

**H U G O   B O S S**

# **Financial Performance & Strategic Direction**

## **First Nine Months & Third Quarter 2009**

November, 2009

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## Agenda

**Strategic direction**

**Highlights**

**Financial Performance**

**Outlook**

## **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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## Our Heritage – German tailoring perfection meeting finest Italian fabrics



**Our Vision is to be one of the leading fashion companies worldwide**



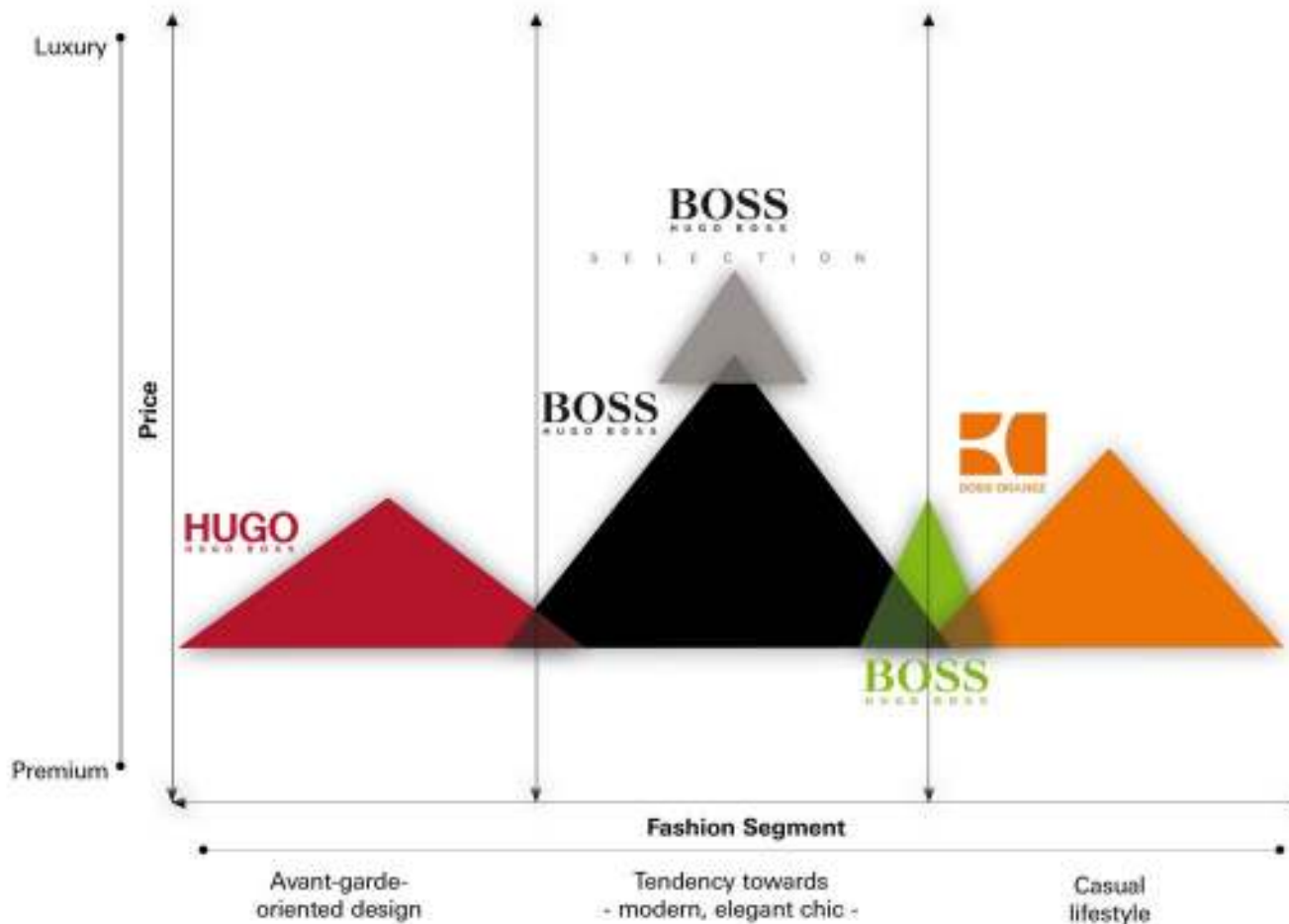
**Our portfolio of strong brands – oscillating between elegant, casual, and avant-garde**





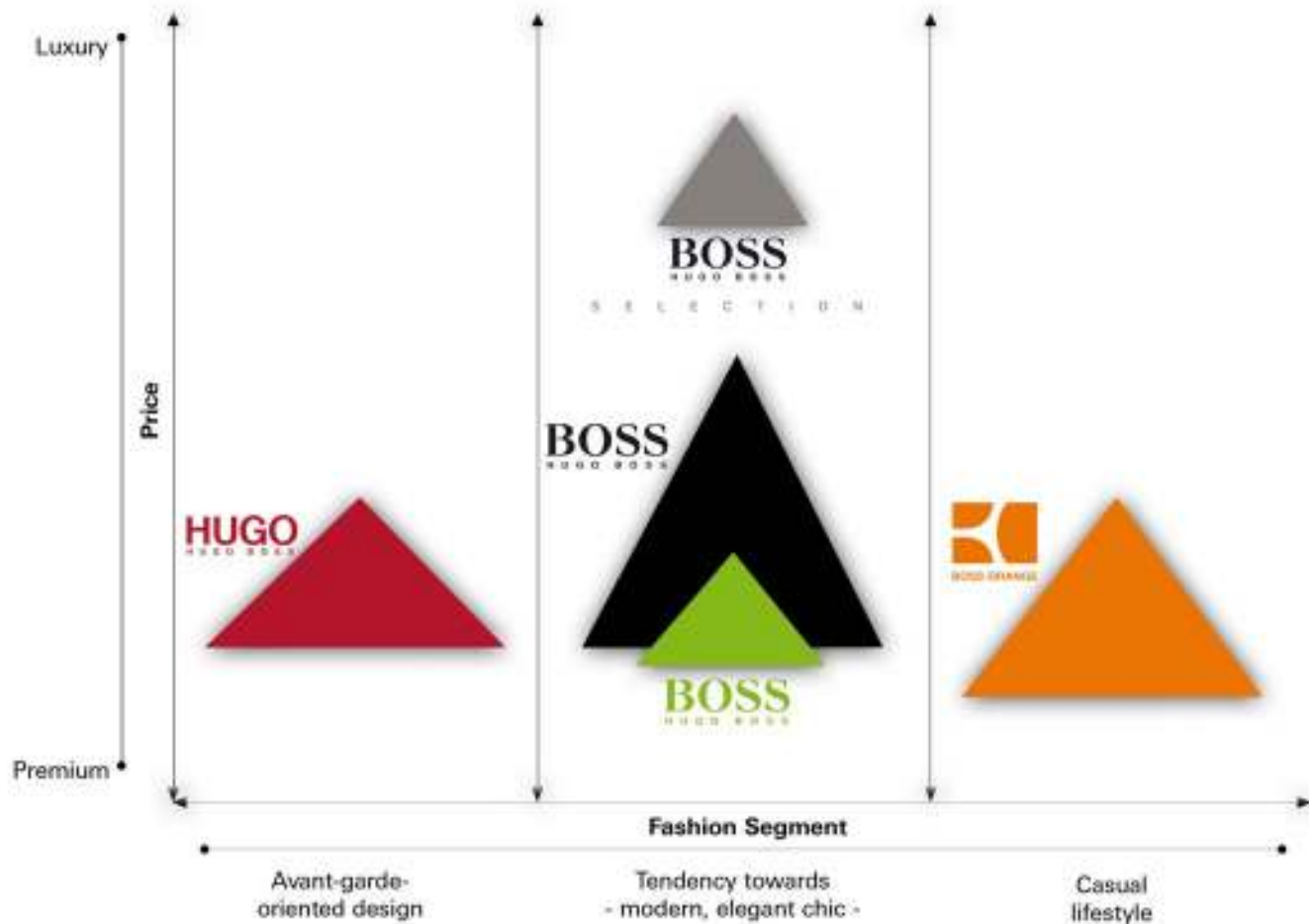
One of our key objectives is to further strengthen our brand portfolio

Brand architecture old



## One of our key objectives is to further strengthen our brand portfolio

### Brand architecture new



## BOSS Selection – Luxury

**luxurious**  
**modern**  
**elegant**



## BOSS Black – The heritage driven core

**superior  
premium  
contemporary**



## BOSS Green – the American & golf inspired sportswear

**sporty**  
**relaxed**  
**vigorous**





## BOSS Orange – The urban casual wear

**urban  
lighthearted  
confident**



## HUGO – The fashion spearhead

**edgy**  
**progressive**  
**individual**



## Key Competitors on corporate level

Following competitors have a similar structure as HUGO BOSS on a corporate level (“benchmark competitors”):





## Market environment – Recap of first nine months 2009

Toughest global economic development since decades

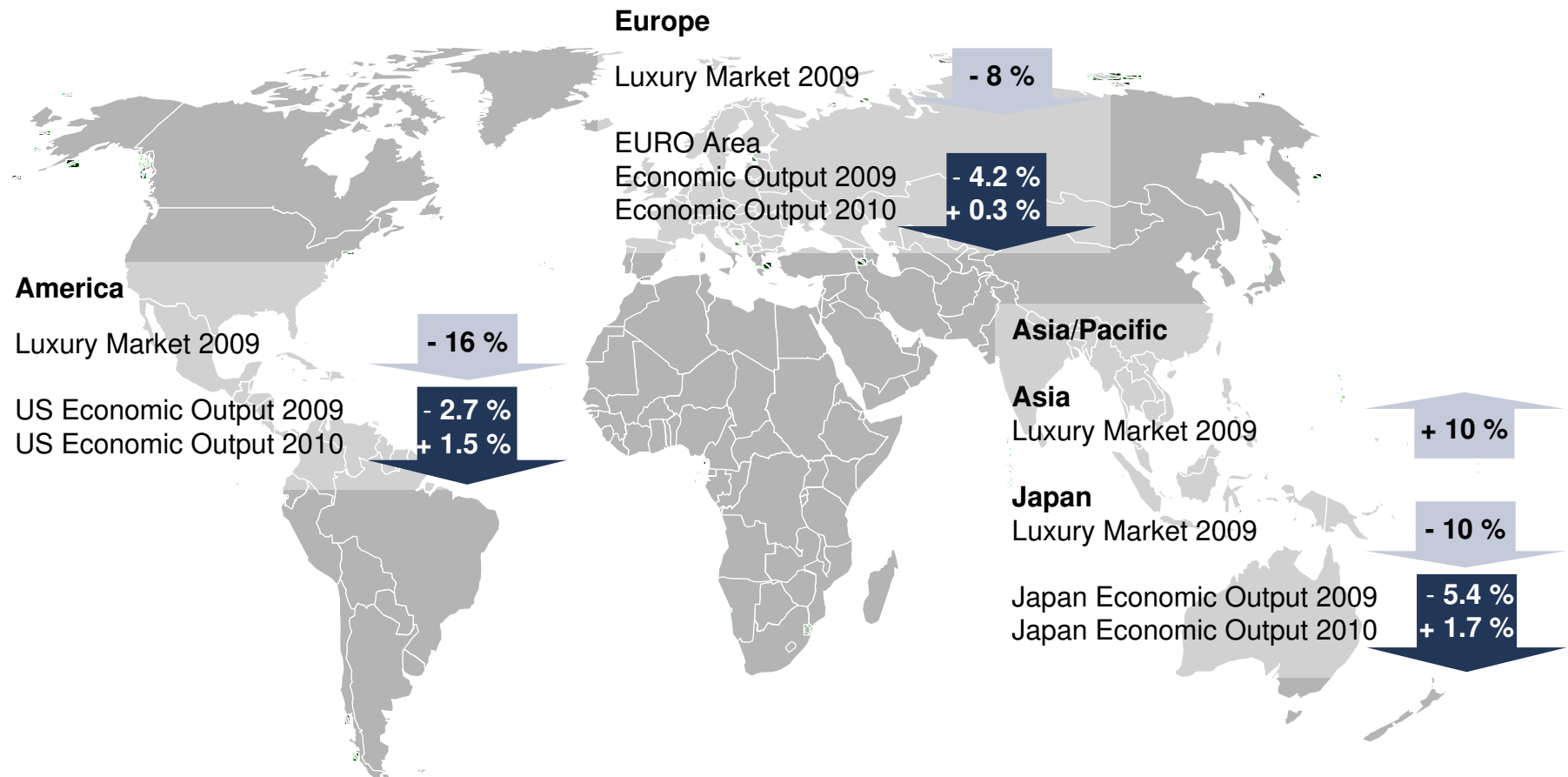
Key markets under pressure

Increasingly challenging business environment

Retailers adjusting strategies

Changing consumer behavior

## Market environment – Regional estimations illustrate global impact of crisis



Note: All figures are estimations by respective organizations as quoted.  
Source: Bain & Company / IMF (October 2009)

## Recap – Scope of performance initiatives

1

Clear differentiation of our brand portfolio

2

Reducing collection complexity

3

Turning retail network into Group's profit driver

4

Harmonizing sourcing and manufacturing activities

5

Decreasing net working capital to a healthy level

6

Improving fixed cost structure

## Brand/ Product excellence – Retail Core Range introduction

Consistent collection presentation across DOS

Improving retail performance

Supporting franchise partners in the long run

Introducing three store packages – S/ M/ L

Piloting BOSS Black Menswear incl. Shoes & Leather Acc.

Focusing on European retail network



## Brand/ Product excellence – Leveraging the stock business

Strengthening of category business

Focusing on polo, knitwear, jeans, shirts, ties

Targeting floor space gains on category floors

Key success factors of chosen categories are:

- High product efficiency
- High volume
- High stock turn rate
- High product density on category floors

### Polo & Knitwear



### Jeans



### Shirts & Ties



## Brand/ Product excellence – Launch of BOSS Kids Wear under new licensee



Launch of BOSS Kids Wear  
for 2010 Spring/Summer

Delivery starting November 2009

Featuring apparel, shoes & accessories,  
designed for boys and girls aged 0 to 16

First collection with French licensee  
C.W.F. Children Worldwide Fashion

## Sales excellence – Strong global monobrand footprint

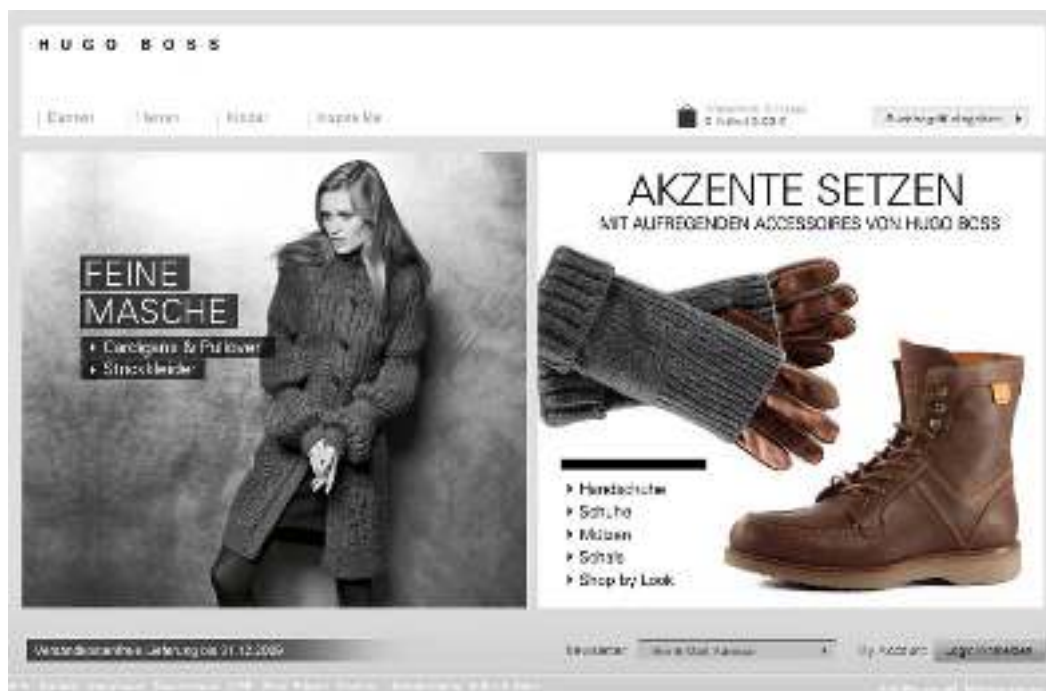
Pace of expansion reflecting the overall economical situation

Focusing on profitable monobrand network expansion

|                                         | Dec. 31,<br>2008 | Mar. 31,<br>2009 | Jun. 30,<br>2009 | Sep. 30,<br>2009 |
|-----------------------------------------|------------------|------------------|------------------|------------------|
| <b>Number of Stores / Shops</b>         | <b>1.389</b>     | <b>1.385</b>     | <b>1.394</b>     | <b>1.369</b>     |
| - Freestanding Stores                   | <b>477</b>       | <b>471</b>       | <b>472</b>       | <b>464</b>       |
| - Shop-in-Shops                         | <b>912</b>       | <b>914</b>       | <b>922</b>       | <b>905</b>       |
| <b>Thereof Directly Operated Number</b> | <b>330</b>       | <b>336</b>       | <b>342</b>       | <b>352</b>       |
| - Freestanding Stores                   | <b>116</b>       | <b>119</b>       | <b>123</b>       | <b>125</b>       |
| - Shop-in-Shops                         | <b>214</b>       | <b>217</b>       | <b>219</b>       | <b>227</b>       |



## Sales excellence – Successfully entering new distribution channels



Successful start of online store operations in 2008 in the UK

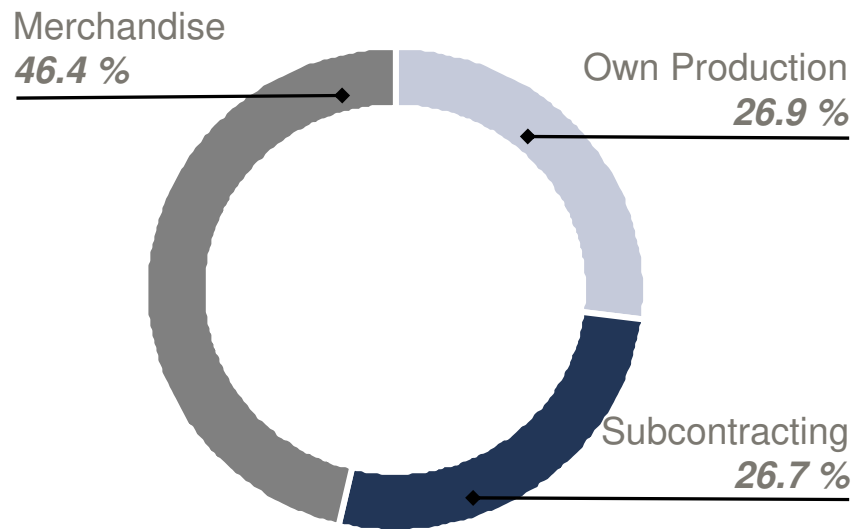
Go-live in NL, FR, DE in second quarter of 2009

Promising sales contribution through double digit growth rates

Over 27,000 orders invoiced

More than 4.3 million visits

## Operational excellence – Global production and sourcing network\*



Global purchasing volume of more than EUR 700 Mio.

Expansion of global sourcing

Identifying potential new suppliers by process driven tendering procedures

Integration of suppliers in product development

\* Year end 2008.

## Communication excellence – Press coverage highlights



## Communication excellence – Movie / VIP highlights



HUGO BOSS supports various film productions with fashion. One current example is the best-seller adaption “Desert Flower”.



## Communication excellence – Art sponsoring highlights



HUGO BOSS and the Salzburg Festival cooperate on the opera “Theodora”.

## Communication excellence – Sport sponsoring highlights



HUGO BOSS' engagement in sport sponsoring include Formula 1, Sailing and Golf. From left to right: Photoshoot with the Swedish pro golfer Hendrik Stenson in official tournament outfit (Fall/Winter 2009/2010), Alex Thomson and his crew at the prestigious Cowes Week, and Lewis Hamilton at a photoshoot for the French FHM in August 2009.

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## Development of shares from January to September 30<sup>th</sup>, 2009



MDAX / MSCI World indicated based on preferred shares January 2009

## Key figures of the first nine months of 2009 in EUR mill.

|                                     |         |            |                 |
|-------------------------------------|---------|------------|-----------------|
| Net sales                           | 1,238.0 | - 9%       | (fx-adj. - 11%) |
| Contribution margin                 | 655.0   | - 9%       |                 |
| Contribution margin in % of sales   | 52.9%   | + 0.3 ppt. |                 |
| EBITDA before special items         | 224.1   | - 13%      |                 |
| EBIT before special items           | 179.3   | - 17%      |                 |
| Net working capital                 | 311.0   | - 34%      |                 |
| Cash flow from operating activities | 229.4   | > 100%     |                 |
| Net debt                            | 459.0   | - 26%      |                 |

## Key impacts on the first nine months of 2009

Uncertainty with regard to future development of global recession led to reduced pre-order volume for A/W 2009 collection by highly cautious wholesale customers

Replenishment sales partially absorbed lower pre-order volume

Avoiding aggressive pricing strategies to maintain premium market positioning

Protecting price levels, margins, and brand equity by cutting back merchandise offerings for off-price retailing channels

Stop of deliveries for Eastern European wholesale customers, due to significant financing problems

Ongoing customer portfolio cleaning to drive long-term profitability of wholesale channel

One-time effects from realignment activities, mainly caused by closings of own retail operations in Spain, Italy, and Japan as well as global showroom optimization

## Sales by Segments

in EUR mill.

**January - September 2009**

Corporate Center: 779.1 (0.0)<sup>1</sup>

Royalties: 90.5 (31.3)<sup>1</sup>

Asia/ Pacific: 122.2 (122.2)<sup>1</sup>

Americas: 233.4 (232.9)<sup>1</sup>

Europe<sup>2</sup>: 851.6 (851.6)<sup>1</sup>

|                                                          |                |
|----------------------------------------------------------|----------------|
| <b>Gross Segment Sales:</b>                              | <b>2,076.8</b> |
| <b>Inter-segment Sales:</b>                              | <b>-838.8</b>  |
| <b>Sales according to consolidated income statement:</b> | <b>1,238.0</b> |

**January - September 2008**

Corporate Center: 918.0 (0.0)<sup>1</sup>

Royalties: 102.3 (31.5)<sup>1</sup>

Asia/ Pacific: 124.4 (124.4)<sup>1</sup>

Americas: 227.5 (227.5)<sup>1</sup>

Europe<sup>2</sup>: 980.2 (980.2)<sup>1</sup>

|                                                          |                |
|----------------------------------------------------------|----------------|
| <b>Gross Segment Sales:</b>                              | <b>2,352.4</b> |
| <b>Inter-segment Sales:</b>                              | <b>-988.8</b>  |
| <b>Sales according to consolidated income statement:</b> | <b>1,363.6</b> |

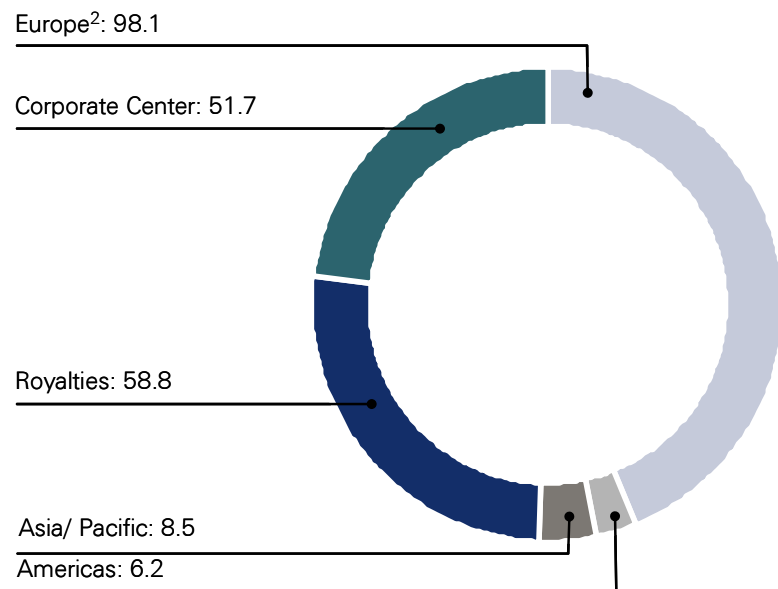
<sup>1</sup> Net Segment Sales according to consolidated income statement put in brackets.

<sup>2</sup> Including Middle East/ Africa.

## Segment Profit<sup>1</sup>

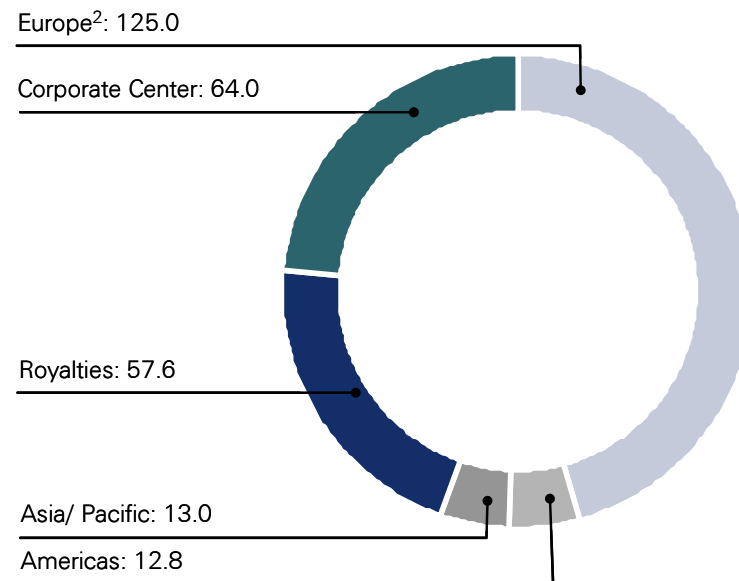
in EUR mill.

**January - September 2009**



**Total segment profit: 224.1**  
**(including consolidation of 0.8)**

**January - September 2008**



**Total segment profit: 257.1**  
**(including consolidation of -15.3)**

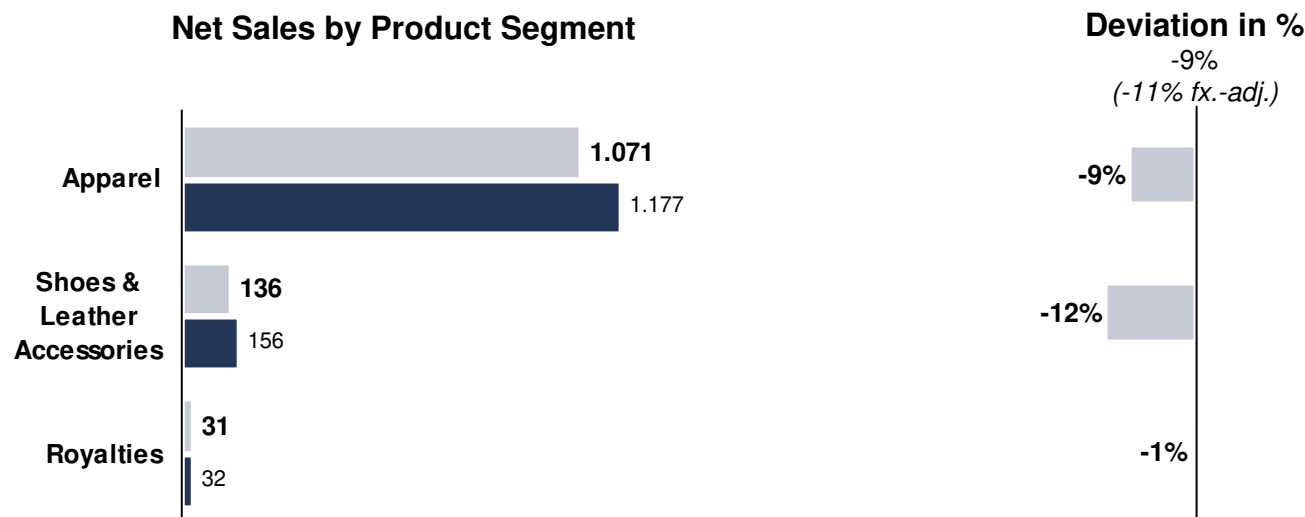
<sup>1</sup> Operating profit (EBITDA) before special items.

<sup>2</sup> Including Middle East/ Africa.

## Sales by Product Segment

**Apparel** sales suffered due to weak demand with a decline of 9% in the first nine months, while **Shoes & Leather Accessories** sales declined by 12%

**Royalties** sales almost on prior year level because of successful product launches as well as contracted payments of minimum royalty fees



Net Sales 2009: EUR 1,238 mill.  
 Net Sales 2008: EUR 1,364 mill.



## Development of operating performance

Cost of sales method applied for consolidated income statement

Increase of contribution margin by + 0.3 ppt. to 52.9%

FX-rates with minor positive impact on top line results

EBIT performance as a result from receivables and inventory write-downs

Tax rate below prior year figure due to increasing internationalization

Net income development resulting from one-time realignment effects

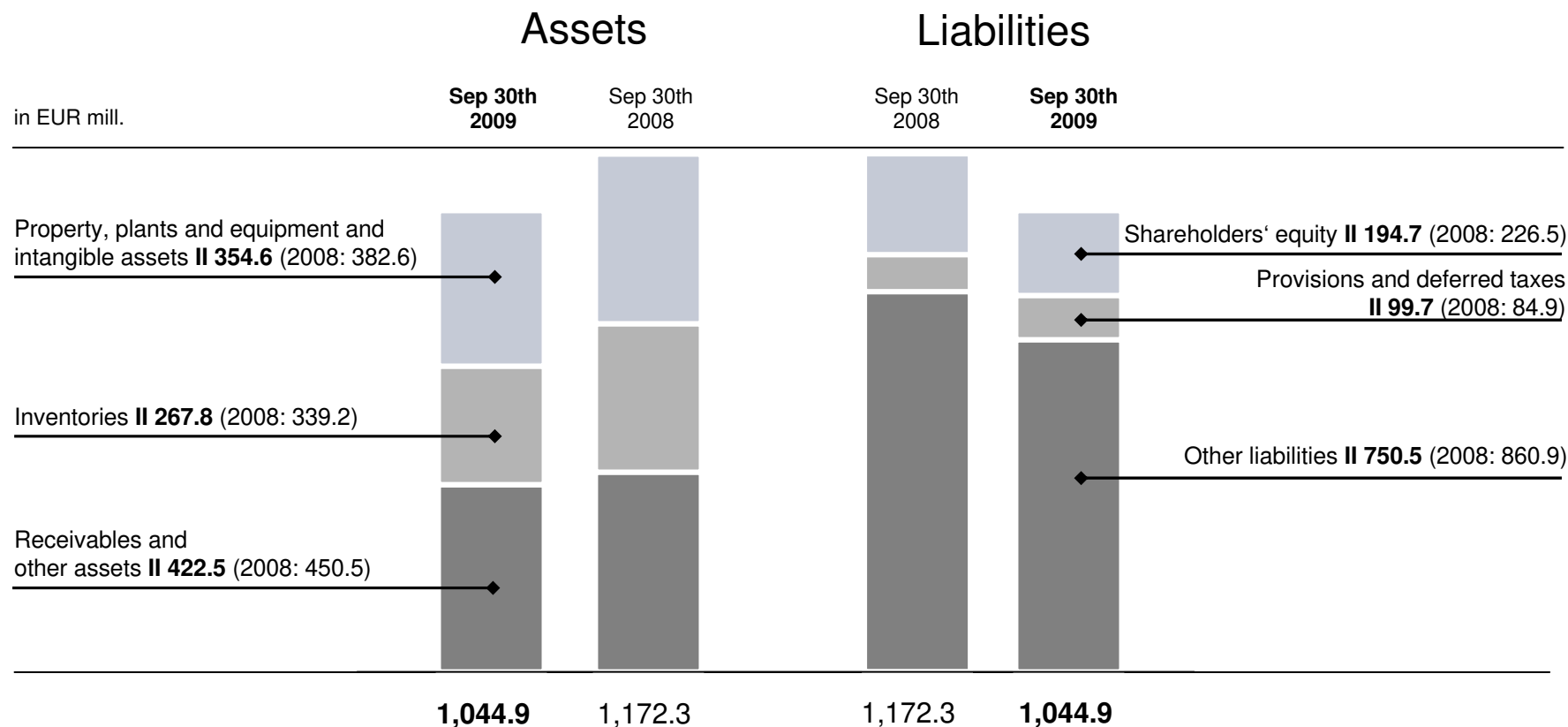
| in EUR million                                               | Jan. - Sep.<br>2009 | Jan. - Sep.<br>2008 | Change<br>in % | 3. Quarter<br>2009 | 3. Quarter<br>2008 | Change<br>in % |
|--------------------------------------------------------------|---------------------|---------------------|----------------|--------------------|--------------------|----------------|
| <b>Sales</b>                                                 | <b>1,238,0</b>      | <b>1,363,6</b>      | <b>-9</b>      | <b>450,4</b>       | <b>533,0</b>       | <b>-15</b>     |
| Cost of Sales                                                | -556,2              | -615,4              | 10             | -196,2             | -240,2             | 18             |
| Variable selling expenses                                    | -27,3               | -30,4               | 10             | -10,7              | -11,6              | 8              |
| <b>Contribution Margin</b>                                   | <b>654,5</b>        | <b>717,8</b>        | <b>-9</b>      | <b>243,5</b>       | <b>281,2</b>       | <b>-13</b>     |
| in % of Sales                                                | 52,9                | 52,6                |                | 54,1               | 52,7               |                |
| Selling and Marketing expenses                               | -360,4              | -382,0              | 6              | -117,9             | -129,8             | 9              |
| General, administration and other operating expenses/ income | -144,3              | -135,2              | -7             | -52,2              | -43,5              | -20            |
| <b>Operating Income (EBIT)</b>                               | <b>149,8</b>        | <b>200,6</b>        | <b>-25</b>     | <b>73,4</b>        | <b>107,9</b>       | <b>-32</b>     |
| in % of Sales                                                | 12,1                | 14,7                |                | 16,3               | 20,2               |                |
| Net interest expense                                         | -17,1               | -18,6               | 8              | -5,1               | -11,5              | 56             |
| Other financial charges                                      | -1,3                | -9,6                | 86             | -0,1               | -3,8               | >100           |
| <b>Net financial result<sup>1</sup></b>                      | <b>-18,4</b>        | <b>-28,2</b>        | <b>35</b>      | <b>-5,2</b>        | <b>-15,3</b>       | <b>66</b>      |
| <b>Earnings before taxes</b>                                 | <b>131,4</b>        | <b>172,4</b>        | <b>-24</b>     | <b>68,2</b>        | <b>92,6</b>        | <b>-26</b>     |
| Income taxes                                                 | -32,2               | -44,8               | 28             | -16,7              | -24,1              | 31             |
| <b>Net income</b>                                            | <b>99,2</b>         | <b>127,6</b>        | <b>-22</b>     | <b>51,5</b>        | <b>68,5</b>        | <b>-25</b>     |
| <b>Attributable to:</b>                                      |                     |                     |                |                    |                    |                |
| Equity holders of the parent                                 | 99,2                | 127,6               | -22            | 51,5               | 68,5               | -25            |
| Minority interests                                           | 0,0                 | 0,0                 |                | 0,0                | 0,0                |                |
| <b>Net income</b>                                            | <b>99,2</b>         | <b>127,6</b>        | <b>-22</b>     | <b>51,5</b>        | <b>68,5</b>        | <b>-25</b>     |
| <b>Earnings per share (EUR)<sup>2</sup></b>                  |                     |                     |                |                    |                    |                |
| common stock                                                 | 1,43                | 1,85                | -23            | 0,74               | 0,99               | -25            |
| preferred stock                                              | 1,44                | 1,86                | -23            | 0,74               | 0,99               | -25            |

<sup>1</sup> Previous year value was adjusted. See also detailed explanations concerning Interim Financial Group Statement.

<sup>2</sup> Stock option program: This is limited to stock appreciation rights (SAR) which do not cause any dilution of EPS.

## Balance sheet as of September, 30<sup>th</sup> 2009

In 2009, EUR 100 mill. of the revolving credit line of the syndicated loan could be repaid



## Cash flow development

| in EUR million                      | September 30,<br>2009 | September 30,<br>2008 |
|-------------------------------------|-----------------------|-----------------------|
| Cash flow from operating activities | 229.4                 | 66.9                  |
| Cash flow from investing activities | (7.2)                 | (74.8)                |
| Cash flow from financing activities | (195.2)               | 1.0                   |
| Change in cash and cash equivalents | 27.4                  | (7.1)                 |

Cash flow from operating activities significantly above previous year figure due to positive effects from lower net working capital level

Cash flow from investing activities below prior year figure due to reduced investments and increased proceeds from asset sales

Cash flow from financing activities mainly influenced by dividend payment and partial repayment of the revolving credit line of the syndicated loan

## Outlook

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Top line development for 2009 is expected to be in line with the results of the first nine months on a year-on-year comparison

Operating profit margin (EBITDA before special items in relation to sales) is expected to be at the previous year's level on a year-on-year comparison

Continued focus on net working capital optimization (dedicated initiatives in trade receivables and payables as well as inventory management)

Performance initiatives estimated to deliver positive results on cost structure to protect cash flow and profit margin in 2009 and 2010



## Contact

### Investor Relations

**Phone:** 0049 (0) 7123 94 - 1326

**E-Mail:** [Investor-Relations@hugoboss.com](mailto:Investor-Relations@hugoboss.com)

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

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