HUGO BOSS

HUGO BOSS Investor Day 2013
China Strategy

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

Agenda

HUGO BOSS in China

Key market influences

Key strategies and initiatives

Summary

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HUGO BOSS in China

Overview (as of FY 2012)

EMPLOYEES

CITIES

DOWNTOWN / FULL-PRICE

PREMIUM OUTLET

YEARS OF OPERATION

BRAND AWARENESS

TRAVEL RETAIL

E-COMMERCE

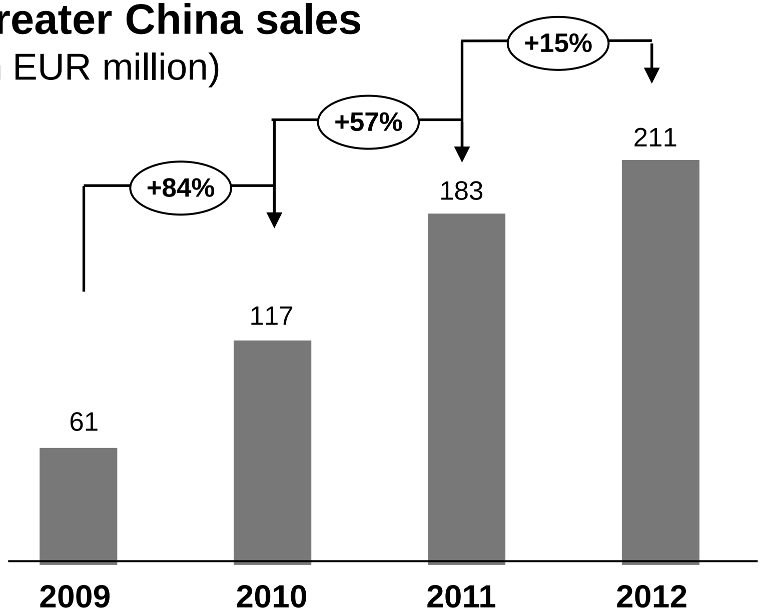
HUGO BOSS in China

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

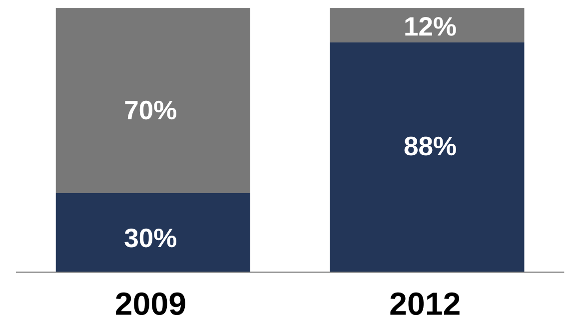
Greater China sales

(in EUR million)



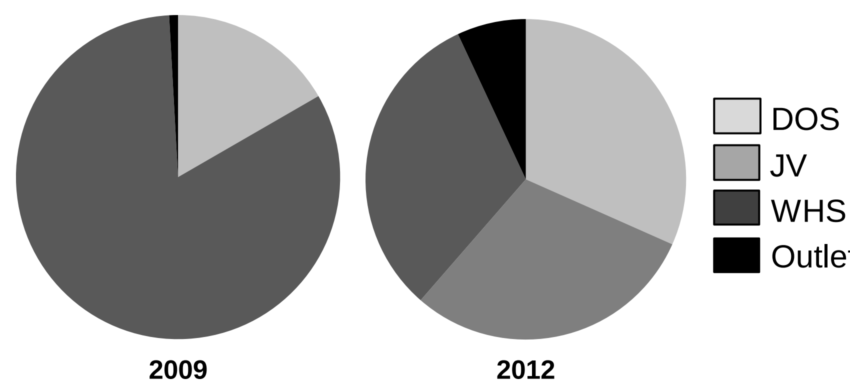
Driving toward retail

Greater China wholesale / retail sales split



Increase in direct operation of stores

(% total locations by business model)

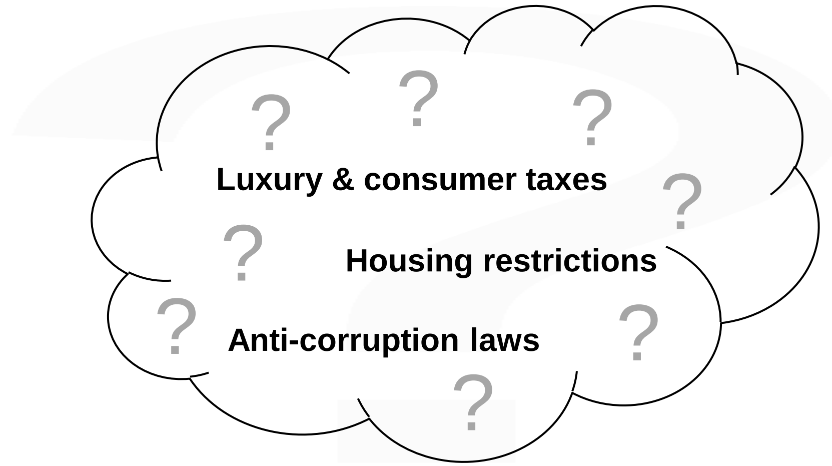


Agenda

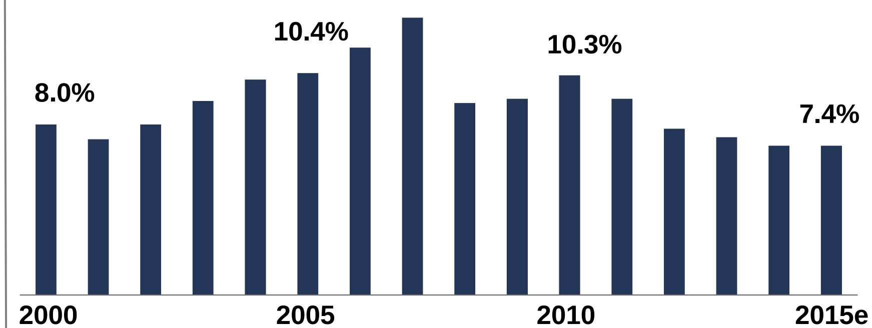
Key market influences

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 discretional spending
- Luxury and consumer taxes increase barriers to business and local purchasing
- GDP slowdown, and surrounding political commentary, also weigh on consumer sentiment



China GDP growth rate slow down
(GDP growth rate y-o-y)



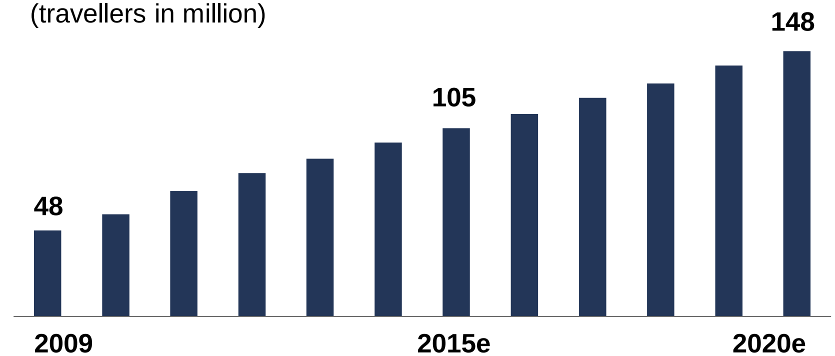
Source: National Bureau of Statistics of China & HSBC forecasts

Key market influences

Wealthy travellers shift demand from domestic to global level

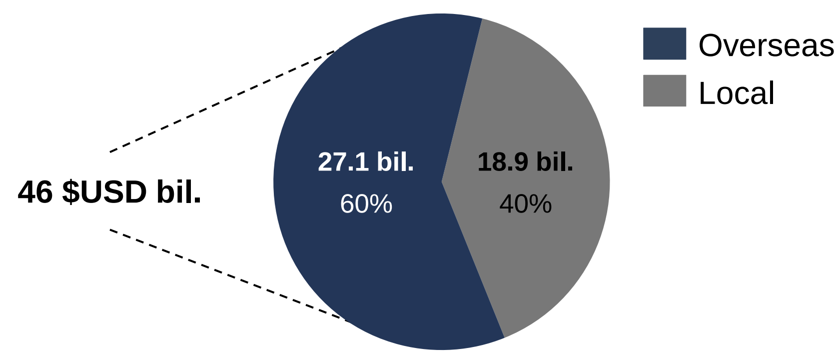
- Growth in Chinese consumption of global luxury
- Double digit growth in outbound travel from 2009 to 2013
- Demand from Chinese consumers has become an increasingly important driver of retail sales outside of China

China outbound tourism
(travellers in million)



Source: McKinsey Insights China – Luxury Consumer Studies (2008, 2010, 2012)

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



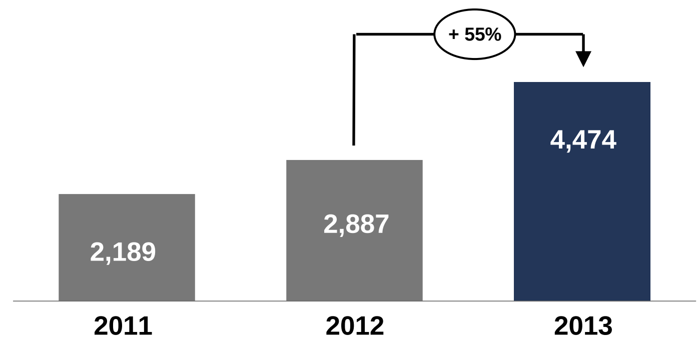
Source: Goldman Sachs research

Key market influences

Floor space proliferation brings opportunities and challenges

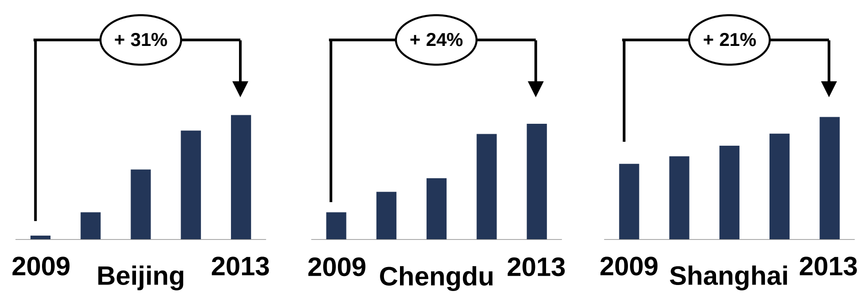
- Vast increases in floor space through new developments provide robust expansion opportunities
- Rapid proliferation leads to delinquency of older locations
- Rents remain high despite increase in supply

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



Source: 'Retail Briefing – Summer 2013', Savills, July 2013

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



Source: 'Briefing: Retail Sector Beijing/Chengdu/Shanghai', Savills Research, October 2013

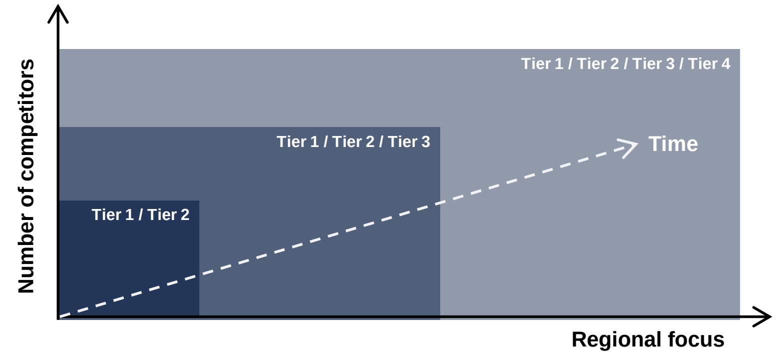
Key market influences

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

Competitive landscape

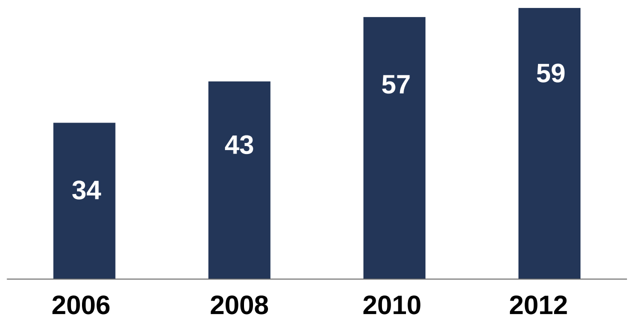
(breadth & depth of competition)



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

Luxury brand recognition in China

(# of luxury brands recognized by Chinese consumers)



Source: 'The Global Reach of China Luxury', KPMG, 2013

Agenda

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 UPGRADING **DISTRIBUTION**

- Distribution strategy

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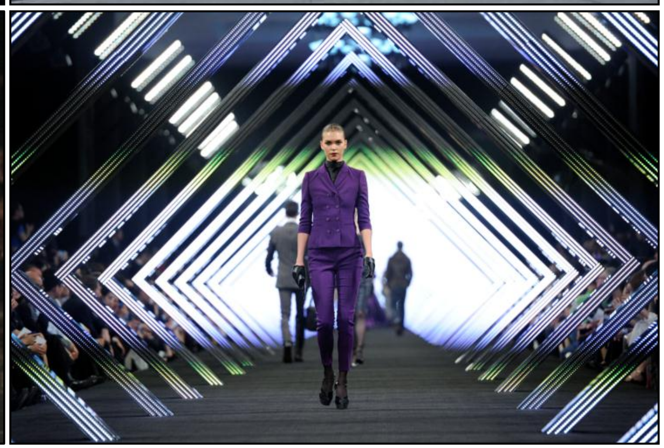
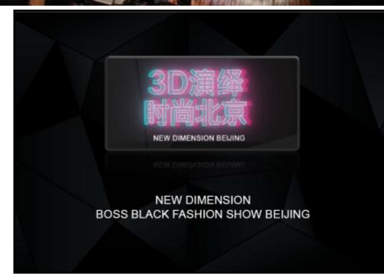
Multi-channel marketing

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)

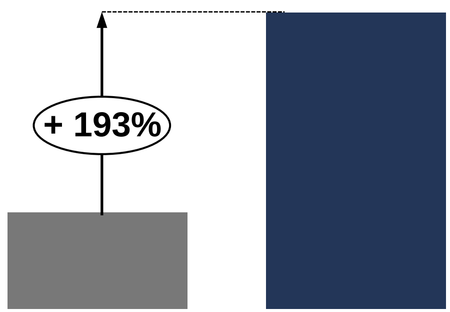
- Highly successful multi-channel marketing campaign, generating up to EUR 11.5 million in editorial value in a single year

Multi-channel marketing

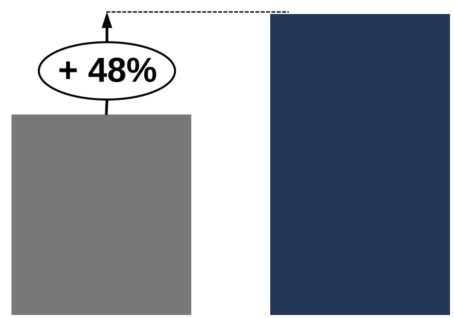
Events in focus: Shanghai fashion show (2013) and Beijing fashion show (2012)

Shanghai, 2013
Beijing, 2012

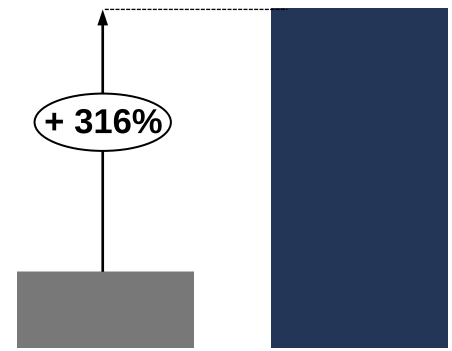
Live stream views



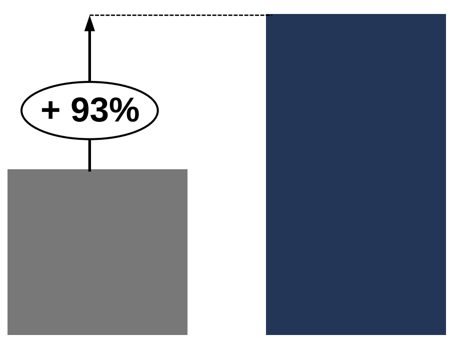
Online visits



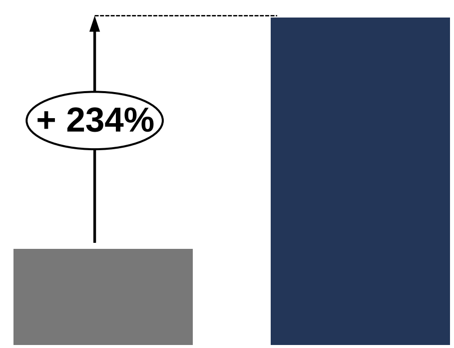
'On demand' views



Sina Weibo fan attraction



Mobile visits

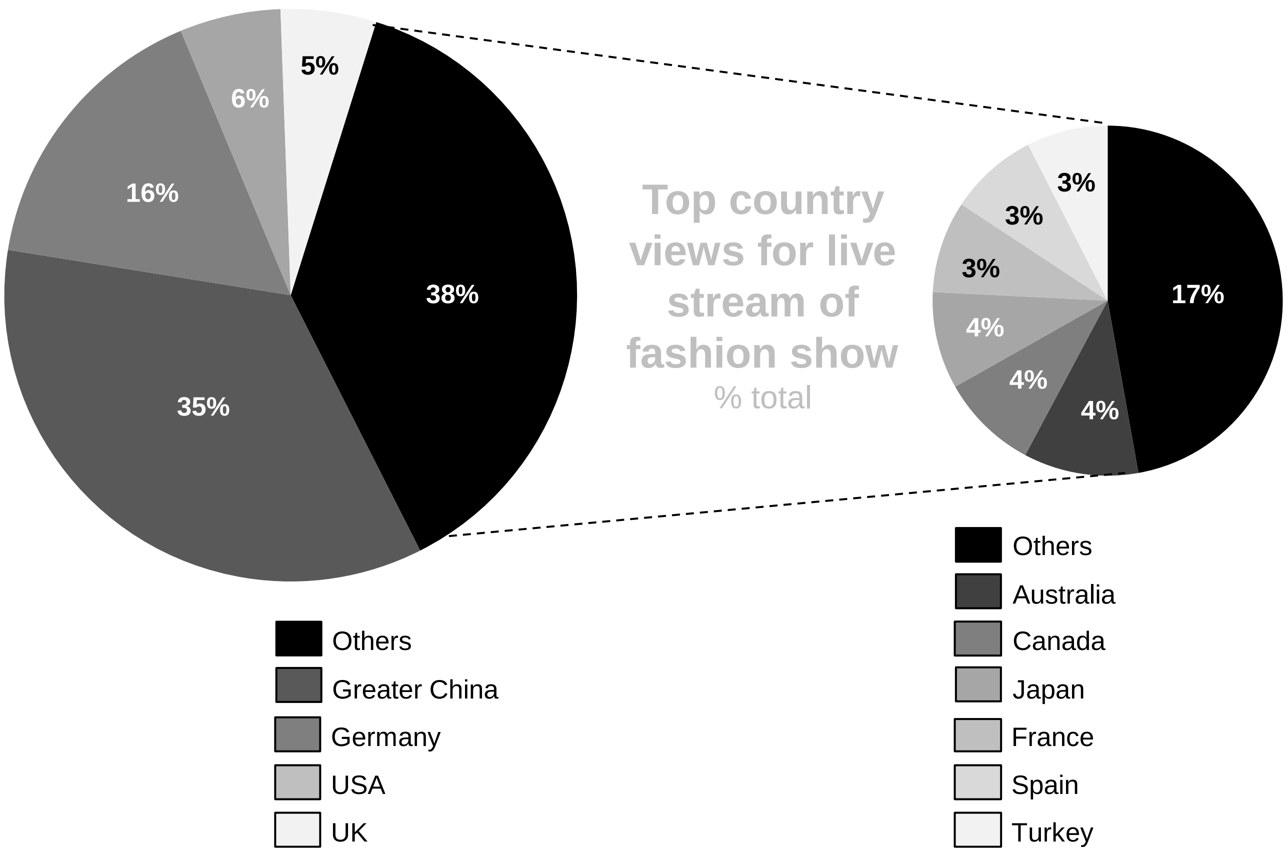


Movie views

Multi-channel marketing

Event in focus: Shanghai fashion show (2013)

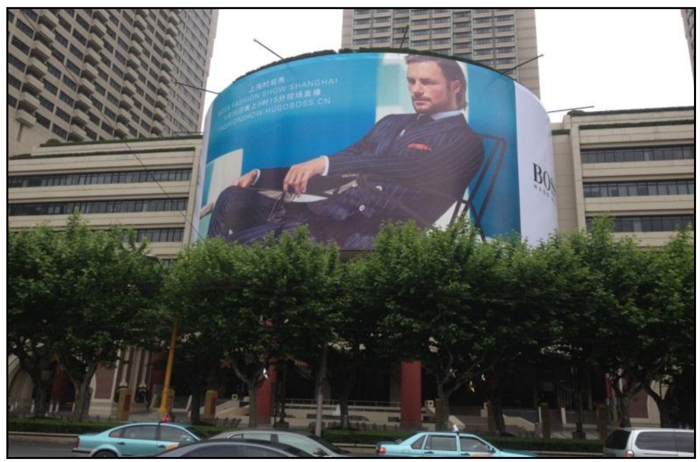
- Shanghai fashion show had a global impact, with brand interest reaching key fashion markets



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



Store excellence

Store development ensures consistent brand experience, across all touch points

Flagships

Premium Outlets

A-City

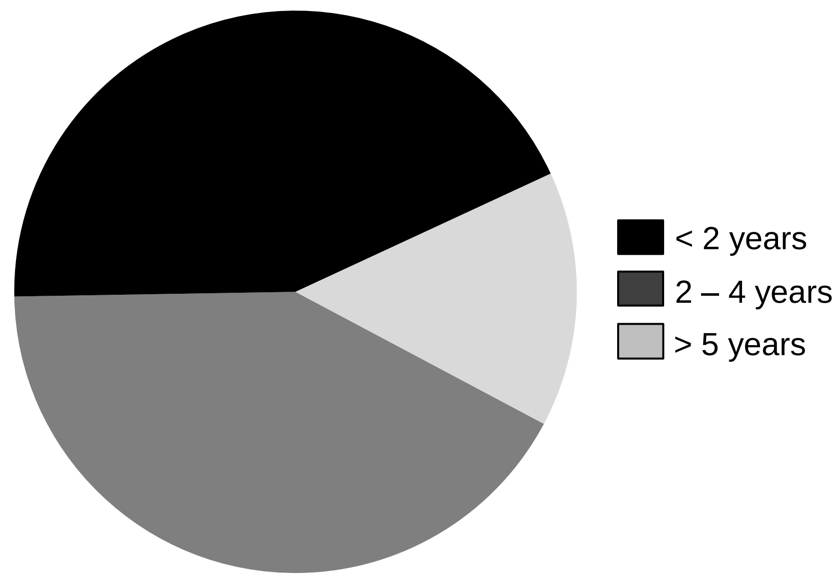
B-City

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 touch-points
- Improved in-store experience in line with local consumer expectations

Store renovation status
(time since opening / last renovation of stores in China)

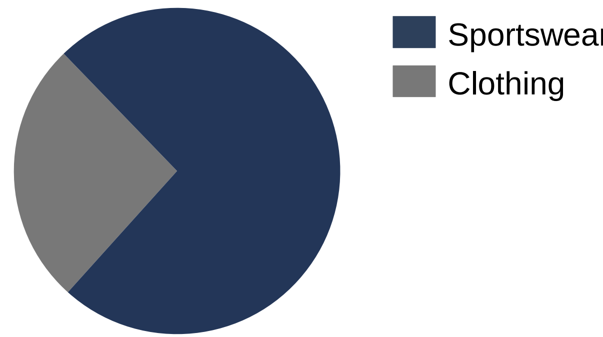


Merchandise strategy

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

BOSS menswear split, China
(% sportswear vs. clothing and dress furnishings, FY12)

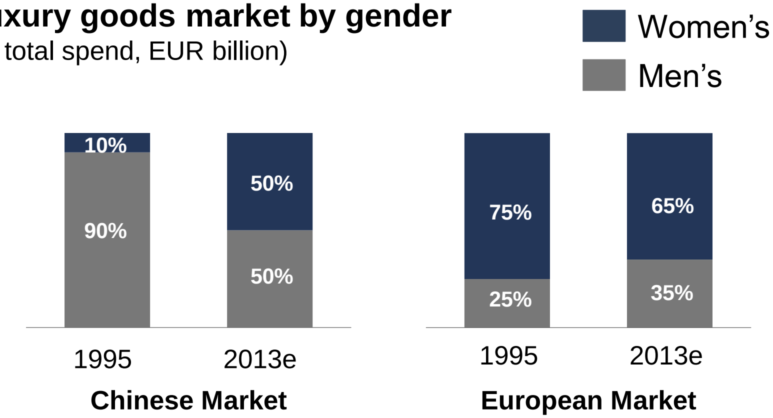


Merchandise strategy

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)

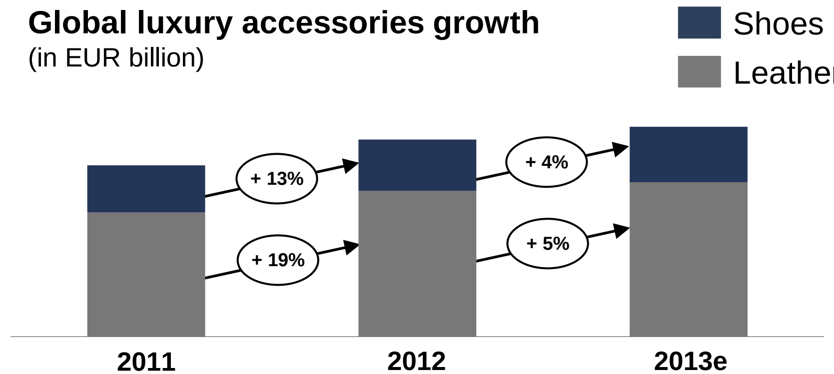


Source: 'Worldwide Markets Monitor', Fondazione Altagamma & BAIN & COMPANY, October 2013

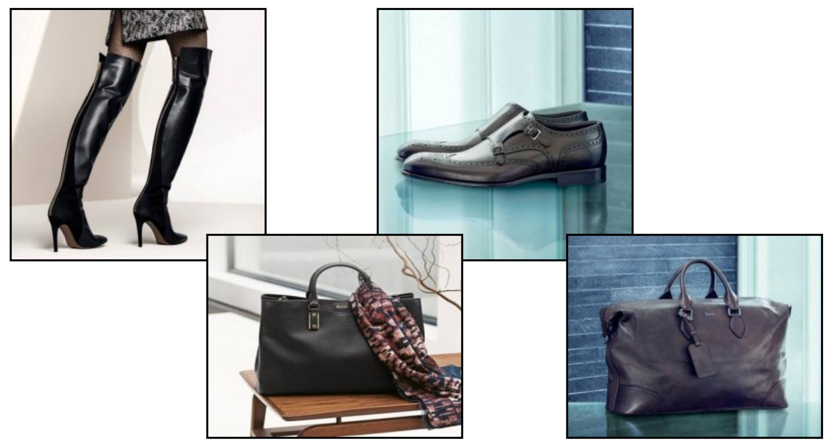
Merchandise strategy

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



Source: 'Worldwide Markets Monitor', Fondazione Altagamma & BAIN & COMPANY, October 2013



Key strategies and initiatives

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EXPANDING AND UPGRADING **DISTRIBUTION**

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CRM and retail marketing

CRM and retail marketing initiatives engage consumers on an intimate level strengthening brand awareness and loyalty

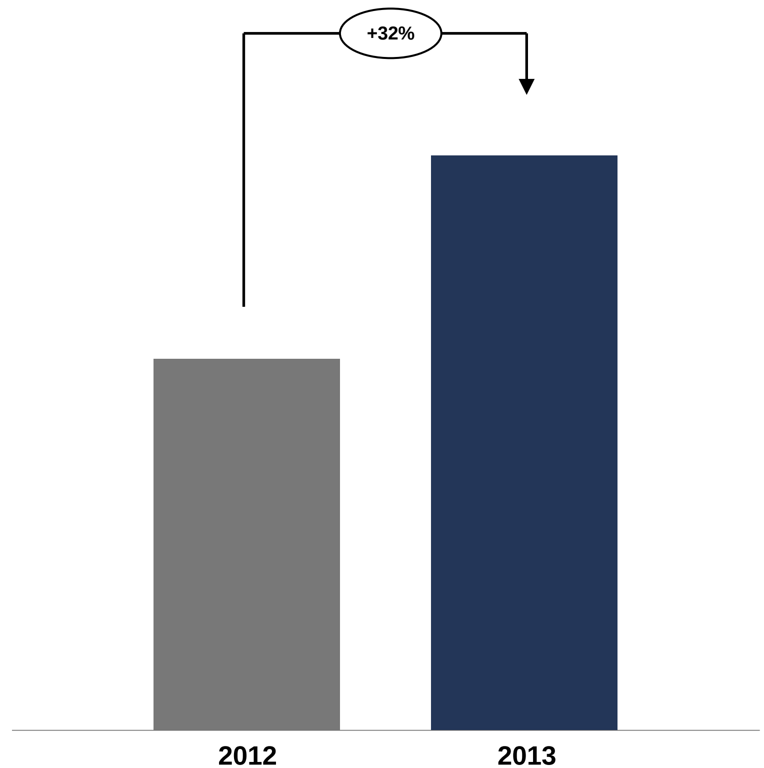
- Loyal customers are core net sales driver
  - Active customers generate >75% of total net sales
  - Active customers spend >10% more per transaction
- CRM and retail marketing provide an avenue for:
  - Bi-directional, and incremental, learning
  - Customers engage with brand through unique experiences 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))



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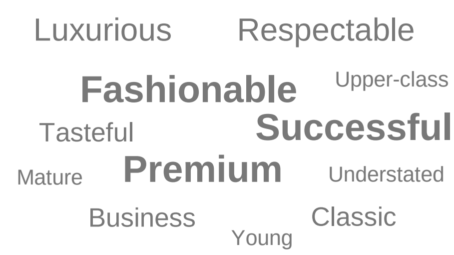
- **Distribution strategy**

Distribution strategy

Brand distribution geared to effectively address key customer groups

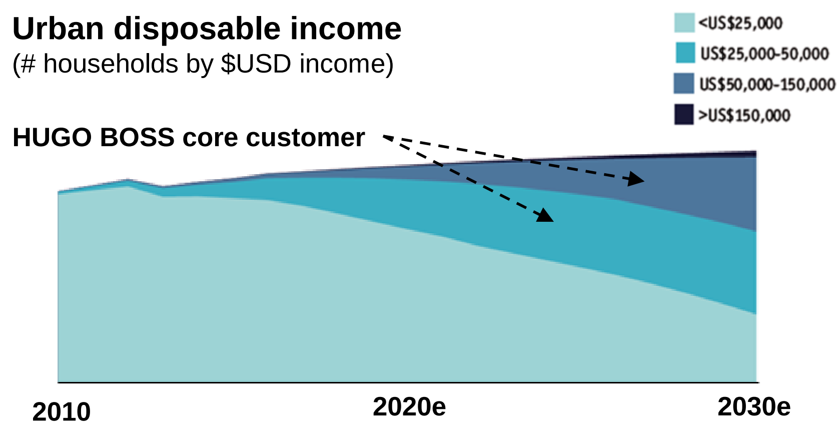
- Three key core target customer groups:
  - Sophisticated
    - 30-45 years old
    - ~100,000-190,000 USD annual income
    - ~40,000-100,000 USD discretionary spend
  - Aspiring
    - 25-35 years old
    - ~40,000-100,000 USD annual income
    - ~20,000-30,000 USD discretionary spend
  - Following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



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

Urban disposable income
(# households by $USD income)



Source: 'Rich Pickings: The outlook for luxury goods in Asia', The Economist Intelligence Unit, 2013

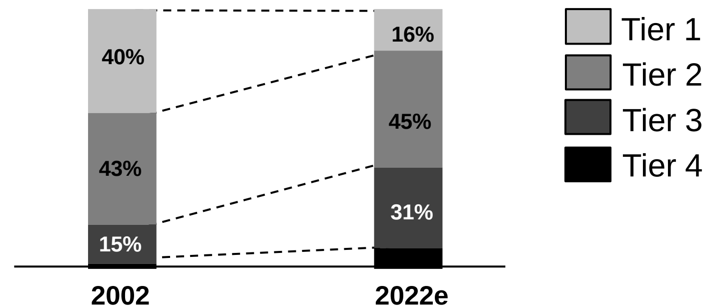
Distribution strategy

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

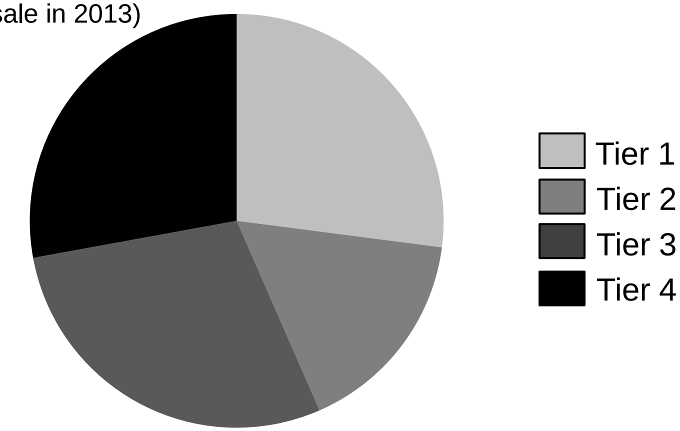
(% share of total middle class by type of city)



Source: 'Mapping China's Middle Class', McKinsey & Company, June 2013

Mainland China store distribution

(Points of sale in 2013)

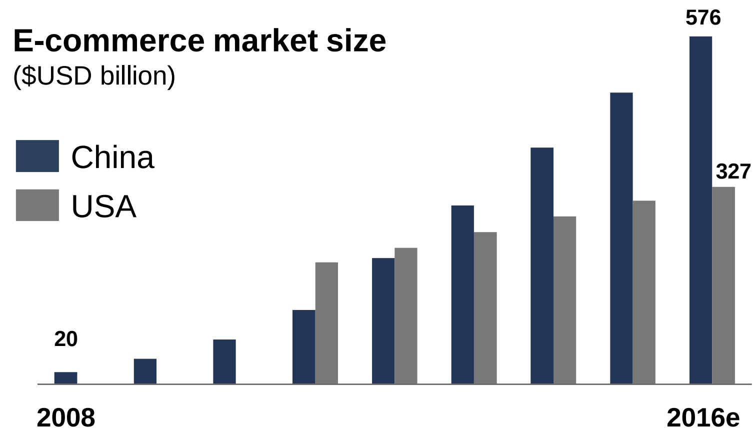


Distribution strategy

E-commerce and travel retail opportunities complement core business development

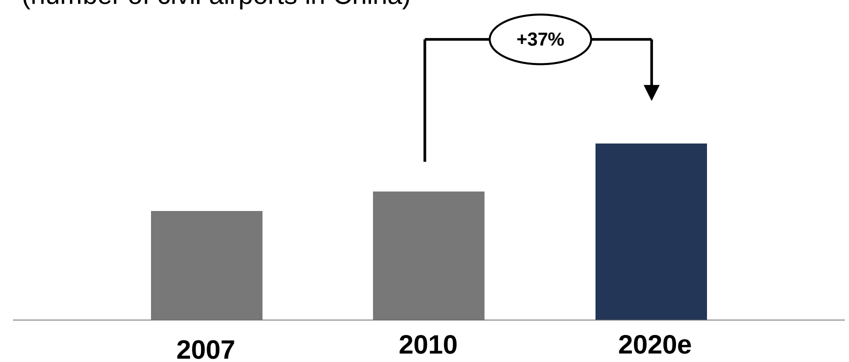
- Online channel provides wide development opportunities
- HUGO BOSS China online store launched in February 2013
- Travel retail becoming an increasingly important consumer touch point and sales opportunity

E-commerce market size
($USD billion)



Source: iResearch ObserverSolutions Analysis, Forrester Research, 2013

Chinese airport growth
(number of civil airports in China)



Source: 'China Infrastructure: The Big Picture', McKinsey Quarterly, June 2013

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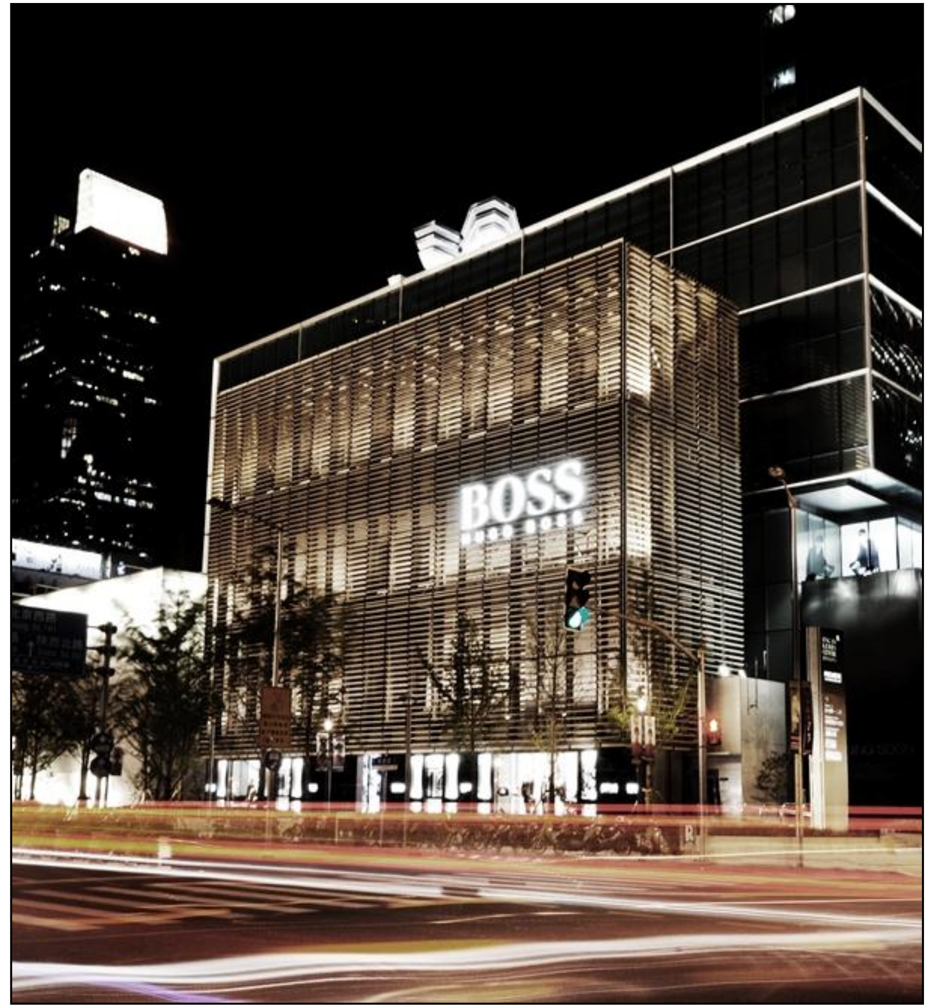
Summary

- 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

HUGO BOSS