

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021

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 fashion and accessories in the premium segment of the global apparel industry.

The consolidated financial statements of HUGO BOSS AG as of December 31, 2021, 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 February 24, 2022.

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

For the global apparel industry, fiscal year 2021 continued to be marked by the implications of the COVID-19 pandemic. In addition to regional lockdowns and related store closures, ongoing international travel restrictions weighed on industry development. Furthermore, global supply chain disruptions led to bottlenecks in transportation and logistics, as well as an increase in material and freight costs. Despite this volatile environment, the industry largely recovered from prior year's losses during the course of 2021.

In fiscal year 2021, HUGO BOSS recorded strong improvements in sales, earnings and free cash flow. While the implications of the COVID-19 pandemic were still noticeable at the beginning of the year, particularly in Europe, business recovery strongly accelerated from the second quarter onwards. As a result of the lifting of pandemic-related restrictions and strong progress in vaccination campaigns, global consumer sentiment picked up noticeably. The corresponding increase in local demand was particularly evident in Europe and the Americas. In the third quarter, in light of a further strong recovery of its global business, HUGO BOSS already returned to pre-pandemic sales and earnings levels. Finally, in the fourth quarter, the Company recorded the highest quarterly sales in its history thanks to a further acceleration in momentum. As a result, HUGO BOSS was able to exceed its sales and earnings targets for fiscal year 2021, which had already been revised upwards back in October. Nevertheless, against the backdrop of the ongoing pandemic situation in the context of the preparation of the consolidated financial statements, HUGO BOSS has made estimates and underlying assumptions with a material impact in particular with regard to the following aspects:

- IFRS 16 Leases – Accounting for COVID-19 related Rent Concessions.
- Impairment testing of assets with a definite and indefinite useful life including goodwill
- Valuation of inventories
- Recoverability of receivables – in particular those relating to trade receivables
- Assessment of the recoverability of deferred tax assets

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

Taking into account the existing uncertainties in connection with the further course of the pandemic – for example with regard to new virus variants and associated renewed waves of infection – the actual results may deviate from the assumptions and estimates made.

Financial reporting

The first time application of the following new standards and amendments to the IASB's standards and interpretations for fiscal year 2021 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 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 : Interest Rate Bench-mark Reform Phase 2

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 Leases". The amendments provide relief to lessees from applying IFRS 16 guidance on lease modifications accounting for rent concessions granted as a result of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. 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. The amendment was intended to apply until 30 June 2021, but as the impact of COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the expedient to 30 June 2022.

The following new standards and interpretations and amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB), endorsed by the EU, and which are effective for financial years beginning after January 1, 2022, have not been applied in preparing these consolidated financial statements:

- Amendment to IFRS 3 : Reference to the Conceptual Framework (IASB effective date: January 1, 2022)
- Amendment to IAS 16 : Property, Plant and Equipment: Proceeds before Intended Use (IASB effective date: January 1, 2022)
- Amendment to IAS 37 : Onerous Contracts: Cost of Fulfilling a Contract (IASB effective date: January 1, 2022)

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.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity-settled transactions.

Basis of consolidation

In fiscal year 2021, HUGO BOSS Thailand Ltd, Bangkok, Thailand, was consolidated as a fully owned subsidiary effective May 31, 2021. For more detailed information, please refer to the section on company acquisitions.

In the reporting period January 1 to December 31, 2021, the number of consolidated companies increased by two to 65 compared to the consolidated financial statements as of December 31, 2020.

In fiscal year 2021, GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG, which was previously accounted for using the equity method, was included in the consolidated financial statements. The company is a structured leasing property company in which HUGO BOSS AG holds an interest as limited partner. After expiration of the lease term, there is a purchase right for the shares in the general partner of Gretana. In addition, the existing real estate leasing agreements include a purchase right for the property, which corresponds to the expected fair value of the property at the end of the lease as determined by an expert. Changes in the value-influencing factors such as standard land value and property interest rate in 2021 resulted in the currently determined fair value exceeding the contractually agreed value for the purchase of the property. The reassessment led to the assessment that the purchase option is advantageous and that HUGO BOSS thus has the relevant decision-making powers over the relevant activity of the Company – the utilization of the property and can thus determine the amount of the variable returns.

The change in the consolidation of GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG from the equity method to the full consolidation method resulted in an increase in financial liabilities of EUR 25,736 thousand and increase in land and buildings of EUR 25,670 thousand, cash and cash equivalents of EUR 58 thousand, other current assets of EUR 9 thousand as well as the elimination of the existing intercompany right of use assets of EUR 11,145 thousand and lease liabilities of EUR 11,895 thousand.

In 2021, HUGO BOSS AG acquired 15% of the shares in the company YOUR DATA HB DIGITAL CAMPUS, Unipessoal, Lda. based in Porto, Portugal. The newly founded company is intended to strengthen the further expansion of digital activities as part of the "CLAIM 5" strategy through analytical, technical and executive competencies and to combine the Company's own digital knowledge with expert knowledge in the field of data processing. Based on the contractual agreements, HUGO BOSS AG has economic control of YOUR DATA HB DIGITAL CAMPUS as well as a contractual right to acquire the outstanding shares of the company at a future date over a period up until July 2026 at a price based on the achievement of relevant KPIs of the company. The fair value of the above mentioned contractual right (Call Option) is nil and there are no financial liabilities to it as on December 31, 2021. In addition, YOURDATA HB DIGITAL CAMPUS, Unipessoal, Lda. is individually and collectively immaterial to the consolidated financial statements as of December 31, 2021 and is therefore not consolidated.

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 sourcing 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 1 EUR =	Average rate		Closing rate	
		2021	2020	2021	2020
Australia	AUD	1.5797	1.6171	1.5615	1.5896
China	CNY	7.2012	7.9568	7.1947	8.0225
Great Britain	GBP	0.8494	0.9064	0.8403	0.8990
Japan	JPY	128.6455	126.2703	130.3800	126.4900
Russia	RUB	83.3883	90.1529	85.3004	91.4671
Switzerland	CHF	1.0411	1.0819	1.0331	1.0802
Turkey	TRY	16.5761	9.3956	15.0867	9.1164
U.S.A.	USD	1.1305	1.2165	1.1326	1.2271

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. The payment terms applied correspond to the payment terms customary in the industry per country.

The Company's customers have the option to exchange goods for similar or other products or to return the goods for credit under certain conditions and in accordance with the contractual agreements. Amounts for expected returns are deferred from sales based on historical experience of return rates and periods through a liability for an obligation of return in accounts payable. The asset for the right of the return of goods by the customer is recognized in the amount of respective inventories, less handling costs and potential impairment.

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 on the basis of a direct relationship between the costs incurred and the corresponding income when the service is utilized or at the time it is incurred.

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 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. The Company does not calculate deferred taxes on the initial recognition of goodwill as it is not permissible.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

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 payments are discounted at the interest rate implicit in the lease agreement. If this interest rate cannot be readily determined, an incremental borrowing rate is used, which is adjusted for the country-specific risk and the lease term.

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 & Loss.

AC

(Amortised Cost)

Financial assets and liabilities that are to be valued at Amortised 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.

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 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 respective notes to the financial statements.

Business combinations/acquisitions of other business units

Takeovers in fiscal year 2021

In 2021, HUGO BOSS Thailand Ltd. Bangkok, Thailand, was consolidated as a fully owned subsidiary. HUGO BOSS acquired three stores, one shop-in-shop, one outlet, and the related assets and inventories through HUGO BOSS Thailand Ltd. as part of an asset acquisition deal with a former franchise partner in Thailand effective June 1, 2021. The following overview shows the allocation of the purchase price to the net assets acquired and the resulting goodwill:

(in EUR thousand)	2021
Purchase consideration transferred	
Agreed purchase price	2,096
Agreed liabilities	866
Total purchase price	2,962
Fair value of assets and liabilities transferred	
Intangible assets	254
Property, plant and equipment	176
Inventories	866
Total assets	1,296
Total liabilities	0
Goodwill	1,666

The goodwill relates to the Asia/Pacific segment. It is not expected that the goodwill will be used for tax purposes.

The additional consolidated sales generated due to the acquisition in fiscal year 2021 amounted to EUR 2,579 thousand. If the company had been consolidated as of January 1, 2021, the additional consolidated sales generated would have been EUR 4,788 thousand. The impact on the consolidated operating result was immaterial.

Takeovers in fiscal year 2020

Effective January 1, 2020, HUGO BOSS Middle East FZ-LLC, U. A. E. obtained the decisive voting rights for obtaining decision-making power in HUGO BOSS AL FUTTAIM UAE TRADING L.L.C., Dubai, U. A. E. as part of an amendment to the joint venture agreement. In the absence of any consideration transferred, goodwill is to be determined on the basis of the fair value of the shares in the investment at the date on which control was obtained. The carrying amount of the shares in the investment must first be adjusted to their fair value at the date on which control was obtained, with an effect on profit or loss. The comparison of the fair value of the investment and the proportionate revalued equity results in goodwill of EUR 4,873 thousand. The resulting income was recognized in selling 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 revalued equity.

(in EUR thousand)

	2020
Purchase consideration transferred	
Agreed cash 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

The goodwill relates to the Europe segment. It is not expected that the goodwill will be used for tax purposes.

The joint venture agreement includes call options entitling the holder to acquire up to 100% of the voting rights, which can be exercised in favor of foreign investors under certain conditions and only in the event of a change in the law.

The additional consolidated revenue generated by the acquisition in fiscal year 2020 amounted to EUR 28,025 thousand. The impact on the consolidated operating result was immaterial.

Notes to the Consolidated Income Statement

1 | Sales and cost of sales

Sales

(in EUR thousand)

	2021	2020
Brick-and-mortar retail	1,512,251	1,057,215
Brick-and-mortar wholesale	647,485	472,106
Digital	549,121	352,348
Licenses	77,253	64,174
Total	2,786,110	1,945,843

Further information on sales by region can be found in the segment reporting.

Cost of Sales

(in EUR thousand)

	2021	2020
Total cost of sales	1,065,301	758,641
Cost of purchase	971,146	664,027
Thereof cost of materials	931,976	568,616
Cost of conversion	94,155	94,614

The cost of materials included in the cost of sales include inbound freight and duty costs of EUR 183,492 thousand (2020: EUR 95,255 thousand).

2 | Selling and distribution expenses

(in EUR thousand)

	2021	2020
Expenses for own retail business, sales and marketing organization	900,141	896,556
Marketing expenses	204,104	158,737
Thereof expenses	208,522	162,095
Thereof income from allocation of marketing expense	(4,418)	(3,358)
Logistic expenses	86,378	82,684
Total	1,190,623	1,137,977
Thereof other taxes	2,956	2,746

Expenses for the company's own retail business and the sales and marketing organization mainly comprise personnel expenses for wholesale and retail sales as well as amortization of the right-of-use assets in accordance with IFRS 16. In addition, this item includes sales-related commissions, outward freight and duty charges, credit card fees, and impairment losses on assets of the retail business amounting to EUR 19,979 thousand (2020: EUR 57,283 thousand). In addition, this item includes losses from derecognition and impairment losses on trade receivables in the amount of EUR 1,699 thousand (2020: EUR 10,759 thousand). Furthermore, there are COVID-19-related government grants of EUR 29,027 thousand for 2021 (2020: EUR 23,153 thousand), which were recognized in profit or loss. These mainly relate to global government support for personnel costs of EUR 17,498 thousand (2020: EUR 25,071 thousand) and compensation for loss of revenue due to COVID-19 of EUR 10,966 thousand (2020: EUR 315 thousand). The government grants are not subject to any further conditions.

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

3 | Administration expenses

(in EUR thousand)

	2021	2020
General administrative expenses	244,925	226,509
Research and development expenses	57,262	58,334
Thereof personnel expenses	41,171	44,574
Thereof depreciation and amortization	2,221	2,567
Thereof other operating expense	13,870	11,193
Total	302,187	284,843
Thereof taxes	4,204	4,151

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 20,843 thousand (2020: EUR 13,711 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 3,473 thousand (2020: EUR 3,919 thousand). Furthermore, there are government grants for worldwide government support for personnel costs with regard to COVID-19 Pandemic of EUR 1,294 thousand for 2021 (2020: EUR 1,918 thousand), which were recognized in profit or loss. The government grants are not subject to any further conditions.

4 | Financial result

(in EUR thousand)

	2021	2020
Other interest and similar income	1,869	2,281
Interest and similar expenses	(22,557)	(28,449)
Net interest income/expenses	(20,688)	(26,168)
Exchange rate gains/losses from receivables and liabilities	(1,272)	(16,113)
Gains/losses from hedging transactions	(3,442)	8,659
Other financial expenses/income	(5,723)	(3,996)
Other financial items	(10,437)	(11,450)
Financial result	(31,125)	(37,618)

Interest income includes income from bank deposits amounting to EUR 1,136 thousand (2020: EUR 1,741 thousand) and other interest income of EUR 733 thousand (2020: EUR 540 thousand).

Interest expenses include expenses from financial liabilities in the amount of EUR 3,677 thousand (2020: EUR 6,781 thousand) and other interest expenses in the amount of EUR 18,880 thousand (2020: EUR 21,668 thousand). These items mainly comprise interest expenses from the discounting of lease liabilities using the effective interest method of EUR 17,457 thousand (2020: EUR 20,615 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 1,423 thousand (2020: EUR 1,053 thousand).

The exchange rate gains and losses from receivables and liabilities comprise exchange rate gains of EUR 25,281 thousand (2020: EUR 22,273 thousand) as well as exchange rate losses of EUR 26,553 thousand (2020: EUR 38,386 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)

	2021	2020
Current taxes	42,313	21,330
Deferred taxes	10,436	(75,384)
Total	52,749	(54,054)

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% (2020: 29.5%). The tax rates abroad range between 0% and 34%.

Current income taxes for fiscal year 2021 included non-current expenses of EUR 1,768 thousand (2020: EUR 2,755 thousand), non-current income of EUR 1,296 thousand (2020: EUR 2,131 thousand) and deductible withholding tax of EUR 3,200 thousand (2020: EUR 4,431 thousand).

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% (2020: 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% (2020: 15.8%) and a trade tax rate of 13.7% (2020: 13.7%).

(in EUR thousand)

	2021	2020
Earnings before taxes	196,874	(273,236)
Anticipated income tax	58,214	(80,741)
Tax effect of permanent items	1,744	5,076
Tax rate-related deviation	(9,124)	13,109
Thereof effects of changes in tax rates	705	389
Thereof adjustment of tax amount to diverging local tax rate	(9,829)	12,720
Tax refund/tax arrears	3,672	5,055
Deferred tax effects from prior years	614	(1,431)
Valuation allowance on deferred tax assets	(1,579)	5,925
Tax effects from distributable profit of subsidiaries	(549)	135
Other deviations	(243)	(1,182)
Income tax expenditure reported	52,749	(54,054)
Income tax burden	27%	20%

The income tax burden was reduced by tax-free income of EUR 768 thousand (2020: EUR 270 thousand). The opposite tax effects as a result of non-deductible business expenses come to EUR 2,512 thousand (2020: EUR 5,346 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 2021, revaluations were recognized for deferred tax assets that were expected to be realized in the foreseeable future. This amounts to a tax income of EUR 1,579 thousand (2020: tax expense of EUR 5,925 thousand).

Other comprehensive income includes deferred tax expense amounting to EUR 2,538 thousand (2020: income of EUR 1,008 thousand). As in the prior year, this amount in the fiscal year 2021 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)

	2021		2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	31,304	(2,899)	27,624	(2,623)
Unused tax losses	37,774	0	51,078	0
Inventory measurement	46,233	(5,070)	38,108	(5,129)
Recognition and measurement of non-current assets	46,255	(30,402)	49,778	(25,514)
Receivables measurement	4,057	(169)	4,095	(86)
Financial liabilities and financial assets	19,491	(6)	22,425	(34)
Retained earnings of subsidiaries	0	(3,572)	0	(3,976)
Other differences in recognition and measurement	9,937	(3,413)	8,197	(5,272)
Net amount	195,051	(45,531)	201,305	(42,634)
Netting	(34,888)	34,888	(30,093)	30,093
Total	160,163	(10,643)	171,212	(12,541)

Of the deferred tax assets, EUR 82,928 thousand (2020: EUR 87,357 thousand) are non-current, while EUR 34,494 thousand (2020: EUR 29,400 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 163,305 thousand (2020: EUR 171,376 thousand); the deferred tax liability on rights-of-use assets amounts to EUR 142,273 thousand (2020: EUR 149,804 thousand). After netting, there is a deferred tax claim of EUR 21,032 thousand (2020: EUR 21,572 thousand), which is mainly shown under financial liabilities in the table above.

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 939 thousand (2020: 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 2,633 thousand (2020: EUR 2,889 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 146,183 thousand (2020: EUR 170,982 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. As of the reporting date, deferred tax assets amounting to EUR 105,702 thousand (2020: EUR 125,526 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)

	2021	2020
Expiry within		
1 year	0	708
2 years	3,677	301
3 years	202	4,841
4 years	1,789	2,424
5 years	3,757	3,506
After 5 years	45,324	72,815
Unlimited carryforward	163,481	187,736
Total	218,230	272,331

As in prior fiscal years, a corresponding deferred tax asset of EUR 37,774 thousand was recognized on unused tax losses as of December 31, 2021 (2020: EUR 51,078 thousand were recognized). In the fiscal year 2021, no deferred taxes were recognized for losses carried forward of EUR 67,548 thousand (2020: EUR 65,055 thousand). Of this, EUR 0 thousand (2020: EUR 167 thousand) in 2022, EUR 3,677 thousand (2020: EUR 4,841 thousand) in 2023, EUR 202 thousand (2020: EUR 637 thousand) in 2024, EUR 246 thousand (2020: EUR 2,199 thousand) in 2025, EUR 2,282 thousand in 2026 and EUR 9,867 thousand (2020: EUR 13,181 thousand) in over five years and EUR 51,274 thousand (2020: EUR 43,655 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 also created during the COVID -19 Pandemic 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.

The external tax audit at HUGO BOSS AG for the 2012–2015 assessment periods was completed in 2021, including the respective tax assessments. The provisions were fully utilized or reversed accordingly. The provisions for the subsequent years were adjusted to the final findings in the tax audit report.

6 | Earnings per share

There were no shares outstanding that could have diluted earnings per share as of December 31, 2021, or December 31, 2020.

(in EUR thousand)

	2021	2020
Net income attributable to equity holders of the parent company	137,339	(219,593)
Average number of shares outstanding ¹	69,016,167	69,016,167
Earnings per share (EPS) in EUR ²	1.99	(3.18)

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)

	2021	2020
Cost of sales	76,004	76,896
Selling and distribution expenses	359,587	319,549
Administration expenses	191,857	173,476
Total	627,448	569,921

Personnel expenses include income from state subsidies. These mainly originate from employment-related benefit initiatives put in place by various governments as a result of COVID-19 and amount to EUR 17,498 thousand (2020: EUR 25,071 thousand) and are not subject to any further conditions.

(in EUR thousand)

	2021	2020
Wages and salaries	529,035	479,938
Social security	89,933	84,787
Expenses and income for retirement and other employee benefits	8,480	5,196
Total	627,448	569,921

Employees

The average headcount for the year was as follows:

	2021	2020
Industrial employees	4,340	4,639
Commercial and administrative employees	11,290	11,619
Total	15,630	16,258

Ordinary depreciation

(in EUR thousand)

	2021	2020
Cost of sales	5,162	5,907
Selling and distribution expenses	263,035	308,370
Administration expenses	39,146	40,983
Total	307,343	355,260

Impairments/Write-ups

(in EUR thousand)

	2021	2020
Brick-and-mortar retail	17,980	57,283
Intangible assets incl. goodwill	3,908	4,684
Right-of-use assets	10,052	48,102
Total	31,940	110,069

Notes to the Consolidated Statement of Financial Position

8 | Intangible assets and property, plant and equipment

(in EUR thousand)

	Gross value Jan. 1	Change in the basis of consolidation	Currency differences	Additions	Disposals	Transfers	Gross value Dec. 31	Accumulated amortization, depreciation and impair- ment Jan. 1	Change in the basis of consolidation	Currency differences	Depreciation	Impairment	Write-up	Disposals	Transfers	Accumulated amortization, depreciation and impair- ment Dec. 31	Net value Dec. 31
2021																	
Software, licenses and other rights	304,634	256	2,664	19,004	(43,174)	142	283,526	204,981	0	1,828	23,938	120	0	(40,024)	0	190,843	92,683
Brand rights	14,992	0	0	0	0	0	14,992	0	0	0	0	0	0	0	0	0	14,992
Goodwill	61,714	1,680	2,038	602	0	0	66,034	6,087	0	189	13	3,788	0	0	0	10,077	55,957
Intangible assets	381,340	1,936	4,702	19,606	(43,174)	142	364,552	211,068	0	2,017	23,951	3,908	0	(40,024)	0	200,920	163,632
Lands and buildings	258,576	42,909	(254)	1,424	(8,932)	24	293,747	86,827	16,162	(330)	9,210	1,054	(187)	(6,817)	0	105,919	187,828
Technical equipment and machinery	119,907	0	259	2,232	(2,264)	974	121,108	73,938	0	237	7,032	0	0	(2,232)	0	78,975	42,133
Other equipment, operating and office equipment	861,195	0	31,257	71,592	(75,644)	4,015	892,415	685,297	0	25,058	63,692	20,195	(3,082)	(74,114)	0	717,046	175,369
Construction in progress	10,401	0	198	7,226	(25)	(5,156)	12,644	3	0	0	0	0	0	(3)	0	0	12,644
Property, plant and equipment	1,250,079	42,909	31,460	82,474	(86,865)	(143)	1,319,913	846,065	16,162	24,965	79,934	21,249	(3,269)	(83,166)	0	901,940	417,974
Total	1,631,419	44,845	36,162	102,080	(130,039)	(1)	1,684,465	1,057,133	16,162	26,982	103,885	25,157	(3,269)	(123,190)	0	1,102,860	581,606
2020																	
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 ¹	894,897	6,514	(35,340)	51,291	(60,247)	4,080	861,195	627,727	2,144	(26,148)	83,463	57,283	0	(59,172)	0	685,297	175,898
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	1,310,733	7,386	(37,232)	58,847	(88,815)	(840)	1,250,079	798,415	2,173	(27,270)	100,527	57,283	0	(83,435)	(1,628)	846,065	404,014
Total	1,673,090	12,259	(40,204)	78,291	(91,177)	(840)	1,631,419	984,264	2,173	(28,330)	124,374	61,966	0	(85,686)	(1,628)	1,057,133	574,286

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

Software, licenses and other rights

The item "Software, licenses and other rights" mainly contains software and software licenses as well as intangible assets identified in the course of purchase price allocations. The amortisation for these items is recognised in administrative expenses.

For the Group-wide ERP system consisting of the industry solutions SAP AFS and SAP Retail, intangible assets with acquisition costs of EUR 53,873 thousand (2020: EUR 84,999 thousand) were capitalized, of which EUR 46,656 thousand (2020: EUR 74,819 thousand) had already been amortized as of the reporting date. The remaining amortization period is 2.8 years (2020: 3.1 years). In addition to the software described, other software licenses are included with a net book value of EUR 79,510 thousand (2020: EUR 83,836 thousand), the remaining amortization period of which is 3.8 years (2020: 4.2 years). The average useful life of software and licenses is in between 3 to 7 years.

Brand rights

The reported brand rights amounting to EUR 14,992 thousand (2020: 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 164,386 thousand (2020: EUR 131,537 thousand).

Impairment losses of EUR 21,249 thousand (2020: EUR 57,283 thousand) and Write-up of EUR 3,269 thousand (2020: EUR 0 thousand) were recognized on property, plant and equipment, which were included in selling and distribution expenses. The impairments mainly relate to property, plant and equipment for individual Group-owned retail stores.

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 1,955 thousand (2020: EUR 1,802 thousand). Of this amount, EUR 1,877 thousand (2020: EUR 1,731 thousand) is attributable to property, plant and equipment and EUR 78 thousand to intangible assets (2020: EUR 71 thousand). The obligations as of December 31, 2021, are due for settlement within one year.

9 | Leases

HUGO BOSS has entered into a substantial 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 exercises 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 leases of HUGO BOSS on the balance sheet, the income statement and the consolidated statement of cash flows as at December 31, 2021, 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, 2021:

(in EUR thousand)

	Stores	Warehouse	Offices and others	Total
Carrying amount as of January 1, 2021	644,410	30,044	73,515	747,969
Change in the basis of consolidation	0	0	0	0
Additions	123,456	16,989	12,573	153,018
Depreciation	(178,902)	(8,129)	(16,428)	(203,459)
Impairment	(10,600)	0	0	(10,600)
Write up	547	0	0	547
Disposal	(17,711)	(73)	(930)	(18,714)
Transfers	0	0	0	0
FX differences	22,668	1,063	2,600	26,331
Carrying amount as of December 31, 2021	583,868	39,894	71,330	695,092
Carrying amount as of January 1, 2020	781,015	34,296	83,056	898,367
Changes in consolidated group	17,498	0	0	17,498
Additions	180,827	5,154	9,000	194,981
Depreciation	(218,297)	(6,070)	(14,767)	(239,134)
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, 2020¹	644,410	30,044	73,515	747,969

¹ The amounts presented 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	193,429
Due between one and five years	448,386
Due after five years	152,770
Total	794,585

Leases in the income statement

(in EUR thousand)		
	2021	2020
Depreciation right-of-use assets	(203,459)	(228,860)
Impairment/Write-ups of right-of-use assets	(10,052)	(48,102)
Net income from disposal of right-of-use assets	6,271	4,577
Interest expenses for lease liabilities	(17,457)	(20,615)
Income/expenses from foreign exchange differences on lease liabilities	(1,969)	(2,950)
Expenses from variable lease payments	(144,383)	(96,393)
Expenses for short-term leases	(5,659)	(1,896)
Expenses for leases of low-value assets	(4,512)	(4,290)
Income from subleases	2,029	2,200
Lease expenses for software	(17,709)	(15,542)
Other expenses (service costs)	(42,195)	(31,520)
Total expenses from lease agreements	(439,095)	(443,391)

Cash outflows from lease liabilities amounted to EUR 440,636 thousand in 2021 (2020: EUR 355,522 thousand), of which EUR 210,749 thousand relates to the repayment of lease liabilities (2020: EUR 187,466 thousand).

In the course of the COVID-19 pandemic, all rent concessions that met the requirements of the IASB-amendments "COVID-19-Related Rent Concessions – Amendments to IFRS 16 Leases" were not treated as a lease modification but as a negative variable lease payment. The amount recognised in profit or loss to reflect rent concessions as a result of the COVID-19-Pandemic was EUR 18,178 thousand for fiscal year 2021 (2020: EUR 25,321 thousand). Of this amount, 1,857 thousand EUR was attributable to government grants which are not subject to any further conditions. As of the reporting date, there were also EUR 21,871 thousand (2020: EUR 23,264 thousand) in deferred rent, which was accrued against the leasing liabilities.

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 2022	Due 2023–2026	Due after 2026	Total
Variable lease payments	170,935	709,766	560,763	1,441,464
Payments from uncertain termination options	1,818	16,283	13,780	31,881
Payments from uncertain extension options	7,892	137,629	142,603	288,124
Total lease payments	180,645	863,678	717,146	1,761,469

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 HUGO BOSS.

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 own stores (DOS) and outlets bottom-up for 2022 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, 2021, and are based on the assumption of constant future rental payments.

10 | Impairment testing

An impairment test must be performed for all assets within the scope of IAS 36 if there are triggering events for impairment at the reporting date. For intangible assets with indefinite useful lives and goodwill, an annual impairment test is performed irrespective of the existence of such indications.

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 CGUs, i.e. as the smallest group of assets that can generate independent cash flows.

The depreciated assets of the DOS, including the right of use assets from leasing contracts, are subjected to an impairment test, if there are indicators or changes in the planning assumptions resulting into carrying amount exceeding the recoverable amount of the assets. After preparing the annual budget planning, HUGO BOSS carries out a triggering event test at the respective DOS level. The non-current assets of the respective DOS are subjected to an impairment test if the revenue and margin are not as per annual budget planning. In fiscal year 2020, the significant impairment of HUGO BOSS' business performance due to the global spread of the COVID-19 pandemic represented the "triggering event" for the performance of the impairment tests.

The recoverable amount of the DOS is determined by calculating the value in use on the basis of discounted cash flow calculations. The planned cash flows for the DOS from the budget planning adopted by the Managing Board and approved by the Supervisory Board of HUGO BOSS AG were used to determine the value in use as of the reporting date. Furthermore, the gross margin of the upstream units as well as the joint assets at the level of the subsidiary and at the level of the DOS are taken into account. The forecast period is determined on the basis of the individual remaining term of the lease as the leading asset. Following the first planning year derived from the approved budget planning, country- and CGU-specific revenue and cost developments are used as a basis for the remaining useful life. The growth rates used are based, on the one hand, on management's assumptions regarding the expected recovery of business development in brick-and-mortar retail from the implications of COVID-19 and, on the other hand, on the expected nominal retail growth in the respective market. For all DOS, growth rates range from low single-digit to high single-digit percentages. At the end of the remaining useful life, it is assumed that the respective DOS will be wound up with a sale of the operating assets at carrying amount. In determining the value in use of the DOS, the cash flows were discounted at a weighted average cost of capital of between 6.8% and 23.1% (2020: between 4.6% and 18.3%). A maturity-equivalent risk-free interest rate of -0.6% (2020: -0.6%) and a market risk premium of 7.5% (2020: 7.0%) were applied. If an impairment loss is recognized, it is allocated proportionately to the non-current assets of the CGU. However, no asset may be recognized below its respective fair value. For this purpose, the fair value of the right of use 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, the market rent is derived using estimates from external real estate specialists for properties in comparable locations. If the conditions at which the lease was concluded correspond to the current market conditions derived from actual lease agreements or the estimates of external real estate specialists, it is assumed that the right of use is recoverable. 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.

Impairment tests carried out on an ad-hoc basis due to the shortfall in sales and/or profitability indicators resulted in impairment losses on non-current assets amounting to EUR 31,968 thousand (2020: EUR 105,969 thousand due to COVID-19-Trigger) in the past fiscal year, which were recognized in profit or loss under "Selling and distribution expenses". Of this amount, EUR 21,249 thousand related to property, plant and equipment, EUR 120 thousand to other intangible assets and EUR 10,600 thousand to rights of use. The impairment losses are attributable to all regions.

As part of an impairment analysis, an additional triggering event test is used to determine whether there are indications that stores impaired in the past were able to improve their earnings situation to such an extent that a reversal was necessary. Reversal of impairment losses amounting to EUR 3,816 thousand (2020: EUR 0 thousand) were recognized in selling and distribution expenses for the fiscal year 2021.

Goodwill and intangible assets with infinite useful life

The impairment assessment is based on detailed earnings, balance sheet and investment plans for the next year for all Group units, which have been adopted by the management as part of the company-wide budget planning process taking into account the current business situation and approved by the Supervisory Board. For periods beyond the budget planning, an annual growth rate is determined and applied to forecast future cash flows in the detailed planning period of a further four years. The growth rates used are based on the one hand on management's assumptions regarding the expected recovery of business development in brick-and-mortar retail from the implications of COVID-19, and on the other hand on external sources of information. The planning of capital expenditures and current net operating assets is based on budget planning data and updated on assumptions and estimates made by management. The cost of capital after taxes determined using a WACC model for the HUGO BOSS Group, which is used to discount all cash flow forecasts in local currency, includes both standard market and country-specific risk premiums (country risk premium) and a premium for currency risk (inflation risk premium). The cost of capital after taxes used as of December 31, 2021 is based on a risk-free interest rate of 0.1% (2020: 0.0%) and a market risk premium of 7.5% (2020: 7.0%).

The following table shows the carrying amounts and the main assumptions used to determine the value in use or fair value less costs to sell for the **goodwill** and intangible assets with indefinite useful lives allocated to the respective groups of CGUs. Goodwill arising on the acquisition of monobrand stores from former franchise partners in previous fiscal years is allocated to the respective sales units (group of CGUs). Production units continue to be regarded as joint assets. The joint assets are included in the impairment test of the sales units. **Intangible assets with indefinite useful lives** are aggregated at the level of the respective country. The impairment test for trademark rights for the use of brand names in the markets of the USA and Italy is performed at country level.

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	Intangible assets with indefinite useful life	WACC	Long-term growth rate
2021				
DOS within the sales unit France	1,758	0	8.2%	3.0%
Sales unit Macau	6,282	0	8.4%	3.0%
Sales unit South Korea	7,200	0	8.7%	3.0%
Sales unit China	9,825	0	11.3%	3.0%
Sales unit USA & Canada	3,456	13,615	8.0%	3.0%
Sales unit Italy	436	1,377	9.0%	3.0%
Sales unit Dubai	11,135	0	9.2%	3.0%
Other sales units	15,865			
Total	55,957	14,992	8.0–11.3%	3.0%
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 U.S.A. & 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%	3.00%

The recoverable amount of each group of CGUs is determined by value in use using cash flow projections based on the medium-term financial plans approved by the Managing Board and the Supervisory Board. Restructuring measures to which the Group has not yet committed and investments not related to current operations that increase the profitability of the tested group of CGUs are not taken into account. Following the detailed planning phase, country-specific sales growth rates are used, which are based on nominal retail growth.

For the goodwill of the sales unit in Australia in the Asia/Pacific segment, there was an impairment loss of EUR 3,788 thousand (2020: EUR 4,100 thousand), which was recognized in profit or loss under "Selling and distribution expenses. As in the previous year, there was no impairment loss for the other goodwill.

For the trademarks with indefinite useful lives, in addition to determining the value in use at the level of the respective CGU, the recoverable amount is determined in a second step on the basis of the fair value less costs to sell at Level 3 of the measurement hierarchy under IFRS 13. This is based on a sales forecast for the respective market adopted by management as part of the budget process and approved by the supervisory

board. In addition, country-specific sales growth rates are used. Following the five-year detailed planning period, the planned sales are extrapolated using a growth rate corresponding to the long-term nominal retail growth of the respective markets.

In fiscal years 2021 and 2020, no impairment loss was incurred for the trademark rights with indefinite useful lives.

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 for the aforementioned assets:

- Sustainable nominal retail growth
- Market rent levels
- Discount rates
- Expected useful life of DOS

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 2023 onwards, and in the perpetual annuity. The changed estimate of growth rates compared to the previous year is primarily based on the continued recovery of the business development of HUGO BOSS in the current fiscal year. In fiscal year 2020, assumptions were made based on externally studies on the recovery of the global apparel industry from the impact of the COVID-19 pandemic and were used in particular to derive the country-specific growth rates in the years 2021 to 2023.

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 great care has been taken in the derivation of estimates and assumptions relating in particular to the economic consequences of COVID-19, actual results may differ, particularly in view of the considerable uncertainties that continue to surround COVID-19. Changes in the assumptions made may therefore lead to further impairment losses or reversals of impairment losses in the future.

When testing for the impairment of the rights of use, assumptions are made for the market rent level 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 duration 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, the management has determined sensitivities with regard to these two critical valuation parameters.

With regard to the growth rates, the management considered an acceleration (adjustment of +5%) as well as deceleration (adjustment of -5%) of the sales development in the 2022 business year to be possible. An acceleration/increase in growth rates of 5% would result in reversals of impairment losses for property, plant and equipment and right-of-use assets in the amount of EUR 3,431 thousand. A slowdown/reduction in growth rates of 5% would result in an additional impairment requirement of EUR 3,644 thousand.

With regard to the market rent level, management assumes that an adjustment of the market conditions both downward and upward by 5% in each case is conceivable. In the event of a reduction in the average market rental level by 5%, additional impairment losses on rights of use amounting to EUR 6,533 thousand would result. In the event of a 5% increase in the market rental level, impairment losses on right of use assets of EUR 250 thousand would be reversed.

In order to review the determined values in use of goodwill, sensitivities were determined as of December 31, 2021 with regard to critical valuation parameters such as the discount rates used as well as the growth rates used to derive the cash flow forecasts. The management of HUGO BOSS considers a reduction of the sales development in 2022 as well as an average relative increase of the discount rate by 10.0% each to be possible. Furthermore, for the groups of CGUs to which goodwill is allocated, a reduction of 10.0% in the relative growth rates of sales to extrapolate the cash flow forecasts following the detailed planning period is considered possible.

If the discount rate were increased by 10.0%, the values in use of all goodwill would exceed the respective carrying amounts which are not completely impaired, as was already the case in the previous year.

If the sales development in 2022 were to decrease by 10.0%, the values in use of all goodwill, with the exception of the CGU in Thailand and the completely impaired goodwill of the CGU Australia, would exceed the respective carrying amounts, as in the previous year. In the case of the goodwill for the CGU in Thailand, a 10.0% reduction in the growth rate would result in an impairment loss of EUR 469 thousand, assuming that costs remain unchanged.

If the growth rate of sales were to be reduced by 10.0% in order to extrapolate the cash flow forecasts following the detailed planning period, the value in use of all goodwill would exceed the carrying amount, as was already the case in the previous year.

11 | Financial and other assets

(in EUR thousand)

	2021			2020		
		Thereof current	Thereof non-current		Thereof current	Thereof non-current
Financial assets	47,035	27,465	19,570	42,183	20,717	21,466
Tax refund claims and prepayments	17,739	17,739	0	12,860	12,860	0
Other assets	94,457	93,332	1,125	87,753	87,125	628
Other financial assets	0	0	0	10	0	10
Total	159,231	138,536	20,695	142,806	120,702	22,104

Financial assets include positive market values of currency hedges amounting to EUR 1,295 thousand (2020: EUR 953 thousand) as well as rent deposits for the Group's own retail stores of EUR 13,383 thousand (2020: EUR 12,082 thousand). Financial assets also include receivables from credit card companies amounting to EUR 18,811 thousand (2020: EUR 13,483 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 26,759 thousand (2020: EUR 19,384 thousand), reimbursement claims from returns in the amount of EUR 24,216 thousand (2020: EUR 29,803 thousand) and receivables from supplier arrangements in the amount of EUR 442 thousand (2020: EUR 1,008 thousand).

In 2020, other financial assets included the shares in the company under joint control, which is accounted for using the equity method. The carrying amount of the shares in GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG, whose activity is the leasing of buildings and the associated land, was EUR 10 thousand. The maximum risk of default corresponded to this capital contribution. In the context of existing real estate leasing contracts, there was a change in consolidation from an at-equity company to a fully consolidated company in fiscal year 2021 due to a change in the measurement of the existing purchase option for the respective property.

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
Non-current assets	22,240
Current assets	114
Liabilities	23,405
Sales	1,725
Depreciation and amortization	(1,077)
Other interest and similar income	0
Interest and similar expenses	(525)
Net profit (loss)	(14)

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 2021, there is no company accounted for using the equity method.

12 | Inventories

(in EUR thousand)

	2021	2020
Finished goods and merchandise	563,773	581,227
Raw materials and supplies	35,472	31,998
Work in progress	6,309	5,233
Total	605,554	618,458

The carrying amount of inventories carried at net realizable value is EUR 108,367 thousand (2020: EUR 148,871 thousand). Impairment gains on inventories and the reversal of write-downs resulted in net income of EUR 2,026 thousand (2020: net expenses of EUR 59,272 thousand). This is included in the cost of sales.

In the course of the COVID-19 pandemic and the related temporary store closures, there were inventory risks as some merchandise had to be stored for longer than originally planned, which was accompanied by a 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.

13 | Trade receivables

(in EUR thousand)

	2021	2020
Trade receivables, gross	250,289	189,799
Accumulated allowance	(15,762)	(17,798)
Trade receivables, net	234,527	172,001

As at December 31, 2021, the aging analysis of trade receivables is as follows:

(in EUR thousand)

	2021	2020
Trade receivables, net	234,527	172,001
Thereof neither overdue nor impaired	180,225	138,195
Thereof overdue, but not impaired	47,970	22,411
≤30 days	33,603	17,270
31 to 60 days	10,193	2,916
61 to 90 days	4,174	2,225
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	6,333	11,395

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)

	2021	2020
Allowances for doubtful accounts as of January 1	17,798	9,604
Additions	6,799	11,894
Use	(2,006)	(1,104)
Release	(7,253)	(2,398)
Currency differences	423	(198)
Allowances for doubtful accounts as of December 31	15,762	17,798

In the year 2021, an expected credit loss of EUR 141,415 thousand (2020 : EUR 98,432 thousand) was recognised in accordance with IFRS 9 of basis of trade receivable that are not due. This amounted to EUR 2,225 thousand as at 31 December 2021 (2020: EUR 2,278 thousand).

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

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 and to follow uniform rules, for example with regard to credit assessment or the handling of doubtful receivables. This permits the recognition of risk-adjusted valuation allowances, especially during the COVID-19 Pandemic.

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.

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. Receivables from wholesale customers in respect of whose assets insolvency proceedings have been initiated (insofar as the collateral provided is not recoverable) are completely impaired.

As of December 31, 2021, receivables written-off in the amount of EUR 2,744 thousand (2020: EUR 4,043 thousand) were still subject to recovery measures.

The maximum credit risk from trade receivables corresponding to their gross value is EUR 250,289 thousand (2020: EUR 189,799 thousand) as of the reporting date.

14 | Cash and cash equivalents

(in EUR thousand)

	2021	2020
Balances with banks and other cash items	275,540	118,416
Cheques	1,170	1,499
Cash in hand	7,984	5,362
Total	284,694	125,277

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

The fully paid-in share capital of HUGO BOSS AG remains unchanged at EUR 70,400 thousand as of December 31, 2021 and consists of 70,400,000 no-par value registered common shares. The arithmetical nominal value per share is EUR 1.

Authorized capital

By resolution of the Annual General Meeting of 11 May 2021, the Managing Board was authorized until 10 May 2026, with the consent of the Supervisory Board, to increase the share capital by up to EUR 17,600 thousand by issuing up to 17,600,000 new registered no-par value shares against cash and/or non-cash contributions on one or more occasions until May 10, 2026 (authorized capital 2021). The shareholders are generally entitled to a subscription right. However, the Managing Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in full or in part in the cases specified in Article 4 paragraph 4 of the Articles of Association.

Conditional capital

By resolution of the Annual General Meeting of 11 May 2021, the Managing Board was authorized until 10 May 2026, with the consent of the Supervisory Board, to issue bearer or registered convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) with or without maturity restrictions in a total nominal amount of up to EUR 750,000 thousand, once or several times, also simultaneously in different tranches.

In this context, the share capital was conditionally increased by up to EUR 17,600 thousand by issuing up to 17,600,000 new registered no-par value shares (conditional capital 2021). The conditional capital increase will only be carried out to the extent that the holders or creditors make use of conversion/option rights from the bonds or fulfil conversion/option obligations or shares are tendered and no other forms of fulfilment are used for servicing. The Managing Board did not make use of the authorization in fiscal year 2021.

Capital Management

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.

To increase the value of the Company, HUGO BOSS focuses on maximizing free cash flow over the long term. A permanently positive free cash flow secures the financial independence and solvency of the Group at all times. The main approaches to improving free cash flow are to increase sales and profit from operating activities (EBIT). In addition, consistent management of trade net working capital and value-oriented investment activities support the development of free cash flow. In order to maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, repay capital to shareholders or issue new shares.

In fiscal year 2021, HUGO BOSS has concluded a revolving syndicated loan in the amount of EUR 600 million, with the majority of the loan being used to secure additional financial leeway for the successful implementation of "CLAIM 5". The credit can be used for general corporate purposes, guarantees and the supplier financing programme successfully established in 2020. The loan has a term of three years and includes two options to extend the term by one year each and an option to increase the loan volume by up to EUR 300 million. The syndicated loan agreement contains a customary agreement to comply with the financial strength covenant, which is defined as the ratio of net debt (including lease liabilities in accordance with IFRS 16) to operating income (EBITDA). The interest conditions of the loan are also linked to the fulfilment of firmly defined sustainability criteria. At the end of the financial year 2021, the syndicated loan – with the exception of utilisations through guarantee credits in the amount of EUR 18 million and through the supplier financing programme in the amount of EUR 63 million – was not utilised (31 December 2020: utilisation of EUR 152 million of the loan valid at that time; of which EUR 105 million for general corporate purposes, EUR 17 million for guarantees and EUR 30 million for the supplier financing programme).

The former syndicated loan of HUGO BOSS in the amount of EUR 633 million was consequently repaid in November 2021. For this loan, HUGO BOSS had agreed a covenant suspension until June 30, 2021 with its financing banks in 2020 against the backdrop of the COVID 19 pandemic. On July 1, 2021, the relevant agreement was reinstated. Due to the extremely positive development of sales and earnings in the course of the 2021 financial year, the covenant amount to be complied with was significantly undercut at that time and also at all times in the course of the following year.

(in EUR thousand)

	2021	2020
Liabilities due to banks incl. lease liabilities	912,312	266,599 ¹
Cash and cash equivalents	(284,694)	(125,277)
Net financial liabilities	627,618	141,322
Operating profit (EBITDA)	567,777	(21,024)
Total leverage	1.11	(6.72)

¹ Prior year figures excl. lease liabilities

Own Shares

The number of own shares amounts to 1,383,833 (2020: 1,383,833). The overall percentage amounts to 2.0% of subscribed capital (2020: 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 view of the strong operational and financial performance in 2021, the very solid financial position and management's confidence in the successful execution of its "CLAIM 5" growth strategy, HUGO BOSS is planning to resume dividend payments. Consequently, the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 24, 2022, a dividend of EUR 0.70 per share for fiscal year 2021 (2020: EUR 0.04). The proposal is equivalent to a payout ratio of 35% of the Group's net income attributable to shareholders in fiscal year 2021. Assuming that the shareholders approve the proposal, the dividend will be paid out on May 30, 2022. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 48 million (2020: EUR 3 million).

Due to the uncertainties in connection with the pandemic, only the statutory minimum dividend of EUR 0.04 per share was paid out for the 2020 financial year (dividend 2020 for the year 2019: EUR 0.04 per share). This corresponded to a total dividend payment of EUR 2,761 thousand fiscal year 2020.

17 | Provisions

(in EUR thousand)

	2021	2020
Provisions for pensions	46,316	54,342
Other non-current provisions	55,530	36,874
Non-current provisions	101,846	91,216
Current provisions¹	99,093	79,439
Total	200,939	170,655

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

Other provisions of EUR 154,623 thousand (2020: EUR 116,313 thousand) comprise current provisions of EUR 99,093 thousand (2020: EUR 79,439 thousand) and other non-current provisions of EUR 55,530 thousand (2020: EUR 36,874 thousand). The risk-free interest rates used to discount other non-current provisions range between 0.29% and 4.5% (2020: between 0.1% and 4.5%) depending on the term and currency zone in question. In fiscal year 2021, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2021	Changes in currency and the consolidated group	Compounding	Addition	Use	Release	Balance on Dec. 31, 2021
Provisions for personnel expenses	61,668	1,348	41	73,812	(42,343)	(4,389)	90,137
Provisions for rebuild obligations	18,485	1,020	95	4,931	(1,377)	(247)	22,907
Costs of litigation, pending legal disputes	6,647	500	0	7,599	(2,908)	(25)	11,813
Other provisions	29,513	386	0	15,690	(12,197)	(3,626)	29,766
Total	116,313	3,254	136	102,032	(58,825)	(8,287)	154,623

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 34,025 thousand (2020: EUR 17,660 thousand) of the personnel provisions will be paid out after more than twelve months.

Provisions for deconstruction 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 right. 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, 2021, there are four tranches in the LTI Program:

- 2018–2021 LTI-Bonus Plan (issued on January 1, 2018)
- 2019–2022 LTI-Bonus Plan (issued on January 1, 2019)
- 2020–2023 LTI-Bonus Plan (issued on January 1, 2020)
- 2021–2024 LTI-Bonus Plan (issued on January 1, 2021)

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, 2021, and the remaining terms of each plan are displayed in the following table:

LTI Tranche	Number of virtual shares (Initial Grant)	Remaining terms
2018–2021	104,449	0 years
2019–2022	136,893	1 year
2020–2023	225,004	2 years
2021–2024	523,454	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) target achievement 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 qualifying period.

A detailed explanation of the individual target components can be found in the compensation report as part of this annual report.

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 2021, 2022, 2023 and 2024 respectively. Accordingly, the LTI-Tranche 2018–2021 will be paid out in the fiscal year 2022.

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 2021	Fair values per share option 2020
2018–2021	EUR 32.42	between EUR 17.03 and 19.35
2019–2022	EUR 42.38	between EUR 14.11 and 18.22
2020–2023	between EUR 67.17 and 67.51	between EUR 15.18 and 22.31
2021–2024	EUR 55.62	–

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

	2021	2020
HUGO BOSS share price at reporting date in EUR	52.44	27.29
Expected dividend return in %	2.00	4.00
Expected volatility in %	35.00	35.00
Risk free interest rate in % (LTI tranche 2018–2021)	n/a	(0.73)
Risk free interest rate in % (LTI tranche 2019–2022)	(0.76)	(0.75)
Risk free interest rate in % (LTI tranche 2020–2023)	(0.74)	(0.77)
Risk free interest rate in % (LTI tranche 2021–2024)	(0.70)	–

As of December 31, 2021, four tranches totalling EUR 23,168 thousand (2020: EUR 6,183 thousand) were recognized as liabilities. Therefore, a total expenses for shared-based payment pursuant to IFRS 2 of EUR 16,985 thousand (2020: income of EUR 4,288 thousand) was recognized in personnel expenses in fiscal year 2021.

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 base salary under the service agreement. For Managing 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 Managing 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 Managing Board.

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	
	2021	2020	2021	2020	2021	2020
Germany	110,302	119,806	94,535	99,080	15,767	20,725
Switzerland	65,869	63,189	44,927	40,189	20,942	23,000
Others ¹	9,607	10,617	0	0	9,607	10,617
Total	185,778	193,612	139,462	139,269	46,316	54,342

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".

The fair value of plan assets includes assets held through reinsurance policies in Germany and assets held exclusively by insurance companies in Switzerland.

In the fiscal year 2021, the funding status of benefit obligations pursuant to IAS 19 was as follows:

(in EUR thousand)

	2021	2020
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	193,612	190,695
Currency differences	493	(1,523)
Service cost	5,495	4,612
Interest expense	1,917	2,273
Payments from settlements	(12)	(6,689)
Remeasurement of the carrying amount		
Actuarial gains/losses due to changes in financial assumptions	(6,530)	7,240
Actuarial gains/losses due to changes in demographic assumptions	(3,773)	0
Actuarial gains/losses due to experience adjustments	(9,317)	(740)
Benefits paid	(3,609)	(4,966)
Contribution by participants of the plan	4,000	3,507
Past service cost	3,502	(797)
Present value of benefit obligation on December 31	185,778	193,612
Changes in plan assets		
Fair value of plan assets on January 1	139,270	136,311
Currency differences	1,855	187
Expected return on plan assets	1,135	1,437
Expected return on plan assets (without interest income)	(8,491)	2,901
Payments from settlements	0	(6,673)
Benefits paid	(2,702)	(3,655)
Contribution by the employer	4,395	5,255
Contribution by participants of the plan	4,000	3,507
Fair value of plan assets on December 31	139,462	139,270
Funding status of the benefits funded by plan assets	46,316	54,342

As of December 31, 2021, EUR 108,044 thousand (2020: EUR 117,432 thousand) of the present value of the defined benefit obligation is financed through employer's pension liability insurance and EUR 65,869 thousand (2020: EUR 63,189 thousand) through foundation assets; while the remaining EUR 11,865 thousand (2020: EUR 12,991 thousand) was unfunded.

Actuarial assumptions underlying the calculation of the present value of the pension obligations as of December 31, 2021

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	2021	2020
Discount rate		
Germany	1.40%	1.10%
Switzerland	0.35%	0.15%
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 2020 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, 2021.

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	2021	2020
Discount rate December 31		
Increase of 75 basis points	(18,969)	(21,361)
Decline of 75 basis points	23,111	25,972
Future pension increases December 31		
Increase of 25 basis points	5,567	5,845
Decline of 25 basis points	(3,561)	(3,938)
Future salary increases December 31		
Increase of 50 basis points	983	1,146
Decline of 50 basis points	(985)	(1,081)
Life expectancy December 31		
Increase of 10 percent	(6,062)	(6,250)
Decline of 10 percent	6,071	6,375

Breakdown of the pension expenses in the period

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

(in EUR thousand)

	2021	2020
Current service costs	5,495	4,612
Past service costs	3,502	(797)
Net interest costs	781	836
Recognized pension expenses in the comprehensive statement of income	9,778	4,651
Expense from plan assets (without interest effects)	8,491	(2,901)
Recognized actuarial (gains)/losses	(19,620)	6,500
Recognized rereasurement of the carrying amount in the comprehensive statement of income	(11,129)	3,599

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 4,638 thousand (2020: EUR 4,935 thousand).

Duration

The duration of the benefit-based plans on December 31, 2021, is 17 years for Germany (2020: 18 years) and 19 years for Switzerland (2020: 20 years).

Defined contribution plans

Employer contributions to contribution-based plans totaled EUR 21,033 thousand in the past fiscal year (2020: EUR 19,754 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)

	2021	With remaining term up to 1 year	2020	With remaining term up to 1 year
Financial liabilities due to banks	117,727	14,525	266,599	71,128
Lease liabilities	794,585	193,429	862,276	212,876
Other financial liabilities	17,743	17,500	14,039	13,457
thereof: non IFRS 16 relevant rental contracts for own retail	13,416	13,416	10,211	10,211
Total	930,055	225,454	1,142,914	297,461

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 4,327 thousand (2020: EUR 3,828 thousand).

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

	2021		2020	
Remaining term	Weighted average interest rate	Carrying amount in EUR thous.	Weighted average interest rate	Carrying amount in EUR thous.
Liabilities due to banks				
Up to 1 year	3.16%	14,525	0.85%	71,128
1 to 5 years	4.92%	103,201	1.52%	156,572
More than 5 years	0.00%	0	3.97%	38,899
Other financial liabilities				
Up to 1 year	0.10%	17,500	0.16%	13,457
1 to 5 years	5.77%	243	5.77%	582
More than 5 years	0.00%	0	0.0%	0

In fiscal year 2021, HUGO BOSS concluded a revolving syndicated loan in the amount of EUR 600 million, thus securing additional financial headroom for the successful execution of the Group strategy "CLAIM 5". The loan has a term of three years and includes two options to extend the term by one year each as well as an option to increase the loan volume by up to EUR 300 million. At the end of the financial year 2021, the syndicated loan with the exception of utilisations through guarantee facilities amounting to EUR 18 million and through the supplier financing programme in the amount of EUR 63 million – was not utilised (December 31, 2020: utilisation of EUR 152 million of the loan in force at that time; of which EUR 105 million for general corporate purposes, EUR 17 million for guarantees and EUR 30 million for the supplier financing programme).

The former syndicated loan of HUGO BOSS of EUR 633 million was repaid in fiscal year 2021 (2020: utilization of EUR 105 million of the former loan). The additional loan commitments of EUR 275 million secured for the fiscal year 2020 were not utilized.

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)

2021	Expected cash flows				
	Carrying amount	Total cash flows	<1 year	1–5 years	>5 years
Non-derivative financial liabilities					
Financial liabilities due to banks	117,727	131,742	31,148	100,594	0
Lease liabilities	794,585	841,497	205,354	471,782	164,361
Other financial liabilities	13,416	13,416	13,416	0	0
Derivative financial liabilities					
Undesignated derivatives	952	952	709	243	0
Derivatives subject to hedge accounting	3,375	3,375	3,375	0	0
Total	930,055	990,982	254,002	572,619	164,361
2020					
Non-derivative financial liabilities					
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

21 | Other liabilities

(in EUR thousand)

	2021			2020		
	Total	Current	Non-current	Total	Current	Non-current
Other liabilities ¹	161,420	160,524	896	143,683	142,066	1,617
thereof indirect taxes	63,809	63,809	0	36,859	36,859	0
thereof social security, accrued vacation, wages and salaries	27,485	27,485	0	32,486	32,486	0
thereof right of return ¹	37,814	37,814	0	38,419	38,419	0

¹ Amounts shown differ from those reported in the previous year due to reclassifications of rights of return from provisions to other liabilities to bring them in line with standard industry practice

The obligations arising from rights of return are calculated on the basis of historical return rates. In the course of the COVID-19 pandemic, individual return agreements were concluded with wholesale partners in the current year as in the previous year.

22 | Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR thousand)

Assets	IFRS 9 category	2021		2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	AC	284,694	284,694	125,277	125,277
Trade receivables	AC	234,527	234,527	172,001	172,001
Other financial assets		47,036	47,036	42,193	42,193
Thereof:					
Available-for-sale investments	FVTPL	0	0	10	10
Undesignated derivatives	FVTPL	1,295	1,295	951	951
Derivatives subject to hedge accounting	Hedge Accounting	0	0	2	2
Other financial assets	AC	45,741	45,741	41,230	41,230
Liabilities					
Financial liabilities due to banks	AC	117,727	120,015	266,599	270,067
Trade and other payables	AC	464,408	464,408	299,237	299,237
thereof Reverse Factoring	AC	62,857	62,857	28,939	28,939
Lease liabilities	n.a.	794,585	794,585	862,276	862,276
Other financial liabilities		17,743	17,743	14,039	14,039
Thereof:					
Undesignated derivatives	FVTPL	952	952	1,853	1,853
Derivatives subject to hedge accounting	Hedge Accounting	3,375	3,375	1,975	1,975
Other financial liabilities	AC	13,416	13,416	10,211	10,211

HUGO BOSS has a "Supplier Financing Programme" 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 of the supplier remains unaffected on the basis of an unchanged acknowledgement of debt and is shown as a trade payable. In this context, HUGO BOSS pays the full invoice amount when due according to the invoice. The credit institution pays the invoice amount to the supplier less a discount. Since the reverse factoring agreements do not provide the Group with an additional financing option and the amount to be paid does not change, HUGO BOSS is of the opinion that the liabilities from trade payables under the reverse factoring program should not be reclassified as financial liabilities. It is a judgement of HUGO BOSS to include the amounts from the reverse factoring program in working capital. The total reverse factoring volume as of the reporting date amounts to EUR 75,000 thousand (2020: EUR 60,000 thousand).

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

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

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

As of December 31, 2021, 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 at December 31, 2021, 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 2021, 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 1,295 thousand (2020: EUR 953 thousand) and liabilities to EUR 4,327 thousand (2020: EUR 3,828 thousand). The fair value of financial instruments carried at amortized cost in the statement of financial position was also 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	2021	2020
Derivatives (FVTPL)	0	(7,462)	0	0	4,416	(3,046)	9,021
Financial Assets Measured at Amortized Cost (AC)	1,869	0	(1,003)	(1,699)	0	(833)	(20,358)
Financial Liabilities Measured at Amortized Cost (AC)	(3,677)	0	1700	0	0	(1,977)	(8,064)

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	From Con- solidation	Changes in portfolio	Change in the maturity	Currency translation effects	Gross value Dec. 31
2021							
Liabilities arising from financing activities							
Short-term financial liabilities due to banks	71,128	(177,027)	1,257	0	119,124	42	14,524
Long-term financial liabilities due to banks	195,471	0	26,915	0	(119,124)	(60)	103,202
Lease liabilities	862,277	(210,749)	0	111,915	0	31,142	794,585
Total	1,128,876	(387,776)	28,172	111,915	0	31,124	912,311
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

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
2021						
Trade receivables	245,865	(11,338)	234,527	0	0	234,527
Other financial assets	47,036	0	47,036	(763)	0	46,273
Thereof derivatives	1,295	0	1,295	(763)	0	532
Total	292,901	(11,338)	281,563	(763)	0	280,800
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

(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
2021						
Trade payables	500,547	(36,139)	464,408	0	0	464,408
Other financial liabilities	17,743	0	17,743	(763)	0	16,980
Thereof derivatives	4,327	0	4,327	(763)	0	3,564
Total	518,290	(36,139)	482,151	(763)	0	481,388
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

The liabilities of EUR 11.338 thousand (2020: EUR 17,892 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 36,139 thousand (2020: EUR 25,373 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)

	2021		2020	
	Nominal values	Fair values	Nominal values	Fair values
Assets				
Currency hedging contracts	126,117	1,295	72,464	953
Liabilities				
Currency hedging contracts	(257,027)	(3,770)	(156,510)	(2,874)
Interest hedging contracts	(5,675)	(557)	(6,570)	(954)
Total	(136,585)	(3,032)	(90,616)	(2,875)

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 343 thousand (2020: EUR (902) 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 (3,375) thousand were recognized in other comprehensive income as of December 31, 2021 (2020: EUR (1,973) thousand). Of the amount recognized in other comprehensive income, losses of EUR 2,398 thousand were reclassified to operating earnings in the fiscal year 2021 (2020: losses of EUR 978 thousand).

Interest and currency risk hedges

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

The Group has production facilities at HUGO BOSS Textile Industry Ltd. in Turkey, among other locations. The functional currency of this subsidiary is the euro; however, certain local payments are made in Turkish lira. This results in a transaction risk, both from the local and Group perspective, 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.

At present, the impact of climate-related matters is not material to the Group's financial statements.

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

Maturity 2022	Jan.–Mar.	Apr.–Jun.	Jul.–Sept.	Oct.–Dec.	Total
Nominal amount in TRY thousand	29,245	38,105	38,079	37,110	142,540
Average hedged rate	11.233	11.694	12.180	12.677	11.985

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, 2021:

(in EUR thousand)

	2021	2020
	Derivatives subject to hedge accounting	Derivatives subject to hedge accounting
Balance sheet item		
Carrying amount assets	–	2
Carrying amount liabilities	(3,375)	(1,975)
Change in fair value of hedges held as of the reporting date	(3,375)	(1,973)
Nominal volume	11,917	16,771

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

(in EUR thousand)

	2021	2020
Change in fair value of the underlying transaction	3,375	1,973
Cash flow hedge reserve from existing hedges	(3,375)	(1,973)
Amount reclassified from OCI due to maturity of underlying transaction	(2,398)	(978)

As of the reporting date, EUR 5,675 thousand (2020: EUR 6,570 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, please 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 margin of the sourcing 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 from property, plant and equipment and intangible assets 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 sourcing, 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
2021					
Sales	1,742,458	543,425	422,974	77,253	2,786,110
Segment profit	346,782	61,336	73,728	62,637	544,483
In % of sales	19.9	11.3	17.4	81.1	19.5
Segment assets	260,476	150,621	177,760	26,073	614,930
Capital expenditure	31,277	13,839	31,413	9	76,538
Impairments	(16,670)	(5,814)	(9,456)	0	(31,940)
Thereof property, plant and equipment	(10,234)	(4,372)	(6,640)	0	(21,246)
Thereof intangible assets	(6)	(140)	(3,788)	0	(3,934)
Thereof rights of Use	(8,531)	(1,852)	(193)	0	(10,576)
Thereof write-up	2,101	550	1,165	0	3,816
Depreciation/amortization	(142,154)	(46,461)	(68,840)	0	(257,455)
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)

¹ Including Middle East/Africa.

Reconciliation

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

Sales

(in EUR thousand)

	2021	2020
Sales – operating segments	2,786,110	1,945,843
Corporate units	0	0
Consolidation	0	0
Total	2,786,110	1,945,843

Operating income

(in EUR thousand)

	2021	2020
Segment profit (EBIT) – operating segments	544,483	75,696
Corporate units	(316,369)	(310,907)
Consolidation	(115)	(407)
Operating income (EBIT) operating segments	228,000	(235,618)
Net interest income/expenses	(20,688)	(26,168)
Other financial items	(10,437)	(11,450)
Earnings before taxes HUGO BOSS	196,874	(273,236)

Segment assets

(in EUR thousand)

	2021	2020
Segment assets – operating segments	614,930	544,871
Corporate units	225,151	245,588
Consolidation	0	0
Current tax receivables	14,655	18,484
Current financial assets	27,465	20,717
Other current assets	111,071	99,985
Cash and cash equivalents	284,694	125,277
Current assets HUGO BOSS	1,277,966	1,054,922
Non-current assets	1,457,556	1,515,570
Total assets HUGO BOSS	2,735,522	2,570,492

Capital expenditures

(in EUR thousand)

	2021	2020 ¹
Capital expenditure – operating segments	76,538	178,024
Corporate units	27,959	42,615
Consolidation	0	0
Total	104,497	220,639

¹ Prior year figures incl. right-of-Use assets

Impairments/Write-ups

(in EUR thousand)

	2021	2020
Impairment – operating segments	31,940	110,067
Corporate units	0	0
Consolidation	0	0
Total	31,940	110,067

Depreciation/amortization

(in EUR thousand)

	2021	2020
Depreciation/amortization – operating segments	257,455	304,141
Corporate units	49,888	51,119
Consolidation	0	0
Total	307,343	355,260

Geographic information

(in EUR thousand)

	Third party sales		Non-current assets ¹	
	2021	2020	2021	2020
Germany	365,521.0	276,081	411,582	416,760
Other European markets	1,454,190	1,019,408	530,957	547,538
U.S.A.	382,145	217,096	151,508	168,555
Other North and Latin American markets	161,280	90,431	31,019	32,322
China	258,328	211,360	54,358	46,263
Other Asian markets	164,646	131,467	98,398	111,455
Total	2,786,110	1,945,843	1,277,822	1,322,893

¹ Non-current assets are allocated to the country in which the company's registered office is located, irrespective of the segment structure.

25 | Related party disclosures

In the reporting period from January 1 to December 31, 2021, the following transactions requiring disclosure were conducted with related parties:

Entities under joint control

In fiscal year 2021, GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG, which was previously accounted for using the equity method, was included in the Group. The company is a structured leasing property company in which HUGO BOSS AG holds an interest as limited partner. After expiration of the lease term, there is a purchase right for the shares in the general partner of Gretana. In addition, the existing real estate leasing agreements include a purchase right for the property, which corresponds to the expected fair value of the property at the end of the lease as determined by an expert. Changes in the value-influencing factors of standard land value and property interest rate in 2021 resulted in the currently determined fair value exceeding the contractually agreed value for the purchase of the property. The reassessment led to the assessment that the purchase option is advantageous and that HUGO BOSS thus has the relevant decision-making powers over the Company's relevant activity – the utilization of the property – and can thus determine the amount of the variable returns. In fiscal year 2021, rental payments to entities under joint control were made in the amount of EUR 2,436 thousand (2020: EUR 11,905 thousand).

In fiscal year 2020, rental payments of EUR 2,436 thousand (2019: EUR 11,905 thousand) were made to jointly controlled entities under an existing property lease agreement. There were no outstanding receivables and liabilities from these business relationships as at 31 December 2020. The non-cancellable remaining term of the lease agreement was seven years at GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG.

Related parties

Related parties comprise members of the Managing Board and Supervisory Board.

Compensation for the Managing Board

The total compensation of the Managing Board amounts to EUR 16,221 thousand (2020: EUR 5,659 thousand). Expenses for short-term benefits totaled EUR 9,344 thousand in 2021 (2020: EUR 3,899 thousand). A service cost of EUR 1,563 thousand (2020: EUR 1,516 thousand) was incurred for company pension plans in 2021. For share-based compensation, the expense in 2021 amounted to EUR 5,294 thousand (2020: EUR 245 thousand).

The total compensation of the members of the Managing Board pursuant to Section 314 (1) no. 6 a) sentences 1 to 4 of the German Commercial Code (HGB) amounted to EUR 14,554 thousand in fiscal year 2021 (2020: EUR 5,402 thousand). Of this amount, EUR 3,888 thousand related to basic compensation including fringe benefits (2020: EUR 2,294 thousand). Special compensation of EUR 700 thousand (2020: EUR 200 thousand) was granted in the fiscal year. An amount of EUR 4,176 thousand (2020: EUR 1,232 thousand) is attributable to the "Short Term Incentive" (STI) agreed for fiscal year 2021. An amount of EUR 5,709 thousand is attributable to the "Long Term Incentive" (LTI) 2021–2024, resulting from 187,910 subscription rights granted in 2021.

In addition, no loans were granted to members of the Managing Board in fiscal year 2021, nor were any contingent liabilities entered into in favor of these persons. Members of the Managing Board make purchases at HUGO BOSS at reduced prices as part of their fringe benefits in kind granted as part of their salary and for their personal needs.

Former members of the Managing Board and their surviving dependents received total remuneration of EUR 2,260 thousand in 2021 (2020: EUR 3,502 thousand). This includes compensation due to termination of employment in the amount of EUR 1,861 thousand (2020: EUR 3,645 thousand).

Pension obligations for former members of the Managing Board of and their surviving dependents amount to EUR 50,152 thousand (2020: EUR 52,579 thousand). The corresponding plan assets in the form of reinsurance amount to EUR 34,915 thousand (2020: EUR 35,734 thousand).

Compensation of the Supervisory Board

The Supervisory Board received compensation for its activities in 2020 amounting to EUR 1,204 thousand. For fiscal year 2021, total compensation is expected to come to EUR 1,790 thousand.

Other related party disclosures

The members of the Managing Board and Supervisory Board together held slightly more than 1% (2020: circa or less than 1%) of the shares issued by HUGO BOSS AG at the end of fiscal year 2021.

Prior to Daniel Grieder assuming his duties, a so called CEO Investment Opportunity was agreed between Daniel Grieder and the Marzotto family, the aim of which is to provide an incentive for a substantial and sustainable increase in the share price of HUGO BOSS. This is classified as compensation by a third party. The Supervisory Board discussed the CEO Investment Opportunity agreement at a plenary meeting and noted it with approval in a resolution. There are no conflicts of interest arising from the CEO Investment Opportunity, which is tied to the share price performance of HUGO BOSS. All shareholders in the Company benefit from a sustainable increase in the share price. In addition, attention is paid to the long-term development of the share price. The CEO investment opportunity has not yet been implemented as of the reporting date.

Beyond this, no significant transactions took place between companies of the HUGO BOSS Group and persons in key positions and their close family members.

26 | Subsequent events

To further advance the innovative strength and sustainability of its brands, HUGO BOSS entered into a long-term, strategic partnership with HeiQ AeonIQ LLC – a fully owned subsidiary of Swiss innovator HeiQ Plc – in early 2022. A core element of this partnership is a USD 5 million equity investment made by HUGO BOSS – the first of its kind as part of the Company's "CLAIM 5" growth strategy. The investment is supplemented by exclusive partnership arrangements of up to USD 4 million, conditional to achieving certain performance milestones. The partnership will focus on the manufacturing of a sustainable, circular, and recyclable cellulosic yarn aimed at substituting synthetic fibers such as polyester and nylon.

Chief Brand Officer Ingo Wilts informed the Supervisory Board of HUGO BOSS AG on February 23, 2022 that he will resign from his office as a member of the Managing Board for personal reasons with effect from February 28, 2022 and will thus leave the Managing Board of HUGO BOSS AG. The duties falling under the responsibility of Ingo Wilts shall be assumed by Chief Executive Officer Daniel Grieder.

At the time this report was prepared on February 24, 2022, it was not possible for the Company to predict with sufficient certainty the extent to which a further escalation of the Ukraine conflict would impact the global economy and industry growth in fiscal year 2022. Even though the global business of HUGO BOSS was not noticeably affected by the geopolitical tensions at the time this report was prepared, it cannot be ruled out in principle that a further escalation of the conflict will have a material negative impact on the net assets, financial position, and results of operations of HUGO BOSS in fiscal year 2022.

Between the end of fiscal year 2021 and the preparation of this report on February 24, 2022, there were no further material macroeconomic, socio-political, industry-related or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets or financial position.

27 | German Corporate Governance Code

In December 2021, 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)

	2021	2020
Audit services	2,129	1,852
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	645	529
Other assurance services	393	294
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	108	92
Tax advisory services	123	27
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	0	0
Other services	6	30
Thereof Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	0	0
Total	2,651	2,203

Services provided by group auditors, beyond those related to the financial statement audit, mainly include voluntary substantive audit of the compensation report and the confirmation of the sustainability report.

Managing Board

Member of the Managing Board

Daniel Grieder

(Herrliberg, Switzerland/Metzingen, Germany)
Spokesperson of the Managing Board
Member of the Managing Board since July 1, 2021

Responsibility

Company Strategy, Business Unit BOSS Menswear, Business Unit BOSS Womenswear, Business Unit HUGO, Global Marketing, Corporate Communication, Licenses Management

Yves Müller

(Hamburg/Metzingen, Germany)
Member of the Managing Board since December 1, 2017

Controlling, Finance and Tax, Internal Audit, Central Services, IT (incl. Information Security), Investor Relations, Risk and Insurance Management, Legal/Compliance/Data Protection, HR

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

Oliver Timm

(Meerbusch, Germany)
Member of the Managing Board since January 1, 2021

Global Retail and Wholesale incl. 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,
Project Lead Rebranding

Supervisory Board

Shareholder representatives

Hermann Waldemer

(Blitzingen, Switzerland)

Management Consultant,
Chairman of the Supervisory Board,
Member since 2015

Iris Epple-Righi

(Munich, Germany)

Management Consultant,
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

Luca Marzotto

(Venice, Italy)

Chief Executive Officer Zignago Holding S.p.A.,
Fossalta di Portogruaro, Italy,
Member since 2010

Christina Rosenberg

(Munich, Germany)

Management consultant innotail,
Munich, Germany,
Member since 2020

Robin J. Stalker

(Oberreichenbach, Germany)

Chartered Accountant,
Member since 2020

Employee representatives

Sinan Piskin

(Metzingen, Germany)

Administrative Employee/Chairman of the Works Council,
HUGO BOSS AG, Metzingen, Germany,
Deputy Chairman of the Supervisory Board,
Member since 2008

Katharina Herzog

(Reutlingen, Germany)

Senior Vice President Group Finance & Tax HUGO BOSS AG,
Metzingen, Germany,
Member since 2020

Anita Kessel

(Metzingen, Germany)

Administrative Employee HUGO BOSS AG,
Metzingen, Germany,
Member since 2015

Tanja Silvana Nitschke

(Inzigkofen, Germany)

President of the local German Metalworkers Union
(IG Metall) Reutlingen-Tübingen,
Reutlingen, Germany,
Member since 2015

Martin Sambeth

(Tiefenbronn, Germany)

Vice President and Treasurer of the local German Metalworkers Union
(IG Metall) Karlsruhe, Karlsruhe, Germany,
Member since 2016

Bernd Simbeck

(Metzingen, Germany)

Administrative Employee HUGO BOSS AG,
Metzingen, Germany,
Member since 2021 (since September 1, 2021)

Antonio Simina

(Metzingen, Germany)

Tailor/ Chairman of the Works Council HUGO BOSS AG,
HUGO BOSS AG, Metzingen, Germany,
Member since/until 1985/2021 (until August 31, 2021)

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 companies¹:

Iris Epple-Righi	Global-e Online Ltd.	Petah-Tikva, Israel
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
	Golmar Italia S.p.A.	Turin, Italy
	Golmar Holding S.p.A.	Turin, 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
	Florence S.r.l.	Milan, Italy
	Forte Forte S.r.l.	Sarcedo, Italy
	Isotex Engineering S.r.l.	Trissino, Italy
	ITACA EQUITY Holding S.p.A.	Milan, Italy
	Multitecno S.r.l.	Fossalta di Portogruaro, Italy
	MySecretCase S.r.l.	Milan, 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

¹ The members are not on executive or supervisory boards at other companies.

² Member holds position of Chairman or Vice 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, February 24, 2022

HUGO BOSS AG
The Managing Board

Daniel Grieder
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 ¹	Registered office	Equity 2021
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands	646,682
HUGO BOSS International B.V.	Amsterdam, Netherlands	551,310
HUGO BOSS Internationale Beteiligungs-GmbH ^{2,5,9}	Metzingen, Germany	524,800
HUGO BOSS USA, Inc. ⁴	New York, NY, USA	144,679
HUGO BOSS UK Limited	London, Great Britain	81,910
HUGO BOSS China Retail Co. Ltd.	Shanghai, China	79,141
Lotus (Shenzhen) Commerce Ltd. Shenzhen, China	Shenzhen, China	62,736
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands	52,547
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland	46,925
HUGO BOSS Benelux B.V. y CIA S.C	Madrid, Spanien	38,227
HUGO BOSS Lotus Hong Kong Ltd.	Hong Kong, China	37,542
HUGO BOSS Canada, Inc.	Toronto, Canada	35,467
HUGO BOSS France SAS	Paris, France	32,821
HUGO BOSS Trade Mark Management GmbH & Co. KG ^{2,9}	Metzingen, Germany	32,624
HUGO BOSS AL FUTTAIM UAE TRADING L.L.C. ⁶	Dubai, U.A.E.	26,804
HUGO BOSS Mexico S.A. de C.V. ²	Mexico-City, Mexico	26,264
HUGO BOSS Textile Industry Ltd ²	Izmir, Turkey	22,926
HUGO BOSS International Markets AG	Zug, Switzerland	15,232
HUGO BOSS Rus LLC ²	Moscow, Russia	13,512
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia	12,363
HUGO BOSS (Schweiz) AG	Zug, Switzerland	11,170
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil	11,079
HUGO BOSS Middle East FZ-LLC	Dubai, U.A.E.	10,859
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy	10,326
HUGO BOSS Scandinavia AB	Stockholm, Sweden	9,805
HUGO BOSS Portugal & Companhia	Lissabon, Portugal	9,006
HUGO BOSS Italia S.p.A.	Milan, Italy	7,405
HUGO BOSS Hong Kong Ltd.	Hong Kong, China	5,475
HUGO BOSS Nordic ApS	Copenhagen, Denmark	5,077
Lotus Concept Trading (Macau) Co. Ltd.	Macau, China	4,953
HUGO BOSS Guangdong Trading Co.Ltd	Guangzhou, China	4,787
HUGO BOSS Ireland Limited	Dublin, Ireland	4,617
HUGO BOSS Belgium BVBA	Diegem, Belgium	4,166
HUGO BOSS Hellas LLC	Athens, Greece	3,741
HUGO BOSS Australia Pty. Ltd.	Preston, Australia	3,683
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG ^{2,9}	Metzingen, Germany	3,518
HUGO BOSS Thailand Ltd	Bangkok, Thailand	2,598
HUGO BOSS Magazacilik Ltd. Sti.	Izmir, Turkey	2,211

(in EUR thousand)

Company ¹	Registered office	Equity 2021
HUGO BOSS Finland OY	Helsinki, Finland	1,928
Salam Stores HUGO BOSS WLL ⁷	Doha, Qatar	1,838
HUGO BOSS Korea Ltd.	Seoul, South Korea	1,685
HUGO BOSS Shoes & Accessories Poland Sp. z o.o.	Radom, Poland	1,355
HUGO BOSS Holding Sourcing S.A.	Coldreria, Switzerland	1,166
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co.Objekt Dieselstrasse KG ^{2,9}	Metzingen, Germany	994
HUGO BOSS South East Asia PTE.LTD.	Singapore	569
HUGO BOSS Mexico Management Services S.A. de C.V. ²	Mexico-City, Mexico	465
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co.Objekt Metzingen KG ^{2,3,8,9}	Grünwald, Germany	379
HUGO BOSS Malaysia SDN. BHD.	Kuala Lumpur, Malaysia	268
HUGO BOSS Dienstleistungs GmbH ²	Metzingen, Germany	123
HUGO BOSS Estonia OÜ	Tallinn, Estonia	69
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany	42
HUGO BOSS Beteiligungsgesellschaft mbH ^{2,5,9}	Metzingen, Germany	(85)
HUGO BOSS Latvia SIA.	Riga, Latvia	(150)
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH ⁹	Metzingen, Germany	(499)
GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co.Objekt D 19 KG	Grünwald, Germany	(543)
HUGO BOSS New Zealand Ltd.	Auckland, New Zealand	(2,291)
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium	(4,915)
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands	(14,561)
HUGO BOSS Japan K.K.	Tokyo, Japan	(25,153)

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%.⁸ Investments with a 94% share in capital and 15% of voting rights.⁹ Subsidiaries that exercise the exemption of Sec. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].