

# HUGO BOSS

Press Release

HUGO BOSS Nine Months Results 2011

## **Sales and profits continue to grow strongly in the third quarter**

- **Group sales 20% up in the first nine months after adjustment for currency effects**
- **Operating result (EBITDA before special items) increases by 36% to EUR 372 million**
- **Adjusted EBITDA margin reaches 23.9%**
- **Forecast for the year as a whole confirmed**

**Metzingen, November 2, 2011.** HUGO BOSS can look back on a successful third quarter, in which sales and profits recorded double-digit growth once more.

“The results of the third quarter underline the appeal and strength of our brands as well as the successful expansion of our global distribution network in both own retail and wholesale”, said Claus-Dietrich Lahrs, CEO and Chairman of the Managing Board of HUGO BOSS AG, at the publication of the nine months results. “We are very confident that we will reach our sales and earnings forecast for the year as a whole.”

### **Double-digit increase in EBITDA before special items in the third quarter**

On a currency-neutral basis, sales rose by 16% in the third quarter. In euro, this equates to growth of 14% to EUR 615 million (2010: EUR 538 million). The increase was supported by double-digit currency-adjusted growth rates in all regions (Europe +14%, America +22%, Asia/Pacific +20%). In wholesale, currency-neutral sales were 9% above the previous year’s figure. After adjustment for currency effects, sales in own retail (including outlets and online stores) exceeded the previous year’s figure by 30%. On a comp store basis, currency-neutral growth reached 6% in the third quarter. The gross margin fell by

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40 basis points to 58.8% (2010: 59.2%). This was a result of higher absolute inventory write-downs following the inventory increase despite an improvement of the write-down quota compared to the prior year quarter. Thanks to efficiency improvements, EBITDA before special items rose more strongly than sales by 18% to EUR 177 million (2010: EUR 150 million). The adjusted EBITDA margin therefore increased by 90 basis points to 28.8% (2010: 27.9%) in the third quarter.

## **The adjusted EBITDA margin climbed to 23.9% in the first nine months**

HUGO BOSS Group sales increased by 20% on a currency-neutral basis in the first nine months of 2011. In the reporting currency, this equates to growth of 19% to EUR 1,560 million (2010: EUR 1,307 million). In Europe, sales on a currency-neutral basis rose by 15%. In America and Asia/Pacific, growth of 25% and 41% respectively was recorded. Wholesale sales increased by 10% after adjustments for currency effects. In own retail, sales were 38% above the previous year's figure in the first nine months. Comp store sales increased 9% on a currency-neutral basis. The above-average sales growth in own retail and a higher share of sales at full price contributed to the gross margin increasing by 190 basis points to 59.9% (2010: 58.0%). Supported by improvements in efficiency, EBITDA before special items rose 36% to EUR 372 million (2010: EUR 273 million). At 23.9%, the adjusted EBITDA margin therefore improved by 300 basis points in comparison to the previous year (2010: 20.9%).

## **Increase in net working capital**

At EUR 329 million, net working capital was 18% above the prior year level (September 30, 2010: EUR 278 million). Inventories grew by 23% to EUR 399 million (September 30, 2010: EUR 325 million). The increase is primarily attributable to the continued expansion of the own retail business. Adjusted for currency and consolidation effects, the increase amounted to 19%.

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## **Net financial liabilities are decreasing**

At the end of the reporting period, net financial liabilities amounted to EUR 247 million and were 19% below the previous year's figure (September 30, 2010: EUR 304 million). The main reason for the decrease was the marked improvement in consolidated net income.

## **Forecast for the year as a whole confirmed**

On the basis of the third quarter's results and positive feedback from retailers, the Managing Board confirmed its targets for 2011. Group sales should rise by 15%-17% on a currency-adjusted basis. This development is driven by the continued expansion of own retail and strong growth in China and the USA. An increase of 25%-30% is forecasted for the operating result (EBITDA before special items).

## **Additional information**

The detailed Nine Months Report 2011 and additional information on HUGO BOSS AG can be found at <http://group.hugoboss.com>.

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## Consolidated Balance Sheet

<b>Assets</b>	<b>September 30,</b>	<b>September 30,</b>
<b>in EUR million</b>	<b>2011</b>	<b>2010</b>
Intangible assets	138.1	131.3
Property, plant and equipment	259.3	261.9
Deferred tax assets	60.8	45.9
Non-current financial assets	14.4	14.4
Non-current tax receivables	2.6	3.3
Other non-current assets	2.5	3.3
<b>Non-current assets</b>	<b>477.7</b>	<b>460.1</b>
Inventories	399.3	325.2
Trade receivables	234.3	212.3
Current tax receivables	7.6	13.7
Current financial assets	11.1	13.1
Other current assets	49.1	53.4
Cash and cash equivalents	111.4	193.5
<b>Current assets</b>	<b>812.8</b>	<b>811.2</b>
<b>Total assets</b>	<b>1,290.5</b>	<b>1,271.3</b>

<b>Equity and Liabilities</b>	<b>September 30,</b>	<b>September 30,</b>
<b>in EUR million</b>	<b>2011</b>	<b>2010</b>
Subscribed capital	70.4	70.4
Own shares	(42.3)	(42.3)
Capital reserve	0.4	0.4
Retained earnings	207.3	161.1
Accumulated other comprehensive income	(32.9)	(40.9)
Profit attributable to equity holders of the parent company	231.1	153.9
<b>Equity attributable to equity holders of the parent company</b>	<b>434.0</b>	<b>302.6</b>
Minority interests	20.9	14.7
<b>Group equity</b>	<b>454.9</b>	<b>317.3</b>
Non-current provisions	45.0	51.5
Non-current financial liabilities	355.4	466.3
Deferred tax liabilities	34.2	18.9
Other non-current liabilities	14.6	23.4
<b>Non-current liabilities</b>	<b>449.2</b>	<b>560.1</b>
Current provisions	71.1	73.6
Current financial liabilities	30.4	70.7
Income tax payables	53.9	36.8
Trade payables	163.4	146.8
Other current liabilities	67.6	66.0
<b>Current liabilities</b>	<b>386.4</b>	<b>393.9</b>
<b>Total equity and liabilities</b>	<b>1,290.5</b>	<b>1,271.3</b>

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## Consolidated Income Statement

	Jan. - Sep. 2011	Jan. - Sep. 2010	Change in %
<b>in EUR million</b>			
<b>Net sales</b>	<b>1,559.6</b>	<b>1,307.0</b>	<b>19</b>
Cost of sales	(596.4)	(521.0)	(14)
Direct selling expenses	(29.0)	(28.3)	(2)
<b>Gross profit</b>	<b>934.2</b>	<b>757.7</b>	<b>23</b>
in % of sales	59.9	58.0	1.9 pp
Selling and distribution expenses	(473.2)	(403.0)	(17)
Administration costs and other operating income and expenses	(139.6)	(139.0)	0
<b>Operating result (EBIT)</b>	<b>321.4</b>	<b>215.7</b>	<b>49</b>
in % of sales	20.6	16.5	4.1 pp
Net interest income/expense	(11.8)	(12.9)	9
Other financial items	1.2	0.3	>100
<b>Financial result</b>	<b>(10.6)</b>	<b>(12.6)</b>	<b>16</b>
<b>Earnings before taxes</b>	<b>310.8</b>	<b>203.1</b>	<b>53</b>
Income taxes	(74.6)	(48.3)	(54)
<b>Net income</b>	<b>236.2</b>	<b>154.8</b>	<b>53</b>
<b>Attributable to:</b>			
Equity holders of the parent company	231.1	153.9	50
Minority interests	5.1	0.9	>100
<b>Net income</b>	<b>236.2</b>	<b>154.8</b>	<b>53</b>
<b>Earnings per share (EUR)<sup>1</sup></b>			
Common share	3.34	2.24	49
Preferred share	3.35	2.25	49

<sup>1</sup> Basic and diluted earnings per share.

## EBITDA and Special Items

	Jan. - Sep. 2011	Jan. - Sep. 2010	Change in %
<b>in EUR million</b>			
<b>EBITDA before special items</b>	<b>372.1</b>	<b>273.0</b>	<b>36</b>
Special items	0.0	(9.7)	>100

## Sales by Region and Channel

	Jan. - Sep. 2011	Jan. - Sep. 2010	Change in %	Change in % Currency-adjusted
<b>in EUR million</b>				
Europe	985.4	846.7	16	15
Americas	326.4	276.4	18	25
Asia/Pacific	215.2	154.2	40	41
Royalties	32.6	29.7	10	10
<b>Total</b>	<b>1,559.6</b>	<b>1,307.0</b>	<b>19</b>	<b>20</b>
Wholesale	896.2	813.9	10	10
Group's own retail business	630.8	463.3	36	38

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## Consolidated Income Statement

	Q3 2011	Q3 2010	Change in %
<b>in EUR million</b>			
<b>Net sales</b>	<b>615.0</b>	<b>538.0</b>	<b>14</b>
Cost of sales	(241.1)	(205.1)	(18)
Direct selling expenses	(12.0)	(14.5)	17
<b>Gross profit</b>	<b>361.9</b>	<b>318.4</b>	<b>14</b>
in % of sales	58.8	59.2	(0.4) pp
Selling and distribution expenses	(159.1)	(140.8)	(13)
Administration costs and other operating income and expenses	(43.1)	(49.0)	12
<b>Operating result (EBIT)</b>	<b>159.7</b>	<b>128.6</b>	<b>24</b>
in % of sales	26.0	23.9	2.1 pp
Net interest income/expense	(4.1)	(4.2)	0
Other financial items	2.0	(3.7)	>100
<b>Financial result</b>	<b>(2.1)</b>	<b>(7.9)</b>	<b>73</b>
<b>Earnings before taxes</b>	<b>157.6</b>	<b>120.7</b>	<b>31</b>
Income taxes	(37.9)	(28.5)	(33)
<b>Net income</b>	<b>119.7</b>	<b>92.2</b>	<b>30</b>
<b>Attributable to:</b>			
Equity holders of the parent company	118.0	91.3	29
Minority interests	1.7	0.9	90
<b>Net income</b>	<b>119.7</b>	<b>92.2</b>	<b>30</b>
<b>Earnings per share (EUR)<sup>1</sup></b>			
Common share	1.71	1.34	28
Preferred share	1.71	1.34	28

<sup>1</sup> Basic and diluted earnings per share.

## EBITDA and Special Items

	Q3 2011	Q3 2010	Change in %
<b>in EUR million</b>			
<b>EBITDA before special items</b>	<b>177.0</b>	<b>149.8</b>	<b>18</b>
Special items	0.4	(4.6)	>100

## Sales by Region and Channel

	Q3 2011	Q3 2010	Change in %	Change in % Currency-adjusted
<b>in EUR million</b>				
Europe	409.1	356.8	15	14
Americas	121.2	107.5	13	22
Asia/Pacific	72.4	62.5	16	20
Royalties	12.4	11.1	12	12
<b>Total</b>	<b>615.0</b>	<b>537.9</b>	<b>14</b>	<b>16</b>
Wholesale	380.7	351.3	8	9
Group's own retail business	222.0	175.5	27	30