

H U G O B O S S

HUGO BOSS Investor Day 2013
Financial Strategy

Mr. Mark Langer, Chief Financial Officer
November 26, 2013

Agenda

HUGO BOSS committed to further sales and operating margin improvements

Balance sheet management supports cash flow generation and shareholder returns

Six principles guide Group financial management

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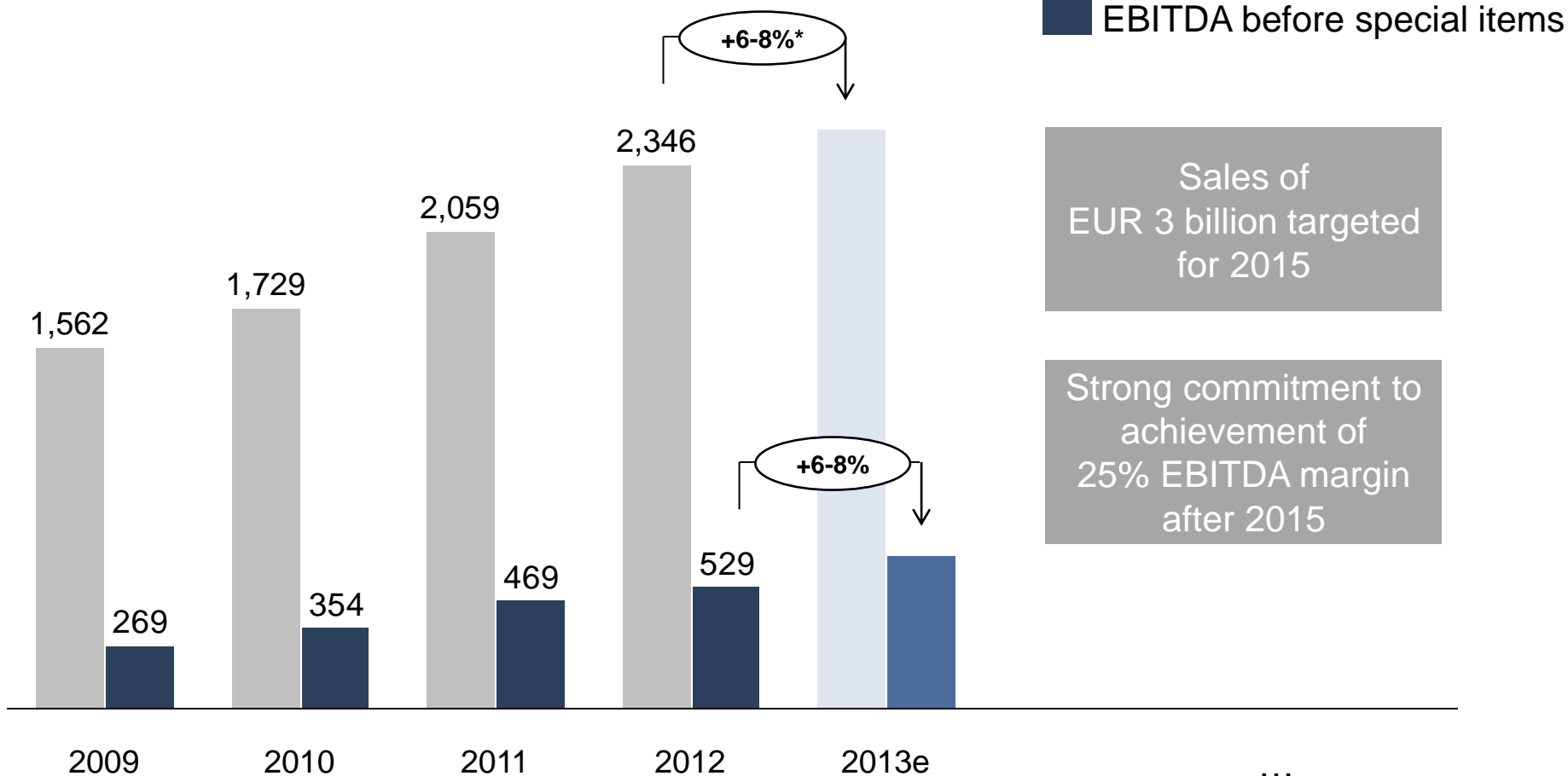
Balance sheet management supports cash flow generation and shareholder returns

Six principles guide Group financial management

Strong track record of significant sales and operating profit growth

Sales and EBITDA before special items

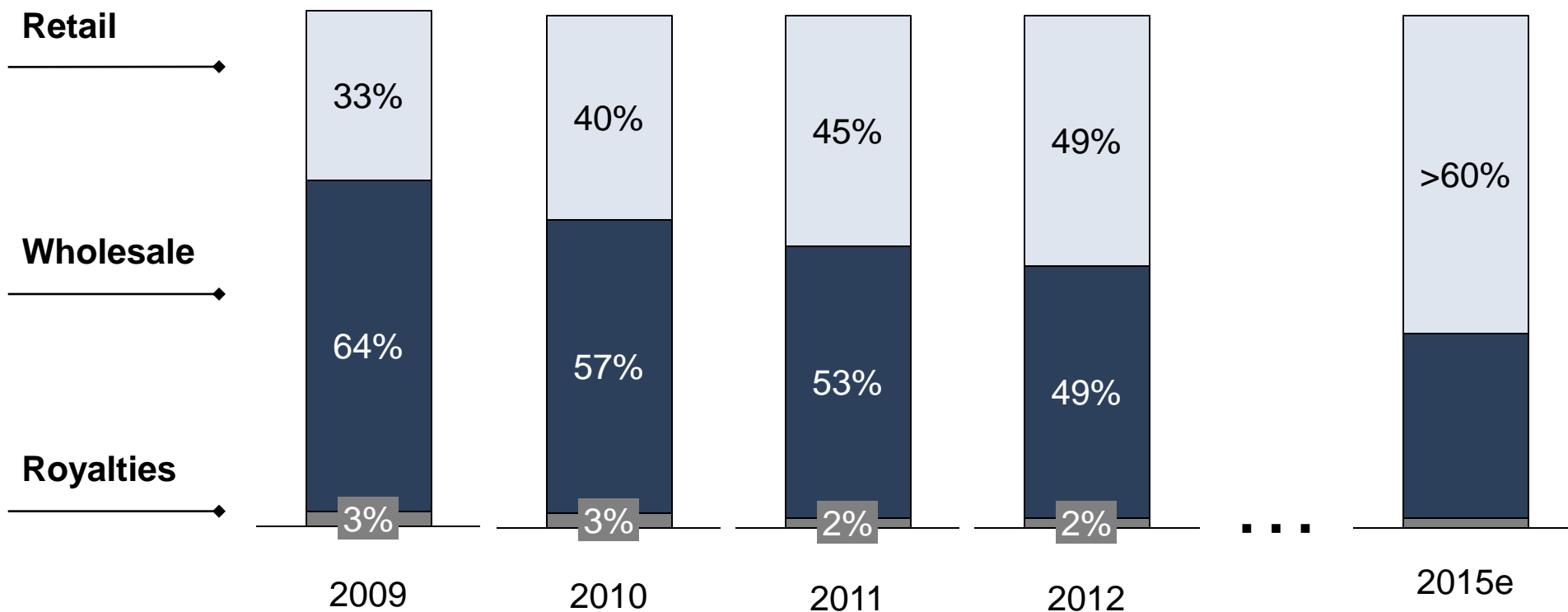
(in EUR million)



* fx-adjusted

Own retail share set to continue growing until 2015 and beyond

Sales by distribution channel



HUGO BOSS own retail expansion takes different forms

Flagship stores	<ul style="list-style-type: none"> ■ Above 400sqm ■ Key high street locations in global metropolises 	▶ Organic
Freestanding stores	<ul style="list-style-type: none"> ■ 250sqm to 350sqm on average ■ Located in A-class high street locations in large cities 	▶ Mostly organic
Shop-in-shops	<ul style="list-style-type: none"> ■ 80sqm to 120sqm on average ■ Located in department stores 	▶ Organic and takeovers
Factory outlets	<ul style="list-style-type: none"> ■ 300sqm to 400sqm on average ■ Located in high traffic areas off-center 	▶ Organic
E-commerce M-commerce	<ul style="list-style-type: none"> ■ Adapted to individual markets 	▶ Organic

▶ New openings drive retail space addition
 ▶ Around 50 new stores and shop-in-shops to be opened every year

Opening of freestanding stores and shop-in-shop takeovers have increased store count

Development of own retail network

Europe	Sep. 30, 2013	Dec. 31, 2012	Change
Freestanding	168	149	+19
Shop-in-shops	352	276	+76
Outlets	50	44	+6
Total	570	469	+101

Group	Sep. 30, 2013	Dec. 31, 2012	Change
Freestanding	360	323	+37
Shop-in-shops	520	413	+107
Outlets	112	104	+8
Total	992	840	+152

Americas	Sep. 30, 2013	Dec. 31, 2012	Change
Freestanding	80	68	+12
Shop-in-shops	78	43	+35
Outlets	38	36	+2
Total	196	147	+49

Asia/Pacific	Sep. 30, 2013	Dec. 31, 2012	Change
Freestanding	112	106	+6
Shop-in-shops	90	94	(4)
Outlets	24	24	-
Total	226	224	+2

Like-for-like growth prerequisite for sales and operating margin expansion

Comp store sales growth



Traffic



Conversion



Transaction value

- Brand communication
- CRM
- Store location
- Visual merchandising
- ...

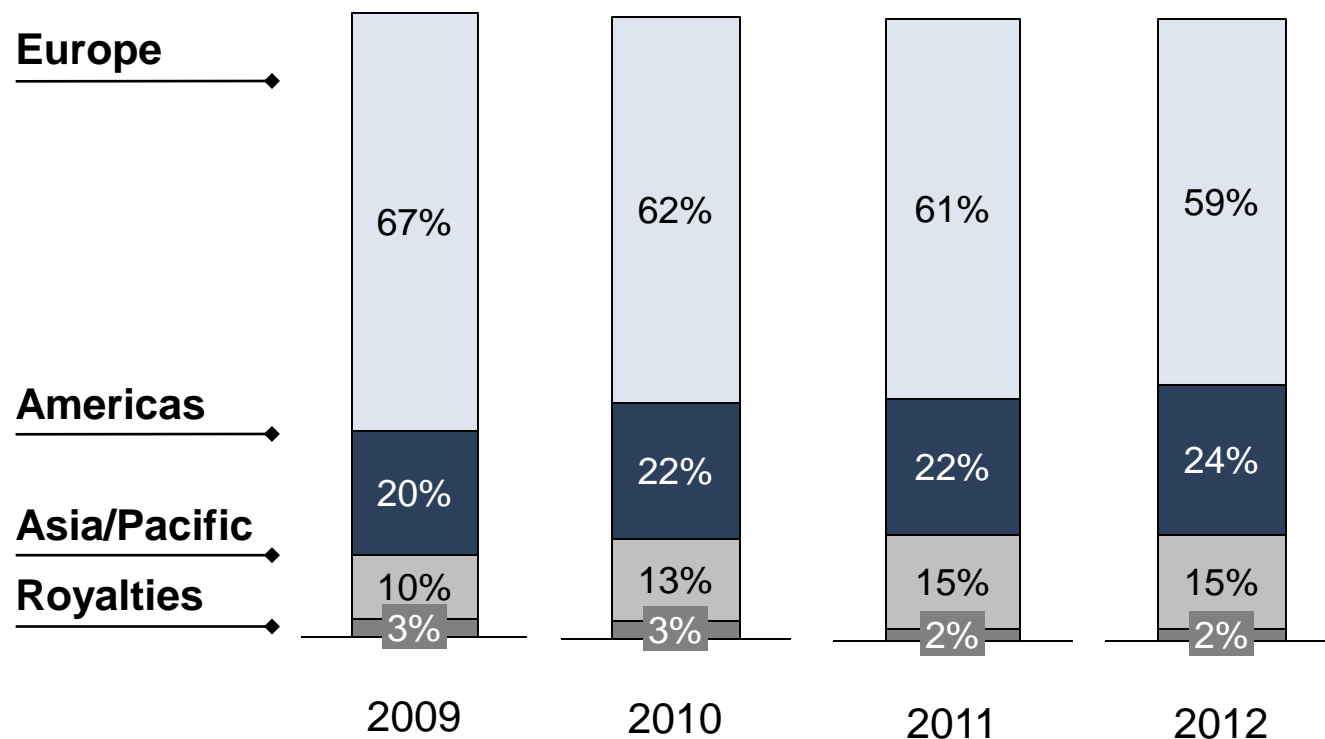
- Merchandise assortment and presentation
- Service quality
- Store layout
- Product availability
- ...

- Product mix
- Pricing
- Service quality
- Product availability
- ...

➔ Comp store sales to grow at a mid-single-digit rate on average

HUGO BOSS has made progress in balancing its global footprint

Sales by region



Europe withstands economic weakness

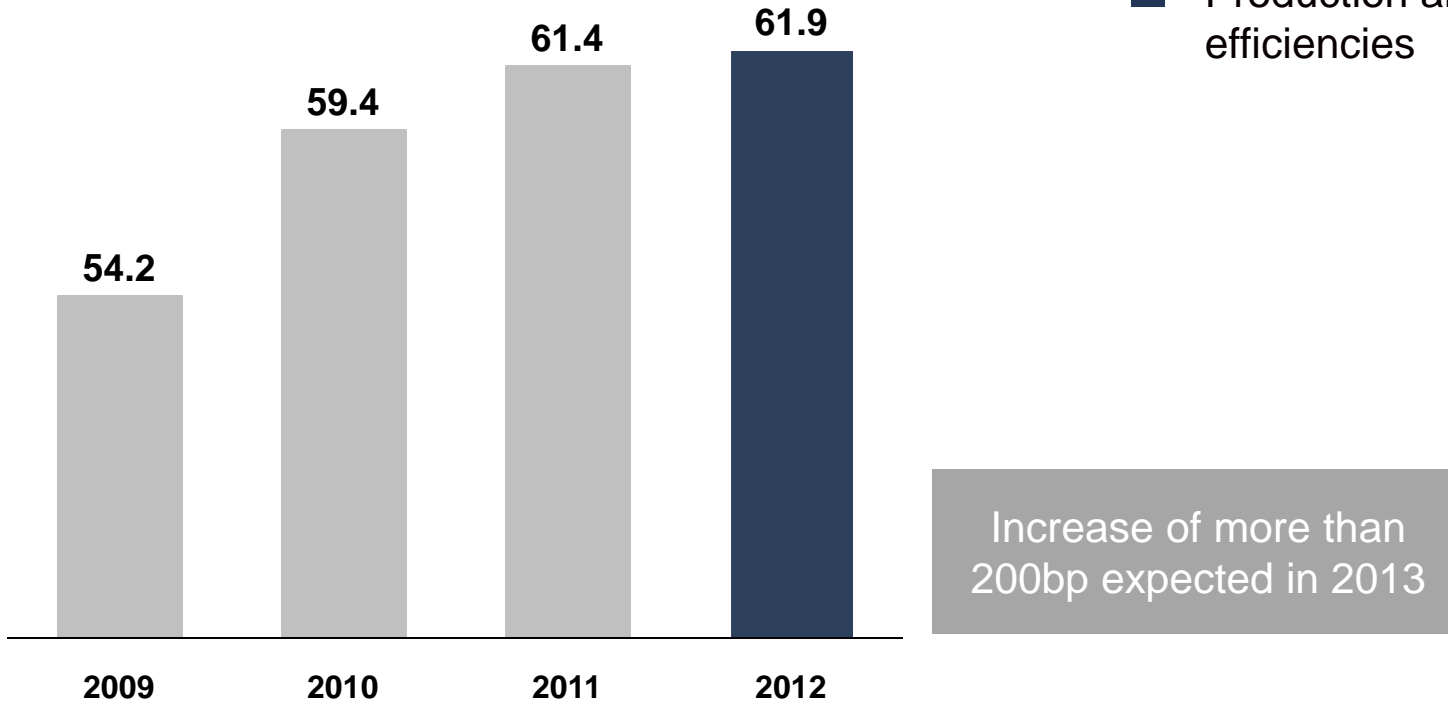
Americas grow stronger than expected

Asia/Pacific still biggest regional opportunity

Gross margin has progressed beyond pure channel mix effect

Gross margin development
(in %)

- Positive distribution channel mix effect
- Reduction of markdowns
- Production and sourcing efficiencies



Continued focus on tight operating expense management

Retail

- Productivity improvements key to offset rent increases
- Further potential in streamlining personnel deployment and planning

Marketing

- Increased impact through refined marketing strategy
- Absolute and relative expenditure levels to increase

Logistics

- Strong track record of efficiency gains
- State-of-the-art setup through new distribution center in Europe

G&A

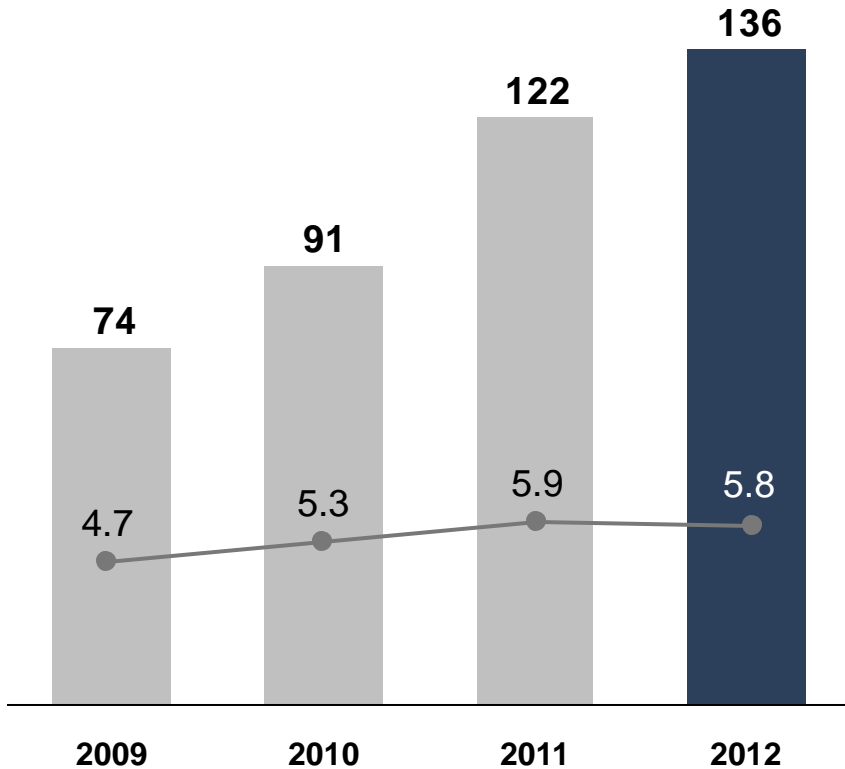
- Lean organizational structure
- Continued strict cost control

Operating leverage a continued source of profit growth

Increasing end consumer orientation reflected in future marketing spending

Marketing spendings

(in EUR million and in % of sales)



- Continuous absolute increases
- High importance for top line development
- Marketing spendings to account for 6% to 7% of Group sales in the medium term

Marketing expenditures as a percentage of sales to decline slightly in 2013

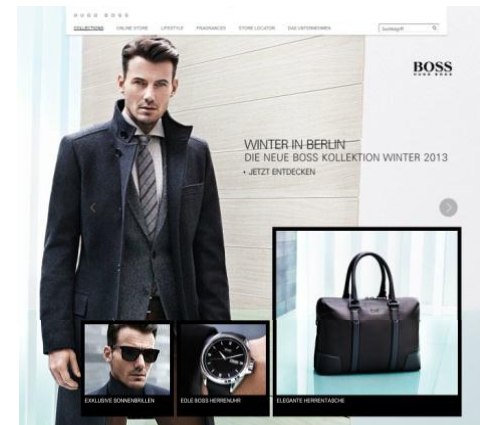
Higher marketing spending to reflect increased emphasis on print, digital and retail



Retail marketing



Print advertising



Digital



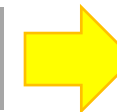
Sport sponsoring



Art sponsoring



Events



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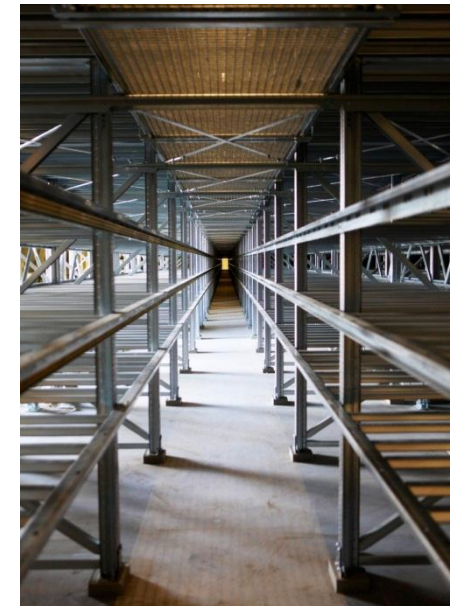
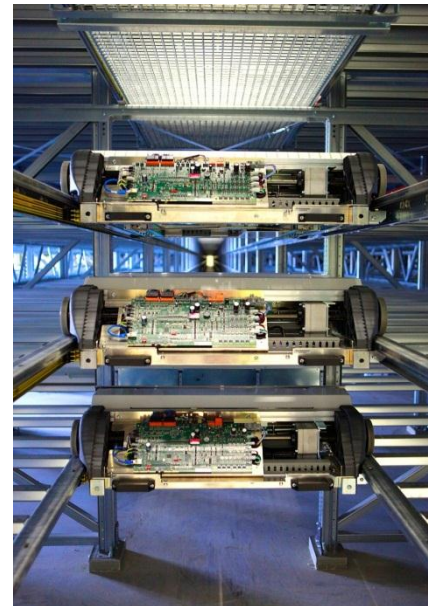
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Operating leverage a continued source of profit growth

New flat-packed goods distribution center core of European logistical infrastructure

Key facts

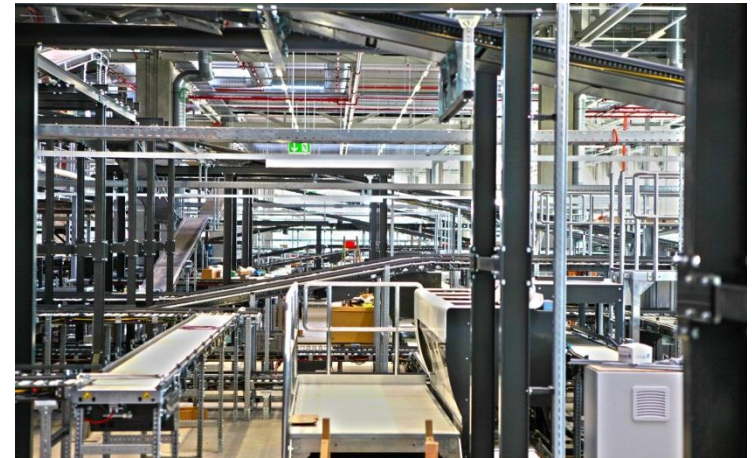
- Location: Filderstadt, close to company headquarters
- Size: ca. 35,000 sqm
- Capacity: ca. 400,000 boxes
- Annual output: up to 40 million pieces
- Employees: up to 500
- Replaces two existing outdated facilities
- Go live: First half 2014
- Overall investment: ca. EUR 100 million



New distribution center to further improve efficiency of key logistical processes

Key benefits

- Caters to expected growth
- Improves speed-to-market
- Provides floor-ready merchandise
- Reduces handling costs through comprehensive automation
- Close IT integration with sourcing and transportation processes



▶ Operating lease obligation and migration process to offset efficiency improvements in 2014

▶ Full benefits to be realized in 2015

Continued focus on tight operating expense management

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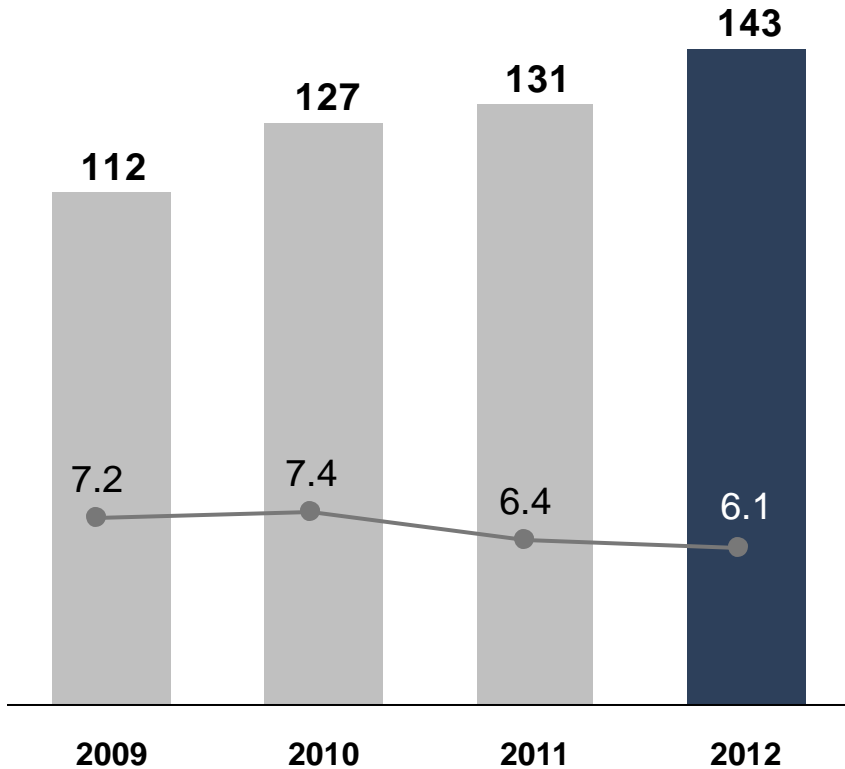
- Lean organizational structure
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Operating leverage a continued source of profit growth

G&A expenses declined as a percentage of sales

General & administrative expenses (in EUR million and in % of sales)

- Lean organizational structure
- Good cost control
- Important contribution to Group profitability improvement



G&A expenses to remain broadly stable as a percentage of sales in 2013

Agenda

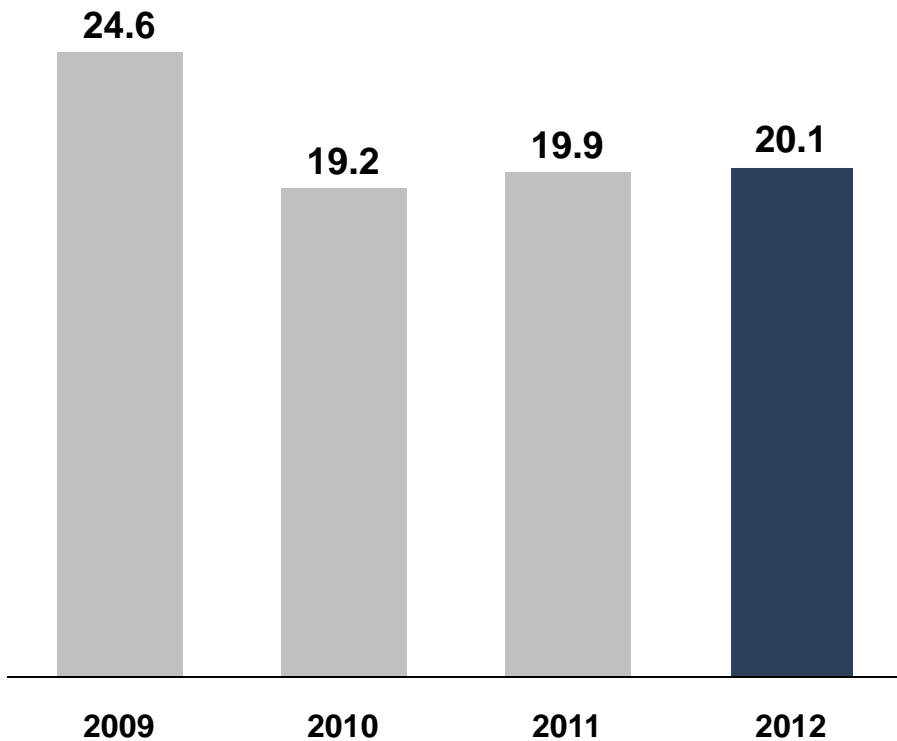
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Trade net working capital levels to achieve historic lows at year-end

Average trade net working capital as a percentage of sales at year-end (in %)



- Major progress compared to historical levels
- Strong IT setup and supply chain excellence drive better inventory management
- Maximization of own retail inventory turn key to further improvements

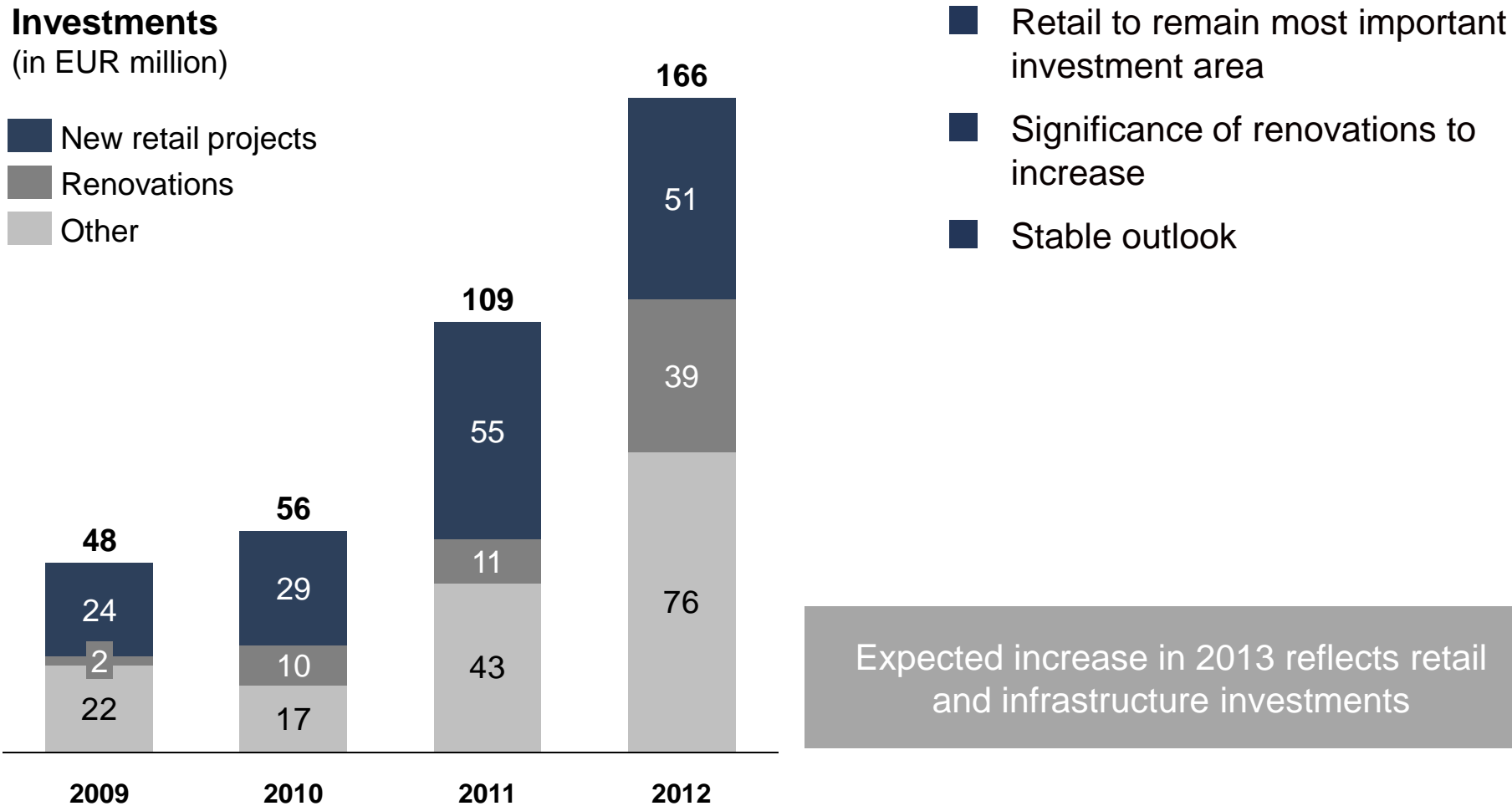
New record levels expected in 2013

HUGO BOSS invests in future growth

Investments

(in EUR million)

- New retail projects
- Renovations
- Other

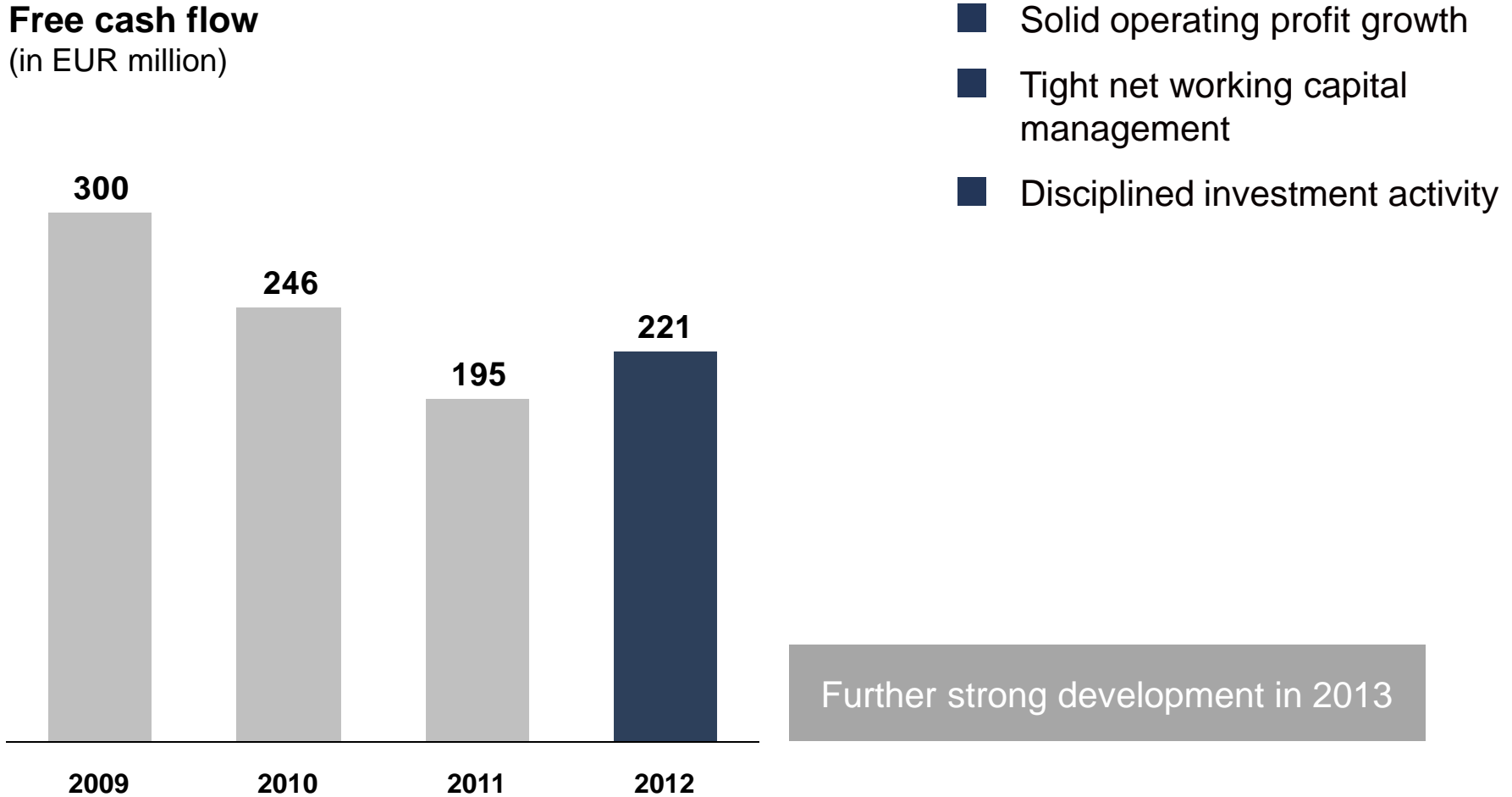


Expected increase in 2013 reflects retail and infrastructure investments

- Retail to remain most important investment area
- Significance of renovations to increase
- Stable outlook

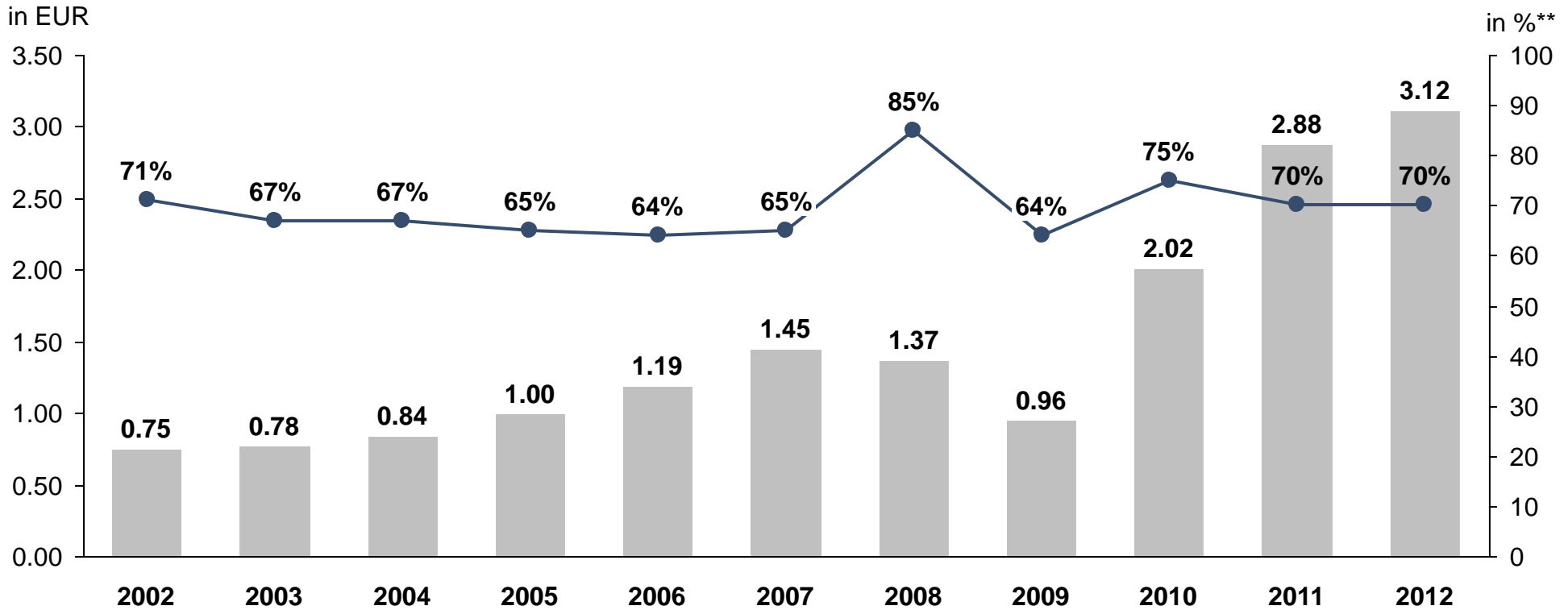
Strong free cash flow generation inherent to the HUGO BOSS business model

Free cash flow
(in EUR million)



Free cash flow strength supports industry-leading dividend payout

Dividend* and payout ratio

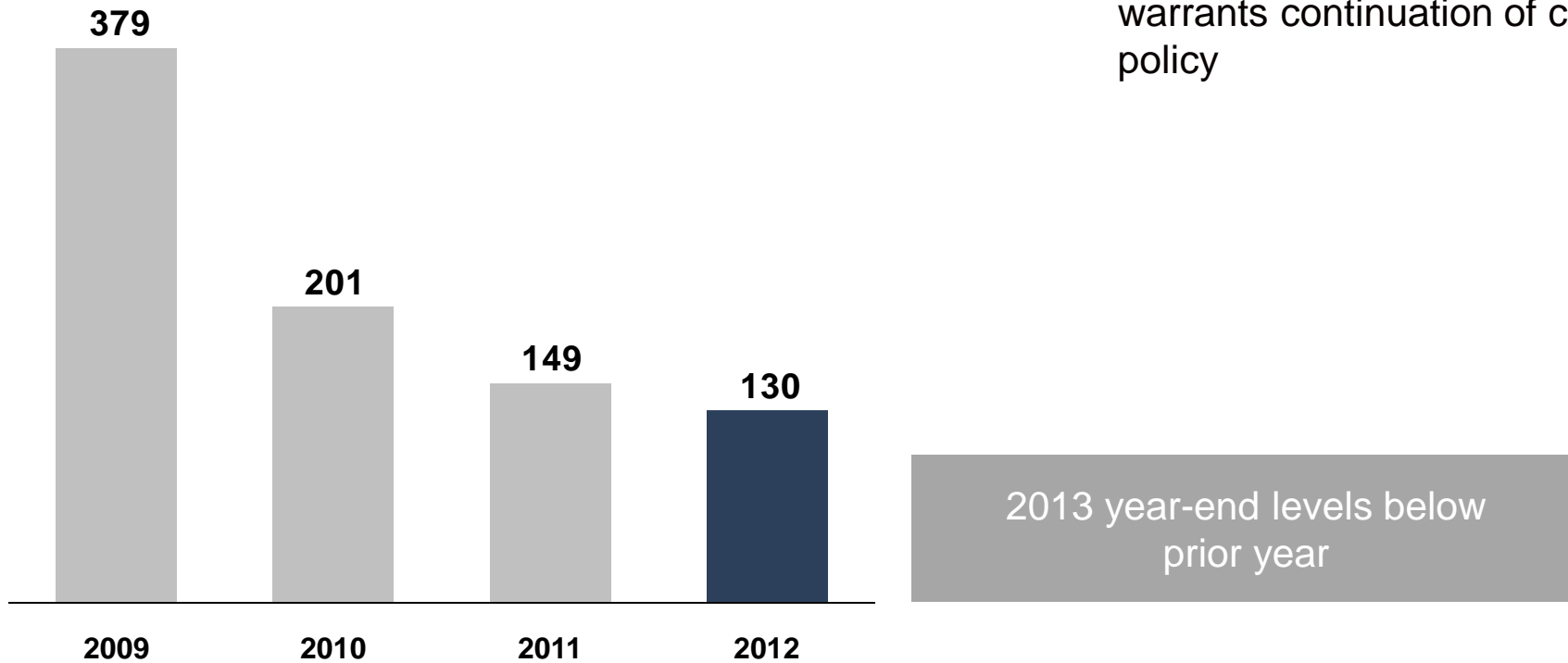


➔ Dividend policy stipulates distribution of 60% to 80% of consolidated net profit

* Excluding special dividend // ** As a percentage of net profit attributable to the shareholders of the parent company

HUGO BOSS has reduced net debt significantly

Net debt
(in EUR million)



- Excess cash to be used for further net debt reduction
- Growing operating lease obligation warrants continuation of current policy

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The six principles of Group financial management

➔ Gross margin improvements to at least equal channel mix effect

➔ Retail expenditure growth to be below retail sales growth

➔ G&A expenditures to grow slower than top line

➔ Operating profit to grow stronger than top line

➔ Investments to sustain future profitable growth

➔ Free cash flow generation to fund shareholder returns and further net debt reduction

QUESTIONS & ANSWERS

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Forward looking statements contain risks

This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate ", "assume ", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should", and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.