

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2023

General information

HUGO BOSS AG is a publicly listed stock corporation with its registered offices in Holy-Allee 3, 72555 Metzingen, Germany (previously Dieselstrasse 12, 72555 Metzingen, Germany). The Company is registered 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 apparel, shoes, and accessories in the premium segment of the global apparel industry and other lifestyle products.

The consolidated financial statements of HUGO BOSS AG as of December 31, 2023, have been 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 21, 2024.

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.

Financial reporting

The first-time application of the following new standards and amendments to the IASB's standards and interpretations for fiscal year 2023 do not have a material impact on the presentation of the Group's financial position and results of operations. This includes:

- Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendment to IAS 8: Definition of Accounting Estimates
- Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendment to IAS 12: International Tax Reform – Pillar Two Model Rules

- Amendment to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9
- IFRS 17: Insurance Contracts
- Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The following new standards, interpretations and amendments to existing standards, and interpretations issued by the International Accounting Standards Board (IASB), partially endorsed by the EU, and that are effective for fiscal years beginning after January 1, 2024, have not been applied in preparing these consolidated financial statements. These amendments either do not have a material impact on the presentation of the Group's financial position and results of operations or are currently in the process of being reviewed for their application:

- Amendment to IAS 1: Classification of Liabilities as Current or Non-current (IASB effective date: January 1, 2024)
- Amendment to IAS 1: Non-current Liabilities with Covenants (IASB effective date: January 1, 2024)
- Amendment to IAS 7 and IFRS 7: Supplier Finance Arrangements (IASB effective date: January 1, 2024)
- Amendment to IAS 21: Lack of Exchangeability (IASB effective date: January 1, 2025)
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback (IASB effective date: January 1, 2024)

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 impact on the Group's net assets, financial position, and results of operations are not included in the consolidated financial statements. The impact is considered immaterial if the aggregated 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 that are controlled by the parent company are also consolidated. These are entities that have been structured in such 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 the reporting period of January 1 to December 31, 2023, the number of consolidated companies totaled 65 and thus remained unchanged from the consolidated financial statements as of December 31, 2022.

HUGO BOSS AG increased its shares and ownership in the company YOURDATA HB DIGITAL CAMPUS, Unipessoal Lda. based in Porto, Portugal to 42% in fiscal year 2023. Based on the agreements, HUGO BOSS AG has a contractual right to acquire the outstanding shares of the company 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 (the call option) is assessed to be nil and there are no financial liabilities to it as of December 31, 2023. During fiscal year 2023, YOURDATA HB DIGITAL CAMPUS was included in the consolidated financial statements for the first time, as HUGO BOSS AG has the decisive voting rights in the company.

In line with the Company's strategic claim "Organize for Growth," HUGO BOSS implemented an organizational change within the Group in fiscal year 2023, merging HUGO BOSS Trade Mark Management GmbH & Co. KG into HUGO BOSS AG.

Business combinations

When a company obtains control of one or more businesses, 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 are recognized in profit or loss as incurred.

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 the 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 subsidiaries that conduct a significant portion of their sales and sourcing activities and their financing 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 euros.

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.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the time the fair value was determined. Non-monetary items measured at historical acquisition are translated at the rate of the transaction date.

Hyperinflation

Turkey is classified as a hyperinflationary economy and therefore IAS 29 "Financial Reporting in Hyperinflationary Economies" applies to the Group's sales subsidiary in Turkey. Accordingly, the financial statements of HUGO BOSS Magazacilik Ltd. Sti., Izmir, Turkey, which has the Turkish lira as its functional currency, have been restated for the changes in general purchasing power retrospectively since January 1, 2022. The financial statements are based on a historical cost approach. All prior-year amounts have been translated into the Group currency (euro) at the closing rate as of December 31, 2021. Pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates" paragraph 42, comparative amounts of the previous reporting period have not been restated.

Additionally, in order to reflect the changes in general purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity, and comprehensive income at subsidiaries in hyperinflationary economies are restated in terms of a measuring unit applicable at the balance sheet date. These are indexed using a general price index in accordance with IAS 29. However, no restatement is required for non-monetary assets and liabilities, as well as for monetary items, carried at

amounts current at the end of the balance sheet date, such as net realizable value or fair value, as they represent money held, to be received, or to be paid. All items in the statement of profit and loss have to be expressed in terms of the measuring unit applicable at the balance sheet date.

Non-monetary assets that have been restated following IAS 29 are still subject to an impairment assessment in accordance with relevant IFRS.

For translation into the Group currency (euro), all amounts were translated at the closing rate as at December 31, 2023. The application of IAS 29 resulted in a loss on the net monetary position of EUR 1,129 thousand (2022: gain of EUR 730 thousand) in the Group's financial position and result of operations for fiscal year 2023.

The table below details the specific inputs used to apply IAS 29 for fiscal year 2023:

Input parameters	Turkey
Date of IAS 29 initial application	January 1, 2022
Consumer Price Index	Tüketici fiyat endeks rakamları
Index at December 31, 2023	1,859.38
Index at December 31, 2022	1,128.45
Adjustment Factor	1.6477

Furthermore, HUGO BOSS Textile Industry Ltd. in Turkey, comprising the Group's production facility in Izmir, is not affected by IAS 29 as its functional currency is the euro and hence IAS 29 "Financial Reporting in Hyperinflationary Economies" does not apply.

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 monthly exchange rates for the reporting period. 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 in relation to the euro as follows:

	Currency	Average rate		Closing rate	
		2023	2022	2023	2022
	1 EUR =				
Canada	CAD	1.4662	1.4367	1.4642	1.4440
China	CNY	7.7934	7.3872	7.8509	7.3582
Dubai	AED	4.0075	3.8846	4.0603	3.9307
Great Britain	GBP	0.8620	0.8692	0.8691	0.8869
Mexico	MXN	18.7799	20.7201	18.7231	20.8560
Switzerland	CHF	0.9445	0.9863	0.9260	0.9847
Turkey	TRY	31.7068	19.7164	32.5739	19.9349
USA	USD	1.0917	1.0582	1.1050	1.0666

Accounting policies

The financial statements of HUGO BOSS AG and its 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 brick-and-mortar 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 Group's own 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 merchandise and goods sold passes to the customer. The payment terms applied correspond to the payment terms customary in the industry per country.

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.

Interest income and expense

Interest is recognized pro rata temporis, taking into account the effective yield on the asset and if appropriate on liabilities.

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. Product 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 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 liabilities for current income taxes are recognized to the extent the amount already paid exceeds the amount due, or to the extent not yet paid in respect of current and prior periods.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are recognized for temporary differences between the tax bases 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 reporting, 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 including an enforceable right to offset corresponding taxes. 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. The 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. In line with IAS 20 "Accounting for Government Grants," investment grants received are offset against the acquisition or production costs of the corresponding asset.

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 from the use of the asset will flow to the Company and the cost of the asset can be reliably determined. Acquired intangible assets and internally generated intangible assets are measured at cost.

If the capitalization requirements of IAS 38 "Intangible Assets" are met cumulatively, expenses in the development phase for internally generated intangible assets are capitalized at the time they arise. In subsequent periods, internally generated intangible assets and acquired intangible assets are measured at cost less accumulated amortization and impairment losses. 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 intangible assets and goodwill) are assessed at every reporting date as to whether there is an indication of impairment ("triggering events"). In the event of 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 the fair value of the asset less costs of disposal 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 of disposal, 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 that generates largely independent cash inflows to which the asset belongs (cash-generating unit, GCU) 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 that would have been determined as if no impairment loss had 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. The 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 met.

Inventories are carried at the lower of cost or the estimated selling price on the ordinary course of the business less the estimated cost to make the sale.

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 right-of-use asset 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. 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 asset is amortized on a straight-line basis over the term of the lease.

The depreciation 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 HUGO BOSS, are classified into the following categories:

FVTPL

(Fair value through
profit or loss)

Financial assets and liabilities valued at fair value through profit or loss.

AC

(Amortized cost)

Financial assets and liabilities that are to be valued at amortized cost through the effective-interest method.

FVTOCI

(Fair value through other
comprehensive income)

Financial assets valued at fair value through other comprehensive income.

Financial assets and financial liabilities are classified into the above categories upon initial recognition, except that no financial liabilities are classified under FVTOCI.

Financial assets

There are three classification categories for financial assets: debt instruments, equity instruments, and derivatives. For debt instruments, they 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 asset's level.

Financial assets are initially recognized at fair value, plus or minus, in the case of a financial asset not at fair value through profit and loss, 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 that 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 loss allowances) using the effective-interest rate method. For the reporting period, expected losses from the simplified approach of the expected credit loss model under IFRS 9 are taken into account. If there are further doubts about their recoverability, the trade receivables are recognized at the lower present value of the estimated future cash flows.

HUGO BOSS calculates and records a loss allowance according to the expected credit loss model under IFRS 9 for all financial instruments that are not classified as FVTPL, and except for trade receivables, which is explained above. The expected credit loss (ECL) is allocated using three stages:

Stage 1: Expected credit losses within the next twelve months.

It includes all contracts with no significant increase in credit risk since their initial recognition. The portion of the lifetime expected credit losses that represents expected credit losses resulting from default events on a financial instrument that are possible within the next twelve months after the reporting date is recognized.

Stage 2: Expected credit losses over the lifetime – not credit-impaired.

If a financial asset has a significant increase in credit risk since its initial recognition but is not yet credit-impaired, it is moved to stage 2 and measured at the lifetime expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Stage 3: Expected credit losses over the lifetime – credit-impaired.

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss.

HUGO BOSS determines whether the credit risk on a financial instrument has increased significantly by considering reasonable and supportable information available to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. For this purpose, credit default swap spreads of corporate bonds are used to calculate the average credit spreads for each country. These average credit spreads then serve as country-specific factors to scale the probability of default for different markets whereby the German market is used as a reference.

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.

Financial assets at fair value through profit or loss (FVTPL) include financial assets with cash flows other than those of principle and interest on the principal amount outstanding, except for equity instruments that do not have to be accounted for at FVTPL but also at FVTOCI. Furthermore, financial assets that are held in a business model, including "hold to collect" or "hold to collect and sell," can be presented at FVTPL. In addition, derivatives including embedded derivatives separated from a host contract, which are not classified as hedging instruments in hedge accounting according to IFRS 9, are classified as FVTPL. Gains or losses on these financial assets are recognized in profit and loss.

Financial assets at amortized cost (AC) are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the principal amount outstanding, which are held with the aim of collecting the contractual cash flows, such as trade receivables or cash and cash equivalents (the business model "hold to collect"). After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective-interest method less any loss allowances. Gains and losses on financial assets are recognized in the statement of income.

HUGO BOSS recognizes a doubtful debt provision on receivables when a debtor does not settle contractual payments that are more than 90 days overdue. When a doubtful debt provision is recognized, the Group continues to conduct recovery measures to collect the receivables due. In some cases, a financial instrument may, nevertheless, also be treated as being in default, if internal or external information indicates that full collection of the outstanding payment is viewed as unlikely. Individual impairment rates between 1% and 100% are used in this case. A financial asset is then written off entirely and derecognized when there is no reasonable expectation of recovery. All derecognitions have to be booked net and, at the same time, the corresponding amount of allowance needs to be adjusted.

Financial liabilities

Financial liabilities primarily include trade payables, liabilities to banks, lease liabilities, derivative financial liabilities, and other liabilities. They are measured at fair value on initial recognition. Directly attributable transaction costs are taken into account where appropriate.

Financial liabilities at amortized cost (AC) are subsequently measured at amortized cost using the effective-interest method. HUGO BOSS enters into reverse-factoring agreements in which trade payables with a supplier are transferred to a financial intermediary, so changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss (FVTPL) include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) that are not used as hedging instruments in hedge accounting are classified as held for trading. Gains or losses on liabilities held for trading, and on financial liabilities for which the FVTPL option was elected, are recognized in profit or loss.

Derivative financial instruments and hedge accounting

At HUGO BOSS, derivative financial instruments are solely used for hedging financial risks that arise from its operating or financing activities or liquidity management. This mainly includes interest-rate risks and currency risks.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. Derivatives are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

If the requirements for hedge accounting as set out in IFRS 9 are met, HUGO BOSS designates and documents the hedge relationship from the date a derivative contract is entered into as a cash flow hedge. Cash flow hedges are utilized to hedge the variability of cash flows to be received or paid from expected transactions or a highly probable forecasted transaction. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk, and the appropriate hedge ratio.

Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated. If derivative financial instruments do not, or no longer, qualify for hedge accounting because the qualifying criteria for hedge accounting are not, or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

Provisions

Provisions are recognized if a past event has led to a current legal or constructive obligation to third parties that 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 deconstruction obligations

Provisions for deconstruction obligations in connection with the Group's own 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 included in the measurement of the corresponding right-of-use asset 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.

Equity-settled share-based payments, forming part of the Restricted Stock Units Program for eligible senior management are measured at the fair value of the equity instruments at the grant date. The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. The impact of the revision of the original estimates, if any, is recognized through profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. The resulting expense is recorded within personnel expenses and corresponding adjustment to the other capital reserves.

Cash-settled share-based payments, forming part of the long-term incentive program (LTI) for members of the Managing Board and eligible senior and middle management, are measured using an option price model of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized through profit and loss of the respective fiscal year. The resulting expense is recorded within personnel expenses and the liability recognized as a provision for personnel expenses.

The share-based program associated with the CEO Investment Opportunity is measured at the fair value of the equity instruments at the grant date.

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.

Estimation uncertainties and judgments

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. In addition, the main judgments and estimates used are specified in the respective notes to the financial statements.

HUGO BOSS is subject to a variety of external risks, mainly in connection with macroeconomic, political, and social developments, as well as environmental and health aspects. Against the backdrop of current risks, such as inflation, global supply chain disruptions, and geopolitical risks, Management monitors the current development closely. In light of the high level of geopolitical and macroeconomic uncertainty, there is a particularly close dialog between the Managing Board, Business Planning and Analysis, the management of the central divisions, and the Group's subsidiaries. Corporate planning is regularly reviewed and updated throughout the year.

In 2023, HUGO BOSS revisited its business model in Russia, including considerations to convert it into a wholesale business. Accordingly, the Company classified the respective assets and liabilities as assets and liabilities held for sale as of March 31, 2023. The asset and liabilities held for sale relate to the EMEA segment. As of December 31, 2023, HUGO BOSS reviewed the subsequent measurements of the assets and liabilities held for sale, resulting in net assets of EUR 7,576 thousand.

Additionally, HUGO BOSS has adopted the following estimates and assumptions:

- Inventories were measured taking into account risk provisions appropriate to the current business environment. In fiscal year 2023, HUGO BOSS considered the adjusted global merchandise logic catering to customer demand in all regions, channels, and brands, and aiming for one aligned global launch of the seasons. With this change, the merchandise model is redefined, which needs to be reflected in the way the Group assesses the recoverability of inventories. As such, HUGO BOSS has implemented a change in the accounting estimate regarding the valuation technique on inventories. The refined estimate takes a seasonal approach, which reflects a better devaluation factor. The carrying amount of inventories as a result of this change is reflected in the statement of financial position and in the income statement.

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

Notes to the Consolidated Income Statement

1 | Sales and cost of sales

Sales

(in EUR thousand)

	2023	2022
Brick-and-mortar retail	2,261,757	2,015,999
Brick-and-mortar wholesale	1,033,413	894,985
Digital	797,912	648,243
Licenses	104,375	92,151
Total	4,197,459	3,651,378

Further information on sales by region can be found in Note 24 Segment reporting.

Cost of sales

(in EUR thousand)

	2023	2022
Total cost of sales	1,616,606	1,395,052
Cost of purchase	1,465,536	1,281,714
Thereof cost of materials	1,391,805	1,249,947
Cost of conversion	151,070	113,339

Cost of materials, as part of the cost of sales, include inbound freight and duty costs of EUR 258,144 thousand (2022: EUR 324,587 thousand).

2 | Selling and marketing expenses

(in EUR thousand)

	2023	2022
Expenses for own retail business and sales organization	1,250,829	1,122,823
Thereof brick-and-mortar retail expenses ¹	870,179	806,643
Marketing expenses	327,724	287,817
Thereof expenses	333,550	294,514
Thereof income from re-invoicing of marketing expense	(5,825)	(6,697)
Logistic expenses	166,385	127,866
Total	1,744,938	1,538,506
Thereof sundry taxes	4,333	3,383

¹ Restatement of the prior year figure due to a change in cost allocation.

Expenses for the Company's own retail business and the sales 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, outbound freight and duty charges, credit card fees, and reversals of impairment losses on assets amounting to EUR 3,757 thousand (2022 impairment losses: EUR 17,504 thousand). This item also includes losses from derecognition and impairment losses on trade receivables in the amount of EUR 4,985 thousand (2022: EUR 2,315 thousand).

Logistic expenses mainly include personnel expenses for warehouse logistics, expenses for a full-service agreement with an external provider, and right-of-use depreciation of lease objects.

3 | Administration expenses

(in EUR thousand)

	2023	2022
General administrative expenses	336,298	301,718
Research and development expenses	89,279	80,683
Thereof personnel expenses	63,022	57,028
Thereof depreciation and amortization	3,235	2,707
Thereof other operating expenses	23,022	20,948
Total	425,577	382,401
Thereof sundry taxes	3,664	5,084

Administration expenses mainly comprise personnel expenses of the respective departments, maintenance costs, IT operating expenses, legal and consulting fees as well as depreciation and amortization of non-current assets.

Research and development expenses primarily relate to the collection development.

Administration expenses include other income of EUR 18,915 thousand (2022: EUR 15,526 thousand). This includes reversal of provisions amounting to EUR 6,848 thousand (2022: EUR 3,656 thousand). Furthermore, government grants of EUR 191 thousand for 2023 were received and recognized in profit or loss (2022: EUR 3,221 thousand).

4 | Financial result

(in EUR thousand)

	2023	2022
Interest and similar income	978	2,200
Interest and similar expenses	(45,839)	(26,079)
Net interest income/expenses	(44,861)	(23,879)
Exchange rate gains/losses from receivables and liabilities	(3,572)	(8,141)
Gains/losses from hedging transactions	(3,061)	(17,401)
Other financial expenses/income	(1,954)	(703)
Other financial items	(8,587)	(26,245)
Financial result	(53,448)	(50,123)

Interest income includes income from bank deposits amounting to EUR 896 thousand (2022: EUR 1,750 thousand) and other interest income of EUR 82 thousand (2022: EUR 450 thousand).

Interest expenses include expenses from financial liabilities in the amount of EUR 13,594 thousand (2022: EUR 5,883 thousand) and other interest expenses in the amount of EUR 32,245 thousand (2022: EUR 20,196 thousand). These items mainly comprise interest expenses from lease payments of EUR 29,861 thousand (2022: EUR 17,973 thousand), discounted at the incremental borrowing rate. In addition to interest on loans, this also includes the net interest amount 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 2,385 thousand (2022: EUR 2,223 thousand).

Exchange rate gains and losses from receivables and liabilities comprise exchange rate gains of EUR 80,847 thousand (2022: EUR 72,233 thousand) as well as exchange rate losses of EUR 84,419 thousand (2022: EUR 80,374 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)

	2023	2022
Current taxes	60,225	61,148
Deferred taxes	26,874	2,290
Total	87,099	63,438

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

At HUGO BOSS AG, the domestic income tax rate amounts to 29.5% (2022: 29.5%). The tax rates abroad range between 0% and 34%.

Current income taxes for fiscal year 2023 include non-current expenses of EUR 3,141 thousand (2022: EUR 1,182 thousand), non-current benefits of EUR 8,807 thousand (2022: EUR 8,443 thousand), and deductible withholding taxes of EUR 1,016 thousand (2022: EUR 3,944 thousand).

The following table presents a reconciliation of the expected income tax expense that would theoretically be incurred if the current domestic income tax rate of 29.5% (2022: 29.5%) were applied at 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% (2022: 15.8%) and a trade tax rate of 13.7% (2022: 13.7%).

(in EUR thousand)

	2023	2022
Earnings before taxes	356,889	285,295
Anticipated income tax	105,431	84,305
Tax effect of permanent items	219	4,827
Tax rate-related deviation	(14,634)	(15,275)
Thereof effects of changes in tax rates	(176)	1
Thereof adjustment of tax amount to diverging local tax rate	(14,458)	(15,276)
Tax refund/tax arrears from prior years	(6,682)	(3,317)
Deferred tax effects from prior years	3,707	(485)
Valuation allowance on deferred tax assets	(1,887)	(2,535)
Tax effects from distributable profit of subsidiaries	0	(2,610)
Other deviations	945	(1,472)
Income tax expenditure reported	87,099	63,438
Income tax burden	24%	22%

The tax effect of permanent items relates to a reduction in the income tax burden for tax-free income of EUR 3,270 thousand (2022: EUR 1,058 thousand), offset by tax effects of non-deductible business expenses of EUR 3,489 thousand (2022: EUR 5,885 thousand). Tax rate-related deviations are caused by the global distribution of profits and diverging local tax rates in the different countries. In fiscal year 2023, revaluations were recognized for deferred tax assets expected to be realized in the foreseeable future, resulting in a tax benefit of EUR 1,887 thousand (2022: tax benefit of EUR 2,535 thousand).

Other comprehensive income includes deferred tax income of EUR 1,155 thousand (2022: EUR 5,976 thousand expense). As in the prior year, deferred tax income in fiscal year 2023 is based on the recognition of actuarial gains and losses from pension provisions 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)

	2023		2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	30,430	(4,336)	29,285	(3,954)
Unused tax losses	20,945	0	27,064	0
Inventory measurement	60,201	(3,266)	55,312	(2,935)
Recognition and measurement of non-current assets	32,353	(46,559)	42,314	(33,760)
Receivables measurement	4,393	(114)	5,770	(161)
Financial liabilities and financial assets	14,825	(756)	17,011	(523)
Retained earnings of subsidiaries	0	(1,115)	0	(1,115)
Other differences in recognition and measurement	8,023	(3,497)	12,256	(6,265)
Net amount	171,170	(59,643)	189,012	(48,713)
Netting	(40,674)	40,674	(38,376)	38,376
Total	130,496	(18,969)	150,636	(10,337)

Of the deferred tax assets, EUR 57,607 thousand (2022: EUR 73,177 thousand) are non-current; at the same time EUR 49,106 thousand (2022: EUR 39,133 thousand) of the deferred tax liabilities are non-current.

Deferred taxes on IFRS 16 balance sheet items are reported on a net basis. The deferred tax asset on lease liabilities is EUR 169,873 thousand (2022: EUR 168,855 thousand) and the deferred tax liability on right-of-use assets is EUR 152,439 thousand (2022: EUR 147,163 thousand), resulting in a net deferred tax asset of EUR 17,434 thousand (2022: EUR 21,692 thousand), which is reported within financial liabilities and financial assets 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 of EUR 865 thousand (2022: EUR 865 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 withholding tax is payable on future dividends. For these withholding tax charges, a deferred tax liability of EUR 250 thousand (2022: EUR 250 thousand) was recognized.

Deferred tax liabilities due to differences between the respective net assets and taxable carrying amount of shares in subsidiaries amounting to EUR 658,365 thousand (2022: EUR 352,423 thousand) were not recognized, as the profits are currently intended to be permanently reinvested. 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 therefore generally result in additional tax expense.

Deferred tax assets on losses carried forward and deductible temporary differences are recognized to the extent taxable temporary differences exist or there are sufficient taxable profits in respect of the same tax authority and taxable entity in subsequent years. The recoverability assessment is based on detailed planning of operational results for all units of the Group, which is prepared annually in the Group-wide budget planning process and approved by the Supervisory Board. As of the reporting date, deferred tax assets amounting to EUR 23,333 thousand (2022: EUR 38,702 thousand) were accounted for at Group companies with losses in the reporting period or a prior period.

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

(in EUR thousand)

	2023	2022
Expiry within		
1 year	175	2,838
2 years	9	121
3 years	274	2,413
4 years	5,756	2,427
5 years	13,933	25,117
After 5 years	4,503	6,673
Unlimited carryforward	108,911	136,148
Total	133,561	175,737

As in prior years, a corresponding deferred tax asset of EUR 20,945 thousand was recognized on unused tax losses as of December 31, 2023 (2022: EUR 27,064 thousand). In fiscal year 2023, no deferred taxes were recognized for losses carried forward of EUR 49,468 thousand (2022: EUR 64,465 thousand).

The expiration date of these losses is classified as follows:

(in EUR thousand)

	fiscal year	prior year
Expiration date		
2024	0	2,766
2025	9	0
2026	9	898
2027	9	0
2028	8	0
After 5 years	2,783	4,735
Unlimited carryforward	46,650	56,066
Total	49,468	64,465

Judgments that deferred tax assets are recognized on unused tax losses were made to the extent it is probable 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 four years for this purpose. Actual figures may differ from the estimates.

The income tax receivables relate mainly to tax advance payments and reimbursement claims. These are based on reasonable estimates to the extent 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.

In 2023, an external tax audit has been initiated at HUGO BOSS AG for the 2016-2020 assessment periods. Based on the information available to date, the Company has identified possible tax risks and recognized corresponding provisions.

HUGO BOSS has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In December 2023, the government of Germany, where HUGO BOSS AG, the parent company, is incorporated, enacted the Pillar Two income taxes legislation effective from January 1, 2024. Under the legislation, the parent company will be required to pay, in Germany, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%.

The effects of the Pillar Two legislation are currently being analyzed internally. Based on the preliminary data of the country-by-country report for fiscal year 2023, the transitional CbCR Safe Harbour rules were initially adopted. As a result, the main jurisdictions in which exposures to this tax may exist include Switzerland and the United Arab Emirates. The data used to determine the potential exposure is not entirely representative of the actual information that will be available for fiscal year 2024. As of December 31, 2023, approximately 21% of the HUGO BOSS Group's pre-tax profit may be subject to the top-up tax, which is currently taxed at the average effective tax rate applicable to those profits of 12%. Only certain adjustments were made in the calculation of this disclosure that would have been required applying the legislation, namely the elimination of dividends, the recast of deferred taxes at the minimum tax rate, as well as the allocation of covered taxes in relation to permanent establishments.

Due to the complexity of the application of the legislation and the calculation rules, the quantitative impact of the Global Minimum Tax cannot yet be reliably estimated. As not all adjustments that would have been required under the legislation have been made, the actual impact that the Pillar Two income taxes legislation would have had on the Group's results if it had been in effect for the fiscal year ending December 31, 2023 may have been significantly different. In addition, it is assumed that the currently planned Qualified Domestic Minimum Top-up Taxes will be introduced accordingly.

Since the Pillar Two regulations will be applied for the first time in fiscal year 2024, HUGO BOSS is currently not subject to any tax burden in this regard. HUGO BOSS continues to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

6 | Earnings per share

There were no shares outstanding that could have diluted earnings per share as of December 31, 2023, or December 31, 2022.

(in EUR thousand)

	2023	2022
Net income attributable to equity holders of the parent company	258,371	209,495
Average number of shares outstanding ¹	69,016,167	69,016,167
Earnings per share (EPS) in EUR ²	3.74	3.04

¹ Excluding own shares.

² Basic and diluted earnings per share.

7 | Additional disclosures to the consolidated income statement

Personnel expenses

(in EUR thousand)

	2023	2022
Cost of sales	118,757	89,530
Selling and marketing expenses	548,001	470,985
Administration expenses	251,388	233,100
Total	918,146	793,615

(in EUR thousand)

	2023	2022
Wages and salaries	789,186	679,781
Social security	129,743	110,272
Expenses and income for retirement and other employee benefits	(783)	3,563
Total	918,146	793,615

Employees

The average headcount for the year was as follows:

	2023	2022
Industrial employees	6,249	5,228
Commercial and administrative employees	14,493	12,572
Total	20,742	17,800

Ordinary depreciation

(in EUR thousand)

	2023	2022
Cost of sales	6,282	5,407
Selling and marketing expenses	293,743	280,591
Administration expenses	45,429	41,523
Total	345,454	327,522

Impairments/write-ups

(in EUR thousand)

	2023	2022
Brick-and-mortar retail	(4,996)	(14,005)
Intangible assets incl. goodwill	0	224
Right-of-use assets	8,753	(3,724)
Total	3,757	(17,504)

*Impairment losses are shown negative (-); Reversals on Impairments losses are shown positive (+)

Notes to the Consolidated Statement of Financial Position

8 | Intangible assets and property, plant, and equipment

(in EUR thousand)

	Gross value Jan. 1	Currency differences	Additions	Disposals	Transfers	Gross value Dec. 31	Accumulated amortization, depreciation and impair- ment Jan. 1	Currency differences	Depreciation	Impairment	Write-up	Disposals	Transfers	Accumulated amortization, depreciation and impair- ment Dec. 31	Net value Dec. 31
2023															
Software, licenses and other rights	315,556	(976)	50,123	(2,467)	5	362,241	210,503	(860)	29,014	0	0	(2,442)	0	236,215	126,026
Brand rights	14,992	0	0	0	0	14,992	0	0	0	0	0	0	0	0	14,992
Goodwill	66,667	(1,901)	0	0	0	64,766	10,093	(79)	0	0	0	0	0	10,014	54,752
Intangible assets	397,215	(2,877)	50,123	(2,467)	5	441,999	220,596	(939)	29,014	0	0	(2,442)	0	246,229	195,770
Lands and buildings	299,479	2,463	5,891	(1,866)	9,268	315,235	113,825	1,768	10,596	0	0	(1,866)	3,604	127,927	187,308
Technical equipment and machinery	124,739	366	4,623	(391)	124	129,461	83,721	341	7,431	0	0	(363)	(6)	91,124	38,337
Other equipment, operating and office equipment	974,500	(14,595)	186,936	(90,742)	1,372	1,057,471	757,116	(12,448)	88,624	12,242	(7,246)	(90,064)	(9,206)	739,018	318,453
Construction in progress	27,125	(416)	50,760	(320)	(17,715)	59,434	0	0	0	0	0	0	0	0	59,434
Property, plant, and equipment	1,425,843	(12,182)	248,210	(93,319)	(6,951)	1,561,601	954,661	(10,339)	106,651	12,242	(7,246)	(92,293)	(5,608)	958,068	603,533
Total	1,823,058	(15,059)	298,333	(95,786)	(6,946)	2,003,600	1,175,257	(11,278)	135,665	12,242	(7,246)	(94,735)	(5,608)	1,204,297	799,302
2022															
Software, licenses and other rights	283,526	515	38,850	(6,582)	(753)	315,556	190,843	441	25,908	0	(224)	(6,134)	(331)	210,503	105,053
Brand rights	14,992	0	0	0	0	14,992	0	0	0	0	0	0	0	0	14,992
Goodwill	66,034	633	0	0	0	66,667	10,077	16	0	0	0	0	0	10,093	56,574
Intangible assets	364,552	1,148	38,850	(6,582)	(753)	397,215	200,920	457	25,908	0	(224)	(6,134)	(331)	220,596	176,619
Lands and buildings	293,747	499	3,721	(1,752)	3,264	299,479	105,919	225	9,793	118	(479)	(1,751)	0	113,825	185,654
Technical equipment and machinery	121,108	204	5,862	(2,842)	407	124,739	78,975	194	7,312	0	0	(2,760)	0	83,721	41,018
Other equipment, operating and office equipment	892,415	11,256	124,711	(55,396)	1,514	974,500	717,046	10,426	71,693	28,492	(14,125)	(54,783)	(1,633)	757,116	217,384
Construction in progress	12,644	(110)	18,492	(7)	(3,894)	27,125	0	0	0	0	0	0	0	0	27,125
Property, plant, and equipment	1,319,913	11,849	152,786	(59,997)	1,291	1,425,843	901,940	10,845	88,798	28,610	(14,605)	(59,294)	(1,633)	954,661	471,182
Total	1,684,465	12,997	191,636	(66,579)	538	1,823,058	1,102,860	11,302	114,706	28,610	(14,829)	(65,428)	(1,964)	1,175,257	647,801

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 amortization for these items is recognized in administrative expenses.

The intangible assets mainly relate to software for the Group-wide ERP system in industry solutions SAP AFS and SAP Retail and necessary software solutions for the operational business. The additions of EUR 50,123 thousand (2022: EUR 38,850 thousand) essentially arose from investments in the conversion of the Group-wide ERP system to SAP S/4HANA and software for the future expansion of online trading. In addition, the useful life of ERP software programmes was extended by two years due to longer life cycles.

Brand rights

The reported brand rights amounting to EUR 14,992 thousand (2022: 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 and Italy, 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 amount to EUR 27,766 thousand (2022: EUR 90,089 thousand).

Impairment losses of EUR 12,242 thousand (2022: EUR 28,610 thousand) and write-ups of EUR 7,246 thousand (2022: EUR 14,605 thousand) were recognized under property, plant, and equipment, which mainly relate to equipment for individual own 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

There are purchase obligations for investments amounting to EUR 33,497 thousand (2022: EUR 2,296 thousand). Of this amount, EUR 32,831 thousand (2022: EUR 2,228 thousand) is attributable to property, plant, and equipment and EUR 666 thousand to intangible assets (2022: EUR 68 thousand). The obligations as of December 31, 2023 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. As a rule, the lease agreements have a term between 1 and 30 years, with some of the agreements including purchase and renewal options. The Group exercises judgments to the effect that, in addition to the basic rental period, extension options are included when the extension has already been finally negotiated with the landlord and the contract has been duly signed by both parties. Reasonable certainty is therefore only given 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 rents for which no minimum rent is contractually fixed are expensed immediately. Accordingly, there are no right-of-use assets and lease liabilities recognized for these types of leases.

The implications of the Company's leases on the balance sheet, the income statement, and the consolidated statement of cash flows as at December 31, 2023, are presented below:

Leases in the balance sheet

Additions, depreciation, and changes in the right-of-use assets of lease agreements are divided between the assets underlying the leases as at December 31, 2023, as follows:

(in EUR thousand)

	Stores	Warehouse	Offices and others	Total
Carrying amount as of January 1, 2023	591,667	39,645	76,886	708,198
Changes in the basis of consolidation	0	0	0	0
Additions	226,245	7,603	5,582	239,430
Depreciation	(181,957)	(10,896)	(16,935)	(209,788)
Impairment	(1,452)	0	0	(1,452)
Write-up	10,205	0	0	10,205
Disposal	(2,859)	(57)	(132)	(3,048)
Transfers	(15,352)	0	0	(15,352)
FX differences	(5,090)	(341)	(661)	(6,092)
Carrying amount as of December 31, 2023	621,407	35,954	64,740	722,101
Carrying amount as of January 1, 2022	583,868	39,894	71,330	695,092
Changes in consolidated group	0	0	0	0
Additions	191,875	13,817	23,008	228,700
Depreciation	(184,823)	(10,183)	(17,809)	(212,815)
Impairment	(13,433)	0	0	(13,433)
Write-up	9,709	0	0	9,709
Disposal	(752)	(1,616)	(267)	(2,635)
Transfers	115	(2,616)	0	(2,501)
FX differences	5,108	349	624	6,081
Carrying amount as of December 31, 2022	591,667	39,645	76,886	708,198

Maturity analysis of lease liabilities

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

(in EUR thousand)		
	2023	2022
Due within one year	195,053	215,247
Due between one and five years	499,731	482,253
Due after five years	193,270	165,061
Total (undiscounted)	888,055	862,561
Interests	(94,810)	(58,343)
Total	793,245	804,218

Leases in the income statement

(in EUR thousand)		
	2023	2022
IFRS 16 relevant expenses	(227,575)	(230,217)
Depreciation right-of-use assets	(209,789)	(212,815)
Impairment/write ups of right-of-use assets	8,753	(3,724)
Net income from disposal of right-of-use assets	6,486	5,207
Interest expenses for lease liabilities	(29,861)	(17,973)
Income/expenses from foreign exchange differences on lease liabilities	(3,165)	(912)
Non-IFRS 16 relevant expenses	(292,454)	(250,548)
Expenses from variable lease payments	(192,213)	(174,737)
Expenses for short-term leases	(13,356)	(5,102)
Expenses for leases of low-value assets	(5,488)	(4,725)
Income from subleases	42	505
Lease expenses for software	(34,534)	(23,481)
Other expenses (service costs)	(46,905)	(43,008)
Total expenses from lease agreements	(520,029)	(480,765)

Cash outflows from lease liabilities amounted to EUR 543,892 thousand in 2023 (2022: EUR 484,408 thousand), of which EUR 221,577 thousand relates to the repayment of lease liabilities (2022: EUR 215,888 thousand).

As of the reporting date, there was also EUR 1,000 thousand accrued rent payments (2022: EUR 2,424 thousand).

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:

(in EUR thousand)

	Due 2024	Due 2025–2028	Due after 2028	Total
Variable lease payments	223,332	962,368	800,244	1,985,944
Payments from uncertain termination options	1,561	18,511	13,751	33,823
Payments from uncertain extension options	7,586	154,243	139,109	300,938
Total lease payments	232,479	1,135,122	953,104	2,320,705

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 directly operated stores (DOS) and outlets bottom-up for 2024 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, 2023, 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. Climate-related impacts are considered internalizing external factors.

Ordinary 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 (directly-operated stores, DOS) have been identified as CGUs, i.e., as the smallest group of assets that can generate independent cash inflows.

The depreciated assets of the DOS, including the right of use assets from leasing contracts, are subjected to impairment testing, if there are indicators or changes in the planning assumptions resulting in a 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. In the event of a shortfall in defined sales and profitability ratios compared with the latest budget, the non-current assets of the respective DOS are subjected to impairment testing.

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 profit margin of the upstream units as well as the corporate 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 expected nominal retail growth in each respective market for the corresponding planning year. 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 the carrying amount. In determining the value in use of the DOS, the cash flows were discounted at a weighted average cost of capital after tax between 9.2% and 35.5% (2022: between 8.8% and 33.3%). A maturity-equivalent risk-free interest rate of 2.5% (2022: -2.0%) and a market risk premium of 6.5% (2022: 7.0%) were applied. The calculated pre-tax interest rates are between 12.6% and 48.9% (2022: 10.0% and 43.7%). If an impairment loss is recognized, it is allocated proportionately to the non-current assets of the CGU. However, no asset may be written down below its respective fair value. For this purpose, the fair values of the right-of-use assets are determined separately. 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 asset is recoverable. If the fair value exceeds the calculated value in use of the corresponding CGU, 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 in the current fiscal year resulted in gross impairment losses on non-current assets of EUR 13,694 thousand (2022: EUR 42,043 thousand), which were recognized in profit or loss under selling and marketing expenses. Of this amount, EUR 12,242 thousand related to property, plant, and equipment and EUR 1,452 thousand to right-of-use assets. 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 that had been 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 17,451 thousand (2022: EUR 24,538 thousand) were recognized in selling and marketing expenses for the fiscal year 2023. Of this amount, EUR 7,246 thousand related to property, plant, and equipment and EUR 10,205 thousand to right-of-use assets. The impairment reversals are attributable to all regions.

Overall, this related to net reversal of impairment losses of EUR 3,757 thousand in fiscal year 2023 (2022: net impairment losses EUR 17,504 thousand).

Goodwill and intangible assets with infinite useful life

The impairment assessment is based on detailed earnings, balance sheet, and investment plans for the next fiscal 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. Years 1–4 from the approved medium-term planning of the respective subsidiary are used for the valuation model, possibly adjusted for future expansion investments such as new store openings. In year 5 and for the terminal value, the sales and cost trends are extrapolated using country-specific growth rates based on year 4. The nominal GDP growth for the respective country from Oxford Economics is used for the extrapolation. The planning of capital expenditure 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 is determined using a WACC model for HUGO BOSS, 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, 2023 is based on a risk-free interest rate of 2.5% (2022: 2.0%) and a market risk premium of 6.5% (2022: 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 of disposal for the goodwill and intangible assets with indefinite useful lives allocated to the respective groups of CGUs. Goodwill arising on the acquisition of mono-brand stores from former franchise partners in previous fiscal years is allocated to the respective sales units (group of CGUs). Production units are regarded as corporate assets. Corporate assets are included in the impairment test of the sales units. Intangible assets with indefinite useful lives are aggregated at country level. The impairment test for trademark rights for the use of brand names in the U.S. market and Italy is performed at country level.

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	Intangible assets with indefinite useful life	Weighted pre-tax WACC	Long-term growth rate
2023				
Sales unit France	1,759	0	11.5%	2.0%
Sales unit Italy	399	1,377	13.8%	2.0%
Sales unit UK	3,205	0	11.5%	2.0%
Sales unit Dubai	11,263	0	11.2%	2.0%
Sales unit Mainland China	8,925	0	12.8%	2.3%
Sales unit Macau (China)	6,452	0	12.7%	1.9%
Sales unit South Korea	6,586	0	11.5%	2.0%
Sales unit Thailand	1,674	0	12.2%	1.9%
Sales unit USA & Canada	3,204	13,615	11.9%	2.0%
Other sales & corporate units	11,284			
Total	54,752	14,992	11.2%–13.8%	1.9%–2.3%

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	Intangible assets with indefinite useful life	Weighted pre-tax WACC	Long-term growth rate
2022				
Sales unit France	1,759	0	12.4%	2.0%
Sales unit Italy	399	1,377	13.6%	2.0%
Sales unit UK	3,200	0	11.1%	2.0%
Sales unit Dubai	11,461	0	10.5%	3.3%
Sales unit Mainland China	9,513	0	12.8%	2.3%
Sales unit Macau (China)	6,669	0	12.2%	1.9%
Sales unit South Korea	7,025	0	11.8%	2.0%
Sales unit Thailand	1,726	0	11.8%	1.8%
Sales unit USA & Canada	3,213	13,615	11.8%	2.0%
Other sales & corporate units	11,609			
Total	56,574	14,992	10.5%–13.6%	1.9%–3.3%

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 to 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.

No impairment loss for goodwill was recognized in fiscal year 2023 as well as in the prior period.

For 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 of disposal 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 2023 and 2022, 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 of disposal

The following key assumptions, estimation uncertainties, and judgments by Management underlie the calculation of the value in use and fair value less costs of disposal for the aforementioned assets:

- EBIT/net income
- 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, in the detailed planning phase from 2025 onwards, and in the perpetual annuity.

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

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

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

Sensitivity to changes in assumptions

As of December 31, 2023, scenarios for critical measurement parameters such as the discount rate used and the growth rates underlying forecast cash flows were determined to verify the values in use. With regard to the growth rates, Management considered an acceleration (adjustment of +5%) as well as a deceleration (adjustment of –5%) of the Group's sales performance in fiscal year 2023 to be possible. An acceleration/increase in growth rates of 5% would result in reversal of impairment losses for property, plant, and equipment and right-of-use assets in the amount of EUR 2,117 thousand. A slowdown/decrease in growth rates of 5% would result in additional impairments of EUR 2,865 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 rent level by 5%, an additional impairment loss on right-of-use amounting to EUR 1,691 thousand would be recognized. In the event of a 5% increase in the market rent level, a reversal of impairment losses on right-of-use assets of EUR 22 thousand would be recognized.

In order to review the determined values in use of goodwill, Management of HUGO BOSS considers a deceleration of the sales performance in 2024 as well as an average relative increase of the discount rate by 10% each to be possible. Furthermore, for the groups of CGUs to which goodwill is allocated, a slowdown of 15% in the relative sales growth to extrapolate the cash flow forecasts following the detailed planning period is considered possible.

If the discount rate was to increase by 10%, 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 2024 was to decrease by 10%, the values in use of all goodwill would exceed the respective carrying amounts.

If the growth rate of sales was to be reduced by 15% 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)

	2023			2022		
		Thereof current	Thereof non-current		Thereof current	Thereof non-current
Financial assets	80,769	54,132	26,637	67,814	41,341	26,474
Thereof equity investments	4,430	0	4,430	4,430	0	4,430
Tax refund claims and prepayments	33,293	33,293	0	44,534	44,534	0
Other assets	95,632	93,575	2,057	107,151	105,445	1,706
Total	209,693	180,999	28,694	219,499	191,320	28,180

Financial assets include positive market values of currency hedges amounting to EUR 177 thousand (2022: EUR 622 thousand) as well as rent deposits for the Group's own retail stores of EUR 15,649 thousand (2022: EUR 14,479 thousand). Financial assets also include receivables from credit card companies amounting to EUR 46,871 thousand (2022: EUR 32,827 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 37,087 thousand (2022: EUR 43,355 thousand), reimbursement claims from returns in the amount of EUR 26,385 thousand (2022: EUR 27,824 thousand), and receivables from supplier arrangements in the amount of EUR 1,296 thousand (2022: EUR 1,304 thousand).

In fiscal year 2023, HUGO BOSS continued its long-term strategic partnership with HeiQ AeonIQ LLC, a fully owned subsidiary of Swiss innovator HeiQ Plc, with an equity investment of EUR 4,430 thousand made in fiscal year 2022.

12 | Inventories

(in EUR thousand)

	2023	2022
Finished goods and merchandise	993,776	893,489
Raw materials and supplies	62,896	70,411
Work in progress	9,372	9,659
Total	1,066,044	973,560

The carrying amount of inventories recorded at net realizable value is EUR 191,624 thousand (2022: EUR 179,525 thousand, with the prior-year figure restated to include all types of inventories, not only finished goods). The impairment reversals on inventories resulted in net income of EUR 35,970 thousand due to an improved inventory aging structure (2022: EUR 4,268 thousand). This is included in the cost of sales.

13 | Trade receivables

(in EUR thousand)

	2023	2022
Trade receivables, gross	393,215	272,658
Accumulated allowance	(17,595)	(16,228)
Trade receivables, net	375,620	256,430

As at December 31, 2023, the aging analysis of trade receivables is as follows:

(in EUR thousand)

	2023	2022
Trade receivables, net	375,620	256,430
Thereof: not overdue	313,560	202,353
Thereof: overdue	51,271	47,987
≤30 days	31,933	35,231
31 to 60 days	15,046	8,079
61 to 90 days	4,292	4,677
91 to 120 days	0	0
121 to 180 days	0	0
181 to 360 days	0	0
>360 days	0	0
Thereof: impaired	10,788	6,090

Trade receivables are non-interest-bearing and are generally due between 30 and 90 days. The change of allowances for doubtful accounts has developed as follows:

(in EUR thousand)

	2023	2022
Allowances for doubtful accounts as of January 1	16,228	15,762
Additions	9,388	6,609
Use	(2,480)	(432)
Release	(5,174)	(5,764)
Currency differences	(367)	54
Allowances for doubtful accounts as of December 31	17,595	16,228

In fiscal year 2023, an expected credit loss was recognized. In accordance with IFRS 9, this amounted to EUR 3,913 thousand as at December 31, 2023 (2022: EUR 3,195 thousand). For this purpose, trade receivables that are not due of EUR 233,014 thousand (2022: 150,550) served as the calculation basis.

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

In the event of a 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 are evaluated on a case-to-case basis and impaired to the expected receivables recovery amount.

As of December 31, 2023, receivables written off in the amount of EUR 2,802 thousand (2022: EUR 2,509 thousand) were still subject to recovery measures.

The maximum credit risk from trade receivables corresponding to their gross value is EUR 393,215 thousand (2022: EUR 272,658 thousand) as of the reporting date.

14 | Cash and cash equivalents

(in EUR thousand)

	2023	2022
Balances with banks and other cash items	102,594	134,458
Cheques	2,744	2,132
Cash on hand	12,989	10,812
Total	118,327	147,403

15 | Equity

Equity is made up of subscribed capital, own shares, capital reserve, other capital reserves, retained earnings, and accumulated other comprehensive income. Retained earnings contain profits that were generated in the past by 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, 2023 and consists of 70,400,000 no-par value registered ordinary shares. The arithmetical value per share is EUR 1.00.

Authorized capital

The Managing Board of HUGO BOSS AG may, with the consent of the Supervisory Board, increase the share capital by up to EUR 17,600 thousand on or before May 10, 2026 by issuing up to 17,600,000 new registered shares on a cash and/or non-cash basis once or repeatedly (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 Shareholders' Meeting of May 11, 2021, the Managing Board was authorized until May 10, 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 fulfill conversion/option obligations or shares are tendered and no other forms of fulfillment are used for servicing. The Managing Board did not make use of the authorization in fiscal year 2023.

Capital management

In order to increase its enterprise value, the Group focuses on maximizing free cash flow over the long term. By consistently generating positive free cash flow, the Group is confident of being able to safeguard the liquidity of HUGO BOSS at all times and facilitate long-term growth. Increasing sales and operating profit (EBIT) is key for improving free cash flow over the long term. In addition, a strict management of trade net working capital and a value-oriented capital expenditure approach 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 doing so, HUGO BOSS is pursuing a profit-based dividend policy aimed at allowing shareholders to participate appropriately in the Group's earnings development. The Company's payout ratio until 2025 is projected to be in a range of between 30% and 50% of net income attributable to shareholders (2023: 36%). In line with the Company's vision of being the leading premium tech-driven fashion platform worldwide, it is also considering strategic investments in the areas of product and brand, sales, and digital expertise. In the event of excess liquidity, HUGO BOSS also considers special dividends and share buybacks as viable alternatives to return cash to our shareholders. The balance sheet structure is analyzed at least once a year to determine its efficiency and ability to support future growth and to simultaneously provide sufficient safety in the event that the Company's business performance falls short of expectations.

HUGO BOSS has at its disposal a revolving syndicated loan of EUR 600,000 thousand, providing additional financial flexibility for the successful execution of "CLAIM 5." The proceeds of the facility can be used for general corporate purposes. Concluded in November 2021, it has a term of three years including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300,000 thousand. Both extension options have already been exercised successfully. The syndicated loan contains a standard covenant requiring the maintenance of financial leverage, defined as the ratio of net financial liabilities (including lease liabilities in accordance with IFRS 16) to EBITDA. As of December 31, 2023, financial leverage totaled 1.3, thus well below the maximum permissible level (December 31, 2022: 1.1). The syndicated loan is based on variable interest rates with applicable credit margins, depending on the external credit rating and the fulfillment of defined ESG criteria. At the end of fiscal year 2023, the utilization of the revolving credit facility totaled EUR 92,393 thousand of which EUR 9,263 thousand was used to issue bank guarantees (December 31, 2022: revolving credit facility EUR 81,886 thousand of which EUR 21,874 thousand was used to issue bank guarantees).

(in EUR thousand)

	2023	2022
Liabilities due to banks incl. lease liabilities	1,124,122	914,097
Cash and cash equivalents	(118,327)	(147,403)
Net financial liabilities	1,005,795	766,694
Operating profit before depreciation and amortization (EBITDA)	752,034	680,444
Total leverage	1.34	1.13

Own shares

The number of own shares amounts to 1,383,833 (2022: 1,383,833). The overall percentage amounts to 2.0% of subscribed capital (2022: 2.0%).

At the Annual Shareholders' 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 2023, the very solid financial position, and management's confidence in the Company's long-term growth opportunities, the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 14, 2024, a dividend of EUR 1.35 per share for fiscal year 2023, corresponding to an increase of 35% year over year (2022: EUR 1.00). Thereby, the increase in dividend is higher than the increase in net income of 23%. The proposal is equivalent to a payout ratio of 36% of the Group's net income attributable to shareholders in fiscal year 2023, in line with the Company's mid-term target payout ratio of between 30% and 50%. Assuming that the shareholders approve the proposal, the dividend will be paid out on May 17, 2024. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 93,172 thousand (2022: EUR 69,016 thousand).

In 2023, a dividend of EUR 69,016 thousand was paid out for the shares outstanding for fiscal year 2022 (in 2022 for 2021: EUR 48,311 thousand). This corresponds to EUR 1.00 per share for 2022 (2021: EUR 0.70 per share).

17 | Provisions

(in EUR thousand)

	2023	2022
Provisions for pensions	33,142	27,738
Other non-current provisions	75,659	64,157
Non-current provisions	108,801	91,895
Current provisions	92,448	122,647
Total	201,249	214,542

Other provisions of EUR 168,107 thousand (2022: EUR 186,804 thousand) comprise current provisions of EUR 92,448 thousand (2022: EUR 122,647 thousand) and other non-current provisions of EUR 75,659 thousand (2022: EUR 64,157 thousand). These mainly include non-current provisions for personnel expenses in connection with the long-term incentive program (LTI), and further explanations regarding LTI are provided in Note 18 Share-based payment. The risk-free interest rates used to discount other non-current provisions range between 0.1% and 5.3% (2022: between 0.3% and 4.5%) depending on the term and currency in question. In fiscal year 2023, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2023	Changes in currency and the consolidated group	Compounding	Addition	Use	Release	Balance on Dec. 31, 2023
Provisions for personnel expenses	115,190	(189)	363	77,816	(75,210)	(7,093)	110,877
Provisions for deconstruction obligations	25,881	(327)	147	6,291	(3,516)	(1,349)	27,126
Costs of litigation, pending legal disputes	12,349	(277)	0	3,243	(4,094)	(2,838)	8,383
Provisions for restructuring	4,913	(122)	0	437	(3,340)	(1,080)	808
Other provisions	28,471	(8)	0	3,738	(8,746)	(2,542)	20,913
Total	186,804	(923)	510	91,525	(94,906)	(14,902)	168,107

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 47,683 thousand (2022: EUR 39,049 thousand) of the personnel provisions will be paid out after more than twelve months.

Provisions for deconstruction obligations

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

Provisions for costs of litigation and pending legal disputes

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

Miscellaneous other provisions

Based on reasonable estimates, provisions are recognized for the potential ramifications of legal issues. Such an 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 payment

Equity-settled share-based payment

As part of the Restricted Stock Units Plan (RSUP) introduced by HUGO BOSS, eligible senior management is granted options to purchase ordinary shares of HUGO BOSS in fiscal year 2022. Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options are exercisable at a price equal to the quoted market price of the HUGO BOSS shares on the grant date. The vesting period is three years. Options are forfeited if the employee leaves the Group before the options vest.

The number of share options outstanding as of December 31, 2023 is 159,890 (2022: 153,500). The aggregate of the estimated fair values of the options granted totals EUR 7,567 thousand (2022: EUR 7,264 thousand). The following inputs for the binomial model were made on July 1, 2022:

	2023
Share price at grant date (July 1, 2022)	EUR 50.36
Expected volatility	40%
Expected life	3 years
Risk free rate	0.81%
Expected dividend yields	2%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the past four years. The expected life used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. In the event of changes in the group of eligible senior management, the fair values are reviewed.

The Group recognized total personnel expenses of EUR 2,526 thousand (2022: EUR 1,182 thousand) related to equity-settled share-based payment transactions in 2023.

Cash-settled share-based payment

A large part of the long-term provisions for personnel expenses consists of the Long-Term Incentive Program (LTI), as implemented at the beginning of fiscal year 2016. The LTI serves as a long-term share-based compensation component for the Managing Board and eligible senior and middle management staff of HUGO BOSS. As of December 31, 2023, there are four tranches in the LTI:

- 2020–2023 LTI tranche (issued on January 1, 2020)
- 2021–2024 LTI tranche (issued on January 1, 2021)
- 2022–2025 LTI tranche (issued on January 1, 2022)
- 2023–2026 LTI tranche (issued on January 1, 2023)

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 euro/average HUGO BOSS share price for the last three months prior to the date of granting the initial grant.

The number of virtual shares issued as of December 31, 2023, and the remaining terms of each plan are as follows:

LTI tranche	Number of virtual shares (Initial Grant)	Remaining terms
2020–2023	157,391	0 years
2021–2024	391,917	1 year
2022–2025	221,463	2 years
2023–2026	263,619	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 predefined targets components: relative total shareholder return (RTSR); return on capital employed (ROCE); degree of employee satisfaction; score in the annual Corporate Sustainability Assessment (CSA)/ Dow Jones Sustainability Index (DJSI)
- (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 2023, 2024, 2025, and 2026, respectively. Accordingly, the LTI tranche 2020–2023 will be paid out in fiscal year 2024.

The Long-Term Incentive Program is to be classified as a share-based cash-settled compensation and is therefore accounted for pursuant to the standards of IFRS 2. The expected entitlement of a 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 four plans as of December 31, 2023, as compared to the previous year, are as follows:

LTI tranche	Fair values per share option 2023	Fair values per share option 2022
2020–2023	EUR 97.38	EUR 75.99
2021–2024	EUR 59.34	EUR 53.53
2022–2025	EUR 91.16	EUR 65.98
2023–2026	EUR 73.86	n.a.

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

	2023	2022
HUGO BOSS share price at reporting date in EUR	67.46	54.16
Expected dividend return in %	2.00	2.00
Expected volatility in %	37.02	38.06
Risk free interest rate in % (LTI tranche 2020–2023)	n.a.	2.23
Risk free interest rate in % (LTI tranche 2021–2024)	3.04	2.38
Risk free interest rate in % (LTI tranche 2022–2025)	2.42	2.34
Risk free interest rate in % (LTI tranche 2023–2026)	2.09	n.a.

As of December 31, 2023, four tranches totaling EUR 47,552 thousand (2022: EUR 28,866 thousand) were recognized as provisions. Therefore, a total expense for cash-settled share-based payment pursuant to IFRS 2 of EUR 18,686 thousand (2022: EUR 5,698 thousand) was recognized in personnel expenses in fiscal year 2023.

CEO Investment Opportunity

While the resolution to approve the compensation system for the members of the Managing Board was passed by a large majority at the 2021 Annual General Meeting (approval rate: 93.83%), the 2022 Compensation Report of HUGO BOSS was resolved with a majority of 66.37% at the 2023 Annual General Meeting. The Supervisory and Managing Board attribute this vote primarily to the existence of the CEO Investment Opportunity, an agreement established between Daniel Grieder and the Marzotto family prior to Daniel Grieder assuming the role of Chief Executive Officer at HUGO BOSS in June 2021. At the same time, it is neither perceived as a criticism of the main features of the compensation system nor of the format of the compensation report of HUGO BOSS.

In the following section, HUGO BOSS thus provides a detailed explanation of the main features of the CEO Investment Opportunity, which is explicitly not part of the compensation system. In doing so, the Supervisory Board of HUGO BOSS aims to further enhance transparency and promote a better understanding of the CEO Investment Opportunity in general, outlining why in its opinion there is no conflict of interest with other shareholders of HUGO BOSS.

Third-party agreement and thus not part of the compensation system

Prior to Daniel Grieder assuming his duties, the CEO Investment Opportunity was agreed between Daniel Grieder and the Marzotto family, aimed at providing an additional incentive for a substantial and sustainable increase in the share price of HUGO BOSS. As such, the CEO Investment Opportunity represents a third-party agreement between Daniel Grieder and the Marzotto family and is thus explicitly not part of the compensation system in accordance with Sec. 87a AktG. Therefore, it is also not to be included in the maximum compensation of Daniel Grieder.

No conflicts of interest existing

The Supervisory Board discussed the CEO Investment Opportunity at a plenary meeting on June 16, 2020, and noted it with approval. In the opinion of the Supervisory Board, there are no conflicts of interest, particularly in regard to any other shareholder of HUGO BOSS, arising from the CEO Investment Opportunity as it is directly tied to the long-term share price performance of HUGO BOSS. Ultimately, all shareholders in HUGO BOSS benefit from a sustainable increase in the share price.

Sustainable increase in share price required

The CEO Investment Opportunity was implemented by setting up an investment vehicle titled ZPG HOLDING S.à.r.l. ("ZPG"). ZPG bought 625,000 HUGO BOSS shares in mid-2021 for an average share price of EUR 46.40 and will hold these shares until the occurrence of a so-called liquidity event. In this context, Daniel Grieder invested a total amount of EUR 1.5 million in ordinary shares in ZPG, with the rest of the investment provided by PFC S.r.l. and Zignago Holding S.P.A., each controlled by the Marzotto family, and a third-party bank financing. PFC S.r.l. and Zignago Holding S.P.A. hold the remainder of ordinary shares and certain preference shares, with limited economic rights ranking senior to the ordinary shares. Liquidity events are the exercise of a call option by ZPG, the exercise of a put option by Daniel Grieder, or ZPG selling the HUGO BOSS shares to a third party.

The call option may be exercised by ZPG either in the event that Daniel Grieder leaves HUGO BOSS or in a period of 120 days following the ordinary expiration of his employment contract with HUGO BOSS. If the call option is exercised based on a reason for which Daniel Grieder is responsible (e.g., termination by Daniel Grieder not based on good cause), he will receive the lower of either the fair market value of his ZPG shares or the amount of his initial investment. If the call option is exercised without Daniel Grieder having given cause for it (e.g., termination by HUGO BOSS not based on good cause), he will receive the fair market value of his ZPG shares.

The put option may be exercised by Daniel Grieder once the average HUGO BOSS share price during a period of 120 days exceeds specific thresholds. The minimum share price required for exercising the put option is EUR 75.10, representing an increase of 62% compared to the average purchase price of HUGO BOSS shares (EUR 46.40). The consideration, both in the event of exercising the put option or in case ZPG sells its HUGO BOSS shares to a third party, is the fair market value of the ZPG shares held by Daniel Grieder.

The fair market value of the ZPG shares held by Daniel Grieder is linked to the difference between the average purchase price of HUGO BOSS shares (EUR 46.40) and the average share price of HUGO BOSS shares during the 120 days prior to the liquidity event. If the average share price of HUGO BOSS during the 120 days prior to the liquidity event ranges between EUR 46.40 and EUR 75.00, Daniel Grieder will receive back the contributed amount of EUR 1.5 million. If the average share price during the 120 days prior to the liquidity event is less than EUR 46.40, the amount will be correspondingly lower depending on the average share price. By contrast, if the average share price during the 120 days prior to the liquidity event is EUR 75.10 or higher, the fair market value of the ZPG shares held by Daniel Grieder increases depending on the share price performance of HUGO BOSS. For example, an average share price of EUR 75.10 would result in a fair market value of EUR 7.1 million, an average share price of EUR 100.00 in a fair market value of EUR 14.8 million, and an average share price of EUR 126.00 in a fair market value of EUR 23.6 million.

Liquidity event not yet occurred as of December 31, 2023

At the end of fiscal year 2023, the share price of HUGO BOSS amounted to EUR 67.46, up 25% on the previous year. This development is mainly attributable to the strong operational business development in the course of the successful execution of the Company's "CLAIM 5" strategy. Despite the strong business performance, no liquidity event has occurred as of the end of fiscal year 2023, as the share price as of December 31, 2023 was below the minimum share price of EUR 75.10 required to exercise the put option. This illustrates the ambitious nature of the CEO Investment Opportunity, requiring a sustainable and successful long-term business development, which in turn should have a long-lasting positive impact on the share price performance of HUGO BOSS. In the opinion of the Supervisory Board, there is still a strong incentive not to exercise the put option immediately even after the minimum share price has been reached, as its fair value will continue to rise with a possible increase in the share price.

In summary, the Supervisory Board of HUGO BOSS is convinced that the CEO Investment Opportunity is in the interest of all shareholders of HUGO BOSS, as it provides an additional incentive for a consistent, successful, and sustainable implementation of the Company's "CLAIM 5" strategy, thus contributing to long-term business success and a significant increase in the share price as well as shareholder value.

As the fair value at the grant date was closely aligned with the nominal value of the co-investment shares acquired by the CEO, it is concluded not to result in any expenses according to the accounting implications under IFRS 2.

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 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 that 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 employment contract. 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 senior management 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. BVG [*"Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge"*: The 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	
	2023	2022	2023	2022	2023	2022
Germany	92,589	84,888	87,960	83,035	4,629	1,853
Switzerland	58,860	56,453	47,382	46,471	11,478	9,982
Others ¹	17,035	15,903	0	0	17,035	15,903
Total	168,484	157,244	135,342	129,506	33,142	27,738

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

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 only assets held through reinsurance policies in Germany and assets held exclusively by insurance companies in Switzerland.

In fiscal year 2023, the funding status of benefit obligations pursuant to IAS 19 was as follows:

(in EUR thousand)

	2023	2022
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	157,244	185,778
Currency differences	(1,167)	1,977
Service cost	8,077	5,516
Interest expense	5,603	2,523
Payments from settlements	(5,796)	(1)
Remeasurement of the carrying amount		
Actuarial gains/losses due to changes in financial assumptions	7,369	(40,799)
Actuarial gains/losses due to changes in demographic assumptions	5,392	0
Actuarial gains/losses due to experience adjustments	4,294	4,505
Benefits paid	(11,760)	(5,697)
Contribution by participants of the plan	3,223	5,017
Past service cost	(2,140)	(1,575)
Other changes in benefit obligation	(1,855)	0
Present value of benefit obligation as at December 31	168,484	157,244
Changes in plan assets		
Fair value of plan assets on January 1	129,506	139,462
Currency differences	2,906	2,207
Expected return on plan assets	3,992	1,479
Expected return on plan assets (without interest income)	4,026	(19,051)
Payments from settlements	0	0
Benefits paid	(10,298)	(4,295)
Contribution by the employer	4,025	4,687
Contribution by participants of the plan	3,223	5,017
Other changes in benefit obligation	(2,038)	0
Fair value of plan assets as at December 31	135,342	129,506
Funding status of the benefits funded by plan assets	33,142	27,738

As of December 31, 2023, EUR 90,693 thousand (2022: EUR 83,035 thousand) of the present value of the defined benefit obligation is financed through employer's pension liability insurance and EUR 58,860 thousand (2022: EUR 56,453 thousand) through foundation assets; while the remaining EUR 18,931 thousand (2022: EUR 17,756 thousand) was unfunded.

Actuarial assumptions underlying the calculation of the present value of the pension obligations as of December 31, 2023

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	2023	2022
Discount rate		
Germany	3.75%	4.20%
Switzerland	1.40%	2.25%
Future pension increases		
Germany	2.50%	2.50%
Switzerland	0.00%	0.00%
Future salary increases		
Germany	3.00%	3.00%
Switzerland	3.00%	3.00%

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, 2023.

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	2023	2022
Discount rate December 31		
Increase of 75 basis points	(14,166)	(13,085)
Decline of 75 basis points	16,990	15,108
Future pension increases December 31		
Increase of 25 basis points	3,872	3,580
Decline of 25 basis points	(2,452)	(2,326)
Future salary increases December 31		
Increase of 50 basis points	1,275	1,138
Decline of 50 basis points	(1,174)	(1,013)
Life expectancy December 31		
Increase of 10 percent	(4,077)	(3,699)
Decline of 10 percent	4,018	4,003

Breakdown of the pension expenses in the period

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

(in EUR thousand)

	2023	2022
Current service costs	8,077	5,516
Past service costs	(2,140)	(1,575)
Net interest costs	1,611	1,044
Recognized pension expenses in the comprehensive statement of income	7,548	4,985
Expense from plan assets (without interest effects)	(4,026)	19,051
Recognized actuarial (gains)/losses	17,055	(36,294)
Recognized remeasurement of the carrying amount in the comprehensive statement of income	13,029	(17,243)

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 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 2023, the Group expects employer contributions to plan assets of EUR 5,540 thousand (2022: EUR 4,754 thousand).

Duration

The duration of the benefit-based plans on December 31, 2023, is 14 years for Germany (2022: 14 years) and 14 years for Switzerland (2022: 15 years).

Defined contribution plans

Employer contributions to contribution-based plans totaled EUR 32,793 thousand in fiscal year 2023 (2022: EUR 27,717 thousand) and are reported under personnel expenses. The main contribution-based plan of HUGO BOSS is in Germany. The contribution-based plans 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 are broken down as follows:

(in EUR thousand)

	2023	With remaining term up to 1 year	2022	With remaining term up to 1 year
Financial liabilities due to banks	330,877	14,449	109,880	21,348
Lease liabilities	793,245	169,010	804,218	199,290
Other financial liabilities	9,272	9,272	11,821	11,459
Thereof: non IFRS 16 relevant rental contracts for own retail	8,802	8,802	9,594	9,594
Total	1,133,394	192,732	925,918	232,097

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 727 thousand (2022: EUR 1,866 thousand).

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

Remaining term	2023		2022	
	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	4.11%	14,449	5.59%	21,348
1 to 5 years	4.07%	316,428	5.17%	88,532
More than 5 years	0.00%	0	0.00%	0
Other financial liabilities				
Up to 1 year	0.00%	9,272	0.05%	11,459
1 to 5 years	0.00%	0	5.77%	361
More than 5 years	0.00%	0	0.00%	0

HUGO BOSS has a revolving syndicated loan of EUR 600,000 thousand at its disposal, providing financial flexibility for the successful execution of "CLAIM 5." The proceeds of the facility can be used for general corporate purposes. Concluded in November 2021, it has a term of three years, including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300,000 thousand. Both extension options have already been exercised successfully.

At the end of fiscal year 2023, the utilization of the revolving credit facility totaled EUR 92,393 thousand of which EUR 9,263 thousand was used to issue bank guarantees (December 31, 2022: revolving credit facility EUR 81,886 thousand of which EUR 21,874 thousand was used to issue bank guarantees).

In October 2023, a Schuldschein loan was recognized at a settlement amount of EUR 175,000 thousand. It is divided into four tranches with different maturities and with floating-rate or fixed-rate coupons:

- two tranches totaled EUR 87,500 thousand maturing in October 2026, and
- two tranches totaled EUR 87,500 thousand maturing in October 2028.

The funds were used for general corporate purposes. Directly attributable transaction costs of EUR 451 thousand were incurred in connection with the issuance of the Schuldschein loan. These were deducted from the fair value on initial recognition and are expensed over subsequent periods.

The following table 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)

2023	Expected cash flows				
	Carrying amount	Total cash flows	<1 year	1–5 years	>5 years
Non-derivative financial liabilities					
Financial liabilities due to banks	330,877	301,210	8,299	292,911	0
Lease liabilities	793,245	888,055	195,053	499,731	193,270
Other financial liabilities	8,545	8,545	8,545	0	0
Derivative financial liabilities					
Undesignated derivatives	727	727	727	0	0
Derivatives subject to hedge accounting	0	0	0	0	0
Total	1,133,394	1,198,537	212,624	792,642	193,270
2022					
Non-derivative financial liabilities					
Financial liabilities due to banks	109,880	88,198	29,503	58,696	0
Lease liabilities	804,218	862,561	215,247	482,253	165,061
Other financial liabilities	9,955	9,955	9,594	361	0
Derivative financial liabilities					
Undesignated derivatives	1,866	1,866	1,866	0	0
Derivatives subject to hedge accounting	0	0	0	0	0
Total	925,918	962,580	256,209	541,310	165,061

21 | Other liabilities

(in EUR thousand)

	2023			2022		
	Total	Current	Non-current	Total	Current	Non-current
Other liabilities	208,881	206,569	2,313	202,855	201,152	1,703
Thereof indirect taxes	65,237	65,237	0	78,052	78,052	0
Thereof social security, accrued vacation, wages and salaries	56,114	56,114	0	36,810	36,810	0
Thereof right of return	47,305	47,305	0	48,177	48,177	0

The obligations arising from rights of return are calculated on the basis of historical return rates.

22 | Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR thousand)

	IFRS 9 category	2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	AC	118,327	118,327	147,403	147,403
Trade receivables	AC	375,620	375,620	256,430	256,430
Financial assets		80,768	80,768	67,814	67,814
Thereof:					
Equity investments	FVTPL	4,430	4,430	4,430	4,430
Undesignated derivatives	FVTPL	177	177	329	329
Derivatives subject to hedge accounting	Hedge Accounting	0	0	293	293
Other financial assets	AC	76,161	76,161	62,762	62,762
Liabilities					
Financial liabilities due to banks	AC	330,877	342,440	109,880	112,620
Trade and other payables	AC	571,822	571,822	617,110	617,110
Thereof Reverse Factoring	AC	106,986	106,986	99,096	99,096
Lease liabilities	n.a.	793,245	793,245	804,218	804,218
Other financial liabilities		9,272	9,272	11,821	11,821
Thereof:					
Undesignated derivatives	FVTPL	727	727	1,866	1,866
Derivatives subject to hedge accounting	Hedge Accounting	0	0	0	0
Other financial liabilities	AC	8,545	8,545	9,955	9,955

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

In fiscal year 2023, HUGO BOSS launched a separate bank-independent platform in addition to its existing single-bank program. The nature of the trade payables is assessed to remain unaffected under this program. HUGO BOSS has included the amounts from the reverse factoring program in working capital. The total reverse factoring credit limit as of the reporting date amounts to EUR 251,097 thousand (2022: EUR 120,000 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 financial 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, 2023, 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 that use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at December 31, 2023, all financial instruments measured at fair value in the category FVTPL and derivatives designated to a hedge relationship were assigned to Level 2. In fiscal year 2023, 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. The assets amounted to EUR 177 thousand (2022: EUR 622 thousand) and liabilities amounted to EUR 727 thousand (2022: EUR 1,866 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. The fair value of the assets and liabilities allocated to Level 2 are measured using input parameters from active markets. During fiscal year 2023, no circumstances occurred that would have caused the application of non-recurring fair value measurements.

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	2023	2022
Derivatives (FVTPL)	0	(6,129)	0	0	3,165	(2,964)	(16,940)
Financial Assets Measured at Amortized Cost (AC)	978	0	(1,535)	(4,985)	0	(5,542)	(5,171)
Financial Liabilities Measured at Amortized Cost (AC)	(13,594)	0	1,128	0	0	(12,466)	(8,056)

Interest on financial instruments is reported in the interest result in Note 4 Financial result.

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

Changes in liabilities from financial activity

(in EUR thousand)

	Gross value Jan. 1	Cash flows	Changes in portfolio	Change in the maturity	Currency translation effects	Gross value Dec. 31
2023						
Liabilities arising from financing activities						
Short-term financial liabilities due to banks	21,347	(57,409)	0	50,567	(57)	14,449
Long-term financial liabilities due to banks	88,532	279,473	0	(50,567)	(1,010)	316,428
Lease liabilities	804,218	(221,577)	222,231	0	(11,627)	793,245
Total	914,097	487	222,231	0	(12,693)	1,124,123
2022						
Liabilities arising from financing activities						
Short-term financial liabilities due to banks	14,524	(6,748)	0	13,639	(68)	21,347
Long-term financial liabilities due to banks	103,202	0	0	(13,639)	(1,030)	88,532
Lease liabilities	794,585	(215,888)	225,170	0	351	804,218
Total	912,311	(222,636)	225,170	0	(747)	914,097

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
2023						
Trade receivables	396,103	(20,484)	375,620	0	0	375,620
Other financial assets	80,769	0	80,769	(40)	0	80,728
Thereof derivatives	177	0	177	(40)	0	137
Total	476,872	(20,484)	456,388	(40)	0	456,348
2022						
Trade receivables	272,930	(16,500)	256,430	0	0	256,430
Other financial assets	67,814	0	67,814	(95)	0	67,719
Thereof derivatives	622	0	622	(95)	0	527
Total	340,744	(16,500)	324,244	(95)	0	324,149

(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
2023						
Trade payables	606,119	(34,297)	571,822	0	0	571,822
Other financial liabilities	9,272	0	9,272	(40)	0	9,232
Thereof derivatives	727	0	727	(40)	0	686
Total	615,391	(34,297)	581,094	(40)	0	581,054
2022						
Trade payables	656,953	(39,843)	617,110	0	0	617,110
Other financial liabilities	11,821	0	11,821	(95)	0	11,726
Thereof derivatives	1,866	0	1,866	(95)	0	1,771
Total	670,640	(39,843)	628,931	(95)	0	628,836

The liabilities of EUR 20,484 thousand (2022: EUR 16,500 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 outstanding credit notes from suppliers. These amounted to EUR 34,297 thousand (2022: EUR 39,843 thousand).

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 or liability.

Hedging policy and financial derivatives

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

(in EUR thousand)

	2023		2022	
	Nominal values	Fair values	Nominal values	Fair values ¹
Assets				
Currency hedging contracts	104,235	177	61,422	622
Liabilities				
Currency hedging contracts	253,826	(727)	345,267	(1,769)
Interest hedging contracts	0	0	4,721	(97)
Total	358,061	(550)	411,410	(1,244)

¹ Due to a change in presentation, the values shown differ from the reported figures in the previous year

The nominal values are the amounts 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 (550) thousand (2022: EUR (1,537) thousand) stems from financial assets and liabilities that were classified as held for trading.

The effects from the fair value measurement of currency hedges of EUR 0 were recognized in other comprehensive income as of December 31, 2023 (2022: gains of EUR 293 thousand). Of the amount recognized in other comprehensive income, net losses of EUR 1,443 thousand were reclassified to operating earnings in fiscal year 2023 (2022: EUR 3,631 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 operates own production facilities in Izmir, Turkey (HUGO BOSS Textile Industry Ltd.), among other locations. The functional currency of this subsidiary is the euro. However, certain local payments (including wages, salaries, social security contributions, and transport costs) are made in Turkish lira. This results in a transaction risk, both from the local and the Group perspective, due to the fluctuating exchange rate between the euro and the Turkish lira.

The hedging strategy aims to limit transaction risks from future cash flows. These are hedged using forward exchange contracts and are then linked with an effective hedging relationship as cash flow hedges as per IFRS 9 (hedge accounting).

HUGO BOSS has implemented a rolling hedging strategy for cash flow hedges in which the target hedge ratio of up to 50% of the underlying exposure is built up over time. This rolling hedging allows HUGO BOSS to participate in market opportunities and, at the same time, can smooth the hedged rate. In addition, the ability to react to changes in forecast exposures is improved.

The maturities of the derivative financial instruments generally correspond with those of the hedged item. 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 EUR and TRY), HUGO BOSS sets a hedging ratio of 1:1 for the hedging relationship indicated above.

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 hedged item and the hedging instrument. This is reviewed on a regular basis, but not 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 hedged item, since the currency basis or forward points are not excluded when designating the hedging instruments.

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

As of December 31, 2023, there are no open forward exchange contracts for hedging future cash flow in TRY.

Hedging instruments that the Company has designated in hedging relationships have the following impact on the balance sheet as of December 31, 2023:

(in EUR thousand)

	2023	2022
	Derivatives subject to hedge accounting	Derivatives subject to hedge accounting
Balance sheet item		
Carrying amount assets	–	293
Carrying amount liabilities	–	–
Change in fair value of hedging instruments held as of the reporting date	–	293
Nominal volume	–	13,830

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

(in EUR thousand)

	2023	2022
Change in fair value of the underlying transaction	0	(293)
Cash flow hedge reserve from existing hedges	0	293
Amount reclassified from OCI due to maturity of underlying transaction	(1,443)	(3,631)

As of the reporting date, EUR 0 thousand (2022: EUR 4,721 thousand) in variable interest financial liabilities without designation was secured as a hedging relationship.

For additional information and a detailed description of other financial risks, please refer to the Risk and Opportunities Report in the Combined Management 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 Note 14 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 Group companies are responsible for the distribution 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 subsidiaries report to the regional directors in charge, 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 (EMEA), Americas, and Asia/Pacific, in addition to the license division. The distribution companies of HUGO BOSS are assigned to the corresponding region, while the global 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 on resources to be allocated to segments is the EBIT. The segment result is thus defined as the EBIT of sales units plus the gross margin of 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, intangible assets, as well as right-of-use assets are 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)

	EMEA	Americas	Asia/Pacific	Licenses	Total operating segments
2023					
Sales	2,562,016	954,624	576,443	104,375	4,197,459
Segment profit	585,845	156,666	123,992	88,277	954,779
In % of sales	22.9	16.4	21.5	84.6	22.7
Segment assets	502,048	387,116	229,545	29,950	1,148,659
Capital expenditure	79,275	53,771	37,647	9	170,702
Impairments	1,401	1,138	1,219	0	3,757
Thereof property, plant, and equipment	(10,781)	(909)	(552)	0	(12,242)
Thereof intangible assets	0	0	0	0	0
Thereof rights-of-use assets	(1,452)	0	0	0	(1,452)
Thereof write-up	13,633	2,047	1,771	0	17,451
Depreciation/amortization	(151,892)	(64,931)	(69,293)	0	(286,116)
2022					
Sales	2,302,864	789,176	467,187	92,151	3,651,378
Segment profit	547,982	123,235	73,986	76,846	822,049
In % of sales	23.8	15.6	15.8	83.4	22.5
Segment assets	321,422	330,454	188,944	24,364	865,184
Capital expenditure	62,217	26,850	33,284	11	122,362
Impairments	(25,149)	6,602	1,045	0	(17,502)
Thereof property, plant, and equipment	(22,876)	(4,050)	(1,681)	0	(28,607)
Thereof intangible assets	(1)	0	0	0	(1)
Thereof rights-of-use assets	(12,518)	(74)	(842)	0	(13,433)
Thereof write-up	10,246	10,726	3,567	0	24,540
Depreciation/amortization	(154,471)	(54,397)	(64,705)	0	(273,573)

Reconciliation

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

Sales

(in EUR thousand)

	2023	2022
Sales – operating segments	4,197,459	3,651,378
Corporate units	0	0
Consolidation	0	0
Total	4,197,459	3,651,378

Operating income

(in EUR thousand)

	2023	2022
Segment profit (EBIT) – operating segments	954,779	822,049
Corporate units	(544,487)	(484,816)
Consolidation	45	(1,815)
EBIT HUGO BOSS	410,337	335,419
Net interest income/expenses	(44,861)	(23,879)
Other financial items	(8,587)	(26,245)
Earnings before taxes HUGO BOSS	356,889	285,295

Segment assets

(in EUR thousand)

	2023	2022
Segment assets – operating segments	1,148,659	865,184
Corporate units	293,005	364,806
Consolidation	0	0
Current tax receivables	23,148	23,074
Current financial assets	54,132	41,341
Other current assets	126,867	149,980
Cash and cash equivalents	118,327	147,403
Non-current assets held for sale	26,936	0
Current assets HUGO BOSS	1,791,073	1,591,787
Non-current assets	1,680,594	1,534,815
Total assets HUGO BOSS	3,471,667	3,126,602

Capital expenditure

(in EUR thousand)

	2023	2022
Capital expenditure – operating segments	170,702	122,362
Corporate units	126,805	69,273
Consolidation	0	0
Total	297,507	191,635

Impairments/Write-ups

(in EUR thousand)

	2023	2022
Impairments/Write-ups – operating segments	(3,757)	17,502
Corporate units	0	2
Consolidation	0	0
Total	(3,757)	17,504

Depreciation/amortization

(in EUR thousand)

	2023	2022
Depreciation/amortization – operating segments	286,116	273,573
Corporate units	59,338	53,949
Consolidation	0	0
Total	345,454	327,522

Geographic information

(in EUR thousand)

	Third party sales		Non-current assets ¹	
	2023	2022	2023	2022
Germany	555,227	476,644	506,517	427,136
Other EMEA markets	2,111,234	1,918,371	575,485	556,850
USA	608,513	528,239	235,217	169,439
Other North and Latin American markets	346,111	260,938	41,125	39,642
China	277,856	216,878	64,544	56,962
Other Asian markets	298,517	250,308	105,002	112,107
Total	4,197,459	3,651,378	1,527,891	1,362,136

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, 2023, the following transactions requiring disclosure were conducted with related-parties:

Related-parties

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

Compensation of the Managing Board

The total compensation of the Managing Board amounts to EUR 15,672 thousand (2022: EUR 12,483 thousand). Expenses for short-term benefits totaled EUR 7,624 thousand in 2023 (2022: EUR 7,676 thousand). A service cost of EUR 1,120 thousand (2022: EUR 1,120 thousand) was incurred for company pension plans in 2023. For share-based compensation, the expense in 2023 amounted to EUR 6,929 thousand (2022: EUR 3,687 thousand).

The total compensation of the members of the Managing Board pursuant to Section 314 (1) no. 6 a) of the German Commercial Code (HGB) amounted to EUR 10,429 thousand in fiscal year 2023 (2022: EUR 11,429 thousand). Of this amount, EUR 2,926 thousand related to basic compensation including fringe benefits (2022: EUR 2,966 thousand). Special compensation of EUR 100 thousand (2022: EUR 100 thousand) was granted in the fiscal year. An amount of EUR 2,941 thousand (2022: EUR 4,144 thousand) is attributable to the "Short Term Incentive" (STI) agreed for fiscal year 2023. An amount of EUR 4,462 thousand is attributable to the "Long Term Incentive" (LTI) 2023–2026, resulting from 87,739 subscription rights granted in 2023.

In addition, no loans were granted to members of the Managing Board in fiscal year 2023, nor were any contingent liabilities entered into in favor of these persons. Members of the Managing Board can purchase BOSS or HUGO products 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 1,710 thousand in 2023 (2022: EUR 5,694 thousand). This includes compensation attributable to the "Long Term Incentive" (LTI) and the "Short Term Incentive" (STI) amounting to EUR 1,223 thousand (2022: EUR 5,270 thousand).

Pension obligations for former members of the Managing Board and their surviving dependents amount to EUR 40,510 thousand (2022: EUR 40,893 thousand). The corresponding plan assets in the form of reinsurance amount to EUR 37,776 thousand (2022: EUR 37,874 thousand).

Compensation of the Supervisory Board

The Supervisory Board received compensation for its activities in 2022 amounting to EUR 1,790 thousand. For fiscal year 2023, total compensation amounts to EUR 1,790 thousand.

Other related-party disclosures

Members of the Managing Board and Supervisory Board together held around 1.5% (2022: around 1.5%) of the shares issued by HUGO BOSS AG at the end of fiscal year 2023.

26 | Subsequent events

Between the end of fiscal year 2023 and the preparation of these consolidated financial statements on February 21, 2024, there were no material macroeconomic, sociopolitical, industry-related, or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets, or financial position.

27 | Corporate Governance Code

In December 2023, 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 (group.hugoboss.com).

28 | Group auditor fees

(in EUR thousand)

	Deloitte network	Deloitte GmbH Wirtschafts- prüfungs- gesellschaft
2023		
Audit services	2,663	616
Other assurance services	130	74
Tax advisory services	15	0
Other services	59	0
Total	2,867	690
2022		
Audit services	2,449	535
Other assurance services	95	89
Tax advisory services	9	0
Other services	115	0
Total	2,668	624

In fiscal year 2023, services provided by the Group auditor, beyond those related to the financial statement audit, mainly include the audit to obtain limited assurance on the summarized non-financial statement as well as selected disclosures in the Sustainability Report. The tax advisory services related to tax filing in subsidiaries abroad.

Managing Board

Member of the Managing Board	Responsibility
Daniel Grieder (Brissago, Switzerland/Metzingen, Germany) Chairman of the Managing Board, Member of the Managing Board since June 1, 2021	Global Marketing & Brand Communication, Creative Direction, Business Unit BOSS Menswear, Business Unit BOSS Womenswear, Business Unit HUGO, Business Unit Footwear, Accessories, Bodywear & Hosiery (incl. Global Licenses), Human Resources, Corporate Communications & Public Affairs, Group Strategy & Corporate Development (incl. Global Corporate Responsibility), and Digital Platform: Brand & Product
Yves Müller (Hamburg/Metzingen, Germany) Member of the Managing Board since December 1, 2017	Group Finance & Tax, Business Planning & Analysis, Investor Relations & M&A, Operations Excellence Projects, Global Sourcing & Production, Technical Product Development, Global Logistics, IT (incl. Information Security), Legal, Compliance & Data Protection, Internal Audit, Construction & Procurement, and Digital Platform: Finance & Operations
Oliver Timm (Meerbusch/Metzingen, Germany) Member of the Managing Board since January 1, 2021	Global Sales Development, Global Retail & Wholesale, Customer Relationship Management (CRM), Data & Analytics, Global Merchandise Management, Global Travel Retail, Global Retail Management, Global E-Commerce & Metaverse, and Digital Platform: Omnichannel & Sales

Supervisory Board

Shareholder representatives

Hermann Waldemer

(Blitzingen, Switzerland)

Management Consultant,
Chairman of the Supervisory Board (from May 2020),
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

Andreas Flach

(Weil der Stadt, Germany)

Trade Union Secretary of the German Metalworkers' Union
(IG Metall) Baden-Württemberg, Stuttgart, Germany,
Member since May 2023

Katharina Herzog

(Reutlingen, Germany)

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

Daniela Liburdi

(Sindelfingen, Germany)

Administrative Employee HUGO BOSS AG,
Metzingen, Germany,
Member since May 2023

Tanja Silvana Nitschke

(Inzigkofen, Germany)

Chairperson and Treasurer of the German Metalworkers' Union
(IG Metall) Reutlingen-Tübingen,
Reutlingen, Germany,
Member since 2015

Bernd Simbeck

(Metzingen, Germany)

Administrative Employee HUGO BOSS AG,
Metzingen, Germany,
Member since 2021 (previously already from 2010 until 2015)

Anita Kessel

(Metzingen, Germany)

Administrative Employee HUGO BOSS AG,
Metzingen, Germany,
Member from 2015 until May 2023

Martin Sambeth

(Tiefenbronn, Germany)

Chairperson and Treasurer of the German Metalworkers' Union
(IG Metall) Karlsruhe, Karlsruhe, Germany,
Member from 2016 until May 2023

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

The members of the Supervisory Board of HUGO BOSS are also members of a supervisory board at the following companies¹:

Iris Epple-Righi	Bambuser AB	Stockholm, Sweden
	Global-e Online Ltd.	Petah-Tikva, Israel
	Sennheiser electronic GmbH & Co. KG	Wedemark, Germany
Andreas Flach	Rolls Royce Power Systems AG	Friedrichshafen, Germany
	Rolls Royce Solutions GmbH	Friedrichshafen, Germany
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	Milano, Italy
	Florence S.r.l.	Milano, Italy
	Forte Forte S.r.l.	Sarcedo, Italy
	Isotex Engineering S.r.l.	Trissino, Italy
	ITACA EQUITY Holding S.p.A.	Milano, Italy
	Multitecno S.r.l.	Fossalta di Portogruaro, Italy
	MySecretCase S.r.l.	Milano, Italy
	Techwald Next S.p.A.	Trissino, 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 ³	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.

³ Until May 31, 2023.

Members of the Managing Board

Daniel Grieder is a non-executive member of the board of directors of Rieter Holding AG (Winterthur, Switzerland). No other member of the Managing Board of HUGO BOSS AG holds a mandate on supervisory boards or comparable supervisory bodies of companies not belonging to HUGO BOSS 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 Register of Companies and on the website of HUGO BOSS.

Metzingen, February 21, 2024

HUGO BOSS AG
The Managing Board

Daniel Grieder
Yves Müller
Oliver Timm

Shareholdings of HUGO BOSS AG

Unless stated otherwise, the interest in capital amounts to 100%. The following companies are fully consolidated.

(in EUR thousand)

Company ¹	Registered office	Equity 2023
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands	648,806
HUGO BOSS International B.V.	Amsterdam, Netherlands	561,285
HUGO BOSS Internationale Beteiligungs-GmbH ^{2,5,9}	Metzingen, Germany	524,800
HUGO BOSS USA, Inc. ⁴	New York, NY, USA	209,773
HUGO BOSS China Retail Co. Ltd.	Shanghai, China	74,279
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland	72,736
HUGO BOSS UK Limited	London, United Kingdom	65,889
Lotus (Shenzhen) Commerce Ltd. Shenzhen, China	Shenzhen, China	58,270
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands	46,029
HUGO BOSS Benelux B.V. y CIA S.C	Madrid, Spain	45,728
HUGO BOSS Canada, Inc.	Toronto, Canada	42,669
HUGO BOSS Mexico S.A. de C.V. ²	Mexico City, Mexico	39,538
HUGO BOSS France SAS	Paris, France	37,808
HUGO BOSS Lotus Hong Kong Ltd.	Hong Kong, China	34,925
HUGO BOSS AL FUTTAIM UAE TRADING L.L.C. ⁶	Dubai, UAE	33,685
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil	31,616
HUGO BOSS Textile Industry Ltd. ²	Izmir, Turkey	31,591
HUGO BOSS International Markets AG	Zug, Switzerland	22,630
HUGO BOSS Middle East FZ-LLC	Dubai, UAE	12,964
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia	12,363
HUGO BOSS Portugal & Companhia	Lisbon, Portugal	12,259
HUGO BOSS (Schweiz) AG	Zug, Switzerland	11,892
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy	10,485
HUGO BOSS Rus LLC ²	Moscow, Russia	10,445
HUGO BOSS Scandinavia AB	Stockholm, Sweden	9,232
HUGO BOSS Australia Pty. Ltd.	Preston, Australia	8,919
HUGO BOSS Nordic ApS	Copenhagen, Denmark	7,728
HUGO BOSS Magazacilik Ltd. Sti.	Izmir, Turkey	7,476
HUGO BOSS Italia S.p.A.	Milan, Italy	6,888
Lotus Concept Trading (Macau) Co. Ltd.	Macau, China	6,084
HUGO BOSS Hellas LLC	Athens, Greece	5,835
HUGO BOSS Belgium BVBA	Diegem, Belgium	5,636
HUGO BOSS Hong Kong Ltd.	Hong Kong, China	4,825
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, China	4,823
HUGO BOSS Ireland Limited	Dublin, Ireland	4,813
HUGO BOSS South East Asia PTE. LTD.	Singapore	4,491
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG ^{2,9}	Metzingen, Germany	4,260

(in EUR thousand)

Company ¹	Registered office	Equity 2023
HUGO BOSS Korea Ltd.	Seoul, South Korea	4,224
HUGO BOSS Thailand Ltd.	Bangkok, Thailand	3,497
HUGO BOSS Finland OY	Helsinki, Finland	2,852
Salam Stores HUGO BOSS WLL ⁷	Doha, Qatar	1,946
HUGO BOSS Stiftung gGmbH ²	Metzingen, Germany	2,730
HUGO BOSS Malaysia SDN. BHD.	Kuala Lumpur, Malaysia	1,870
HUGO BOSS Shoes & Accessories Poland Sp. z o.o.	Radom, Poland	1,498
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG ^{2,9}	Metzingen, Germany	1,376
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland	1,151
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG ^{2,3,8,9}	Grünwald, Germany	427
YOURDATA HB DIGITAL CAMPUS, Unipessoal, Lda. ^{2,10}	Porto, Portugal	376
HUGO BOSS Estonia OÜ	Tallinn, Estonia	228
HUGO BOSS Dienstleistungs GmbH ²	Metzingen, Germany	136
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany	45
HUGO BOSS Beteiligungsgesellschaft mbH ^{2,5,9}	Metzingen, Germany	(85)
HUGO BOSS Latvia SIA.	Riga, Latvia	(221)
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH ⁹	Metzingen, Germany	(499)
GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG ²	Grünwald, Germany	(557)
HUGO BOSS New Zealand Ltd.	Auckland, New Zealand	(2,195)
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium	(3,088)
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands	(12,597)
HUGO BOSS Japan K.K.	Tokyo, Japan	(15,627)

¹ The figures correspond to the financial statements after possible profit transfer, for subsidiaries according to internally-consolidated IFRS financial statements.

² Directly affiliated to HUGO BOSS AG.

³ Investments with an equity share of 94%.

⁴ Subgroup financial statement include the following companies: HUGO BOSS Cleveland Inc., HUGO BOSS Fashion Inc., HUGO BOSS Florida Inc., HUGO BOSS Licensing Inc., HUGO BOSS Retail Inc., and HUGO BOSS USA Inc..

⁵ Companies with a profit transfer agreement with HUGO BOSS AG.

⁶ Investments with an equity share of 49%, consolidation of IFRS 10.7: Other contractual agreements.

⁷ Investments with an equity share of 70%.

⁸ Investments with a 94% share in capital and 15% of voting rights, consolidation of IFRS 10.7: Other contractual agreements.

⁹ Subsidiaries that exercise the exemption of Section 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].

¹⁰ Investments with an equity share of 42%, consolidation of IFRS 10.7: Other contractual agreements.