HUGO BOSS Investor Day 2013
China Strategy

Mr. Gareth Incledon, Managing Director China
Hong Kong, November 26, 2013
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HUGO BOSS in China

Key market influences

Key strategies and initiatives

Summary
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Summary
HUGO BOSS in China
Overview (as of FY 2012)

- EMPLOYEES: >1,200
- CITIES: 40
- YEARS OF OPERATION: 20
- BRAND AWARENESS: >90%
- DOWNTOWN / FULL-PRICE: 147
- PREMIUM OUTLET: 11
- TRAVEL RETAIL: 13
- E-COMMERCE: 1

Launched February, 2013
HUGO BOSS in China
HUGO BOSS has established a strong organization and has taken extensive control of distribution

- Major franchise takeovers executed between 2010 and 2012
- Building a strong local organization
- Increased marketing focus

Greater China sales
(in EUR million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>61</td>
<td>117</td>
<td>183</td>
<td>211</td>
</tr>
</tbody>
</table>

Increase in direct operation of stores
(% total locations by business model)

- 2009: DOS 50%, JV 25%, WHS 25%, Outlet 0%
- 2012: DOS 40%, JV 15%, WHS 45%, Outlet 0%

Driving toward retail
Greater China wholesale / retail sales split

- 2009: 70% wholesale, 30% retail
- 2012: 12% wholesale, 88% retail
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Uncertainty of government policy continues to affect consumers in our target market

- Anti-corruption laws raise uncertainty about gift-giving and ongoing luxury sentiment
- Housing restrictions impact consumer sentiment and discretionary spending
- Luxury and consumer taxes increase barriers to business and local purchasing
- GDP slowdown, and surrounding political commentary, also weigh on consumer sentiment

Source: National Bureau of Statistics of China & HSBC forecasts
Key market influences
Wealthy travellers shift demand from domestic to global level

- Growth in Chinese consumption of global luxury
- Double digit growth in outbound travel from 2009 to 2013
- Demand from Chinese consumers has become an increasingly important driver of retail sales outside of China

![China Outbound Tourism Chart](chart)

**China outbound tourism**
(travellers in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2015e</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48</td>
<td>105</td>
<td>148</td>
</tr>
</tbody>
</table>


![Chinese Spending on Luxury Chart](chart)

**Chinese spending on luxury**
(proportion of domestic vs. overseas spend, FY2012)

- 46 $USD bil.
- Overseas: 27.1 bil. (60%)
- Local: 18.9 bil. (40%)

Source: Goldman Sachs research
Key market influences
Floor space proliferation brings opportunities and challenges

- Vast increases in floor space through new developments provide robust expansion opportunities
- Rapid proliferation leads to delinquency of older locations
- Rents remain high despite increase in supply

Annual mid- to high-end retail space addition
('000s sqm in Beijing, Chengdu, Shanghai & Tianjin)

<table>
<thead>
<tr>
<th>Year</th>
<th>Space (000s sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,189</td>
</tr>
<tr>
<td>2012</td>
<td>2,887</td>
</tr>
<tr>
<td>2013</td>
<td>4,474</td>
</tr>
</tbody>
</table>

Source: ‘Retail Briefing – Summer 2013’, Savills, July 2013

Retail rental indices
(comparable quarter net value, vs. base point in 2009)

<table>
<thead>
<tr>
<th>City</th>
<th>2009</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+31%</td>
<td></td>
</tr>
<tr>
<td>Chengdu</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+24%</td>
<td></td>
</tr>
<tr>
<td>Shanghai</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+21%</td>
<td></td>
</tr>
</tbody>
</table>

Source: 'Briefing: Retail Sector Beijing/Chengdu/Shanghai’, Savills Research, October 2013
Key market influences
Competitive landscape sees increased depth and spread

- Increased competition expressed in wide variety of ways:
  - New entrants increase competition in Tier 1 and Tier 2 cities
  - Established competitors penetrate Tier 3 and Tier 4 cities progressively

![Graph showing competitive landscape](image)

**Source:** 'Luxury Market in China', Fung Business Intelligence Centre, April 2013 (Interpretation)

**Luxury brand recognition in China**
(# of luxury brands recognized by Chinese consumers)

- 2006: 34
- 2008: 43
- 2010: 57
- 2012: 59

Source: 'The Global Reach of China Luxury', KPMG, 2013
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STRENGTHENING OUR BRANDS
- Multi-channel marketing
- Outdoor advertising focus
- Store excellence
- Merchandise strategy

BUILDING RETAIL EXCELLENCE
- CRM and retail marketing
- Training and customer service

EXPANDING AND UPGRADING DISTRIBUTION
- Distribution strategy
Key strategies and initiatives

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Multi-channel marketing
Events in focus: Shanghai fashion show (2013) and Beijing fashion show (2012)

- Events held in iconic locations, with powerful combinations of local heritage and European style
Multi-channel marketing
Events in focus: Shanghai fashion show (2013) and Beijing fashion show (2012)

Highly successful multi-channel marketing campaign, generating up to EUR 11.5 million in editorial value in a single year.
Multi-channel marketing
Events in focus: Shanghai fashion show (2013) and Beijing fashion show (2012)

Live stream views
- Sina Weibo fan attraction: +193%
- Beijing, 2012
- Shanghai, 2013

Online visits
- +48%
- Beijing, 2012
- Shanghai, 2013

‘On demand’ views
- +316%
- Beijing, 2012
- Shanghai, 2013

Mobile visits
- +234%
- Beijing, 2012
- Shanghai, 2013

Movie views
- 2,014,189+
Multi-channel marketing
Event in focus: Shanghai fashion show (2013)

- Shanghai fashion show had a global impact, with brand interest reaching key fashion markets

![Image of audience and cityscape]
**Outdoor advertising focus**
Outdoor advertising maximizes consumer awareness and drives new consumers to store

- Outdoor advertising is highly relevant in China
  - Maximizes brand exposure
  - Reinforces brand strength
  - Highlights breadth of product offer
- Exposure to audiences beyond current consumer base

[Images of outdoor advertising in various locations]
Store excellence
Store development ensures consistent brand experience, across all touch points
Store excellence
Store renovations strengthen brand equity and enhance the retail experience

- Extensive renovation activity in 2012 and 2013 expected to continue in 2014
- Renovated store network ensures consistent brand experience at all touchpoints
- Improved in-store experience in line with local consumer expectations

Store renovation status
(time since opening / last renovation of stores in China)
Merchandise strategy
Development of menswear business underpins current and future success

- Strength of Sportswear offering a key asset in a historically casualwear-driven market
- Formalwear relevance is developing
  - Growth in service industry demand for ready-to-wear
  - Successful introduction of never-out-of-stock product offer
  - HUGO BOSS Made-to-Measure program roll-out in March 2014
- Continual refinement of ‘Asia Fit’ program
- HUGO excites a dynamic and younger customer base, who:
  - Want individual fashion statements
  - Have ‘accelerated’ through the fashion appreciation journey
  - Will be trendsetters and brand ambassadors for the next generation
Merchandise strategy
Womenswear completes the world of HUGO BOSS

- Women’s apparel focus and approach to dress is undergoing rapid change, and women have increasing:
  - Influence, domestic and professional
  - Work-rate participation
  - Desire for elevated fashion

- Improved relevance and inclusion of ‘Asia Fit’
- Store presence and space allocation to increase strongly
- Jason Wu to provide fresh creative direction
- 50% of media and advertising spend dedicated to womenswear in 2014

Luxury goods market by gender
(% total spend, EUR billion)

<table>
<thead>
<tr>
<th></th>
<th>Women’s</th>
<th>Men’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995 Chinese Market</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>2013e Chinese Market</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>1995 European Market</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>2013e European Market</td>
<td>65%</td>
<td>35%</td>
</tr>
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</table>

Merchandise strategy
Shoes and accessories to become synonymous with HUGO BOSS quality

- Shoes and accessories are one of the fastest growing categories market-wide
- Shoes and accessories address various consumer segments and different reasons to buy
- In-store visual merchandise focus to elevate product awareness

Global luxury accessories growth
(in EUR billion)


<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoes</td>
<td>+13%</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>+19%</td>
<td>+5%</td>
<td></td>
</tr>
</tbody>
</table>

+ 19%
+ 13%
+ 4%
+ 5%
Key strategies and initiatives

- STRENGTHENING OUR BRANDS
  - Multi-channel marketing
  - Outdoor advertising focus
  - Store excellence
  - Merchandise strategy

- BUILDING RETAIL EXCELLENCE
  - CRM and retail marketing
  - Training and customer service

- EXPANDING AND UPGRADELNG DISTRIBUTION
  - Distribution strategy
CRM and retail marketing
CRM and retail marketing initiatives engage consumers on an intimate level strengthening brand awareness and loyalty

- Loyal customers are core net sales driver
  - Active customers generate >75% of total net sales
  - Active customers spend >10% more per transaction

- CRM and retail marketing provide an avenue for:
  - Bi-directional, and incremental, learning
  - Customers engage with brand through unique experiences and offers

- End consumer focus of CRM and retail marketing activities seen across all activities, including:
  - Art of Tailoring
  - BMW Masters
  - Store opening events
Training and customer service
Retail training strongly improves customer service levels

- Training is a core component of our world-class global customer service excellence
- Superior service levels are an important competitive advantage in China
- Online and face-to-face training activity intensified

Training hours
(# hours in Greater China (Business Partner & DOS))

2012
2013

+32%
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Distribution strategy
Brand distribution geared to effectively address key customer groups

- Three key core target customer groups:
  - Sophisticated
    - 30-45 years old
    - ~100,000-190,000 USD annual income
    - ~40,000-100,000 USD discretionary spend
  - Aspiring
    - 25-35 years old
    - ~40,000-100,000 USD annual income
    - ~20,000-30,000 USD discretionary spend
  - Following
    - 25-55 years old
    - ~80,000-150,000 USD annual income
    - ~20,000-100,000 USD discretionary spend

- The core target customer group for HUGO BOSS is growing rapidly

Key associations with HUGO BOSS

- Luxurious
- Respectable
- fashionable
- Tasteful
- Successful
- Understated
- Business
- Classic

Source: HUGO BOSS internal study, China Market Research, April 2013

Urban disposable income
(# households by $USD income)


HUGO BOSS core customer


Distribution strategy
Exploiting the value of growth cities

- “Quality beats quantity” approach
- Focus on upgrade of brand representation in Tier 1 and Tier 2 cities
- Future development focus is extending the existing presence in Tier 3 and Tier 4 cities to meet increasing consumer demand

Middle class representation by tier
(% share of total middle class by type of city)

<table>
<thead>
<tr>
<th>Tier</th>
<th>2002</th>
<th>2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Tier 4</td>
<td>45%</td>
<td>31%</td>
</tr>
</tbody>
</table>


Mainland China store distribution
(Points of sale in 2013)

- Tier 1
- Tier 2
- Tier 3
- Tier 4
Distribution strategy
E-commerce and travel retail opportunities complement core business development

- Online channel provides wide development opportunities
- HUGO BOSS China online store launched in February 2013
- Travel retail becoming an increasingly important consumer touch point and sales opportunity

![E-commerce market size](chart)

Features:
- Online channel provides wide development opportunities
- HUGO BOSS China online store launched in February 2013
- Travel retail becoming an increasingly important consumer touch point and sales opportunity

![Chinese airport growth](chart)

Features:
- Chinese airport growth
- Number of civil airports in China
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- Rapidly changing market environment has put a strain on the Group’s catch-up in the market

- Clear strategy in place to capitalize on strongly growing target consumer group:
  - Upgrade retail presence and service levels to elevate consumer experience
  - Strengthened marketing and CRM initiatives to effectively engage the consumer
  - Focus on exploiting the full strength of the HUGO BOSS portfolio

HUGO BOSS China ready to seize unparalleled opportunities ahead