

# HUGO BOSS

Press Release

HUGO BOSS annual results 2012

## **HUGO BOSS plans further profitable growth in 2013 following successful year in 2012**

- **All regions, distribution channels and brands contributed to the Company's growth in 2012**
- **Sales in own retail exceed wholesale sales for the first time**
- **Dividend proposal of EUR 3.12 corresponds to payout ratio of 70%**
- **Group anticipates high-single-digit currency-adjusted sales and earnings growth in 2013**
- **Medium-term goals confirmed**

**Metzingen, March 14, 2013.** In spite of the challenging economic environment, HUGO BOSS posted significant increases in sales and earnings in 2012 and thus achieved the targets it had set itself. For 2013, the management plans further profitable growth.

"Our success in the past year is based primarily on the appeal of our brands and our business model", comments Claus-Dietrich Lahrs, CEO of HUGO BOSS AG. "We also see major opportunities to continue to grow profitably and further enhance the perception of our brands in 2013, particularly by means of strong growth in the Group's own retail business."

### **Double-digit growth in sales and earnings in fourth quarter of 2012**

Sales rose by 18% in the fourth quarter of 2012 after adjustment for currency effects. In euro, the Group posted an increase of 22% to EUR 607 million (Q4 2011: EUR 499 million). Europe and the Americas in particular contributed to this development, with significant double-digit growth rates after adjustment for

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currency effects (Europe +24%, Americas +18%, Asia/Pacific +3%). In the wholesale business, currency-neutral growth of 19% was driven by positive effects from the new delivery cycle. Currency-adjusted sales generated by the Group's own retail activities (including outlets and online stores) also increased by 19%. On a like-for-like basis, the increase in the Group's own retail business amounted to 4% before currency effects. Higher discounts in own retail as a result of the highly competitive market environment, together with an increased share of outlet sales as compared to the previous year, led to a decline in the gross profit margin of 170 basis points to 64.5% in the fourth quarter (Q4 2011: 66.2%). Due to the substantial sales growth and strict management of operating expenses, however, EBITDA before special items climbed by 42% to EUR 138 million (Q4 2011: EUR 97 million). The adjusted EBITDA margin therefore increased by 330 basis points to 22.7% in the fourth quarter (Q4 2011: 19.4%). Despite the negative impact of currency effects on net financial result, the net income attributable to equity holders rose by 30% to EUR 70 million in the fourth quarter (Q4 2011: EUR 54 million).

## **EBITDA before special items up 13% in 2012**

The positive development of the Group in 2012 was driven by all regions, distribution channels and brands. Overall, sales rose by 14% to EUR 2,346 million (2011: EUR 2,059 million), equivalent to a currency-neutral growth rate of 10%. Boosted by substantial increases in the UK and the United States, Europe and the Americas posted double-digit growth of 10% and 14% respectively after adjustment for currency effects. At a currency-adjusted growth rate of 4%, sales in Asia grew comparatively moderate, which primarily reflected the difficult environment on the Chinese market. Sales generated in the wholesale business climbed by 2%, excluding currency effects. Own retail sales were up 19% on the previous year's figure. The Group's own retail business therefore posted higher sales than the wholesale business for the first time. On a comp store basis and after adjustment for currency effects, the increase in own retail amounted to 5%.

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The own retail network was expanded by 218 stores in net terms to a total of 840 in 2012 (2011: 622). The strong sales growth in this channel and continued efficiency improvements in the sourcing process led to an increase in the gross profit margin of 50 basis points to 61.9% (2011: 61.4%). EBITDA before special items rose by 13% to EUR 529 million (2011: EUR 469 million). As a result of higher operating expenses in distribution and marketing, the adjusted EBITDA margin decreased slightly by 20 basis points to 22.6% (2011: 22.8%). Net income attributable to equity holders amounted to EUR 307 million in fiscal 2012, 8% higher than the previous year's figure of EUR 285 million.

## **Earnings growth supports reduction of debt**

The growth in trade net working capital, which rose by 3% to EUR 418 million (2011: EUR 407 million), was considerably lower than the growth in sales. This was due in particular to a 6% decline in inventories. In addition to the continued expansion of the Group's own retail activities, the construction of an office building at the Metzingen location as well as the expansion of the Group's logistics capacity led to an increase in capital expenditure to EUR 166 million (2011: EUR 108 million). In spite of this, net debt declined by another EUR 19 million to EUR 130 million at the end of the year (2011: EUR 149 million).

## **Dividend of EUR 3.12 per share proposed**

The Managing Board and Supervisory Board of HUGO BOSS AG have resolved to again propose an increase in the dividend to the Annual Shareholders' Meeting. The dividend per ordinary share for fiscal 2012 is to increase by 8% to EUR 3.12 (2011: EUR 2.88). The proposal corresponds to a payout ratio of 70% of consolidated net profit attributable to the shareholders of the parent company in 2012 (2011: 70%).

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## **Management forecasts further increases in sales and earnings**

HUGO BOSS expects to generate a high single-digit currency-adjusted increase in sales in 2013. All regions are projected to contribute to this growth. The Group anticipates continued double-digit growth in its own retail business, while the wholesale channel is expected to record an approximately stable development. The Group plans to expand its store network with around 50 new stores excluding takeovers. Capital expenditure in 2013 will increase compared to the prior year on a comparable basis, excluding expenditures for the current construction of a new flat-packed goods distribution center, and will focus primarily on the planned expansion and renovation of the Group's own store network. EBITDA before special items is expected to rise at a high-single-digit rate. Based on the anticipated sales and earnings increases in 2013, the Group considers itself to be on track to achieve its medium-term goals.

## **Further information**

The 2012 Annual Report will be published on the Company's website at [www.group.hugoboss.com](http://www.group.hugoboss.com) at around 10:00 a.m.

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## Consolidated Income Statement

	Q4 2012	Q4 2011 <sup>1</sup>	Change in %
<b>in EUR million</b>			
<b>Net sales</b>	<b>607.4</b>	<b>499.3</b>	<b>22</b>
Cost of sales	(206.4)	(160.2)	(29)
Direct selling expenses	(9.4)	(8.4)	(12)
<b>Gross profit</b>	<b>391.6</b>	<b>330.6</b>	<b>18</b>
in % of sales	64.5	66.2	(1.7) pp
Selling and distribution expenses	(235.5)	(209.0)	(13)
Administration costs and other operating income and expenses	(54.4)	(48.9)	(11)
<b>Operating result (EBIT)</b>	<b>101.6</b>	<b>72.8</b>	<b>40</b>
in % of sales	16.7	14.6	2.1 pp
Net interest income/expense	(4.5)	(4.4)	(2)
Other financial items	(4.1)	3.3	<(100)
<b>Financial result</b>	<b>(8.6)</b>	<b>(1.1)</b>	<b>&lt;(100)</b>
<b>Earnings before taxes</b>	<b>93.1</b>	<b>71.7</b>	<b>30</b>
Income taxes	(22.2)	(16.8)	(32)
<b>Net income</b>	<b>70.9</b>	<b>54.9</b>	<b>29</b>
<b>Attributable to:</b>			
Equity holders of the parent company	69.7	53.5	30
Minority interests	1.2	1.4	
<b>Net income</b>	<b>70.9</b>	<b>54.9</b>	<b>29</b>
<b>Earnings per share (EUR)<sup>2</sup></b>			
Ordinary share	1.01	0.77	31
Preferred share <sup>3</sup>		0.78	

<sup>1</sup> Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made.

<sup>2</sup> Basic and diluted earnings per share.

<sup>3</sup> Preferred shares were converted into ordinary shares on June 15, 2012 after the close of stock market trading.

## EBITDA and Special Items

	Q4 2012	Q4 2011	Change in %
<b>in EUR million</b>			
<b>EBITDA before special items</b>	<b>137.6</b>	<b>97.1</b>	<b>42</b>
in % of sales	22.7	19.4	3.3 pp
Special items	(1.4)	(1.6)	13

## Sales by Region and Channel

	Q4 2012	Q4 2011	Change in %	Change in %
<b>in EUR million</b>				currency-adjusted
Europe	327.5	260.0	26	24
Americas	159.0	128.3	24	18
Asia/Pacific	102.5	94.1	9	3
Royalties	18.4	16.8	10	10
<b>Total</b>	<b>607.4</b>	<b>499.3</b>	<b>22</b>	<b>18</b>
Wholesale	228.6	189.2	21	19
Group's own retail business	360.4	293.3	23	19

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## Consolidated Income Statement

in EUR million	2012	2011 <sup>1</sup>	Change in %
<b>Net sales</b>	<b>2,345.9</b>	<b>2,058.8</b>	<b>14</b>
Cost of sales	(849.2)	(756.5)	(12)
Direct selling expenses	(43.5)	(37.5)	(16)
<b>Gross profit</b>	<b>1,453.2</b>	<b>1,264.8</b>	<b>15</b>
in % of sales	61.9	61.4	0.5 pp
Selling and distribution expenses	(808.8)	(682.1)	(19)
Administration costs and other operating income and expenses	(211.2)	(188.1)	(12)
<b>Operating result (EBIT)</b>	<b>433.2</b>	<b>394.6</b>	<b>10</b>
in % of sales	18.5	19.2	(0.7) pp
Net interest income/expense	(16.1)	(16.2)	1
Other financial items	(7.5)	4.5	<(100)
<b>Financial result</b>	<b>(23.6)</b>	<b>(11.7)</b>	<b>&lt;(100)</b>
<b>Earnings before taxes</b>	<b>409.6</b>	<b>382.9</b>	<b>7</b>
Income taxes	(98.1)	(91.5)	(7)
<b>Net income</b>	<b>311.5</b>	<b>291.4</b>	<b>7</b>
<b>Attributable to:</b>			
Equity holders of the parent company	307.4	284.9	8
Minority interests	4.1	6.5	(36)
<b>Net income</b>	<b>311.5</b>	<b>291.4</b>	<b>7</b>
<b>Earnings per share (EUR)<sup>2</sup></b>			
Ordinary share	4.45	4.12	8
Preferred share <sup>3</sup>		4.13	

<sup>1</sup> Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made.

<sup>2</sup> Basic and diluted earnings per share.

<sup>3</sup> Preferred shares were converted into ordinary shares on June 15, 2012 after the close of stock market trading.

## EBITDA and Special Items

in EUR million	2012	2011	Change in %
<b>EBITDA before special items</b>	<b>529.3</b>	<b>469.5</b>	<b>13</b>
in % of sales	22.6	22.8	(0.2) pp
Special items	(4.2)	(1.5)	<(100)

## Sales by Region and Channel

in EUR million	2012	2011	Change in %	Change in % currency-adjusted
Europe	1,378.0	1,245.4	11	10
Americas	558.7	454.8	23	14
Asia/Pacific	352.7	309.3	14	4
Royalties	56.5	49.3	15	15
<b>Total</b>	<b>2,345.9</b>	<b>2,058.8</b>	<b>14</b>	<b>10</b>
Wholesale	1,139.7	1,085.3	5	2
Group's own retail business	1,149.7	924.2	24	19

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## Consolidated Balance Sheet

<b>Assets</b> in EUR million	<b>December 31,</b> <b>2012</b>	<b>December 31,</b> <b>2011</b> <sup>1</sup>	<b>January 1,</b> <b>2011</b> <sup>1</sup>
Intangible assets	142.2	141.1	126.9
Property, plant and equipment	357.5	285.5	264.4
Deferred tax assets	67.0	56.1	36.3
Non-current financial assets	14.5	13.7	20.9
Non-current tax receivables	2.1	2.7	3.1
Other non-current assets	2.6	2.7	2.9
<b>Non-current assets</b>	<b>585.9</b>	<b>501.8</b>	<b>454.5</b>
Inventories	430.3	457.9	377.3
Trade receivables	214.9	174.6	133.4
Current tax receivables	10.9	8.2	8.8
Current financial assets	26.5	17.5	14.7
Other current assets	61.4	65.5	57.8
Cash and cash equivalents	254.6	200.4	294.9
Assets classified as held for sale	0.0	0.0	1.3
<b>Current assets</b>	<b>998.6</b>	<b>924.1</b>	<b>888.3</b>
<b>Total assets</b>	<b>1,584.5</b>	<b>1,425.9</b>	<b>1,342.8</b>

<b>Equity and Liabilities</b> in EUR million	<b>December 31,</b> <b>2012</b>	<b>December 31,</b> <b>2011</b> <sup>1</sup>	<b>January 1,</b> <b>2011</b> <sup>1</sup>
Subscribed capital	70.4	70.4	70.4
Own shares	(42.3)	(42.3)	(42.4)
Capital reserve	0.4	0.4	0.4
Retained earnings	286.2	206.9	158.2
Accumulated other comprehensive income	(8.7)	(20.9)	(31.7)
Profit attributable to equity holders of the parent company	307.3	284.9	188.9
<b>Equity attributable to equity holders of the parent company</b>	<b>613.3</b>	<b>499.4</b>	<b>343.8</b>
Minority interests	24.6	23.8	17.4
<b>Group equity</b>	<b>637.9</b>	<b>523.2</b>	<b>361.2</b>
Non-current provisions	55.2	40.9	39.0
Non-current financial liabilities	63.3	355.0	529.8
Deferred tax liabilities	19.6	20.8	10.2
Other non-current liabilities	14.0	15.6	27.1
<b>Non-current liabilities</b>	<b>152.1</b>	<b>432.3</b>	<b>606.1</b>
Current provisions	90.2	89.8	86.9
Current financial liabilities	332.2	33.5	3.1
Income tax payables	51.2	41.9	39.7
Trade payables	227.6	225.1	188.0
Other current liabilities	93.3	80.0	57.8
<b>Current liabilities</b>	<b>794.5</b>	<b>470.3</b>	<b>375.5</b>
<b>Total equity and liabilities</b>	<b>1,584.5</b>	<b>1,425.9</b>	<b>1,342.8</b>

<sup>1</sup> Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made.