

**H U G O B O S S**

---

**Investor Meeting  
Presentation**

---

**February, 2011**

## AGENDA

---



**CURRENT TRADING**



STRATEGY UPDATE



OUTLOOK



BACKUP

## 2010 TO BECOME A RECORD YEAR FOR HUGO BOSS

---

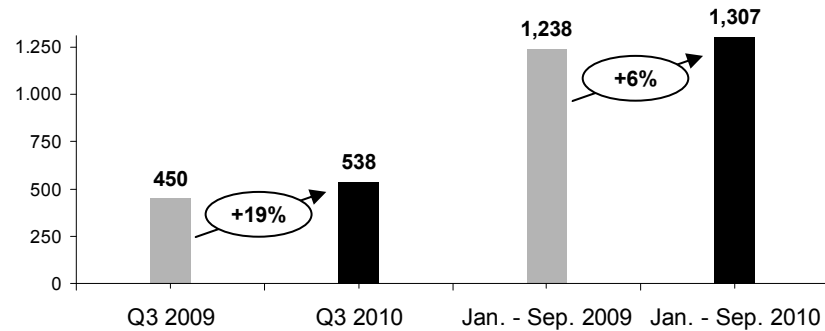
- Results development significantly exceeds initial expectations
- Wholesale drives accelerating momentum in second half year
- Unique premium to luxury positioning further sharpened
- Increasing retail sophistication
- Medium term strategy solid basis for future growth



# FIRST NINE MONTHS RESULTS AT A GLANCE

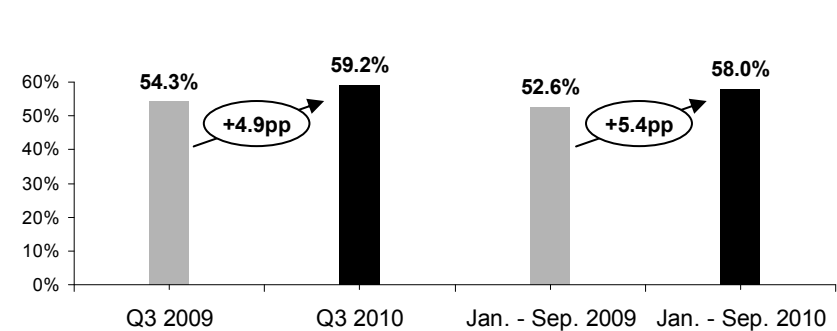
## Sales

in EUR million



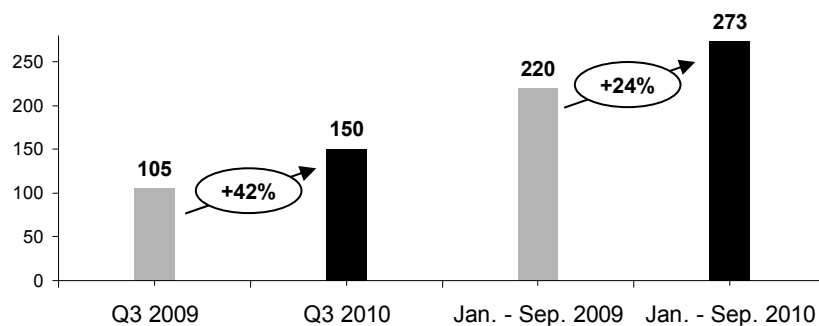
## Gross Margin

in %



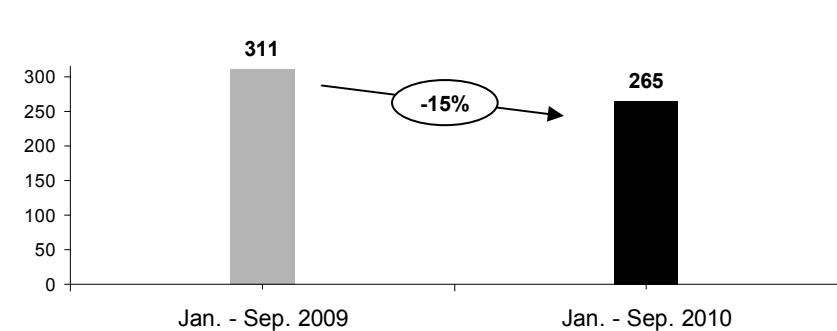
## EBITDA before special items

in EUR million



## Net Working Capital

in EUR million



## AGENDA

---



CURRENT TRADING



STRATEGY UPDATE

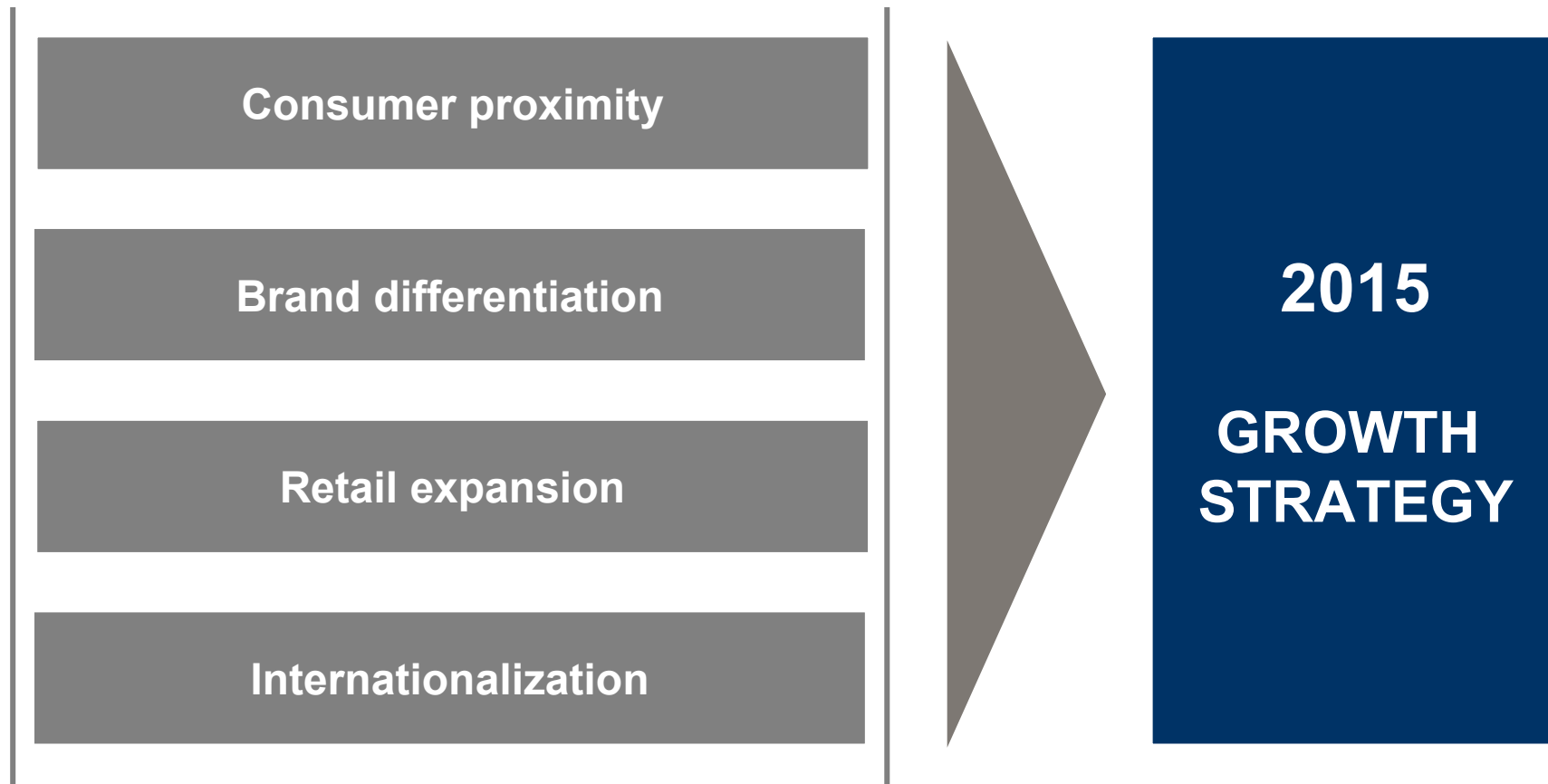


OUTLOOK



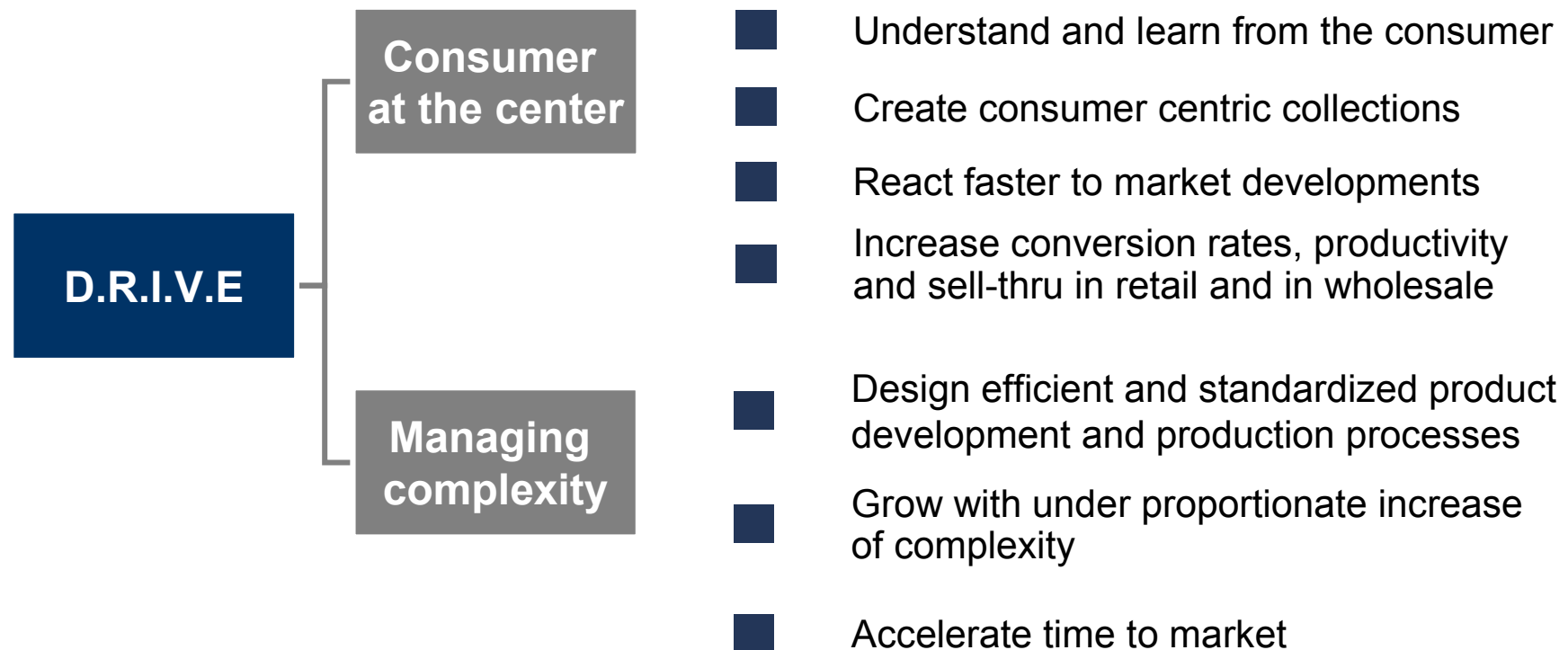
BACKUP

## 2015 GROWTH STRATEGY BASED ON FOUR MAJOR PILLARS



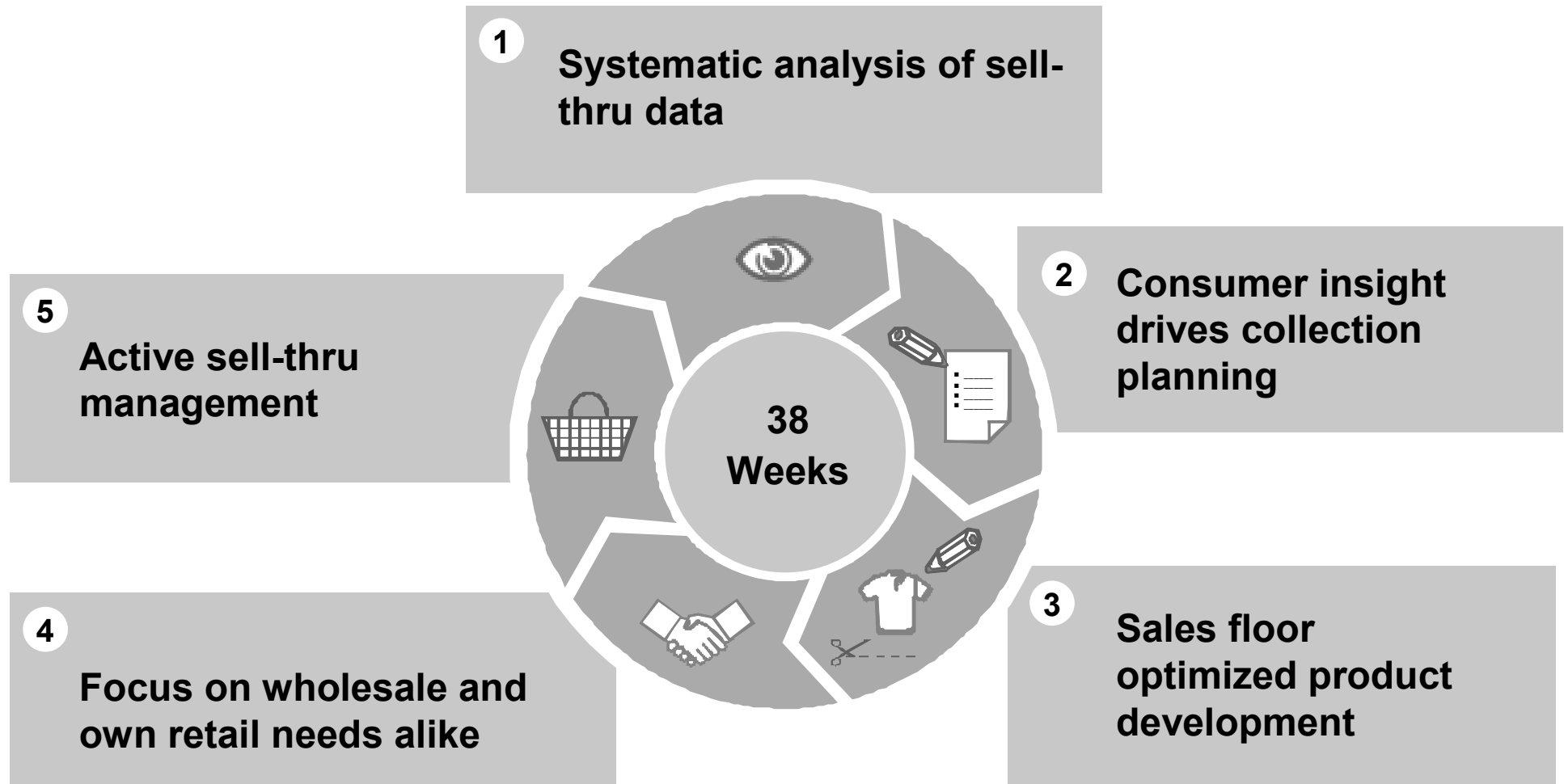
## PROJECT D.R.I.V.E BRINGS COMPANY CLOSER TO CONSUMER

---

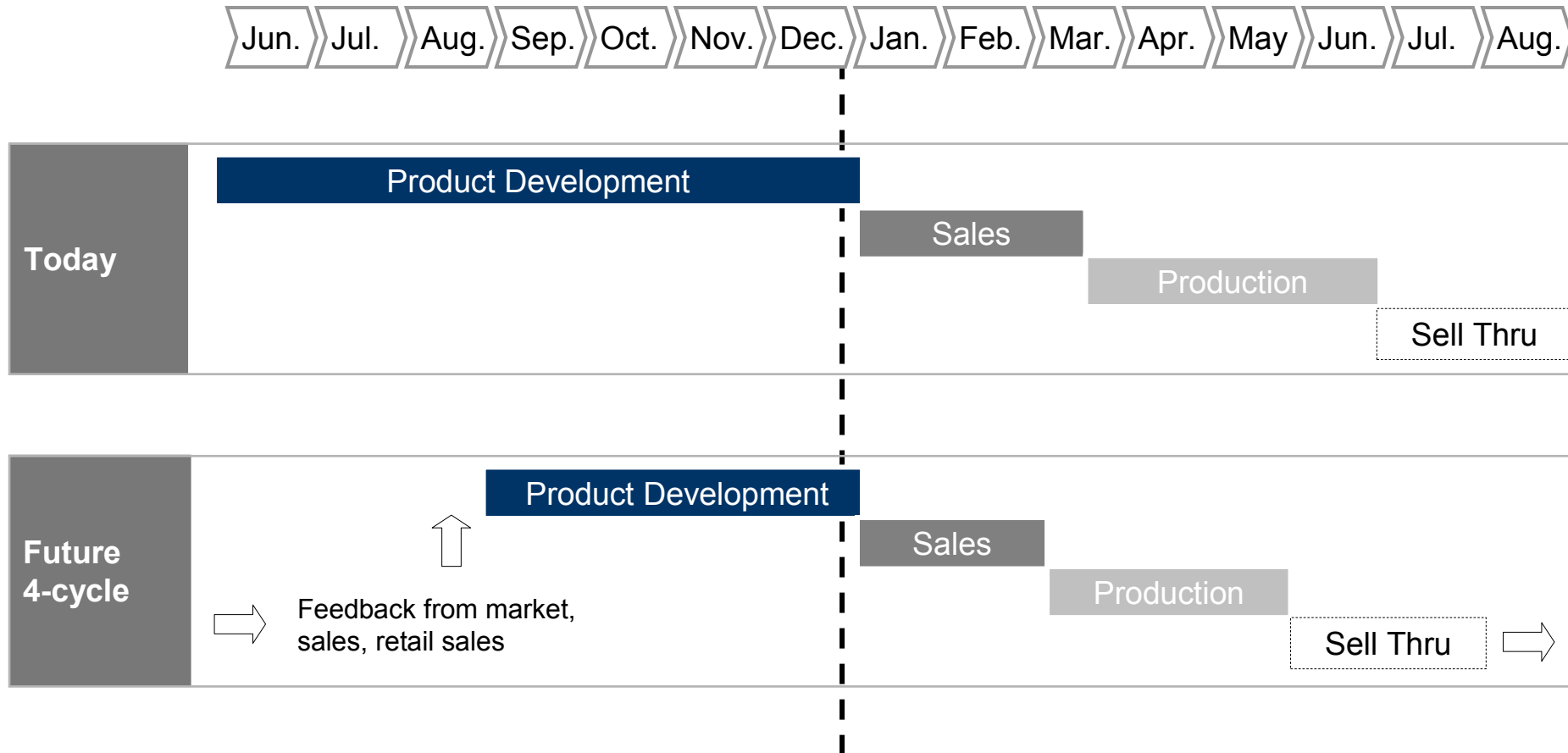




## D.R.I.V.E IMPLEMENTS CONSUMER CENTRIC BUSINESS MODEL



## LEAD TIME REDUCTION FROM 50 TO 38 WEEKS



## D.R.I.V.E INITIATIVES TO BE IMPLEMENTED IN 2011

### 2010 – CONCEPT PHASE

- **Definition and modeling of core structures and concepts**



### 2011 – IMPLEMENTATION

- **Shift to four collections/year**
- **Clear brand differentiation**
- **Standardized development processes**
- **Implementation of core range**
- **Shortening lead times**

## STRONG PORTFOLIO OF LEADING BRANDS



**S**  
BOSS SELECTION  
HUGO BOSS

- Luxurious
- Modern
- Elegant



**BOSS**  
HUGO BOSS

- Superior
- Premium
- Contemporary




**HUGO**  
HUGO BOSS

- Edgy
- Progressive
- Individual



BOSS ORANGE

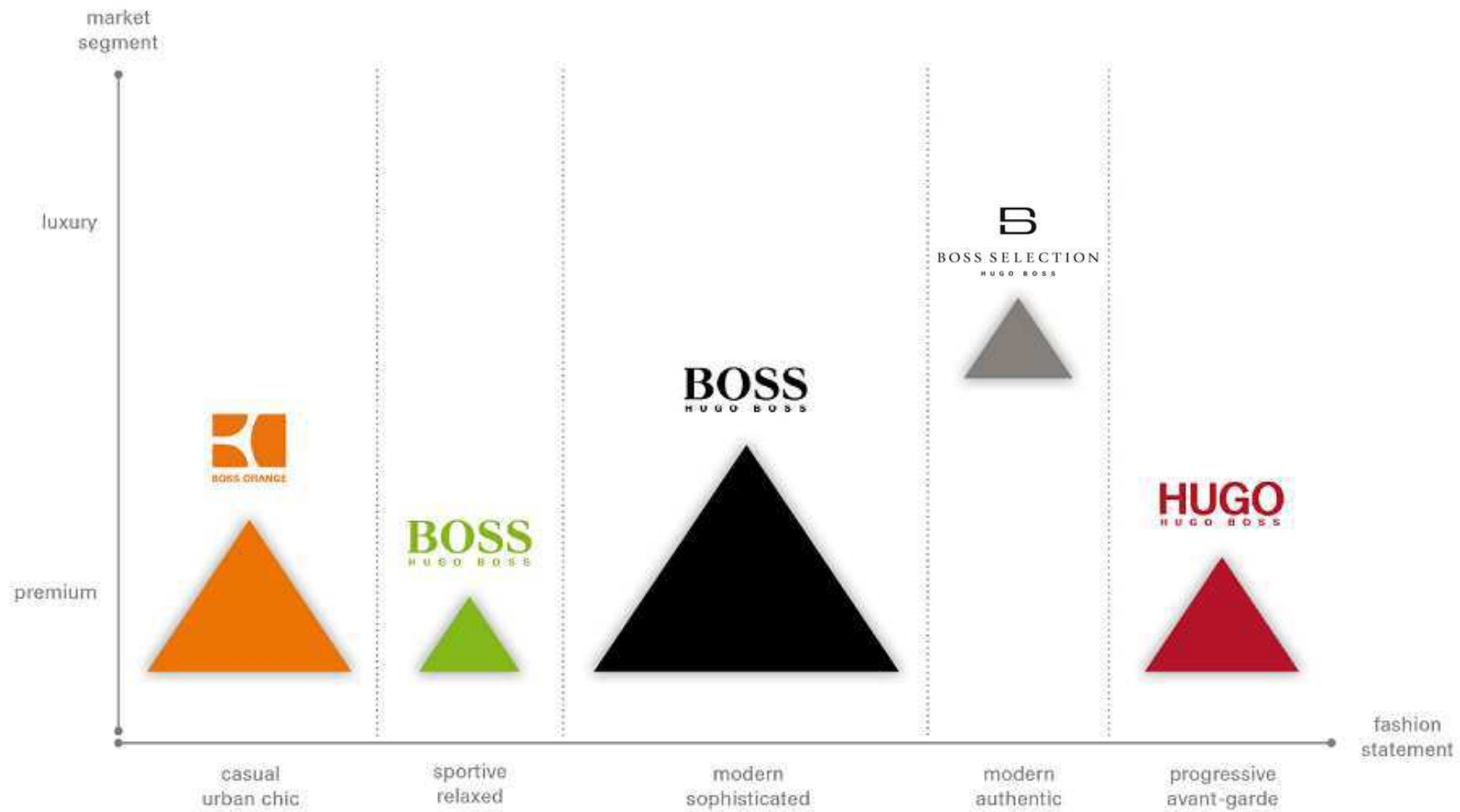
- Urban
- Lighthearted
- Confident



**BOSS**  
HUGO BOSS

- Sporty
- Relaxed
- Vigorous

# CLEARLY DIFFERENTIATED BRAND POSITIONING



## SUCCESSFUL REPOSITIONING OF BOSS ORANGE

- Repositioning of BOSS Orange for Summer 2010 collection
- Modern casual wear positioned in the premium segment of the market
- Shows the rough and unpolished side of HUGO BOSS, combines brand heritage with innovative, fashion forward lifestyle
- Rollout supported by new logo, individual shop concept and extensive image campaign
- Positive consumer reception





## SUCCESSFUL REPOSITIONING OF BOSS ORANGE

---



## NEW DIRECTION FOR BOSS SELECTION

---

- BOSS Selection to be repositioned as modern authentic luxury brand that innovates in style and taste
- New logo and corporate design visualize distinct positioning
- Highest quality & workmanship
- Enlarged offer to fit all occasions
- Important concept to capture growth potential of Asian luxury goods market





## NEW BOSS SELECTION COLLECTION LAUNCHED MID-JANUARY

---



## STRONG MOMENTUM IN RETAIL

---

### Sales development

- Nine months retail revenues up 27% on a currency-neutral basis
- Nine months comp store sales up 10% on a currency-neutral basis (+15% in Q3)

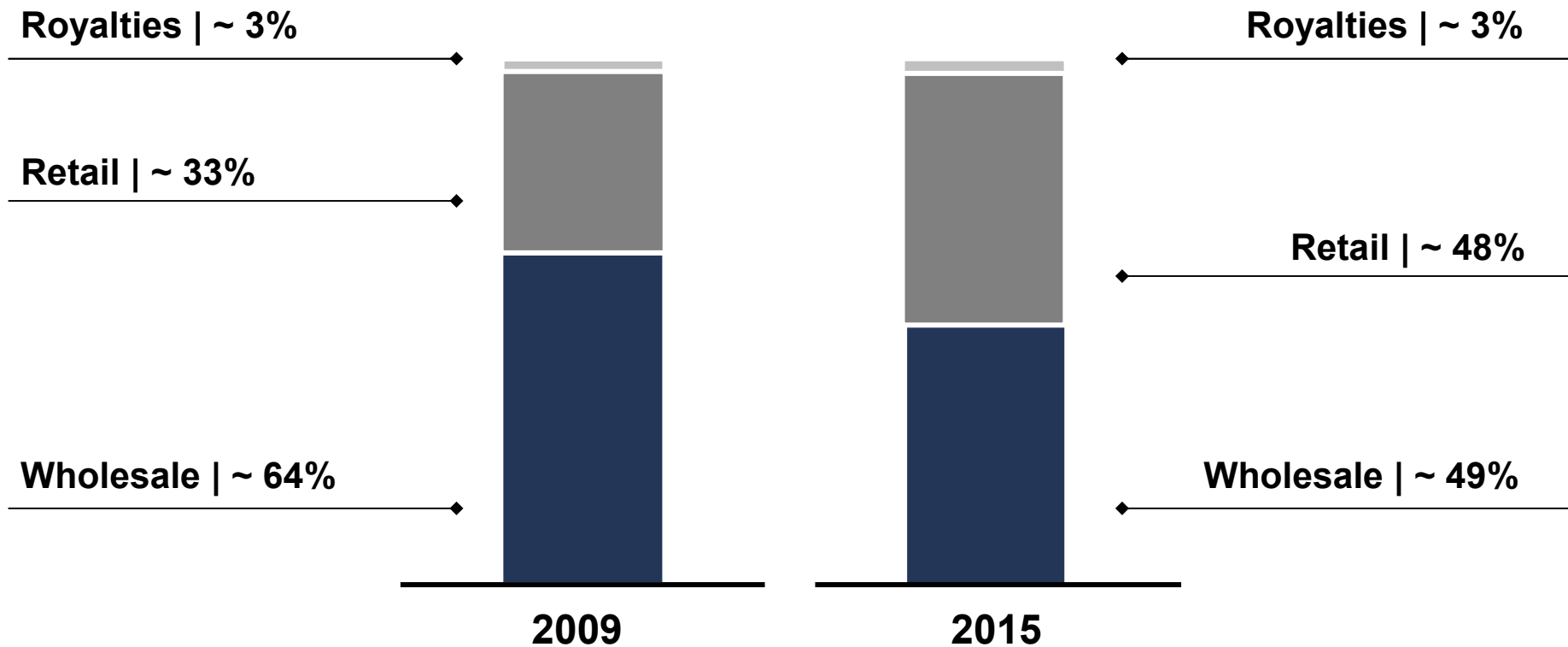
### Store expansion

- 510 stores at the end of September
- 78 net additions year-to-date (incl. 34 JV stores)
- 50-60 new store openings annually over next 1-2 years

### Investments

- Significant savings in store construction costs
- Retail accounts for around two thirds of total investments in 2010

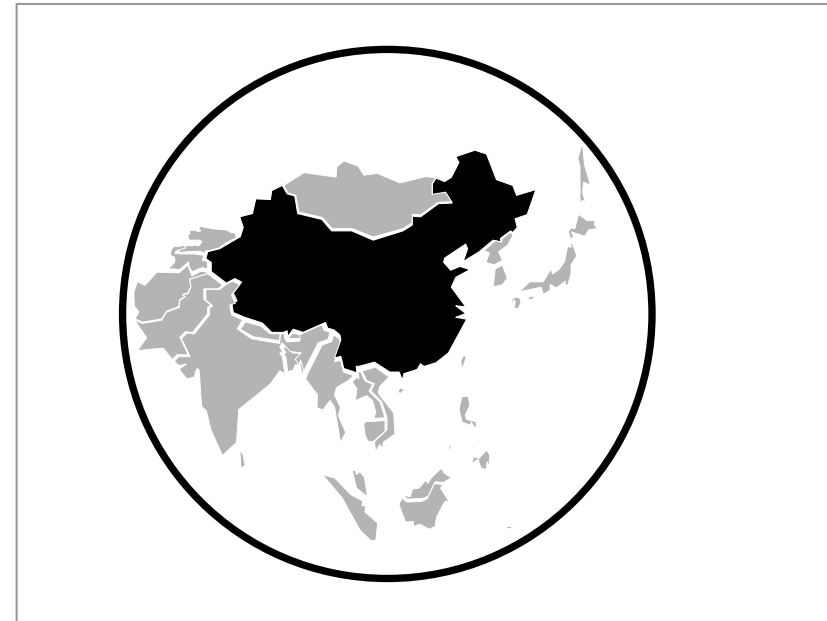
## RETAIL TO ACCOUNT FOR AROUND HALF OF GROUP SALES BY 2015



## NEW JOINT VENTURE IN CHINA UP AND RUNNING

---

- New joint venture in China with long-time franchise partner Rainbow Group established in July
- HUGO BOSS holds 60% stake
- Group benefits from partner's local market insight and infrastructure as well as access to new mall projects
- Profitability significantly exceeds Group average



# ONLINE SALES TRIPLE COMPARED TO PRIOR YEAR

## INTERNATIONALIZATION BALANCES REGIONAL SALES MIX



**EUROPE\***



**2009: 70%**

**2015: 54%**



**AMERICAS**



**2009: 20%**

**2015: 25%**



**ASIA / PACIFIC**



**2009: 10%**

**2015: 21%**

\*Europe incl. Middle East / Africa

## AGENDA

---



CURRENT TRADING



STRATEGY UPDATE



**OUTLOOK**



BACKUP



## 2010 FINANCIAL OUTLOOK INCREASED IN NOVEMBER

|   | 2010 Guidance (old) | 2010 Guidance (new) | ... 2015 Guidance |
|---|---------------------|---------------------|-------------------|
| Sales growth (fx. adj.)                 | 3 - 5%              | 5%                  | 8% (CAGR)**       |
| EBITDA growth<br>(before special items) | 10 - 12%            | around 20%          | 11% (CAGR)**      |
| Capex                                   | EUR 60 - 80 mill.   | around EUR 60 mill. |                   |
| Retail Network                          | + 50 - 60 stores    | + 90 - 100 stores*  | + 50 - 60 stores  |

\* Including 34 stores from joint venture in China.

\*\* Based on 2009 full year results, growth rates in EUR terms.



## FIRST INDICATIONS POINT TO CONTINUED GROWTH IN 2011

---

2011 another step forward towards achievement of 2015 targets

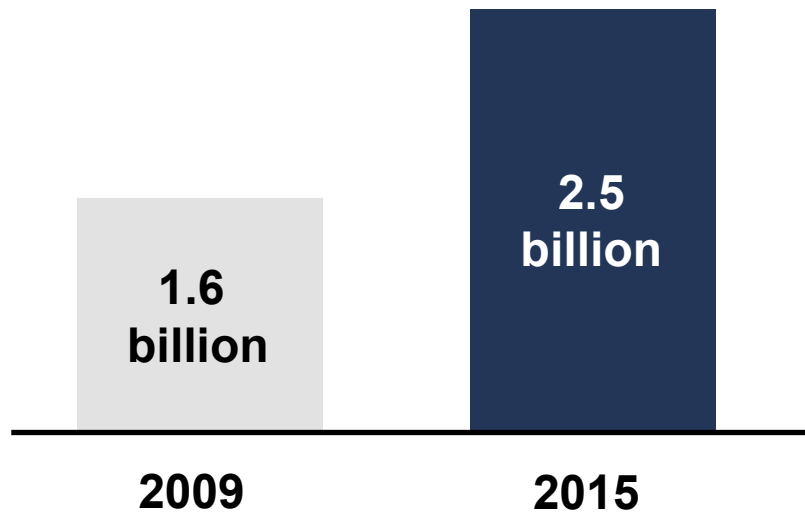


- Positive order development for first half year
- Full pipeline of promising new retail store projects
- Distinct brand positioning supports ongoing brand strength
- Rising sourcing costs addressed by mitigation measures
- Growing retail sophistication generates efficiency gains

## AMBITIOUS TARGETS SET FOR 2015

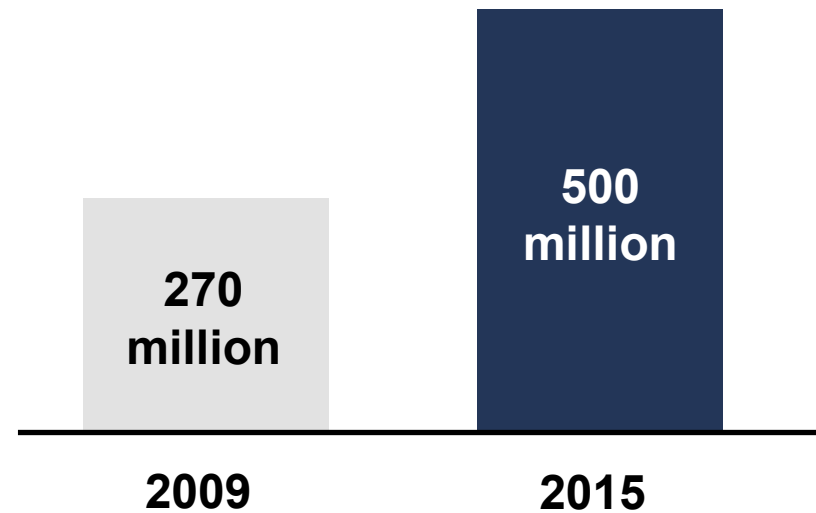
### SALES

CAGR: 8%



### EBITDA

CAGR: 11%



## GROWTH STRATEGY 2015

### Retail drives Group sales increases

- Double-digit retail growth driven by store expansion and productivity improvements
- Wholesale to continue growing

### Shift in regional mix

- Sales in region Asia/Pacific to triple
- Americas to grow overproportionately

### Profitability improvements

- Brand strength
- Retail scale and sophistication
- Operational excellence



## HUGO BOSS UNIQUELY POSITIONED FOR FURTHER GROWTH

- Leading position in global premium and luxury apparel market
- Attractive portfolio of brands
- Clearly defined medium-term growth strategy
- Solid balance sheet to support execution of growth initiatives



## AGENDA

---



**CURRENT TRADING**



**STRATEGY UPDATE**



**OUTLOOK**



**BACKUP**

## ABOUT HUGO BOSS

- One of the market leaders in premium fashion and luxury goods
- Core apparel offering supplemented by shoes and accessories as well as licensed products
- Multi-brand strategy
- 88% of ordinary shares and 55% of preferred shares controlled by private equity investor Permira



## CONTRIBUTION MARGIN IMPROVES BY 5.4 PERCENTAGE POINTS IN THE FIRST NINE MONTHS

Sales increase supported by acceleration in wholesale business in third quarter

Increase of **contribution margin** by 5.4 pp to 58.0%, mainly due to:

- Own retail
- Strict pricing discipline
- Optimization of global production and sourcing

Higher **selling & distribution** expenses primarily as a result of retail expansion

| in EUR million   | Jan. - Sep.<br>2010 | Jan. - Sep.<br>2009 | Change<br>in % |
|--|---------------------|---------------------|----------------|
| <b>Sales</b>   | <b>1,307.0</b>      | <b>1,238.0</b>      | <b>6</b>       |
| Cost of Sales <sup>1</sup>                                   | (521.0)             | (559.9)             | 7              |
| Direct selling expenses                                      | (28.3)              | (27.3)              | (4)            |
| <b>Contribution Margin</b>                                   | <b>757.7</b>        | <b>650.8</b>        | <b>16</b>      |
| in % of Sales  | 58.0                | 52.6                | 5.4 pp         |
| Selling and distribution expenses                            | (403.0)             | (360.4)             | (12)           |
| Administration costs and other operating income and expenses | (139.0)             | (144.3)             | 4              |
| <b>Operating result (EBIT)</b>                               | <b>215.7</b>        | <b>146.1</b>        | <b>48</b>      |
| in % of Sales  | 16.5                | 11.8                | 4.7 pp         |
| Net interest expense   | (12.9)              | (17.1)              | 24             |
| Other financial items <sup>1</sup>                           | 0.3                 | 2.4                 | (88)           |
| <b>Financial result<sup>1</sup></b>                          | <b>(12.6)</b>       | <b>(14.7)</b>       | <b>14</b>      |
| <b>Earnings before taxes</b>                                 | <b>203.1</b>        | <b>131.4</b>        | <b>54</b>      |
| Income taxes   | (48.3)              | (32.2)              | (50)           |
| <b>Net income</b>  | <b>154.8</b>        | <b>99.2</b>         | <b>56</b>      |
| <b>Attributable to:</b>                                      |                     |                     |                |
| Equity holders of the parent                                 | 153.9               | 99.2                | 55             |
| Minority interests   | 0.9                 | (0.0)               |                |
| <b>Net income</b>  | <b>154.8</b>        | <b>99.2</b>         | <b>56</b>      |
| <b>Earnings per share (EUR)<sup>2</sup></b>                  |                     |                     |                |
| Common stock   | 2.24                | 1.43                | 57             |
| Preferred stock  | 2.25                | 1.44                | 56             |

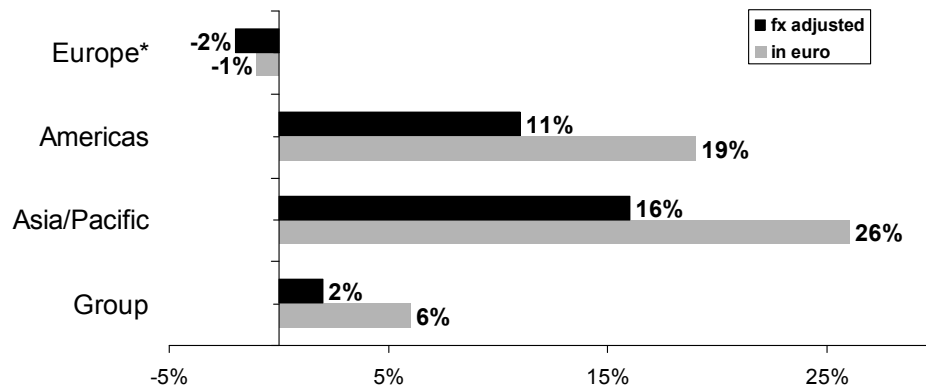
<sup>1</sup> The previous year's figure has been adjusted due to reclassification of all fx effects to the financial result.

<sup>2</sup> No dilution: Only stock appreciation rights (SAR) issued.

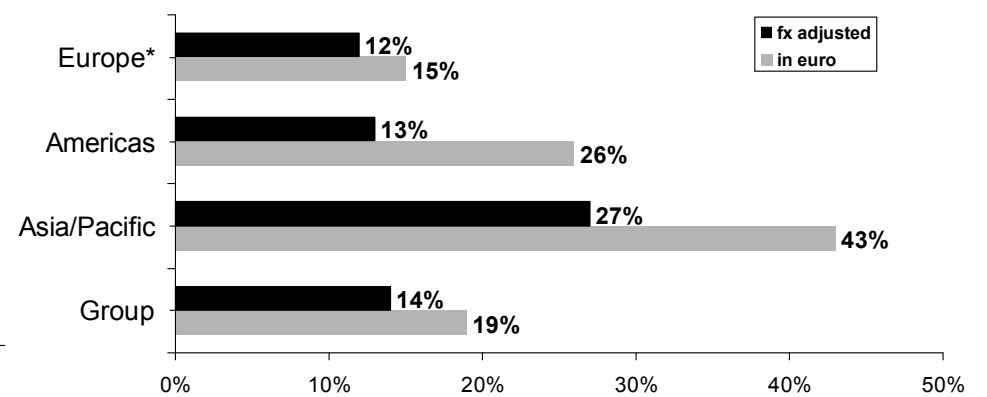
## SALES DEVELOPMENT BY REGION

Sales development by region, y-o-y:

Jan. - Sep. 2010



Third quarter 2010



- Acceleration in wholesale drives double-digit sales growth in **Europe** in the third quarter
- Continued double-digit sales increase in the **Americas**
- China strongest growing market in **Asia/Pacific**

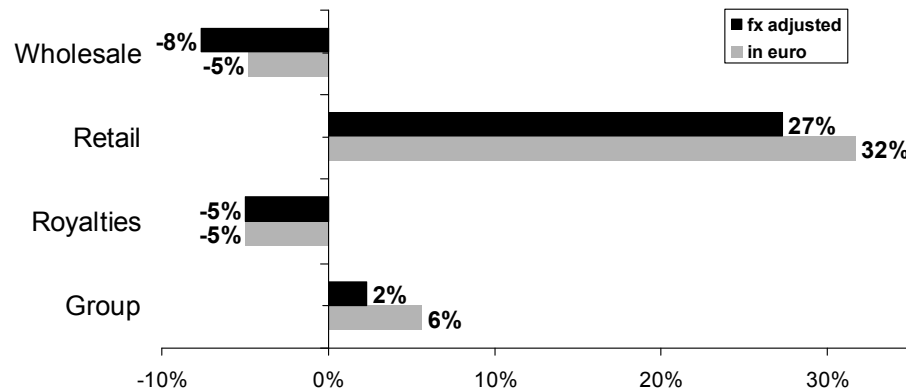
\*incl. Middle East and Africa



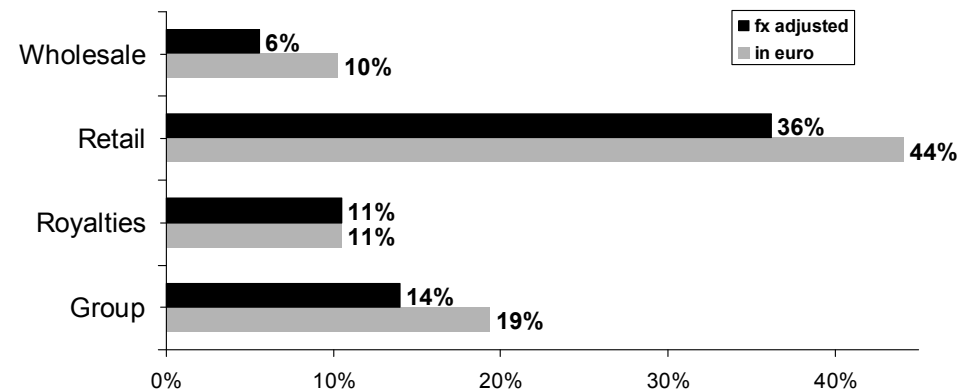
## SALES DEVELOPMENT BY DISTRIBUTION CHANNEL

Sales development by distribution channel, y-o-y:

Jan. - Sep. 2010



Third quarter 2010

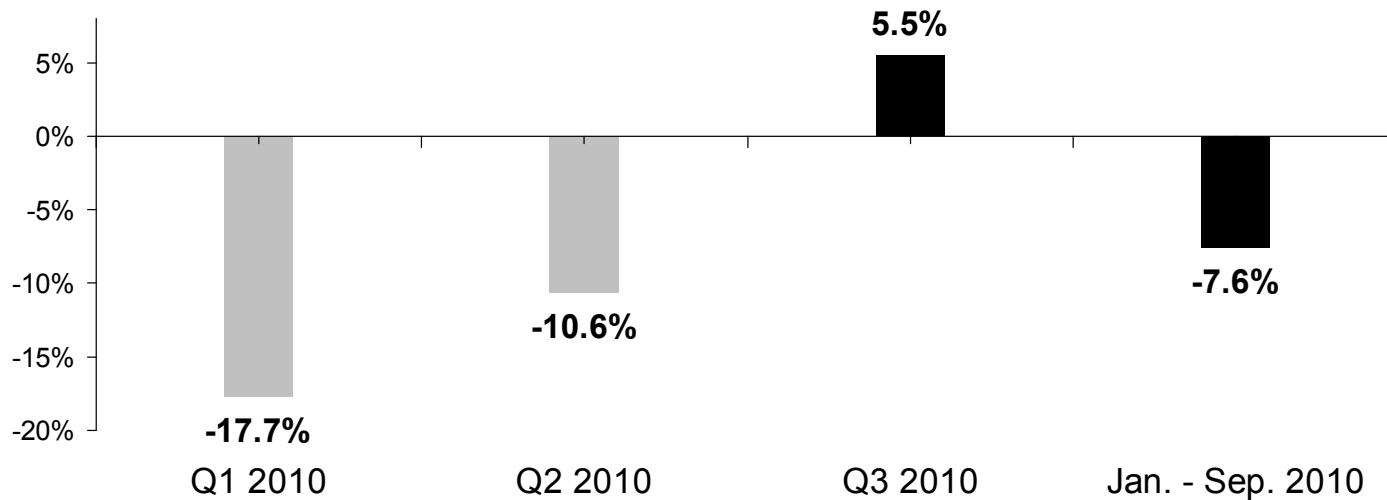


- Third quarter improvement in **wholesale** based on better pre-order business; stock business continues to grow
- Retail** sales increase driven by store expansion and like-for-like growth of directly operated stores (15% in Q3, 10% y-t-d, both currency-neutral)

## ACCELERATING MOMENTUM IN WHOLESALE

Wholesale sales growth by quarter, fx adjusted:

in %



■ **Europe** and the **Americas** drive improvement compared to the first half

■ Healthy short-term replenishment business

## SEGMENT PROFIT DEVELOPMENT

First nine months segment profit, y-o-y:

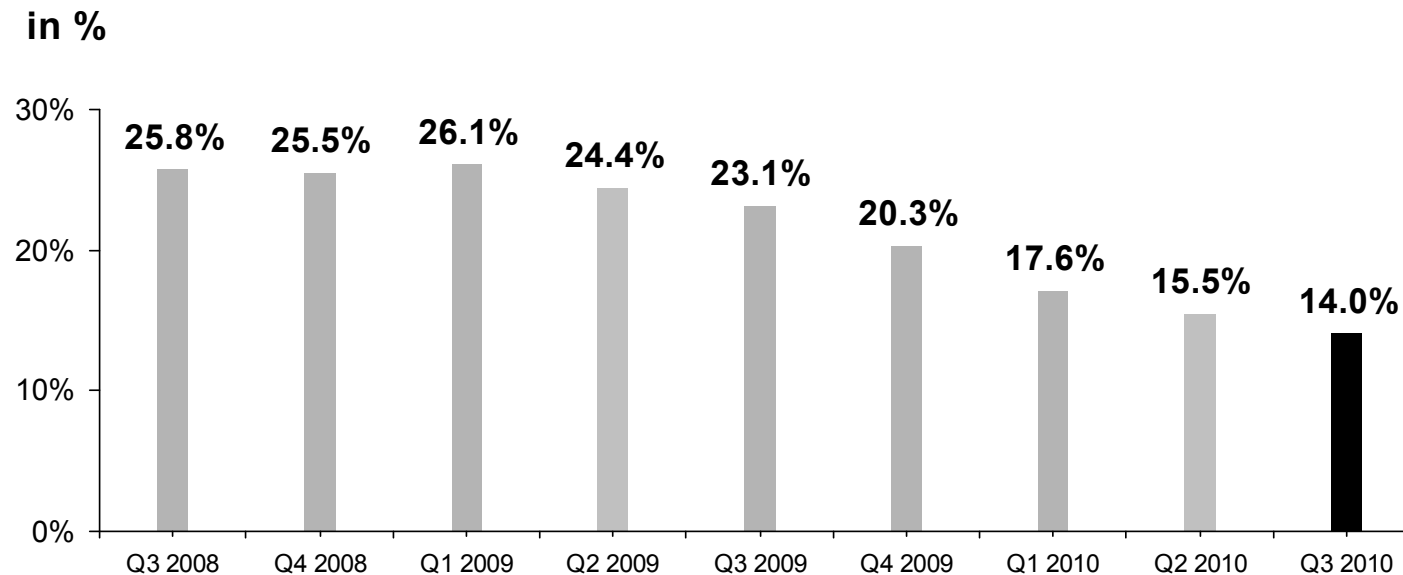
| <b>in EUR million</b> | <b>Jan. - Sep.<br/>2010</b> | <b>In % of Sales</b> | <b>Jan. - Sep.<br/>2009</b> | <b>In % of Sales</b> | <b>Change in %</b> |
|-----------------------|-----------------------------|----------------------|-----------------------------|----------------------|--------------------|
| Europe*               | 122.2                       | 14.4                 | 99.0                        | 11.6                 | 23                 |
| Americas              | 28.6                        | 10.3                 | 6.5                         | 2.8                  | >100               |
| Asia/Pacific          | 23.8                        | 15.4                 | 8.0                         | 6.6                  | >100               |
| Royalties             | 59.1                        | 65.3                 | 59.0                        | 65.1                 | 0                  |
| Corporate Center      | 52.2                        | 6.6                  | 47.1                        | 6.1                  | 11                 |
| Consolidation         | (12.9)                      | (1.5)                | 0.8                         | 0.1                  |                    |
| <b>Total</b>          | <b>273.0</b>                | <b>20.9</b>          | <b>220.4</b>                | <b>17.8</b>          | <b>24</b>          |

- Own retail expansion drives profit improvement in all regions
- All regions generate double-digit profit margin in 2010

\*incl. Middle East and Africa

## AVERAGE NET WORKING CAPITAL REACHES RECORD LOW

Average net working capital as a percentage of sales by quarter:



- Reduction of **net working capital** by 15% to EUR 265 mill.
- Net financial position declines by 34% to EUR 304 mill. (2009: EUR 459 mill.)

## TRADE RECEIVABLES DECLINE

■ Increase in **inventories** of 21% (fx adj. 14%) reflects expected sales growth, own retail expansion and first-time consolidation of joint venture in China

■ **Trade receivables** 7% below prior year period (fx adj. -11%) due to sales decline in wholesale and strict collection efforts

| <u>in EUR million</u>                             | <u>September 30<br/>2010</u> | <u>September 30<br/>2009</u> | <u>Change in %</u> |
|---|------------------------------|------------------------------|--------------------|
| Trade receivables, other assets <sup>1</sup>      | 297.0                        | 306.0                        | (3)                |
| Inventories                                       | 325.2                        | 267.8                        | 21                 |
| Trade payables and other liabilities <sup>1</sup> | (284.0)                      | (215.2)                      | (32)               |
| Current provisions                                | (73.6)                       | (48.0)                       | (53)               |
| <b>Net working capital</b>                        | <b>264.6</b>                 | <b>310.6</b>                 | <b>(15)</b>        |
| Fixed assets                                      | 393.2                        | 354.6                        | 11                 |
| Other sundry assets                               | 16.5                         | 17.8                         | (7)                |
| Non-current provisions                            | (51.5)                       | (36.0)                       | (43)               |
| Other non-current liabilities                     | (32.3)                       | (24.3)                       | (33)               |
| Net deferred taxes                                | 27.0                         | 31.1                         | (13)               |
| <b>Medium- and long-term net assets</b>           | <b>352.9</b>                 | <b>343.2</b>                 | <b>3</b>           |
| <b>Net assets</b>                                 | <b>617.5</b>                 | <b>653.8</b>                 | <b>(6)</b>         |
| Net financial position <sup>2</sup>               | 303.8                        | 459.0                        | (34)               |
| Shareholder's equity                              | 313.7                        | 194.8                        | 61                 |
| <b>Net asset coverage</b>                         | <b>617.5</b>                 | <b>653.8</b>                 | <b>(6)</b>         |

1 Payable within one year.

2 Not including negative market values of financial instruments.

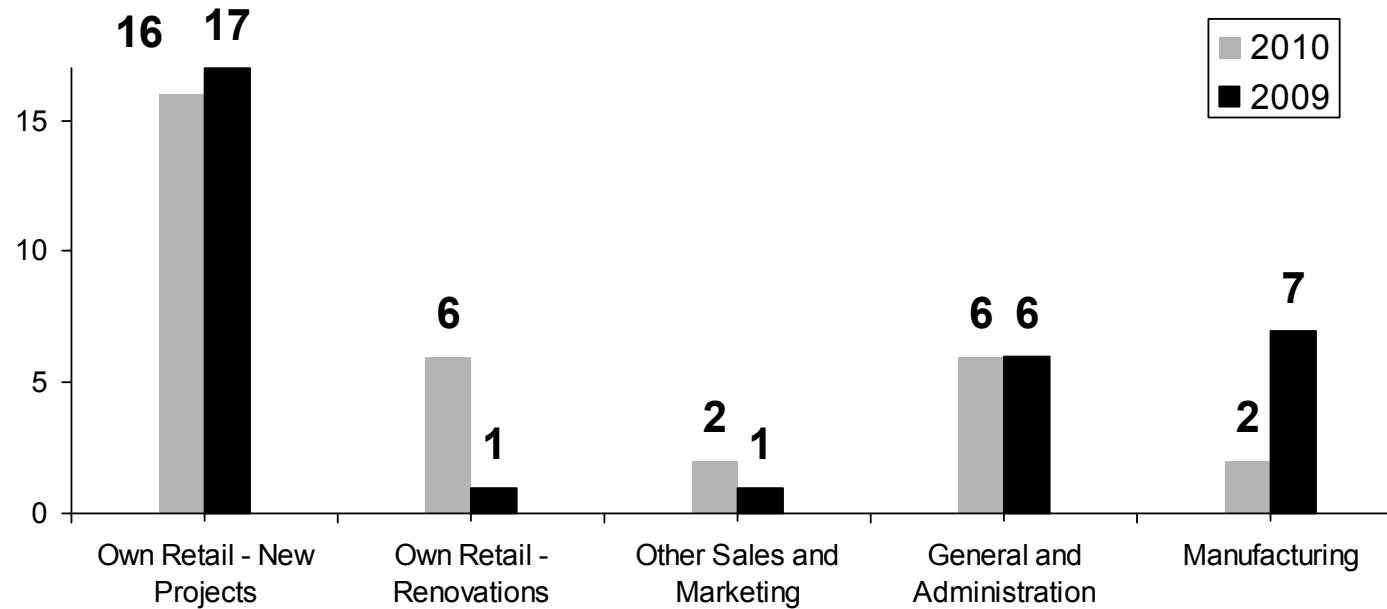
## STRONG CASH FLOW DEVELOPMENT SUPPORTS NET DEBT REDUCTION

| in EUR million                             | Jan. - Sep.<br>2010 | Jan. - Sep.<br>2009 |
|--|---------------------|---------------------|
| <b>Cash flow from operating activities</b> | <b>170.8</b>        | <b>229.4</b>        |
| <b>Cash flow from investing activities</b> | <b>(37.3)</b>       | <b>(7.2)</b>        |
| <b>Cash flow from financing activities</b> | <b>(56.0)</b>       | <b>(195.2)</b>      |
| Change in cash and cash equivalents        | 79.4                | 27.4                |

- **Operating cash flow** 26% below last year's level due to one-time nature of prior year net working capital reductions
- **Cash outflow from investing activities** exceeds prior year level (including first payment for China joint venture)
- **Cash flow from financing activities** mainly affected by dividend payment for fiscal year 2009
- **Net financial position** declines by 34% to EUR 304 mill. (2009: EUR 459 mill.)

## INVESTMENTS FOCUS ON RETAIL EXPANSION

Investments in EUR million



■ Total **investments** decline to EUR 31 mill. in 2010 (2009: EUR 32 mill.)

## FINANCIAL CALENDAR 2011

| <b>Date</b>           | <b>Event</b>                          | <b>Publication</b>                 |
|-----------------------|---------------------------------------|------------------------------------|
| <b>March 29, 2011</b> | <b>Press and Analysts' Conference</b> | <b>Video Recording</b>             |
| <b>April 28, 2011</b> | <b>First Quarter Results 2011</b>     | <b>First Quarter Report 2011</b>   |
| <b>May 10, 2011</b>   | <b>Annual Shareholders' Meeting</b>   | <b>Video Recording</b>             |
| <b>July 28, 2011</b>  | <b>First Half Year Results 2011</b>   | <b>First Half Year Report 2011</b> |



## CONTACT

---

**Dennis Weber, Head of Investor Relations**

**Phone: +49 (0) 7123 94 - 86267**

**E-Mail: [Dennis\\_Weber@hugoboss.com](mailto:Dennis_Weber@hugoboss.com)**

**Internet: [www.hugoboss.com](http://www.hugoboss.com)**

## **FORWARD-LOOKING STATEMENTS CONTAIN RISKS**

---

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

**H U G O B O S S**