

**H U G O B O S S**

**Roadshow Zurich // MainFirst**

HUGO BOSS Company Handout  
August 6, 2014

## Agenda

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**Half Year Results 2014**

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**Update on Key Strategic Initiatives**

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**Outlook**

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## Agenda

**Half Year Results 2014**

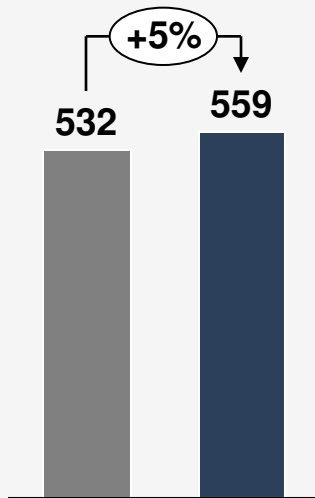
**Update on Key Strategic Initiatives**

**Outlook**

Robust second quarter increases drive top and bottom line growth in the first half year

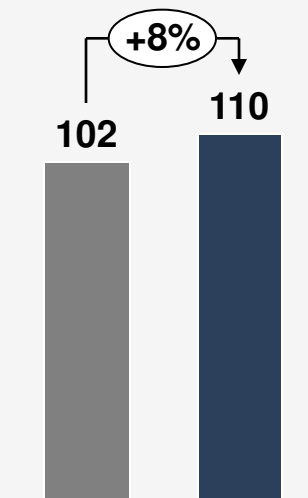
Second quarter results

Sales  
(in EUR million)



Q2 2013 Q2 2014  
(+8% fx-adjusted)

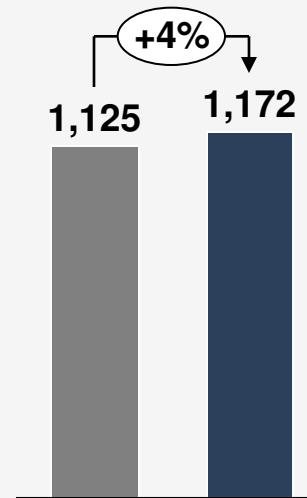
EBITDA before special items  
(in EUR million)



Q2 2013 Q2 2014

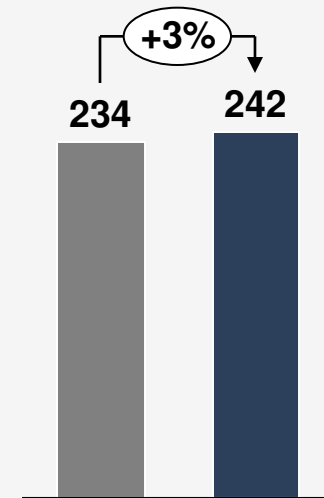
First half year results

Sales  
(in EUR million)



H1 2013 H1 2014  
(+7% fx-adjusted)

EBITDA before special items  
(in EUR million)

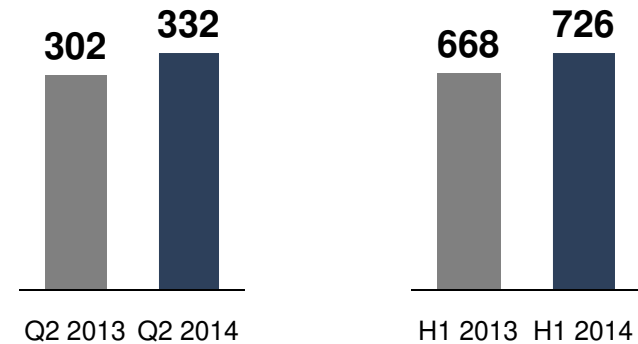


H1 2013 H1 2014

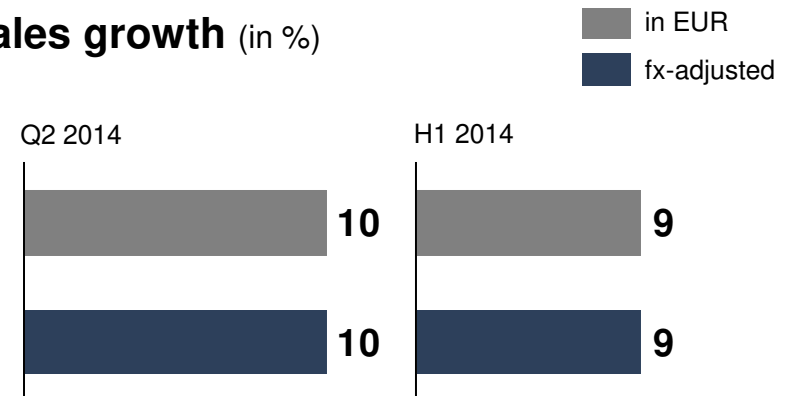
## Region Europe an area of strength

- Broad based sales increases across the region with particular strength in the UK
- Further improvement of own retail execution major growth driver
- Confident outlook for remainder of the year

**Sales** (in EUR million)



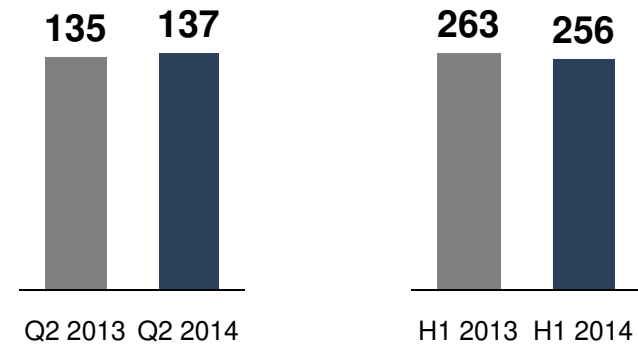
**Sales growth** (in %)



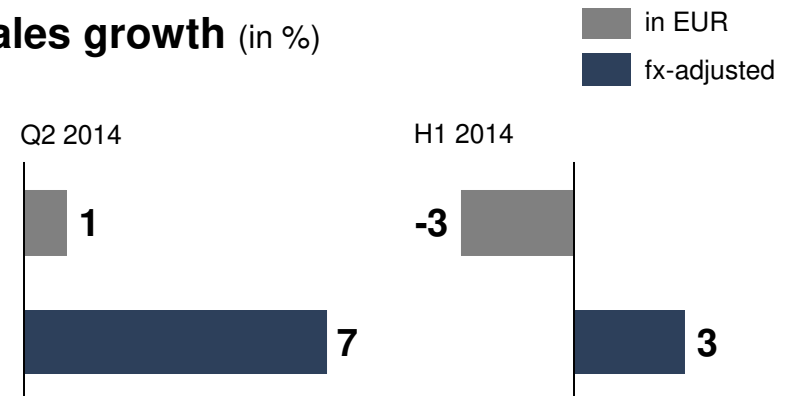
## Improving trends in the Americas

- HUGO BOSS returns to growth in the second quarter
- Group has maintained strict pricing discipline in a highly promotional market environment
- Upgrade of shop-in-shop portfolio at Saks ongoing

**Sales** (in EUR million)



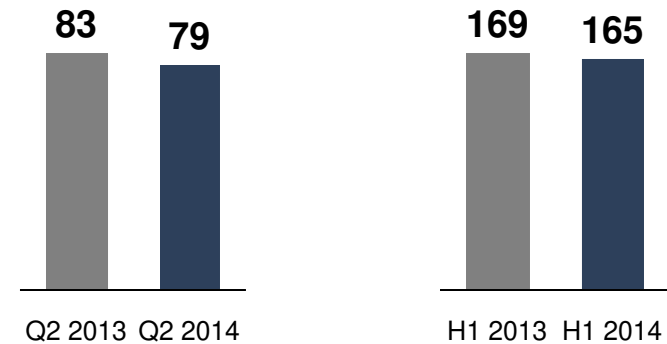
**Sales growth** (in %)



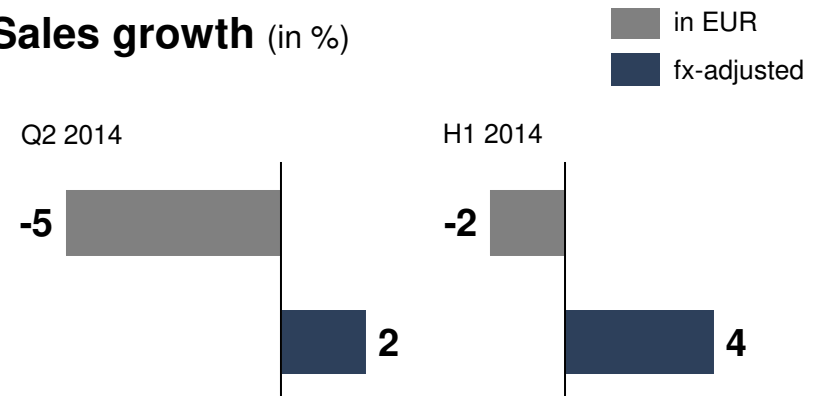
## Mixed performance in Asia

- Robust growth in Australia and the region's smaller markets
- Solid performance in Japan
- Chinese market to remain challenging for the foreseeable future

**Sales** (in EUR million)



**Sales growth** (in %)





## Art of Tailoring exhibition strengthens brand perception in menswear clothing



## HUGO BOSS acquires full control of its store network in China and Macau

- Remaining 40% stake in joint venture with former franchise partner Rainbow Group taken over effective June 30
- Grown retail sophistication and strong operational platform key enabler
- Consolidation of distribution activities to drive quality of brand presentation and sales productivity

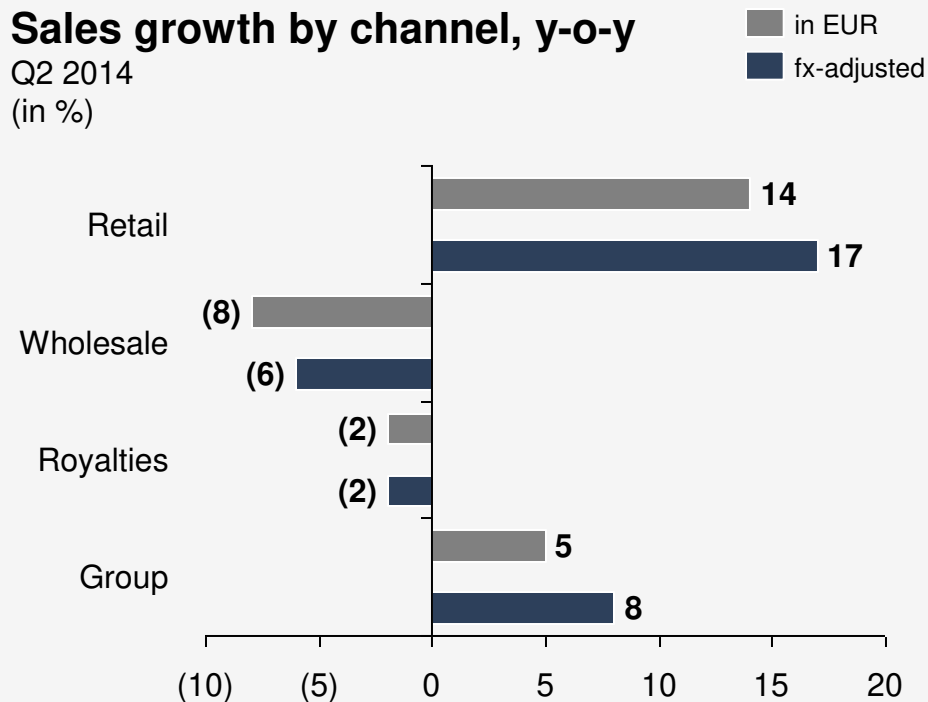


**BOSS Store**  
Nanjing Deiji (former JV Store)

## Strong own retail growth drives Group sales increase

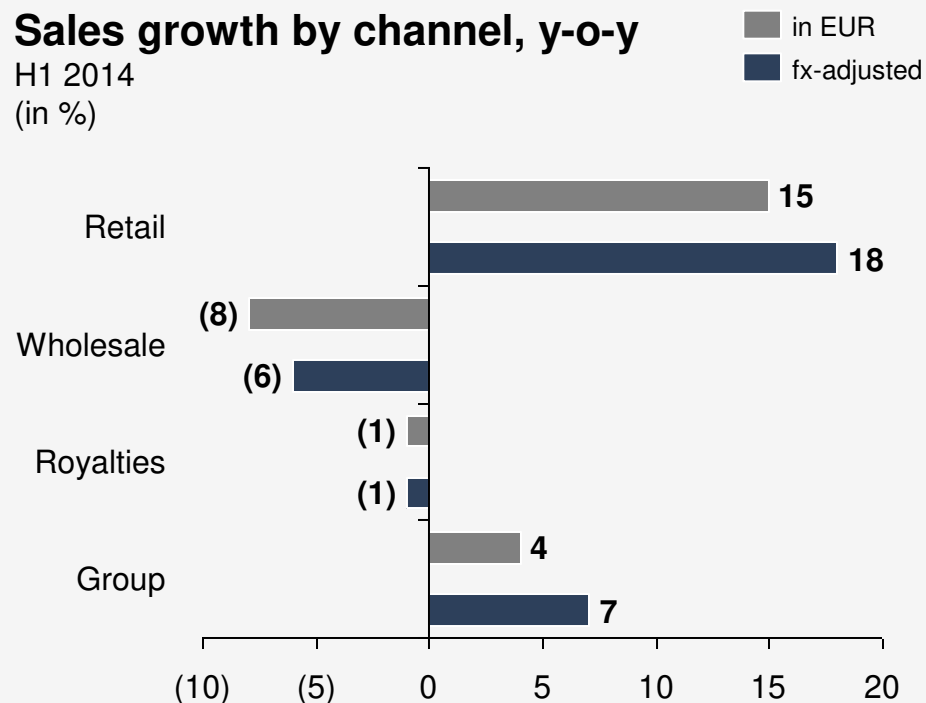
### Sales growth by channel, y-o-y

Q2 2014  
(in %)



### Sales growth by channel, y-o-y

H1 2014  
(in %)

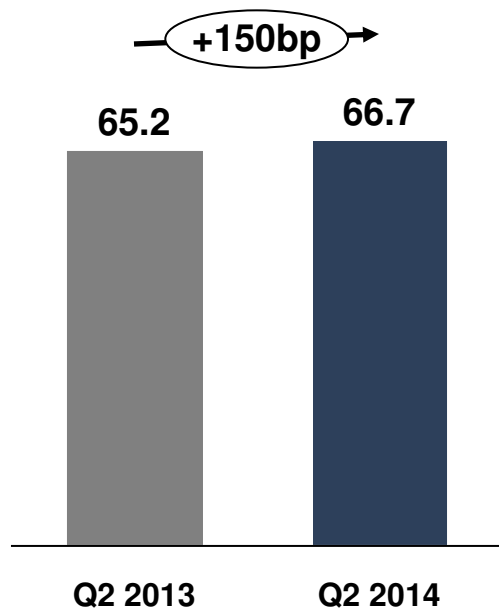


- Solid comp store sales increases (4% in Q2, 5% in H1) support double-digit **retail** growth
- Cautious customer sentiment, takeovers and delivery shifts impact **wholesale** performance
- **Royalties** business down slightly despite robust growth in watches and female fragrances

## Gross margin strength continues

### Gross profit margin development

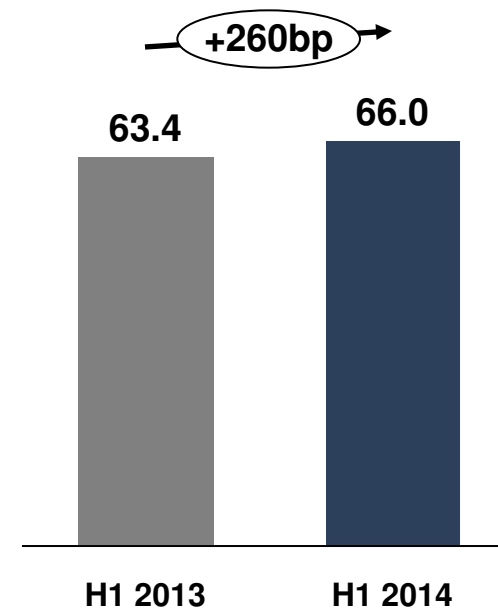
Q2 2014  
(in %)



- Distribution channel mix
- Reduction of markdowns

### Gross profit margin development

H1 2014  
(in %)



- Distribution channel mix
- Reduction of markdowns

## Healthy profit increase despite higher costs

in EUR million	H1 2014	H1 2013*	Change in %
<b>Sales</b>	<b>1,171.5</b>	<b>1,125.2</b>	<b>4</b>
<b>Gross profit</b>	<b>773.6</b>	<b>713.6</b>	<b>8</b>
In % of sales	66.0	63.4	260 bp
Selling and distribution expenses	(460.4)	(408.1)	(13)
Administration expenses	(120.8)	(114.5)	(5)
Other operating income and expenses	(0.8)	(4.1)	80
<b>Operating result (EBIT)</b>	<b>191.6</b>	<b>186.9</b>	<b>3</b>
In % of sales	16.4	16.6	(20) bp
<b>Financial result</b>	<b>(4.0)</b>	<b>(11.3)</b>	<b>65</b>
<b>Earnings before taxes</b>	<b>187.6</b>	<b>175.6</b>	<b>7</b>
Income taxes	(43.2)	(40.4)	(7)
<b>Net income</b>	<b>144.4</b>	<b>135.2</b>	<b>7</b>
Attributable to:			
Equity holders of the parent company	143.2	133.8	7
<b>Earnings per share (EUR)**</b>	<b>2.07</b>	<b>1.94</b>	<b>7</b>
<b>EBITDA before special items</b>	<b>241.5</b>	<b>234.3</b>	<b>3</b>
In % of sales	20.6	20.8	(20) bp

\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made.

\*\*Basic and diluted earnings per share.

- Investments in own retail, marketing and logistics main driver of higher **selling and distribution expenses**
- **Adjusted EBITDA margin** down 20 basis points due to increased operating expenses as a percentage of sales
- **Financial result** benefits from lower interest expenses

## Diverging margin trends by region

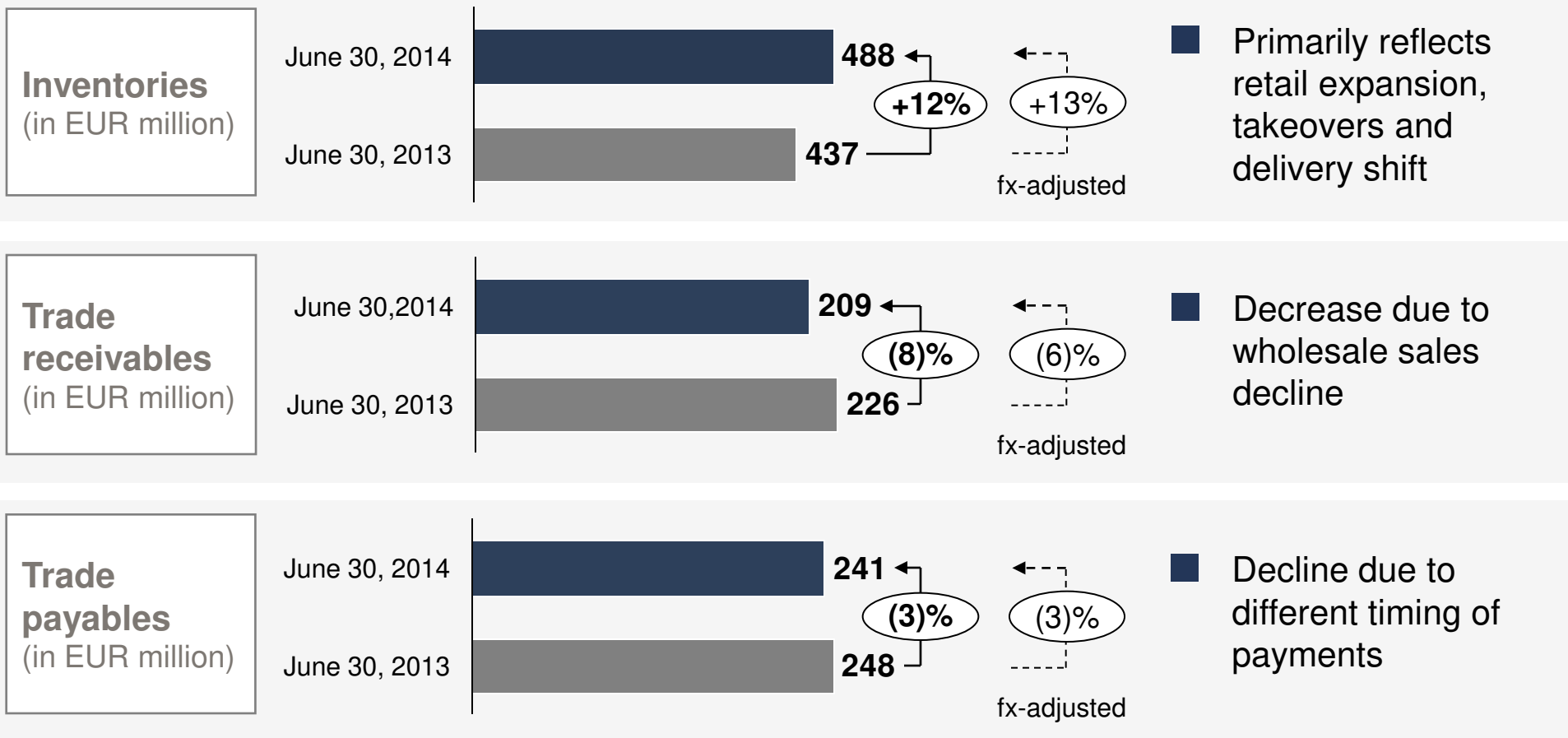
in EUR million	<b>H1 2014</b>	<b>In % of sales</b>	<b>H1 2013*</b>	<b>In % of sales</b>	<b>Change in %</b>
Europe**	243.0	33.5	222.5	33.3	9
Americas	61.3	24.0	57.2	21.8	7
Asia/Pacific	50.0	30.3	61.4	36.3	(19)
Royalties	20.4	82.5	20.8	83.2	(2)
<b>Segment profit operating segments</b>	<b>374.7</b>	<b>32.0</b>	<b>361.9</b>	<b>32.2</b>	<b>4</b>
<b>Corporate units/consolidation</b>	<b>(133.2)</b>		<b>(127.6)</b>		<b>(4)</b>
<b>EBITDA before special items</b>	<b>241.5</b>	<b>20.6</b>	<b>234.3</b>	<b>20.8</b>	<b>3</b>

- Strong top line momentum supports further margin increase in **Europe**
- Strict pricing discipline benefits profitability in the **Americas**
- Muted sales development and brand investments cause operating deleverage in **Asia**

\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made.

\*\*Incl. Middle East and Africa.

## Higher working capital position due to inventory increase

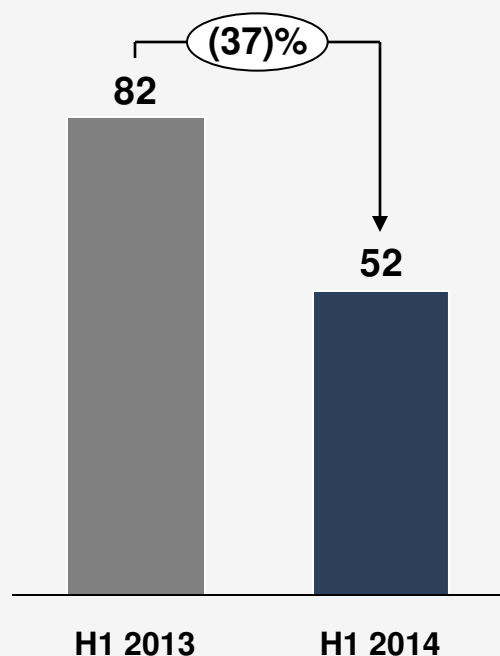


➔ Trade net working capital up 10% to EUR 456 million

## Non-recurrence of prior year infrastructure investments supports free cash flow generation

### Investments

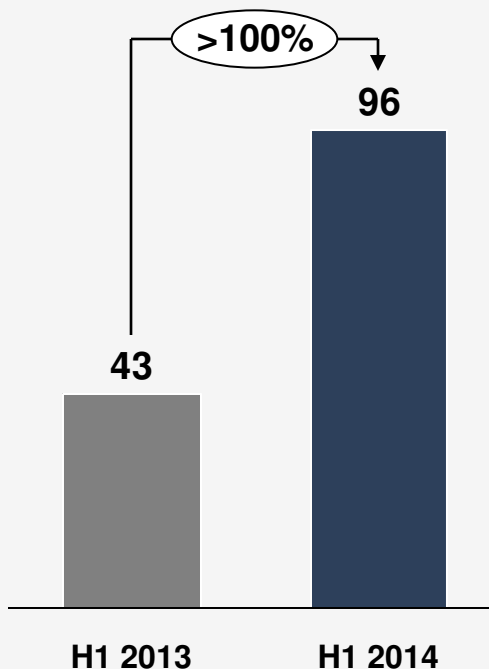
(in EUR million)



■ Moderation despite growing own retail investments

### Free cash flow

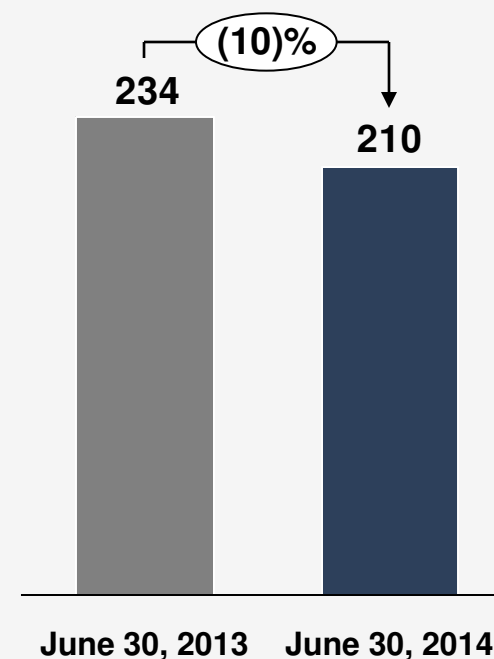
(in EUR million)



■ Cash generation supported by profit growth and lower investments

### Net debt

(in EUR million)



■ Free cash flow growth overcompensates higher dividend payout



## Agenda

**Half Year Results 2014**

**Update on Key Strategic Initiatives**

**Outlook**

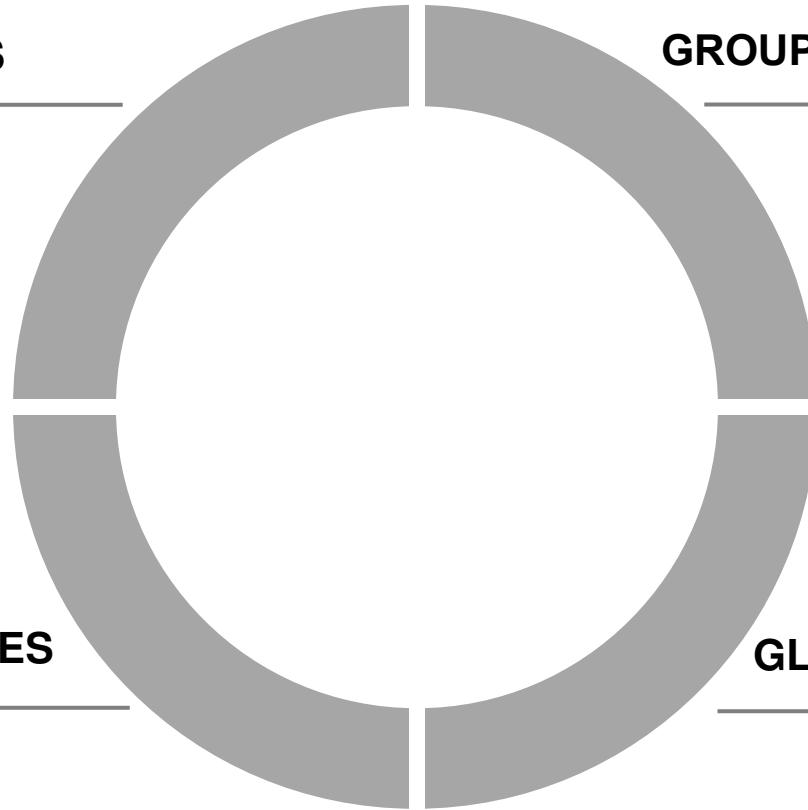
**Important initiatives in all areas of Group strategy**

**MAXIMIZING  
BRAND ATTRACTIVENESS**

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**GROWING THE  
GROUP'S OWN RETAIL BUSINESS**

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**IMPROVING  
OPERATIONAL PROCESSES**

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**LEVERAGING  
GLOBAL GROWTH POTENTIAL**

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**Womenswear has built momentum**



Unprecedented editorial coverage





## BOSS Womenswear to leave footprint at New York Fashion Week



New BOSS Ma Vie fragrance launched





HUGO BOSS AG - PHOTOS: JEFFREY MAYER



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Instagram: @boss\_hugo\_boss



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SHOP ONLINE: [HUGOBOS.COM](http://HUGOBOS.COM)



## Germany celebrates epic World Cup win in BOSS



## Martin Kaymer dominates US Open in BOSS



## HUGO BOSS and Mercedes-Benz enter into international cooperation





## HUGO BOSS seizes expansion opportunities in travel retail

**Hong Kong**  
Terminal 1



**Madrid**  
Terminal 4



**Heathrow**  
Terminal 2



**Copenhagen**  
Terminal 2

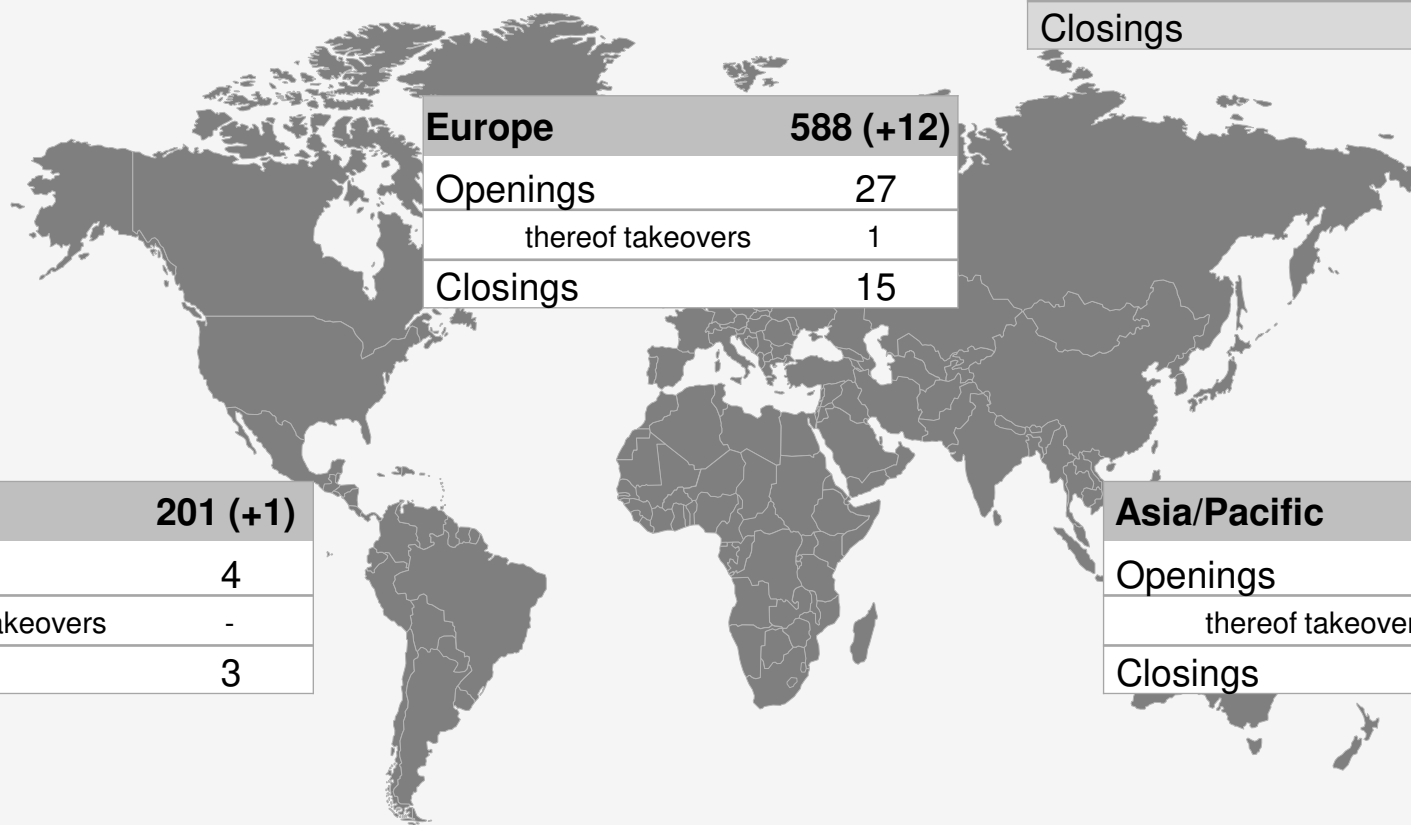


## Region Europe focus of retail expansion activities in the first half year

### Number of own retail stores as of June 30, 2014

(December 31, 2013: 1,010)

<b>TOTAL</b>	<b>1,028 (+18)</b>
Openings	51
thereof takeovers	14
Closings	33



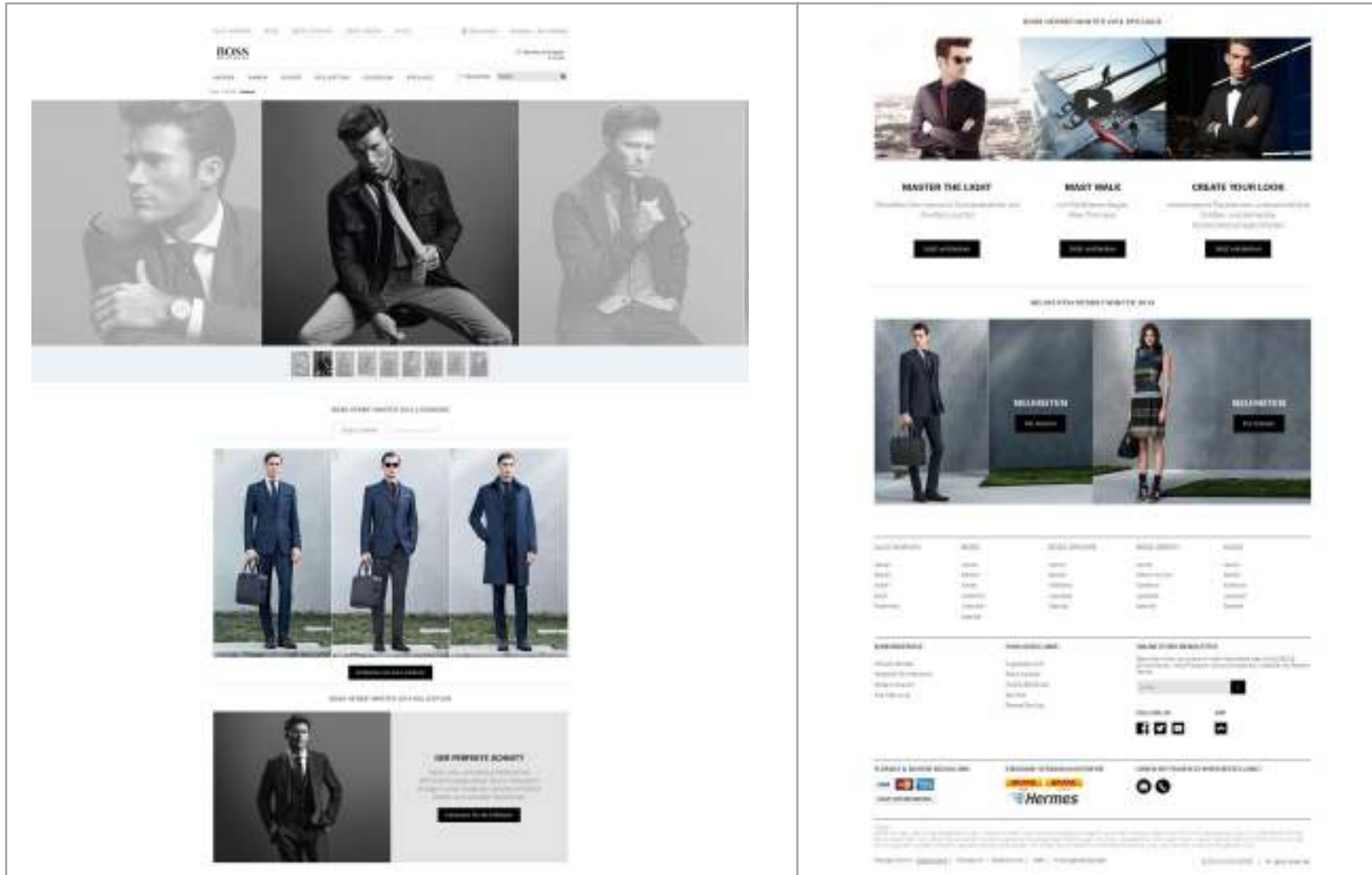
<b>Europe</b>	<b>588 (+12)</b>
Openings	27
thereof takeovers	1
Closings	15

<b>Americas</b>	<b>201 (+1)</b>
Openings	4
thereof takeovers	-
Closings	3

<b>Asia/Pacific</b>	<b>239 (+5)</b>
Openings	20
thereof takeovers	13
Closings	15

\* incl. Middle East and Africa.

Digital strategy progresses with improvements to hugoboss.com



## Flat-packed goods distribution center fully operational



## Agenda

**Half Year Results 2014**

**Update on Key Strategic Initiatives**

**Outlook**



Full year financial guidance reconfirmed

Outlook 2014

Sales growth (currency-adjusted)

High single-digit

Growth of EBITDA before special items

High single-digit

Capex

EUR 110 million - EUR 130 million

Own retail network

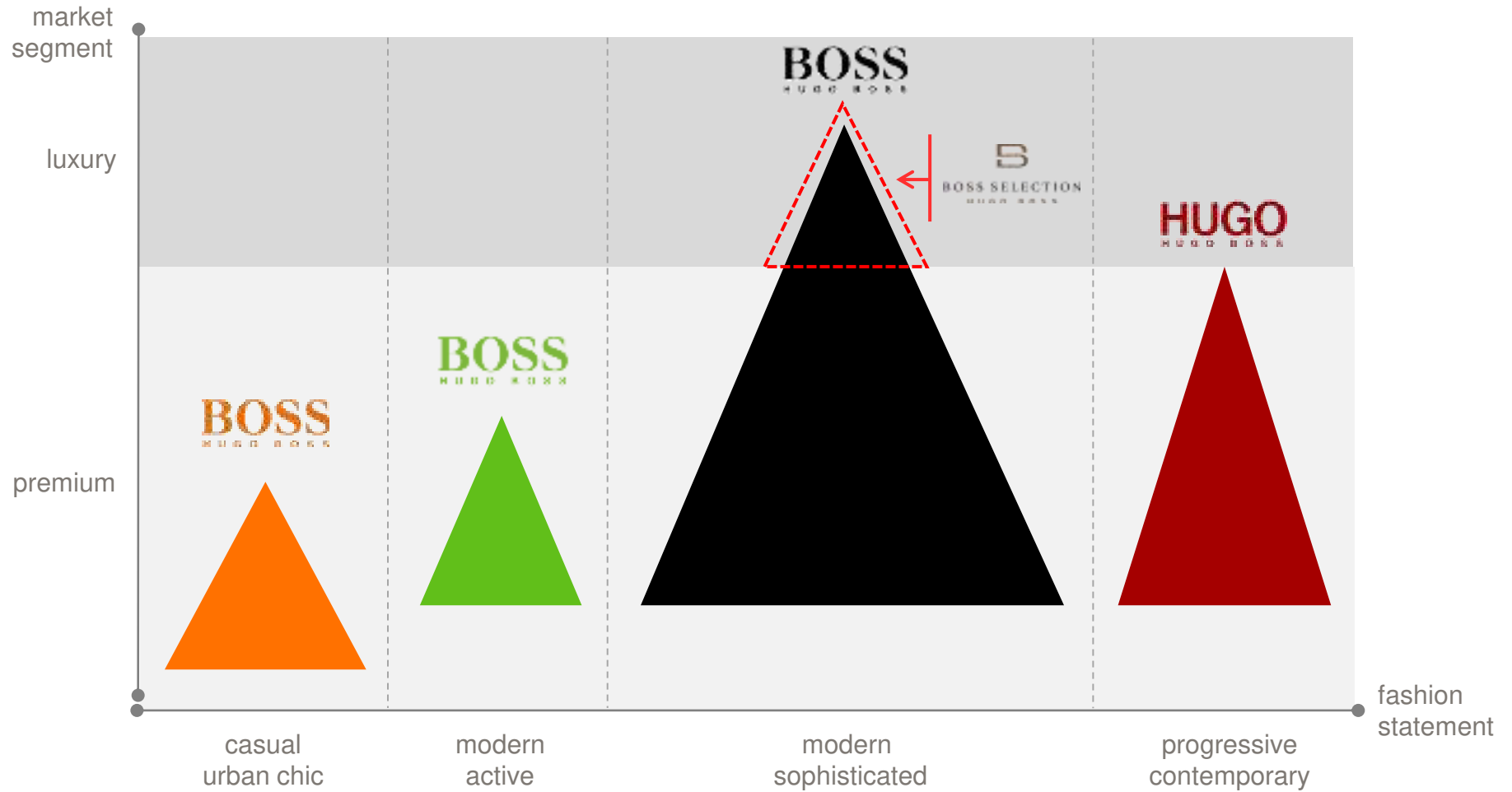
Around 50 net openings

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**BACKUP**

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## HUGO BOSS brand architecture



Brand portfolio

**BOSS**  
HUGO BOSS

**71%** of Group sales  
modern / sophisticated



**BOSS**  
HUGO BOSS

**8%** of Group sales  
modern / active



**BOSS**  
HUGO BOSS

**12%** of Group sales  
casual / urban chic



**HUGO**  
HUGO BOSS

**9%** of Group sales  
progressive / contemporary



## Sales by region 2013



### Asia/Pacific

14%

Share of Group sales\*



### Europe

60%



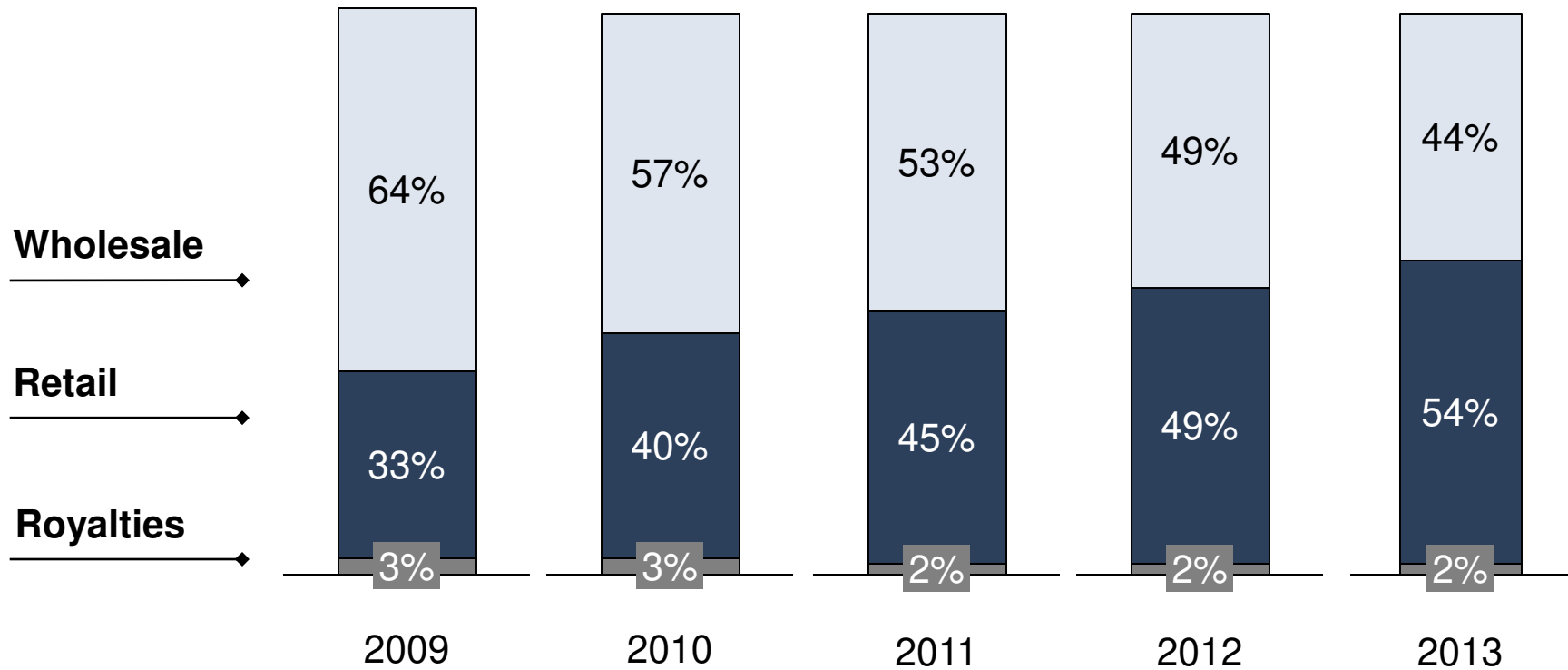
### Americas

24%

\*+2% Royalties.

## Sales split by distribution channel

### Sales by distribution channel



## Five year overview\*

in EUR million	2013	2012	2011	2010	2009
<b>Earnings Position</b>					
Sales	2,432.1	2,345.9	2,058.8	1,729.4	1,561.9
Gross profit	1,579.6	1,444.1	1,252.0	1,022.4	836.2
EBITDA	561.4	523.9	468.0	340.1	226.5
EBITDA before special items	564.7	528.1	469.5	353.7	269.2
EBIT	456.2	432.0	394.6	267.9	157.4
Net income attributable to equity holders of the parent company	329.0	306.5	284.9	188.9	105.5
<b>Financial Position and Dividend</b>					
Free cash flow	230.0	220.6	194.9	246.3	299.5
Net debt	57.0	130.4	149.1	201.1	379.1
Capital expenditures	185.3	165.8	108.5	55.6	48.3
Depreciation/amortization	105.3	91.9	73.4	72.2	69.1
Dividend	230.5	215.3	199.1	139.7	66.6
<b>Asset and Liability Structure</b>					
Total assets	1,501.3	1,577.2	1,419.6	1,342.8	1,065.4
Shareholders' equity	740.3	631.6	517.3	361.2	205.5
Trade net working capital	431.8	408.5	399.6	322.7	295.6
Non-current assets	611.5	587.7	503.2	454.5	435.0
<b>Key Ratios</b>					
Gross profit margin in %	64.9	61.6	60.8	59.1	53.5
Adjusted EBITDA margin in %	23.2	22.5	22.8	20.5	17.2
Total leverage**	0.1	0.2	0.3	0.6	1.4
Equity ratio in %	49.3	40.0	36.4	26.9	19.3

\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made.

\*\*Net debt/EBITDA before special items and expenses for the "Stock Appreciation Rights Program".

## Income statement

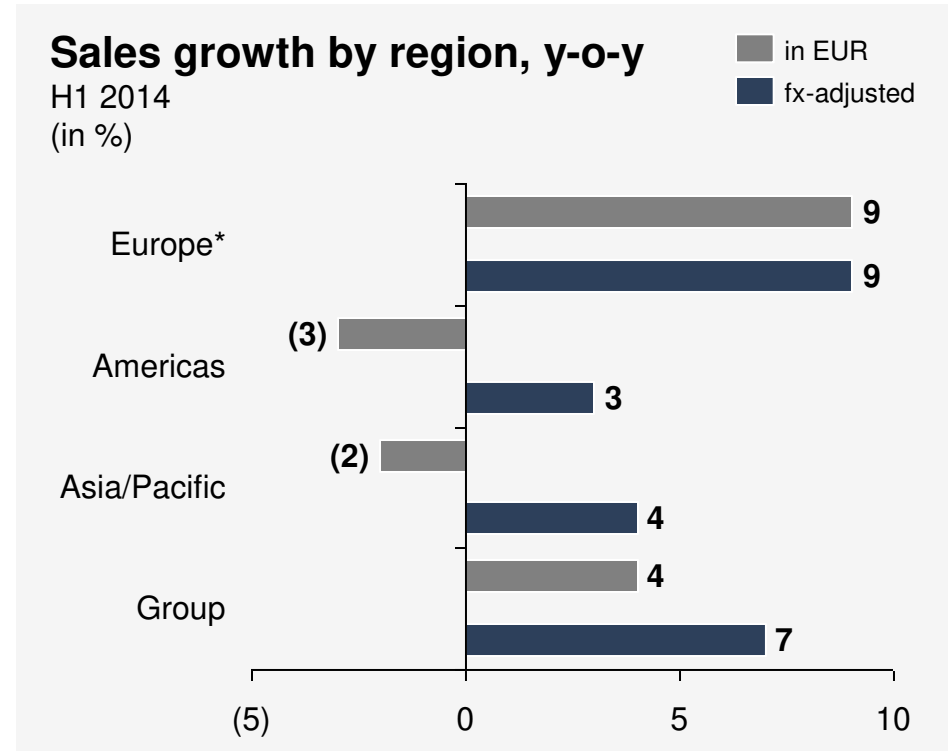
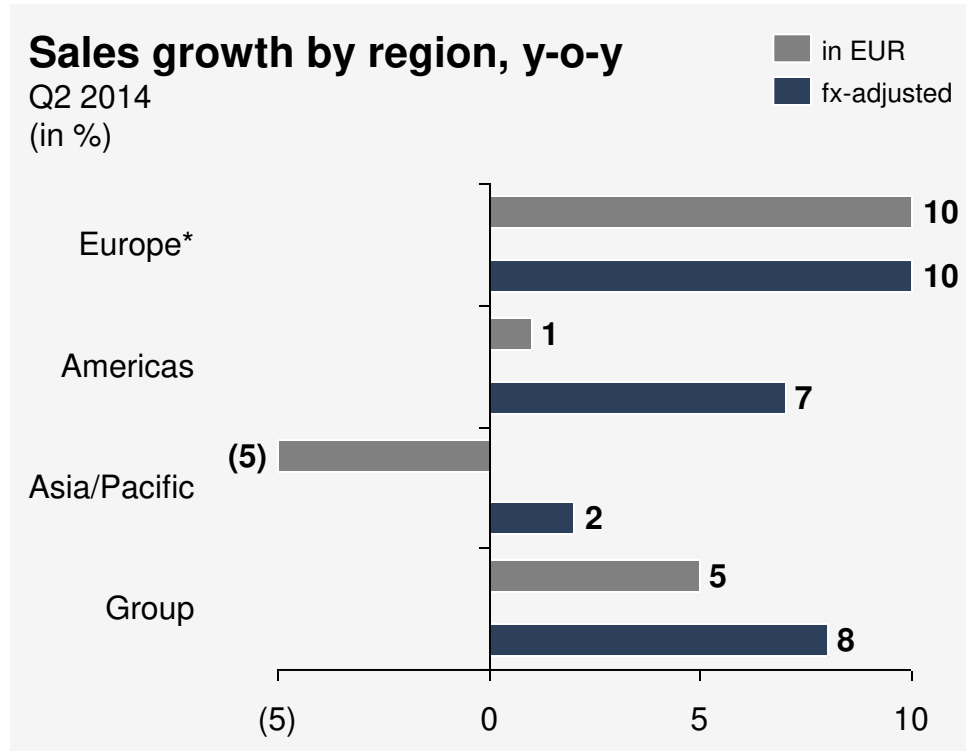
in EUR million						
	Q2 2014	Q2 2013*	Change in %	H1 2014	H1 2013*	Change in %
<b>Sales</b>	<b>558.9</b>	<b>531.7</b>	<b>5</b>	<b>1,171.5</b>	<b>1,125.2</b>	<b>4</b>
Cost of sales	(185.8)	(185.0)	0	(397.9)	(411.6)	3
<b>Gross profit</b>	<b>373.1</b>	<b>346.7</b>	<b>8</b>	<b>773.6</b>	<b>713.6</b>	<b>8</b>
In % of sales	66.7	65.2	150 bp	66.0	63.4	260 bp
Selling and distribution expenses	(227.9)	(211.6)	(8)	(460.4)	(408.1)	(13)
Administration expenses	(60.0)	(55.3)	(8)	(120.8)	(114.5)	(5)
Other operating income and expenses	(2.3)	(4.2)	45	(0.8)	(4.1)	80
<b>Operating result (EBIT)</b>	<b>82.9</b>	<b>75.6</b>	<b>10</b>	<b>191.6</b>	<b>186.9</b>	<b>3</b>
In % of sales	14.8	14.2	60 bp	16.4	16.6	(20) bp
Net interest income/expense	(1.5)	(2.4)	38	(2.0)	(6.1)	67
Other financial items	0.1	(4.0)	> 100	(2.0)	(5.2)	62
<b>Financial result</b>	<b>(1.4)</b>	<b>(6.4)</b>	<b>78</b>	<b>(4.0)</b>	<b>(11.3)</b>	<b>65</b>
<b>Earnings before taxes</b>	<b>81.5</b>	<b>69.2</b>	<b>18</b>	<b>187.6</b>	<b>175.6</b>	<b>7</b>
Income taxes	(18.7)	(15.9)	(18)	(43.2)	(40.4)	(7)
<b>Net income</b>	<b>62.8</b>	<b>53.3</b>	<b>18</b>	<b>144.4</b>	<b>135.2</b>	<b>7</b>
Attributable to:						
Equity holders of the parent company	62.5	52.2	20	143.2	133.8	7
Non-controlling interests	0.3	1.1	(73)	1.2	1.4	(14)
<b>Earnings per share (EUR)**</b>	<b>0.90</b>	<b>0.76</b>	<b>18</b>	<b>2.07</b>	<b>1.94</b>	<b>7</b>
<b>EBITDA before special items</b>	<b>110.2</b>	<b>101.8</b>	<b>8</b>	<b>241.5</b>	<b>234.3</b>	<b>3</b>
In % of sales	19.7	19.1	60 bp	20.6	20.8	(20) bp

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\*\*Basic and diluted earnings per share.



## Sales by region

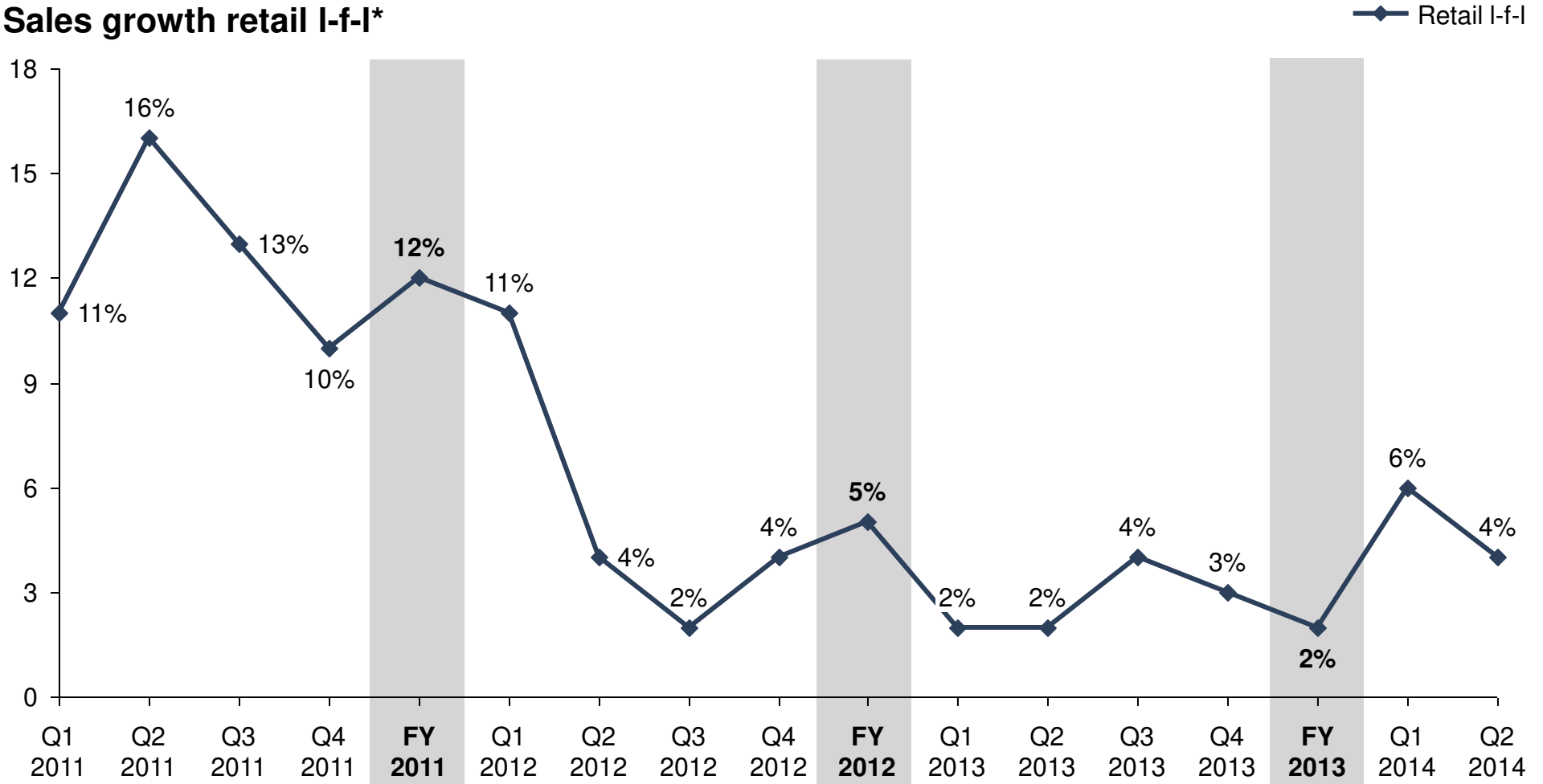


- UK and Germany strongest growing major markets in **Europe**
- **Americas** return to growth in second quarter
- Increases in **Asia/Pacific** supported by good performance in Australia and Japan

\*incl. Middle East and Africa.

## Retail comp stores sales growth

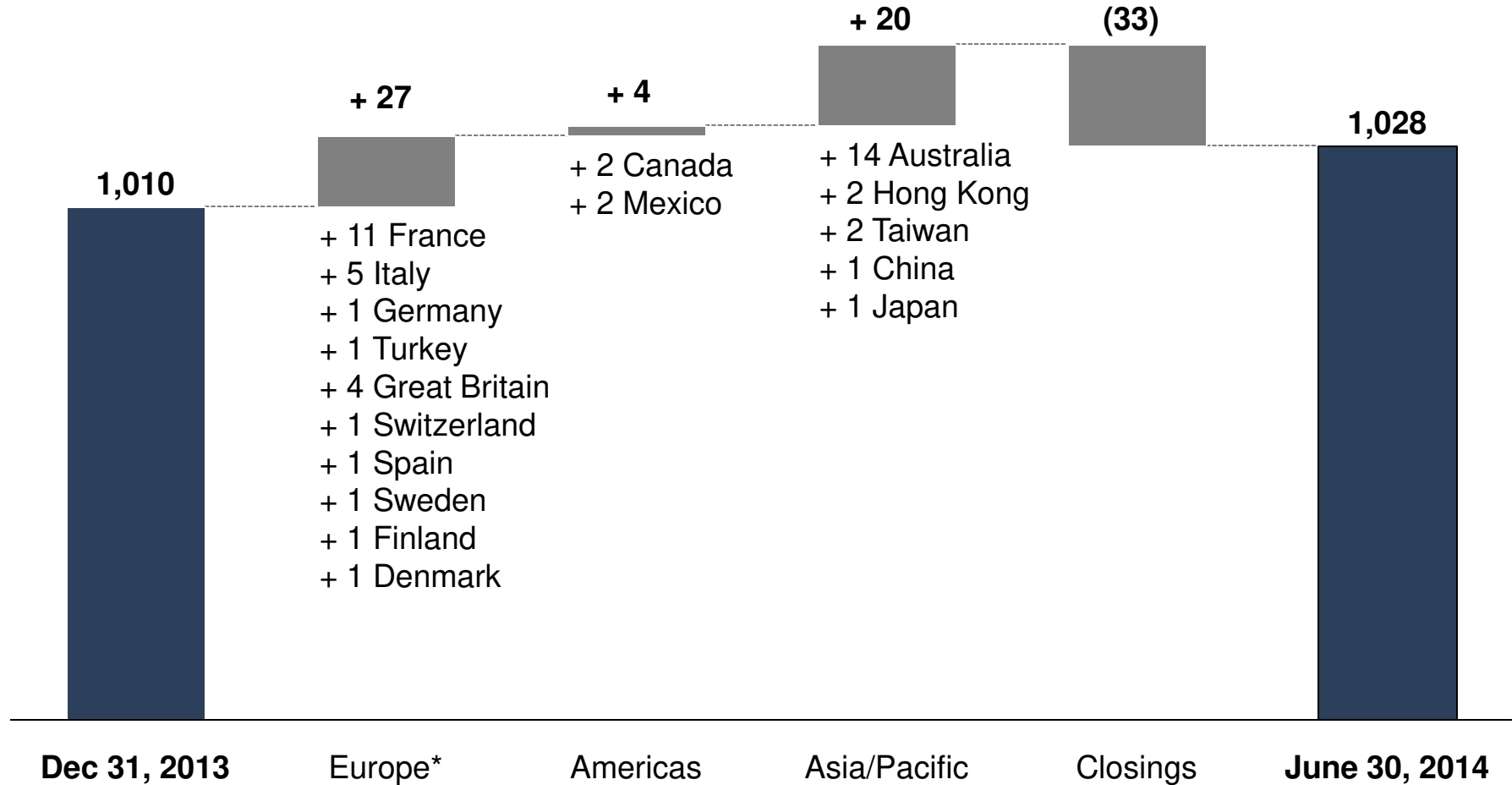
### Sales growth retail I-f-I\*



\*fx-adjusted.

Retail network

Number of own retail stores:

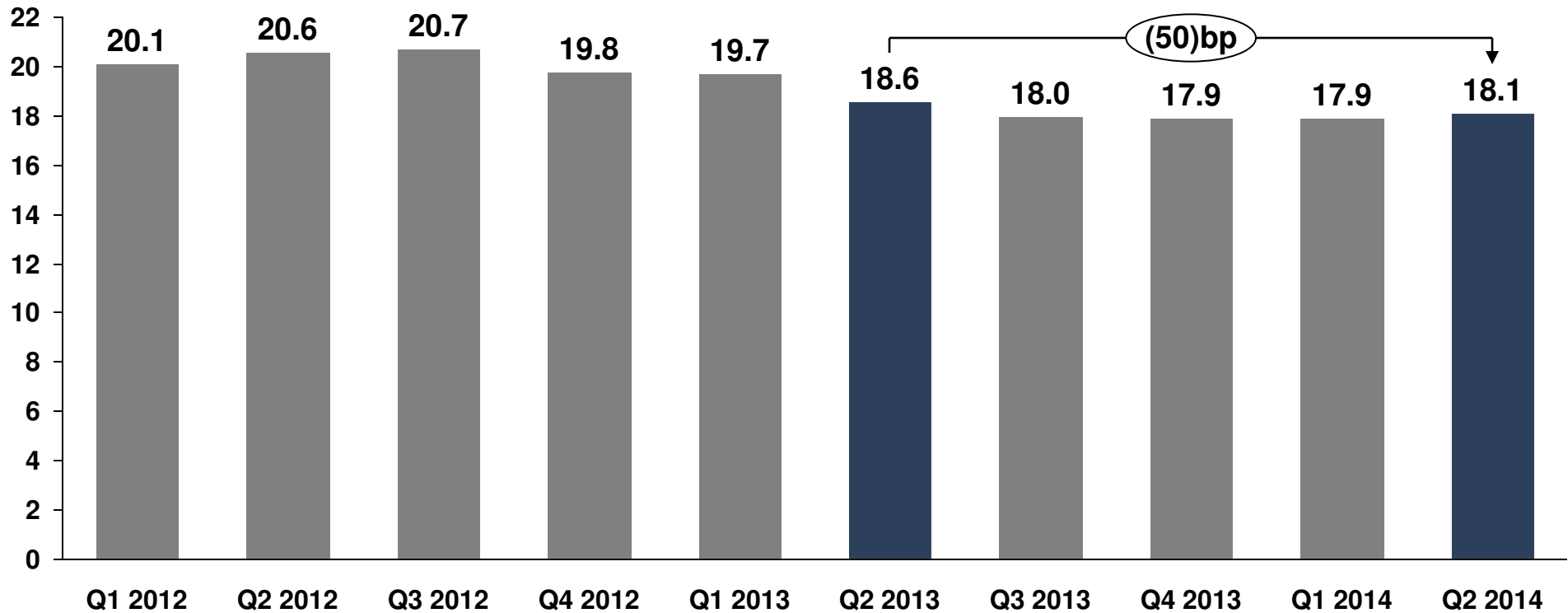


\*Europe incl. Middle East and Africa.

## Trade net working capital

### Average trade net working capital as a percentage of sales by quarter\*

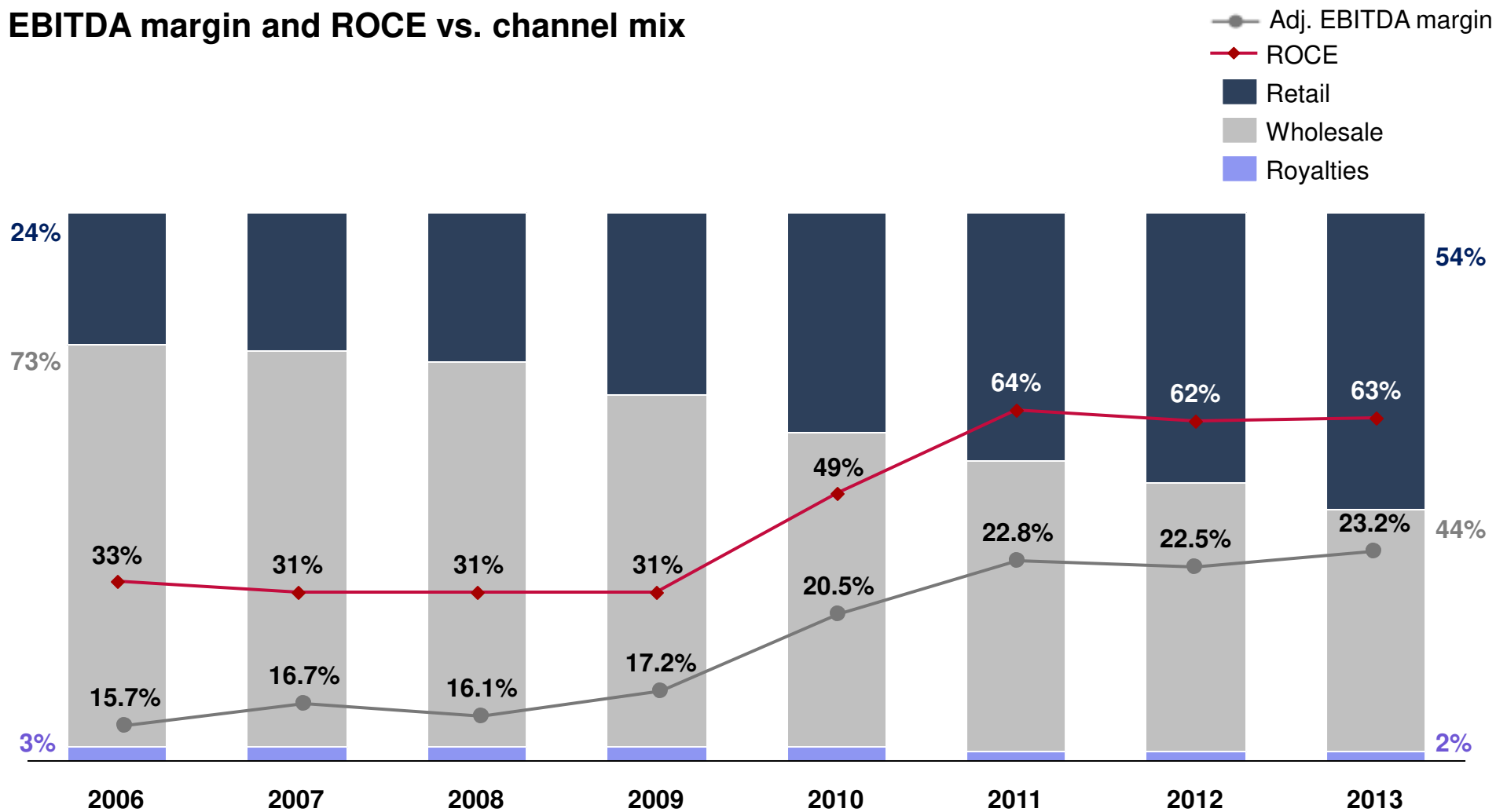
(in %)



\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made.

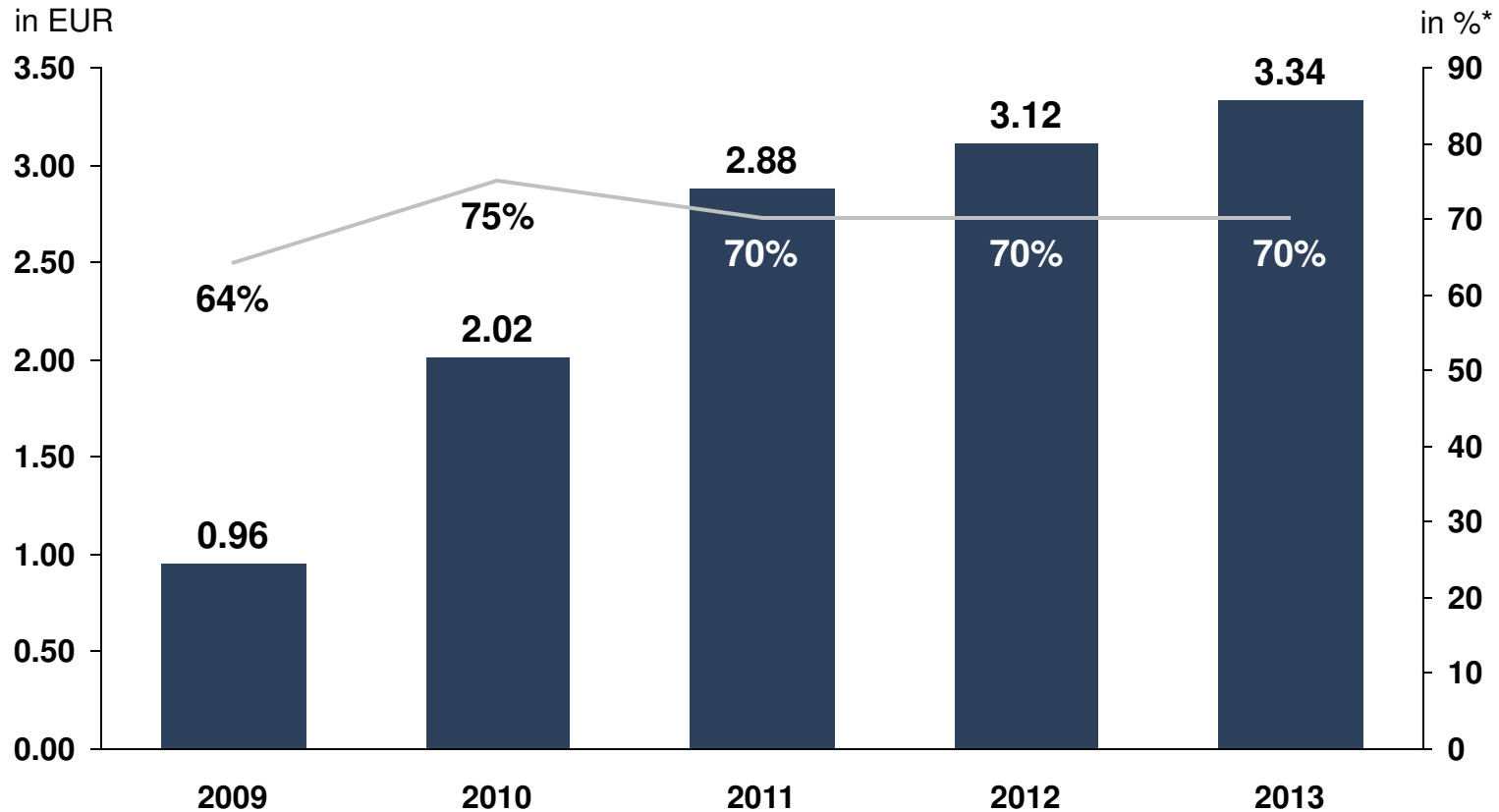
## ROCE development

### EBITDA margin and ROCE vs. channel mix



## Dividends

### Dividend and payout ratio

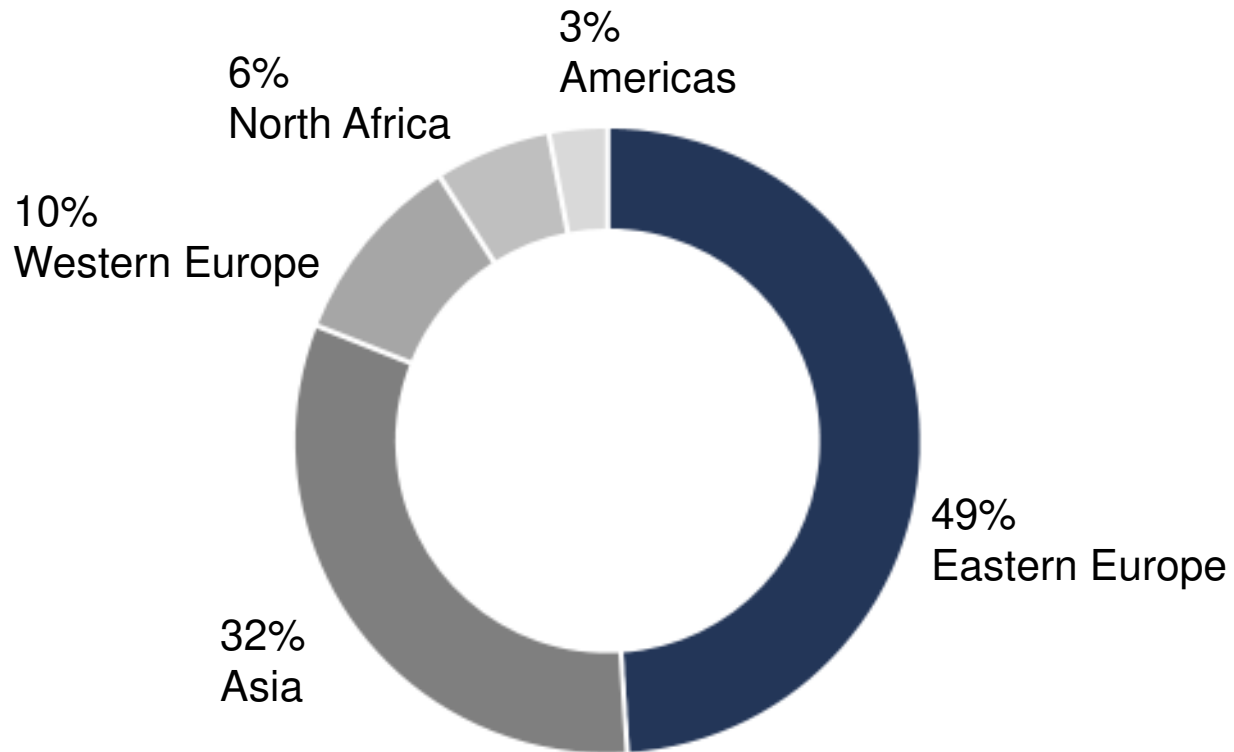


Proposal in line with dividend policy of 60% to 80% payout of consolidated net profit

\*As a percentage of net income attributable to the shareholders of the parent company.

## Sourcing structure

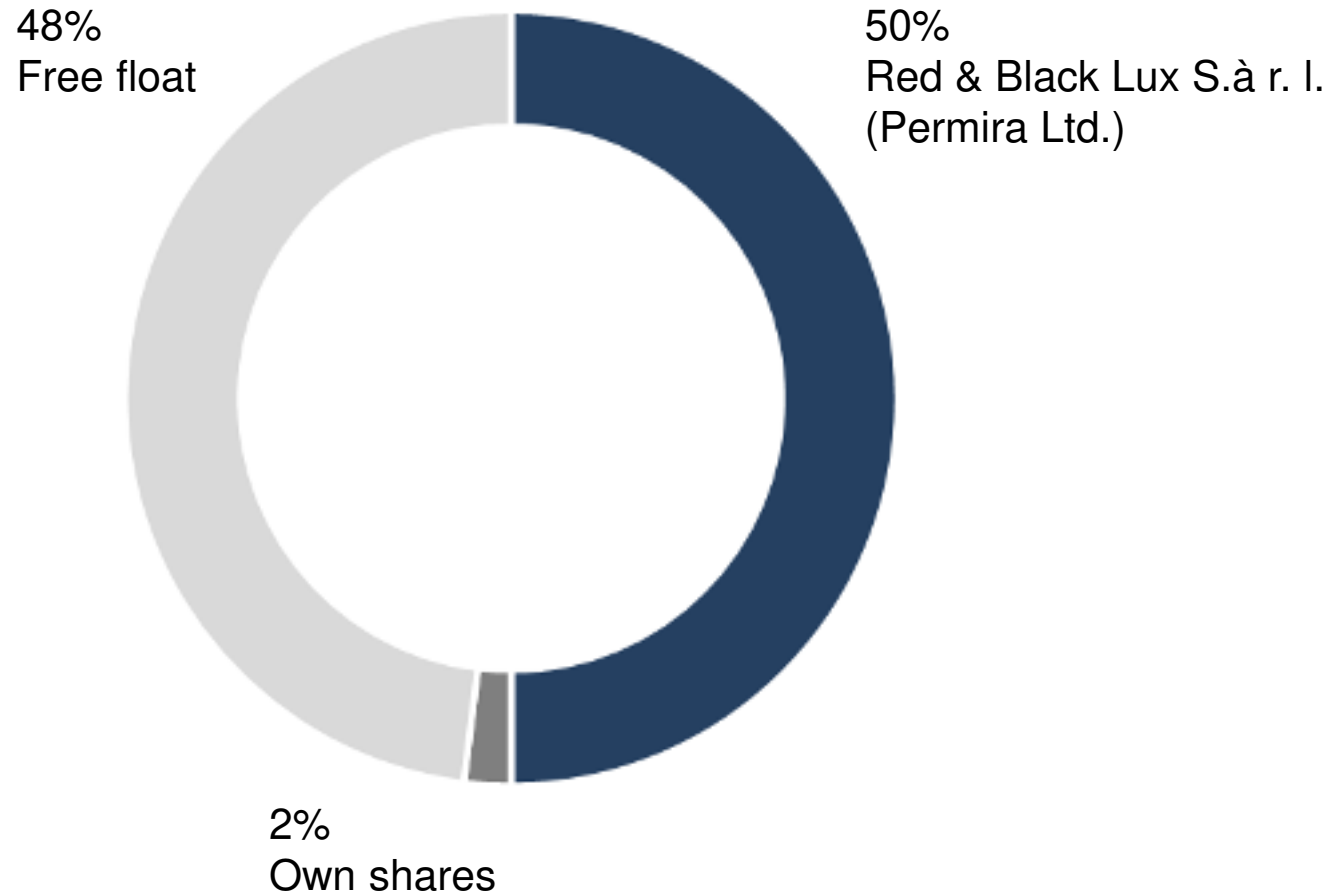
### Regional split of sourcing and production volume 2013\*



\*80% Third party production  
20% Own production



## Shareholder structure\*



\*Source: Share register, as of July 31, 2014.

## Financial calendar 2014

Date	Event
November 4, 2014	Nine Months Results
November 19, 2014	Investor Day

## Investor Relations contact

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**Head of Investor Relations**

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Internet: [www.hugoboss.com](http://www.hugoboss.com)

## **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.

**H U G O B O S S**