



## Quarterly Compliance Report based on AAOIFI Shariah Mandate (Q1-2011)

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### Hugo Boss AG Preference (BOS3 DE)

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#### Description

Hugo Boss AG is a Germany-based manufacturer of clothing for the international fashion market. The Company is represented by two core brands: BOSS and HUGO. The Company's core brand, BOSS includes such collections as BOSS Black, providing business ensembles, casual sports clothing and evening wear for men and women; BOSS Selection, offering luxury menswear and accessories; BOSS Orange, offering casual, vibrant colors fashion for men and women; and BOSS Green, a fashion-oriented collection of menswear which also offers accessories. The HUGO brand provides unconventional and avant-garde fashion for men and women.

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#### Company Status

IdealRatings analysts have issued a new report regarding the company:

<b>Name:</b>	Hugo Boss AG (Preference)
<b>Ticker:</b>	BOS3 DE
<b>ISIN:</b>	DE0005245534
<b>Country:</b>	Germany
<b>Core Business Activity:</b>	Apparel / Accessories
<b>Exchange:</b>	XETRA
<b>Compliance Status:</b>	Not Shariah-compliant

#### Overview

IdealRatings reviewed the most recent financial statements (Q1-2011) for Hugo Boss AG (Preference). The report has been prepared to determine the Shariah-compliance status of the company based on the AAOIFI Shariah mandate.

#### Business Screening

Based on the business of the company the core business is in apparel and accessories which is compliant from a business perspective.

The interest income of the company is minor and does not exceed the acceptable threshold level.

Therefore the status of the company from a business activity is as follows:

	Threshold	Company	Compliance
<b>Non-permissible Income</b>	5%	Less than 5%	<b>PASS</b>

### Financial Screening

According to the most recent available financial statement with adequate information (A-2010) the financial ratios with respect to the AAOIFI Shariah mandate for the company are as follows:

	Threshold	Company	Compliance
<b>Interest-bearing Investments</b>	30%	9.70%	<b>PASS</b>
<b>Interest-bearing Debts</b>	30%	15.48%	<b>PASS</b>
<b>Liquidity</b>	67%	38.02%	<b>PASS</b>
<b>Share Type (Preference or Common)</b>	Common	Preferred	<b>FAIL</b>

The company fails the share type requirements with respect to AAOIFI standards. The AAOIFI Standard Number 21 for Shares and Bonds clearly states that “it is not permitted to issue preference shares that have special financial features leading to the granting of priority to these shares at the time of liquidation or the distribution of profits”.

According to the articles of association (article 19) of the company preference share holders:


- (1) Dividends on annual profit shall be EUR 0.01 per share higher for owners of non-voting preferred stock than for owners of common stock and such non-voting preferred stock dividends shall be at least EUR 0.01 per share.
- (2) Should the profit for any one or more years be insufficient to meet the preferred stock’s minimum per share of EUR 0.01 dividend, the arrears will be paid from the profits of the subsequent fiscal year in such a manner that older arrears shall be paid before newer arrears and that the preferential amounts which are payable from the profits of a fiscal year are redeemable only after the repayment of various arrears.

Thus, this entitles preference share holders in terms of a higher dividend than common shareholders, a fixed dividend promise as well as cumulative dividends which all are conflicting with the Shariah requirements defined by AAOIFI

### Compliance Status

Based on the available information and the above figures according to the AAOIFI Shariah mandate Hugo Boss AG (Preference) is to be considered **Non-Shariah-compliant**.





## **Disclosures**

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