HUGO BOSS Annual Shareholders' Meeting 2012
May 3, 2012 / Stuttgart
Speech on the presentation by Claus-Dietrich Lahrs (CEO)

-- The spoken word shall prevail. --

Ladies and Gentlemen,
On behalf of the Managing Board, I would like to wish you all a warm welcome to this year's Annual Shareholders' Meeting of HUGO BOSS AG.

Allow me to discuss the highlights of 2011 right at the start.

The past fiscal year was once again the best year in the history of HUGO BOSS.

Considering the momentum that we already saw in 2010, the bar was set very high, but we nonetheless succeeded in beating 2010's record figures for sales and profits.

All brands are extremely well positioned. This is reflected in the broad-based growth of our entire portfolio. What all of our brands have in common is that they enjoy a very high level of confidence and credibility among our customers and the consumers also prize the values embodied in HUGO BOSS products. Premium quality, modern cuts and a feeling of luxury mean that end consumers keep choosing our products.

The worldwide popularity of our brands was reflected in double-digit sales increases in all regions. Furthermore, we posted increases in all distribution channels, with the highest growth rates recorded in our own retail business. In line with our ambitious growth plans for this distribution channel, in 2011 we implemented further key measures as part of our D.R.I.V.E. project.

Let's take a closer look at last year's Group results.

In 2011 we again posted double-digit growth rates for sales and profits as compared to the previous year and achieved new record highs.

This has further strengthened our confidence in the Group's performance in the medium term. Accordingly, in November we raised our expectations for growth. We now expect to generate sales of EUR 3 billion and EBITDA of EUR 750 million in 2015.

This economic success and our growth plans are also reflected in the development of our workforce. In December 2011, the number of employees in the Group rose by 11%. Owing to the significant expansion of our own retail business, there was a particularly high increase of 29% in this area.

Our brands form the basis for achieving our medium-term goals. For this reason, in 2011 we worked intensively to achieve an even clearer differentiation between the brands and create distinctly defined brand worlds.

At this point I would like to take a closer look at some of the initiatives responsible for our success in 2011.

The development of BOSS Selection was without a doubt one of our highlights. Our decision to strengthen the identity of BOSS Selection as a luxury brand and differentiate it more clearly from our core BOSS Black range was exactly right. As well as contributing to the increase in sales, BOSS Selection also played an important role in strengthening the luxury image of HUGO BOSS, particularly in key growth markets such as China, where sales of the brand tripled in 2011.

We also extended BOSS Selection to include a Made to Measure offering. As an absolute high-end service, Made to Measure places the focus firmly on the desire for individual style and puts this into practice in the fullest way possible – with bespoke suits made in Germany. Coordinated shirts, ties and pocket handkerchiefs in a wide variety of fabrics round off the collection. Classic tailoring and cutting-edge production technology are combined in our Made to Measure offering to create a masterpiece of the highest quality and with a perfect fit.

With our core brand BOSS Black, we also further strengthened our position in the menswear segment and expanded our leading position not only in Germany but also in many other markets.

The promise that a BOSS Black brand suit represents an appropriate item of clothing in any situation is highly important, but there are also other reasons why the brand has been accepted so positively by customers. With modern, individual sportswear fulfilling the highest standards of quality, design and workmanship, BOSS Black sets itself apart from the competition. In 2011 the sportswear segment of BOSS Black generated sales increases of almost 30%. This means that we now generate 40% of Black sales from sportswear. I expect that this proportion will increase further in the future.

The success of our sportswear range is closely connected to our sponsorship activities. The premium sports of sailing, golf and Formula 1 are ideally suited to convey our brand values. Not least thanks to our collaboration with top athletes and teams, HUGO BOSS has a modern and distinctive brand image that stands for dynamism, perfection and precision.

One highlight in this respect was the 30th anniversary of our partnership with the McLaren Formula 1 team. As part of an online competition on hugoboss.com, fans worldwide had the opportunity to create a racing suit design for the two drivers. A total of over 9,000 designs from 37 countries were received. The specially created website attracted more than 600,000 visitors. In the end, the winning designs were worn by Lewis Hamilton and Jenson Button in the final race of the season, the Brazilian Grand Prix.

2011 was an excellent year for the HUGO brand. As was also the case at the HUGO Fashion Show last June, the fashion press was extremely impressed by HUGO's premiere of its fall/winter 2012 collection at the Mercedes-Benz Fashion Week in January.

BOSS Green stands for premium sportswear for high demands. The key theme of the collection is "golf meets lifestyle". In 2011 BOSS Green generated a 50% rise in sales, underscoring the high credibility that the brand has achieved in this market segment.

At the beginning of 2011, golfer Martin Kaymer, currently number eight in the world ranking, became the new face of the Green brand. He wears our products at tournaments as well as off the golf course. In spring 2012 the Martin Kaymer Signature Collection was launched under BOSS Green. It bears the handwriting and experience of this great and young golfing star.

BOSS Orange has further expanded its position in the highly competitive premium lifestyle market. With colorful collections for individualists, the brand stands for the light-hearted side of HUGO BOSS and appeals in particular to fashion-conscious consumers with a strong interest in easy-going casualwear.

There is nowhere we can better present these brands than in our own stores. In line with our growth strategy, we therefore further expanded our store network last year. Prime examples include the new stores opened in Shenyang and Huizhou Huamao in November 2011. Shenyang is a major industrial center in North-Eastern China with some eight million inhabitants. Here we offer the BOSS Selection and BOSS Black brands in an extremely luxurious atmosphere.

In London we opened a new store in the Westfield Shopping Mall. The shopping center, which looks out over the new Olympic Village, is ideally located and will therefore benefit from the millions of visitors who are expected this summer.

In Geneva we combined our previously separate stores for womenswear and menswear in a new store. With almost 500 square meters of floor space on two stories, it is one of our flagship stores on the Swiss market.

Worldwide, the number of our own retail stores increased by 85 to reach a total of 622 directly operated stores as of the end of 2011.

The focus of expansion was Europe, where new stores were opened across the whole continent. Even excluding the 15 stores we acquired from Moss Bros, the UK was still the market with the highest number of new stores. In Eastern Europe we began to expand our own retail presence in Poland, partly through the acquisition of a smaller franchise partner.

By the end of the year 2011 we had 99 directly operated stores in China. We opened 28 stores here in 2011, including eight branches that we acquired in September from ImagineX, our largest remaining franchise partner.

Ladies and Gentlemen, the excellent development of our own retail business means that we have achieved further progress towards our medium-term goal of generating 55% of Group sales through this distribution channel.

Besides just the sales and earnings contribution, there are several reasons for our decision to make retail our main distribution channel. There is nowhere else we can gain better insights into our customers' buying behavior than in our own stores. With the D.R.I.V.E. project, we introduced the operational changes that are needed to orient our organization more strongly towards the end customers.

Ladies and Gentlemen, let me now describe the past fiscal year in a little more detail and present the figures that demonstrate HUGO BOSS's success.

The appeal of our brands is reflected in the broad-based growth in all regions.

In Europe we performed considerably better than the general retail environment. Particularly noteworthy is the positive development in the UK, the market that displayed the highest growth within Europe. Not least due to the acquisition of our former franchise partner Moss Bros, we increased sales in the UK by 41%. Further double-digit growth rates in important core markets were achieved through the expansion of our own retail business and market share gains in wholesale.

In the Americas region, our performance exceeded all expectations quarter after quarter. Demand for our products remained unaffected by economic uncertainties. This attests to our significantly improved understanding of American retail and the acceptance of our brands, particularly in the area of premium menswear.

The Asia-Pacific region contributed the strongest growth impetus with a rise of 34%. Particularly on the important Chinese market, we positioned our brands more strongly in the luxury segment. We are confident that we will be able to successfully take advantage of further growth opportunities in the future, too. In the past year we therefore expanded our presence with directly operated stores, placing the focus on cities that have a fast-growing and increasingly wealthy young customer base with a strong interest in premium and luxury goods.

It is of little surprise that the directly operated stores were once again the driving force among our sales channels. With a growth rate of 34% they even exceed the highly dynamic growth of the previous year.

In wholesale, we posted growth of 9% again in fiscal 2011 after sales in this channel had decreased slightly in the year before. Due to the fact that demand from our retail partners has recovered very fast and substantially, we remain confident that in 2012 we will be able to grow further in this distribution channel, too.

Finally, royalties increased by 9% in the year as a whole, as a result of strong growth in eyewear and watches and highly successful product launches in our perfumes business.

In addition to sales, 2011 was also characterized by substantial increases in profitability. The adjusted EBITDA margin rose to 22.8%, its highest level in the Group's history.

This was due to both increases in the gross margin and an operational leverage effect.

The gross margin increased primarily due to our own retail business. Alongside the structural effect in connection with the higher share of retail business in our general sales mix, we also further improved the share of sales at full price in our own stores. Whereas this clearly attests to the increasing optimization of our own retail business, it will become increasingly difficult to generate further improvements in this key ratio in the future.

Efficiency improvements in purchasing and production and some selected price increases in the second half of the year, particularly in Asia, contributed to completely mitigating the rise in raw material and labor costs, which led to largely neutral effects on the development of the gross margin.

The operational leverage effect was chiefly due to strict cost discipline in general expenses and administration costs, whereas in comparison to the previous year we invested roughly EUR 100 million more in sales and marketing. These two areas will also see increases in the future, because we are investing in the long-term growth of our business.

In 2011 capital expenditure almost doubled to EUR 108 million. As in the previous years, our own retail business was by far the most important area here, accounting for over 60% of total capital expenditure. We also expanded the Group's IT, production and logistics infrastructure.

However, thanks to the significant improvement in earnings that I have already described, we were able to reduce debt further, emphasizing our business model geared towards generating high cash flows. At the end of the year, net financial liabilities amounted to EUR 149 million.

HUGO BOSS is without a doubt in an extremely comfortable financial situation. This means that we can not only invest in the future growth of our business, but can also pay out between 60% and 80% of the consolidated net profit.

As a result of the considerably improved earnings in the past fiscal year and the positive expectations for 2012, today we are proposing a significant increase in the dividend. At EUR 2.89 per preferred share, this proposed dividend represents a year-on-year increase of 42% and a payout ratio of 70% of the consolidated net profit attributable to the shareholders of the parent company.

The success of the past fiscal year is reflected in the performance of the HUGO BOSS AG share. In comparison to the declines recorded by the leading benchmark indices in Germany and the relevant sector indices, our company's ordinary and preferred shares performed considerably better with rises of 12% and 1% respectively in 2011. This positive share price development continued impressively in the first few months of 2012, with increases of almost 50% since the beginning of the year.

Let me now discuss two further points that we will propose to you today. Besides, I would also like to give you the report according to Sec. 289 (4) (sentence one to five) and (5) and Sec. 315 (5) according to the German Commercial Code. At present, the capital of HUGO BOSS AG is subdivided into ordinary shares and preferred shares. The preferred shares have no voting rights. This division, which we had since the IPO of HUGO BOSS AG, will now be changed and we intend to convert preferred shares into ordinary shares. We are convinced that this will further increase the attractiveness of our shares. Not only will it make our share structure much simpler and therefore more transparent, but liquidity will also benefit from trading being geared towards a single share class. After conversion we expect the preferred shares to be replaced by ordinary shares in the MDAX. We expect that this will support our index weighting due to the higher free float market capitalization in comparison to today. Finally, all shares carry voting rights in line with the international corporate governance standards, which represents an important prerequisite for investment in particular for international investors who are not familiar with the two-class share system.

We intend to carry out the planned conversion as quickly as possible. You will be informed by your custodian banks as soon as a date has been set. Since the conversion will take place automatically provided it is approved by the Annual Shareholders' Meeting, as shareholders you then no longer need to participate actively in the process.

A second proposal relates to exchanging bearer shares for registered shares.

Registered shares will enable us to communicate faster and more directly with you, our shareholders. Based on the register of shares, we will know our shareholders much better than we do today. As a result, we will be able to offer them more efficient services by means of targeted Investor Relations activities. Finally, registered shares offer potential for considerable long-term cost savings in connection with the invitation process for the Annual Shareholders' Meetings, as an increasing number of shareholders will choose to receive the invitations by e-mail rather than by normal mail.

I am now coming to the final part of my speech and will give you an outlook for the current fiscal year.

Ladies and Gentlemen, 2012 looks to be a very exciting year for HUGO BOSS. We will continue to focus on the success factors of the past two years.

This means:

- We will strengthen our brands further, with a clear focus on developing the specific brand identities.
- We will expand our own retail business further.
- We will invest in developing the operational infrastructure to support our medium-term growth plans.
- We will also continue to take advantage of growth opportunities in all three regions: Asia, America and Europe.

Strengthening our brands means investing intensively in marketing and communication. Our brand campaigns form the basis for this. The oversize HUGO billboard on Potsdamer Platz in Berlin, which drew the attention of passers-by during the Berlin Fashion Show, is just one spectacular example of how we present our brands through outdoor advertising.

Let's take a closer look at the different campaigns…

Firstly, the new BOSS Selection campaign, in which the brand is presented in impressive style over the roofs of Los Angeles…

Now let's move on to BOSS Black. The tropical surroundings on the island of Saint Barthélémy in the Caribbean, where the shooting for the campaign took place, work very well in the presentation of the BOSS Black summer collection, both for clothing…

…and also for sportswear.

And on to HUGO, with its significantly younger campaign catering to the taste of fashion-oriented and trend-seeking consumers…

…BOSS Green, with Martin Kaymer as the face of the campaign for the spring/summer 2012 collection. As I mentioned earlier, he is advertising his signature collection "Martin Kaymer by BOSS Green"…

…and last but not least we come to BOSS Orange, where the strong influence of the Seventies that inspired the summer collection is also very dominant in the recently launched campaign for the brand.

In addition to print and outdoor advertising, fashion events continue to play an important role in our communication activities, as they offer an ideal platform for presenting our brands.

Our fashion show in Beijing will definitely represent the highlight in this respect. At the event, which is being held in the year of the 30th anniversary of our presence on the Chinese market, the modern womenswear and menswear collections of the core BOSS Black brand will be presented.

The media-related preparation and support for the event has been underway since April already as part of a marketing campaign that mainly but not only uses the new online channels.

However, it is not only for global communication of fashion events that online media have become an important channel.

For the HUGO Show at the beginning of the year, we already pursued new approaches for presenting the event to a broader global public. The whole show was broadcast on the HUGO blog at hugoboss.com with a live stream directly from Berlin, including backstage reports, interviews with famous personalities on site and other exclusive content.

For the show in Beijing we will go one step further and not only carry out the initiatives that we undertook in Berlin, but also allow fans of our brand to experience the live stream of the show in 3D for the first time. The preparatory report of the event in 3D is already an overwhelming success.

Another strategic focus in our brand universe is womenswear.

This business segment grew by 9% in 2011, with increases recorded in all areas of womenswear. BOSS Orange and HUGO performed particularly strongly, each posting double-digit growth rates. In this market segment, which accounts for slightly over 10% of Group sales, we now generate more than EUR 200 million – a very solid foundation for future growth.

We are optimistic that we can sharpen our brand image by introducing target-oriented organization in all functional areas – from product development, technical implementation and purchasing through production to sales. Our fall 2012 collection, which we have already presented to our customers, was the first collection developed entirely under the new organization in place since last summer.

In 2012 we plan to expand our retail business through organic growth with approximately 50 new stores, so as to allow us to take advantage of opportunities in major growth markets and improve the brand perception, particularly in important metropolises.

One prime example is our new store in Shanghai, our first flagship store. It conveys an important brand message on the Chinese market. The façade of the store, which is to be opened at the end of the year, is designed on the basis of our brand-new architecture concept, significantly strengthening its visual impact.

In addition to a well-stocked pipeline of new projects, renovation of existing stores will also become increasingly important in comparison to previous years. The stores on the Champs-Elysées in Paris and at Columbus Circle in New York are the two most important projects in this context.

The internet is an increasingly important part of our business. In 2011 online sales rose by almost 70% to EUR 33 million.

As you know, we have set ourselves ambitious growth targets for this distribution channel. We are therefore continuously striving to enhance its look and feel and its user friendliness. In particular, we wish to ensure that the online brand experience matches all other brand touchpoints exactly.

As part of the recent redesign of our online store, special monobrand sub-stores were established for all of the Group brands. Targeted use of visual merchandising concepts now allows for consistent marketing measures online, too. This not only increases brand recognition in all channels but also offers an online shopping experience that is consistent with our bricks-and-mortar stores.

In the first half of 2012 still, we will launch our mobile store and will also tap our seventh online market, Switzerland.

Another focus is improving our organization's operational backbone. In January we announced plans to improve the infrastructure for distributing flat-packed goods. Following the successful example of our distribution center for hanging goods, which began operating in 2009, we will construct a new, state-of-the-art distribution center for handling flat-packed goods near the venue of today's meeting at Stuttgart Airport, roughly 15 kilometers from Metzingen.

The new distribution center will support the future growth that we expect for our business and will play an important role in our strategy with regard to retail expansion. The total costs will amount to approximately EUR 100 million over a three-year period. Construction work is expected to begin later this year, depending on the approval process. The center is scheduled to begin operations in 2014.

Let's now take a closer look at the developments in the individual regions to get a clearer picture of the trends on the different markets.

In **Europe** our brand is still displaying strong momentum. We will continue to build on the strong acceptance that our brands enjoy with our wholesale partners in the future, too. We will strengthen these relationships further by offering good sales results, high reliability of supply and reliable replenishment.

In addition, we will make use of attractive opportunities for further retail expansion, either by opening new stores or through active management of sales space in cooperation with key customers.

In the **Americas** region, we expect the positive development in 2011 to continue, although growth will be somewhat more moderate due to the basis for comparison that we are building on.

The response from our key wholesale partners remains positive and we are receiving a great deal of support for our initiatives to further improve brand presentation through the introduction and expansion of shop-in-shops.

In **Asia** the long-term growth trends remain intact. There is no other region where our target group is growing as fast as here, particularly on the Chinese market. For this reason, I continue to see China as our biggest opportunity worldwide, despite the enormous growth that we have already recorded here over the past years.

Without a doubt, the environment has become tougher in recent months. Economic uncertainty has increased and consumers have become somewhat more restrained as far as demand for luxury and premium products is concerned. At the same time, an increasing number of brands are competing for top-quality retail space.

Nonetheless, I am convinced that we will achieve further growth in China and throughout the region. We may need to make greater efforts than in the past years. However, the fact that we are consistently among the top three fashion brands for menswear, as confirmed by a recent study, is the best possible proof of the strength of our brands. Whether it's our fashion show in Beijing or our new flagship store in Shanghai – image building will continue to form our strategic focus and the key to long-term growth.

The results for the first quarter that we published just last week show that we are on the right track and that we are right on target to achieve our medium-term goals.

The 10% currency-adjusted sales increase was achieved through growth in all regions and all distribution channels. Just like in the previous fiscal year, our own retail business made the largest contribution with an increase of 27%. The relatively low growth in business with our wholesale customers – a rise of 1% – reflects the introduction of four roughly equally sized collections per year rather than the previous two and the associated more even distribution of sales over the year.

As expected, the increase in operating profit of 13% was slightly higher than the sales increase.

In view of the strategic initiatives and the developments I have just described, we expect to increase sales by up to 10% on a currency-neutral basis in 2012. Growth is forecast in all regions and distribution channels. We will therefore significantly exceed the growth of the general economy and the sector.

Operating profitability, measured in terms of EBITDA before special items, will post slightly stronger growth than sales. This is due to the positive effects of the expansion of our own retail business and efficiency improvements with regard to our cost base, which will compensate for the higher retail and marketing expenses. The latter will rise from just under 6% in 2011 to between 6% and 7% in 2012.

Capital expenditure will exceed the previous year's level as a result of the infrastructure projects I mentioned earlier. However, as in the previous years the majority of capital expenditure will relate to retail business.

Ladies and Gentlemen, I hope I have been able to convey to you the key reasons for our optimism regarding the Group's future development.

I am firmly convinced that we have not even come close to exhausting the full potential that a brand like HUGO BOSS offers. We therefore have scope for further growth in 2012 and beyond. At this point, please also allow me to thank our employees once again on behalf of the entire Managing Board for their tireless commitment and their passion for the company HUGO BOSS. And of course our special thanks go to you, our shareholders, for your confidence and support in fulfilling our duties as the Managing Board of the HUGO BOSS Group.

Thank you for your attention.