

# BUSINESS ACTIVITIES AND GROUP STRUCTURE

Leading global fashion and lifestyle company with premium positioning

Portfolio strategy with two unique brands – BOSS and HUGO

Strong global footprint with ~8,000 points of sale and >70 digital markets

## Business activities

### HUGO BOSS AT A GLANCE



4.3

Sales (EUR billion)



>17,500

Employees<sup>1</sup>



128

Countries

<sup>1</sup> Full-time equivalents (FTE).

HUGO BOSS, headquartered in Metzingen (Germany), is a leading **global fashion and lifestyle company** in the premium segment, offering high-quality women's and men's apparel, shoes, and accessories. The Company pursues a portfolio strategy, with the HUGO BOSS platform currently consisting of two globally renowned brands – **BOSS** and **HUGO**. While both brands are clearly distinguished by individual characteristics such as design and fit, they share equally high standards in terms of quality, innovation, and sustainability. In fiscal year 2025, HUGO BOSS generated sales of EUR 4.3 billion (2024: EUR 4.3 billion). > **Earnings development**

As a 24/7 lifestyle brand, **BOSS** offers outfits suited for every occasion across four distinct brand lines. The largest, BOSS Black, focuses on modern tailoring and smart casualwear for men and women, while the exclusive BOSS Camel line emphasizes high-end tailoring heritage for menswear. Casualwear products are mostly covered under BOSS Orange, while BOSS Green focuses on athleisurewear designed for an active lifestyle. **HUGO** focuses on a broad range of contemporary and streetwear-inspired products, reflecting the brand's authentic and unconventional style. > **Group Strategy, Brand Excellence, Distribution Excellence**

In addition to a broad product offering within the **seasonal BOSS and HUGO collections**, capsule collections and collaborations increase the relevance of our brands. To elevate brand equity and drive customer loyalty, we pursue two clearly distinguished **marketing strategies** for BOSS and HUGO, with a strong focus on social media. In this context, we put particular emphasis on key partnerships, product-led campaigns, and high-profile brand events. > **Group Strategy, Brand Excellence**

**Design and development** of our brands' collections is mainly carried out at our headquarters in Metzingen (Germany), while our development centers in Coldrerio (Switzerland) and Morrovalle (Italy) are responsible for specific product groups. In addition, we have granted **licenses** for the development and distribution of products including fragrances, eyewear, and watches. To increase speed-to-market capabilities and shorten the product development process, the majority of our products are developed digitally. > **Product Development and Innovation**

In fiscal year 2025, HUGO BOSS produced 17% of its total sourcing volume at own facilities (2024: 20%). All five **own production sites** are located in Europe, with Izmir (Turkey) contributing the largest share. The remaining 83% of sourcing volume was sourced from **external contract suppliers** or as **merchandise** (2024: 80%), primarily from partners in Asia and Europe. > **Business Operations**, > **Combined Non-financial Statement**, **Workers in the Value Chain**

We pursue an omnichannel strategy aimed at delivering a **seamless brand experience across all consumer touchpoints**, including brick-and-mortar retail, wholesale, and digital channels. Consumers can experience and purchase BOSS and HUGO products at around 8,000 brick-and-mortar points of sale globally (2024: more than 8,000) and in 74 markets via hugoboss.com (2024: 74 markets). > **Group Strategy**, **Distribution Excellence**, > **Consumer Touchpoints**

In 2025, BOSS and HUGO products were distributed across 128 countries (2024: 129), with **distribution divided into three sales regions**. EMEA (Europe, Middle East, and Africa) represents the largest, accounting for 62% of Group sales (2024: 61%). The Americas and Asia/Pacific contributed 23% and 12%, respectively (2024: 24% and 13%), while licensing accounted for the remaining 2% (2024: 3%). > **Earnings Development**, **Sales and Earnings Development of the Business Segments**

**Digitalization** represents a key enabler for implementing our vision of being the leading premium tech-driven, customer-centric global fashion platform. In this context, we drive the digitalization of our business activities and leverage the power of **artificial intelligence (AI)** along the entire value chain. AI is increasingly embedded across key business processes, supporting design and product creation, production and sourcing, demand forecasting, marketing effectiveness, and distribution and logistics, thereby enabling higher transparency, improved planning, and smarter decision-making.

**Sustainability** is essential to our corporate responsibility and business activities. Our Sustainability Strategy, which was updated in 2025, is based on five key pillars: increasing circularity, driving digitization and data analytics, leveraging better natural materials, shifting to better polyester and polyamide, and reducing climate impact. In addition to environmental protection, we also put a focus on socially responsible production processes while maintaining the high quality and durability of our products. > **Group Strategy**, **Sustainability Strategy**, > **Combined Non-financial Statement**

We strive to further strengthen our **attractiveness as an employer in fashion**. Our human resources (HR) strategy focuses on attracting, retaining, and developing top talent. The passion and dedication of our more than 17,500 employees worldwide (2024: over 18,500) are vital to the successful execution of our strategic ambitions. In this context, we are committed to a performance-oriented company culture built on **trust**, guided by our values entrepreneurial spirit, personal ownership, team mentality, simplicity & quality, and youthful spirit. > **Combined Non-financial Statement, Own Workforce**

## Group structure

HUGO BOSS is managed by its **parent company**, HUGO BOSS AG, which as a German stock corporation, operates under a dual management and control structure. Accordingly, the Managing Board is responsible for steering the Group and successfully executing its strategy, while the Supervisory Board oversees and advises the Managing Board. The two boards are strictly separate in terms of both composition and responsibilities yet work together closely in the best interests of the Company. The Group comprises HUGO BOSS AG and **59 consolidated subsidiaries**, including 39 distribution companies and four production-focused subsidiaries, each responsible for their local business activities. > **Notes to the Consolidated Financial Statements, Basis of Consolidation**

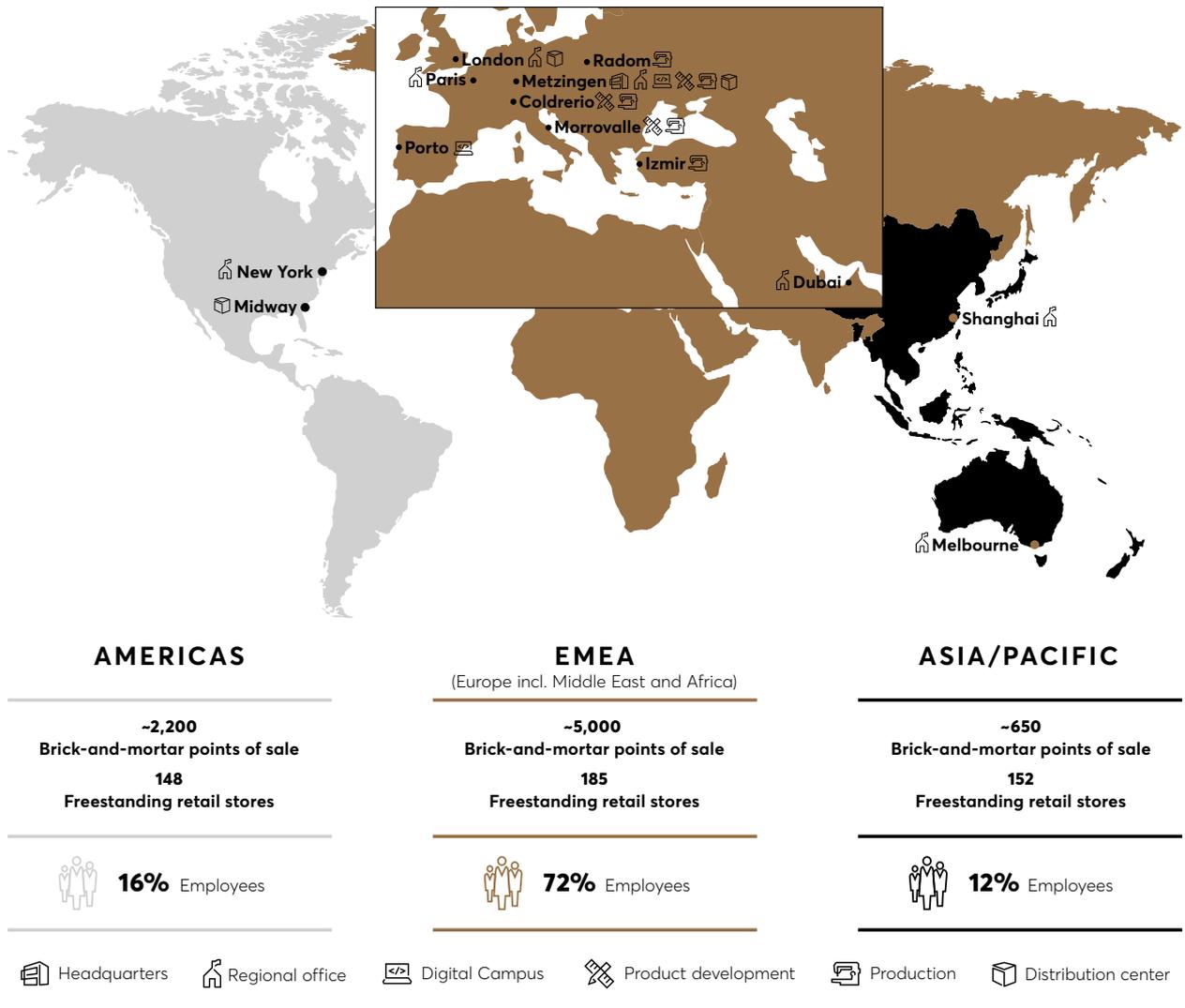
HUGO BOSS is **structured by region**, with our business segments being EMEA, the Americas, Asia/Pacific, and the license business.

### HUGO BOSS GROUP STRUCTURE

Managing Board				
<b>Central departments</b>	Brand Management/Business Units		Internal Audit	
	Business Operations		Investor Relations	
	Business Planning & Analysis/Risk Management		IT	
	Construction		Legal/Compliance	
	Corporate Communications		Logistics	
	Design/Creative Management		Marketing	
	Finance/Tax		Omnichannel	
	Group Strategy		Procurement	
	Human Resources		Wholesale	
	<b>Operating segments</b>	<b>EMEA</b>	<b>Americas</b>	<b>Asia/Pacific</b>
<b>Hubs (Individual markets)</b>	Northern Europe		China	
	Central/Eastern Europe	Americas (United States/ Canada/ Latin America)		
	Western Europe		Southeast Asia/ Pacific	
	Emerging Markets			

The **central departments** of HUGO BOSS AG cover key parts of the value chain, particularly the design and creative management, product development, production, sourcing, and distribution of our collections to the respective markets. Our Group strategy is executed on a market level in order to ensure strong customer focus and agile responses to market-specific developments. The markets are grouped into **hubs**, with local management reporting directly to the Chief Sales Officer (CSO), enabling close alignment with central functions and short decision-making processes. In addition, certain functions are bundled within the hubs and central departments across markets to leverage specialist expertise and generate cost benefits.

**KEY LOCATIONS/GLOBAL MARKET PRESENCE**



# GROUP STRATEGY

Vision to be the leading premium, tech-driven, customer-centric global fashion platform

CLAIM 5 TOUCHDOWN to pave way for sustainable, profitable growth

Clear execution focus on brand, distribution, and operational excellence

In December 2025, HUGO BOSS introduced **CLAIM 5 TOUCHDOWN**, setting the strategic course through 2028 and paving the way for sustainable, profitable growth. Amid a challenging market environment, CLAIM 5 TOUCHDOWN builds on the achievements of the Company's CLAIM 5 strategy, initially launched in 2021. CLAIM 5 has driven a noticeable acceleration in momentum for both BOSS and HUGO, reflected in robust top-line growth across brands, channels, and regions, and resulting in significant market share gains globally. At the same time, supported by substantial investments in the business, HUGO BOSS has established a solid operational and organizational platform, laying a strong foundation for long-term success. Building on this foundation, HUGO BOSS will now **refocus, refine, and realign its business** to further strengthen brand equity, while also enhancing efficiency, profitability, and long-term value creation.

## CLAIM 5 TOUCHDOWN

While the Company's overall strategic direction remains unchanged, HUGO BOSS will **sharpen its focus** on rebalancing top-line growth toward stronger profitability and cash generation. In doing so, CLAIM 5 TOUCHDOWN places particular emphasis on those areas of the business with the greatest potential for further value creation. Against this backdrop, 2026 will serve as a year of deliberate realignment, strengthening the business by streamlining processes, refining assortments, and optimizing the distribution network. At the same time, HUGO BOSS aims to accelerate average free cash flow generation, thereby forming the basis for future shareholder returns. To deliver against this ambition, execution will center on **three key fields of excellence: brand, distribution, and operations**. Initiatives across these priorities are designed to foster brand equity and drive efficiency across the organization, while setting the stage for renewed top- and bottom-line growth from 2027 onward. Overall, our vision remains clear: to be the premium, tech-driven, customer-centric global fashion platform.

## CLAIM 5 TOUCHDOWN

BRAND  
EXCELLENCEDISTRIBUTION  
EXCELLENCEOPERATIONAL  
EXCELLENCE

MEANINGFUL FREE CASH FLOW GENERATION

CONTINUED SHAREHOLDER RETURNS

## Brand Excellence

As part of CLAIM 5, we comprehensively **renewed the brand images of BOSS and HUGO**. With a bolder, younger, and more emotional appearance, momentum for both brands has increased noticeably in recent years. At the same time, we successfully evolved our brands into true 24/7 lifestyle brands with the introduction of new brand lines, ensuring that our customers are perfectly dressed for every occasion.

Going forward, HUGO BOSS is committed to driving Brand Excellence by further **elevating BOSS and HUGO**. A new organizational setup with **two dedicated powerhouses** for menswear and womenswear will unlock synergies across the two brands, while strengthening gender-specific expertise. **BOSS Menswear** will remain the Group's key growth engine, continuing to leverage its strong 24/7 lifestyle positioning across a clearly differentiated product portfolio. In this context, we see particular growth opportunities across BOSS Green and BOSS Camel, while we remain committed to further capitalizing on product categories such as shoes, accessories, and bodywear. At the same time, we aim to reduce product complexity and further sharpen assortments of BOSS Menswear to drive scalability, increase productivity, and support profitability.

Within the new powerhouse structure, the Company is also focused on improving the long-term performance of BOSS Womenswear and HUGO, currently accounting for 7% and 15% of Group sales, respectively. **BOSS Womenswear** will further sharpen its identity through a clearly defined positioning. Going forward, it will focus on a more curated and streamlined product assortment built around essential products, aimed at strengthening resonance with female consumers. **HUGO** will further refine its identity through an enhanced positioning and a more accessible product range, with an even stronger focus on contemporary tailoring. In doing so, the Company aims to increase commercial relevance over time. Across both brands, the Company will put particular emphasis on exploiting its growth potential within its core region Europe as well as the U.S.

Overall, we aim to strengthen the position of BOSS and HUGO as truly desired global brands. To achieve this, we will continue to **build brand equity and deepen consumer relationships**. Marketing remains a key lever in this regard, with investments targeted at around 7% of Group sales (2025: 7.1%). We will prioritize **high-return initiatives**, including strategic partnerships such as Beckham x BOSS, and impactful, product-led campaigns. In doing so, the Company seeks to drive full-funnel engagement, translating brand awareness into purchase intent and, ultimately, into customer loyalty. By consistently inviting consumers into the worlds of BOSS and HUGO, we are committed to creating sustainable long-term brand value.

## Distribution Excellence

In prior years, we have made substantial progress in translating the brand power of BOSS and HUGO into our various customer touchpoints, thus providing consumers with a premium **omnichannel experience**. In this context, we significantly invested into our high-quality channel mix on a global scale to ensure a seamless brand experience across all touchpoints.

A clear focus on Distribution Excellence will further **elevate the brand experience across all touchpoints**, supported by a more targeted and higher-quality distribution footprint. In **brick-and-mortar retail**, HUGO BOSS will continue to optimize its store portfolio for an even better customer experience. Besides the selective closure of underperforming stores, this includes initiatives to enhance sales productivity and retail efficiency – such as improving rent-to-sales ratios and implementing smart price increases – as well as elevating the in-store experience through more curated product assortments and even more personalized customer service. By doing so, the Company aims to strengthen both store profitability and customer loyalty.

At the same time, the Company will strengthen the quality of its **brick-and-mortar wholesale** business by fostering strategic partnerships and pursuing a more selective assortment strategy. This approach is essential to strengthening brand equity and supporting profitable growth. In parallel, HUGO BOSS will unlock additional growth opportunities by further expanding its global franchise business, with a particular focus on emerging markets.

Building on strong growth in recent years, HUGO BOSS will continue to drive its **digital business** by further advancing seamless brand and customer experiences across platforms. In this context, we will further amplify our two-brand strategy on hugoboss.com to enhance customer experience, while reinforcing clear assortment guidelines and a consistent brand presentation across all touchpoints. > **Consumer Touchpoints**

From a regional perspective, HUGO BOSS will continue to leverage its strong and leading presence in **Europe** to drive further market share gains and profitable growth. Building on this solid foundation, the Company will continue to strengthen its positions in the **U.S.** and **China** by optimizing distribution and tailoring brand activities to local market needs. At the same time, HUGO BOSS will capture additional growth opportunities in **emerging markets**, supported by its expanding franchise footprint.

## Operational Excellence

In recent years, HUGO BOSS has built a **robust operational platform**, investing around EUR 500 million in digital capabilities, sourcing, logistics capacity expansion, and back-end infrastructure. At the same time, the Company successfully executed a range of strategic initiatives to strengthen its supply chain and unlock economies of scale. These include consolidating the supplier base, significantly shifting from air freight to sea freight, reducing product complexity, and increasing nearshoring activities. Collectively, these measures are designed to notably enhance flexibility and efficiency in the future.

Building on this solid foundation, HUGO BOSS will further **elevate Operational Excellence across the entire value chain**. By leveraging past investments, the Company aims to support long-term growth, improve profitability, and strengthen cash generation. Key priorities include further increasing sourcing efficiencies by leveraging additional economies of scale through continued vendor optimization, maintaining a sea-freight-first approach, and achieving shorter lead times, thereby supporting sustainable improvements in gross margin. > [Business Operations](#)

In parallel, the Company will further **enhance its planning capabilities** and enable faster, smarter decision-making through technology and artificial intelligence. Central to this effort is our Digital TWIN initiative, which provides greater transparency, advanced data analytics, agile planning, and informed decision-making. In addition, the Company will maximize the benefits of its expanded automated logistics network and further strengthen back-end efficiency through streamlined processes and automation. Together, these initiatives are expected to positively impact operating expenses by driving efficiency gains across the organization.

## Financial ambition

CLAIM 5 TOUCHDOWN marks the next chapter of our Group strategy, building on the strong foundation established under CLAIM 5. It is designed to further elevate the desirability of BOSS and HUGO, sharpen our global distribution and operational setup, and thereby lay the groundwork for sustainable, profitable growth. Over the medium to long term, the Company aims to **outgrow the market and achieve an EBIT margin of around 12%**. In line with this ambition, the next years will mark a phase of further strengthening the Company's operational and financial base.

Against the backdrop of deliberate brand and channel realignment, **2026 will be a year of consolidation** and an important step toward positioning HUGO BOSS for long-term profitable growth. Currency-adjusted sales are expected to decline mid- to high-single digits in 2026 (2025: EUR 4.3 billion), before returning to growth in 2027, and accelerating in 2028. Gross margin improvements are expected in 2026 and beyond, supported by sourcing efficiencies, selective price adjustments, and stronger full-price sell-through. Supported by ongoing cost discipline, EBIT is expected between EUR 300 million and EUR 350 million in 2026 (2025: EUR 391 million), with profitability improving from 2027 onward. Further details on our **targets for fiscal year 2026** are presented in the Outlook section. > [Outlook](#)

At the same time, CLAIM 5 TOUCHDOWN is designed to significantly strengthen cash generation. **Average free cash flow is targeted at around EUR 300 million annually** (excluding the impact of IFRS 16). Including IFRS 16, this corresponds to a targeted annual average of around EUR 500 million (2025: EUR 499 million). This will be supported by a further normalization in capital expenditure, targeted between 3% and 4% of Group sales (2025: 4.6%), and by disciplined trade net working capital management, amounting to between 18% and 20% of Group sales (2025: 20.0%). The latter will benefit from a planned reduction in **inventory levels**, which are forecast to approach 20% of sales by 2028 (2025: 21.5%). Overall, these measures are intended to underpin the Company's financial framework and provide the basis for sustainable, profitable growth and attractive shareholder returns over the medium to long term.

## Capital allocation framework

As part of CLAIM 5 TOUCHDOWN, the Company's capital allocation framework is designed to **balance investment, value creation, and resilience**. The framework emphasizes continued investments into the business to support long-term profitable growth, while also including a firm commitment to delivering continued shareholder returns. In this context, HUGO BOSS plans to buy back shares in an amount of up to EUR 200 million until December 31, 2027. At the same time, HUGO BOSS will continue to further strengthen its balance sheet over the coming years, aiming to reduce financial leverage while remaining within its target corridor and maintaining investment-grade ratings from S&P ("BBB-") and Moody's ("Baa2"). The Company will also preserve the strategic flexibility needed to pursue selective, value-accretive M&A opportunities. > **Outlook**

## Focused execution for sustainable growth

CLAIM 5 TOUCHDOWN serves to **sharpen focus, discipline, and execution** across the business. With clear priorities, a performance-driven culture, and fully committed teams, HUGO BOSS is well positioned to navigate market challenges and translate strategic focus into tangible results. Backed by its strong cash flow profile and a clear trajectory toward sustainable, profitable growth, HUGO BOSS remains firmly committed to driving long-term shareholder value.

## Sustainability Strategy

Sustainability is a vital part of our business strategy. In 2025, we further refined our Sustainability Strategy and aligned our targets accordingly. Our **Sustainability Strategy** focuses on five key pillars: increasing circularity, driving digitization and data analytics, leveraging better natural materials, shifting to better polyester and polyamide, and reducing climate impact.

SUSTAINABILITY STRATEGY



As we aim to extend the longevity and life cycles of our products, we have set ourselves the target of having **80% of our products designed for circularity by 2030** (2025: 41%). Measures include the systematic integration of circular design principles, including recyclability, across design and production. As part of our Group and sustainability strategies, we are **digitalizing 70% of our processes from design to sales by 2030**, contributing to waste reduction, for example by minimizing the production of physical samples. Recognizing our dependence on healthy ecosystems, we are putting strong emphasis on sourcing selected materials to reduce our environmental footprint and support biodiversity. Accordingly, we aim to procure **100% of our main natural materials** and **100% of polyester and polyamide from preferred sources by 2030** (2025: 48% and 14%, respectively), as outlined in our Material Strategy. We also remain committed to reducing our overall use of polyester and polyamide in our products. To mitigate climate impact, we are committed to achieving **net zero emissions by 2050** (base year 2024). As part of this, we aim to **reduce our Scope 1–3 emissions by 50% by 2030** compared with 2024 levels (2025: minus 14%). Further details are available in the Environment section of the Combined Non-financial Statement and on our Group website.

> [Combined Non-financial Statement, Environment](#)

Our sustainability strategy and its five key pillars are built on a **strong environmental, social, and governance (ESG) core**. In addition to environmental protection, we also put a focus on socially responsible production processes that align with our human rights and labor commitment. At the same time, we are convinced that good and responsible corporate governance is a key factor for long-term business success. Our sustainability strategy, including its ESG core, aligns closely with the results of our **double materiality analysis**, ensuring that the topics identified as material are incorporated in our strategic priorities. This also includes the setting of topic-specific goals and implementing targeted measures to achieve them. > [Combined Non-financial Statement](#)

# GROUP MANAGEMENT

Sustainable increase in enterprise value as guiding principle of HUGO BOSS

Sales and EBIT as key performance indicators for maximizing free cash flow

Group planning, reporting, and investment controlling form core elements of Group management

## Key performance indicators

HUGO BOSS aims to **sustainably increase its enterprise value**. The Group's internal management system is intended to support the Managing Board and the management of the respective business units in aligning all business activities with this objective. 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 safeguarding the liquidity of HUGO BOSS at all times, enabling appropriate levels of investment and thereby facilitating the long-term growth of the business.

### DEFINITION FREE CASH FLOW

	Cash flow from operating activities
+	Cash flow from investing activities
=	<b>Free cash flow</b>

Increasing **sales** on a currency-adjusted basis and increasing **operating profit (EBIT)** is key to improving free cash flow over the long term. In addition, strict management of **trade net working capital (TNWC)** and a value-oriented **capital expenditure** approach support the development of free cash flow. HUGO BOSS has therefore identified four key performance indicators for increasing free cash flow. Unchanged to previous years, these comprise currency-adjusted sales, EBIT, trade net working capital, and capital expenditure. The 2026 guidance for these key performance indicators and the underlying assumptions are presented in the "Outlook" section of this Annual Report. > [Outlook](#)

**FOUR KEY PERFORMANCE INDICATORS**



As part of CLAIM 5 TOUCHDOWN, HUGO BOSS aims to **accelerate average free cash flow generation**, forming the foundation for future shareholder returns. To deliver on this ambition, execution will center on three key fields of excellence: brand, distribution, and operations. While 2026 will serve as a year of realignment to strengthen the business, these priorities will drive profitability in the long run and set the stage for renewed top- and bottom-line growth from 2027 onward. Free cash flow generation will be supported by lower capital expenditure and strict trade net working capital management. > [Group Strategy](#)

**DEFINITION EBIT**

Earnings before taxes
- Financial result
<b>= Operating profit (EBIT)</b>

For HUGO BOSS, **trade net working capital (TNWC)** is the most important performance indicator for managing the efficient deployment of capital.

**DEFINITION TRADE NET WORKING CAPITAL**

Inventories
+ Trade receivables
- Trade payables
<b>= Trade net working capital</b>

Management of **inventories, trade receivables, and trade payables** is the main responsibility of the respective operating central departments and supported locally by our subsidiaries. These balance sheet items are primarily managed by reference to the days of inventories outstanding, days of sales outstanding, and days of payables outstanding. Besides this, a specific approval process for the purchase of inventories for our global retail business shall ensure continuously optimized inventory levels. This process takes into account sales quotas, expected sales growth, and anticipated markdown levels.

The senior management of HUGO BOSS is jointly responsible for driving profitable growth. Accordingly, the **short-term incentive program (STI)** for managers across all four management levels below the Managing Board is tied to the achievement of specific sales and EBIT targets, with TNWC as a percentage of sales serving as a third component. Beginning in fiscal year 2026, the STI will also include a non-financial component that can comprise one or more environmental, social, and governance (ESG) objectives. For management at the two levels below the Managing Board, the compensation scheme further includes a **long-term incentive program (LTI)**, aligned with that of the Managing Board. The LTI comprises two financial criteria, return on capital employed (ROCE) and relative total shareholder return (RTSR), as well as ESG elements.

> **Combined Non-financial Statement**

In recent years, HUGO BOSS has made substantial investments to support long-term growth. **Investment activity** has been primarily focused on the optimization and modernization of our global store network, the digitalization of our business model, and the overall infrastructure, including the expansion of our logistics network. With most of these strategic investments now implemented, as part of CLAIM 5 TOUCHDOWN, HUGO BOSS plans to return to more normalized capital expenditure levels, with a strong focus on capital expenditure efficiency and maintenance investments, while still supporting our strategic priorities. A specific approval process exists for material investment projects. Apart from qualitative analyses, e.g. with respect to potential store locations, this also includes an analysis of each project's net present value. > **Financial Position, Capital Expenditure, > Group Strategy**

HUGO BOSS is confident to generate strong **free cash flow** also in the future. This is to be supported by strict management of TNWC and the efficient use of capital expenditure. Free cash flow will either be reinvested into the Company or distributed to shareholders. In this context, HUGO BOSS plans to buy back shares in an amount of up to EUR 200 million until December 31, 2027. At the same time, HUGO BOSS will continue to further strengthen its balance sheet over the coming years. In this context, we analyze our balance sheet structure at least once a year to determine its efficiency and ability to support future growth and to simultaneously provide sufficient safety if the Company's business performance falls short of expectations. At the end of fiscal year 2025, HUGO BOSS holds two **investment-grade ratings** from Standard & Poor's (BBB-) and Moody's (Baa2), underscoring the rating agencies' positive assessment of the Company's financial strength. At the same time, the Company will also preserve the strategic flexibility needed to pursue selective, value-accretive M&A opportunities. > **Financial Position, Capital Structure and Financing**

HUGO BOSS is **structured by region**, with our business segments being EMEA, the Americas, Asia/Pacific, and the license business. Within the three regions, individual markets are grouped into hubs, with local management reporting directly to the Chief Sales Officer (CSO), while the global license business is part of the Chief Executive Officer (CEO) resort. This ensures close alignment between markets and central functions as well as efficient decision-making processes. Further details on the financial development of the business segments in fiscal year 2025 can be found in the chapter "Earnings Development." > **Earnings Development, Sales and Earnings Development of the Business Segments**

## Core elements of the Group's internal management system

The Group's planning, management, and monitoring activities focus on optimizing the key performance indicators described above. The **core elements of our internal management system** are Group planning, Group-wide financial reporting, and investment controlling.

**Group planning** at HUGO BOSS generally refers to a rolling multiyear period and is prepared as part of the annual, Group-wide budget process, taking into account the current business situation and our underlying Group strategy. Based on targets set by the Managing Board, our Group's subsidiaries prepare sales, EBIT, and investment budgets as well as forecasts for TNWC for their respective markets or divisions. Based on this, our product development and sourcing units derive mid-term capacity planning. Business Planning & Analysis, part of the Business Operations division which reports to the Chief Financial Officer/Chief Operating Officer (CFO/COO), reviews these plans for plausibility and aggregates them to form the overall Group planning. The latter is updated on a regular basis, taking into account the actual business performance as well as any opportunities and risks.

Additionally, HUGO BOSS regularly conducts **liquidity** assessments, based on the expected cash flow development for any given year. This aims to identify financial risks at an early stage and to take appropriate measures concerning financing and investment requirements. > [Financial Position](#)

On a monthly basis, the Managing Board and management of the Group subsidiaries are informed about the operational business performance through standardized, IT-enabled reports of varying detail, supplemented by ad hoc analyses. Actual data compiled by our **Group-wide, IT-based reporting system** is compared against budget data on a monthly basis. Any deviations are analyzed and countermeasures are discussed. Developments with a significant impact on the Group's net assets, financial position, and results of operations are immediately reported to the Managing Board. In addition, dashboards offer real-time insights into key financial and operational performance indicators.

The Company is particularly focused on **monitoring early indicators** suitable for obtaining an indication of future business performance. In this context, the sales performance in our own retail business, the wholesale order intake, and the performance of our replenishment business are analyzed on a regular basis. To provide even more immediate insights, a dedicated mobile app enables the Managing Board and senior management to track the Company's top-line performance on a daily basis. In addition, benchmarking against relevant competitors is performed at quarterly intervals. The continuous monitoring of early indicators is intended to enable us to identify deviations from the budget at an early stage and take appropriate countermeasures.

The Group's **investment controlling** appraises planned investment projects with respect to their contribution to our Company's overall profitability targets. This ensures that projects are only launched in case of an expected positive contribution to the Group's overall profitability ambition. In addition, subsequent analyses are conducted at regular intervals to verify the profitability of projects that have already been realized. Appropriate countermeasures are taken in the event of any negative deviations from the initial profitability targets.

In light of the elevated market uncertainty weighing on industry development in 2025, the past fiscal year saw a **particularly close dialog** between the Managing Board, Business Planning & Analysis, and the management of our central divisions and subsidiaries. Corporate planning was regularly reviewed throughout the year, with particular attention paid to the various macroeconomic factors and their implications on our operational performance. Against this backdrop, the Company continued to focus on efficiency and effectiveness across the business, with a particular emphasis on sourcing excellence and strict cost discipline, thereby supporting both gross margin and operating expenses. As a result, the Company successfully achieved its top- and bottom-line targets for fiscal year 2025. > **Report on Economic Position, Comparison of Actual and Forecast Business Performance**

#### COMPARISON OF ACTUAL AND FORECAST DEVELOPMENT OF KEY PERFORMANCE INDICATORS

	Results 2024	Forecast 2025	Results 2025
<b>Group sales (reported)</b>	EUR 4,307 million	Between EUR 4.2 billion and EUR 4.4 billion (-2% to +2%)	Decrease by 1% to EUR 4,270 million
<b>Operating result (EBIT)</b>	EUR 361 million	Increase to a level of EUR 380 million to EUR 440 million (+5% to +22%)	Increase by 8% to EUR 391 million
<b>Trade net working capital as a percentage of sales</b>	19.6%	Remain at a level of between 19% and 20%	Increase by 40 basis points to 20.0%
<b>Capital expenditure</b>	EUR 286 million	Between EUR 200 million and EUR 250 million	Decrease by 32% to EUR 195 million

# PRODUCT DEVELOPMENT AND INNOVATION

Customer-centric product design with a clear focus on 24/7-lifestyle

Broader use of digital tools to enhance product development

Capsule collections and collabs to drive excitement among BOSS and HUGO

At HUGO BOSS, we put strong effort on developing collections and products that meet the highest customer demands in terms of design, quality, innovation, and sustainability. With our 24/7-lifestyle approach, we put consumers at the center of all our activities and offer a broad range of products for different wearing occasions. At the same time, we are committed to continuously optimizing the **price-value proposition** to guarantee **highest quality**, a superior degree of **innovation and sustainability**, and features that enable our brands to clearly distinguish themselves from the competition. We aim to fully leverage digitalization throughout the entire product development process to further enhance speed, precision, and sustainability. Inspiring capsule collections and high-impact collaborations with renowned brands and personalities also contribute to strengthening the relevance and brand equity of BOSS and HUGO. > [Group Strategy, Brand Excellence](#)

The design and product development process at HUGO BOSS involves the transformation of a creative idea into a commercial product. The work is carried out at our **three development centers** in Metzingen (Germany), Coldrerio (Switzerland), and Morrovalle (Italy). While the majority of our collections are developed at the Group headquarters in **Metzingen**, the **Coldrerio** site is mainly responsible for the development of the product categories shirts, knitwear, shoes, and accessories, as well as bodywear and hosiery. In **Morrovalle**, we develop high-quality shoes and leather accessories.

## Product development process

In recent years, we have significantly expanded the **digitalization of our product development process**, largely replacing the conventional process. It enables us to operate more flexibly across the entire value chain and consequently adapt more effectively and quickly to changing consumer trends and customer demand. At the same time, we are convinced that the ongoing digitalization of product development will also contribute positively to our **sustainability ambitions**, as it allows for further reducing the need for physical samples, predicting trends more accurately, and better anticipating customer preferences, thus minimizing waste. In fiscal year 2025, the proportion of **digitally developed products** amounted to around 75% (2024: around 65%), with continued expansion expected over the coming years.

The product development process starts with the **creative idea** that is transformed into specific designs and collections. In this context, we take into account sell-through rates of previous collections, feedback from wholesale partners and customers, as well as AI-driven insights derived from digital demand forecasting and trend analysis. With the goal of reducing overall collection complexity by around 20% across brands by 2028, we are placing a strong emphasis on a more focused product assortment. The **conventional product development process** sees our design teams' creative ideas tailored in the pattern-design phase, followed by technical product development turning models into prototypes and testing their suitability for the industrial production process. This step is followed by the manufacture of sample collections. The **digital product development process**, on the other hand, allows all these steps to be realized digitally. In this context, in-house developed image generators, virtual try-ons with avatars, as well as immersive 3D simulations with innovative software solutions enable us to simplify development processes without compromising on performance and fit. When selling our collections, digitally developed styles are also of high importance – for example to wholesale partners via digital showrooms or offering virtual try-ons to our customers at hugoboss.com.

## Key areas of product innovation

We are committed to unlocking the full potential of BOSS and HUGO by perfectly dressing our customers 24/7 and for every occasion. Driving **casualization** along our collections and further optimizing **wearing comfort** through the increased use of innovative materials are of particular importance and thus a key area of product innovation. With BOSS, we continue to drive innovation particularly within our **athleisurewear** offering as part of BOSS Green, including the launch of functional capsule collections, for example our dedicated BOSS Ski capsule. At the same time, our **BOSS Performance** product range, which accounts for around one third of our BOSS formalwear assortment, further elevates our BOSS Black offering. It combines traditional formalwear outfits with innovative sportswear elements, thereby perfectly matching the needs of our customers. At HUGO, the Company will drive a more harmonized and aligned product offering. A clear focus on contemporary tailoring and streetwear aims at sharpening brand identity and fueling brand heat.

> **Group Strategy, Brand Excellence**

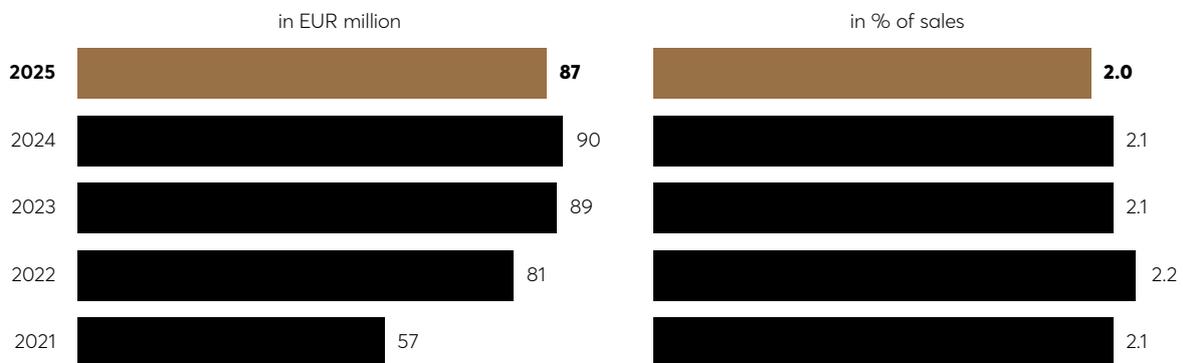
We are equally committed to living up to customer expectations in terms of **sustainability**. To this end, we also continue to explore innovative materials and manufacturing techniques, aiming to reduce the environmental impact. As part of a long-term strategic partnership with textile and material innovator **HeiQ**, we are leveraging AeonIQ, a circular and recyclable cellulose yarn, aimed at replacing environmentally impactful polyester and polyamide. In addition, we introduced **NovaPoly** in 2025, a recycled polyester yarn made from textile waste generated during production as well as the post-consumer phase. Going forward, initiatives like these are set to also support our ambition of enabling 80% of apparel products to become circular by 2030, with 41% of products already classified as circular in 2025 (2024: 33%). > **Group Strategy, Sustainability Strategy**

The four main collections of BOSS and HUGO are designed to offer customers both a broad range of core products as well as a variety of seasonal and particularly fashion-conscious styles. Besides these main collections, we team up with other well-known brands and personalities to create **inspiring capsule collections** and **high-impact collaborations**. In doing so, we want to constantly increase the relevance of BOSS and HUGO and excite consumers all over the globe. In 2025, we further leveraged our partnership with **David Beckham**, including the launch of two dedicated Beckham x BOSS collections. In addition, BOSS collaborated with strong partners such as Aston Martin and Steiff, while HUGO again teamed up with Formula One's Racing Bulls in 2025. Exceptional collaborations like these will continue to play a key role in driving brand equity and customer loyalty. Our product range is completed by **basic and core products**, such as never-out-of-stock items, which are designed to remain part of our collections for multiple seasons, as they are not tied to seasonal or fashion-driven trends. > **Group Strategy, Brand Excellence**

## Key R&D figures

The **research and product development (R&D) departments** of HUGO BOSS are staffed primarily by fashion and 3D designers, tailors, shoe and clothing technicians, and engineers. As of December 31, 2025, the number of employees in this area totaled 696 (2024: 731).

### RESEARCH AND PRODUCT DEVELOPMENT EXPENSES



At EUR 87 million, our R&D expenses in 2025 were slightly below the prior-year level (2024: EUR 90 million). At 77%, personnel expenses accounted for the vast majority of **R&D expenses** last fiscal year (2024: 75%), with the remainder being primarily composed of other department expenses. In 2025, R&D costs were again mostly recognized as expenses at the time they were incurred. In addition, production-related development expenses are included in the cost of conversion of inventories. No development expenses were recognized as internally generated intangible assets due to the predominantly short product life cycles.

# BUSINESS OPERATIONS

Strategic focus on driving efficiency gains in sourcing and production

Structural investments in recent years have created a robust operational platform

Successful expansion of global logistics network to support long-term growth

## Robust and efficient operational platform

The **sourcing and production of high-quality products** is crucial for meeting elevated customer expectations on design, functionality, comfort, longevity, and sustainability. Beyond ensuring these quality characteristics, we are constantly striving for best-in-class solutions to further enhance the **efficiency, flexibility, and resilience** of our global sourcing and production activities. Consequently, HUGO BOSS has built a robust and efficient operational infrastructure by significantly investing into its business in recent years, forming a strong basis for long-term growth. This also represents a crucial factor in navigating ongoing macroeconomic and geopolitical challenges. In 2025, HUGO BOSS maintained supply chain continuity amid a dynamic external environment, leveraging its well-diversified global sourcing footprint and implementing proactive measures, such as rerouting product flows in response to prolonged tariff discussions. > [Group Strategy, Operational Excellence](#)

Fully **leveraging our robust operational platform** will remain a key priority for HUGO BOSS going forward. As part of CLAIM 5 TOUCHDOWN, we continue to put strong emphasis on optimizing end-to-end operations, further improving effectiveness, and driving efficiency across our supply chain. Looking ahead, we are committed to **realizing additional economies of scale** to boost sourcing efficiency. In this context, we will further optimize vendor allocation, reduce collection complexity across brands, and shorten lead times. On top of that, we strive to **further optimize freight modes** through a sea-freight-first approach. Already in recent years, HUGO BOSS has successfully reduced its reliance on airfreight with a further reduction targeted going forward. This underscores our commitment to balancing cost efficiency with operational excellence and sustainable sourcing practices. Altogether, these measures will continue to strengthen our operational capabilities and are expected to provide tailwind to gross margin development in the coming years.

> [Earnings Development, Income Statement](#)

The further **digitalization of our value chain** remains a key priority, enabling faster responses to market trends and better alignment with customer demand. In 2025, we pushed ahead with the implementation of our **Digital TWIN**, a digital copy of our supply chain aimed at enhancing real-time data utilization, streamlining business processes, and enabling smarter decision-making through technology and AI. As part of this initiative, we put a particular focus on further **improving demand and supply planning** to optimize the procurement of products and fabrics, both in terms of timing and quantity. Along with efficient logistics planning and smart inventory allocation, we want to ensure that customer demand is met even more effectively, while also lowering cost and supporting **higher full-price sell-through**. At the same time, increased transparency along the supply chain enhances **end-to-end product traceability**, thus fully aligning with our sustainability ambitions.

## Sourcing volumes and regional split

In terms of value, 17% of the total **sourcing and production volume** in 2025 was produced at our own production facilities (2024: 20%). Consequently, the remaining 83% were sourced from independent contract suppliers or procured as merchandise (2024: 80%).

### REGIONAL SPLIT OF SOURCING AND PRODUCTION VOLUME (IN %)



2025 (2024)

HUGO BOSS attaches great importance to a **regionally balanced strategic sourcing mix** to mitigate risks such as local or regional capacity shortfalls. In 2025, 49% of our merchandise was sourced in **EMEA**, modestly below the prior year (2024: 53%). In line with our strategic ambition of further promoting **nearshoring**, we aim to align our regional sourcing activities even closer with our sales markets, to ultimately benefit from shorter lead times and increased speed-to-market capabilities. With a share of 24% of our global sourcing and production volume (2024: 26%), **Turkey** not only accounts for about half of our European sourcing activity but also represents by far the largest sourcing market for HUGO BOSS. Our own production in Izmir accounted for 15% of the global sourcing and production volume in 2025 (2024: 17%). Besides Turkey, **Portugal, Bulgaria, and Italy** also represent relevant sourcing markets within EMEA.

At 48%, the **Asian** share of our global sourcing and production volume slightly increased in 2025 (2024: 44%), also reflecting higher demand for casualwear. Within Asia, **Bangladesh** and **Vietnam** remain the largest sourcing markets, accounting for 12% and 9% of our global sourcing and production volume, respectively (2024: 11% and 8%). At the same time, we significantly reduced our sourcing volume in **China** in recent years, now accounting for only 6% (2024: 7%), down from over 20% a few years ago.

To benefit from the proximity to the important U.S. market and enhance flexibility, we are also committed to strengthening our sourcing footprint in the **Americas**, which currently stands at 3% (2024: 3%).

## Own production as a competitive advantage

We significantly expanded our own production capacity in recent years. In addition to greater **independence from external factors**, this allows faster, more flexible responses to customer demand and in-season replenishment opportunities. It also strengthens our expertise in production technologies and quality standards. Our five **own production facilities** are located in Izmir (Turkey), Metzingen (Germany), Radom (Poland), Morrovalle (Italy), and Coldrerio (Switzerland).

Our **largest own production site, in Izmir**, plays a particularly strategic role. Initially focused on formalwear, our Izmir site meanwhile dedicates 30% of its production volume to casualwear (2024: more than 25%). Today, Izmir thus accounts for around 10% of our global casualwear sourcing (2024: around 10%), after the Company has significantly expanded the share in recent years. This flexibility enables us to react even faster to changes in consumer demand also in this important segment. Our production site in **Metzingen** mainly produces products for BOSS Camel, including tailored BOSS Made to Measure suits, along with prototypes and sample styles. Production in **Radom** and **Morrovalle** mainly focuses on business shoes and sneakers, while **Coldrerio** specializes in BOSS Made to Measure shirts. > [Product Development and Innovation](#)

## Network of experienced and specialist suppliers

To ensure excellent processing quality and high product availability, HUGO BOSS partners with a **network of experienced and specialist suppliers**. In fiscal year 2025, we sourced finished goods from 178 external **Tier 1 suppliers** (2024: 200) operating 245 production facilities (2024: 271). In addition, fabrics and trimmings were procured from 374 external **Tier 2 suppliers** (2024: 382) operating 395 production facilities (2024: 411).

HUGO BOSS fosters **long-term strategic partnerships** with its suppliers, averaging over ten years, and supports them in the continuous development of key processes. Alongside economic criteria, we attach great importance to environmental and social aspects in the selection of suppliers. Cooperation is based on respect for human rights, labor standards, and occupational health and safety, with the **HUGO BOSS Supplier Code of Conduct** forming the framework for all supplier relationships. More details can be found in the "Combined Non-financial Statement." > [Combined Non-financial Statement, Workers in the Value Chain](#)

## Expansion of own logistics infrastructure

Our inventory storage is centered on selected sites, primarily operated by HUGO BOSS. Our distribution centers for hanging goods, flat-packed goods, and our global online business, all located in proximity to the headquarters in Metzingen, form the core of our **Group-wide logistics network**. The latter is supplemented by selected local or regional warehouses, including our own warehouse in Midway (U.S.) and third party-operated sites, for example in China or the UK.

As part of CLAIM 5 TOUCHDOWN, HUGO BOSS aims to fully leverage the benefits of its expanded automated logistics network. Between 2021 and 2025, the Company has made significant **investments in its logistics infrastructure** to increase unit capacity by around 40%. This includes the **expansion of our largest central distribution center** in Filderstadt (Germany), where we invested more than EUR 100 million with a strong emphasis on further digitalization and automation. Scheduled for completion in 2026, the expansion is expected to significantly increase shipping and storage capacity, further strengthening our operational platform, driving efficiencies, and supporting growth across channels.

# CONSUMER TOUCHPOINTS

Omnichannel strategy encompasses brick-and-mortar and digital business

Elevating brand experience across touchpoints to drive distribution excellence

Further successful rollout of customer loyalty program HUGO BOSS XP in 2025

With a global presence of around 8,000 consumer touchpoints, distribution is a key strategic lever for HUGO BOSS to strengthen brand equity, deepen customer relationships, and drive sustainable growth. By moving to where consumers expect us to be, we ensure being omnipresent both physically and digitally. In line with our premium positioning, HUGO BOSS is committed to delivering a **best-in-class omnichannel journey**. Our own retail business plays a key role in this context. By offering a brand-led shopping experience and first-class customer service, it enables us to interact directly with our customers and turn them into true fans. To drive **distribution excellence** as part of CLAIM 5 TOUCHDOWN, we aim to further elevate the BOSS and HUGO brand experience across all touchpoints – from brick-and-mortar retail and brick-and-mortar wholesale to our digital touchpoints. Each channel is designed to fulfill distinct customer needs, while together forming a seamless and consistent omnichannel experience.

## Distribution formats

### HUGO BOSS OMNICHANNEL DISTRIBUTION

Brick-and-mortar retail	Brick-and-mortar wholesale	Digital	
 <p><b>Freestanding stores</b> Self-operated full-price stores in prime locations</p>	 <p><b>Multi-brand points of sale</b> General selling space in multi-brand stores</p>	 <p><b>Online store hugoboss.com</b> Digital flagship store with separate brand environments for BOSS and HUGO</p>	
 <p><b>Shop-in-shops</b> Self-operated full-price shops on retail space of partners</p>	 <p><b>Shop-in-shops</b> BOSS and HUGO shops operated by partners</p>	 <p><b>Partnerships with online retailers</b> Own distribution on multi-brand platforms via the concession model</p>	
 <p><b>Factory outlets</b> Sale of prior season's merchandise in specialist stores in high-traffic peripheral zones</p>	 <p><b>Franchise business</b> Full-price BOSS and HUGO stores operated by partners</p>	 <p><b>Online distribution via partners</b> Online distribution of BOSS and HUGO by partners</p>	

## Brick-and-mortar retail

Our **brick-and-mortar retail business** represents the largest channel for HUGO BOSS, accounting for 51% of Group sales in 2025 (2024: 52%). As of year-end 2025, we operated 1,462 own retail points of sale worldwide (2024: 1,532), including 485 **freestanding stores** (2024: 500), focused on prime retail locations. Our freestanding full-price retail stores offer a superior, brand-led shopping experience, combining experiential store design, in-store digitalization, and seamless omnichannel integration. To further engage with consumers worldwide, we also operate pop-ups and hospitality concepts, such as the Beckham x BOSS Shanghai pop-up in 2025, creating special moments of brand activation. In addition, we run self-managed **shop-in-shops** in department stores as part of the concession model, as well as self-managed **factory outlets** allowing us to introduce our brands to more value-oriented customer segments.

In recent years, HUGO BOSS has made significant investments in its own retail business. As part of this transformation, we successfully rolled out new **store concepts for BOSS and HUGO** that are more brand-led and more digital, thereby turning our stores into true points of experience. As of December 31, 2025, the majority of our freestanding BOSS and HUGO stores had been refreshed or equipped with the latest store concepts, including halo stores in Barcelona, London, Dubai, and Shanghai. Halo stores play a vital role in delivering a superior and comprehensive brand experience in key metropolitan areas, inspiring and engaging with consumers. To exploit the full potential of brick-and-mortar retail, as part of CLAIM 5 TOUCHDOWN, HUGO BOSS will continue to **elevate its own store portfolio** to enhance the customer experience. At the same time, we aim to optimize our store network to improve both sales productivity and retail efficiency. Key measures include the renegotiation of expiring rental contracts and the selective closure of up to 50 stores between 2025 and 2028. > [Group Strategy, Distribution Excellence](#), > [Earnings Development](#)

## Brick-and-mortar wholesale

Our brick-and-mortar wholesale business accounted for 26% of Group sales in 2025 (2024: 26%), addressing consumers who prefer to discover and enjoy a variety of brands, while also extending reach into smaller markets not covered by our own retail business. Department stores and specialist retailers distribute BOSS and HUGO products through **shop-in-shops** or **multi-brand environments**, while **franchise partners** operate mono-branded freestanding stores independently. In total, our wholesale business comprises around 6,400 brick-and-mortar points of sale worldwide (2024: around 6,500), including 432 franchise stores (2024: 388). We sell our collections to wholesale partners via 10 **showrooms** globally, offering wholesale partners a premium brand environment during the selling process. In addition, we are increasingly using digital showrooms, which enable a more seamless and efficient order process while enhancing flexibility for wholesale partners.

In recent years, our brands significantly increased their **visibility and market presence** at key European and U.S. department stores. Going forward, HUGO BOSS will continue to **foster strategic partnerships** while adopting a more selective distribution approach. This includes focusing on the most relevant partners and further sharpening product assortments to strengthen brand equity. In line with CLAIM 5 TOUCHDOWN, the Company will also further expand its global franchise business, particularly in emerging markets, to capitalize on regional growth opportunities.

## Digital

Our **digital touchpoints** – including **hugoboss.com**, **online concessions**, and **digital wholesale** – contributed 21% of Group sales in 2025 (2024: 20%). Our online flagship hugoboss.com plays a key role in this context, offering a first-class digital shopping experience and direct access to BOSS and HUGO customers across 74 markets (2024: 74 markets). Over the past years, we have significantly increased the reach and relevance of hugoboss.com, driven by the successful relaunch of our website, the continued global expansion of our digital presence, and the relaunch of our **customer app** as a fully integrated touchpoint within our omnichannel ecosystem. The latter includes key features such as virtual product try-ons or AI-enabled chatbots.

To exploit the full potential of our digital business and unlock additional growth opportunities, we are advancing **seamless brand and customer experiences** across platforms, driven by captivating content and consistent brand storytelling. As part of CLAIM 5 TOUCHDOWN, we will further amplify our two-brand strategy on hugoboss.com to enhance customer experience and reinforce assortment guidelines across touchpoints.

## Customer loyalty

HUGO BOSS aims to turn consumers into fans by putting strong emphasis on retaining and engaging with our most valuable customers. Already in 2024, we launched our next-level **loyalty program HUGO BOSS XP**, a hyper-personalized omnichannel member experience centered on the hugoboss.com app. Leveraging advanced technologies, the program is designed to build brand loyalty, boost member sales, and drive customer lifetime value. HUGO BOSS XP was first rolled out in the UK, Germany, and France, and was **expanded to the U.S. and China in 2025**. Supported by this broader rollout and increasing customer engagement, we successfully expanded our member base by around 20% in 2025, reaching more than 13 million members by the end of the fiscal year (2024: more than 10 million).