BUSINESS ACTIVITIES AND GROUP STRUCTURE

HUGO BOSS strives to strengthen and grow its position as one of the market leaders in the premium and luxury segment of the global apparel market. Headquartered in Metzingen, the Group generated with almost 12,500 employees a net income of EUR 2.4 billion in fiscal year 2013, making it one of the most profitable listed apparel manufacturers in the world.

The HUGO BOSS Group is one of the market leaders in the premium and luxury segment of the global apparel market. The Group focuses on the development and marketing of premium fashion and accessories for men and women. With its brand world, HUGO BOSS caters for clearly defined target groups. The brands cover a comprehensive product range encompassing classic to modern apparel, elegant evening wear and sportswear, shoes, leather accessories as well as licensed fragrances, eyewear, watches, children’s fashion, home textiles and mobile accessories. → Brand World

HUGO BOSS leverages targeted marketing measures to raise the appeal of its brands. Apart from above-the-line marketing instruments such as print and out-of-home media, the relevant target groups are increasingly reached using digital channels. In light of the expansion of the Group’s own retail business, the importance of point-of-sale marketing is also mounting. Sports sponsorship campaigns focus on premium sports such as Formula 1, golf or sailing that ideally convey brand values such as dynamism, perfection and precision. In its art sponsorship activities, the Group underscores the common ground that art and fashion share with respect to design, aesthetics and creativity. The Company emphasizes these attributes further with high-profile fashion events in the world’s fashion capitals that raise the desirability and acceptance of the Group’s brands among key target groups, while adding emotional appeal to the HUGO BOSS brand world. → Targeted brand communication

A part of the overall HUGO BOSS product assortment is produced in-house. In addition, products are manufactured by independent suppliers that are mainly located in Eastern Europe and Asia. The Company sells its collections in 127 countries around the globe. The Group’s sales regions are Europe (60 % of sales), the Americas (24 % of sales) and Asia/Pacific (14 % of sales). In addition, 2 % of sales are generated from royalties. → Sourcing and Production → Development of the Business Segments

Today, HUGO BOSS customers can buy products at approximately 7,100 points of sale. Some 6,100 are operated by wholesale partners, that is department stores and, often, family-run specialist stores as well as franchise partners. Department store partners sell HUGO BOSS products either in shop-in-shops or in a multi-brand setting. Franchise partners operate freestanding HUGO BOSS stores. Sales with franchise partners are also reported in the → Growing importance of Group’s own retail business
while the share of the wholesale business is decreasing, making up 44% of total sales in fiscal year 2013, the importance of the Group’s own retail business is growing dynamically. This includes freestanding stores in prime retail locations, shop-in-shops operated by the Group in multi-brand environments and factory outlets. At the same time, online sales are also gaining in importance. At present, the Group operates online stores in Germany, Great Britain, France, Spain, Italy, the Netherlands, Belgium, Austria, Switzerland, the United States and China. The number of points of sale owned by the Group saw a net increase of 170 to 1,010 in the past year. In total, the Group generated 54% of its sales from its own retail business in fiscal year 2013.

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<thead>
<tr>
<th>Group’s own retail business</th>
<th>Wholesale</th>
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<tbody>
<tr>
<td>Freestanding stores: Freestanding stores operated by the Group in prime locations</td>
<td>Shop-in-shops: Shops operated by wholesale partners</td>
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<tr>
<td>Shop-in-shops: Shops operated by the Group on retail space of partners</td>
<td>Multi-brand points of sale: Category business sales areas without HUGO BOSS branding</td>
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<td>Factory outlets: Sale of prior season’s merchandise in specialist stores in high-traffic peripheral zones</td>
<td>Franchise business: Freestanding stores operated by partners</td>
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<td>E-commerce: HUGO BOSS online stores in a number of different countries around the globe</td>
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The HUGO BOSS Group is managed by the parent company HUGO BOSS AG, based in Metzingen, Germany, where all of the Group management functions are bundled. As a German stock corporation, HUGO BOSS AG has a dual management and control structure. The Managing Board is responsible for the Group’s strategy and its management. The Supervisory Board advises the Managing Board and oversees its management activities. Apart from HUGO BOSS AG, the Group comprises 54 consolidated subsidiaries that are responsible for local business activities. Of these, 34 are organized as distribution companies. With few exceptions, HUGO BOSS AG has complete control over all subsidiaries. All subsidiaries are operated as independent profit centers and are responsible for their results of operations.

The HUGO BOSS Group has aligned its structure regionally and bundled its local business activities into three regional organizational units: Europe including the Middle East and Africa; the Americas; and Asia/Pacific. These three regions together with the Royalties business make up the Group’s four operating segments. Responsibility for the central functions is allocated to the individual members of the Managing Board, and bundled at the Group’s headquarters.
In close consultation with the Managing Board, the three regional organizational units, under the leadership of their respective regional directors, secure implementation of the Group’s strategy in each market environment. The directors are charged with securing cooperation with those responsible at country-level within their respective regions, particularly as regards the regional adaptation of the distribution strategy in the wholesale and retail business as well as the development of sales and earnings. This regional emphasis of distribution structures brings the Group closer to customers, improves responsiveness to market trends and eases adaptation to market characteristics. Moreover, it enables the fast exchange of knowledge through the close integration of local companies.
02|03 KEY LOCATIONS/GLOBAL MARKET PRESENCE

AMERICAS

<table>
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<tr>
<th>Points of sale</th>
<th>~ 1,550</th>
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<tr>
<td>Own retail stores</td>
<td>200</td>
</tr>
<tr>
<td>Showrooms</td>
<td>2</td>
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</table>
### Key Locations / Global Market Presence

- **Germany, Metzingen and surrounding areas**
  - Headquarters Group and Europe, development and pattern design, production, warehouse

- **Poland, Radom**
  - Production

- **Switzerland, Coldrerio**
  - Development and pattern design

- **Turkey, Izmir**
  - Production

- **Italy, Morrovalle and Scandicci**
  - Development and pattern design, production

- **Hong Kong**
  - Headquarters Asia/Pacific

### Business Activities and Group Structure

#### Europe (including Middle East and Africa)

- **Points of sale**: ~5,100
- **Own retail stores**: 576
- **Showrooms**: 17

#### Asia/Pacific

- **Points of sale**: ~450
- **Own retail stores**: 234
- **Showrooms**: 2