

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

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**Bernstein Strategic Decisions Conference // London**

HUGO BOSS Company Handout

September 17, 2014

Dennis Weber, Head of Investor Relations

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## Agenda

**Update on Key Strategic Initiatives**

**Half Year Results 2014**

**Outlook**

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**Update on Key Strategic Initiatives**

**Half Year Results 2014**

**Outlook**

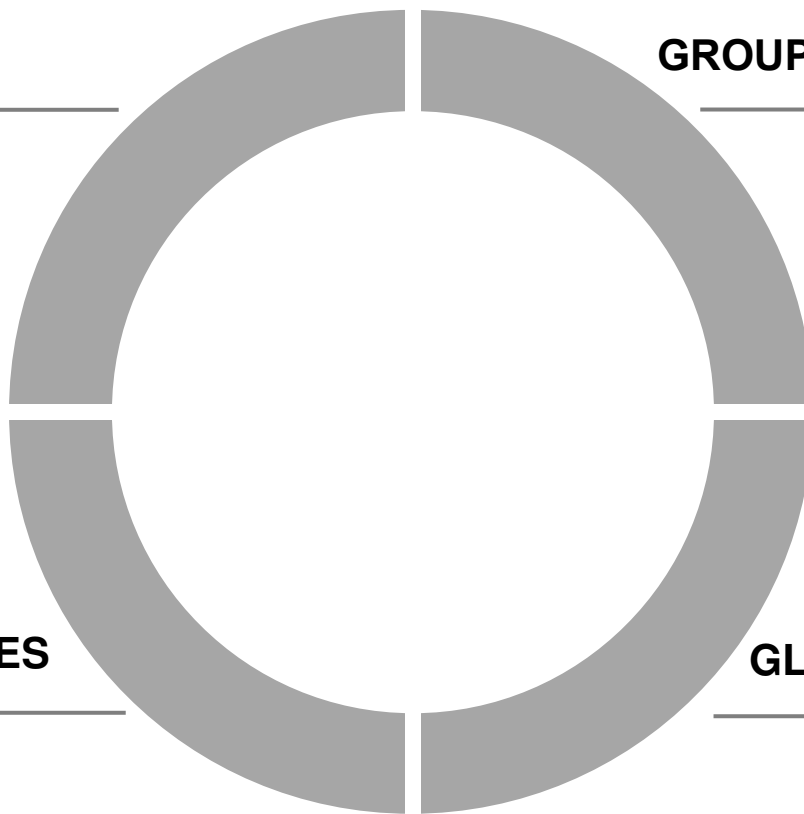
**Important initiatives in all areas of Group strategy**

**MAXIMIZING  
BRAND ATTRACTIVENESS**

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**GROWING THE  
GROUP'S OWN RETAIL BUSINESS**

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**IMPROVING  
OPERATIONAL PROCESSES**

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**LEVERAGING  
GLOBAL GROWTH POTENTIAL**

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**Womenswear has built momentum**



Unprecedented editorial coverage



## BOSS Womenswear to leave footprint at New York Fashion Week





## Womenswear visibility increasing at wholesale and in own retail



BOSS womenswear shop, Matsuya Ginza, Tokyo



BOSS womenswear shop, Printemps Haussmann, Paris



BOSS womenswear floor, Columbus Circle, New York

New BOSS Ma Vie fragrance launched





HUGO BOSS AG - PHOTOS: JEFFREY MAYER



**BOSS**  
HUGO BOSS

SHOP ONLINE: [HUGOBOSS.COM](http://HUGOBOSS.COM)



Instagram: @boss\_hugo\_boss



**BOSS**  
HUGO BOSS

SHOP ONLINE: [HUGOBOSS.COM](http://HUGOBOSS.COM)

## Germany celebrates epic World Cup win in BOSS



## Martin Kaymer dominates US Open in BOSS



## HUGO BOSS and Mercedes-Benz enter into international cooperation



## HUGO BOSS seizes expansion opportunities in travel retail

**Hong Kong**  
Terminal 1



**Madrid**  
Terminal 4



**Heathrow**  
Terminal 2



**Copenhagen**  
Terminal 2



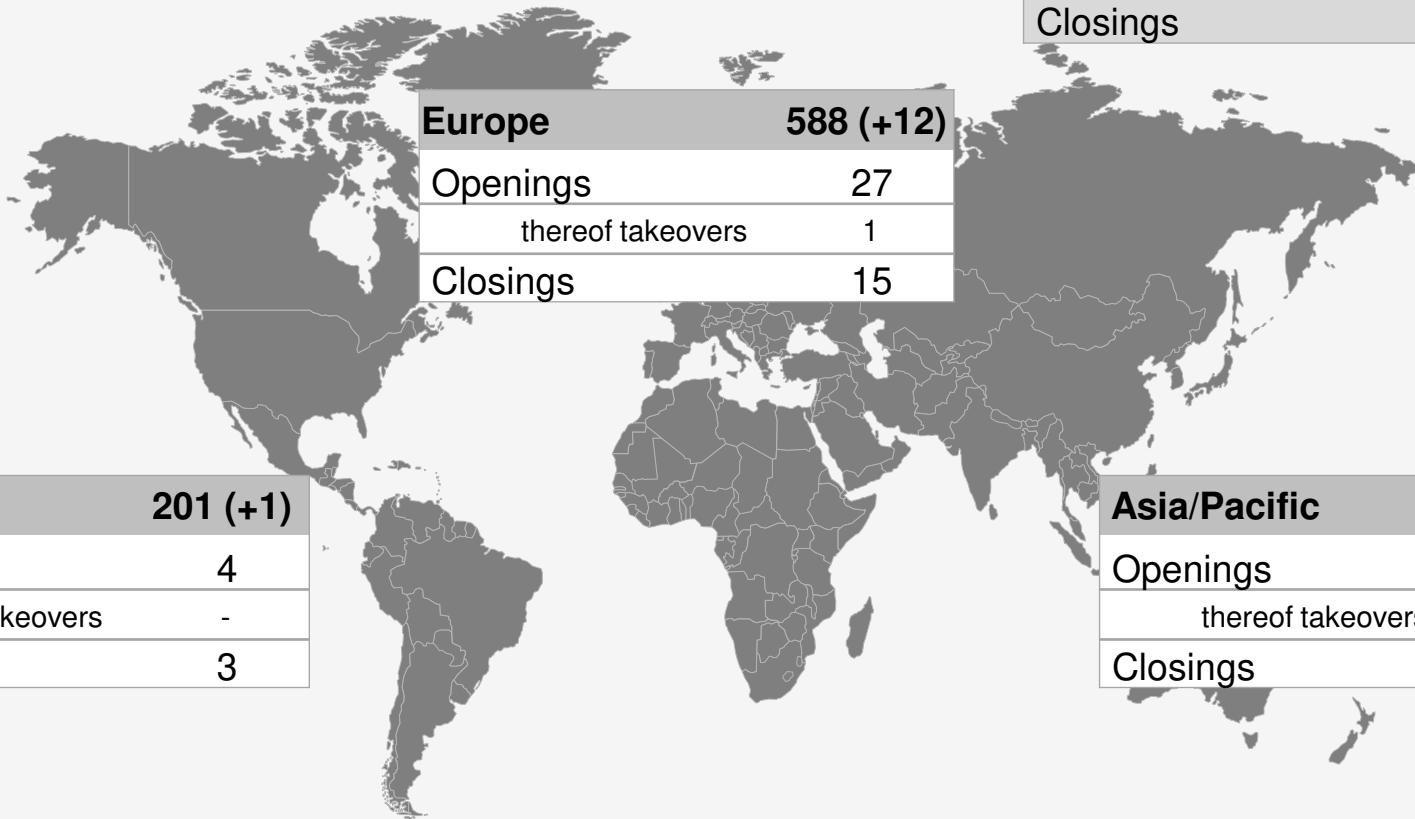


## Region Europe focus of retail expansion activities in the first half year

### Number of own retail stores as of June 30, 2014

(December 31, 2013: 1,010)

|                   |                    |
|-------------------|--------------------|
| <b>TOTAL</b>      | <b>1,028 (+18)</b> |
| Openings          | 51                 |
| thereof takeovers | 14                 |
| Closings          | 33                 |



|                   |                  |
|-------------------|------------------|
| <b>Europe</b>     | <b>588 (+12)</b> |
| Openings          | 27               |
| thereof takeovers | 1                |
| Closings          | 15               |

|                   |                 |
|-------------------|-----------------|
| <b>Americas</b>   | <b>201 (+1)</b> |
| Openings          | 4               |
| thereof takeovers | -               |
| Closings          | 3               |

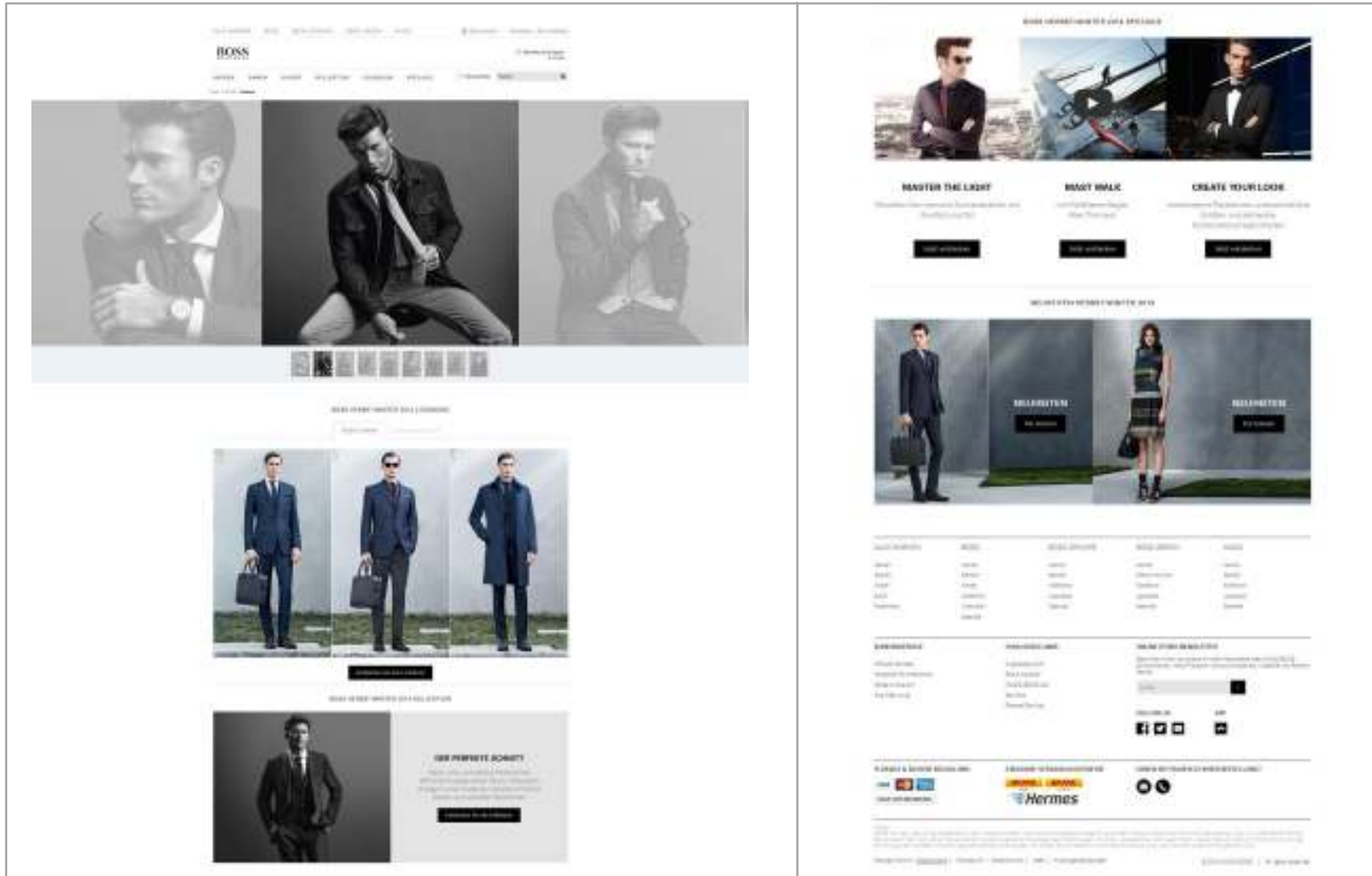
|                     |                 |
|---------------------|-----------------|
| <b>Asia/Pacific</b> | <b>239 (+5)</b> |
| Openings            | 20              |
| thereof takeovers   | 13              |
| Closings            | 15              |

\* incl. Middle East and Africa.

## Extended brand control in department stores



## Digital strategy progresses with improvements to hugoboss.com



## Region Europe an area of strength

- Broad based sales increases across the region in the first half year
- Further improvement of own retail execution major growth driver
- Focus on lifting brand presence in multi-brand environments



## Performance in the Americas improves after headwinds at the beginning of the year

- HUGO BOSS returns to growth in the second quarter
- Group maintains strict pricing discipline in a still promotional market environment
- Upgrade of shop-in-shop portfolio at Saks ongoing



## Asia remains Group's largest regional opportunity despite ongoing challenges in China

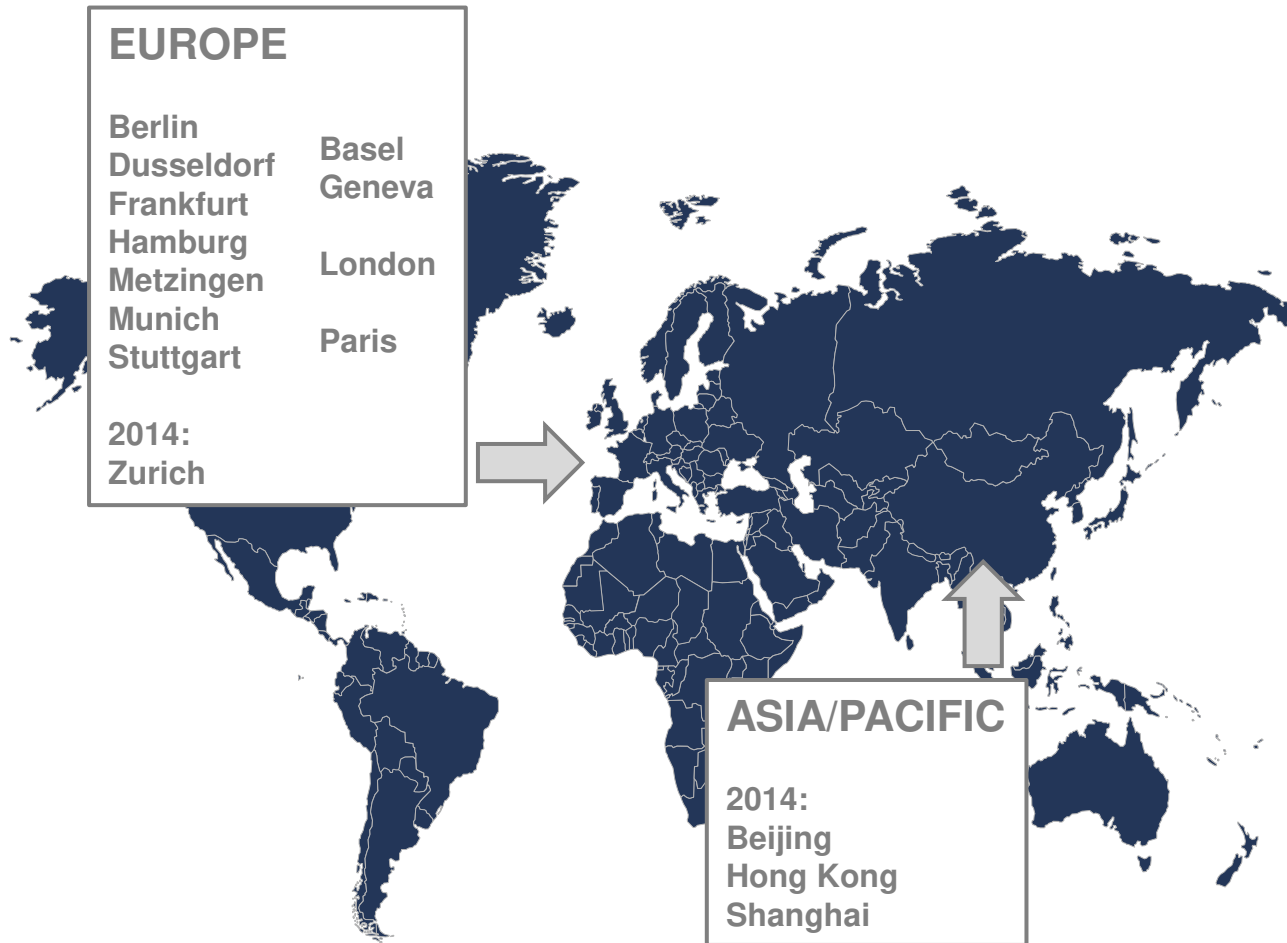
- Important investments in retail presence and brand perception
- Franchise legacy thoroughly addressed
- Suiting competence a key competitive differentiator



## Art of Tailoring exhibition strengthens brand perception in menswear clothing in Asia



## Made to Measure rollout emphasizes high-end tailoring competence





## Significant upgrade of retail store universe in China



## HUGO BOSS acquires full control of its store network in China and Macau

- Remaining 40% stake in joint venture with former franchise partner Rainbow Group taken over effective June 30
- Grown retail sophistication and strong operational platform key enabler
- Consolidation of distribution activities to drive quality of brand presentation and sales productivity



**BOSS Store**  
Nanjing Deiji (former JV Store)

## New flat-packed goods distribution center in Germany fully operational



## Agenda

**Update on Key Strategic Initiatives**

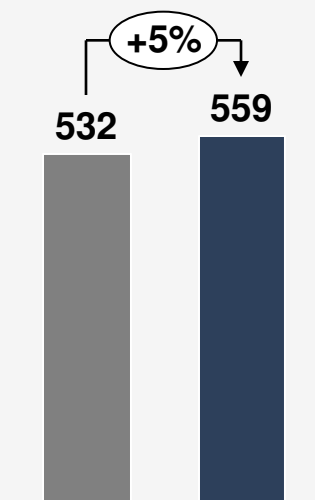
**Half Year Results 2014**

**Outlook**

Robust second quarter increases drive top and bottom line growth in the first half year

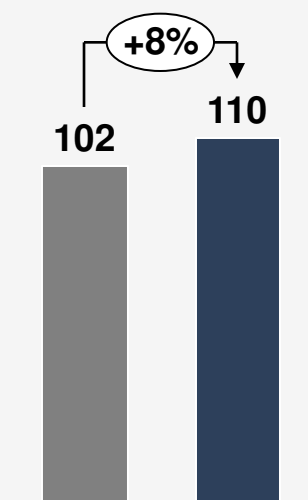
Second quarter results

Sales  
(in EUR million)



Q2 2013 Q2 2014  
(+8% fx-adjusted)

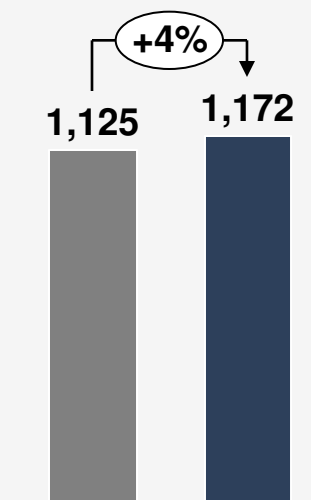
EBITDA before special items  
(in EUR million)



Q2 2013 Q2 2014

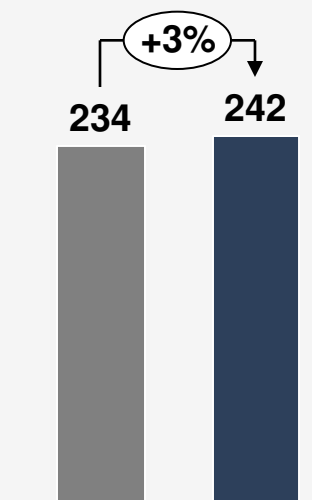
First half year results

Sales  
(in EUR million)



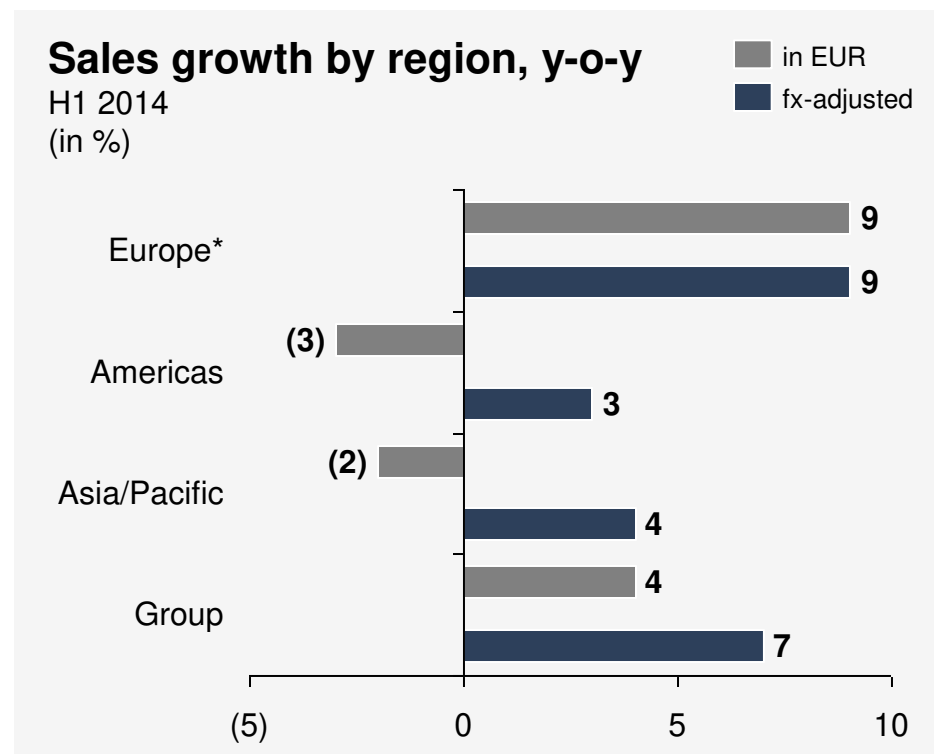
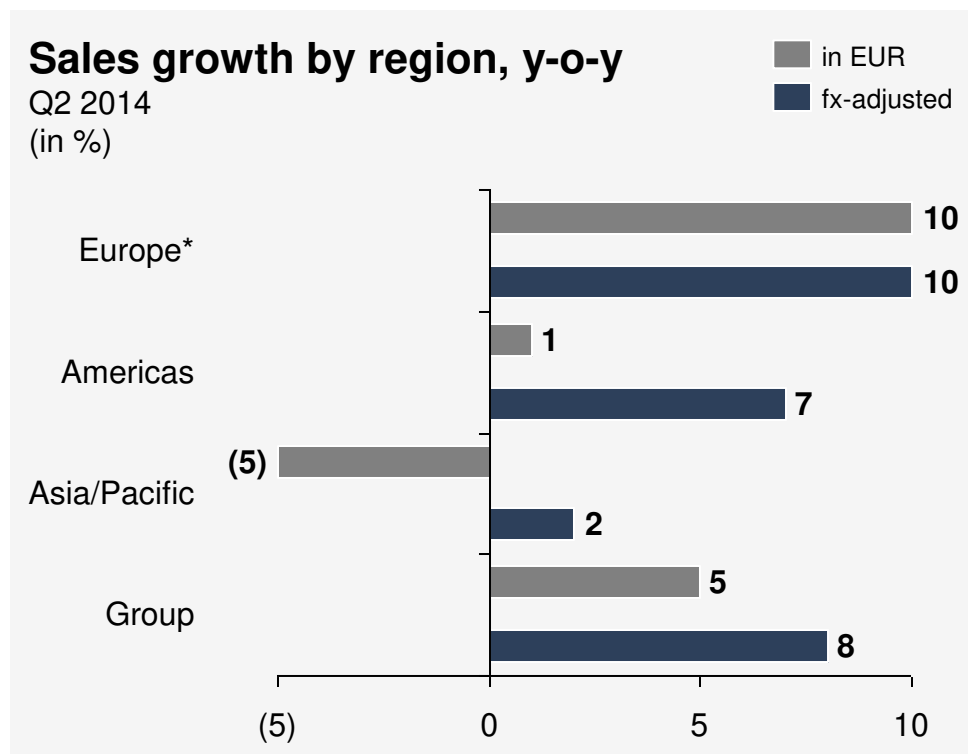
H1 2013 H1 2014  
(+7% fx-adjusted)

EBITDA before special items  
(in EUR million)



H1 2013 H1 2014

## Europe strongest growing region in first half year



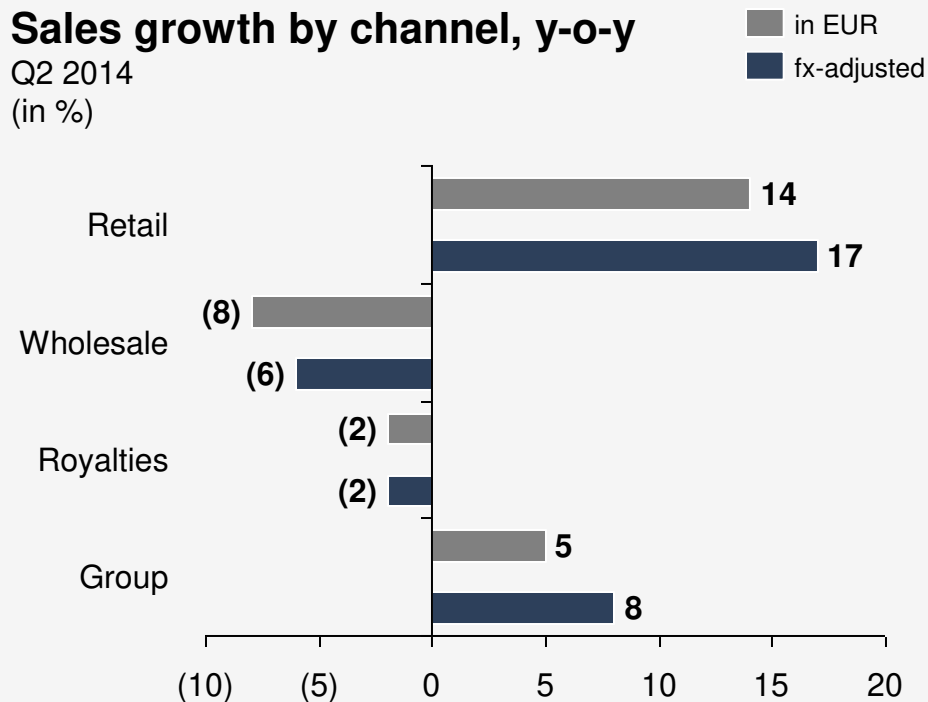
- UK and Germany strongest growing major markets in **Europe**
- **Americas** return to growth in second quarter
- Increases in **Asia/Pacific** supported by good performance in Australia and Japan

\*incl. Middle East and Africa.

## Robust own retail growth drives Group sales increase

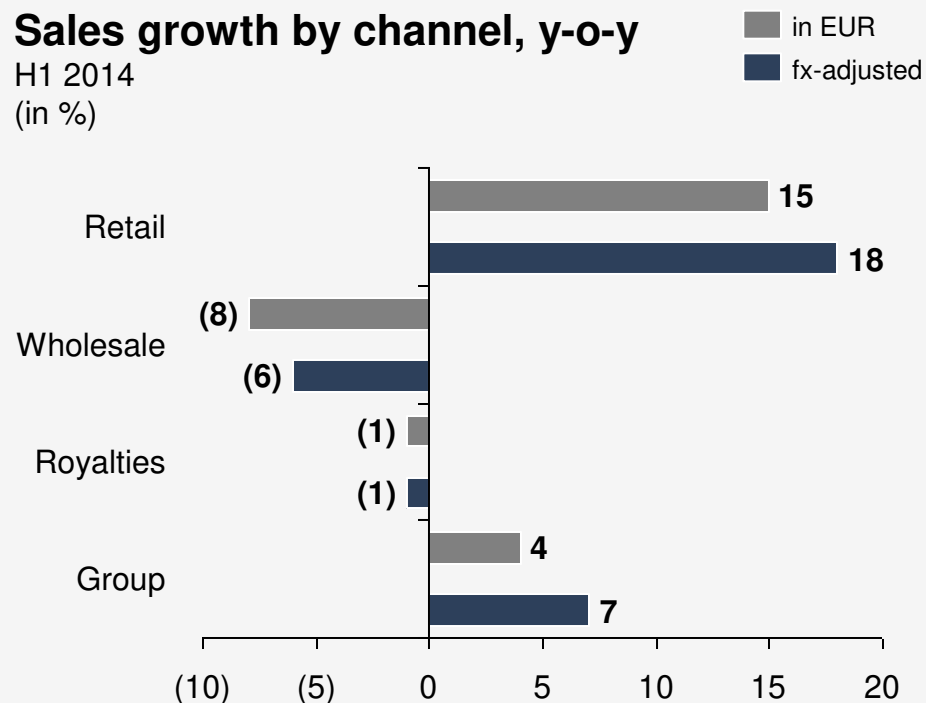
### Sales growth by channel, y-o-y

Q2 2014  
(in %)



### Sales growth by channel, y-o-y

H1 2014  
(in %)

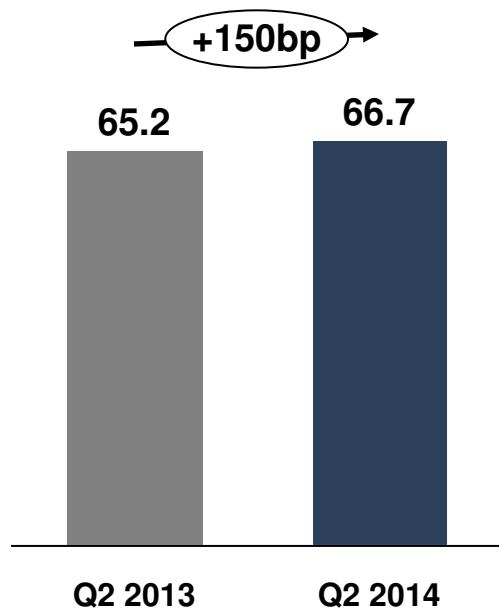


- Solid comp store sales increases (4% in Q2, 5% in H1) support double-digit **retail** growth
- Cautious customer sentiment, takeovers and delivery shifts impact **wholesale** performance
- **Royalties** business down slightly despite robust growth in watches and female fragrances

## Gross profit margin continues to expand

### Gross profit margin development

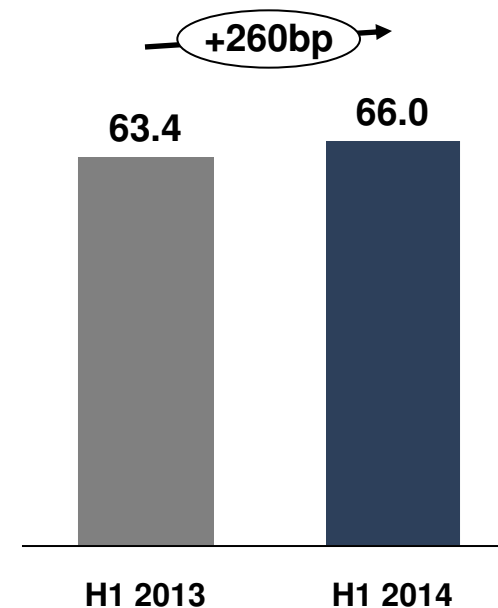
Q2 2014  
(in %)



- Distribution channel mix
- Reduction of markdowns

### Gross profit margin development

H1 2014  
(in %)



- Distribution channel mix
- Reduction of markdowns



## Healthy profit increase despite higher costs

| in EUR million                       | H1 2014        | H1 2013*       | Change in % |
|--------------------------------------|----------------|----------------|-------------|
| <b>Sales</b>                         | <b>1,171.5</b> | <b>1,125.2</b> | <b>4</b>    |
| <b>Gross profit</b>                  | <b>773.6</b>   | <b>713.6</b>   | <b>8</b>    |
| In % of sales                        | 66.0           | 63.4           | 260 bp      |
| Selling and distribution expenses    | (460.4)        | (408.1)        | (13)        |
| Administration expenses              | (120.8)        | (114.5)        | (5)         |
| Other operating income and expenses  | (0.8)          | (4.1)          | 80          |
| <b>Operating result (EBIT)</b>       | <b>191.6</b>   | <b>186.9</b>   | <b>3</b>    |
| In % of sales                        | 16.4           | 16.6           | (20) bp     |
| <b>Financial result</b>              | <b>(4.0)</b>   | <b>(11.3)</b>  | <b>65</b>   |
| <b>Earnings before taxes</b>         | <b>187.6</b>   | <b>175.6</b>   | <b>7</b>    |
| Income taxes                         | (43.2)         | (40.4)         | (7)         |
| <b>Net income</b>                    | <b>144.4</b>   | <b>135.2</b>   | <b>7</b>    |
| Attributable to:                     |                |                |             |
| Equity holders of the parent company | 143.2          | 133.8          | 7           |
| <b>Earnings per share (EUR)**</b>    | <b>2.07</b>    | <b>1.94</b>    | <b>7</b>    |
| <b>EBITDA before special items</b>   | <b>241.5</b>   | <b>234.3</b>   | <b>3</b>    |
| In % of sales                        | 20.6           | 20.8           | (20) bp     |

\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made.

\*\*Basic and diluted earnings per share.

- Investments in own retail, marketing and logistics main driver of higher **selling and distribution expenses**
- **Adjusted EBITDA margin** down 20 basis points due to increased operating expenses as a percentage of sales
- **Financial result** benefits from lower interest expenses

## Diverging margin trends by region

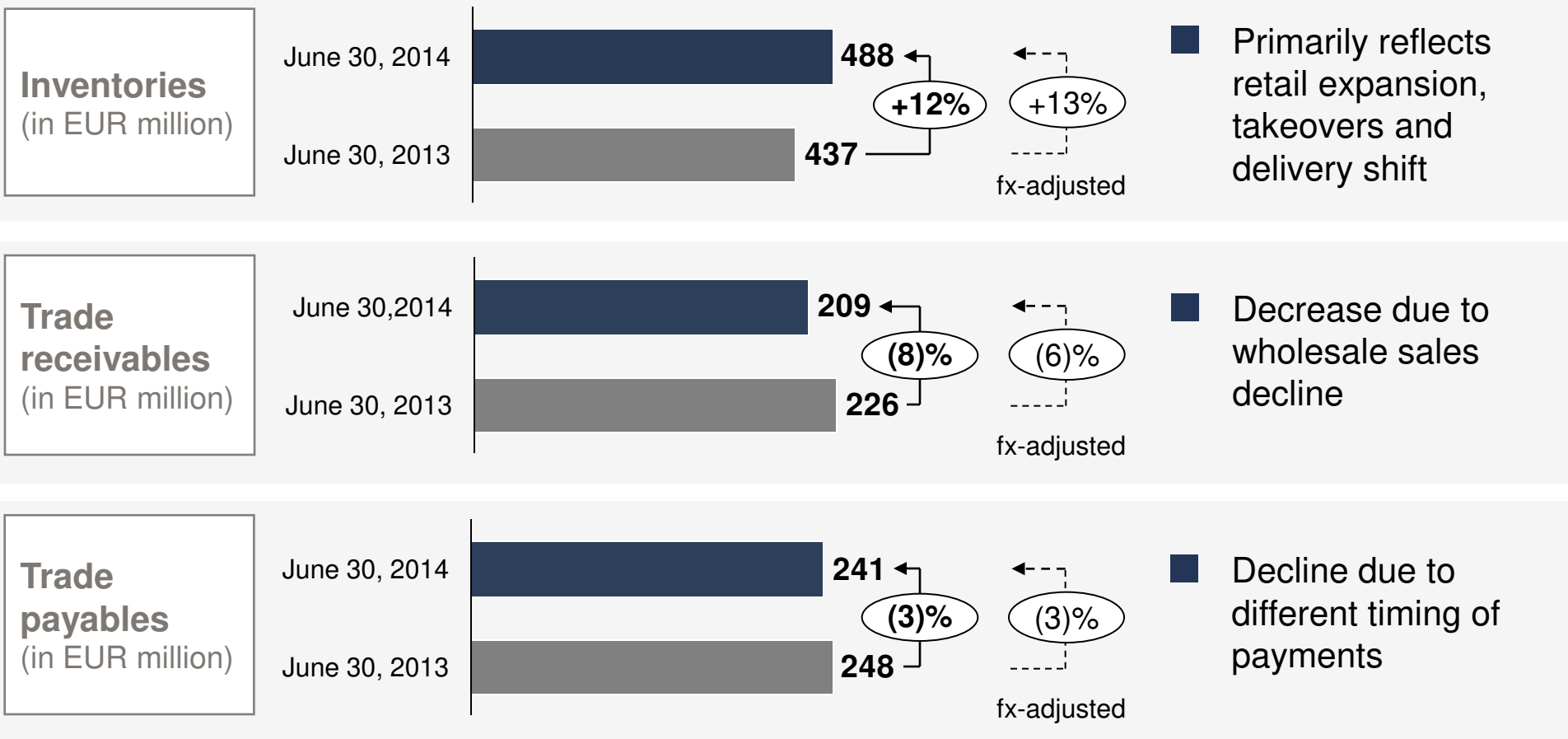
| in EUR million                           | <b>H1 2014</b> | <b>In % of sales</b> | <b>H1 2013*</b> | <b>In % of sales</b> | <b>Change in %</b> |
|--|----------------|----------------------|-----------------|----------------------|--------------------|
| Europe**                                 | 243.0          | 33.5                 | 222.5           | 33.3                 | 9                  |
| Americas                                 | 61.3           | 24.0                 | 57.2            | 21.8                 | 7                  |
| Asia/Pacific                             | 50.0           | 30.3                 | 61.4            | 36.3                 | (19)               |
| Royalties                                | 20.4           | 82.5                 | 20.8            | 83.2                 | (2)                |
| <b>Segment profit operating segments</b> | <b>374.7</b>   | <b>32.0</b>          | <b>361.9</b>    | <b>32.2</b>          | <b>4</b>           |
| <b>Corporate units/consolidation</b>     | <b>(133.2)</b> |                      | <b>(127.6)</b>  |                      | <b>(4)</b>         |
| <b>EBITDA before special items</b>       | <b>241.5</b>   | <b>20.6</b>          | <b>234.3</b>    | <b>20.8</b>          | <b>3</b>           |

- Strong top line momentum supports further margin increase in **Europe**
- Strict pricing discipline benefits profitability in the **Americas**
- Muted sales development and brand investments cause operating deleverage in **Asia**

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\*\*Incl. Middle East and Africa.

## Higher working capital position due to inventory increase

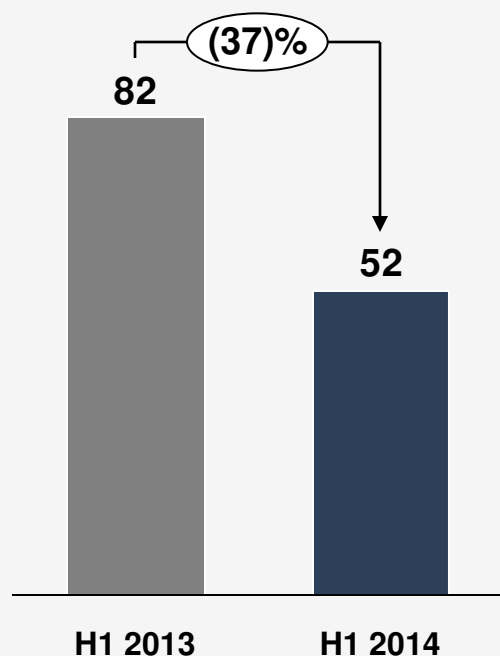


➔ Trade net working capital up 10% to EUR 456 million

## Non-recurrence of prior year infrastructure investments supports free cash flow generation

### Investments

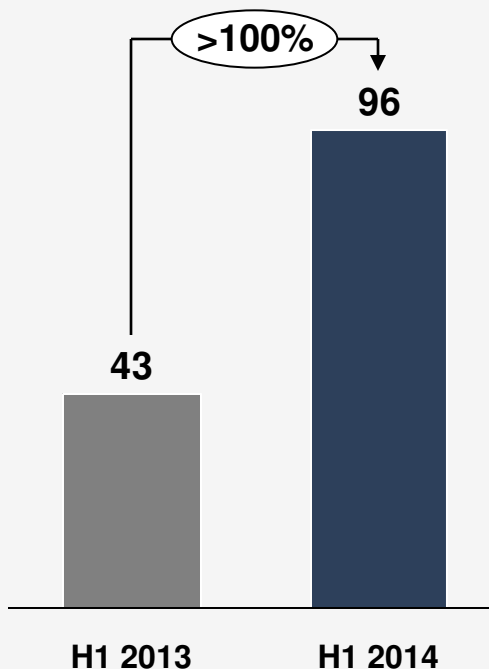
(in EUR million)



■ Moderation despite growing own retail investments

### Free cash flow

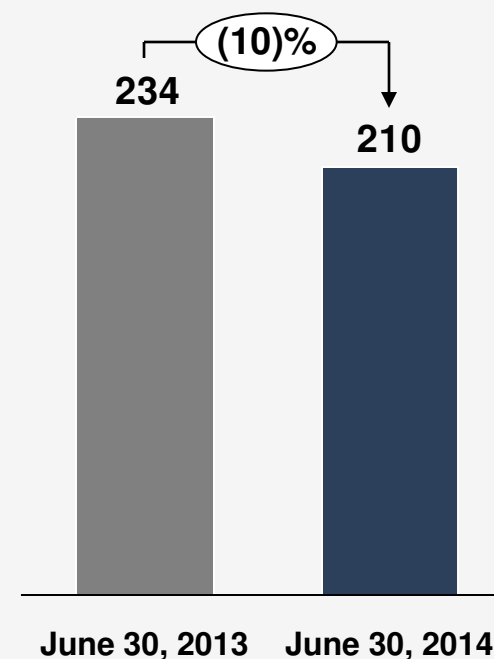
(in EUR million)



■ Cash generation supported by profit growth and lower investments

### Net debt

(in EUR million)



■ Free cash flow growth overcompensates higher dividend payout

## Agenda

**Update on Key Strategic Initiatives**

**Half Year Results 2014**

**Outlook**

Full year financial guidance reconfirmed

Outlook 2014

Sales growth (currency-adjusted)

High single-digit

Growth of EBITDA before special items

High single-digit

Capex

EUR 110 million - EUR 130 million

Own retail network

Around 50 net openings

## HUGO BOSS records solid financial performance in challenging market environment

- HUGO BOSS is making good progress in business model transformation towards retail
- Improving wholesale momentum to support achievement of full year targets
- Important strategic initiatives to contribute to Group growth in 2014 and beyond



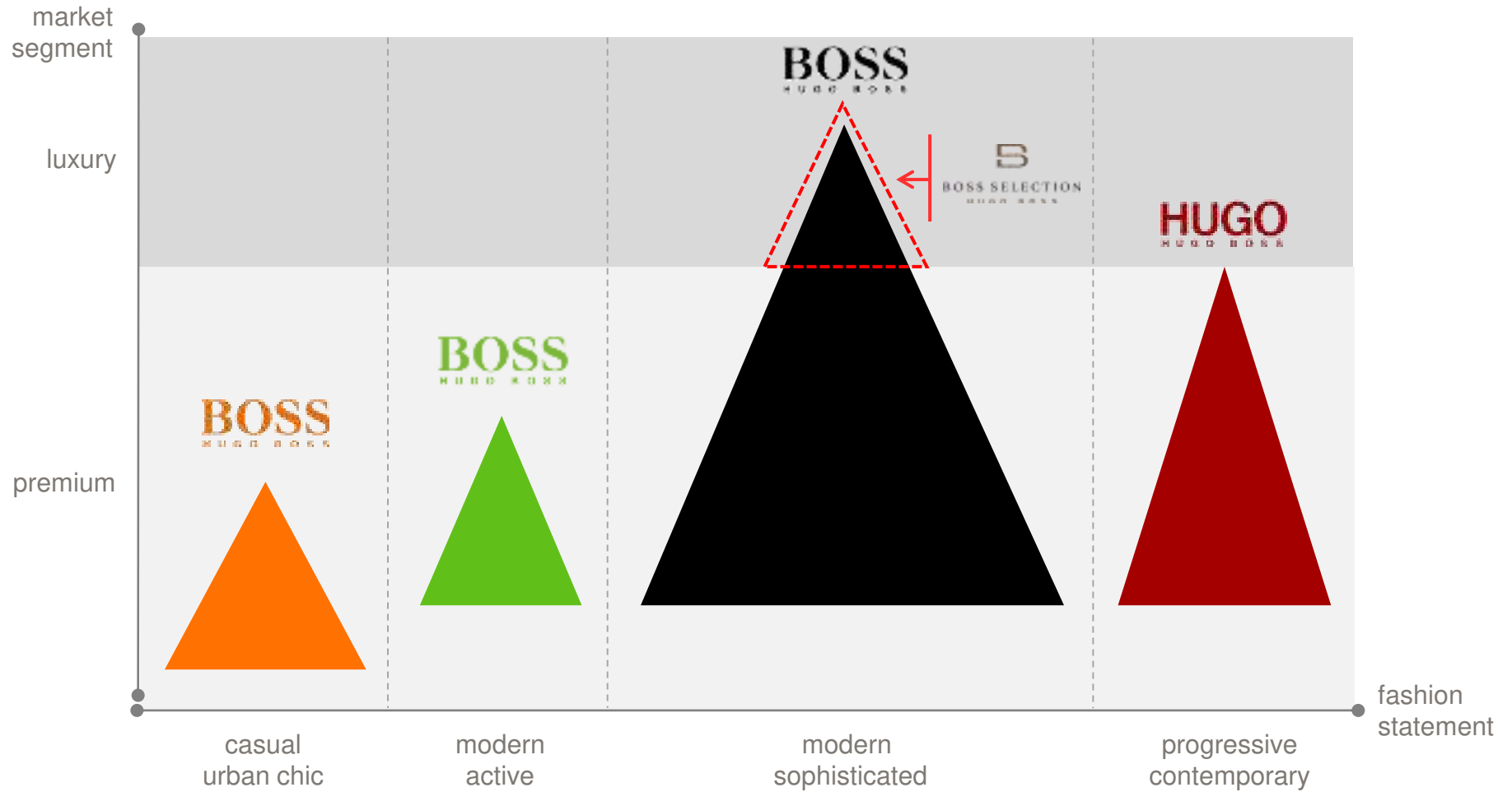
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**BACKUP**

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## HUGO BOSS brand architecture



Brand portfolio

**BOSS**  
HUGO BOSS

**71%** of Group sales  
modern / sophisticated



**BOSS**  
HUGO BOSS

**8%** of Group sales  
modern / active



**BOSS**  
HUGO BOSS

**12%** of Group sales  
casual / urban chic



**HUGO**  
HUGO BOSS

**9%** of Group sales  
progressive / contemporary



### Sales by region 2013



**Asia/Pacific**



**Europe**

Share of Group sales\*



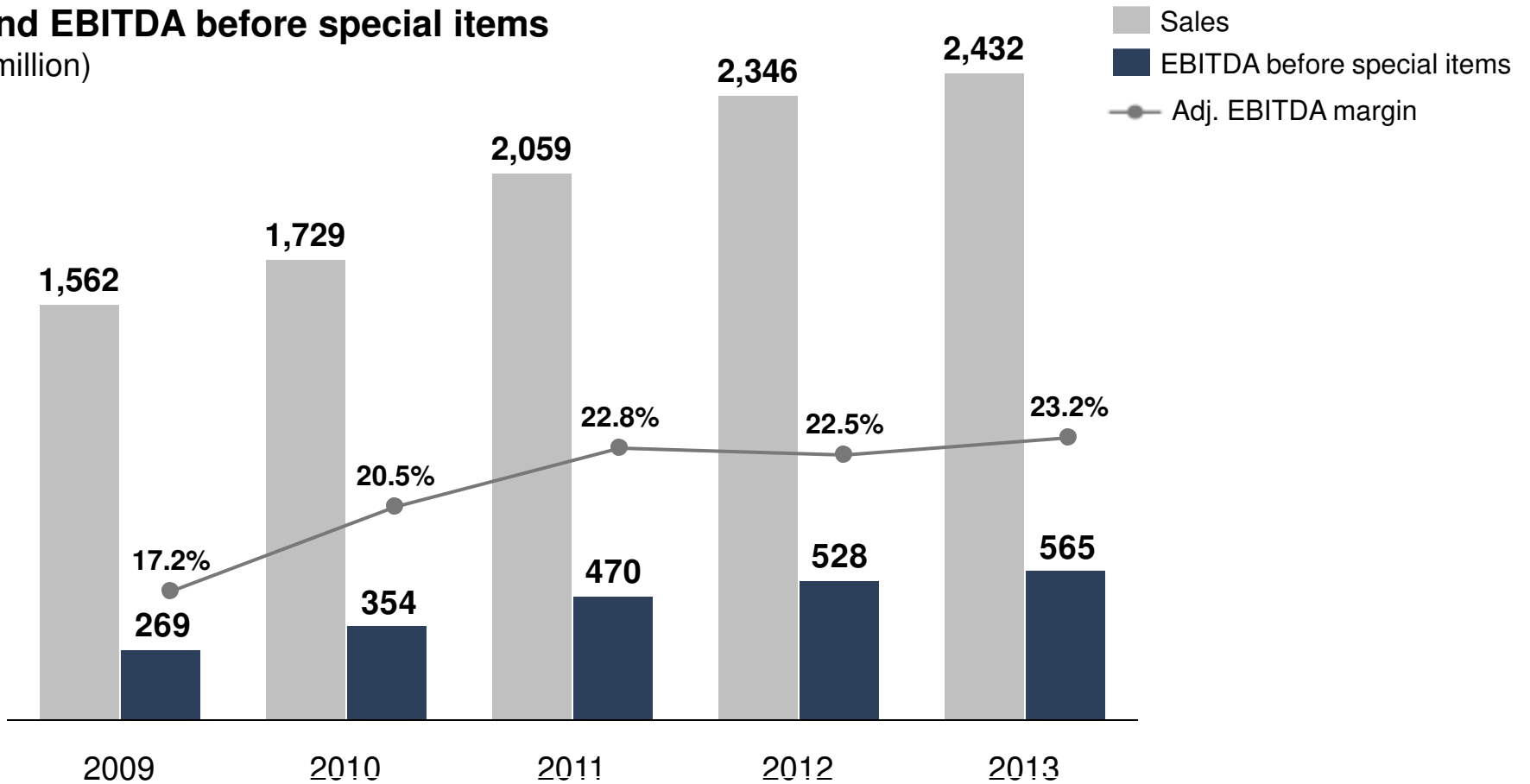
**Americas**

\*+2% Royalties.

## Five year overview sales and operating profit

### Sales and EBITDA before special items

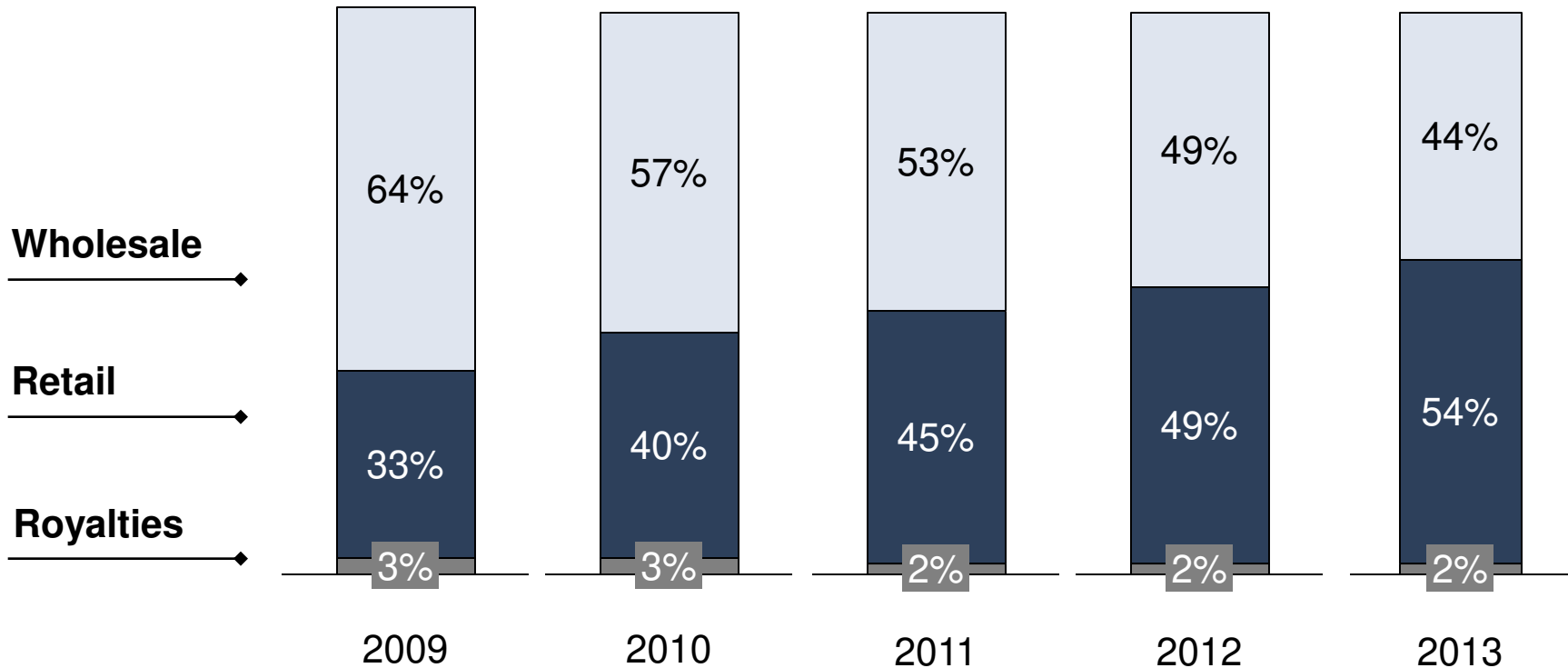
(in EUR million)



Target to generate EUR 3bn sales (in 2015) and 25% EBITDA margin (after 2015)

## Sales split by distribution channel

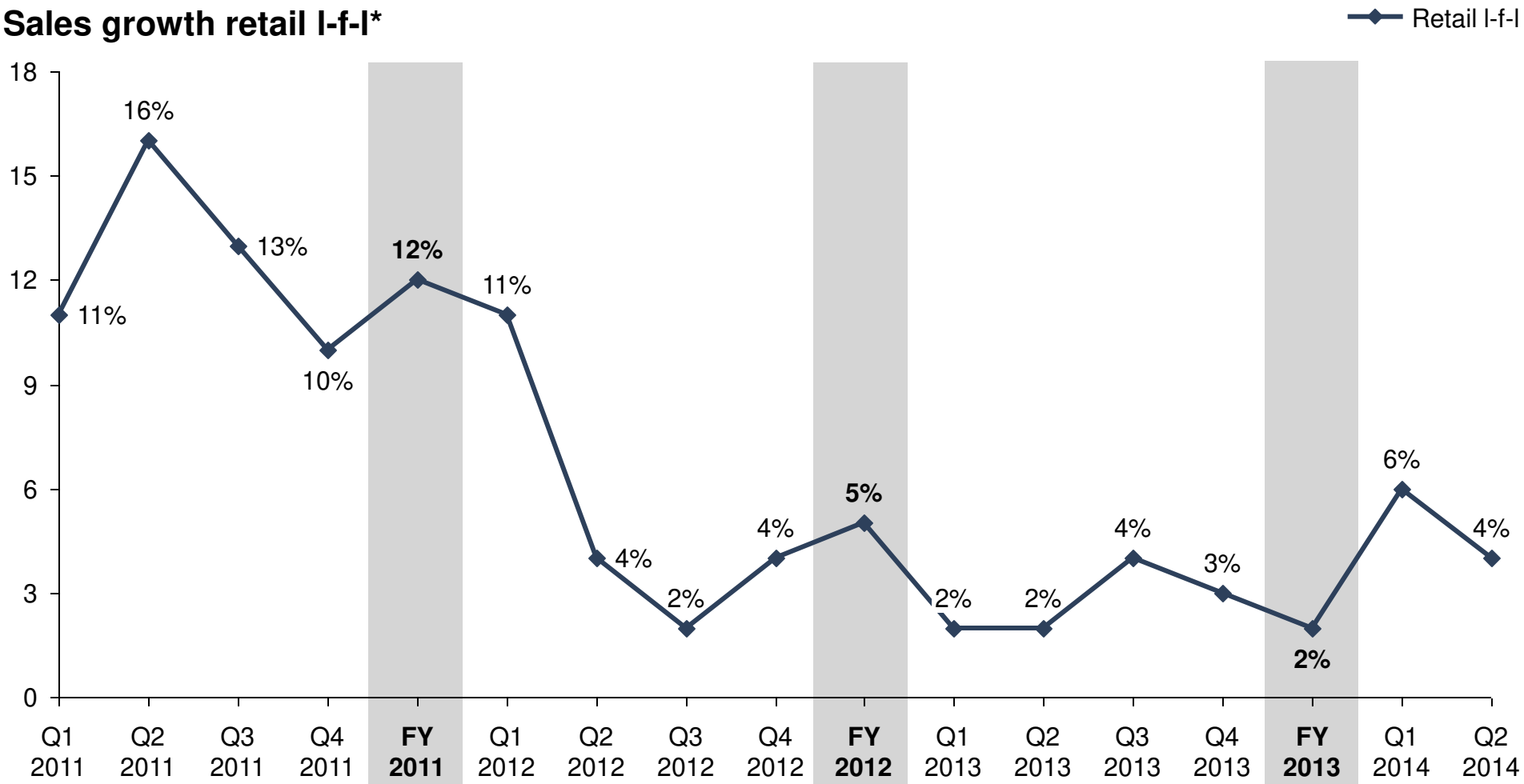
### Sales by distribution channel



➔ Target to generate more than 60% of Group sales in retail by 2015

## Retail comp stores sales growth

### Sales growth retail I-f-I\*



\*fx-adjusted.

## Five year overview\*

| in EUR million  | 2013    | 2012    | 2011    | 2010    | 2009    |
|---|---------|---------|---------|---------|---------|
| <b>Earnings Position</b>  |         |         |         |         |         |
| Sales   | 2,432.1 | 2,345.9 | 2,058.8 | 1,729.4 | 1,561.9 |
| Gross profit  | 1,579.6 | 1,444.1 | 1,252.0 | 1,022.4 | 836.2   |
| EBITDA  | 561.4   | 523.9   | 468.0   | 340.1   | 226.5   |
| EBITDA before special items                                     | 564.7   | 528.1   | 469.5   | 353.7   | 269.2   |
| EBIT  | 456.2   | 432.0   | 394.6   | 267.9   | 157.4   |
| Net income attributable to equity holders of the parent company | 329.0   | 306.5   | 284.9   | 188.9   | 105.5   |
| <b>Financial Position and Dividend</b>                          |         |         |         |         |         |
| Free cash flow  | 230.0   | 220.6   | 194.9   | 246.3   | 299.5   |
| Net debt  | 57.0    | 130.4   | 149.1   | 201.1   | 379.1   |
| Capital expenditures  | 185.3   | 165.8   | 108.5   | 55.6    | 48.3    |
| Depreciation/amortization                                       | 105.3   | 91.9    | 73.4    | 72.2    | 69.1    |
| Dividend  | 230.5   | 215.3   | 199.1   | 139.7   | 66.6    |
| <b>Asset and Liability Structure</b>                            |         |         |         |         |         |
| Total assets  | 1,501.3 | 1,577.2 | 1,419.6 | 1,342.8 | 1,065.4 |
| Shareholders' equity  | 740.3   | 631.6   | 517.3   | 361.2   | 205.5   |
| Trade net working capital                                       | 431.8   | 408.5   | 399.6   | 322.7   | 295.6   |
| Non-current assets  | 611.5   | 587.7   | 503.2   | 454.5   | 435.0   |
| <b>Key Ratios</b>   |         |         |         |         |         |
| Gross profit margin in %  | 64.9    | 61.6    | 60.8    | 59.1    | 53.5    |
| Adjusted EBITDA margin in %                                     | 23.2    | 22.5    | 22.8    | 20.5    | 17.2    |
| Total leverage**  | 0.1     | 0.2     | 0.3     | 0.6     | 1.4     |
| Equity ratio in %   | 49.3    | 40.0    | 36.4    | 26.9    | 19.3    |

\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made.

\*\*Net debt/EBITDA before special items and expenses for the "Stock Appreciation Rights Program".

## Income statement

| in EUR million                       |              |              |             |                |                |             |
|--------------------------------------|--------------|--------------|-------------|----------------|----------------|-------------|
|                                      | Q2 2014      | Q2 2013*     | Change in % | H1 2014        | H1 2013*       | Change in % |
| <b>Sales</b>                         | <b>558.9</b> | <b>531.7</b> | <b>5</b>    | <b>1,171.5</b> | <b>1,125.2</b> | <b>4</b>    |
| Cost of sales                        | (185.8)      | (185.0)      | 0           | (397.9)        | (411.6)        | 3           |
| <b>Gross profit</b>                  | <b>373.1</b> | <b>346.7</b> | <b>8</b>    | <b>773.6</b>   | <b>713.6</b>   | <b>8</b>    |
| In % of sales                        | 66.7         | 65.2         | 150 bp      | 66.0           | 63.4           | 260 bp      |
| Selling and distribution expenses    | (227.9)      | (211.6)      | (8)         | (460.4)        | (408.1)        | (13)        |
| Administration expenses              | (60.0)       | (55.3)       | (8)         | (120.8)        | (114.5)        | (5)         |
| Other operating income and expenses  | (2.3)        | (4.2)        | 45          | (0.8)          | (4.1)          | 80          |
| <b>Operating result (EBIT)</b>       | <b>82.9</b>  | <b>75.6</b>  | <b>10</b>   | <b>191.6</b>   | <b>186.9</b>   | <b>3</b>    |
| In % of sales                        | 14.8         | 14.2         | 60 bp       | 16.4           | 16.6           | (20) bp     |
| Net interest income/expense          | (1.5)        | (2.4)        | 38          | (2.0)          | (6.1)          | 67          |
| Other financial items                | 0.1          | (4.0)        | > 100       | (2.0)          | (5.2)          | 62          |
| <b>Financial result</b>              | <b>(1.4)</b> | <b>(6.4)</b> | <b>78</b>   | <b>(4.0)</b>   | <b>(11.3)</b>  | <b>65</b>   |
| <b>Earnings before taxes</b>         | <b>81.5</b>  | <b>69.2</b>  | <b>18</b>   | <b>187.6</b>   | <b>175.6</b>   | <b>7</b>    |
| Income taxes                         | (18.7)       | (15.9)       | (18)        | (43.2)         | (40.4)         | (7)         |
| <b>Net income</b>                    | <b>62.8</b>  | <b>53.3</b>  | <b>18</b>   | <b>144.4</b>   | <b>135.2</b>   | <b>7</b>    |
| Attributable to:                     |              |              |             |                |                |             |
| Equity holders of the parent company | 62.5         | 52.2         | 20          | 143.2          | 133.8          | 7           |
| Non-controlling interests            | 0.3          | 1.1          | (73)        | 1.2            | 1.4            | (14)        |
| <b>Earnings per share (EUR)**</b>    | <b>0.90</b>  | <b>0.76</b>  | <b>18</b>   | <b>2.07</b>    | <b>1.94</b>    | <b>7</b>    |
| <b>EBITDA before special items</b>   | <b>110.2</b> | <b>101.8</b> | <b>8</b>    | <b>241.5</b>   | <b>234.3</b>   | <b>3</b>    |
| In % of sales                        | 19.7         | 19.1         | 60 bp       | 20.6           | 20.8           | (20) bp     |

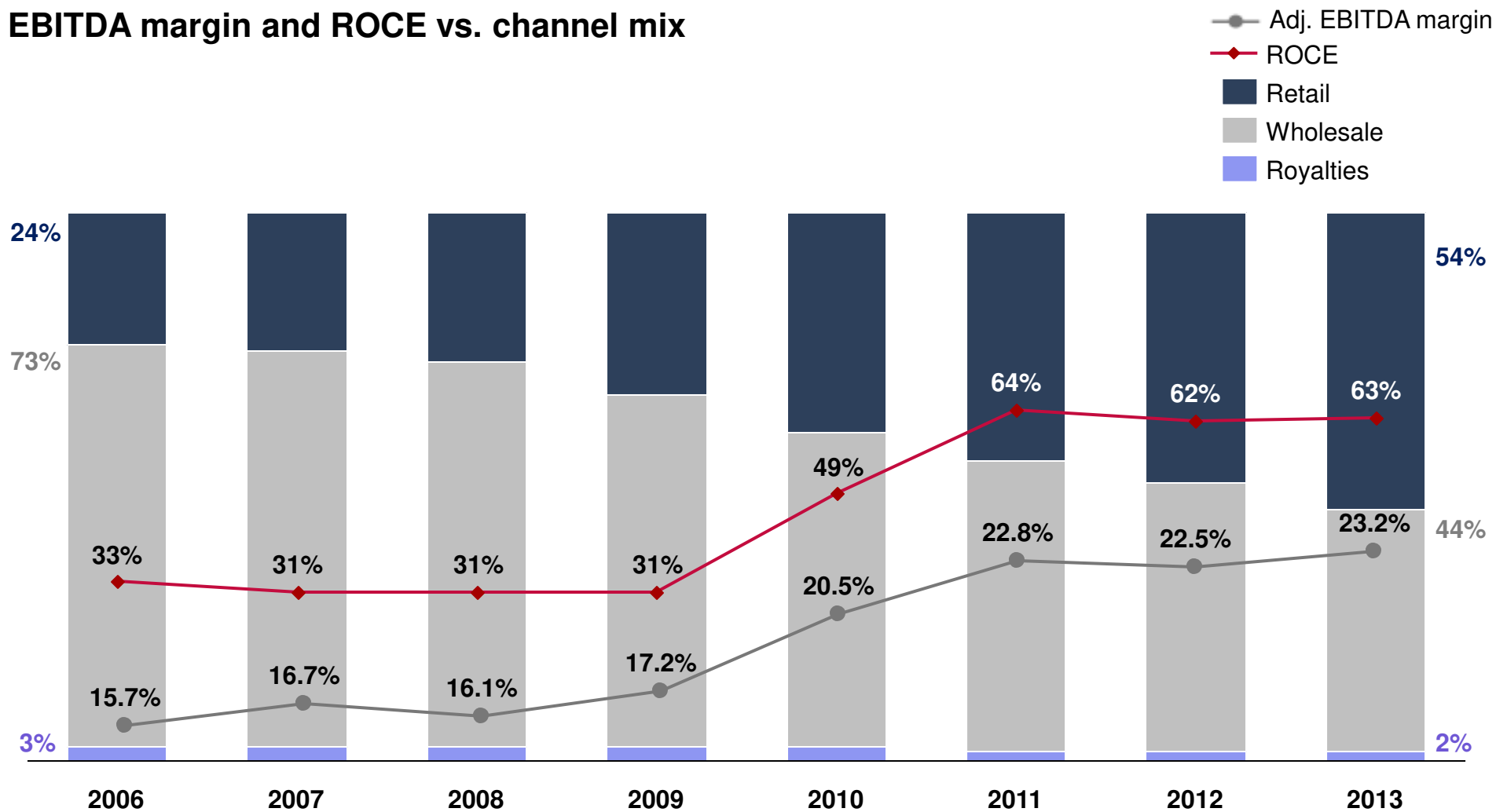
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\*\*Basic and diluted earnings per share.



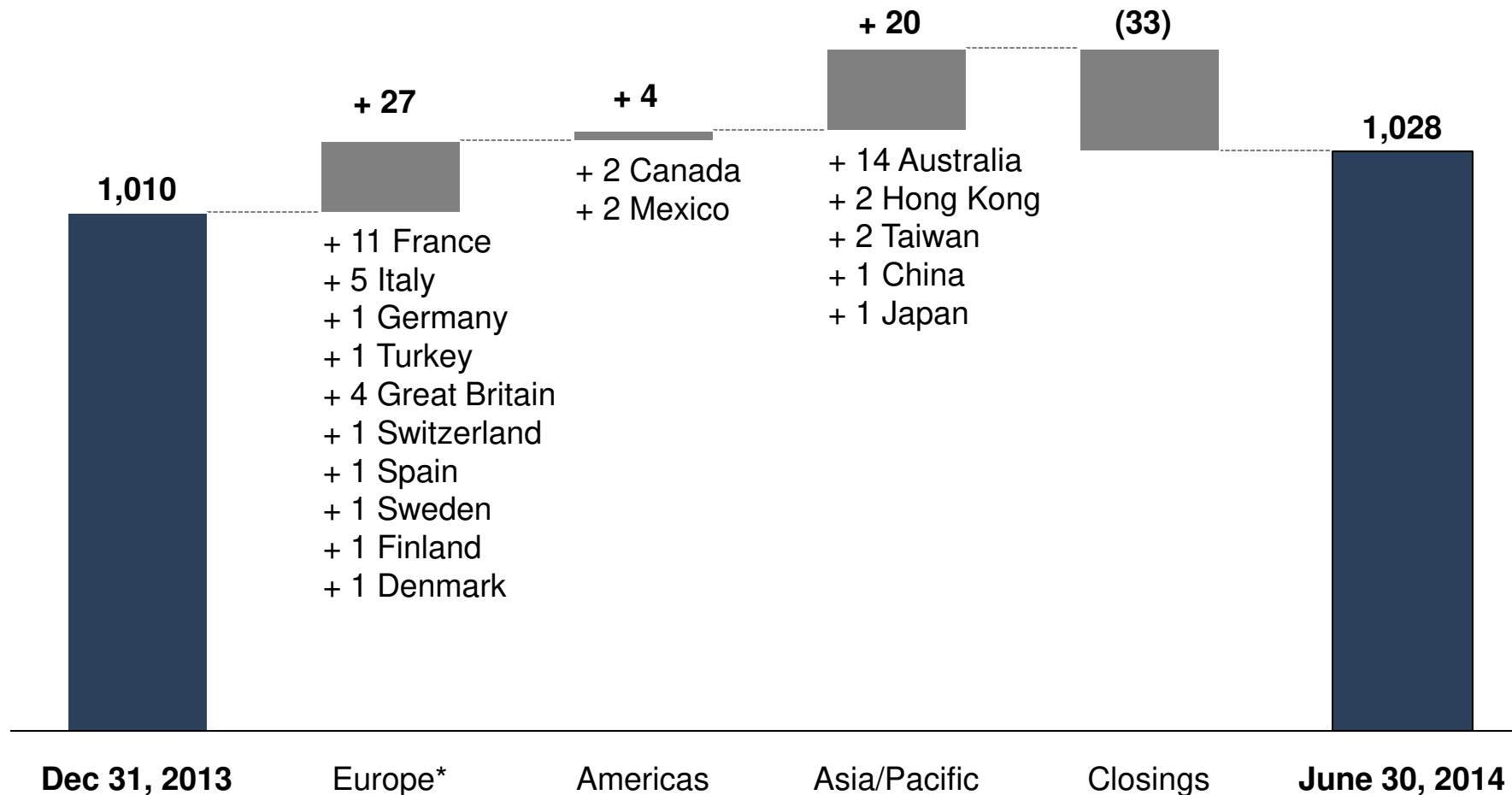
## ROCE development

### EBITDA margin and ROCE vs. channel mix



## Retail network

### Number of own retail stores:

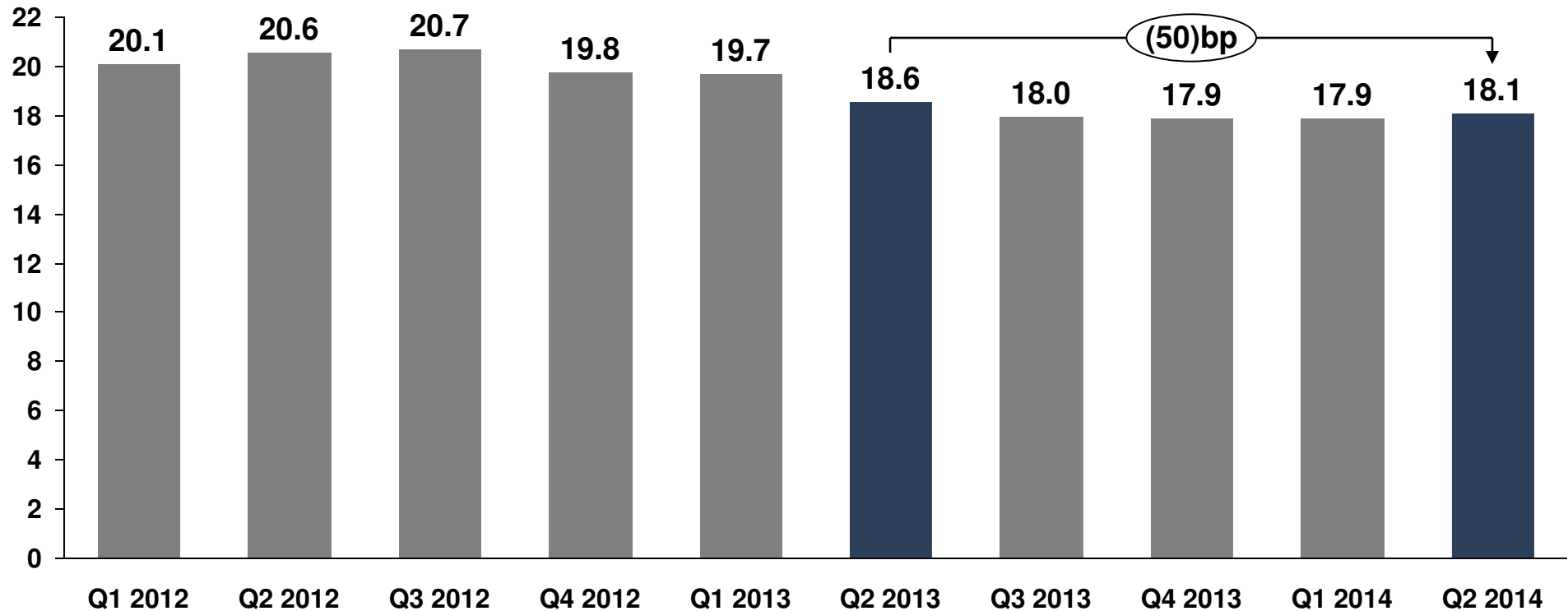


\*Europe incl. Middle East and Africa.

## Trade net working capital

### Average trade net working capital as a percentage of sales by quarter\*

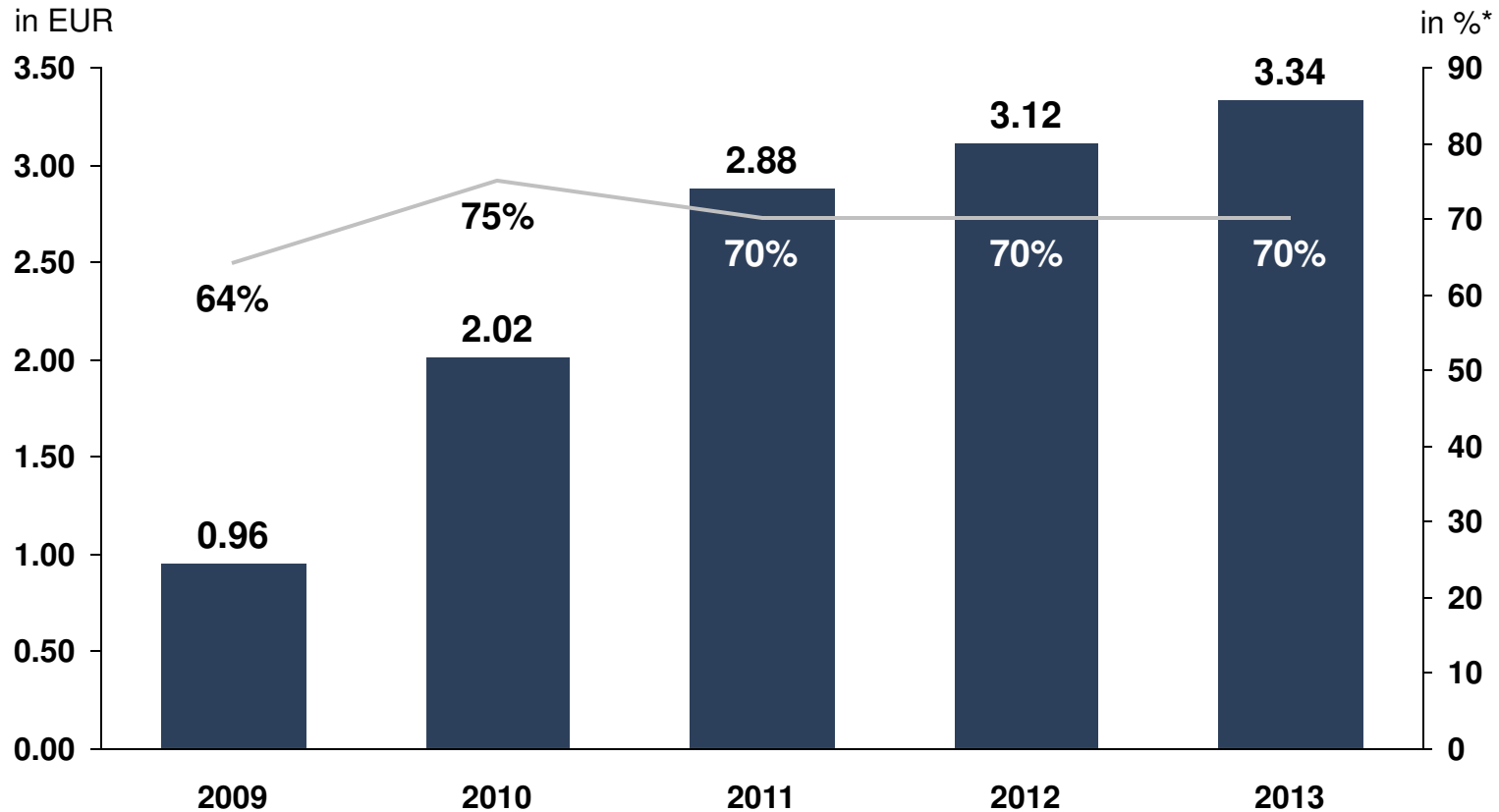
(in %)



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## Dividends

### Dividend and payout ratio

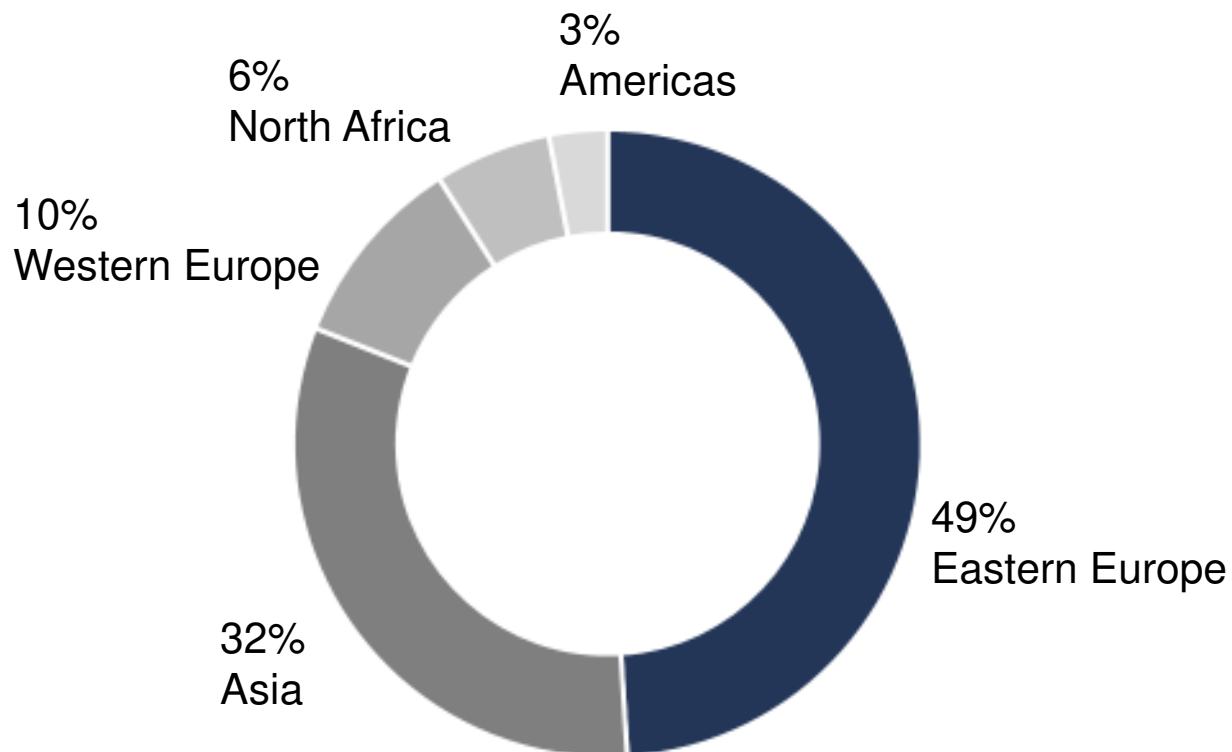


Dividend in line with policy to pay out between 60% and 80% of consolidated net profit

\*As a percentage of net income attributable to the shareholders of the parent company.

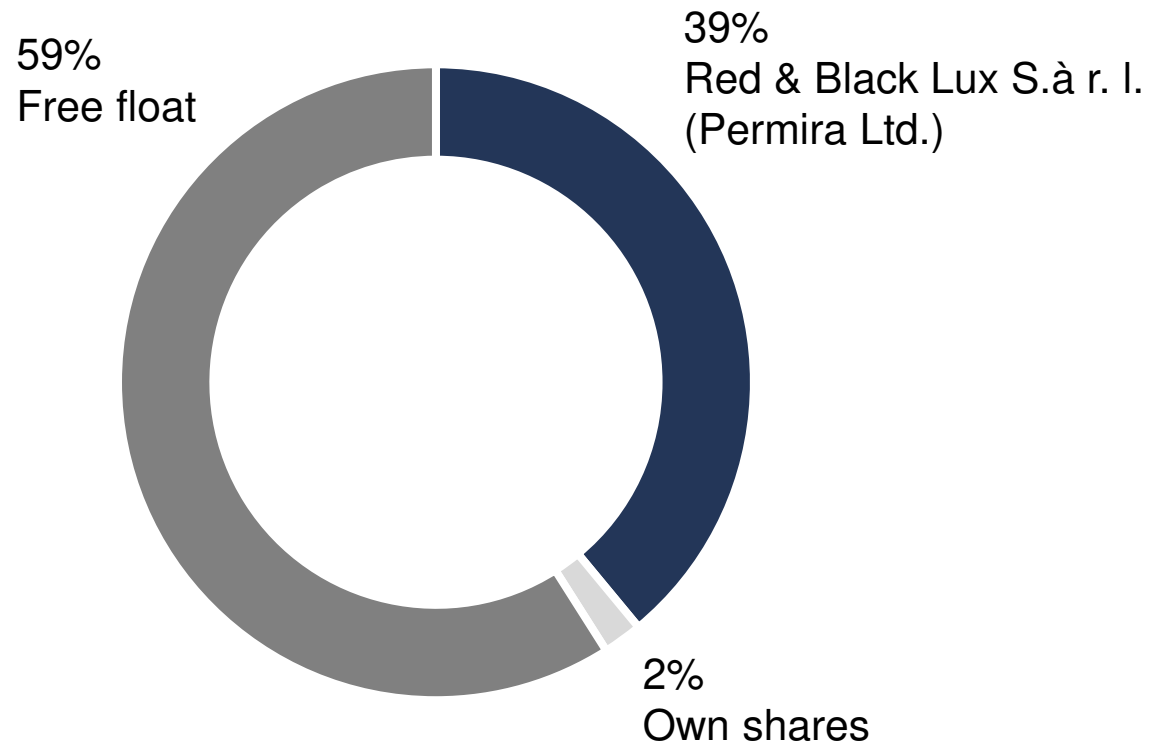
## Sourcing structure

### Regional split of sourcing and production volume 2013\*



\*80% Third party production  
20% Own production

## Shareholder structure\*



\*Source: Share register, as of September 5, 2014.

## Financial calendar 2014

| Date              | Event               |
|-------------------|---------------------|
| November 4, 2014  | Nine Months Results |
| November 19, 2014 | Investor Day        |

## Investor Relations contact

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## **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.

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