

**H U G O   B O S S**

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## **Annual Press Conference**

Metzingen – March 26<sup>th</sup>, 2009

## Today's Agenda

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**Strategic direction**

**Main areas of change**

**Financial Performance 2008**

**Future Developments**

## Today's Agenda

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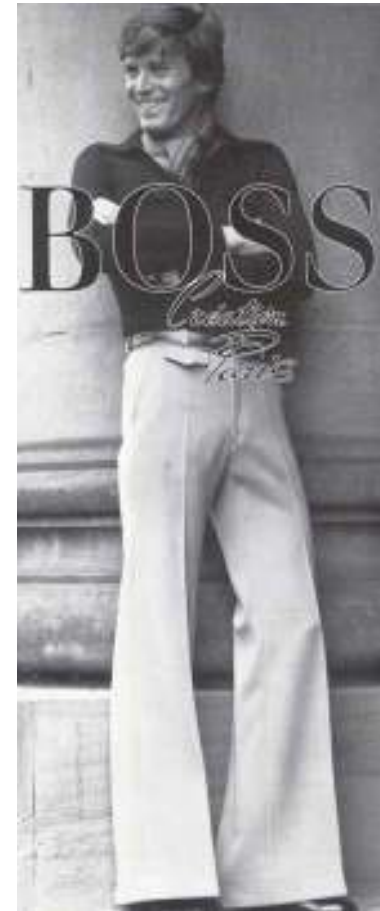
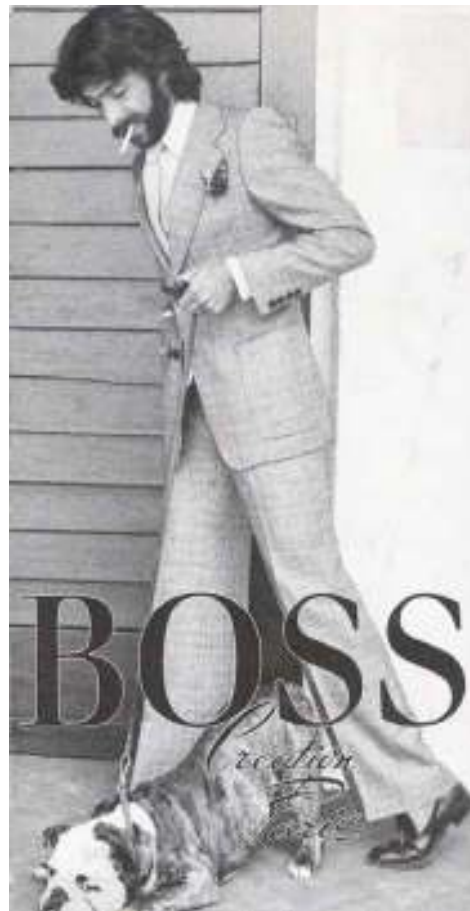
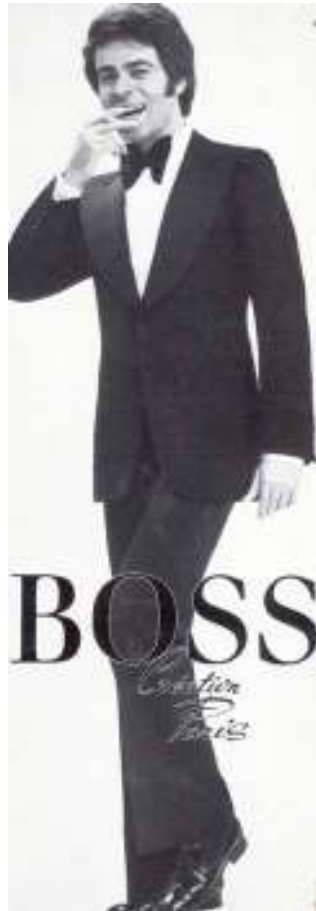
**Strategic direction**

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**Our heritage is based upon men's wear, business wear, and suits**



Since decades HUGO BOSS has created a portfolio of strong brands oscillating between elegant, casual, and avant-garde



***High brand awareness***

~ 90 - 100% among target consumers

***High share of buyers*** within target group

~ 40 - 60% at BOSS Black/Selection/HUGO

~ 15 - 30% at BOSS Orange/Green





## HUGO BOSS brands and products are highly regarded by consumers and trade partners

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"HUGO BOSS is *elegant, chic, and modern*"

Consumer

"HUGO BOSS has still the *best value for money* in suits in the premium market"

Consumer

"HUGO BOSS is one of the *best brands in customer communication* and organizing *great events*"

US Wholesaler

"HUGO BOSS has embraced the signs in making tailored clothing comfortable and flattering"

Senior executive, Saks Fifth Avenue

"HUGO BOSS already is *our largest brand in premium men's wear* – we look forward *to do even more business with you*"

Leading European Wholesaler

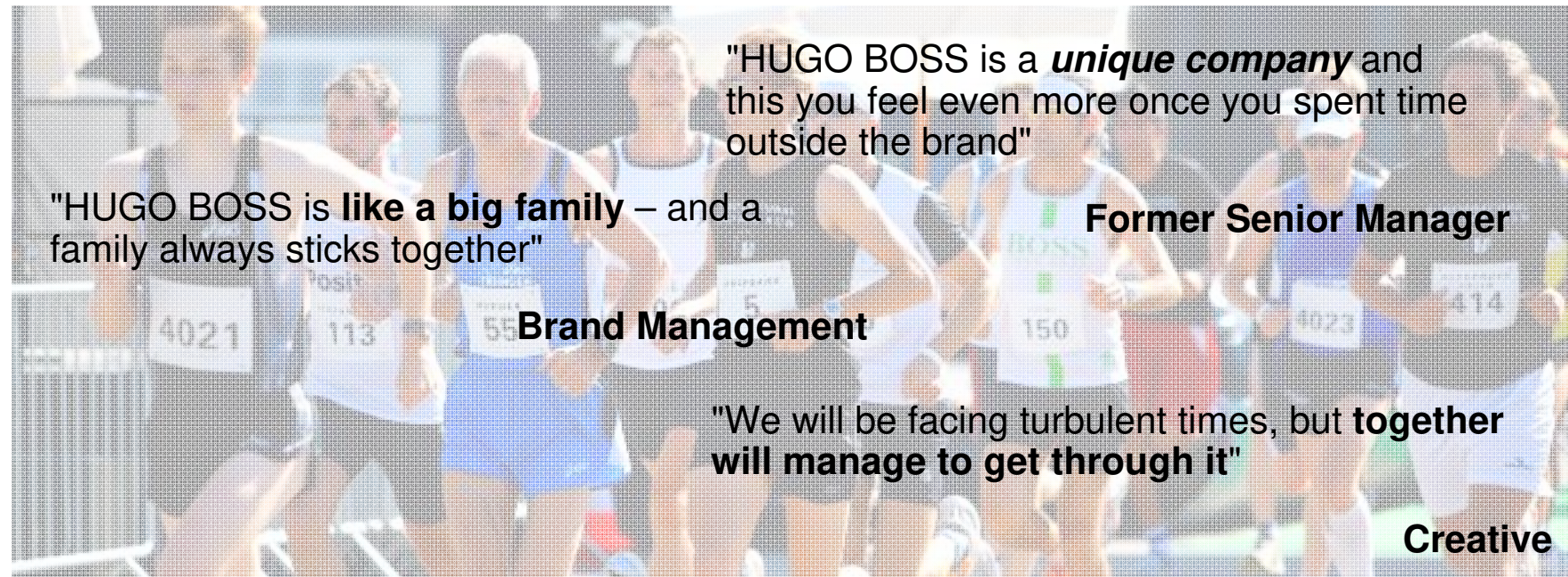
"HUGO BOSS offers *reliable quality*"

Consumer



## The HUGO BOSS culture is one of our strongest assets

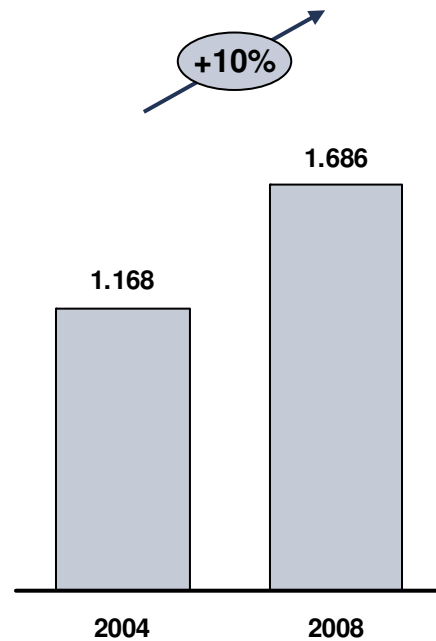
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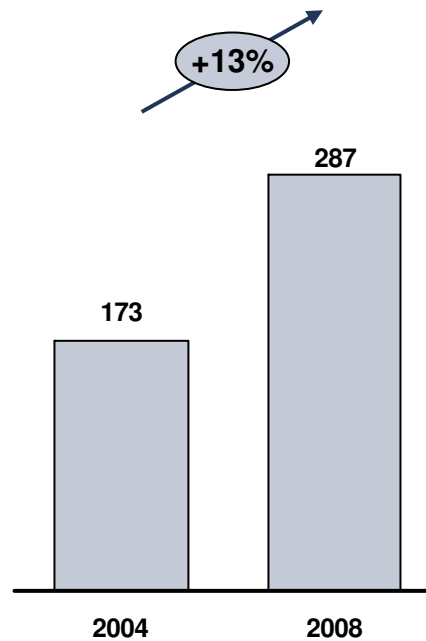


## Five-Year development with a solid financial performance of growth in EUR mill.

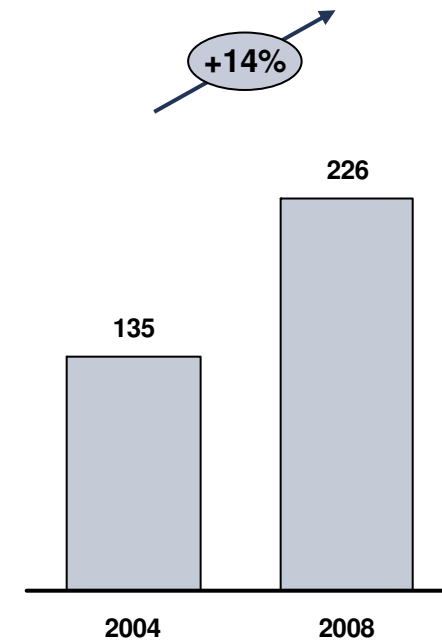
### Net Sales



### EBITDA before extraordinary items



### EBIT before extraordinary items





**BOSS**  
HUGO BOSS

**HUGO**  
HUGO BOSS





## Strategic growth areas

- Further leverage our existing strengths to continue growth with BOSS Black in premium men's wear
- Expand the share of business done with ...

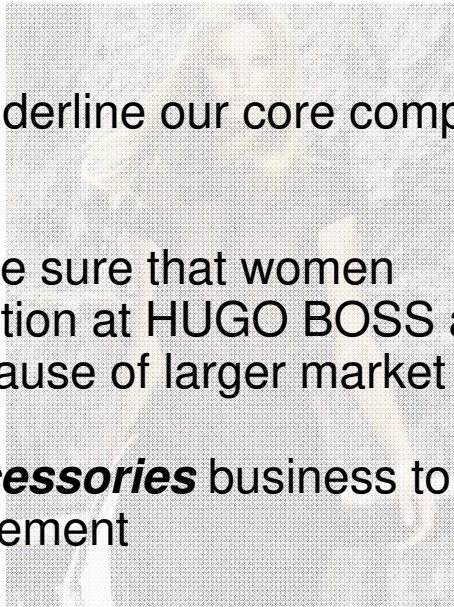
... **BOSS Selection** to underline our core competence in men's wear (full-canvas)

... **Women's wear** – make sure that women get the same attention at HUGO BOSS as men already enjoy, because of larger market than men's wear

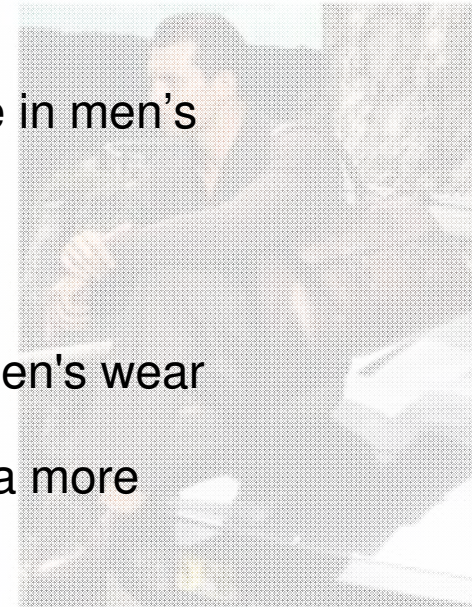
... **Shoes & Leather Accessories** business to make a more visible fashion statement



BOSS  
SELECTION



BOSS

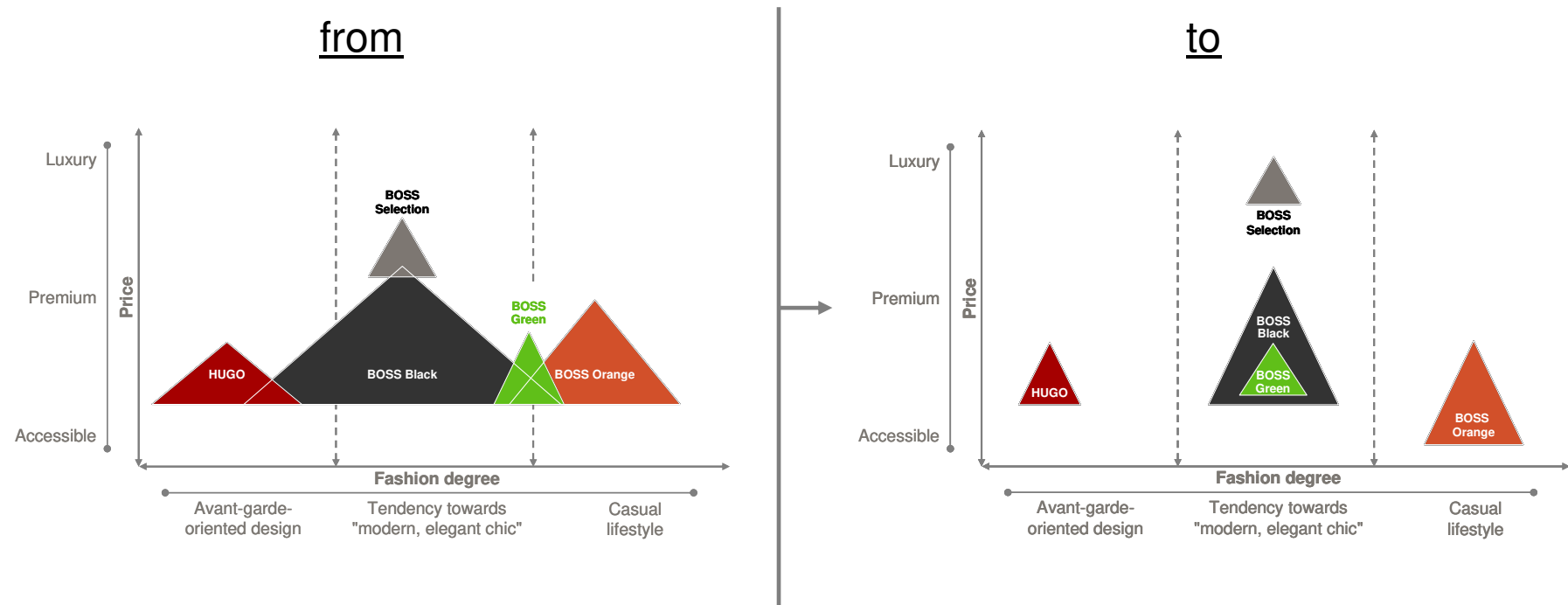


BOSS



## Brand repositioning to sharpen our image

In the past the HUGO BOSS brand architecture showed product overlaps and similar price positions. To avoid cannibalization, we now focus on the stand-alone positioning of each brand.



We are unlocking potential by developing dedicated retail channel strategies to ...



... gain **more control** over **brand** and product presentation

... unlock potential in major growth markets with **focused retail expansion** in the **right format**

... intensify **online shopping** in key markets to benefit from growth story

... **control factory outlet** business more closely

## Focusing on geographical expansion to drive our business outside Central Europe to ...



... be ***less dependent*** on mature markets in ***Central*** and ***Western Europe***, but even there is still market share to gain

... benefit from double-digit growth of ***emerging markets*** in Asia (without Japan) and Russia/Eastern Europe

... find the right access to large ***mature markets*** such as the US and Japan to capture the full potential of the premium market



## **Delivering sustainable and profitable growth by ...**



... monitoring and improving profitability of own retail

... managing trade partner profitability more stringently

... reducing net working capital to a healthy level

... decreasing complexity in operations, sourcing and manufacturing as well as supply chain



## **Performance initiatives launched in second half of 2008 anticipating weakening market conditions**

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- ↳ Strengthening cost cautiousness and tight monitoring of cost drivers
- ↳ Retail turnaround
- ↳ Sourcing & manufacturing
- ↳ Fine-tuning the regional pricing structure
- ↳ Net working capital optimization

## Key observations of 2008 show impacts on our global market operations

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- Toughest global economic development since decades
- Key markets are under pressure
- Increasingly challenging business environment
- Retailers adjusting strategies
- Consumer behavior is changing

## **Therefore organizational changes have been implemented in 2008**

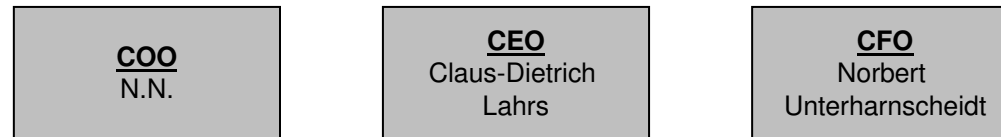
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- Redefining organizational structure of headquarters to speed up internal decisions and establish clear responsibilities
- Introducing regional responsibilities for Europe incl. Africa/Middle East, Americas, and Asia/Pacific to simplify and optimize reporting structures
- Implementing an extended management board with outstanding expertise in respected areas to monitor operations and strategic decisions more closely

## The redesign of the top management structure is nearly finished

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### Management Board



### Extended Board





## Communication BOSS Black – Vogue (Germany), October 2008

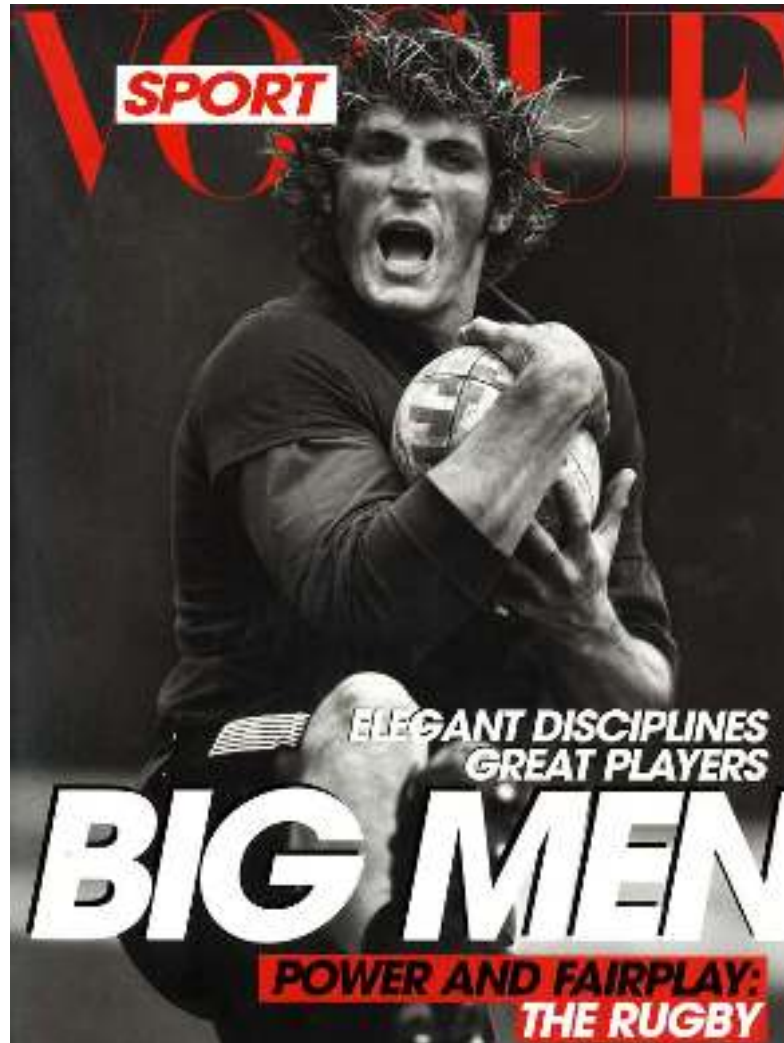


## Communication BOSS Selection – GQ (Taiwan), September 2008





## Communication BOSS Green – Vogue Sport (Italy), January 2008



## Sport Sponsoring – Formula 1





## Sport Sponsoring – Sailing



## Sport Sponsoring – Golf



## Celebrity Dressing BOSS Black – Julianne Moore (HUGO BOSS Prize), Tom Cruise (Valkyrie Premiere New York), Princess Mary (in Thailand)



Annual Press Conference

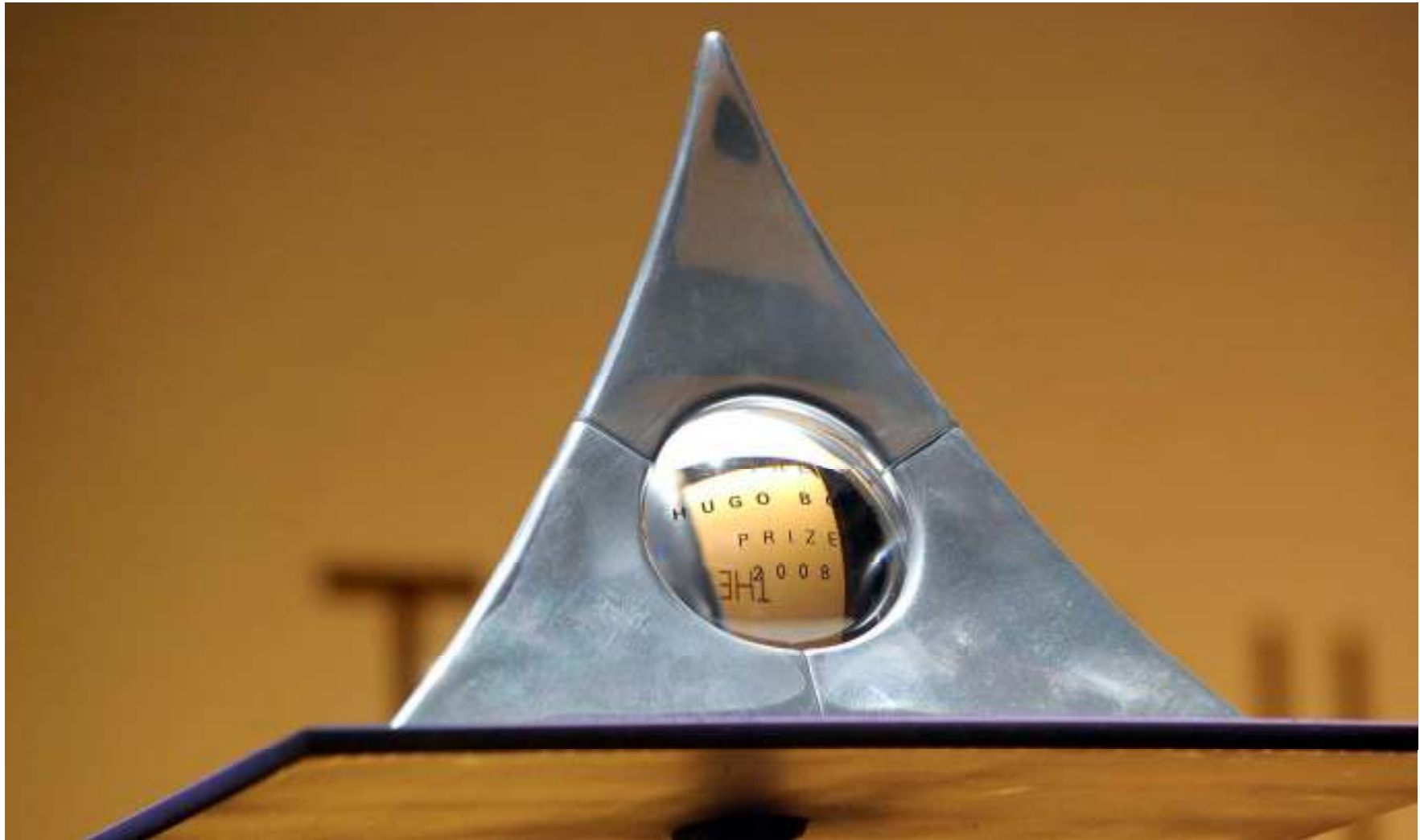


HUGO BOSS ©



March 26th, 2009

## Art Sponsoring – HUGO BOSS Prize 2008



## BOSS Selection collection portfolio supplemented by the TAILORED LINE



- Full-canvas interpretations using contemporary design
- Superlative quality and craftsmanship
- Produced in Germany and Italy



## Successful brand extensions into lifestyle accessories continued



**HUGO BOSS Samsung SGH-F480**

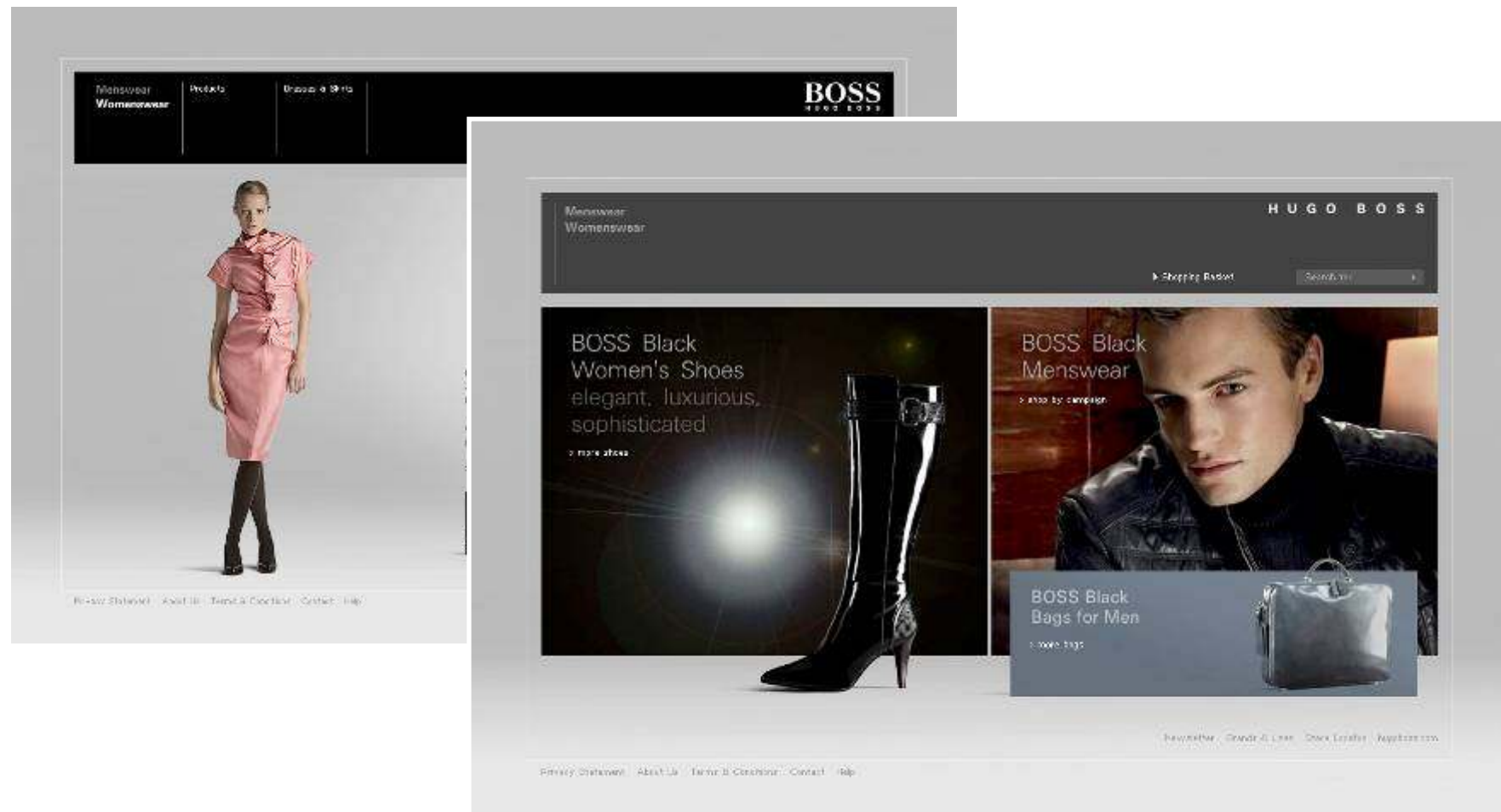


**BOSS Selection HB-212  
Limited Edition**



**BOSS**  
HUGO BOSS  
KIDWEAR

## Go-live of HUGO BOSS online store in September 2008 in the UK





## Today's Agenda

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## 2008 was the best year in history of HUGO BOSS, nevertheless Net Profit was influenced by restructuring activities

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in EUR mill.

↳ Net Sales	1,686	+ 6% (fx-adj.) + 3%
↳ Gross Profit	1,011	+ 7%
↳ Gross Profit Margin	60%	+ 2 ppt.
↳ EBITDA before extraordinary items	287	+ 4%
↳ EBIT before extraordinary items	226	+ 9%
↳ Net Profit	112	- 27%
↳ Cash Flow from operating activities	165	+ 50%

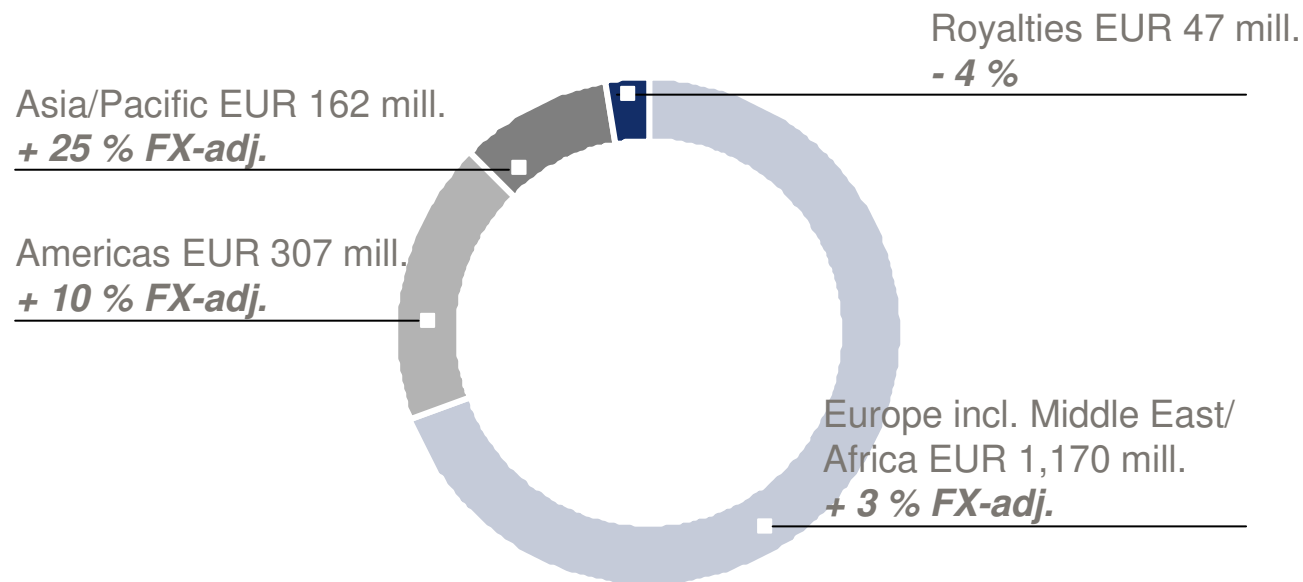
## 2008 showed again a good operating performance

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- Net Sales resulting from **Wholesale** operations **+ 4% fx-adjusted**
- Net Sales resulting from **Retail** operations **+ 12% fx-adjusted**
- **High improvement of marginal contribution**, due to cost-optimized sourcing, higher share of DOS, and country-specific pricing effects
- Results before extraordinary items show **profitable growth**
- Decreased net profit resulting mainly from higher net financial debt after payment of special dividend and **restructuring expenses**
- **Positive cash flow development** despite of increased interest expenses

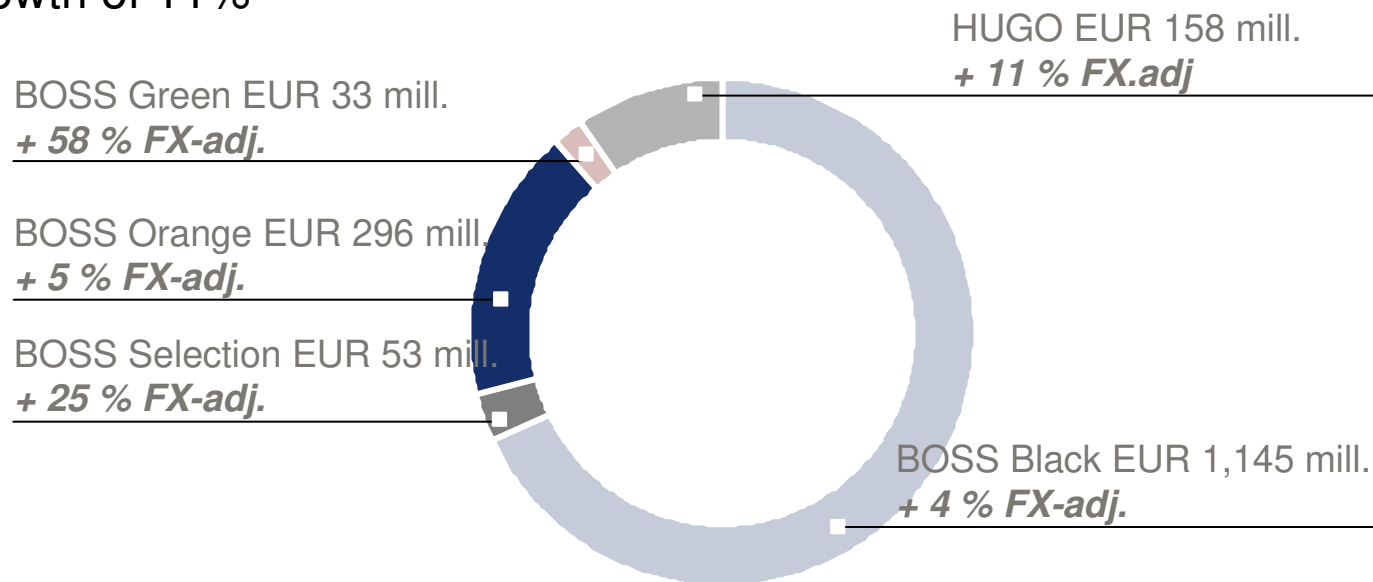
## HUGO BOSS increased sales in all regions

- Sales development with a positive track record in all regions
- Increase of Net Sales share in Asia/Pacific due to intensified directly operated stores operations (new stores and franchise take-overs)
- Strategic realignment is based on a regional structure streamlining the entire organization



## Positive sales trend of all brands continued

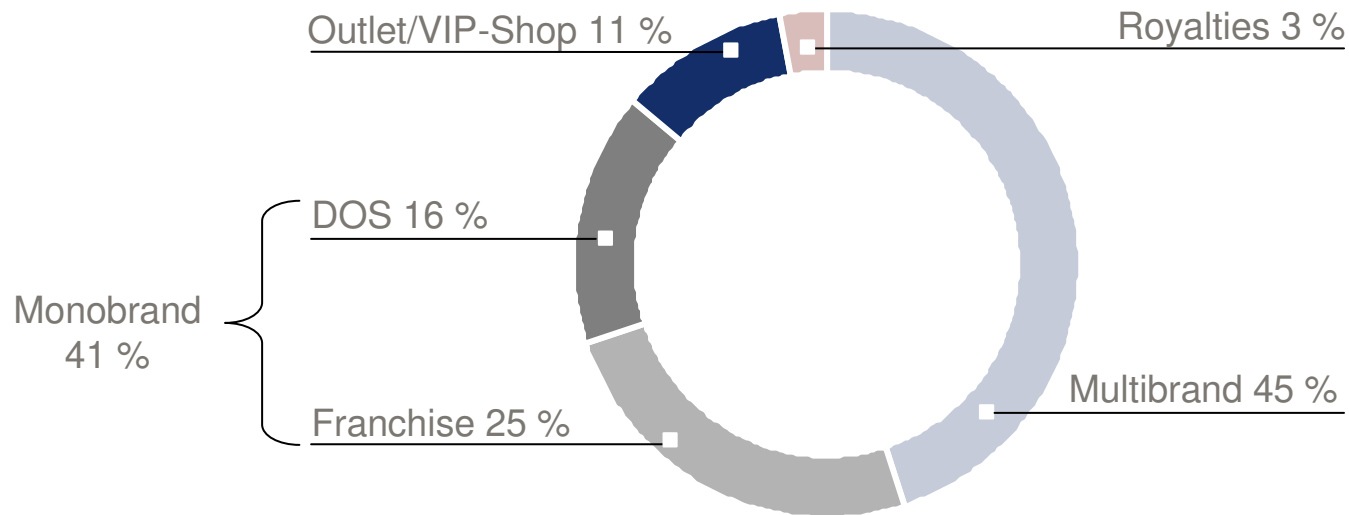
- Sales of **BOSS Black** (representing ~ 68% of total sales) rose by 4% fx-adjusted
- BOSS Selection and BOSS Green continued its dynamic performance
- **HUGO** (representing ~ 9% of total sales) reached a fx-adjusted sales growth of 11%





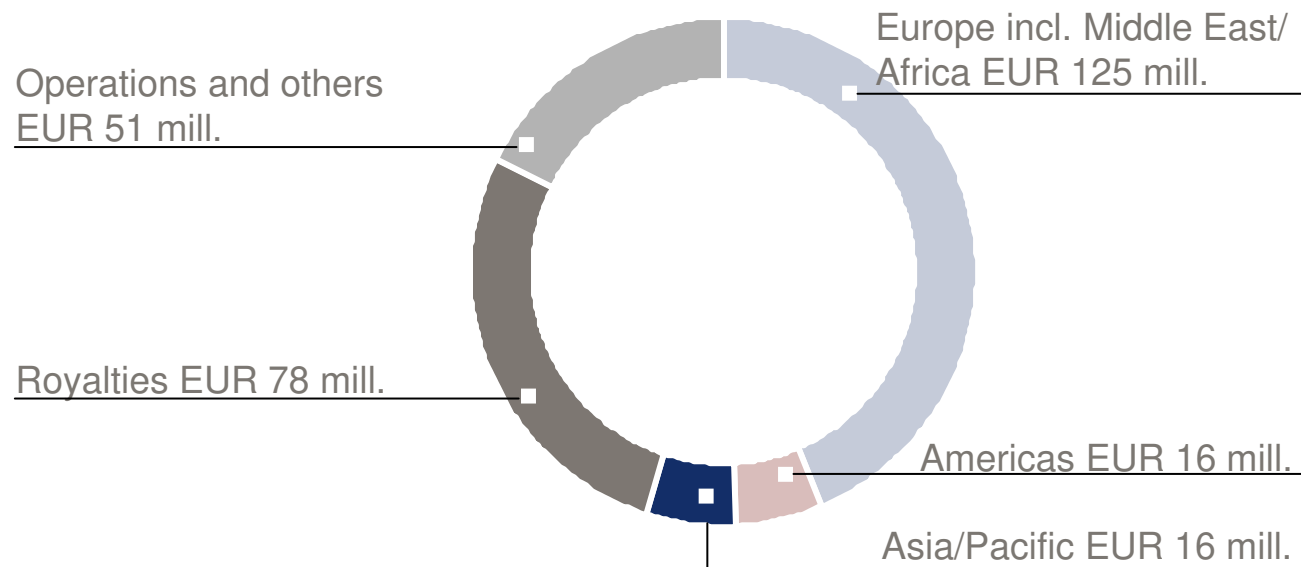
## Share of controlled space is constantly growing

- Growing monobrand distribution with ~ 1.400 freestanding stores and shop-in-shops including 330 directly operated stores at the end of 2008
- Share of sales via own retail network rose to 16% of total sales



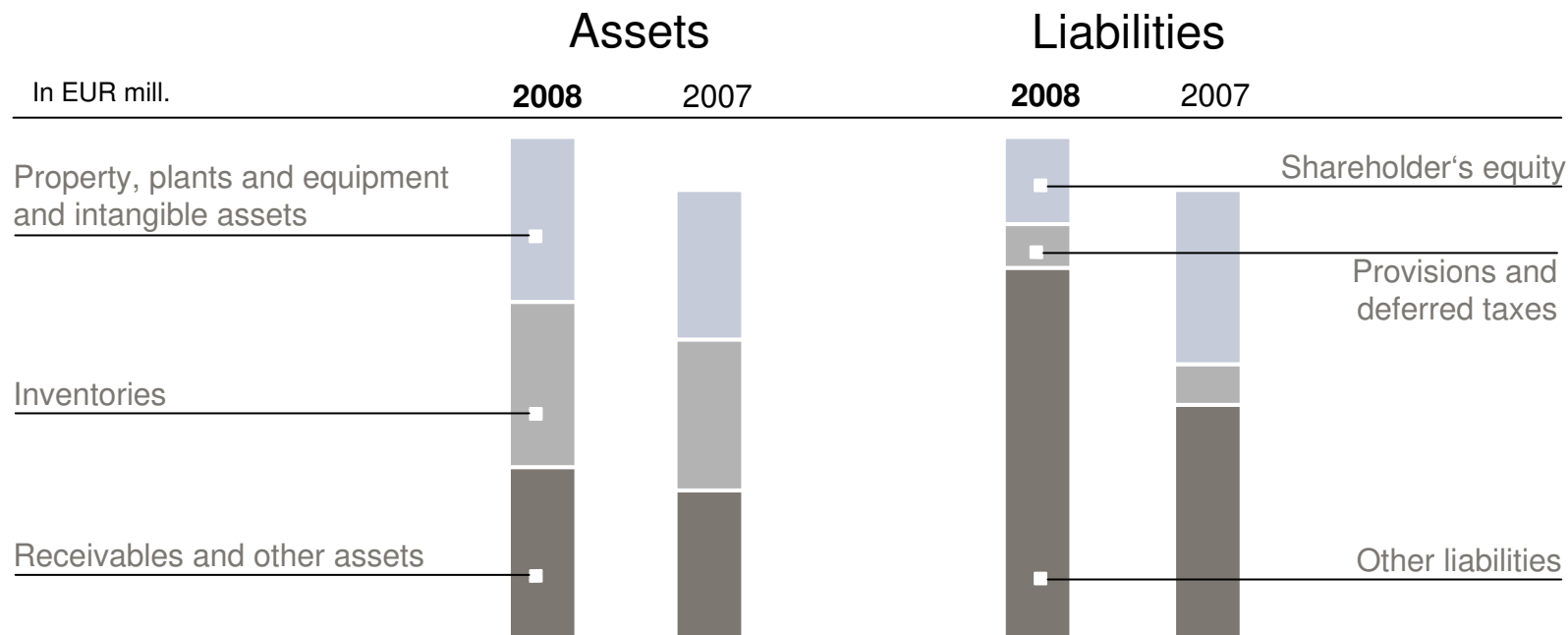
## Segment reporting established in line with regional responsibilities

- EBITDA before extraordinary items reached EUR 287 mill.
- Segment profit in Europe was influenced by write-offs on inventories and expenses from DOS expansion



## The balance sheet structure changed during previous year

- Total assets were up 12 % to EUR 1,162 million
- The equity ratio of total assets decreased to 17 % due to payment of the special dividends



## Positive Cash Flow development

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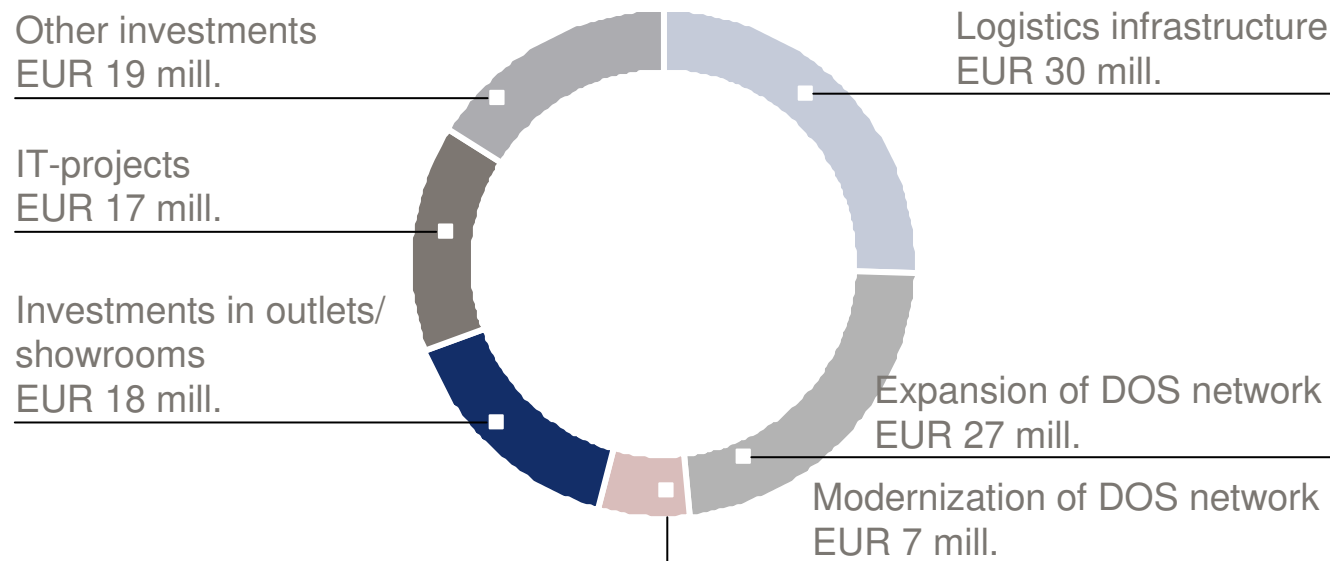
→ Operating cash flow was significantly above previous year and had off-set funding for investing and financing activities

in EUR mill.	2008	2007
<b>Cash flow from operating activities</b>	<b>165</b>	<b>110</b>
<b>Cash flow from investing activities</b>	<b>-117</b>	<b>-77</b>
<b>Cash flow from financing activities</b>	<b>-47</b>	<b>-47</b>
Change in cash and cash equivalents	0	-15



## High investment volume to strengthen existing and future market leadership

- Distribution centre for hanging goods for leveraging process efficiency and consolidating logistics locations
- Continuing investment in strengthening the own retail network



Total Investments 2008: EUR 118 mill.



## Outlook for 2009 still influenced by global economic downturn

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- **Net Sales** expected to decrease on a year-on-year comparison due to global market conditions, but targeting to **outperform competitors**
- Several **cost initiatives** already launched in 2008 delivering a positive impact on the cost structure to protect cash flow and profit margin in 2009
- Ensuring **Net Working Capital optimization** by focused initiatives in trade receivables and payables as well as inventory management
- Therefore, even in case of declining sales, **EBITDA** should increase in a percentage of sales
- Investments will continue to be on expanding the **DOS network** and **optimizing group processes**

## We are preparing for 2010 to unlock the full potential of our brands

1

Intensifying retail channel activities

- **Increasing share** of sales within dynamic regions of **Asia/Pacific**, **Eastern Europe** and **North America**
- **Expanding** of **DOS network** with strong focus on **Asia/Pacific region**

2

Strengthening brand portfolio

- **BOSS Orange relaunch** on track for main collection S/S 2010

3

Driving process and operational efficiency

- Establishing and maintaining **cost efficiency**
- Reducing **net working capital** and overheads
- **Leveraging** value chain **complexity**
- Fine-tuning **product complexity**





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