299,237	299,237	314,646	314,646
thereof Reverse Factoring	AC	28,939	28,939	4,947	4,947
Lease liabilities	n.a.	862,276	862,276	957,175	957,175
Other financial liabilities[1]		14,039	14,039	8,482	8,482
Thereof:					
Undesignated derivatives	FVTPL	1,853	1,853	2,329	2,329
Derivatives subject to hedge accounting	Hedge Accounting	1,975	1,975	321	321
Other financial liabilities	AC	10,211	10,211	5,832	5,832

[1] The amounts shown differ from the values reported in the previous year due to reclassifications.

HUGO BOSS has put in place a reverse factoring program to support its suppliers. Under this program, outstanding trade payables are already settled with the supplier before maturity by a credit institution. Within the program, the original liability to the supplier on the basis of an unchanged acknowledgement of debt remains unaffected and is shown as a trade payable.

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

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

The fair value of loans from banks and other financial liabilities, obligations under finance leases 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 December 31, 2020, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The credit risk of the counterparty did not lead to any significant effects.

Fair value hierarchy

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

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

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As of December 31, 2020, 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 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. The assets amounted to EUR 953 thousand and liabilities to EUR 3,828 thousand. The fair value of financial instruments carried at amortized cost in the statement of financial position was likewise determined using a level 2 method.

Net result by measurement category

(in EUR thousand)	Interest income and expenses	Changes in fair value	Currency translation	Bad debt losses	Disposal of financial instruments	2020	2019
Derivatives (FVTPL)	0	18,447	0	0	(9,426)	9,021	(10,134)
Financial Assets Measured at Amortized Cost (AC)	2,281	0	(11,880)	(10,759)	0	(20,358)	(760)
Financial Liabilities Measured at Amortized Cost (AC)	(6,781)	0	(1,283)	0	0	(8,064)	(3,057)

Interest on financial instruments is reported in the interest result (cf. notes to the consolidated income statement, Note 4).

The bad debt allowances recognized on trade receivables allocable to the AC category are reported under selling and distribution expenses.

Exchange gains and losses from the translation of foreign currency receivables and liabilities as well as fair value changes and effects of disposals of exchange rate hedges are reported in the other financial result.

Changes in liabilities from financial activity

(in EUR thousand)

	Gross value Jan. 1	Cash flows	Acquisition of groups of assets	Changes in portfolio	Change in the maturity	Currency translation effects	Gross value Dec. 31
2020							
liabilities arising from financing activities							
Short-term financial liabilities due to banks	110,269	(53,313)	0	0	14.175	(3)	71,128
Long-term financial liabilities due to banks	105,034	104,792	0	0	(14.175)	(179)	195,471
Lease liabilities	957,175	(187,466)	0	137,753	0	(45,185)	862,277
Total	**1,172,478**	**(135,987)**	**0**	**137,753**	**0**	**(45,367)**	**1,128,876**
2019							
liabilities arising from financing activities							
Short-term financial liabilities due to banks	90,609	(107)	11,467	0	8,293	7	110,269
Long-term financial liabilities due to banks	78,116	(35,000)	69,750	0	(8,293)	461	105,034
Lease liabilities	1,061,230	(227,394)	(53,377)	165,121	0	11,595	957,175
Total	**1,229,955**	**(262,501)**	**27,840**	**165,121**	**0**	**12,063**	**1,172,478**

Offsetting of financial instruments

(in EUR thousand)

	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
2020						
Trade receivables	189,893	(17,892)	172,001	0	0	172,001
Other financial assets	42,193	0	42,193	(24)	0	42,169
Thereof derivatives	953	0	953	(24)	0	929
Total	**232,086**	**(17,892)**	**214,194**	**(24)**	**0**	**214,170**
2019						
Trade receivables	227,695	(11,473)	216,222	0	0	216,222
Other financial assets	53,859	0	53,859	(35)	0	53,824
Thereof derivatives	1,828	0	1,828	(35)	0	1,793
Total	**281,554**	**(11,473)**	**270,081**	**(35)**	**0**	**270,046**

(in EUR thousand)

	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
2020						
Trade payables	324,610	(25,373)	299,237	0	0	299,237
Other financial liabilities	14,039	0	14,039	(24)	0	14,015
Thereof derivatives	3,828	0	3,828	(24)	0	3,804
Total	**338,649**	**(25,373)**	**313,276**	**(24)**	**0**	**313,252**
2019						
Trade payables	325,328	(10,682)	314,646	0	0	314,646
Other financial liabilities[1]	8,482	0	8,482	(35)	0	8,447
Thereof derivatives	2,650	0	2,650	(35)	0	2,615
Total	**333,810**	**(10,682)**	**323,128**	**(35)**	**0**	**323,093**

[1] The amounts shown differ from the values reported in the previous year due to reclassifications.

The liabilities of EUR 17,892 thousand (2019: EUR 11,473 thousand) offset against trade receivables as of the reporting date are outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes. These amounted to EUR 25,373 thousand (2019: EUR 10,682 thousand).

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.

Hedging policy and financial derivatives

The following presentation shows the nominal amounts and the fair value of derivative financial instruments:

(in EUR thousand)

	2020		2019	
	Nominal-values	**Fair values**	Nominal-values	Fair values
Assets				
Currency hedging contracts	72,464	953	78,186	1,828
Interest hedging contracts	0	0	0	0
Liabilities				
Currency hedging contracts	(156,510)	(2,874)	(113,470)	(1,333)
Interest hedging contracts	(6,570)	(954)	(7,412)	(1,316)
Total	**(90,616)**	**(2,875)**	**(42,696)**	**(821)**

The nominal values are the amount hedged by the corresponding hedge. The fair values of derivative financial instruments are recognized as other financial assets or as other financial liabilities. They do not necessarily correspond to the amounts that will be generated in the future under normal market conditions.

Of the reported fair value from derivative financial instruments, an amount of EUR (902) thousand (2019: EUR (1,998) thousand) stems from financial assets and liabilities that were classified as held for trading.

The negative effects from the fair value measurement of currency hedges of EUR (1,973) thousand were recognized in other comprehensive income as of December 31, 2020 (2019: EUR 1,180 thousand). Of the amount recognized in other comprehensive income, losses of EUR 978 thousand on securities falling due were recycled into operating earnings in the fiscal year 2020 (2019: gains of EUR 825 thousand).

Interest and currency risk hedges

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

The Group has production facilities at HUGO BOSS Textile Industry Ltd. in Turkey, among other locations. The euro is used as the functional currency of this subsidiary; however, certain local payments are made in Turkish lira. This results in a transaction risk, both from the local and Group point of view, due to the fluctuating exchange rate between the EUR and the TRY.

The risk management strategy aims at limiting transaction risks and smoothing the income statement. Therefore, future cash flows (including wages, salaries, social security contributions and transport costs) are hedged using forward exchange transactions and then linked with a hedging relationship shown on the balance sheet as cash flow hedges as per IFRS 9 (hedge accounting).

HUGO BOSS uses a mechanistic hedging method for its implementation. Cash flow planning for the following fiscal year is employed on a yearly basis for determining exposures to be hedged. A total of 75% of expected exposures are subsequently hedged using forward exchange transactions based on this planning. These are traded on specific dates, divided into three tranches of approximately 25% each. This makes it possible for HUGO BOSS on one hand to participate in market opportunities while on the other smoothing out hedged rates by the split into two tranches. This also makes it possible to take changed plan assumptions into account.

The currency of the underlying transaction is identical to the currency of the hedging instrument. In addition, only the cross-currency basis spread (CCBS) contained in the hedging instrument was evaluated on the reporting date, and classified as immaterial. As this results in the underlying risk of the currency forward contract being identical to the hedged risk (the exchange rate risk between the EUR and TRY), HUGO BOSS sets a hedging ratio of 1:1 for the hedging relationship indicated above.

The forward exchange contracts are normally concluded in such a way that their due date corresponds with the due date of the expected cash flows. As already noted above, the risk of the hedging instrument also corresponds with the hedged risk. As a result, HUGO BOSS prospectively assumes an economic relationship between the underlying transaction and the hedging instrument. This is reviewed on a regular basis, but no less often than every reporting date.

In principle, differences between planned and actual due dates for cash flows can cause some partial inefficiency. Furthermore, inefficiency may occur in the calculation of the difference in value between the hedging transaction and the underlying transaction, since the currency basis or forward points are not excluded when designating the hedging instruments.

HUGO BOSS holds the following forward exchange contracts for hedging future cash flow as of the reporting date:

	2021				
Maturity	**Jan. – Mar.**	**Apr. – Jun.**	**Jul. – Sept.**	**Oct. – Dec.**	**Total**
Nominal amount in TRY thousand	35,479	37,246	37,282	36,045	146,052
Average hedged rate	8.435	8.624	8.798	8.993	8.714

Based on historical experience, HUGO BOSS anticipates all underlying transactions currently designated as cash flow hedges to accrue as of the reporting date.

Hedging instruments that the Company has designated in hedging relationships have the following impact on the balance sheet as of December 31, 2020:

(in EUR thousand)

	2020	2019
Balance sheet item	Derivatives subject to hedge accounting	Derivatives subject to hedge accounting
Carrying amount assets	2	1,501
Carrying amount liabilities	(1,975)	(321)
Change in fair value of hedges held as of the reporting date	(1,973)	1,180
Nominal volume	16,771	20,047

The hedging relationships shown above have the following impact on the income statement or other comprehensive income (OCI):

(in EUR thousand)

	2020	2019
Change in fair value of the underlying transaction	1,973	(1,180)
Cash flow hedge reserve from existing hedges	(1,973)	1,180
Amount reclassified from OCI due to maturity of underlying transaction	(978)	825

As of the reporting date, EUR 6,570 thousand (2019: EUR 7,411 thousand) in variable interest financial liabilities without designation were secured as a hedging relationship. For additional information and a detailed description of other financial risks, refer to the Risk and Opportunities Report.

Other Notes

23|Notes to the statement of cash flows

The statement of cash flows 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 profit 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.

A more detailed description of cash flows reported in the consolidated statement of cash flows is available in the chapter "Cash and cash equivalents".

Non-cash expenses and income concern in particular unrealized exchange rate gains and losses, fair value changes of derivative financial instruments recognized in profit or loss and non-cash changes in financial liabilities.

24|Segment reporting

The Managing Board of HUGO BOSS AG manages the company by geographic areas. The HUGO BOSS national companies are responsible for the sale of all HUGO BOSS products that are not sold as licensed products by third parties in their respective sales territories. The managing directors of the national companies report to the regional directors in charge in each case, who in turn report to the Managing Board of HUGO BOSS AG. This organizational structure enables the direct implementation of Group objectives while taking into account specific market conditions.

Accordingly, the operating segments are organized into the three regions Europe including Middle East and Africa, Americas and Asia/Pacific, in addition to the license division. The regions are allocated to the corresponding distribution companies of HUGO BOSS, while the complete licenses business of HUGO BOSS with third parties is allocated to the license division.

The Managing Board of HUGO BOSS AG is the chief operating decision maker of HUGO BOSS.

Management of the regional business units is aligned to the value added contribution at Group level.

The most important performance indicator used by the Managing Board to make decisions about resources to be allocated to segments is the EBIT. The segment result is thus defined as the EBIT of the sales units plus the gross profit margin of the procurement units and intra-group royalties.

Group financing (including interest income and expenses) and income taxes are managed on a Group-wide basis and are not allocated to operating segments.

Management of the operating figures inventories and trade receivables is assigned to the sales territories. These items are regularly reported to the Managing Board. Consequently, segment assets only contain trade receivables and inventories.

Liabilities are not part of internal management reporting. The segment liabilities are therefore not disclosed.

The accounting rules applied in the segment information are in line with the accounting rules of HUGO BOSS as described in the accounting policies.

The Managing Board regularly reviews certain effects recognized in the statement of comprehensive income, including in particular amortization, depreciation and impairment losses.

Capital expenditure is also regularly reported to the Managing Board as part of internal reporting, making it a component of segment reporting.

All expenses and assets that cannot be directly allocated to the sales territories or the license segment are reported in the reconciliations below under corporate units/consolidation. All Group-wide central functions are pooled in the corporate units. The remaining expenses of the procurement, production and R&D units make up an operating cost center. No operating income is allocated to the corporate units.

(in EUR thousand)

	Europe[1]	**Americas**	**Asia/Pacific**	**Licenses**	**Total operating segments**
2020					
Sales	**1,231,405**	**307,528**	**342,736**	**64,174**	**1,945,843**
Segment profit	**87,057**	**(97,033)**	**32,025**	**53,647**	**75,696**
In % of sales	7.1	-31.6	9.3	83.6	3.9
Segment assets	249,946	143,340	129,398	22,187	544,871
Capital expenditure	83,091	23,239	71,680	14	178,024
Impairments	(50,206)	(36,473)	(23,388)	0	(110,067)
Thereof property, plant and equipment	(20,284)	(26,918)	(10,081)	0	(57,283)
Thereof intangible assets	(197)	(385)	(4,100)	0	(4,682)
Thereof Rights of Use	(29,725)	(9,170)	(9,207)	0	(48,102)
Thereof write-up	0	0	0	0	0
Depreciation/amortization	(159,505)	(61,298)	(83,338)	0	(304,141)
2019					
Sales	**1,802,843**	**559,755**	**437,750**	**83,708**	**2,884,056**
Segment profit	**456,051**	**60,286**	**93,816**	**70,062**	**680,215**
In % of sales	25.3	10.8	21.4	83.7	23.6
Segment assets	274,115	156,470	109,691	23,298	563,574
Capital expenditure	129,508	47,637	82,405	16	259,566
Impairments	(7,009)	(2,469)	(646)	0	(10,124)
Thereof property, plant and equipment	(7,523)	(2,656)	(657)	0	(10,836)
Thereof intangible assets	0	0	0	0	0
Thereof Rights of Use	(1,063)	0	0	0	(1,063)
Thereof write-up	1,577	187	11	0	1,775
Depreciation/amortization	(157,720)	(63,555)	(79,932)	0	(301,207)

[1] Including Middle East/Africa.

Reconciliation

The reconciliation of segment figures to Group figures is presented below.

Sales

(in EUR thousand)

	2020	2019
Sales – operating segments	**1,945,843**	**2,884,056**
Corporate units	0	0
Consolidation	0	0
Total	**1,945,843**	**2,884,056**

Operating income

(in EUR thousand)

	2020	2019
Segment profit (EBIT) – operating segments	**75,696**	**680,215**
Corporate Units	(310,907)	(335,244)
Consolidation	(407)	(475)
Operating income (EBIT) operating segments	**(235,618)**	**344,496**
Net interest income/expenses	(26,168)	(31,465)
Other financial items	(11,450)	(7,438)
Earnings before taxes HUGO BOSS	**(273,236)**	**305,593**

Segment assets

(in EUR thousand)

	2020	2019
Segment assets – operating segments	**544,871**	**563,574**
Corporate units	245,588	279,162
Consolidation	0	0
Current tax receivables	18,484	33,359
Current financial assets	20,717	32,341
Other current assets	99,985	123,200
Cash and cash equivalents	125,277	132,626
Current assets HUGO BOSS	**1,054,922**	**1,164,262**
Non-current assets	1,515,570	1,713,203
Total assets HUGO BOSS	**2,570,492**	**2,877,465**

Capital expenditures

(in EUR thousand)

	2020	2019
Capital expenditure – operating segments	**178,024**	**259,566**
Corporate units	42,615	81,446
Consolidation	0	0
Total	**220,639**	**341,012**

Impairments / Write-ups

(in EUR thousand)

	2020	2019
Impairment – operating segments	**110,067**	**10,124**
Corporate units	0	0
Consolidation	0	0
Total	**110,067**	**10,124**

Depreciation/amortization

(in EUR thousand)

	2020	2019
Depreciation/amortization – operating segments	**304,141**	**301,207**
Corporate units	51,119	51,131
Consolidation	0	0
Total	**355,260**	**352,338**

Geographic information

(in EUR thousand)

	Third party sales		Non-current assets	
	2020	2019	2020	2019
Germany	276,081	412,458	416,760	459,125
Other European markets	1,019,408	1,474,092	547,538	637,316
U.S.A.	217,096	406,223	168,555	217,496
Other North and Latin American markets	90,431	153,531	32,322	54,575
China	211,360	239,294	46,263	42,710
Other Asian markets	131,467	198,458	111,455	186,813
Total	**1,945,843**	**2,884,056**	**1,322,893**	**1,598,035**

25 | Related party disclosures

In the reporting period from January 1 to December 31, 2020, the following transactions requiring disclosure were conducted with related parties:

Non-consolidated subsidiaries
There were no transactions with non-consolidated subsidiaries in the fiscal year 2020 or 2019.

Entities under joint control
Within the scope of existing real estate lease agreements, in the fiscal year 2020, rent payments were made to companies under joint control in the amount of EUR 2,436 thousand (2019: EUR 11,905 thousand). There were no open receivables or liabilities relating to these business transactions as of December 31, 2020. The lease agreements also include purchase options for the respective property at expected market value. The remaining non-cancellable term of the lease agreements is seven years with GRETANA Land-Lessor GmbH & Co. Property D 19 KG.

In the fiscal year 2019, HUGO BOSS together with HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U.A.E., which was established together with the AL FUTTAIM Group in Dubai and in which HUGO BOSS Middle East FZ-LLC, Dubai, U.A.E., holds 49% of the shares, generated sales revenue of EUR 40,653 thousand (2018: EUR 29,857 thousand) and receivables amounting to EUR 210 thousand (2018: EUR 316 thousand).

Related parties
Related parties comprise members of the Managing Board and Supervisory Board. Members of the Supervisory Board and Managing Board are reported on pages 212 to 213.

Compensation for the Managing Board
The total remuneration of the Management Board amounts to EUR 5,659 thousand (2019: EUR 5,061 thousand). Expenses for current benefits in 2020 totaled EUR 3,898 thousand (2019: EUR 3,352 thousand). A service cost of EUR 1,516 thousand (2019: EUR 1,209 thousand) was incurred for the company pension scheme in 2020. Expenses for share-based compensation in 2020 amounted to EUR 245 thousand (2019: EUR 500 thousand). The information in accordance with Section 314 (1) No. 6 a) Sentences 1 to 4 of the German Commercial Code (HGB) are contained in the compensation report of the combined management report.

The total remuneration of the members of the Management Board in accordance with section 314 (1) no. 6 a) sentences 1 to 4 of the HGB amounted to EUR 5,402 thousand in financial year 2020 (2019: EUR 4,540 thousand). Of this amount, EUR 2,294 thousand was attributable to basic remuneration including fringe benefits (2019: EUR 2,646 thousand). EUR 200 thousand (2019: EUR 0 thousand) in special remuneration was granted in the fiscal year. An amount of EUR 1,232 thousand (2019: EUR 0 thousand) is attributable to the "Short Term Incentive" (STI) agreed for fiscal year 2020. An amount of EUR 1,676 thousand is attributable to the LTI 2020–2022, which results for 50,286 subscription rights granted in 2020.

In 2020, former members of the Managing Board and their surviving dependents received total compensation of EUR 3,502 thousand (2019: EUR 3,962 thousand). This includes termination-of-employment benefits amounting to EUR 3,645 thousand (2019: EUR 3,513 thousand).

Pension obligations for former members of the Board of Management and their surviving dependents amount to EUR 52,579 thousand (2019: EUR 51,268 thousand). The corresponding plan assets in the form of employer's liability insurance amount to EUR 35,734 thousand (2019: EUR 35,715 thousand).

Compensation of the Supervisory Board

The Supervisory Board received compensation for its activities in 2019 amounting to EUR 1,205 thousand. For fiscal year 2020, total compensation is expected to come to EUR 1,204 thousand.

Other related party disclosures

In total, the members of the Managing Board and Supervisory Board hold around 1% (2019: less than 1%) of the shares issued by HUGO BOSS AG.

Members of the Managing Board purchase HUGO BOSS products at reduced prices as part of the compensation in kind granted to them supplementary to their salary and for their personal use. Besides this, no significant transactions were concluded between companies of HUGO BOSS and key management personnel and their close family members.

26 | Subsequent events

Between the end of fiscal year 2020 and the date of the preparation of this report on March 5, 2021, the global business of HUGO BOSS continued to be impacted by the COVID-19 pandemic. Persisting lockdowns and temporary store closures, in particular in Europe – by far largest region for the Company –, lasting restrictions on public life including comprehensive social distancing measures as well as ongoing international travel restrictions are expected to continue to weigh on the recovery of the overall industry as well as performance of HUGO BOSS, especially in the first half of 2021.

Beyond this development, there were no other material macroeconomic, socio-political, industry-related or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets and financial position.

27 | German Corporate Governance Code

In December 2020, the Managing Board and Supervisory Board of HUGO BOSS AG issued the declaration of compliance prescribed by Sec. 161 AktG. It is available for shareholders on the Company's website.

28 | Group auditor fees

(in EUR thousand)

	2020	2019
Audit services	1,852	1,772
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	529	479
Other assurance services	294	146
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	92	86
Tax advisory services	27	73
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	0	0
Other services	30	101
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	0	0
Total	**2,203**	**2,092**

Services provided by group auditors, beyond those related to the financial statement audit, mainly include sales examination, sustainability report confirmation, tax advisory and transfer pricing.

Managing Board

Member of the Managing Board	Responsibility
Yves Müller (Hamburg/Metzingen, Germany) Spokesperson of the Managing Board since July 16, 2020 Member of the Managing Board since December 1, 2017	Controlling, Finance and Tax, Internal Audit, Investor Relations, Central Services, IT, Risk and Insurance Management, Legal/Compliance, Human Resources, Own Retail, Wholesale, (from July 2020 until January 2021), Corporate Strategy, Communications, (from July 2020)
Dr. Heiko Schäfer (Hamburg/Metzingen, Germany) Member of the Managing Board since March 16, 2020	Operations, Own Manufacturing, Product Development and Sourcing, Sustainability and Quality Management, Global Logistics (from July 2020)
Oliver Timm (Meerbusch/Metzingen, Germany) Member of the Managing Board since January 1, 2021	Own Retail, Wholesale including E-Commerce, Visual Merchandising, Retail Operations, Real Estate Management, Customer Relationship Management (CRM)
Ingo Wilts (Amsterdam, Netherlands / Metzingen, Germany) Member of the Managing Board since August 15, 2016	Creative Management, Licenses Management, Global Marketing, Business Unit BOSS Menswear (from July 2020), Business Unit BOSS Womenswear, Business Unit HUGO
Mark Langer (Stuttgart, Germany) Chairman and Member of the Managing Board until July 15, 2020	Corporate Strategy and Communication, Own Retail, Wholesale, Global Sustainability (until March 2020), Global Production and Sourcing (until March 2020), Supply Chain Management (until March 2020), Business Unit BOSS Menswear, Global Logistics

Supervisory Board

Shareholder representatives	Employee representatives
Hermann Waldemer (Blitzingen, Switzerland) Management Consultant, Chairman of the Supervisory Board (since May 2020), Member since 2015	**Sinan Piskin** (Metzingen, Germany) Administrative Employee/Deputy Chairman of the Works Council HUGO BOSS AG, Metzingen, Germany, Deputy Chairman of the Supervisory Board (since May 2020), Member since 2008
Iris Epple-Righi (Munich, Germany) Management Consultant, Member since 2020	**Katharina Herzog** (Reutlingen, Germany) Director Group Finance & Tax HUGO BOSS AG, Metzingen, Germany, Member since 2020
Gaetano Marzotto (Milan, Italy) Chairman of the Supervisory Board Gruppo Santa Margherita S.p.A., Fossalta di Portogruaro, Italy, Member since 2010	**Anita Kessel** (Metzingen, Germany) Administrative Employee HUGO BOSS AG, Metzingen, Germany, Member since 2015
Luca Marzotto (Venice, Italy) Chief Executive Officer Zignago Holding S.p.A., Fossalta di Portogruaro, Italy, Member since 2010	**Tanja Silvana Nitschke** (Inzigkofen, Germany) Chairperson and Treasurer of the German Metalworkers´ Union (IG Metall) Reutlingen-Tuebingen, Reutlingen, Germany, Member since 2015
Christina Rosenberg (Munich, Germany) Management Consultant innotail, Munich, Germany, Member since 2020	**Martin Sambeth** (Tiefenbronn, Germany) Chairperson and Treasurer of the German Metalworkers´ Union (IG Metall) Karlsruhe, Karlsruhe, Germany, Member since 2016
Robin J. Stalker (Oberreichenbach, Germany) Chartered Accountant, Member since 2020	**Antonio Simina** (Metzingen, Germany) Tailor/Chairman of the Works Council HUGO BOSS AG, Metzingen, Germany, Deputy Chairman of the Supervisory Board (until May 2020), Member since 1985
Michel Perraudin (Hergiswil, Switzerland) Management Consultant, Chairman of the Supervisory Board (until May 2020), Member from/until 2015/2020	**Fridolin Klumpp** (Caslano, Switzerland) Business Director BOSS Womenswear HUGO BOSS AG, Metzingen, Germany, Member from/until 2015/2020
Kirsten Kistermann-Christophe (Oberursel, Germany) Managing Director Société Générale S.A., Frankfurt/Main, Germany, Member from/until 2015/2020	
Axel Salzmann (Großhansdorf, Germany) Chief Financial Officer Hensoldt Holding GmbH, Taufkirchen, Germany, Member from/until 2015/2020	

Additional disclosures on the members of the Supervisory Board and the Managing Board

The members of the Company's Supervisory Board are also members of a supervisor board at the following companies[1]:

Katharina Herzog	HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands
	HUGO BOSS International B.V.	Amsterdam, Netherlands
Gaetano Marzotto	Style Capital SGR S.p.A.[2]	Milan, Italy
	TIPO S.p.A.	Milan, Italy
	HIPPOCRATES HOLDING S.p.A.	Milan, Italy
	Zignago Holding S.p.A.	Fossalta di Portogruaro, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
Luca Marzotto	Dimora 01	Milan, Italy
	Forte Forte S.r.l.	Sarcedo, Italy
	Isotex Engineering S.r.l.	Trissino, Italy
	Multitecno S.r.l.	Fossalta di Portogruaro, Italy
	Santex Rimar Group S.r.l.	Trissino, Italy
	Smit S.r.l.	Trissino, Italy
	Solwa S.r.l.	Trissino, Italy
	Sperotto Rimar S.r.l.	Trissino, Italy
	Vetri Speciali S.p.A.	Trento, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
Christina Rosenberg	Josef Tretter GmbH & Co. KG	Munich, Germany
	Villeroy & Boch AG	Mettlach, Germany
Robin J. Stalker	Commerzbank AG	Frankfurt, Germany
	Schaeffler AG	Herzogenaurach, Germany
	Schmitz Cargobull AG[2]	Horstmar, Germany
Michel Perraudin (until May 2020)	ODLO Sports Holding AG (Switzerland)[2]	Huenenberg, Switzerland
Fridolin Klumpp (unil May 2020)	HUGO BOSS Ticino AG (Switzerland)	Coldrerio, Switzerland
Axel Salzmann (until May 2020)	TeamViewer AG	Goeppingen, Germany

[1] The members not named have no seats on executive or supervisory boards at other companies.
[2] Member holds position of Chairman.

Members of the Managing Board

The members of the Managing Board of HUGO BOSS AG did not hold any mandates on supervisory boards or comparable supervisory bodies of companies not belonging to the HUGO BOSS Group during the reporting period. In the reporting period, members of the Managing Board held mandates on supervisory boards or comparable other supervisory bodies of Group companies for the purpose of Group management and monitoring.

Publication

The annual and consolidated financial statements of HUGO BOSS AG are published in the German Federal Gazette and on the website of HUGO BOSS.

Metzingen, March 5, 2021

HUGO BOSS AG
The Managing Board

Yves Müller
Dr. Heiko Schäfer
Oliver Timm
Ingo Wilts

Shareholdings of HUGO BOSS AG

Unless stated otherwise, the interest in capital amounts to 100%.

(in EUR thousand)

Company	Registered Office	Equity 2020[1]
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands	647,831
HUGO BOSS International B.V.	Amsterdam, Netherlands	557,163
HUGO BOSS Internationale Beteiligungs-GmbH[2, 5]	Metzingen, Germany	524,800
HUGO BOSS USA, Inc.[4]	New York, NY, USA	121,875
HUGO BOSS UK Limited	London, Great Britain	59,076
HUGO BOSS China Retail Co. Ltd.	Shanghai, China	57,294
Lotus (Shenzhen) Commerce Ltd.	Shenzhen, China	57,155
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands	52,546
HUGO BOSS Textile Industry Ltd.[2]	Izmir, Turkey	49,079
HUGO BOSS Benelux B.V. y CIA S.C	Madrid, Spain	38,191
HUGO BOSS France SAS	Paris, France	37,189
HUGO BOSS Lotus Hong Kong Ltd.	Hong Kong	36,493
HUGO BOSS Trade Mark Management GmbH & Co. KG[2]	Metzingen, Germany	32,670
HUGO BOSS Canada, Inc.	Toronto, Canada	31,889
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland	22,124
HUGO BOSS Mexico S.A. de C.V.[2]	Mexico-City, Mexico	21,851
HUGO BOSS International Markets AG	Zug, Switzerland	12,778
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia	12,363
HUGO BOSS AL FUTTAIM UAE TRADING L.L.C.[6]	Dubai, U.A.E.	12,169
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy	10,193
HUGO BOSS Portugal & Companhia	Lissabon, Portugal	10,039
HUGO BOSS Rus LLC[2]	Moscow, Russia	9,516
HUGO BOSS Middle East FZ-LLC	Dubai, U.A.E.	9,358
HUGO BOSS Hong Kong Ltd.	Hong Kong	9,262
HUGO BOSS Scandinavia AB	Stockholm, Sweden	8,993
HUGO BOSS Italia S.p.A.	Milan, Italy	8,312
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil	7,082
HUGO BOSS (Schweiz) AG	Zug, Switzerland	6,041
HUGO BOSS Ireland Limited	Dublin, Ireland	4,209
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, China	4,056
HUGO BOSS Nordic ApS	Copenhagen, Denmark	3,994
Lotus Concept Trading (Macau) Co. Ltd.	Macau	3,982
HUGO BOSS Hellas LLC	Athens, Greece	3,449
HUGO BOSS Belgium BVBA[2]	Diegem, Belgium	3,400
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG[2]	Metzingen, Germany	3,169
HUGO BOSS Australia Pty. Ltd.	Preston, Australia	2,492
HUGO BOSS Mexico Management Services S.A. de C.V.[2]	Mexico-City, Mexico	2,390
HUGO BOSS Finland OY	Helsinki, Finland	2,053
HUGO BOSS Shoes & Accessories Poland Sp. z o.o.	Radom, Poland	1,847
HUGO BOSS South East Asia PTE.LTD.	Singapore	1,351

(in EUR thousand)

Company	Registered Office	Equity 2020[1]
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland	1,171
HUGO BOSS Malaysia SDN. BHD.	Kuala Lumpur, Malaysia	873
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG[2]	Metzingen, Germany	824
HUGO BOSS Magazacilik Ltd. Sti.	Izmir, Turkey	725
HUGO BOSS Korea Ltd.	Seoul, South Korea	553
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG[2, 3]	Grünwald, Germany	356
HUGO BOSS Dienstleistungs GmbH[2]	Metzingen, Germany	118
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany	41
HUGO BOSS Beteiligungsgesellschaft mbH[2,5]	Metzingen, Germany	(85)
HUGO BOSS Estonia OÜ	Tallinn, Estonia	(135)
HUGO BOSS Latvia SIA.	Riga, Latvia	(223)
Salam Stores HUGO BOSS WLL[7]	Doha, Qatar	(475)
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH	Metzingen, Germany	(499)
GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG	Grünwald, Germany	(539)
HUGO BOSS New Zealand Ltd.	Auckland, New Zealand	(2,149)
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium	(5,075)
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands	(15,202)
HUGO BOSS Japan K.K.	Tokyo, Japan	(24,211)

[1] The figures correspond to the financial statements after possible profit transfer, for subsidiaries according to inner-consolidated IFRS financial statements.
[2] Directly affiliated to HUGO BOSS AG.
[3] Investments with an equity share of 94%.
[4] Subgroup financial statement.
[5] Companies with a profit transfer agreement with HUGO BOSS AG.
[6] Investments with an equity share of 49%.
[7] Investments with an equity share of 70%.

ADDITIONAL INFORMATION

RESPONSIBILITY STATEMENT

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

Metzingen, March 5, 2021

HUGO BOSS AG
The Managing Board

Yves Müller
Dr. Heiko Schäfer
Oliver Timm
Ingo Wilts

The following copy of the auditor's report also includes a "Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the financial statements and the management report prepared for publication purposes" ("separate report on ESEF compliance"). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Federal Gazette].

INDEPENDENT AUDITOR'S REPORT

To HUGO BOSS AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions
We have audited the consolidated financial statements of HUGO BOSS AG, Metzingen, and its subsidiaries (the Group), which comprise the consolidated income statement for the fiscal year from 1 January to 31 December 2019, the statement of comprehensive income for the fiscal year from 1 January to 31 December 2019, the consolidated statement of financial position as of 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of HUGO BOSS AG for the fiscal year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the non-financial statement included in the "Non-financial statement" section of the group management report and the statement on corporate governance pursuant to Section 315d HGB ["Handelsgesetzbuch": German Commercial Code] published on the Company's website and referenced in the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2020, and of its financial performance for the fiscal year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group non-financial statement or the group statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Impairment of the non-current assets assigned to the Group's own retail operations (DOS)

Reasons why the matter was determined to be a key audit matter:

A significant portion of the HUGO BOSS Group's business is conducted via the Group's own retail operations (DOS – directly operated stores). The assets allocated to the DOS make up the bulk of the fixed assets of the HUGO BOSS Group. For the purpose of the impairment test, the DOS are defined as independent cash-generating units (CGUs).

The varying development of regional and local sales markets necessitates extensive estimates and assumptions with regard to the valuation model applied, the calculation of indicators for impairment testing (particularly the development of sales and profitability indicators) and regarding the determined fair value, the calculation of the discount rate as well as the calculation of expected future cash inflows, also in particular against the background of the effects of the COVID-19 pandemic. This applies in particular to specific growth rates used to roll forward the budget of the Company. The impairment testing of the fixed assets assigned to the DOS was a key audit matter due to the judgment exercised.

Auditor's response:

We discussed with the Company's executive directors and assessed the method applied for the calculation of impairments and reversals of impairments. With the support of internal valuation experts, we verified the discounted cash flow valuation model, particularly its mathematical accuracy, the composition of the carrying amounts of the assets assigned as well as the discount rates used. We verified the individual components used to determine the discount rate with the support of our internal valuation experts by analyzing the peer group, comparing market data with external evidence and examining the mathematical accuracy of the calculation.

For a deliberately selected sample of DOS, we verified the composition of the carrying amounts and of the amortized cost of the assets allocated. We checked on a test basis that the planning assumptions used in the detailed forecasts of each of the DOS are in line with the business plan of the Company passed by the Managing Board and approved by the Supervisory Board. We also verified the retail growth rates applied for the remaining useful lives of the DOS and the development of fixed costs used to roll forward the budget by comparing internal and external data. We also analyzed the forecasts of individual DOS with regard to the future development derived from findings in the past, discussed these with the Company's executive directors with regard to sensitivity, obtained evidence substantiating the individual assumptions of the forecasts and verified this in light of the effects of the COVID-19 pandemic.

Where the fair value was used for distributing the impairment loss and not the value in use, we reconciled the calculation with the internal and external data obtained by the Company and verified the calculation based on the assumptions, taking into account the effects of the COVID-19 pandemic.

We also examined the completeness of the disclosures in the notes to the consolidated financial statements.

Our audit procedures regarding the impairment testing of the fixed assets assigned to the DOS by the Company did not lead to any reservations.

Reference to related disclosures in the consolidated financial statements:
The disclosures by the Company on the impairment testing of the fixed assets assigned to the DOS can be found on pages 160 and 178 et seq. of the notes to the consolidated financial statements.

2) Measurement of inventories

Reasons why the matter was determined to be a key audit matter:
HUGO BOSS is active in the high-end segment of the fashion and apparel industry and is confronted with continuously changing customer demand. A rapidly changing market leads to increased inventory risks and uncertainty in the measurement of inventories, particularly during the COVID-19 pandemic.

In particular, the calculation of the write-down rates using the Company's IT-supported write-down procedure as well as, where necessary, the calculation of additional manual write-downs which are not taken into account in this write-down procedure, require the executive directors of the Company to exercise judgment, particularly during the COVID-19 pandemic.

The measurement of inventories was a key audit matter due to the judgment exercised.

Auditor's response:
In our audit, we first examined the procedures established by the Company's executive directors for determining write-downs recognized for slow-moving goods and assessed the effectiveness of the controls implemented in this process.

We verified the suitability of the IT-supported write-down procedure for the assessment of inventory risks resulting from range, saleability, and net realizable value, also in light of current developments due to the COVID-19 pandemic. We assessed the system-based implementation of the write-down procedure in IT with the assistance of internal IT experts, mainly verifying the consistency of the parameters with those used in prior years. If there were any changes in the write-down procedure in the current year, we examined the reasons and their implementation. We further assessed the write-down rates used by the Company based on past experience and taking into account the effects of the COVID-19 pandemic regarding current sales planning through analytical comparisons with the write-downs applied for each country in prior years. We compared the computational logic of the model with the accounting policies used by the Company and arithmetically verified it on a test basis.

We discussed additional manual adjustments, which are not taken into account in this write-down procedure, with the Company's executive directors, particularly in light of the effects of the COVID-19 pandemic, verified their data basis and calculation as well as obtained supportive evidence from specialist departments and performed further substantive audit procedures.

Our audit did not lead to any reservations concerning the measurement of inventories of the Company.

Reference to related disclosures in the consolidated financial statements:
The disclosures by the Company on the measurement of inventories can be found in the notes to the consolidated financial statements on pages 161 and 184 et seq.

3) Recognition and assessment of deferred tax assets and other tax receivables

Reasons why the matter was determined to be a key audit matter:
Tax issues are highly complex due to country-specific tax regulations and are subject to the exercise of judgment with regard to the enforceability of tax receivables as well as the existence of future taxable income. The recoverability of deferred tax assets from temporary differences and unused tax losses is based on the assessment of usability in the future through future taxable income, especially in light of losses actually incurred due to the COVID-19 pandemic. The recognition and recoverability of other tax receivables depends to a large extent on the Company's assessment with respect to the enforceability of the underlying issues.

Auditor's response:
Due to the complexity of the tax calculations taking into account the local tax regulations and legislation, we consulted internal tax experts for the assessment of deferred tax assets and other tax receivables. These internal tax experts supported us in the assessment of the underlying regulations and enforceability of tax receivables.

To assess the recoverability of deferred tax assets resulting from temporary differences as well as from unused tax losses, we examined whether the existing tax forecasts were suitably derived from the business plan of the Company approved by the Managing Board and Supervisory Board. In addition, we discussed with the Company the significant assumptions of the tax forecasts in particular the future tax income situation for the companies in the countries Germany, USA, Belgium, Taiwan, Malaysia, South Korea and Hong Kong and taking into account the current loss situation and the effects of the COVID-19 pandemic and evaluated these regarding their appropriateness. Furthermore, we confirmed the assumptions of the tax planning of the individual entities based on the taxable income generated in the past and the implemented transfer pricing system.

Our audit procedures did not lead to any reservations regarding the recognition and measurement of deferred tax assets and other tax receivables.

Reference to related disclosures in the consolidated financial statements:
The disclosures by the Company on the recognition and assessment of deferred tax assets and other tax receivables can be found in the notes to the consolidated financial statements on pages 169 and 179 et seq.

4) Accounting treatment of rental and lease agreements

Reasons why the matter was determined to be a key audit matter:
The Group uses rental and lease agreements to a considerable extent for the rental and leasing of directly operated stores. The entire contract portfolio is subject to a high degree of changes on an annual basis with regard to contract adjustments, extensions, terminations and conclusions.

Recognition and measurement pose significant risks regarding the complete identification and correct recognition of contracts containing leases, in particular related to contractual changes and rent concessions made in connection with the COVID-19 pandemic.

The accounting treatment of the rental and lease agreements was a key audit matter due to materiality as well as the risks exercised in their recognition and measurement.

Auditor's response:
In a walkthrough we examined the process established by HUGO BOSS for the complete and appropriate recognition of contractual changes and the conclusion of contracts as well as the calculation of the value of the right-of-use assets capitalized.

We evaluated the additions and the development of the recognized rights of use and the lease liabilities as of 31 December 2020. For new contracts and changes in 2020, we used a statistical sample to assess the approach to recognizing a lease within the meaning of IFRS 16 and compared the relevant data in the rental and lease agreements with the calculation of the right-of-use assets. Furthermore, we verified the calculation of the value of the right-of-use assets, lease liabilities as well as depreciation and interest expenses. In addition, we examined the completeness of the recognized leases using a sample from the total population, comprising the significant contract changes and new contracts from 2020. Moreover, we audited the correct accounting treatment of the rent concessions granted in light of the COVID-19 pandemic.

We also examined the completeness of the disclosures in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the accounting for rental and lease agreements.

Reference to related disclosures in the consolidated financial statements:
The disclosures by the Company on the accounting treatment of rental and lease agreements can be found in the notes to the consolidated financial statements on pages 161 and 176 et seq.

Other information
The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the declaration of corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the disclosures contained in chapter 1 and 5 (with the exception of the independent auditor's report) as well as chapter 3 of the corporate governance report and the corporate governance declaration, the section "Non-financial statement" contained in the group non-financial statement of the group management report as well as the statement on corporate governance pursuant to Sec. 315d HGB published on the Company's website as part of the group management report and referenced in the management report. We received a version of this other information prior to issuing this independent auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report
The executive directors are responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file HugoBoss_AG_KA+KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from January 1, 2020 to December 31, 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" [Requirements for Quality Control in the Practice of Public Auditors] (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as auditor of the consolidated financial statements by the Annual Shareholders' Meeting on 27 May 2020. We were engaged by the Supervisory Board on 27 July 2020. We have been the group auditor of HUGO BOSS AG without interruption since fiscal year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Mr. Peter Werling.

Stuttgart, 9 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werling	Störzinger
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]