HUGO BOSS

ANNUAL REPORT 2008

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HUGO BOSS TEN-YEAR SUMMARY

in EUR million	2008 IFRS	2007 IFRS	2006 IFRS
Earnings Position			
Sales	1,686.1	1,632.0	1,495.5
EBITDA [1]	251.1	287.7	233.4
EBITDA before special items [2]	287.5	275.3	–
EBIT [1]	190.1	220.3	184.4
EBIT before special items [2]	226.5	207.9	–
Net income	112.0	154.1	128.7
Personnel expenses [2]	353.5	299.7	277.8
Employees [4]	9,593	9,123	8,441
Financial Position and Dividend			
Cash flow	172.2	218.6	175.5
Free cash flow before dividend	35.9	25.8	60.3
Capital expenditure	118.8	84.7	98.5
Depreciation/amortization [5]	61.0	67.4	49.0
Dividends	94.9 [11]	100.4	82.5
Special dividends	–	345.1	–
Asset and Liability Structure			
Total assets	1,161.6	1,039.3	943.1
Shareholders' equity [6]	199.0	546.4	494.4
Net current assets [7]	395.6	397.4	298.7
Non-current assets [8]	459.2	400.5	397.9
Key Figures			
Foreign sales in % [9]	78.9	77.9	76.8
EBIT margin in %	11.3	13.5	12.3
Return on sales after taxes in %	6.6	9.4	8.6
Return on equity in % [10]	33.7	29.2	26.2
Equity-to-assets ratio in %	17.1	52.6	52.4
Shares (in EUR)			
Dividend per share			
common stock	1.37 [11]	1.45	1.19
preferred stock	1.38 [11]	1.46	1.20
Special dividend per share			
common stock	–	5.00	–
preferred stock	–	5.00	–
Earnings per share [12]	–	–	–
common stock	1.62	2.22	1.84
preferred stock	1.63	2.24	1.86
Cash flow per share	2.45	3.11	2.49
Common stock [13]			
highest price	40.39	55.40	41.70
lowest price	7.32	38.26	28.60
Preferred stock [13]			
highest price	42.60	49.69	40.40
lowest price	9.04	38.65	28.84

1 Since 2004: including non-recurring positions.
2 Figures adjusted for one time and extraordinary positions since 2007.
3 Figures adjusted for the tax effect of the special dividend.
4 Average for the year acc. to HGB/capacities on the reporting date acc. to IFRS.
5 Since 2004: Including non-recurring write-offs.
6 Incl. 50% of special untaxed reserves.
7 Inventories and receivables less trade payables.
8 Prior to 2001: Non-current assets.

2005 IFRS	2004 IFRS	2003 IFRS	2002 IFRS	2001 IFRS	2001 HGB	2000 HGB	1999 HGB
1,309.4	1,168.4	1,054.1	1,093.4	1,094.7	1,094.7	923.4	752.9
204.2	172.7	152.2	130.6	182.4	181.8	184.4	122.8
–	–	–	–	–	–	–	–
162.9	135.3	119.3	98.4	153.0	151.2	161.6	103.4
–	–	–	–	–	–	–	–
108.2	88.2	82.4	74.7	107.7[3]	106.6	99.1[3]	56.5
238.2	198.3	170.4	158.2	149.3	149.7	123.1	100.5
7,584	6,942	5,110	4,600	4,234	4,240	3,394	2,581
153.9	119.9	111.9	105.1	140.7[3]	141.9	115.8[3]	73.0
106.9	40.1	60.5	61.0	(46.8)	(26.3)	17.8	33.5
76.6	57.3	46.3	68.4	95.6	73.7	36.6	46.9
41.3	37.4	32.9	32.2	29.4	30.6	22.8	19.4
70.2	59.2	55.2	53.1	53.1	53.1	49.5	28.4
–	–	–	–	–	–	43.9	–
854.0	810.4	754.5	760.4	756.8	661.7	501.2	369.5
467.8	415.6	399.5	385.2	375.3	320.9	305.4	223.0
279.5	290.3	310.1	304.4	349.0	296.3	195.6	127.7
360.6	331.9	257.9	261.9	199.8	159.5	115.8	100.6
75.7	75.0	75.2	74.8	72.9	71.6	69.5	63.6
12.4	11.6	11.3	10.6	15.3	14.8	17.7	14.6
8.3	7.5	7.8	6.8	9.8[3]	9.7	10.7[3]	7.5
23.8	21.3	20.4	18.9	28.3[3]	33.2	37.5[3]	27.6
54.8	51.3	52.9	50.6	49.6	48.5	60.9	60.4
1.00	0.84	0.78	0.75	0.75	0.75	0.70	0.40
1.01	0.85	0.79	0.76	0.76	0.76	0.71	0.41
–	–	–	–	–	–	0.62	–
–	–	–	–	–	–	0.62	–
–	–	–	–	–	1.52	1.33	0.85
1.54	1.24	1.16	1.05	1.52[2]	–	–	–
1.55	1.26	1.18	1.07	1.54[2]	–	–	–
2.19	1.70	1.59	1.49	2.00[3]	2.02	1.65[3]	1.04
32.60	23.81	18.00	26.10	33.80	33.80	29.50	12.70
21.00	16.05	8.10	7.60	13.70	13.70	10.20	9.26
31.50	24.43	17.93	29.45	39.20	39.20	38.50	14.30
21.10	15.85	8.48	8.20	15.10	15.10	10.56	9.53

[9] Export share including foreign royalties income.

[10] Net income in relation to shareholders' equity.

[11] 2008: Recommendation for dividend payment.

[12] 2008–2001: based on IFRS; prior to 2001: based on DVFA/SG ("Deutsche Vereinigung für Finanzanalyse und Anlageberatung/ Schmalenbachgesellschaft").

[13] Frankfurt/Main.

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LETTER TO SHAREHOLDERS

Dear Shareholders,
Ladies and Gentlemen,

The figures in this report demonstrate that the HUGO BOSS Group maintained its market position and continued its positive sales trend from previous years despite the debase economic situation and the resulted consumption decrease. Sales in 2008 amounted to EUR 1,686 million, a year-on-year increase after adjustment for currency effects of 6%. However, we recognizes that it will be confronted with a challenging market environment and the danger of increasing consumer restraint in the coming fiscal year 2009, since finance- and banking crisis is having an increasing effect on the real economy.

The fact that HUGO BOSS set its course at the right time is paying off, especially in these weak economic times, allowing it to reap the rewards of the Group's global positioning – particularly in light of our focus on the dynamic fashion markets of Asia in recent years, where we have participated in the growth trend. We also see additional growth potential on the American continent. Despite the general trend of consumer restraint, sales in the U.S. after adjustment for currency effects rose by 12% in fiscal year 2008.

Our stated target for the coming years remains to generate sustained positive development in our international markets, and particularly to increase our share as a percentage of total sales in the dynamic regions of Asia, Eastern Europe and North America, while ensuring that this global growth is accompanied by a continued strong presence in our traditional sales markets. On this basis, we intend to increase our share of sales outside Europe to almost 50% of total sales in the medium term. This growth strategy is linked to a strategic realignment based on a regional structure and a streamlining of the whole organization. We are convinced that this growth strategy is correct and that growth opportunities will open up in the coming years as well.

In addition, a significant proportion of the growth potential for the high degree of popularity of HUGO BOSS' high-quality brands is an equally exclusive sales environment. Accordingly, our growth strategy is focused on the expansion of our successful directly operated shops store system. In fiscal year 2008, HUGO BOSS increased the number of directly operated stores around the world to 330 and over 1,000 franchise stores. Over the coming year, we intend to press ahead with our own-brand retail activities.

All HUGO BOSS brands stand for top quality, excellent workmanship, and outstanding design. This objective is reflected in our relationship with suppliers and sales partners. HUGO BOSS has intensively controlled the quality of the materials used for a number of years, and cooperates with its suppliers on an ongoing basis with a view to further optimization of the production process. Excellence is also a vital factor in the market and in our contacts with retail partners. To this end, reliability of supply and a continuous exchange of information with our wholesale partners around the world are core elements of HUGO BOSS' business approach.

Based on these high quality standards, we aim to optimize further the presence of the HUGO BOSS brand family in the future. Every product line – from the classic BOSS Black line through to the trend-conscious HUGO brand or the BOSS Orange and BOSS Green lines down to the premium BOSS Selection label – already has an unmistakable identity. We will accentuate the individual image of these lines even more in the coming year, in doing so more precisely tailoring them to the individual target groups within the HUGO BOSS brand family. BOSS Selection will be given a key role in this. Thanks to this line's excellent quality, the HUGO BOSS Group will also attain an excellent position at the top of the international luxury segment.

By maintaining our proven growth strategy and expanding it out with new initiatives, HUGO BOSS will continue to offer solid key figures to its investors. Over the coming year, we intend to focus on further emphasizing this fundamental strength to ensure that we are well positioned even in challenging times, thereby ensuring that we retain the confidence of our investors for the future.

Sincerely yours,

Claus-Dietrich Lahrs
Chairman of the Managing Board
Metzingen, March 2009

MANAGING BOARD

Claus-Dietrich Lahrs
Stuttgart, Germany

Chairman of the Managing Board
and Director for Labor Relations,
Responsible for the BOSS and HUGO brand
as well as Licenses, Communications,
Legal Affairs and Human Resources
Member of the Managing Board
since August 1, 2008

Norbert Unterharnscheidt
Ulm, Germany

Responsible for Controlling and Finance,
Member of the Managing Board
since December 3, 2008

Hans Fluri
Pfaeffikon, Switzerland

Responsible for Purchasing, Production,
Logistics and IT,
Member of the Managing Board
from March 5, 2008 until February 28, 2009

André Maeder
Stuttgart, Germany

Responsible for Retail, Sales, Marketing,
Member of the Managing Board
until January 31, 2009

Dr. Bruno Sälzer
Reutlingen, Germany

Chairman of the Managing Board,
Responsible for Sales, Marketing,
and the BOSS brand,
Member of the Managing Board
until February 29, 2008

Dr. Werner Lackas
Eningen unter Achalm, Germany

Responsible for Purchasing, Production,
and Logistics,
Member of the Managing Board
until March 5, 2008

Joachim Reinhardt
Metzingen, Germany

Responsible for Controlling, Finance,
Human Resources, Legal Affairs and IT
as well as Director for Labor Relations
Member of the Managing Board
until July 31, 2008

SUPERVISORY BOARD

Dr. Hellmut Albrecht Munich, Germany	Management consultant, Chairman of the Supervisory Board since July 1, 2008
Dr. Giuseppe Vita Milan, Italy	Chairman of the Supervisory Board until June 30, 2008
Antonio Simina Metzingen, Germany	Tailor/Chairman of the Works Council, HUGO BOSS AG, Metzingen, Germany, Deputy Chairman of the Supervisory Board, Employee representative
Gianluca Andena Lodi, Italy	Managing Director, Permira Associati S. p. A., Milan, Italy
Gert Bauer Reutlingen, Germany	First Authorized Representative of the German Metalworkers' Union (IG-Metall), Reutlingen/Tübingen, Germany, Employee representative
Helmut Brust Bad Urach, Germany	Director Retail Germany, HUGO BOSS AG, Metzingen, Germany, Employee representative
Fabrizio Carretti Milan, Italy	Principal, Permira Associati S. p. A., Milan, Italy
Olaf Koch Ingersheim, Germany	Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, since June 13, 2008
Ulrich Gasse Bad Soden, Germany	Attorney at law, Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany

Susanne Gregor
Reutlingen, Germany

Head of OPR Clothing Man
HUGO BOSS AG,
Metzingen, Germany,
Employee representative
since January 20, 2009

Peter Haupt
Metzingen, Germany

Administrative employee,
HUGO BOSS AG,
Metzingen, Germany,
Employee representative
until November 11, 2008

Roland Klett
Metzingen, Germany

Head of Warehouse Flat Packed Goods,
HUGO BOSS AG,
Metzingen, Germany,
Employee representative
until January 20, 2009

Rainer Otto
Langen, Germany

Secretary of the
German Metalworkers' Union (IG-Metall),
Managing Board,
Frankfurt/Main, Germany,
Employee representative

Sinan Piskin
Metzingen, Germany

Administrative employee,
HUGO BOSS AG,
Metzingen, Germany,
Employee representative
since November 11, 2008

Dr. Martin Weckwerth
Frankfurt/Main, Germany

Partner,
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany

Katrin Wehr-Seiter
Bad Homburg, Germany

Prinzipal,
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany,
until June 13, 2008

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

Throughout fiscal year 2008, the Supervisory Board continued to take great care in fulfilling its duties as established under the law, the Company's Articles of Association, and its Bylaws.

COOPERATION OF MANAGING BOARD AND SUPERVISORY BOARD

The Supervisory Board provided counsel to the Managing Board and monitored its management of the Company. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance for the company. The Managing Board reported regularly to the Supervisory Board, both verbally and in writing, on all relevant aspects of corporate planning and strategic development as well as on business processes and changes in key financial figures in a prompt and comprehensive fashion, including via monthly reports and on such topics as the risk situation, risk management, and compliance. Any deviations from forecasts and targets were explained individually to the Supervisory Board and reviewed by means of the documentation presented. The Managing Board coordinated the strategic orientation of the Company with the Supervisory Board and submitted all business requiring authorization to the Supervisory Board for resolution in a timely manner. The Supervisory Board issued its authorizations after review of the documentation and, if necessary, asking for clarification from the Managing Board and discussing the matter with the members of the Managing Board. In urgent cases, the Supervisory Board also created written resolutions. Moreover, the Chair of the Managing Board and the Chair of the Supervisory Board held regular discussions on key developments and upcoming decisions.

CHANGES IN THE MEMBERSHIP OF THE SUPERVISORY BOARD OF HUGO BOSS AG

Due to the withdrawal of shareholder representative Katrin Wehr-Seiter as of June 13, 2008, Mr. Olaf Koch was judicially appointed to the Supervisory Board on May 30, 2008 for the remainder of the current term as shareholder representative starting June 13, 2008. Due to the withdrawal of shareholder representative and Chairman of the Supervisory Board Dr. Giuseppe Vita effective June 30, 2008, Dr. Hellmut Albrecht was judicially appointed on June 27, 2008 as shareholder representative as of July 1, 2008 until the next annual general meeting in 2009. Dr. Albrecht was elected Chairman of the Supervisory Board at the July 16, 2008 meeting of the Supervisory Board. Due to the withdrawal of employee representative Peter Haupt in November 2008, Mr. Sinan Piskin took his place until the end of his current term as the alternate already chosen. In addition, due to the withdrawal of employee representative Roland Klett in January 2009, Ms. Susanne Gregor took his place until the end of his current term as the alternate already chosen. The committees were reconstituted as required due to the changes in the Supervisory Board.

The Supervisory Board would like to take this opportunity to thank the former Supervisory Board members for their consistently constructive and knowledgeable input and for their contributions to the excellent working atmosphere. At this point the Supervisory Board would like to express its deep regret over the death of the long-serving and highly respected member of the Supervisory Board member Roland Kett.

TOPICS DEALT WITH BY THE SUPERVISORY BOARD AND THE COMMITTEES IN 2008

In fiscal year 2008, four regular and five special Supervisory Board meetings were held in the months of February, March, May, June, July, October, and December.

Between scheduled meetings, the Supervisory Board was also kept informed in writing of projects and strategic decisions of high priority for the Company. Due to health reasons, Mr. Roland Klett participated in fewer than half of the Supervisory Board Meetings in fiscal year 2008.

Items of regular discussion by the Supervisory Board included the sales and earnings trends, investment planning, continuing internationalization of the business, and the Company's current risk exposure. In addition, the initiatives of the Managing Board regarding the realignment of HUGO BOSS AG were also part of the discussion, as well as details of brand strategy, product portfolio, wholesale growth strategy, expanding the Company's own retail business, supply chain, purchasing and production, fixed-cost analysis, and other topics in the year under review. The Supervisory Board discussed in detail the resulting realignment and the personnel matters in the Managing Board.

The Supervisory Board created a total of five committees to perform its duties efficiently. These committees prepared the Supervisory Board's upcoming resolutions in advance as well as topics to be discussed in the plenary session of the Supervisory Board. In addition, the Supervisory Board's decision-making power is transferred to committees if legally permitted. Each of the various committees addressed the topics assigned to them by the management. During fiscal year 2008, the Audit Committee met five times. Its chief topics involved the audit of the annual financial statements and the consolidated financial statements, financial management strategy, as well as risk management, compliance, and the budgets for future fiscal years. The Personnel Committee met nine times. It primarily dealt with the changes in the Managing Board and the corresponding contractual regulations. The other main topic of discussion was the remuneration structure, especially the criteria for the Managing Board's variable compensation. The Working Committee met twice in the reporting year to discuss the annual financial statements as well as corporate and investment planning and prepared the corresponding Supervisory Board resolutions. The Nomination Committee authored a resolution for written consent in lieu of a meeting; it did not meet. The Mediation Committee pursuant to Section 27 Paragraph 3 of the German Co-Determination Act (MitbestG) did not need to convene in the past fiscal year. The Chairs of the respective committees reported in detail to the Supervisory Board on all results of the committee meetings.

CORPORATE GOVERNANCE

The Supervisory Board discussed in detail the content of the German Corporate Governance Code. In December 2008, the Supervisory Board and the Managing Board resolved on the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) on adherence to the recommendations of the Corporate Governance Code at HUGO BOSS AG. The joint report on adherence to German corporate governance standards pursuant to Section 3.10 of the Corporate Governance Code can be found on page 021 et seq. As in past years, a review of the efficiency of the Supervisory Board's activities – as recommended by the Corporate Governance Code – was conducted by means of a standardized, comprehensive questionnaire. The results were discussed in detail and analyzed at the Supervisory Board Meeting on December 3, 2008. On the whole, the Supervisory Board arrived at a positive conclusion.

Conflicts of interest between Managing or Supervisory Board members, which are to be immediately disclosed to the Supervisory Board and about which the Annual Shareholders' Meeting must be informed, did not occur in the year under review.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, reviewed the annual financial statements of HUGO BOSS AG and the management report for fiscal year 2008 along with the consolidated financial statements and the Group management report for fiscal year 2008 prepared by the Managing Board including the accounting records. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting on May 8, 2008. In addition, the Supervisory Board obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code and is convinced of the auditor's independence. Commissioning non-audit related services to the auditors was also discussed. The consolidated financial statements of HUGO BOSS were prepared pursuant to Section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The external auditor issued an unqualified audit opinion for both the annual financial statements and the management report as well as the consolidated financial statements and the Group management report.

The report on relations with affiliated companies prepared by the Managing Board was also reviewed by the auditors. The auditors issued the following audit opinion on this report:

"Based on our audit performed in accordance with our professional duties, we confirm that
1. the information in the report is correct, and
2. with respect to the legal transactions cited therein, the company's contribution was not inappropriately high."

The Supervisory Board had at its disposal the audit records and the Managing Board's proposal for the appropriation of profits as well as the two auditors reports from the external auditors, including the report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG) and the audit report from the external auditors on the report on relations which affiliated companies. These documents were reviewed and discussed in detail by the Audit Committee, the Working Committee, and the Supervisory Board in the presence of the external auditors, who reported on their audit findings. The auditors reported on their main audit findings and commented on the financial performance and financial position of the Company and the Group in detail. The questions posed by the Supervisory Board and its committees at such time were answered, and the audit records were examined in detail with the auditors and discussed and reviewed by the Supervisory Board and its committees. The audit reports were discussed with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After a final review, the Supervisory Board raised no objections.

At its financial review meeting on March 17, 2009, the Supervisory Board therefore approved the annual financial statements, the consolidated financial statements, and the corresponding management reports for fiscal year 2008 as prepared by the Managing Board. The annual financial statements of HUGO BOSS AG are thus deemed approved in accordance with Section 172 of the Stock Corporation Act.

The report on relations with affiliated companies reviewed by the Supervisory Board, the Working Committee, and the Audit Committee and the audit report prepared by the auditors on this report were approved by the Supervisory Board. After a final review, no objections were raised to the Managing Board's statement at the end of the report on relations with affiliated companies.

Finally, the Supervisory Board approved in his meeting on March 17, 2009 the proposal of the Managing Board for the appropriation of profits. In this context the Supervisory Board held intensive discussions on the liquidity situation of the company, the financing of planned investments, and the impact on the capital market. In the course of the discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of the Company and its shareholders.

CHANGES IN THE MANAGING BOARD

There were a number of changes in the Managing Board of HUGO BOSS AG in fiscal year 2008 and the beginning of 2009. The Supervisory Board already reported on the withdrawal of former Managing Board members Dr. Bruno Sälzer (Chairman of the Managing Board) and Dr. Werner Lackas in its report to the Annual Shareholders' Meeting on March 2008. The appointment of Mr. Hans Fluri to the Managing Board was also announced.

On August 1, 2008, Mr. Claus-Dietrich Lahrs was appointed as a member of the Managing Board and Director for Labor Relations and at the same time named Chairman of the Managing Board. He was at first responsible for Communication, Licenses, the BOSS and HUGO brands, Human Resources, Legal Affairs, and Shoes & Accessories. Currently he is also responsible for global Sales and Retail. Mr. Lahrs was previously Managing Director at Christian Dior Couture, Paris/France. Mr. Joachim Reinhardt left the Managing Board effective July 31, 2008. He had been Chief Financial Officer since April 1, 2006. His successor Mr. Norbert Unterharnscheidt was appointed to the Managing Board effective December 3, 2008. He is responsible for Controlling and Finance. Mr. Unterharnscheidt was previously Chief Financial Officer and Director for Labor Relations at Paul Hartmann AG, Heidenheim. In addition, Mr. Hans Fluri has withdrawn from the Managing Board on February 28, 2009 at the latest so he may assume duties at Chairman at Red & Black Lux S.à r.l., parent company of Valentino Fashion Group S.p.A. and indirect majority shareholder in HUGO BOSS AG. The Supervisory Board appointed Mr. Klaus-Gerhard Bierbrauer as his successor on the Managing Board. This appointment was withdrawn on February 5, 2009. The responsibilities of the Mr. Fluri's office will be assumed by the Chairman of the Managing Board Claus-Dietrich Lahrs and Chief Financial Officer Norbert Unterharnscheidt. Finally, Mr. André Maeder withdrew from the Managing Board effective January 31, 2009. He had held the position of Sales Director since January 1, 2004. His areas of responsibility Sales, Retail and Licenses will be assumed initially by Chairman of the Managing Board Mr. Claus-Dietrich Lahrs.

The Supervisory Board would like to thank all the departing members of the Managing Board and wishes them much success in the future.

The Supervisory Board wishes to express its thanks and recognition to all employees for their high level of personal commitment and their achievements in fiscal year 2008.

Metzingen, March 17, 2009
The Supervisory Board

Dr. Hellmut Albrecht
(Chairman of the Supervisory Board)

CORPORATE GOVERNANCE REPORT

The Managing Board and the Supervisory Board have reported as follows pursuant to Section 3.10 of the German Corporate Governance Code on corporate governance at HUGO BOSS:

Given that HUGO BOSS AG is a joint stock corporation (Aktiengesellschaft) with registered offices in Germany, the principles of corporate governance are based in German law, particularly corporation law, the law of co-determination, and the law pertaining to capital markets as well as the Company's Articles of Association and the German Corporate Governance Code.

In 2008, HUGO BOSS AG continued to follow recognized standards for good, responsible corporate governance. HUGO BOSS views good corporate governance as one of the most important principles for the long-term success of the Company – a standard that HUGO BOSS extends to all areas of the Company. HUGO BOSS complies with all of the Code's recommendations with few exceptions. Some of the Code was last revised by the Government Commission on the German Corporate Governance Code on June 6, 2008. You will find detail on this in the following report by the Managing Board and Supervisory Board.

TRANSPARENT COMMUNICATION WITH THE SHAREHOLDERS

HUGO BOSS intends to reinforce the trust placed in us by the shareholders and capital backers as well as the interested public by remaining open and transparent. For this reason, the company reports regularly and promptly on the situation of the Company and any major changes in the business. HUGO BOSS also meets regularly with analysts and institutional investors as part of our investor relations activities. In addition to the yearly analyst conferences on the annual financial statements, telephone conferences are held for analysts upon publication of the interim reports on the first, second and third quarters. All presentations prepared for these events as well as for the investor conferences may be viewed in the Internet at www.group.hugoboss.com.

Moreover, contact with private investors was further cultivated. For example, the Annual Shareholders' Meeting is the most important investor relations event of the year, particularly for private investors. The aim of the Annual Shareholders' Meeting is to provide all shareholders with current and comprehensive information in an efficient manner both before and during the meeting. Shareholders who are not able to attend the Annual Shareholders' Meeting in person have the opportunity of following the transmission of the speech of the Chairman of the Managing Board in the Internet. They may either cast their vote themselves at the meeting or by proxy via an authorized person of their choice or a representative of the Company acting as per their instructions. In addition to the Annual Shareholders' Meeting, HUGO BOSS presented itself at private investor events.

The financial calendar may be referred to for the most important dates. The financial calendar is a fixed component of the annual report and the interim reports and is updated on an ongoing basis on the Company website at www.group.hugoboss.com. All press **releases and ad-hoc announcements** as well as information on current developments are published there. Ad-hoc announcements pursuant to Section 15 of the German Securities Trading Act (WpHG) that directly relate to the Company are published immediately by HUGO BOSS in accordance with the statutory provisions and can be viewed on the Company's website under "Notes WpHG-Releases", as can the reports on investor shareholdings. This is intended to ensure that the new information is provided to all shareholders and the interested public at the same time. Lastly, new developments in the Group are reported on via an electronic newsletter.

Pursuant to Section 15a of the Securities Trading Act, members of the Managing and Supervisory Boards as well as employees with management responsibilities as defined in the Securities Trading Act are required to disclose the purchase or sale of HUGO BOSS AG securities – called directors' dealings. **Directors' dealings** are published on the HUGO BOSS website under "WpHG-Releases".

During the reporting period from January 1 to December 31, 2008, one securities transaction was reported to the Company pursuant to Section 15a of the Securities Trading Act. On October 16, 2008 Chairman of the Supervisory Board Dr. Hellmut Albrecht acquired 4,350 preferred shares (ISIN DE0005245534) from HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, in Frankfurt am Main for EUR 11.50 per share (total price: EUR 50,025.00).

In addition, as of December 31, 2008 the total shares held in HUGO BOSS AG by all Managing and Supervisory Board members amounted to less than 1% of the shares issued by the Company. Thus as of such date, there were no shareholdings subject to the reporting requirements of Section 6.6 of the German Corporate Governance Code.

CLOSE COOPERATION OF MANAGING BOARD AND SUPERVISORY BOARD

In the interests of the Company, the Managing and Supervisory Boards work closely together. Their common goal is a sustainable increase in enterprise value. To this end, the Managing Board reports regularly, comprehensively, and promptly to the Supervisory Board on all issues of relevance to the budget, business performance, risk exposure, and risk management as well as on topics involving compliance. Any deviations from targets and the budget or the strategic orientation and development of the Group are discussed immediately with the Supervisory Board and its committees.

When **selecting the Supervisory Board members,** care was taken to ensure that the Supervisory Board committees are composed of members who possess the requisite knowledge, skills, and professional experience and who are independent within the meaning of the German Corporate Governance Code. None of the current Supervisory Board members has previously occupied a management position within the Company. Likewise, no consulting agreements or other contracts for work and services were entered into between Supervisory Board members and the Company in the year under review.

The members of the Managing and Supervisory Boards may not pursue any personal interests or grant any unfair advantages to other persons in connection with their activities or when making decisions. No conflicts of interest occurred between Managing or Supervisory Board members during the reporting year. The persons holding seats on the Managing and Supervisory Boards are listed in the notes under "Managing Board" and "Supervisory Board".

RESPONSIBLE HANDLING OF ENTREPRENEURIAL RISKS

Good corporate governance also involves handling entrepreneurial risks responsibly. The Managing Board provides for appropriate risk management and risk control in the Company. Our value-based Group management involves a systematic risk management process that ensures that risks are identified and measured at an early state and risk exposure is optimized. Details on this topic may be found in the “Risk Report” on page 089 et seq.

ACCOUNTING AND THE FINANCIAL STATEMENTS

Since fiscal year 2001, HUGO BOSS has been reporting **in accordance with the International Financial Reporting Standards (IFRS).** With respect to the year under review, our auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, agreed to inform the Chairman of the Audit Committee immediately during the audit of any grounds for disqualification or partiality that could not be immediately rectified. The auditors are also required to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. Moreover, the auditors must inform the Supervisory Board or make a note in the audit report if any facts are ascertained during the audit that do not correspond with the Declaration of Compliance submitted by the Managing Board and the Supervisory Board in accordance with Section 161 of the Stock Corporation Act.

COMPENSATION OF THE MANAGING BOARD

The remuneration of the Management Board (including exercised stock appreciation rights) was TEUR 5,479 in 2008 (2007: TEUR 6,623). It is divided into fixed salaries of TEUR 2,919 (2007: TEUR 1,668) and variable compensation of TEUR 2,560 (2007: TEUR 4,955). Long-term incentive compensation is not included in the above (2007: TEUR 2,951).

The **fixed salary components** paid to members of the Managing Board comprise benefits such as company cars and benefits in kind as well as other equipment and services necessary for Management Board members to fulfill their duties.

The **variable components** consist partly of bonuses paid on the basis of the achievement of personal targets as agreed with the Supervisory Board for each Managing Board member and on the achievement of predefined corporate earnings targets.

Since fiscal year 2001, HUGO BOSS AG has been offering a stock appreciation rights program for Managing Board members and executives. As part of this program, managers are accorded a defined number of participation rights. These rights enable them to benefit from any increase in the value of the Company’s shares. The participation rights solely confer a claim to payment in cash, not a claim to HUGO BOSS AG shares. New Management Board members who joined in 2008 are not eligible to receive any stock appreciation rights.

Tranches 4 to 8 of the stock appreciation rights program have terms of six years. After the initial holding period of two years, the four-year exercise period commences. Participation rights may be exercised if the increase in the price of preferred shares of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the holding period or during the exercise period.

The payoff is calculated as the difference between the strike price and the average price of HUGO BOSS AG preferred shares during the five trading days preceding the date of exercise. The strike price corresponds to the average price of HUGO BOSS AG preferred shares during the 20 trading days preceding the date of issue.

In order to participate from the company's long term success, Management Board members are granted stock appreciation rights. In 2008, the number of new grants for the Management Board members decreased to 385,000 subscription rights (2007: 420,000 subscription rights).

	Tranche no. 4	Tranche no. 5	Tranche no. 6	Tranche no. 7	Tranche no. 8	Total
Date of Issue	February 2004	February 2005	February 2006	January 2007	January 2008	–
Number of SARs outstanding on December 31, 2008 [1]	–	68,760	74,490	68,760	68,760	280,770
Strike Price (EUR) pre special dividend	17.00	25.38	32.59	39.08	42.11	–
Strike Price (EUR) post special dividend [2]	14.83	22.14	28.43	34.09	36.74	–
Value of SARs held by Managing Board in office						
31 December, 2007 (EUR thous.)	–	3,962	3,232	2,629	–	9,823
31 December, 2008 (EUR thous.)	–	33	107	88	44	272

[1] Due to the payout of a special dividend in May 2008 the contract sizes have been adjusted according to the EUREX conditions with the corresponding R-factor (see [37] share-based payments).

[2] Due to the payout of a special dividend in May 2008 the strike prices have been adjusted according to the EUREX conditions with the corresponding R-factor (see [37] share-based payments).

In addition, the company also provides pension benefits to some Management Board members. The amount of future pension benefits is based on each member's base salary and years of service. In 2008, pension provisions for Management Board members (excluding sacrificed compensation) were TEUR 821 (2007: TEUR 939).

COMPENSATION OF THE SUPERVISORY BOARD

According to the German Stock Corporation Law, the **remuneration of Supervisory Board members is divided into a fixed salary component and variable compensation.** The variable compensation part is determined on the basis of group earnings per share. The annual shareholder meeting finally decides about the level of compensation. In 2008, the Supervisory Board received remunerations of TEUR 1,154 (2007: TEUR 1,342) including variable compensation of TEUR 389 (2007: TEUR 587) calculated on the basis of group earnings per share.

DECLARATION OF COMPLIANCE

Pursuant to Section 161 of the Stock Corporation Act, the Managing Board and Supervisory Board of HUGO BOSS AG must submit an annual Declaration of Compliance stating whether the recommendations published by the Government Commission on the German Corporate Governance Code in the official section of the electronic Federal Gazette have been and are being complied with and, if applicable, which of the recommendations the Company does not comply with. The latest amendments to the German Corporate Governance Code in the version dated June 6, 2008 were published in the electronic Federal Gazette on August 8, 2008.

Back in 2003, the Annual Shareholders' Meeting of HUGO BOSS AG resolved on changes to the Articles of Association that created the framework necessary for following the recommendations of the Corporate Governance Code to a great extent. With regard to the period between January 2008, when the last Declaration of Compliance was submitted, and December 2008/March 2009, the Managing Board and Supervisory Board have amended their Declaration of Compliance of December 2008 given below, declaring in March 2009 that the recommendations and suggestions of the Government Commission on the German Corporate Governance Code were generally complied with and that they intended to comply with them in the future. The following recommendations were not and are not complied with:

- "In principle, each share carries one vote." (Section 2.1.2 Sentence 1 of the Code)
  As of December 31, 2008, the share capital of HUGO BOSS AG was divided into 35,860,000 voting common shares and 34,540,000 non-voting preferred shares. This division exists for historical reasons.

- "If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed." (Section 3.8 Paragraph 2 of the Code)

  HUGO BOSS AG covers the D&O risk by taking out appropriate property and liability insurance for the members of its executive bodies, which also encompasses coverage for the Supervisory Board members.

  The Company's Managing and Supervisory Boards perform their duties responsibly and in the interest of the Company. HUGO BOSS does not believe that a deductible is an appropriate means to further improve the sense of responsibility of the individuals concerned. Moreover, no significant savings in premiums would be achieved by introducing a deductible.

- "For extraordinary, unforeseen developments a possibility of limitation (cap) shall be agreed by the Supervisory Board". (Section 4.2.3 Sentence 8 of the Code)
  We do not intend to apply a cap to compensation of the Managing Board within the long-term incentive system (stock appreciation rights program) in the event of extraordinary, unforeseen developments. HUGO BOSS AG's long-term incentive system provides a number of participation rights for managers, enabling them to benefit from price increases in HUGO BOSS shares. The program was established prior to the effective date of the relevant recommendation, which could therefore not be incorporated.

- “The severance payment cap should be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current fiscal year.“ (Section 4.2.3 Sentence 10 of the Code)

  For the purposes of severance in terms of total compensation based on the last full fiscal year – after the member of the Managing Board has already been in office for two full fiscal years – some contracts of Managing Board members provide for the calculation of the amount of remuneration based on the average of the last two full fiscal years.

- “Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way.

  The presentation of the concrete form of a stock option plan or comparable schemes for components with a long-term incentive effect and risk character shall include the value thereof. In the case of pension plans, the allocation to accrued pension liabilities or pension funds shall be stated each year.

  The substantive content of severance awards for Management Board members shall be disclosed if in legal terms the awards differ not insignificantly from the awards granted to employees. The compensation report shall also include information on the nature of the fringe benefits provided by the company.” (Section 4.2.5 of the Code)

  In 2006, the Annual Shareholders’ Meeting of HUGO BOSS AG resolved to dispense with a detailed breakdown of Managing Board remuneration with individual specification of the Managing Board members. As a result of this resolution of the Annual Shareholders’ Meeting, no details are provided on the total remuneration paid or on the other information required by additional statutory provisions.

- “An application for the judicial appointment of a Supervisory Board member shall be limited in time up to the next annual general meeting.” (Section 5.4.3 Sentence 2 of the Code)
  Following the takeover of the majority shareholder, Valentino Fashion Group S.p.A., by Red & Black Lux S.à r.l. and the resulting indirect change in the majority shareholder of HUGO BOSS AG, five new shareholder representatives were judicially appointed to the Supervisory Board on October 4, 2007. In the interest of providing an appropriate familiarization phase and ensuring the subsequent continuity in the Supervisory Board, the new members were appointed for the remaining term of the Supervisory Board and thus at variance with Section 5.4.3 Sentence 2 of the Code. The same applies to the judicial appointment of Supervisory Board member Olaf Koch via a resolution on May 30, 2008.

- “The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components. Payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall also be listed separately in the Corporate Governance Report.” (Section 5.4.6 Paragraph 3 of the Code)

Total payments made to members of the Supervisory Board pursuant to IAS 24 are disclosed in the Notes to the Consolidated Financial Statements. A detailed disclosure of the individual amounts in the Corporate Governance Report would not provide any additional information of relevance to capital markets.

In 2006, the Annual Shareholders' Meeting resolved on an extensive detailed amendment to the provision regarding Supervisory Board compensation in the Articles of Association of HUGO BOSS AG.

DECLARATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD OF HUGO BOSS AG PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (DECEMBER 2008 AND MARCH 2009)

In December 2008, the Managing Board and Supervisory Board of HUGO BOSS AG submitted the following Declaration of Compliance pursuant to Section 161 of the Stock Corporation Act (AktG). Their declaration was modified in March 2009 in that the reference to Section 4.2.3 Sentences 7 to 11 was replaced by a reference to Section 4.2.3 Sentences 8 and 10:

"HUGO BOSS AG, Metzingen, Germany,
Security ID Nos. 524 550, 524 553

The Managing Board and Supervisory Board of HUGO BOSS AG hereby declare pursuant to Section 161 of the German Stock Corporation Act (AktG) that since the Declaration of Compliance made in January 2008, the recommendations of the Government Commission on the German Corporate Governance Code – initially as amended on June 14, 2007 and published in the electronic Federal Gazette on July 20, 2007 and subsequently as amended on June 6, 2008 and published in the electronic Federal Gazette on August 8, 2008 – have been and are being adhered to with the following exceptions:

The recommendations based on Section 2.1.2 Sentence 1, Section 3.8 Paragraph 2, Section 4.2.3 Sentences 8 and 10, Section 4.2.5, Section 5.4.3 Sentence 2, Section 5.4.7 Paragraph 3 (old version), and Section 5.4.6 Paragraph 3 (new version) have not been and are not being complied with.

Metzingen, March 2009"

HUGO BOSS – KEY SHARE DATA

	2008	2007
Number of shares	70,400,000	70,400,000
common stock	35,860,000	35,860,000
preferred stock	34,540,000	34,540,000
Year-end (12/31) share price in EUR [1]		
common share	17.30	39.60
preferred share	14.40	39.00
Share price in EUR [1]		
common share		
high	40.39	55.40
low	7.32	38.26
preferred share		
high	42.60	49.69
low	9.04	38.65
Market capitalization in EUR million (12/31)	1,118	2,767
Earnings per share in EUR		
common share	1.62	2.22
preferred share	1.63	2.24
Price-earnings ratio [2]		
high	26	22
low	6	17
Amount distributed in EUR million	95 [3]	445
Distribution rate in % [4]	85 [3]	289
Dividend per share in EUR		
common share	1.37 [3]	6.45
preferred share	1.38 [3]	6.46
Dividend yield in % [5]		
high	3.2 [3]	13.0
low	15.3 [3]	16.7

1 Xetra.
2 Based on maximum/minimum prices of preferred share.
3 2008: Recommendation for dividend payment.
4 Based on consolidated net profit.
5 Based on preferred shares.

TYPE OF SHARE: NO-PAR-VALUE SHARES

	Security Code Number (WKN)	International Securities Identification Number (ISIN)
Common share	524550	DE 000 524 55 00
Preferred share	524553	DE 000 524 55 34

HUGO BOSS shares are traded on the following stock exchanges
Xetra, Frankfurt/Main, Stuttgart, Duesseldorf, Hamburg, Munich, Hanover (preferred shares only), Berlin-Bremen (preferred shares only)

HUGO BOSS IN THE CAPITAL MARKETS

The **equity market in 2008** was dominated by an expanding financial crisis which has long since impacted the real economy and the share price of companies in all sectors. Back in January of fiscal year 2008 – actually a good month on the stock market in which investors reinvest their interest income – the DAX suffered a 15% loss while the MDAX shed 12%. The crisis intensified dramatically with the collapse of Lehman Brothers in the fall of 2008. Subsequently, the downturn at international capital markets which started in summer 2007 when the U.S. real estate crisis came to light also accelerated massively in the fall 2008. The instable financial system and the high daily fluctuations on the stock markets resulted in extreme uncertainty and led to high outflows from shares and equity funds across all sectors. Consequently, Germany's leading index, the DAX, lost 40% over the course of 2008. The second-tier stocks are generally hit harder by the darkening economic sentiment, as investors have less confidence in these less stable stocks than in the DAX-listed heavyweights. The MDAX, where HUGO BOSS preferred shares are listed, posted a drop of more than 43% in 2008. In the same period, the SDAX lost almost 46%.

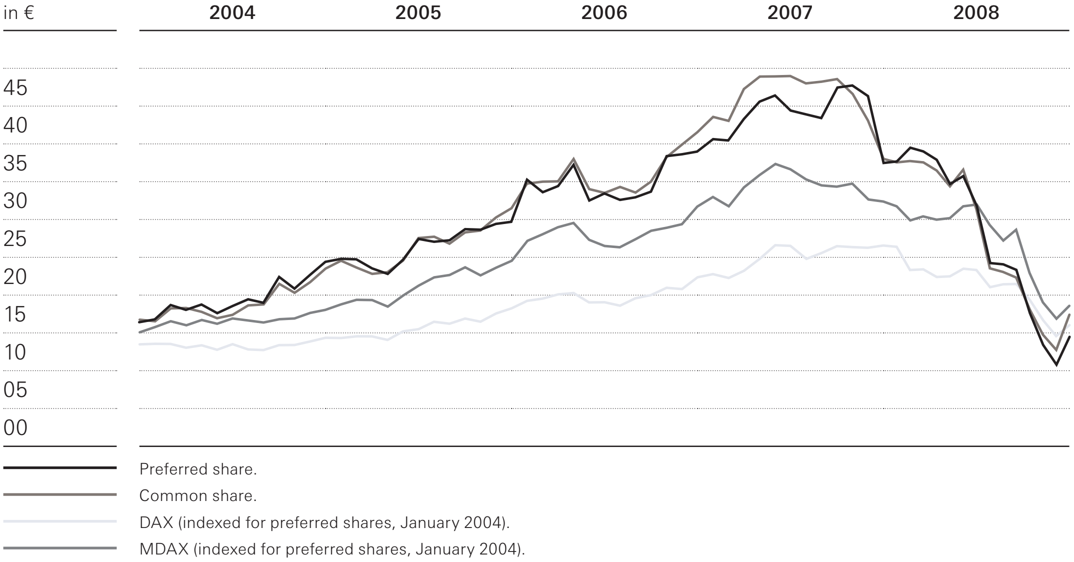
Key international indices were also impacted by the general downward trend. In the U.S., the Dow Jones fell by 34%, while the Nikkei in Japan dropped 42%. The Euro Stoxx 50 lost as much as 44%.

Accordingly, **the performance of the HUGO BOSS shares was impacted by the overall market trend and the negative price trend of the entire sector.** The Company's good performance and numerous "buy" recommendations from analysts did not stop the share price from declining. Firstly, the decline in the share price is due to general investor restraint with regard to shares in the retail and consumer goods segments. This effect was also reflected by considerable price falls of similar companies on the other side. **The HUGO BOSS share price was also hit by the payment of a special dividend.** On May 8, 2008, the Annual Shareholders' Meeting resolved to distribute the special dividend of EUR 5.00 per share and the regular dividend of EUR 1.45 (common shares) and EUR 1.46 (preferred shares), followed by the customary ex-dividend markdown on the share price. For example, common shares declined by EUR 6.91, or 17%, and preferred shares by EUR 7.29, or 18%, on May 9, 2008. The preferred shares closed the reporting year at EUR 14.40, while the common shares closed at EUR 17.30.

Dividend distribution 2008: regular dividends of EUR 1.45 (common shares) and EUR 1.46 (preferred shares). ←

Due to the drop in share price in fiscal year 2008, HUGO BOSS' **market capitalization** as of December 31, 2008 was EUR 1,118 million, considerably below the previous year's level (2007: EUR 2,767 million).

SHARE PRICE PERFORMANCE

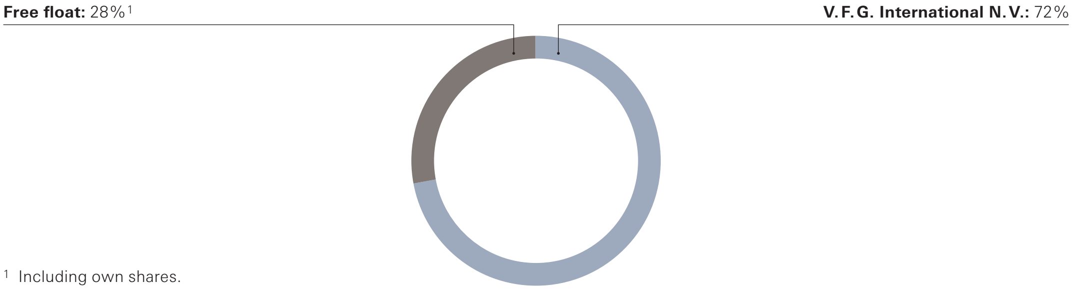


The **shareholder structure** has not changed in the past fiscal year. According to voting rights announcement, Permira Holdings LLP, London, UK holds 88.02% of the 35.86 million common shares and 55.28% of the 34.54 million preferred shares via its subsidiary V.F.G. International N.V. This corresponds to roughly 71.95% of HUGO BOSS' share capital.

→ **According to voting rights announcements Permira Holdings LLP, London, UK holds 88.02% of the common shares and 55.28% of the preferred shares, and therefore 71.95% of the total share capital. The remaining shares are in free float as well as owned by HUGO BOSS AG.**

In accordance with Section 21 of the Securities Trading Act, shareholders are required to report the level of their shareholdings if they exceed or fall below certain thresholds. The thresholds for reporting are 3%, 5%, 10%, 20%, 25%, 30%, 50%, and 75%. Aside from reports of shareholding listed on pages 170 et. seq., the Company received no reports of shareholdings of 3% or more of the voting rights in HUGO BOSS AG. The remaining shares are in free float or are owned by HUGO BOSS AG.

DISTRIBUTION OF TOTAL CAPITAL



[1] Including own shares.

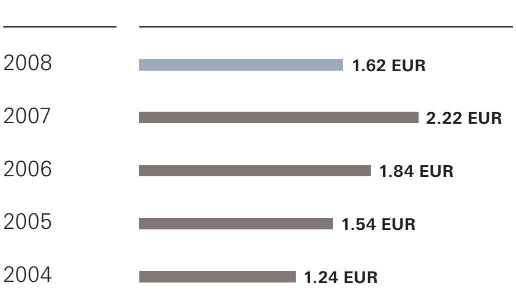
The preferred shares of HUGO BOSS AG have been listed on MDAX of Deutsche Börse since 1999. A Deutsche Börse committee decides whether a company is accepted into, remains in, or is removed from the index. The main criteria used to make a decision are order book turnover and market capitalization. The German stock exchange publishes this information every month in a ranking list. In the Deutsche Börse share ranking, HUGO BOSS' preferred shares were on place 57 in terms of market capitalization at the end of December 2008. HUGO BOSS was in 43rd place in terms of trading volume, unchanged from the previous year. These placements mean HUGO BOSS fulfils the criteria to remain in the MDAX. The HUGO BOSS common shares are traded on the Official Trading, however due to the lower free float they are not listed on an index. The Company had an average daily volume of 184,000 preferred shares (2007: 140,000) and an average of approximately 13,500 common shares (2007: 22,000).

The Annual Shareholders' Meeting in May 2008 also authorized the Managing Board of HUGO BOSS AG to continue the **share buyback program** in fiscal year 2008. However, no use has been made of the authorization granted by the Annual Shareholders' Meeting on May 8, 2008 in the past fiscal year. HUGO BOSS AG thus held a total of 528,555 common shares and 855,278 preferred shares as of the end of the fiscal year 2008 (unchanged since the last fiscal year). This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital.

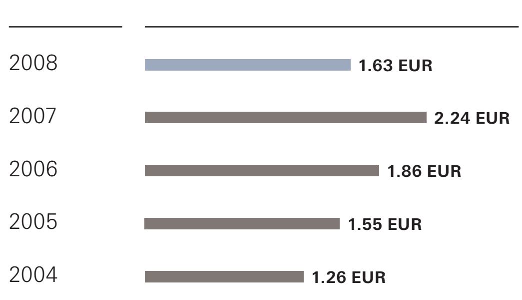
HUGO BOSS holds treasury shares representing 1.97% of its share capital.

Pursuant to IAS 33, **earnings per share** are calculated by dividing net profit or loss for the period by the weighted average number of shares outstanding: Earnings per share amounted to EUR 1.62 for common shares and EUR 1.63 for preferred shares in fiscal year 2008.

EARNINGS PER COMMON SHARE



EARNINGS PER PREFERRED SHARE



Dividends allow all HUGO BOSS shareholders to take part in the Company's growth. Here HUGO BOSS follows a results-oriented distribution policy. Against the backdrop of the earnings development in 2008 and the special challenges of the coming fiscal year, the Managing and Supervisory Boards have proposed to the Annual Shareholders' Meeting to pay a dividend of EUR 1.37 per common share and EUR 1.38 per preferred share for fiscal year 2008.

INVESTOR RELATIONS AND PUBLIC RELATIONS

In order to present its good operating performance and potential in an **open and ongoing exchange with institutional and private investors** in this challenging market environment, HUGO BOSS further intensified its financial communication activities in the past fiscal year. During the numerous roadshows and conferences, the management made itself available to a broad forum of German and international shareholders in the past fiscal year. At these events, the development and strategy of the Company were explained, as well as the special market conditions of the countries in which HUGO BOSS subsidiaries operate. **Moreover, contact with private investors was further cultivated.** For example, the Annual Shareholders' Meeting held on May 8, 2008 was the most important investor relations event of the year, particularly for private investors, with 82% of share capital represented (2007: 72%). In addition to the Annual Shareholders' Meeting, HUGO BOSS presented itself at private investor events.

The internet is becoming increasingly important for communication with investors, shareholders, and interested parties, as it allows all shareholders access to key Company announcements at the same time. The contact details of the Investor Relations and Public Relations departments as well as current Company information such as financial reports, press releases, the financial calendar, and the latest Company presentation can be downloaded from the redesigned HUGO BOSS website at **www.group.hugoboss.com.**

→ **Current financial reports, press releases, presentations, and further information on the Company can be found at www.group.hugoboss.com.**

In addition, **public relations activities** are also an important part of the communication concept at HUGO BOSS. Public relations focuses on achieving an open dialogue with the national and international business community and daily press aiming at maintaining and reinforcing the good public image of HUGO BOSS. It further includes initiating fashion events as well supporting of cultural and sport events in order to strengthen market awareness on an ongoing basis. For instance, in addition to the usual marketing activities in print media, HUGO BOSS stages fashion events, which have been triggering strongly positive feedback in the national and international press landscape, thus making an important contribution to fostering the image of the HUGO BOSS brands.

CORPORATE RESPONSIBILITY AT HUGO BOSS

Responsible corporate management also involves the application of social and ecological considerations in strategy and decisions. Sustainability in these times of extremely rapid economic activity is a key requirement for a corporate policy that is stable on an ongoing basis.

Social standards are not a privilege of the industrialized world, but a global responsibility. It begins at the Group headquarters in Metzingen and extends to the production sites. HUGO BOSS strictly observe all national laws and adapts social standards that are common in Germany while using the latest technology to produce our high-quality products for which HUGO BOSS is known worldwide.

HUGO BOSS' social standards were defined based on **SA 8000 certification** and represent both the specific requirements of the clothing industry as well as the extremely high expectations of every HUGO BOSS production site. Key components – and therefore binding rules of production – include the prohibition on child labor, appropriate compensation and working hours, and safe working conditions. Sustainable ecological behavior and the respectful treatment of animals are also firmly anchored in the social standards.

Naturally, these requirements are also binding for all HUGO BOSS suppliers. The Group does not just call for these contractual requirements to be complied with; it also actively monitors their compliance on site on a regular basis.

The Group-wide social standards are binding for all production plants that manufacture HUGO BOSS products. Auditors supervise compliance with the standards.

In contrast to many other companies, the monitoring is done by specially trained HUGO BOSS staff. These employees are located on site and know the cultural characteristics of the country. This makes communication with production managers easier and allows values and quality standards that are sometimes different from the local variety to be conveyed to partners. In addition, using Company personnel for monitoring not only helps with the assessment itself and sanctions if needed, it is also a starting point for instruction and combined training. In the process, the local suppliers support HUGO BOSS in the further development of social and ecological standards. Here HUGO BOSS would like to raise awareness for the fact that all capital expenditure in higher standards is an investment in the future. It thus is actively involved here in the relevant countries.

As a global company, HUGO BOSS feels it has a **responsibility to treat the Earth's national resources with respect.**

Good examples of the integration of environmental considerations are the new management buildings in Metzingen and Switzerland. Their energy requirements are kept as low as possible due to "intelligent" architecture and building technology, such as the use of double glass facade which uses thermal lift for natural ventilation. Cooling ceilings serve as environmentally-friendly air conditioners, while state-of-the-art solar panels meet a substantial part of the buildings' energy needs.

Logistics are another area of HUGO BOSS activities with ecological implications. Smooth processes and precision planning are helping to avoid unnecessary transportation of merchandise or materials to reduce use of resources and air pollution to a minimum. HUGO BOSS prioritizes technically advanced forms of transport that have as little impact on the environment as possible. The Company also ships merchandise by sea rather than air whenever possible because it is more environmentally friendly.

HUGO BOSS' shop concepts show that environmental protection can be combined with an exclusive brand image. The Group consciously uses technology that saves resources such as long-life light bulbs that use less electricity and environmentally-friendly materials.

Assuming **responsibility** only has real meaning if the people acting on behalf of HUGO BOSS around the world follow suit.

Employees are the most important asset of any organization. In line with a balanced selection of education, culture, and social issues according to the Diversity Charter signed in 2008, these are areas in which the Group fulfills its responsibility to its employees as a forward-looking company. This also includes systematic personnel development that identifies individual potential and encourages it in a targeted manner. HUGO BOSS also offers a flexible model for supporting families that allows working parents to combine career and family. Nutritionally balanced menus in the company's cafeterias, comprehensive sports programs, group cultural excursions, and an advisory service on work-life balancing round off the numerous available activities.

Cultivating employee potential by giving them a high level of personal responsibility is just as important as giving them such added benefits. HUGO BOSS believes that each employee is capable of great things, especially in a team with motivated employees from different areas. This is why openness is a fixed component of our corporate culture.

→ **For more information on this topic, please see the chapter entitled "Employees".**

HUGO BOSS is also aware of people outside the Group and has placed children at the center of its **social activity**.

HUGO BOSS takes this social responsibility upon itself by caring for children. For example, the Group continued to support the **UNICEF "Schools for Africa" project as part of its established partnership with that organization** in 2008. As part of this project, schools were built or repaired in Angola, Malawi, Rwanda, Mozambique, Zimbabwe, and South Africa and given school supplies. Desperately needed teachers were also trained.

In addition to its work with this project, HUGO BOSS also supports UNICEF's calls for emergency aid, such as for children in the conflict areas of Myanmar or Szechuan.

Moreover, HUGO BOSS initiated a special donation project in 2008 in cooperation with UNICEF to help orphaned children in Malawi whose parents have died of Aids. Employees, retailers, customers, and even journalists and investors can participate in this international donation campaign. The main idea of the project is to open an active dialog with these interest groups. HUGO BOSS wanted to make people aware that these children are in an almost hopeless situation. For every statement it receives, HUGO BOSS donates one dollar to an appropriate UNICEF relief project.

By supporting many social projects worldwide with charitable donations, HUGO BOSS shows great corporate citizenship.

The HUGO BOSS Group's special sense of responsibility towards the weakest members of human society is also shared by the entire workforce – demonstrated by the personal actions of each and every one of them. Large numbers of staff contribute to the Works Council's regular fundraising and charity events in Metzingen. These have ranged from collecting children's clothing and toys for a relief project in Colombia to the financial support of a children's clinic in Rumania to buy urgently needed diagnostic equipment. Even HUGO BOSS trainees get involved and created a "Christmas wish tree" to help employees fulfill the wishes of children with cancer at the Tübingen Children's Clinic.

For HUGO BOSS, corporate responsibility is also the **respectful treatment of animals.**

This is firmly anchored in HUGO BOSS' social standards and communicated all the way down to its suppliers. The standards and their monitoring will ensure that animals are treated as gently as possible even in countries where there is no or inadequate animal protection legislation.

A good example of HUGO BOSS' active commitment in the area of animal protection is alternatives to mulesing that are gentler to animals. Mulesing is a operative procedure performed on young animals in the breeding of wool sheep. This operation is actually meant to protect the sheep from infestation with an especially aggressive species of fly that can kill the sheep. However, since traditional mulesing is performed without anesthesia or disinfectant and often using dull shears, the procedure is not in line with HUGO BOSS' idea of animal protection.

This is why HUGO BOSS has been in direct contact with AWI, a special interest group for the Australian wool industry, and the Australian government for several years now. HUGO BOSS gives its point of view on traditional mulesing in regular exchanges and reiterates its desire for production methods for ethically responsible wool. HUGO BOSS revised its Sourcing Policy for Wool Products in 2008 to take a clear stand on this issue. Since that time, the Group coordinated with its suppliers and has been buying out raw materials from farmers who have recognized the change in the need for mulesing-free wool.

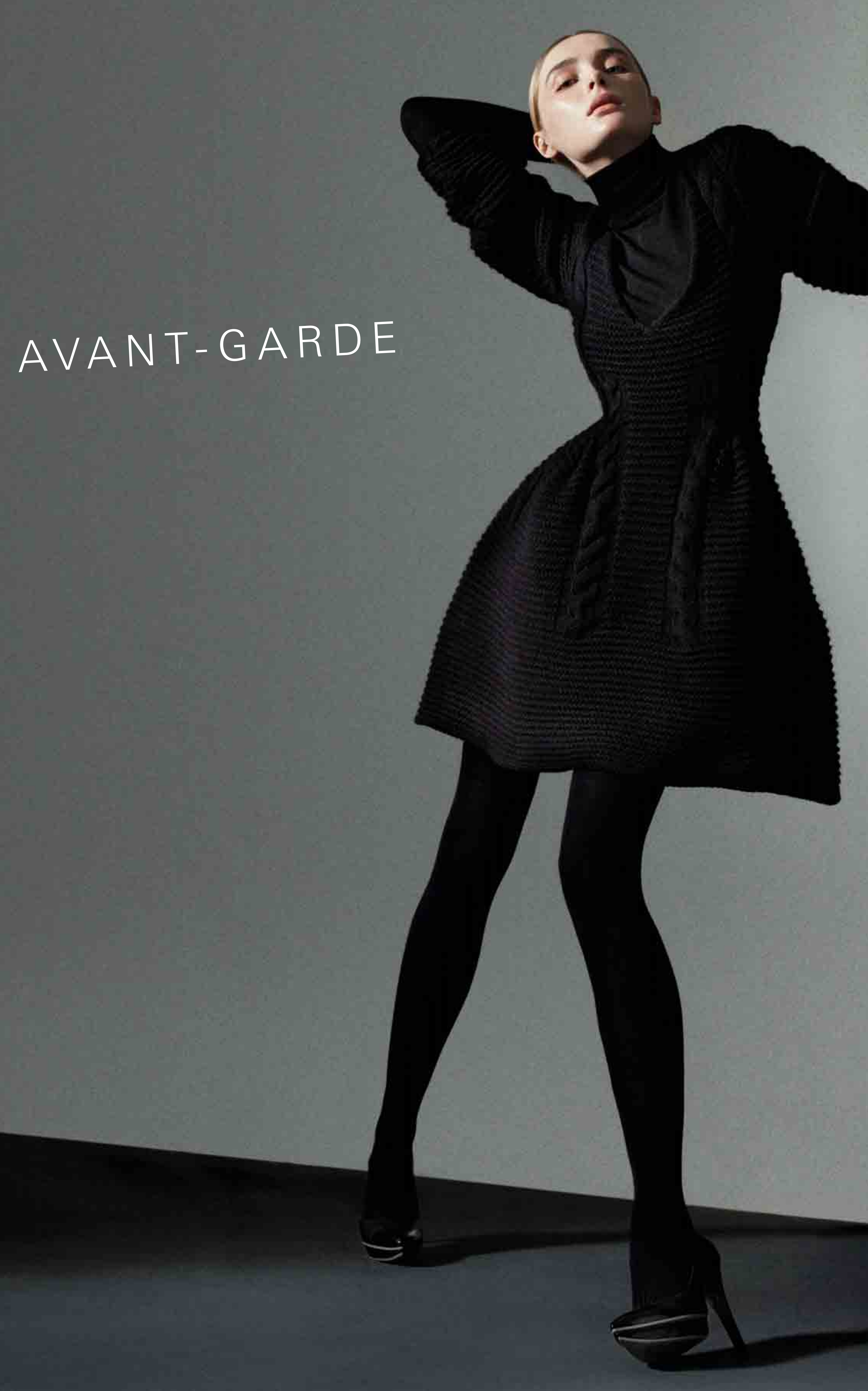
THE FACETS

OF HUGO BOSS

A CUT DIAMOND CASTS MANY REFLECTIONS, EMITTING SHAFTS OF LIGHT THAT VARY WITH THE VIEWING ANGLE. SHARP EDGES JUXTAPOSE WITH SOFT TRANSITIONS, SLEEK SURFACES WITH MESMERIZING DEPTHS. HUGO BOSS OFFERS AN EQUALLY CAPTIVATING SPECTRUM OF DIMENSIONS THAT SHIFT WITH ONE'S PERSPECTIVE. DECADES OF EXPERIENCE AND INNOVATION HAVE FOUND EXPRESSION IN AN ARRAY OF CONTRASTING YET COMPLEMENTARY FACETS THAT COALESCE TO MAKE OUR ORGANIZATION TRULY ONE OF A KIND.

ELEGANT

Fashion can communicate a confident sense of style, attracting admiring glances. Fashion can be unconventional, challenging established mindsets and categories. The diverse collections of our BOSS and HUGO brands oscillate between elegant and edgy. Each one is positioned and showcased in its own brand world. In the sum of their parts, the collections crystallize the entire spectrum of fashion diversity that defines HUGO BOSS: supreme quality throughout, individually tailored to fit a multiplicity of target groups.


AVANT-GARDE

VERSATILE

Drawing on our rich heritage, we have systematically extended our competence base. From business- and eveningwear for men and women through sports collections and children's fashions to fragrances and accessories: each of these segments enhances our ability to key into our customers' specific needs. A powerful presence in every relevant global marketplace ensures immediate proximity to our customers. Their input feeds back into the evolution of our products.

INDIVIDUALISTIC

Fashion is our business. Glamorous events with international stars and the impressively choreographed fashion shows enthrall people around the world. Capturing the emotion of the moment – to present our products to optimum effect – is a passion that demands utter perfectionism. For this reason, experts from disparate disciplines work behind the scenes to ensure that our brands maintain and refine their radiance and charisma. A finely tuned strategy, we believe, is the only way to ensure sustained success.

STRATEGIC


EMOTIONAL

HOMEGROWN

HUGO BOSS enjoys global success, making it a fashion fixture in New York, Shanghai and Moscow alike. Our values too are consistent the world over: they form the essence of our brands, making us absolutely unique. Quality, precision and dependability are the forces that power our reputation in every corner of the globe. Coordinated centrally, our subsidiaries are the ambassadors that champion our message of "made-in-Germany" quality abroad – and increasingly in the growth markets of Asia and eastern Europe.

GLOBALLY PRESENT

DETAIL-PERFECT

HUGO BOSS products are synonymous with refined and proven quality, today combining time-honored craftsmanship with technological mastery. As a pioneer in our industry, we tap the strengths of automated manufacturing with the goal of perfecting our products – down to the very last detail. Fashion is an evolving phenomenon; it reverberates with dynamic energy and is in constant flux. We start with state-of-the-art technology and add a keen eye for trailblazing looks. The result: ongoing product innovation at benchmark-setting standards.

PROCESS-EFFICIENT

AMBITIOUS

The desire to produce something outstanding is the cornerstone of all competitive success. Ambition drives excellence – in fashion as in sports. For this reason we support individuals who have surpassed themselves through athletic achievement. We also feel a strong affinity to the world of art. Infused by open-mindedness and a willingness to explore, it – like fashion – thrives on trends, aesthetics and creativity. In the realms of sport, art and fashion alike, there are few greater sources of inspiration than the achievements of those who have made a profession of their passion.

INSPIRING

PROGRESSIVE

As a globally operative company, we have an obligation to give back to society and the environment. Social and ecological concerns therefore factor prominently into our entrepreneurial vision: HUGO BOSS believes in "Progress Founded On Sustainability." This translates into a growing commitment to charitable causes and to issues such as animal rights, environmental protection and social standards.

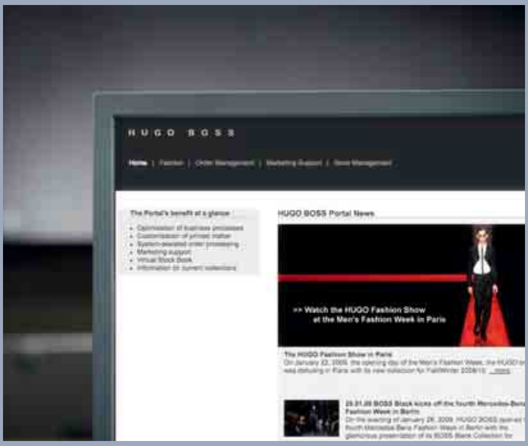
SUSTAINABLE

GROUP MANAGEMENT REPORT

HIGHLIGHTS 2008

Successful business development
HUGO BOSS represents excellent design, high quality and therefore first-class fashion in the premium segment. In past year, the Company continued to further strengthened its market position and increased its sales by 6% in local currency.

Expanded product portfolio
HUGO BOSS has two brands and four fashion lines, offering its different target groups individual collections for every occasion. Fiscal year 2008 was not only the first year with HUGO star designer Bruno Pieters, but also saw the beginning of new products in the royalties segment.



Global expansion
Customers can purchase HUGO BOSS collections at over 6,100 points of sale around the world. In 2008 alone, the Company opened 54 new directly operated stores as well as over 150 additional franchise businesses all with a uniform design.

Optimized processes
HUGO BOSS is constantly working on improving its corporate structure. Following the completion of the Columbus Project, increases in efficiency were achieved in fiscal year 2008 throughout the value chain from product creation to delivery.

BUSINESS ACTIVITIES AND GROUP STRUCTURE

HUGO BOSS represents fashion and lifestyle in the premium segment across the globe. Based on its ongoing success in this segment, HUGO BOSS expanded its product range and now offers high-quality garments with supplementary accessories and licensed products for a variety of occasions.

GROUP PROFILE

The success of the HUGO BOSS Group is based upon the perfectly coordinated integration of its divisions which are part of the value chain. For HUGO BOSS, a global and exclusive sales network with excellent market knowledge, automated logistics processes, reliable purchasing structures, outstanding product expertise, and high-quality fashion form the basis of its relationship with its international customers.

Intensive marketing activities, such as the involvement in the sponsorship of athletic and cultural events, or the uniform design of the own retail stores, enhance the worldwide recognition and image of the HUGO BOSS brands and the Company. The Company also sets a course with high-profile fashion events in the world's fashion capitals, further highlighting the appeal and acceptance of the Group's brands for key target groups and charges the HUGO BOSS brand world with emotion. The Company is succeeding in positioning itself as a trendsetter and in generating maximum publicity and media attention for the BOSS and HUGO brands.

The Company reacted to high demand for luxury goods especially in Asia and Eastern Europe at an early stage with a global growth strategy. This is why **HUGO BOSS products can now be purchased in 110 countries and at some 6,100 points of sale.** Rounding off global expansion and strengthening sales and distribution of HUGO BOSS products also further drives forward retail activities. The worldwide presence of the own retail stores was expanded in the past year to bring the number of stores from 287 to 330. Taking into account the more than 1,000 franchise stores and shops, the HUGO BOSS Group therefore currently has a total of 1,300 monobrand stores in 80 countries.

HUGO BOSS has more than 6,100 points of sale in 110 countries. The number of own retail stores increased to 330 worldwide. Over 1,000 stores and shops are operated by franchisees.

BRAND ARCHITECTURE

The brand world of HUGO BOSS presently consists of various collections of the **core brand BOSS and the trendy HUGO brand.**

The menswear collections are represented by the core brand BOSS with the lines BOSS Black, BOSS Selection, BOSS Orange, and BOSS Green as well as by the HUGO brand. The main BOSS Black line offers men classic and elegant business and evening wear. The relaxed casual fashion of

BOSS Orange and the stylish golf-oriented sport collection of BOSS Green round off the selection. The premium label BOSS selection offers a combination of sophisticated design, exclusive materials, and careful tailoring of the highest quality. And lastly the avant-garde HUGO collection appeals to the trendsetter.

The Group also offers stylish clothing for women under BOSS Black, progressive-eye-catching fashion under BOSS Orange, and accentuated strict avant-garde style under HUGO.

Licensed products such as fragrances, cosmetics, watches, and eyewear complete the HUGO BOSS product range. In the past fiscal year, the licensing business with Swarovski subsidiary Amazar was expanded by jewelry collections. In cooperation with Samsung Electronics, HUGO BOSS cell phones and matching accessories have also been available since the end of 2008. HUGO BOSS products also gained a children's fashion collection that will be offered under the BOSS Orange line and available in retail stores from Spring 2009. In future, BOSS brand children's fashion collections will be produced and sold by a license partner. These initiatives are an important step to rounding off the product offering that combines fashionable variety with high quality.

BRAND OVERVIEW

BOSS HUGO BOSS	Menswear Womenswear Accessories	**BOSS Black** Comprehensive spectrum of elegant business ensembles, casual sports clothing and evening wear.
BOSS HUGO BOSS SELECTION	Menswear Accessories	**BOSS Selection** Premium tier of the BOSS brand, implementing best materials and finest workmanship.
BOSS HUGO BOSS	Menswear Womenswear Accessories	**BOSS Orange** Casual fashion for men and women, unusual materials, vibrant colors and intricate details.
BOSS HUGO BOSS	Menswear Accessories	**BOSS Green** Golf collection that promises optimum performance for sports and fashion.
HUGO HUGO BOSS	Menswear Womenswear Accessories	**HUGO** Self-confident men's and women's collection that combines creativity and individuality into an unconventional and avant-garde fashion.

ORGANIZATIONAL STRUCTURE

The Group is managed by HUGO BOSS AG as the parent company, where all of the central management functions are bundled. One of HUGO BOSS AG's most important tasks is establishing a corporate strategy, especially the brand and sales strategy, risk management, and financing. Key decisions for putting together collections and the sales network are also managed here. HUGO BOSS AG is also responsible for internal and external communication including contact with the capital markets and especially the shareholders.

In addition to HUGO BOSS AG, which makes fundamental strategic and operating decisions on a centralized basis the Group consists of 52 consolidated subsidiaries, which run local business operations. 25 subsidiaries are organized as pure-play distribution companies. The **Company's own production sites** are in Izmir (Turkey), the most important production site of HUGO BOSS, Radom (Poland), Cleveland (USA), Morrovalle (Italy), and Metzingen. A detailed overview of the consolidated companies as of December 31, 2008 as well as other explanations of changes in the legal corporate structure are explained in the notes to the consolidated financial statements on page 120 et seq. All of the subsidiaries are managed as independent profit centers within the Group. As part of a project, to optimize the processes within the Group, a uniform IT infrastructure was established throughout the Group to standardize all workflows. This supports both managing subsidiaries' activities as well as the central analysis of Group-wide business developments.

The HUGO BOSS Group consists of 52 consolidated subsidiaries. ←

HUGO BOSS' global expansion means that management adapted to differences in each regional market is becoming increasingly important. The Group's new Managing Board reacted to this challenge by **dividing sales into three areas and appointing a regional director for Europe, America, and Asia/Pacific** at the end of 2008. In close coordination with the Managing Board, they pursue the Group's goals in their respective market environment, while at the same time facilitating a sales strategy in which some aspects are adapted to the differences in these markets. The Managing Board also expects better integration of the national companies and therefore improved monitoring of sales and profits from this stronger regionalization of sales structures.

With the withdrawal of André Maeder effective January 31, 2009 the regional directors report directly to the Chief Executive Officer.

Segment reporting was also adapted to the increasing importance of sales decisions in the regions. In fiscal year 2008, external segment reporting was performed by region in accordance with the management approach pursuant to IFRS 8 for the first time. You can find more information on business operations in the regions in the chapter entitled "Segment Reporting" on page 081.

→ **Global sales are divided into three regions and a regional director was appointed for each of the regions of Europe, America and Asia/Pacific. Accordingly, segment reporting was adapted and subdivided into regions.**

The **management structure of HUGO BOSS** is primarily based on the framework of corporate law. As a German corporation (Aktiengesellschaft), HUGO BOSS has a dual management and control structure. The Group is managed by the Managing Board as a whole. The Supervisory Board advises the Managing Board and oversees its management of the Company. Essential **information on the remuneration** of the Managing Board and Supervisory Board is given on page 101. of the notes to the group management report. Share-based payments for the management can be found in the notes to the consolidated financial statements on page 165 et seq. The members of the Managing Board of HUGO BOSS AG, which manages the Group, have equal standing. They and the Chairman of the Managing Board are represented on the Board with areas of responsibility that include their individual central functions. As of December 31, 2008, the areas of responsibility for the central functions were divided up among the members of the Managing Board as follows:

Claus-Dietrich Lahrs	Chairman of the Managing Board and Director for Labor Relations Responsible for the BOSS and HUGO brand as well as Licenses, Communications, Legal Affairs and Human Resources
Norbert Unterharnscheidt	Responsible for Controlling and Finance
Hans Fluri	Responsible for Purchasing, Production, Logistics and IT
André Maeder	Responsible for Retail, Sales and Marketing

The directors of the regions Europe, Americas, Asia/Pacific and the directors of central functions belong to an in fiscal 2008 newly established extended executive committee that supports the Managing Board's activities. In this way, the Managing Board can access the knowledge and skills of the directors in a targeted manner when it makes strategic decision, while at the same time ensuring a coordinated approach to all central Group areas.

COMPANY MANAGEMENT AND STRATEGY

HUGO BOSS' success is actively managed via the Group's organizational and managerial structure and its established growth and market strategy. The frame is given by the internal control system. HUGO BOSS maintained its market position and continued its positive sales trend from previous years in fiscal year 2008 by concentrating on its brand strategy and continually as well as systematically monitoring its business policies despite the difficult economic environment that also impacts the fashion industry.

INTERNAL CONTROL SYSTEM

HUGO BOSS actively supports the goal of securing the sustained long-term success for the Group and continuing to expand the Company via a system of internal controls. One of the key elements of the internal control system is the SAP-based, Group-wide reporting system, Group planning, and investment controlling.

The Internal Control System supports the goal of securing the sustained long-term success of HUGO BOSS.

Group-wide reporting includes the subsidiaries' financial statements, individual reports mapping the subsidiaries' business units, and standardized key data reports. All subsidiaries prepare IFRS statements on a monthly basis, which are consolidated into the management reporting and are incorporated into the Group's published financial reports. The reports are also sent to the decision-makers at HUGO BOSS, who use them to manage the business segments, subsidiaries, and operational processes.

The **most important key performance indicators,** which are subject to continuous monitoring and provide the basis of the variable component of compensation for members of top management are:

- **Net sales**
- **EBITDA before special items**
- **Net working capital**

Group planning is formulated for three years and revised annually as part of the comprehensive budget process. Each subsidiary creates a three-year plan for its specific market, based primarily on the details of the sales plan and the gross profit margin of the previous year. For the distribution companies, the three-year plan focuses on an assessment of sales and profits in particular, but also concentrates on planned investments and managing financial assets and inventories. The three-year plan also assists production and purchasing companies, especially in respect to medium-term capacity planning. The planning for the subsidiaries is updated at regular intervals over the fiscal year where an assessment of the current business developments and the anticipated results are submitted for the current fiscal year. As a consolidated plan for the HUGO BOSS Group, the Group planning is based on the subsidiaries' planning and the assessments of the economic conditions of the Group's management board.

In **investment controlling,** investment projects are analyzed and managed in terms of their contribution to the Company's business objectives, and then the respective target achievement is examined after the project is implemented. This means that only projects that are expected to have positive contribution to increasing enterprise value are initiated. Accordingly, projects are only realized if they are soused to generate a rate of return above the cost of capital.

SECURING TARGET ACHIEVEMENT

The level of target achievement is secured by HUGO BOSS' internal information systems that use actual and projected figures to link strategic and operational elements in real time, accompanied by regular communications that include directions for action if necessary. This gives the Company management Group-wide direct access to management information, some of which is updated daily, that is very detailed and allows targeted assessments. The HUGO BOSS Group's control system is optimized on an ongoing basis and adapted to Company developments as well as increasing requirements. Company-specific leading indicators are also included in ongoing monitoring of planning. It also draws on information from the pre-order business and the collections' sell-through rates.

→ **The internal control system identifies deviations from targets in good time so measures can be introduced.**

To secure and expand the sustained success of the HUGO BOSS Group, both financial and **non-financial performance indicators** are regularly reported, analyzed, and acted upon in the event of deviation from targets. The non-financial performance indicators are listed in the "Additional factors for success" section on page 084 et seq.

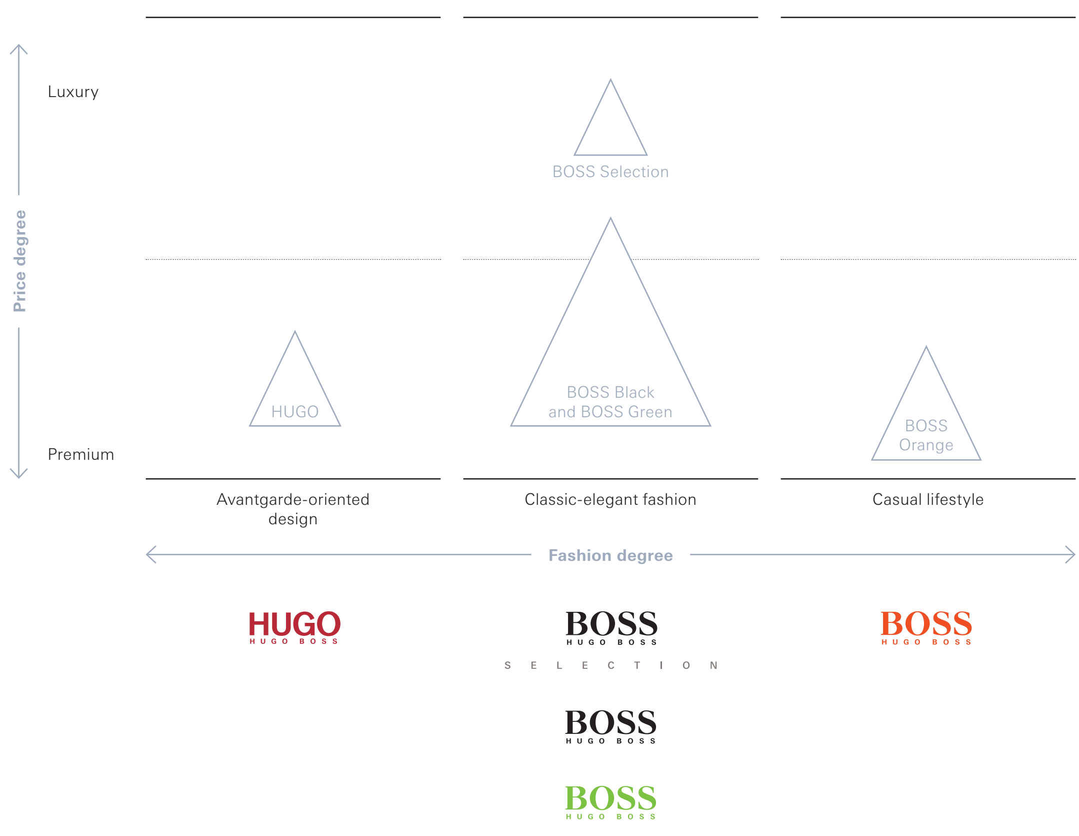
STRATEGY

HUGO BOSS has been **one of the global market leaders in the premium fashion segment** for years and has consistently strengthened its market position in past years. The Company's sustained strategy of global growth has paid off. In recent months, the Managing Board under its Chairman Claus-Dietrich Lahrs, who has been head of HUGO BOSS AG since August 2008, subjected the existing strategy to a close examination and then rounded off the existing orientation with new accents.

HUGO BOSS' high-quality brands and brand image are the Company's most important commodity. The Group pursues a **clearly-focused brand philosophy** to increase the strength of its brands. Today, the BOSS core brand has been transferred to four independent product lines that cover several different areas of focus. The collections of the BOSS Black line focus on elegant business fashion, while BOSS Orange concentrates on the high-end casualwear segment. The BOSS Green label offers a fashionable golf-oriented collection. The luxurious tailored fashions of the BOSS Selection line are designed for customers with particularly high quality demands for materials, workmanship, and exclusivity. In addition, the HUGO brand improves on progressive and avant-garde style. With this broad and well-structured brand portfolio, HUGO BOSS can offer the right outfit to every target group for every occasion.

Based on this brand philosophy and high quality standards, HUGO BOSS aim to **optimize further the presence of its brand family** in the future. The Group wants to accentuate the individual image of these lines even more in coming years, in doing so more precisely tailoring them to the individual target groups within the brand family. BOSS Selection plays a key role here. Thanks to this line's excellent quality, the HUGO BOSS Group will focus on the international luxury segment. The BOSS Orange line will be realigned to give this collection a more distinct market position and a brand statement more oriented to the target group.

FUTURE BRAND POSITIONING



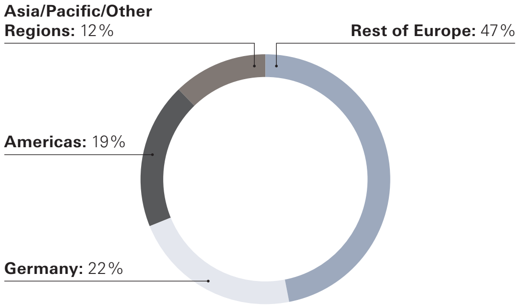
HUGO BOSS will also significantly expand its operating range outside Europe to exploit additional growth opportunities. In doing so, it will **consistently focus its corporate strategy on the most successful growth markets and regions.** The stated target for the coming years remains to generate sustained positive development in the international markets, and particularly to increase the share as a percentage of total sales in the dynamic regions of Asia, Eastern Europe and North America. However, it is important to ensure that global growth continues to be accompanied by the presence in the traditional sales markets. This strategy aims to secure existing market share and further expand market positions using a portfolio with stronger regional diversification.

The number of point of sales will be therefore increased sharply, particularly in the emerging markets of Asia and Eastern Europe. **China is still the most important market for the future** with an enormous growth potential.

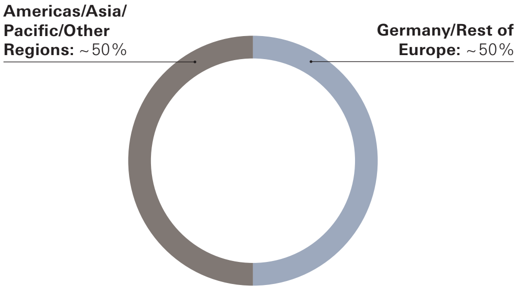
→ The share of sales outside Europe is expected to increase to 50% of total sales in the medium term.

In the past fiscal year, sales outside Europe already reached over 30%. HUGO BOSS aims for a more balanced sales breakdown in the coming years.

SALES SPLIT 2008[1]



MID-TERM TARGET



[1] Without Royalties.

In addition, a significant proportion of growth potential for HUGO BOSS brands is an exclusive sales and distribution network. One of the Company's strengths is the high number of more than 1,300 HUGO BOSS monobrand stores worldwide – which consist of own shops and stores as well as franchise stores that exclusively offer HUGO BOSS fashion collections. HUGO BOSS wants to secure this advantage going forward and is investing in **expanding the proportion of sales via the Group's own retail stores.** The share of Group sales has jumped sharply in recent years, amounting to 16% at the end of the fiscal year. Sales via directly operated stores allow the products to be presented in a highly exclusive atmosphere while also obtaining direct customer feedback on current collections. This feedback from the individual shops is passed on to the Group directly and is used developing future products. Another advantage of this sales format is that the HUGO BOSS brands can be better established and presented worldwide and that this concept supports the regional expansion.

This efforts are already the cornerstown of tomorrow's growth.

GLOBAL MARKET PRESENCE

POS: Points of Sale.
DOS: Directly Operated Stores.

INNOVATION, RESEARCH AND DEVELOPMENT

The further development of HUGO BOSS' high quality products involves the expertise of all its employees, particularly of its specialists who are concentrated at several Competence Centers. In addition to the creative department as the actual innovator for and the birthplace of new collections and trends, innovations on all aspects of HUGO BOSS' products are created in technical development, Operation Technical Development (OTD), and the Technology & Service Center (TSC).

→ **The development of new vogues takes place in the creative department. Innovations concerning technical implementation are happening in the Operation Technical Development and the Technology & Service Center.**

The Technology & Service Center (TSC) in Metzingen primarily serves to develop products in the core area of classic clothing for women and men. In contrast, the Competence Center in Coldrerio (Switzerland) is home to development departments for additional textile product groups such as shirts, ties, knitwear, bodywear, socks, while the centers in Morovalle and Scandicci (Italy) are home to the departments for shoes and leather accessories. These development locations create prototypes for new clothing collections that were previously designed in the Pattern Design department using technical development. Sample pieces and patterns are manufactured and materials tested for their suitability and quality at the same facilities. All necessary data is collected using this method for possible later use in series production. In the process, HUGO BOSS secures high quality standards and excellent production results – from the use of technology to workflows, work content, and manufacturing costs down to raw materials. By cooperating with its suppliers and technology partners, the Company is also developing the necessary manufacturing technologies and drives forward innovations in material quality. This intensive product development not only ensures that the future production process at the production sites runs smoothly, but also secures HUGO BOSS its competitive advantage in manufacturing technology and quality.

→ **Long lasting investments in research and development are helping HUGO BOSS to get a leading position regarding the field of costs of goods technology.**

The employees cover all relevant stages of production and also work in cutting, sewing, or the press room, to give a few examples. HUGO BOSS ensures that its employees know as many of the production steps as possible, especially in the above area, so they have a feeling for the production process as a whole. In addition, the Company invests in the training and professional development of its employees here as well, identifying professional opportunities for them and in doing so simultaneously securing the knowledge and experience of these specialists for HUGO BOSS.

Expenses for Research and Development for the collection development process in the creative departments amounted to EUR 49 million in fiscal 2008 (2007: EUR 40 million).

OVERALL ECONOMIC CONDITIONS

The Group's strategic positioning and leadership are the foundations for continued profitable growth. However, a decisive factor for HUGO BOSS as an international fashion company is also the overall economic situation and the sector-specific outlook.

DEVELOPMENT OF THE OVERALL ECONOMY

The growth prospects for the global economy have deteriorated significantly as a result of the uncertainty on the financial markets triggered by the U.S. real estate crisis. Sharp price increases in the international markets for energy, raw materials, and agricultural products have also had a negative influence on the global economy, especially in the first half of the year. The intensification of the general downward trend on the international capital markets and the still unpredictable effects on the global economy have prompted leading economic research institutes to adjust their forecasts repeatedly in the past fiscal year. Therefore the International Monetary Fund (IMF) forecasted global economic growth of 3.4% for 2008 as a whole in its latest World Economic Outlook of January 2009, while this figure was still 4.1% in the study at the beginning of 2008.

There was a significant economic slowdown particularly in **industrialized countries.** According to the January report, several industrial nations are already on a recessionary path, with others on the brink of such a development. Slow growth in private consumption, falling capital expenditure, and the strained situation in the real estate sector weakened **U.S. economic growth** significantly. In line with this, the IMF declared that the U.S. economy grew only 1.1% in 2008. In an attempt to ameliorate the effects of the credit crisis, the USA have already reacted with significant monetary measures and cut the key interest rate several times over the course of the year to between 0.00% and 0.25%. The IMF has also drastically scaled back its growth **forecast for Western Europe.** While the eurozone and Germany still generated comparatively good economic figures until the middle of the year, they also deteriorated tangibly over the second half of the year. For example, eurozone growth was only 1.0%, while German GDP of 1.3% in the year under review was somewhat better. For the coming year, eurozone GDP is even expected to shrink.

By contrast, **the emerging economies of Southeast Asia and Eastern Europe** remained robust in the past fiscal year. Although the growing economies of East Asia, Southeast Asia, and Eastern Europe – did not escape unscathed from the global financial crisis in 2008, these countries faced dynamic investment development as well as declining growth in domestic demand. For example, according to data from the Organization for Economic Cooperation and Development (OECD), China and India recorded solid growth of 9.0% and 7.3%, respectively. Central and Eastern European countries remained on the growth path with an increase of 3.2%, also representing a decline in the growth rate.

SECTOR PERFORMANCE

The sales trend in the global market for fashion, accessories and luxury goods is decisive factor for HUGO BOSS' operating business. However, it is difficult to estimate reliably the effects of the worsening credit crunch on the real economy for luxury goods in what is expected to be a turbulent 2009. Fear of recession has created a lot of uncertainty wihth customer. The premium and luxury goods industry developed quite differently in the various regions.

According to consultants, the global market for luxury goods still grew 3% over the course of 2008, although it lost significant momentum from the second quarter onwards. The sharp rise in disposable income and the large backlog of consumer demand in **the emerging markets of Asia, Eastern Europe, and the Middle East** were also driving this development as in previous years. In addition to the growing prosperity, the development of these countries is highly likely to further increase the level of demand for premium consumer goods – and hence growing sales in the luxury goods industry. Experts estimated a 15% jump in growth in the Asia-Pacific fashion market in 2008. China again proved to be the driving force behind this development – not least of all due to the slowly increasing supply of local luxury items.

In contrast, no uniform trend could be observed in **Europe** last year. The European fashion market as a whole moved at a stable level compared with the previous year and grew approximately 5%, although significant regional differences were recorded. The fashion industry in the traditional European economic regions was impacted significantly in the first half of the year by a considerable drop in tourism from the U.S. and Japan due to the sharp appreciation of the Euro. Private consumption also fell noticeably. For example, German consumers were hesitant in 2008 despite positive growth on the German labor market and an increase in disposable income, instead increasing the savings ratio in the first half of 2008 according to the German Statistisches Bundesamt to 11.3% of disposable income (2007: 10.9%). Demand in Europe was dynamic only in Eastern Europe, especially Russia. However, the turbulent events on the financial markets and the decreased oil price significantly impacted growth in the second half of the year even there.

According to estimates, growth on luxury goods market in the **USA** was flat for 2008 as a whole. The sale of luxury goods in the USA in the first half of the year was positively influenced by increasing tourism mainly from Eastern Europe and Asia, but also from the eurozone to some extent. However, this positive effect decreased with the worsening international financial crisis and its impact on the real economy. American consumer behavior also deteriorated noticeably over the course of the year.

Japanese private consumption fell into a deep crisis over the course of 2008, while its market for luxury goods fell by 7% according to estimates.

RESULTS OF OPERATIONS IN FISCAL YEAR 2008

OVERALL STATEMENT ON SALES DEVELOPMENT

The slowing overall global economic growth and disappointing sector performance had a negative impact on the business of HUGO BOSS as an international fashion company. But, despite the fact that the market environment has become more difficult, HUGO BOSS successfully held its ground in the past fiscal year. HUGO BOSS' high-quality brands and the exclusive sales and distribution environment were the basis for a successful fiscal year. The ongoing regional diversification and the focus on growth markets in particular are the basis for long-term positive growth.

SALES PERFORMANCE

In fiscal year 2008, HUGO BOSS' **Group sales increased in local currency-adjusted** by a good 6%. Sales growth was therefore in line with expectations.

Although there has been increasing downward pressure on the European single currency since late summer, HUGO BOSS recorded negative currency effects for the year as a whole. The euro exchange rate with the U.S. dollar, pound sterling, and the Hong Kong dollar had a particularly negative impact on sales in the reporting currency, which increased by just 3% to EUR 1,686 million (2007: EUR 1,632 million).

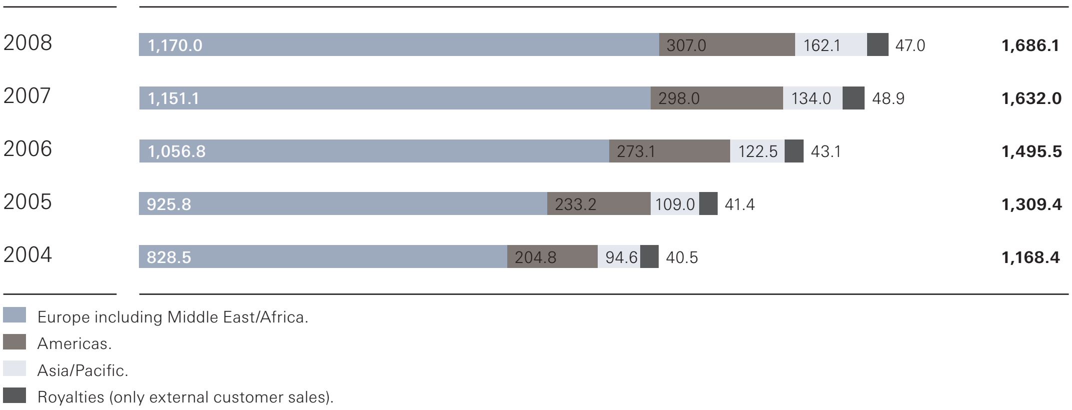
This positive overall sales performance of HUGO BOSS in the previous year was driven by a number of factors. In particular, the Group benefited from the dynamic development in the growth regions of Asia and Eastern Europe, which remain fundamentally consumer-friendly with respect to luxury goods. Furthermore, in other, more difficult markets, wholesale customers responded to the uncertainty affecting the fashion market by demonstrating their confidence in the continued acceptance and attractiveness of HUGO BOSS. Finally, the Group's own retail business with its robust growth also contributed to the overall improvement in its economic performance, with sales growth of 15% currency-adjusted whereas retail sales have been slowing down in the course of the second half of 2008.

Positive sales performance was especially driven by strong sales growth outside Europe, high attractiveness of the BOSS and HUGO brands as well as sales growth in own retail. ←

The segmentation of the Europe, America, Asia/Pacific, and Royalties segments differs from the previous presentation for the first time because HUGO BOSS adapted its external segment reporting to the new internal organizational structure, which was established in 2008. For further information on sales development in regard to key sales markets and regions can be found in the chapter entitled "Segment Reporting".

In a multi-year comparison, the sales development of the segments was as follows:

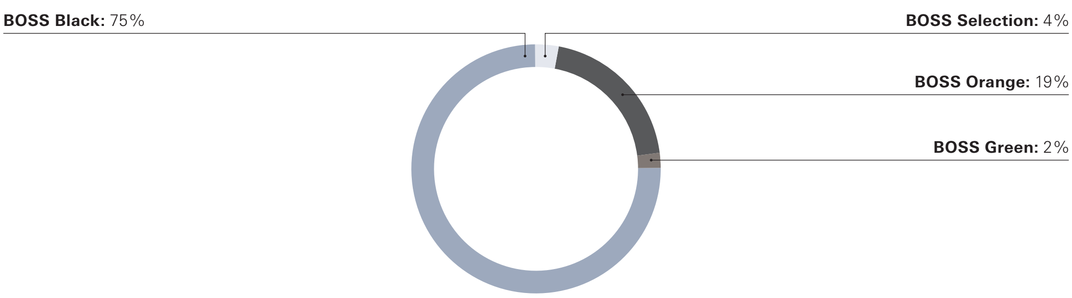
SALES DEVELOPMENT



Sales development of both brands BOSS and HUGO was positive in the past fiscal year.

In fiscal year 2008, sales of the **core brand BOSS** rose by 5% with adjustment for currency effects and by 3% in the reporting currency to EUR 1,527 million (2007: EUR 1,485 million). Among the individual lines, BOSS Selection continued its highly dynamic performance. In addition, BOSS Green was perceived very well on the market following a realignment of the collection statement and thus recorded encouraging growth rates.

SHARE OF SALES OF THE BOSS BRAND LINES

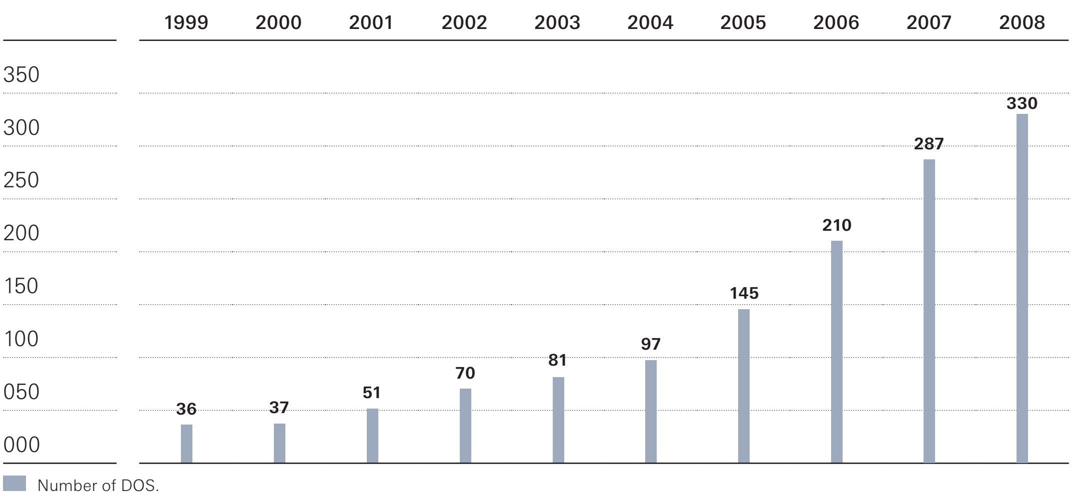


The **trendy brand HUGO,** for which the Belgian designer Bruno Pieters has been responsible as Art Director since 2007, recorded currency-adjusted sales growth of 11% in fiscal year 2008 and just under 10% in euro to EUR 158 million (2007: EUR 144 million). Consequently, this collection under the responsibility of the new design team has also found favor with customers.

In fiscal year 2008 the Group expanded successfully the **womenswear business** as well as the **product groups of shoes and leather accessories.** Sales in the womenswear business climbed by 5%, while the product segment of shoes and leather accessories jumped by 15%. This sales growth again illustrates the significance of these product groups.

In the past fiscal year, HUGO BOSS further increased **sales through the Company's directly operated stores (DOS),** also by expanding floor space. The global DOS presence was therefore expanded through the net addition of 43 new stores, to a total of 330. As in the previous year, the shop-in-shop concept saw the most expansion. Another 24 units were added to existing shop-in-shop units in 2008, to reach a current total of 214 units. The number of the Group's own freestanding stores increased by 19 to a total of 116. As part of this, the Group now has attractive locations in the Asia/Pacific region such as China and Hong Kong, as well as in Australia. The retail network was also further strengthened on the American continent. For example, additional stores were opened in Latin America.

NUMBER OF DIRECTLY OPERATED STORES (DOS)



Sales in **directly operated retail stores** (DOS) grew by 12% in fiscal year 2008 to EUR 269 million (2007 EUR 239 million). Sales via directly operated stores as a proportion of total sales were therefore approximately 16% (2007: 15%).

Taking into account the more than 1,000 franchise shops and stores, the HUGO BOSS Group therefore currently has a total of approximately 1,300 monobrand stores in 80 countries.

Total **brand sales** of HUGO BOSS products worldwide in fiscal year 2008 amounted to EUR 2,158 million and were therefore nearly at the same level as the previous year. This figure is based upon HUGO BOSS Group sales minus royalties and plus sales by HUGO BOSS licensees.

ORDER SITUATION

HUGO BOSS' system of doing business has become increasingly complex in recent years. Instead of business being dominated by pre-orders, as was previously the case, an increasingly large percentage of sales is being generated either via HUGO BOSS shops or the stock business.

The Company used to show two collections per fiscal year – one in Spring/Summer and one in Fall/Winter – but now it offers its customers four up-to-date fashion collections per year. The number of monthly theme-oriented deliveries has also increased. The share of the pre-order business – the sale of goods ordered in advance to retail partners – decreased to 60% of sales in the last fiscal year. In contrast, classic HUGO BOSS products in particular can now be delivered to customers from the warehouses with maximum flexibility. In order to continue ensuring planable production conditions in view of this new sales situation, HUGO BOSS does not depend purely on order figures, but also uses information from the sales companies taking into account the actual sell-through rates of the collections in the target planning.

INCOME DEVELOPMENT

Operating income (EBIT) decreased from EUR 220 million in 2007 to EUR 190 million in fiscal 2008. EBIT amounted to EUR 226 million in fiscal year 2008 after adjustment for special items. Special items are defined by HUGO BOSS primarily as expenses arising from the changes in the Managing Board as well as one-off consulting expenses as part of the Group's medium-term strategic orientation written by the new Managing Board. Additional extraordinary expenses were a result of the strategic realignment of the organization's structure and the related streamlining of personnel.

→ **EBIT after adjustments for special items amounted to EUR 226 million.**

INCOME STATEMENT

in EUR million	2008	2007	Change in %
Sales	**1,686.1**	**1,632.0**	**3**
Cost of materials incl. changes in inventories	(675.5)	(685.6)	1
Gross profit	**1,010.6**	**946.4**	**7**
in % of sales	59.9	58.0	
Other operating income and expenses	(406.0)	(359.0)	(13)
Personnel expenses	(353.5)	(299.7)	(18)
Depreciation/amortization [1]	(61.0)	(67.4)	10
EBIT	**190.1**	**220.3**	**(14)**
Net financial result	(41.7)	(7.9)	< (100)
Earnings before taxes	**148.4**	**212.4**	**(30)**
Taxes on income	(36.4)	(58.3)	38
Net income			
total	**112.0**	**154.1**	**(27)**
per share (EUR) [2]			
common share	1.62	2.22	(27)
preferred share	1.63	2.24	(27)

1 Including impairments.
2 Stock options program: Only Stock Appreciation Rights issued, no dilution of number of outstanding shares.

After adjustment for currency effects, **Group sales** increased by 6% and by 3% in the reporting currency in fiscal year 2008 to EUR 1,686 million (2007: EUR 1,632 million).

Gross profit rose by 7% to EUR 1,011 million (2007: EUR 946 million), thus again increasing more strongly than sales. The **gross profit margin** increased by 1.9 percentage points to 59.9% (2007: 58.0%). Eliminations of outlet inventories had a negative effect on gross profit. However, this effect was offset by further optimization of global production and sourcing. In addition, a higher share of sales generated by the Group's own retail business was also a factor in the margin increase. Finally, the weakening of the U.S. dollar in the case of goods purchased or produced in Asia also had a slight positive impact on the gross profit margin.

At EUR –406 million, **other net operating income and expenses** in the past fiscal year were around 13% below the figure for the prior-year period (2007: EUR –359 million). In addition to a positive nonrecurring gain due to the early termination of the lease agreement of the store on 5th Avenue in New York and the expansion of the general business volume, the increase was attributable to the rise in the number of directly operated stores around the world. 54 new stores were opened in fiscal year 2008. Adjusted for closings, the number of stores owned by the Group rose by net 43 to 330. Expenditure for logistics and warehouse operations increased slightly as a result of the higher business volume and, in particular, the expansion of the Group's own retail business. In addition, the share of marketing expenses of sales was slightly down and amounted to 7% by the end of fiscal 2008. On contrary, expenses for creating the fashion collections in the creative departments increased slightly year-on-year. Also, the change in billing systematic of the concessions paid to retail partners in Japan had a minor impact.

Personnel expenses rose by 18% year-on-year in fiscal year 2008 to EUR 354 million (2007: EUR 300 million). The continued personnel increase in the past fiscal year of 5% and tariff adjustments influenced this line item. Extraordinary expenses arising from the change in the Managing Board and expenses for reorganization of the Group structure started in the past fiscal year impacted personnel expenses by approximately EUR 28 million.

Depreciations relating to the relocation of the 5th Avenue store in New York in the past fiscal year as well as shortened depreciation periods due to early refurbishment increased this position, hence **depreciation and amortization** in the past fiscal year was a good 10% down on the prior-year figure at EUR 61 million (2007: EUR 67 million). Adjusted for this prior-year effect, depreciation and amortization increased due to the investments in the global network of own stores and showrooms as well as operating and office equipment made in previous periods.

At EUR 190 million, **operating income (EBIT)** was 14% below the prior-year level (2007: EUR 220 million) due to extraordinary expenses. Extraordinary expenses in the amount of EUR 28 million were a result of changes in the Managing Board as well as of the strategic realignment of the organizational structure, which primarily affects key companies in Germany and Switzerland. Overall, special items amount to EUR 36 million. EBIT amounted to EUR 226 million after adjustment for special items.

in EUR million	2008
EBIT	**190**
Special items	36
EBIT before special items	**226**

The **net financial result** amounted to EUR –42 million at the end of the year. (2007: EUR –8 million). This change is due to the increased interest expenses resulting from higher net financial debt after the payment of the special dividend in May 2008. In addition, the general rise in interest rates partially led to higher financial expenses. Finally, the financial result was impacted by EUR 6 million due to expenses in connection with the stock appreciation rights program arising from hedging transactions.

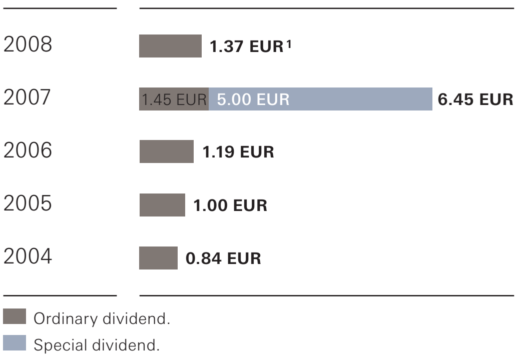
Earnings before taxes therefore declined to EUR 148 million (2007: EUR 212 million). At 25%, the tax rate was below the rate of the previous year (2007: 27%). The reduction in the corporate income tax rate in Germany also had a positive effect.

Net income for past fiscal year amounted to EUR 112 million (2007: EUR 154 million), which was around 27% below the previous year as a result of the aforementioned extraordinary expenses. **Earnings per share** declined correspondingly from EUR 2.22 to EUR 1.62 for the **common shares,** and from EUR 2.24 to EUR 1.63 for the **preferred shares** as compared with the previous year.

DIVIDEND PAYOUT AND APPROPRIATION OF PROFITS

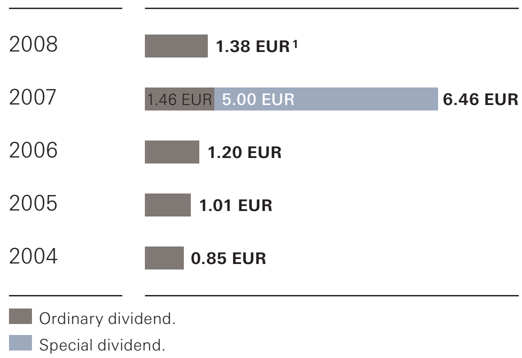
HUGO BOSS AG closed the fiscal year with net income of EUR 319 million (2007: EUR 44 million). The distributable profit after allocation to retained earnings amounted to EUR 190 million. Against the **backdrop of a profit-oriented distribution policy,** the Managing and Supervisory Boards have recommended to the Annual Shareholders' Meeting that **a dividend of EUR 1.37 per common share and EUR 1.38 per preferred share** be paid for fiscal year 2008. This corresponds to an amount of EUR 95 million (2007: EUR 445 million). A proposal will also be made to the Annual Shareholders' Meeting for a booking of EUR 93 million in the net retained earnings and for a carry-forward of the remaining amount of EUR 2 million.

DIVIDEND PER COMMON SHARE



[1] 2008: to be proposed to AGM.

DIVIDEND PER PREFERRED SHARE



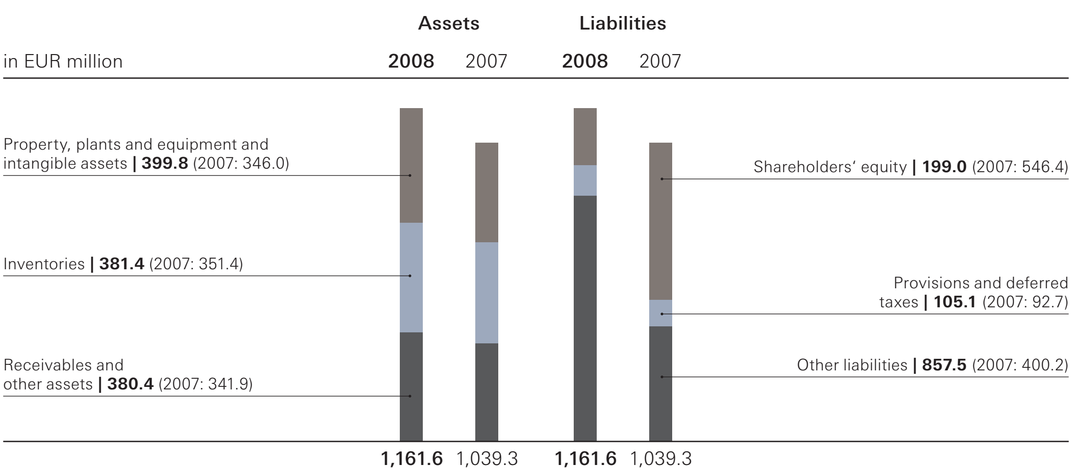
[1] 2008: to be proposed to AGM.

NET ASSETS AND FINANCIAL POSITION

BALANCE SHEET STRUCTURE AND KEY BALANCE SHEET RATIOS

At the end of the 2008, **total assets** were up 12% to EUR 1,162 million (December 31, 2007: EUR 1,039 million). The equity ratio of total assets decreased compared to previous year from 53% to 17%.

BALANCE SHEET STRUCTURE



The **share of non-current assets** increased slightly from 39% in the prior year to 40% as of December 31, 2008. By contrast, the **share of current assets** fell slightly to 60% (December 31, 2007: 61%).

The **liabilities side of the balance sheet reflects the change of the capital structure.** The structure of financial liabilities changed considerably compared with the previous year after payment of the special dividend and take-up of the credit line in May of fiscal year 2008. After the distribution of the special dividend, HUGO BOSS concluded a syndicated loan of EUR 750 million, which consists of a fixed and a revolving credit line. The financing agreement has a term of five years and was concluded on good financing terms. Consequently, the net finance item increased against end of the previous year 2007 from EUR 174 million to EUR 583 million, while equity declined after the dividend distribution.

ASSET POSITION

Net working capital remained nearly unchanged with EUR 396 million compared to previous year (December 31, 2007: EUR 397 million).

ANALYSIS OF FINANCIAL REQUIREMENTS

in EUR million	2008	2007	Change in %
Trade receivables, other assets [1]	296.4	262.9	13
Inventories	381.4	351.4	9
Trade payables and other liabilities [1]	(222.9)	(173.8)	(28)
Current provisions	(59.3)	(43.1)	(37)
Net current assets [2]	**395.6**	**397.4**	**0**
Fixed assets	399.8	346.0	16
Other non-current assets	15.8	20.9	(24)
Non-current provisions	(27.9)	(40.0)	30
Other non-current liabilities	(26.7)	(28.2)	5
Net deferred taxes	25.7	24.0	7
Medium- and long-term net assets	**386.7**	**322.7**	**20**
Net assets	**782.3**	**720.1**	**9**
Balance of cash at banks and due to banks [3]	583.3	173.7	> 100
Shareholders' equity	199.0	546.4	(64)
Net asset coverage	**782.3**	**720.1**	**9**

1 Payable within one year.
2 Net working capital.
3 Without negative market values of financial instruments.

At EUR 296 million (December 31, 2007: EUR 263 million), **receivables and other assets** were above the prior-year level. The reason for this was the increase in trade receivables due to the jump in delivery volume towards the end of the fiscal year. In addition slightly strained payment behavior was observed at some individual customers at the end of the year.

On the other hand, **inventories** increased again compared with December 31, 2007. At EUR 382 million (December 31, 2007: EUR 351 million), the position was up by 9% over the previous year's figure. Following a general recovery stemming from the continued expansion of the Group's own retail business and an overall increase in business volume, there was a monitored increase in inventories. The focus on improving the ready availability of goods that began in the second quarter and the accompanying high degree of delivery capacity after the system change increased this line item temporarily. Additional inventory increases were recorded in the year as a whole because sales in both the retail business and the stock business did not fully meet expectations. A much stronger focus will be placed on inventory management in fiscal year 2009. This aims to optimize inventories with a number of initiatives and thus reduce the amount of capital tied up. For this reason the management expects inventories to grow at a slower rate than sales in the coming fiscal years.

Trade payables and other liabilities rose by around 28% to EUR 223 million year-on-year (December 31, 2007: EUR 174 million) due to longer terms for payment. In addition, current provisions also increased to EUR 59 million (December 31, 2007: EUR 43 million).

At EUR 387 million, **net non-current assets** were 20% above the prior-year figure at the end of fiscal year 2008 (December 31, 2007: EUR 323 million). The key line item in net non-current assets was fixed assets. Non-current assets rose by 16% to EUR 400 million (December 31, 2007: EUR 346 million). The increase in non-current assets is largely based on the investments in the context of the expansion of logistics capacity as well as the expansion of the network of own retail stores.

FINANCIAL POSITION

The **cash flow statement** is reported in accordance with IAS 7. The level of cash and cash equivalents has changed only slightly from December 31, 2007.

CASH FLOW

in EUR million	2008	2007
Cash Flow From Operating Activities	**164.8**	**109.7**
Cash Flow From Investing Activities	**(116.8)**	**(76.7)**
Cash Flow From Financing Activities	**(47.3)**	**(47.0)**
Change in cash and cash equivalents	0.1	(15.5)

With EUR 165 million, the **operating cash flow** was significantly above the value of the previous year (2007: EUR 110 million). Net income declined to EUR 112 million (2007: EUR 154 million) due to the extraordinary expenses. At EUR 61 million, depreciation and amortization was down 10% on the previous year, when high impairment losses were recorded (2007: EUR 67 million). Other changes in this position resulted from an increase in net working capital. The increase in liabilities of EUR 47 million had a positive effect. The increase in inventories by EUR 28 million and in trade receivables by EUR 36 million had the opposite effect, namely reducing the cash flow. In addition, expenses for hedging instruments in connection with the stock appreciation rights program (SAR) led to cash outflows of EUR 30 million. This hedging program is described in the notes to the consolidated financial statements under “Share-based Payments”. This value cannot be derived from the balance sheet since the cash flow statement was adjusted for currencies.

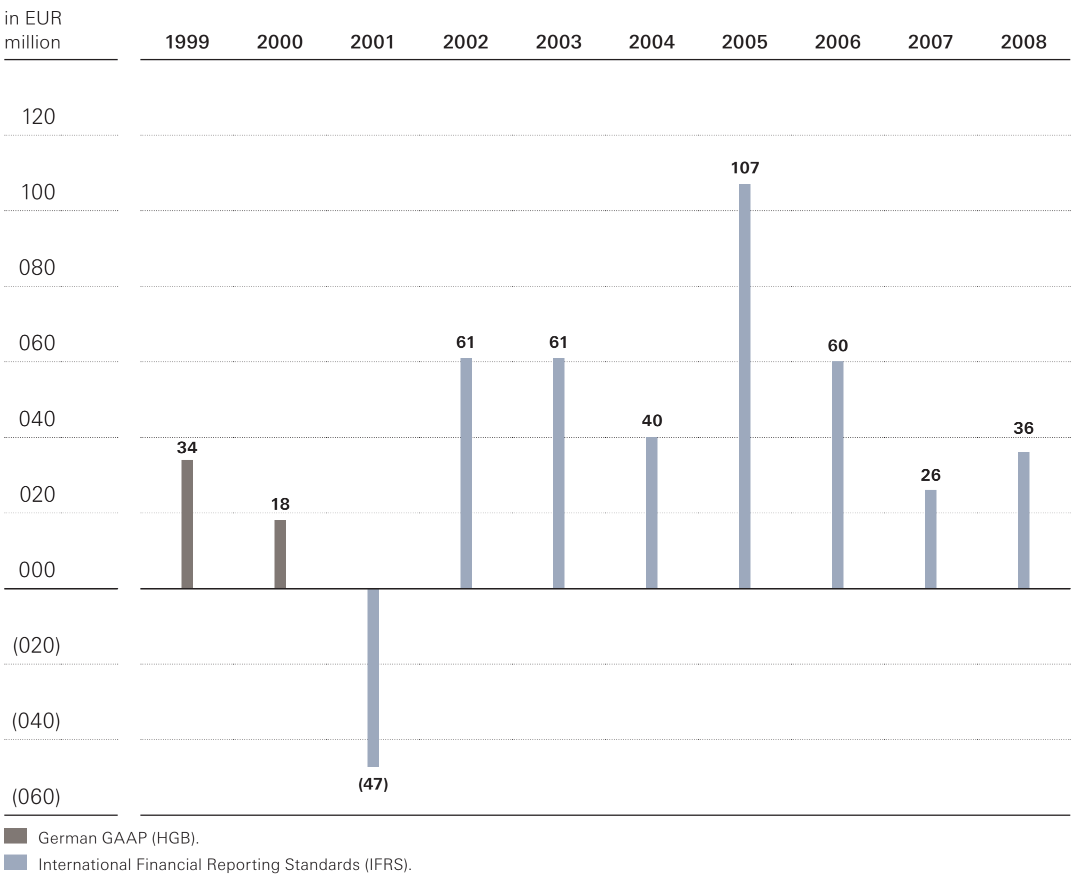
The significant jump in investments increased the **cash outflows from investing activities** by EUR 40 million to EUR 117 million. At EUR 119 million, the investments in property, plant and equipment and intangible assets were EUR 34 million above the previous year’s level. You can find a more detailed account of the investments in the chapter entitled “Capital expenditure”.

The **cash outflow from financing activities** was affected by the dividend payment of EUR 445 million for fiscal year 2007 and the corresponding increase of financial liabilities. The cash inflow from financing activities amounted to EUR 47 million as of December 31, 2008.

Cash and cash equivalents remained virtually unchanged at EUR 25 million.

The **free cash flow before dividends,** e.g. cash inflow before dividends are paid out and before the take-up of loans, increased in fiscal year 2008 to EUR 36 million.

MULTI-YEAR SUMMARY OF FREE CASH FLOW BEFORE DIVIDEND



FINANCIAL MANAGEMENT

An important goal of HUGO BOSS' financial management is to have sufficient liquidity reserves for industry-specific seasonal fluctuations and for the Company's continued growth at all times. The most important sources of liquidity for the Group are the operating cash flow and external lines of credit.

Liquidity surpluses from individual Group companies are utilized as part of cash pooling to cover the financial requirements of other Group companies in order to reduce debt financing volumes. This internal financing mechanism serves to ensure an optimal allocation of liquid funds, which had a positive impact on the net interest result.

The bulk of external financing is made up of the **syndicated loan in the amount of EUR 750 million.** The syndicated loan consist of a fixed line of credit of EUR 450 million and a revolving line of credit of EUR 300 million, and was entered into in May 2008 for a term of five years. The syndicate of participating banks is led by Landesbank Baden-Württemberg, Royal Bank of Scotland, WestLB AG, Bayerische Hypo- und Vereinsbank AG, Bayern LB and Commerzbank AG. The syndicated loan agreement includes standard agreements (covenants) requiring the level of certain key figures to be maintained. HUGO BOSS has adhered to these contractual obligations as of December 31,

2008. Despite the difficult situation on the financial markets, HUGO BOSS succeeded in securing long-term financing at favorable conditions, thus highlighting the partner banks' confidence in the Company's economic development.

In addition to the syndicated loan, **bilateral loan commitments** with a total volume of EUR 87 million (2007: EUR 299 million). The financing is supplemented by **off-balance sheet operating-leasing agreements** on logistics and administration buildings as well as own retail stores and shops.

The HUGO BOSS Group uses off-balance sheet financial instruments to a limited extent. These instruments primarily concern lease and rent contracts.

Key financing instruments and future financial obligations are described in the notes to the consolidated financial statements under "Financial liabilities" and "Other financial obligations".

Calculating Group financial requirements is centrally managed with HUGO BOSS International B.V. raising the required debt financing. Tasks and areas of authority are set out in a mandatory Group-internal treasury guideline. These guidelines include the issuance of powers of attorney and govern the banking policy for processing of payments, liquidity management, management of currency and interest risks, and general financing principles.

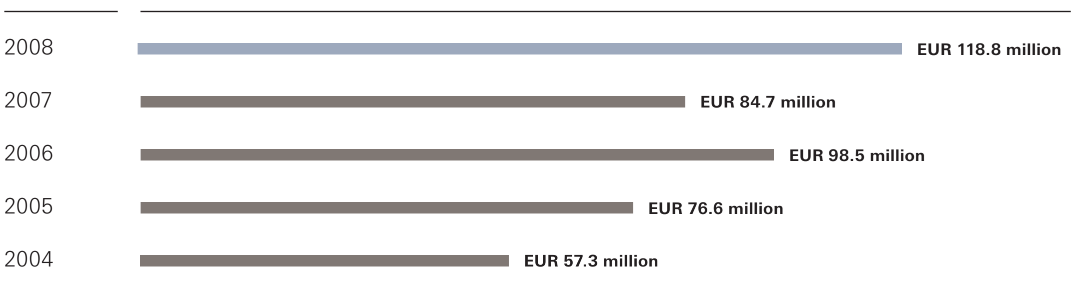
If the Group companies enter into direct external credit transactions, either HUGO BOSS AG or HUGO BOSS International B.V. submit guarantees or letters of comfort depending on the request. Coordinating these tasks at HUGO BOSS AG is essential for central management and risk monitoring.

For a more detailed account of the management of financial risks as well as their hedging, please see the chapter entitled "Risk Report" and the notes to the consolidated statements under "Hedging policies and financial derivatives".

CAPITAL EXPENDITURE

HUGO BOSS had the highest investment volumes in its history in the past fiscal year. Total investment volume in property, plant and equipment as well as intangible assets amounted to EUR 119 million in the past fiscal year (2007: EUR 85 million), and was therefore just slightly lower than the planning level of EUR 120 million.

FIVE-YEAR OVERVIEW OF INVESTMENTS



New investments in 2008 were focused on expanding the logistics infrastructure. HUGO BOSS' jump in international business activity requires a new warehouse and logistics system to handle increasingly complex goods management. The process optimization carried out as part of the "Columbus" project ensures the precise management of material procurement, producing goods, delivering goods after they have been ordered, and delivering them to major customers on time. A logistics system with central locations allows HUGO BOSS to carry out these processes. In addition, a central logistics location can perform other services such as attaching labels. Timely delivery of goods from the increasingly important stock business to the points of sale, supplying stores with current theme-oriented goods every month and presentations coordinated with the season can also be carried out more easily. Against this background, in fiscal year 2008 HUGO BOSS made investments in consolidating logistics locations for hanging goods and in expanding logistics capacities in particular, which amounted to EUR 30 million.

With a total volume of EUR 27 million (2007: EUR 22 million), the second largest line item in the investments was expenses for **expanding the Company's own retail network.** The total number of the Group's own retail stores increased after adjusted for closings by net 43 to a total of 330. This expenditure reflects the strategy the Group has taken to increase percentage of sales from directly operated stores. In addition, approximately EUR 7 million was spent on modernization and renovation of existing stores (2007: EUR 9 million). Besides another EUR 18 million (2007: EUR 12 million) was spent on opening and expanding existing showrooms and outlets, plus a number of smaller retail projects.

The "Columbus" project, which began in 2003, was completed with the inclusion of BOSS Black Menswear. Approximately EUR 17 million (2007: EUR 19 million) was invested in various follow-up projects, such as connecting the Group stores to the Group-wide software.

A total of around EUR 13 million (2007: EUR 9 million) was spent for purchasing machinery for a technology center to develop new production technology. Various other investments such as the construction of administrative buildings and replacement of office equipment added up to approximately EUR 6 million (2007: EUR 14 million).

Depreciations on fixed assets after consideration for capitalized development costs were EUR 343 million (2007: EUR 296 million).

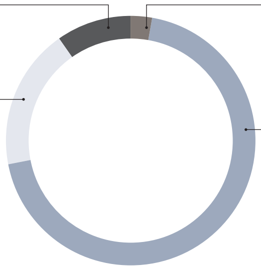
Existing obligations arising from investment projects that have already been started are listed in the notes to the consolidated financial statements under "Other financial obligations" and amounted to EUR 8 million as of December 31, 2008 (December 31, 2007: EUR 15 million).

SEGMENT REPORTING

In November 2006, IFRS 8 "Operating Segments" was published following the revision of the standard on segment reporting. This was followed by external segment reporting according to the management approach, in other words the Group's internal organizational structure. HUGO BOSS decided to apply IFRS 8 early because a distribution channel with a regional structure was introduced in the past fiscal year in connection with the realignment of the Group structure.

The segments subject to reporting requirements are divided into the three regions of Europe, America, Asia/Pacific as well as the Royalties segment. Group-wide central structures such as purchasing, production, and research and development units are bundled into the "Corporate Center". The production site in Cleveland, Ohio (USA), which produces exclusively for the U.S. market, is the only one assigned to the America segment. Companies are allocated to the regions according to their domiciles.

SALES BY SEGMENT[1]



Total sales in 2008: EUR 1,686.1 million

[1] Only external customer sales.
[2] Including Middle East/Africa.

SALES BY SEGMENT

Sales in Europe including Middle East/Africa rose by 2% to EUR 1,170 million in fiscal year 2008 (2007: EUR 1,151 million). Sales increased by 3% in local currencies.

Following a weak spring season, the German fashion market also failed to meet expectations in terms of sales in the summer months. In the third quarter, both July and August saw negative development in fashion sales at department stores in Germany. After a brief improvement in consumer spending in early September, the last weeks of the month were affected by the initial impact of the dramatic events in the financial sector. There was uneven growth in October and November and December was a weak month. As a result, HUGO BOSS also recorded declining sales in **Germany,** the Group's largest single market. However, the high level of brand acceptance enjoyed by HUGO BOSS collections meant that the Group was able to outperform the market as a whole. At EUR 357 million, sales in Germany[1] were below the figure for the previous year of EUR 361 million.

[1] Sales in Germany generated by European subsidiaries.

Sales in the **rest of Europe including Middle East/Africa** improved to EUR 813 million (2007: EUR 790 million), representing an increase of 4% after adjustment for currency effects. In the comparatively stable economic environment of the Benelux countries, HUGO BOSS recorded its highest growth in Western Europe on a percentage basis of plus 12%. Despite the difficult economic conditions and general consumer reluctance, HUGO BOSS again recorded encouraging sales in the Great Britain, with overall currency-adjusted growth of 10%. This can be attributed to the strong brand performance of HUGO BOSS and the solid sell-through rates. The Central and Eastern European markets were robust for 2008 as a whole. Sales here improved by 8% in the year under review. Sales in France, HUGO BOSS' second largest European market, were up 4% over the same period of the previous year. In Spain, the market environment led to restrained sales development. The Italian fashion market was also one of the challenging markets for HUGO BOSS in the past fiscal year.

On the **American continent,** the HUGO BOSS Group increased sales after adjustment for currency effects by 10% in fiscal year 2008. The sustained weakness of the U.S. dollar against the euro, which lasted until August, meant that sales in the reporting currency amounted to EUR 307 million in fiscal year 2008, around 3% higher than in the same period of the previous year (2007: EUR 298 million).

Despite uncertain consumer behavior, sales in the **USA** significantly outperformed expectations in fiscal year 2008. Sales in local currency grew by 12%, with the Group's own retail activities and the wholesale business benefiting from the high level of acceptance and quality of the HUGO BOSS brands and the attractive price positioning of its collections, particularly compared with other European luxury brands. On a currency adjusted basis, sales in **Canada** increased in the reporting year 2008 by 3% over the prior-year period. The **markets of Central and South America** continued to show a clear upward trend. Driven by the expansion of the Company's own retail network, sales in local currencies rose by 18%.

The HUGO BOSS Group again significantly improved its sales in the **Asia/Pacific region,** with an increase of 25% in local currencies. Negative currency effects meant that sales in the reporting currency rose by 21% to EUR 162 million (2007: EUR 134 million).

Sales performance in the **People's Republic of China** was again extremely positive. Sales there rose by 24% in the reporting currency to EUR 51 million. Adjusted for currency effects, sales increased by an impressive 32%, thereby further highlighting the significance of the People's Republic of China as a growth market for the HUGO BOSS Group.

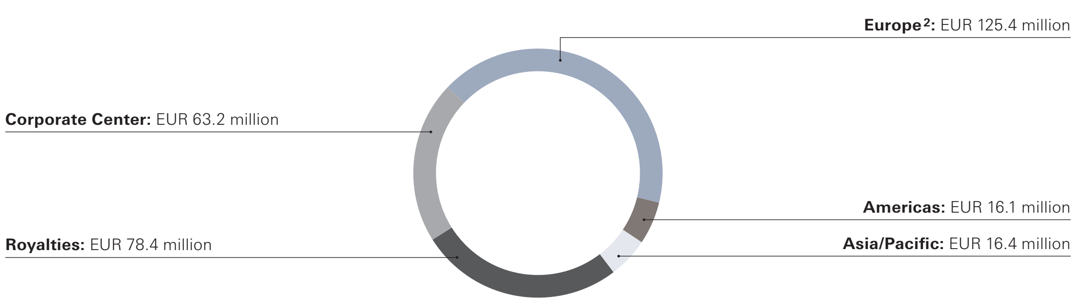
Japan recorded a downturn in fiscal year 2008 on the back of economic stagnation and the resulting low level of consumer confidence. However, due to a change in calculation with Japanese partners, a slight sales performance was reported in the year-to-year comparison.

Sales **in the remaining countries of Asia/Pacific** increased by 21% in local currencies. Sales increased by 14% there in the reporting currency. Countries such as Hong Kong, Singapore, South Korea, and Australia are distinguishing themselves as key growth markets that will become increasingly important in future.

The **royalty business** developed as expected in fiscal year 2008. In line with this, sales of royalties include royalty income from third parties as well as intra-Group sales. Products manufactured by partners consist of fragrances, watches, jewelry, eyewear, and cell phones. This will include additional license sales from the HUGO BOSS children's collection starting in the coming fiscal year. This offering rounds off the textile collections and strengthens the presence of the brands on the market. Internal sales are indicated in the sales of HUGO BOSS Trade Mark Management GmbH & Co. KG as the Group's trademark owner with affiliated companies.

External sales with outside licensees were slightly down on last year, dropping by 4% to EUR 47 million (2007: EUR 49 million). A number of new product launches in 2007 had led to a significant increase in license income in the previous year.

SEGMENT PROFIT[1]



Total segment profit 2008: EUR 287.5 million (including consolidation of EUR –12 million)

1 Operating profit (EBITDA) before special items.
2 Including Middle East/Africa.

EARNINGS BY SEGMENT

At EUR 125 million, segment earnings in the **European region** were down on the previous year (2007: EUR 138 million). Write-offs on inventories mainly arising from the outlet business and higher expenses due to expanding the presence of directly operated stores reduced earnings.

Segment earnings in the American region were EUR 16 million (2007: EUR 35 million). It must be noted here that last year's figure contained a positive nonrecurring gain due to the early termination of the lease agreement of the 5th Avenue store in New York. In addition, products with lower margins were in demand in the past fiscal year in this region, which had a corresponding effect on results.

Earnings in the Asia/Pacific region improved due to higher sales from EUR 15 million to EUR 16 million.

Earnings in the royalties segment fell slightly to EUR 78 million (2007: EUR 79 million) due to virtually flat sales growth. The licenses segment incurs expenses for royalty management and for marketing the products in terms of royalty sales with affiliated companies and external partners.

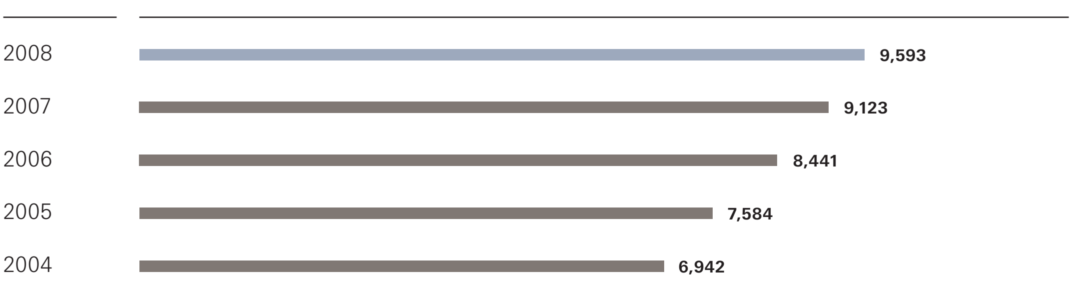
ADDITIONAL FACTORS FOR SUCCESS

The sustained and positive growth of the HUGO BOSS Group is driven by its highly qualified and motivated employees, its openness to innovative solutions throughout the entire value chain, a constructive dialogue with its customers, the Group's constant observance of corporate responsibility, and its awareness of the importance of ecological as well as socially sustainable concepts. The sustained financial success of the HUGO BOSS Group is the result of more than first-class products, well-coordinated purchasing and operational concepts, and an efficiently managed organization. It can also be explained by other factors that cannot be measured solely with financial figures.

EMPLOYEES

Through their identification with the Company, their commitment to its objectives, and their dedicated efforts, the Company's employees make a crucial contribution to the success of the HUGO BOSS Group. Employee qualifications and motivation are therefore a central element of human capital as non-financial performance indicators.

FIVE-YEAR DEVELOPMENT OF NUMBERS OF EMPLOYEES



Thanks to the highly **qualified staff,** most vacant management positions in Germany and abroad can be filled by HUGO BOSS Group employees, thus ensuring that our expertise is expanded while remaining within the Company. Employee potential is also fostered by a high degree of personal responsibility and extensive training. Comprehensive talent and performance management was introduced to improve employee qualifications. Employee expertise is recorded in an Internet-based system and then analyzed to create a corresponding individual and targeted development plan. The impact of these activities can be seen in HUGO BOSS' distinction as "Great Place to Work" in a competition carried out by business journal Capital.

→ **HUGO BOSS got an award as being a "Great Place to Work" in 2008.**

HUGO BOSS also further increased its **number of trainees** in the past fiscal year so it can continue to recruit many of its skilled personnel and managers from its own ranks. Qualified professional education is a decisive factor in giving young people a good and healthy start into the working world. HUGO BOSS employed 31 trainees (2007: 24) as of the beginning of the new training year. In doing so, the HUGO BOSS Group offers young people a variety of interesting and varied trainee positions. Professional training efforts focus on trainee positions such as industrial clerk, retail clerk, inventory administration specialist, electronics engineer for operational technology, and fashion seamstress/tailor. Training for the position of textile laboratory assistant was added in the 2008 training year.

HUGO BOSS' trainee programs: industrial and retail clerk, inventory administration specialist, electronics engineer for operational technology, fashion seamstress/tailor and textile laboratory assistant. ←

HUGO BOSS also offers curriculums at the **University of Corporate Education.** The trainees can attend courses in international business and business IT, as well as in shipping, transport, and logistics, which started in 2008. This cooperation will be expanded and further developed on an ongoing basis. In line with this, a number of interns and diploma candidates also received practical insights into the various divisions and business processes at HUGO BOSS in 2008. The success of ongoing efforts to create a cadre at the Group is evidenced by the fact that, as in previous years, a large number of the interns and diploma candidates transferred to a permanent employment relationship in 2008.

Course programs at the University of Corporate Education: international business, business IT as well as shipping, transport and logistics. ←

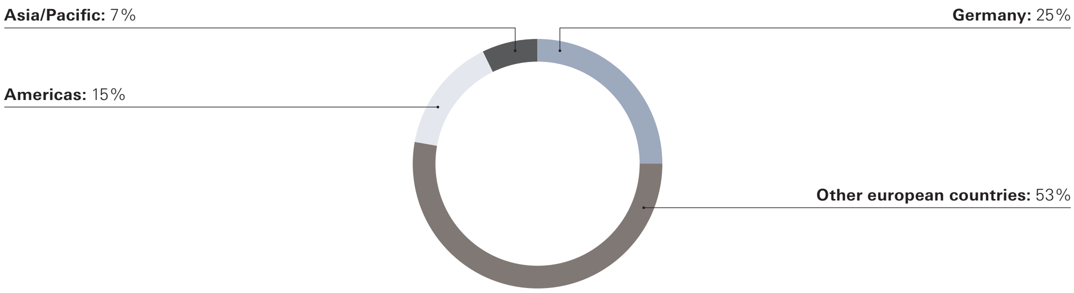
Employee motivation is supported by modern financial incentive models that reward individual performance. This also includes the introduction of working time accounts, which allows employees to determine their working hours individually within a working time corridor according to their personal and professional needs. This reduces overtime and the conflict between family and profession.

HUGO BOSS has also developed its own three-part plan for conflict between **family and career aimed at parents:** First, the Company provides a financial subsidy to help cover the costs of childcare. Second, HUGO BOSS AG, working in cooperation with the city of Metzingen, has reserved a specific number of places in a childcare center. Finally, the Company also helps its employees in arranging child care.

With a number of opportunities in sports, fitness, and health, the Group provides an appropriate **work-life balance** to offer employees a balance in their daily work routines while at the same time giving them the opportunity to live the corporate culture together. The **multifaceted employee program** is also supplemented by cultural events that extend far beyond the professional environment. For example, the HUGO BOSS ArtPass, which is issued annually, gives every employee and one companion free entry to selected museums around the world. The Group also organizes a variety of cultural trips and guided tours to exhibitions, which are always well attended.

These and other activities make HUGO BOSS one of the most popular employers, not only in Germany. Corporate culture is characterized by an international atmosphere and shared values, and HUGO BOSS considers its employees' diversity as one of the strengths of the Company.

EMPLOYEES BY REGION



VALUE CHAIN

The high standards of the HUGO BOSS Group guarantee the well-known quality of its products throughout the value chain, beginning with the development of new collections to innovations in the manufacturing process to logistics and purchasing. These efforts are supported by uniform software that was introduced into the Company as part of the "Columbus" project and links all workflows.

HUGO BOSS has been working on the **Columbus project** since 2003 in its largest internal modernization process in the Company's history to be able to react to growing business and work flows that are becoming more and more complex. The project involved the deployment of the standard software solution SAP AFS to control the entire value chain of the HUGO BOSS Group across all brands as well as all of the administrative structure up to and including the points of sales. At the same time, process flows were optimized to make workflows more efficient and utilize potential synergies. The Columbus project was completed in the past fiscal year, while follow-up projects in process organization and IT are continuing. In this way, HUGO BOSS was able to establish clear organizational and procedural advantages as compared with the competition.

HUGO BOSS has a global **purchasing network** of over 1,000 suppliers. This allows the Group to manage material procurement in a flexible way. The high quality of the merchandise can be ensured due to the close partnerships with the suppliers, which also include delivery of machines, developing manufacturing techniques together, and training employees. Reliable production structures are making an important contribution to the ongoing improvement of the gross profit margin.

As the Group continues its international growth, there are also increasing requirements for a seamlessly functioning **logistics.** Linked logistics processes ensure the precise management of material procurement, producing goods, delivering goods after they have been ordered, and delivering them to points of sale on time. This modern logistics system guarantees HUGO BOSS the smooth transportation of goods while protecting product quality for its retail partners. The ready availability of goods, which ensures on-time and complete delivery of goods, reached an excellent figure of 95% in fiscal year 2008. By continuously optimizing processes throughout the entire value chain, especially by also implementing new software systems and expanding and modernizing its warehousing infrastructure, HUGO BOSS will continue to maintain its competitive cost structure and its outstanding quality level in the future.

SUSTAINABILITY

Sustainability is an important requirement at HUGO BOSS for a corporate policy that is successful in the long term. In addition to the implementation of corporate governance guidelines, this also includes social and environmental responsibility.

To take one example, the Group fulfills its **social responsibility** by establishing strict social standards that are obligatory for all suppliers. Compliance with these standards is regularly monitored by HUGO BOSS. The prohibition on child labor, guarantees of worker safety, and appropriate compensation are only some of the binding rules.

At HUGO BOSS, **protection of the environment** and the Earth's natural resources is regarded as part of the Company's corporate responsibility. Many initiatives serve to minimize the Company's use of resources and protect the environment. For example, "intelligent" architecture and building technology was used in the new administrative buildings, where alternative energies are applied. Another measure taken to protect the environment is the obligation of all suppliers to comply with the applicable environmental legislation. Suppliers are also urged to introduce long-term solutions for production and development and thus achieve constant improvement of environmental conditions.

A detailed statement on sustainability can be found in the chapter entitled "Corporate responsibility at HUGO BOSS."

INVESTORS AND RELATIONS WITH THE CAPITAL MARKETS

Good **capital market and corporate communications** help increase enterprise value. For this reason, the Investor Relations department and Corporate Communications continued the exchange with capital market players and the press. The aim is to give information on the current situation and development at HUGO BOSS in a transparent way and in doing so strengthen the confidence that the market players and the public have in the Group.

More information about the Investor and Public Relations Department can be found on page 032.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In summary, the Group's net assets and results of operations indicate that HUGO BOSS was in a sound financial position at the time that this Management Report was prepared.

EARNINGS PERFORMANCE

in EUR million	2008	2007	Change in %
Net sales	1,686.1	1,632.0	3
Gross profit	1,010.6	946.4	7
in % of sales	59.9	58.0	
EBITDA	251.1	287.7	(13)
in % of sales	14.9	17.6	
EBIT	190.1	220.3	(14)
in % of sales	11.3	13.5	
Earnings before taxes	148.4	212.4	(30)
in % of sales	8.8	13.0	
Net income	112.0	154.1	(27)
in % of sales	6.6	9.4	

KEY FINANCIAL INDICATORS

		2008	2007
Equity-to-assets ratio in %	$= \frac{\text{Shareholders' equity}}{\text{Total assets}}$	17.1	52.6
Debt-to-equtiy ratio in %	$= \frac{\text{Liabilities}}{\text{Equity}}$	483.6	90.2
Return on equity in %	$= \frac{\text{Net income}}{\text{Ø Shareholders' equity}}$	33.7	29.2
Capital expenditure (EUR million)		118.8	84.7
Total assets (EUR million)		1,161.6	1,039.3

RISK REPORT

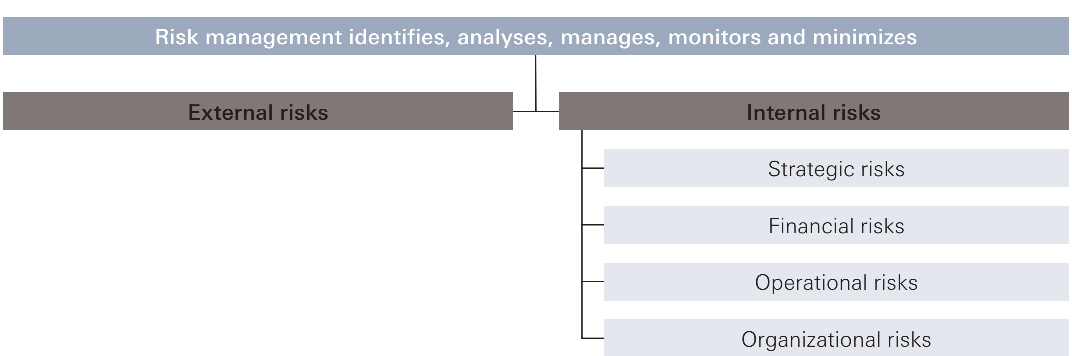
The success of the HUGO BOSS Group rests on identifying and systematically exploiting opportunities. Consequently, all key risks in the Company's environment are identified, analyzed, and monitored. This ensures that the information used to make decisions is as good as possible to increase the Company's success in the long term in an environment of risk and opportunity that is as transparent and monitored as possible.

Ensuring opportunities is closely aligned with the Company's middle- and long-term strategy. Details on this are listed in the Report on Opportunities on pages 096 et seq.

RISK MANAGEMENT

Group-wide risk is centrally managed in HUGO BOSS AG's Risk and Insurance Management department to recognize risks and opportunities at an early stage and to analyze, manage, and monitor them, as well as counteracting them if needed with risk-minimizing measures. This ensures that risks and opportunities are regularly recorded company-wide using a uniform method. It also coordinates higher-level measures and regularly informs the Managing Board and Supervisory Board on the risk situation, development of the most important risks, and new significant risks. Risks are categorized into internal and external risks. In turn, internal risks are subdivided into strategic, financial, operational, and organizational risks.

RISK MANAGEMENT



Risks are handled in four ways: avoidance, reduction, transfer and acceptance. For this reason, **risk transfer** by transferring risks to insurance companies is part of risk management. This neutralizes financial consequences of insurable risks to the furthest extent possible. By integrating the Insurance and Risk Management departments into one department in 2008, an integrated assessment of all insured and uninsured risks as well as the corresponding measures for minimizing them is secured.

However, all risks regardless of magnitude are reviewed by the responsible managers at least once annually to ensure that they reflect current reality. Individual risk entries are revised or supplemented as necessary. At the same time, the extent of damages and probability of occurrence are recalculated and quantified.

Irregularities can be recognized at an early stage by continuously monitoring leading indicators. Should a risk materialize, reporting chains are also triggered and appropriate pre-defined countermeasures are initiated to guarantee a rapid response.

Risk management therefore meets legal requirements. The HUGO BOSS Group is able to identify risks at an early stage and to respond quickly and appropriately. The risk management system is also controlled at regular intervals by the Internal Audit department to ensure its proper functioning, and audited by the independent auditor as part of the year-end audit of financial statements, who confirm its appropriateness and proper functioning.

→ **The risk management is getting controlled by the Internal Audit department and audited by independent external auditors.**

EXTERNAL RISKS

The assessment of **macroeconomic risks** faced by the HUGO BOSS Group depends largely on the global economic situation. In particular, the current financial crisis is having an increasing effect on the real economy and has significantly reduced worldwide economic growth prospects. This brings with it the risk of a noticeable drop in demand for consumer and textile goods, meaning that HUGO BOSS could also experience a decline in order numbers and sales in the retail sector.

Various initiatives have already been started as countermeasures to optimize processes and costs – to strengthen the market position for HUGO BOSS products on one hand and to minimize the financial effects of a fall in demand on the other. The Company also aims for a balanced distribution of sales across different regions to avoid being overly dependant on individual markets.

As a fashion and lifestyle company, HUGO BOSS is exposed to **sector risks** with every new collection due to changing fashion and lifestyle trends. Rapidly changing trends must be identified at an early stage and implemented. The challenge is twofold – identifying the right trends in time and then quickly making them into an unmistakable collection. HUGO BOSS counteracts this risk with in-depth analysis of target groups and markets as well as using different design teams for each brand and line. Pre-collections also ensure that trends can be implemented at an early stage. Initiatives to shorten the production cycles have also been implemented.

HUGO BOSS is an international fashion company whose products are available in many countries across the globe. The majority of sales are made in countries with stable economic and political environments. Accordingly, the **country risk** is considered low.

Terrorist acts and environmental catastrophes also constitute a possible risk to the Company's net assets, financial position, and results of operations, as with all companies. Environmental disasters have to be taken into account, for example earthquake risk at the production site in Turkey. Potential losses and relocation possibilities were identified and the risks of financial loss were covered to the fullest extend possible with insurance policies.

INTERNAL RISKS

Strategic risks

Financial success at HUGO BOSS rests on its **brand image** and its long-term positioning of the brand in the high-end segment. Protecting and maintaining the brand image is therefore a correspondingly high priority at HUGO BOSS. This is implemented partly in the form of strategic measures such as clearly defined brand positioning supported by targeted brand communication involving marketing, events, and sponsoring. The brand's trademark protection and the prosecution of counterfeiters are a key part of securing the brand image. HUGO BOSS counteracts this risk with a worldwide uniform brand image as well as ongoing monitoring and analyses of the markets. **Product quality** also plays a key role in brand image. Products are subject to uniform Group quality control checks at all stages of production. Traveling quality consultants regularly visit production sites and review compliance with the strict design and production specifications of HUGO BOSS. The headquarters in Metzingen coordinates worldwide shipping. This centralized management system ensures that HUGO BOSS' high quality standards are consistently adhered to and customers receive their deliveries in good shape and on schedule.

One of HUGO BOSS' main strategic objectives is the continued expansion of its retail activities. **Investment and cost risks** related to retail activities due to investments in building stores, increased fixed costs, and long term leases. The possibility that stores could be less successful than expected entails the threat of special write-offs and even closures.

The investment risk is minimized, for example, by implementing globally uniform store furnishing designs at the points of sale, so that these can at least continue to be used at other locations in the event of a store closure.

To minimize these risks in advance, a comprehensive site selection process, intensive sales and development planning, and a multi-stage approval process all precede the opening of new stores.

Financial risks

As a global corporation, HUGO BOSS is confronted by risks related to changes in interest rates, liquidity, and currency exchange rates as part of its normal business activity. These risks can have an influence on the Group's net assets, financial position, and results of operations. Derivative financial instruments are used to limit the risks incurred by business operations and the resulting financing requirements.

Conditions for use, responsibilities, maturities, and monitoring mechanisms for the use of financial instruments are contained in binding Treasury guidelines approved by the Managing Board. Transactions are performed centrally. This ensures that the Managing Board always has comprehensive information on existing hedging transactions and key risks. Financial transactions are entered into only with banks that have high credit ratings and are distributed among several banks to reduce the default risk. The Internal Audit department regularly reviews adherence to these Group guidelines.

In what follows there are details on the individual risks in connection with financial instruments and their management.

Managing **liquidity risk** is one of the main responsibilities of HUGO BOSS AG. Its liquidity risk is that existing or future payment obligations may not be met due to insufficient available cash. To safeguard its solvency and the Group's financial flexibility at all times, financial requirements are calculated by means of a three-year financial plan and liquidity planning on a monthly rolling basis and then covered by lines of credit and cash. HUGO BOSS secured its financial flexibility by entering into a syndicated line of credit in the amount of EUR 750 million with a term of five years. The syndicated financing includes standard agreements (covenants) requiring the level of certain key figures to be maintained. HUGO BOSS has adhered to these contractual obligations key date is December 31, 2008. It also has bilateral lines of credit of EUR 87 million. Lastly, as part of cash pooling payment surpluses and liquidity requirements among companies are passed on internally to companies within the Group. These measures minimize liquidity and financing risks, making a risk in this area improbable.

→ **The financial flexibility of the group is ensured by a syndicated loan of EUR 750 million and some bilateral credit lines.**

After concluding the syndicated loan at the beginning of fiscal year 2008, financial liabilities increased significantly. It is subject to a short-term interest rate and is therefore also subject to the **risk of changing interest rates.** To minimize the effects of future interest rate volatility on loan financing costs, derivative financial instruments are used on a case by case basis in the form of swaps and interest rate caps. The HUGO BOSS Group's financial liabilities are approximately EUR 300 million as of December 31, 2008 and hedged against interest rate increases with swaps.

The remaining interest risk is analyzed and managed by the Group on an ongoing basis. For interest rate derivatives in the amount of EUR 314 million and variable interest rate debt of EUR 277 million (December 31, 2008) a fluctuation of +/–100 base points in the market interest rate level would have a hypothetical effect of EUR +/–3 million on earnings before taxes. We estimate that the effects of possible interest rate fluctuations are moderate.

As an internationally operating company, HUGO BOSS is active in a variety of currency zones and is therefore subject to **exchange rate risks.** Exchange rate risks exist mainly from business activities in Great Britain, Canada, Australia, Japan, and Switzerland as well as through the production in Turkey. In contrast, the U.S. dollar poses a low currency risk, because payment inflows in U.S. dollars are almost completely matched by payment outflows from goods purchased from Asia in U.S. dollars.

Exchange rate risks are hedged with forward exchange contracts, swaps, and currency options. Uniform Group-wide guidelines are the basis for hedging. The net requirements and/or surplus of the corresponding currencies are hedged between 50% and 100%. The term of the currency derivatives entered into is usually up to twelve months.

An exchange rate sensitivity test is prepared to give a rough estimate of the risk from exchange rate fluctuations. This establishes a hypothetical revaluation of all currencies against the Euro by 10% based on year-end prices.

EXCHANGE RATE SENSITIVITY 2008

in EUR million	Cash inflow	Cash outflow	Net currency exposure	Impact of euro appreciation of 10%[1]
USD	95.9	(82.9)	**13.0**	(0.55)
GBP	65.5	(1.2)	**64.3**	(1.30)
CAD	31.6	0.0	**31.6**	(1.02)
CHF	31.9	(57.5)	**(25.6)**	2.92
AUD	19.1	0.0	**19.1**	(0.97)
JPY	2.4	(0.8)	**1.6**	(0.30)
TRY	0.0	(18.4)	**(18.4)**	1.57
Total	246.4	(160.8)	**85.6**	0.35

[1] Pre-tax cash effect, taking the currency hedge into account.

The Group is exposed to a **default risk** due to its financial instruments resulting from the possible default of a party to the contract so the maximum value of the financial instrument in question is its positive fair value. To minimize default risk, the HUGO BOSS Group concludes financial instruments only with counterparties with extremely good credit ratings and adheres to predetermined risk limits. Outstanding accounts and default risks are monitored on an ongoing basis by the Group's Treasury department. Dependence on individual banks was reduced in the past fiscal year because Group financing was based on a syndicated loan with an international banking group with a strong credit rating.

Operational risks

The high quality requirements for HUGO BOSS products and thus the purchasing and production processes require close partnerships with suppliers. This close cooperation with partners can entail **purchasing, production, and logistical risks.** Supplier deliveries, manufacturers' capacity utilization, and deliveries of raw materials are coordinated centrally to avoid possible risks. Care is also taken throughout the entire value chain to avoid dependence on specific suppliers. In this way, HUGO BOSS avoids excessive concentration on individual suppliers and purchasing markets, and secures an appropriate amount of in-house production. This reduces risks based on changes in customs duties, trade restrictions, increases in purchasing prices, or political instability. In addition, suppliers must not only meet high demands with regard to quality and stock availability; they must also adhere to HUGO BOSS' environmental and social standards.

Raw materials and finished goods are stored at a small number of locations. This consolidation trend will increase further due to the current establishment of a central distribution center for hanging goods. To counteract the risk that some of the raw materials or finished goods and therefore sales are lost because the supplier cannot deliver on time, comprehensive technical and organizational measures are taken for fire protection and in terms of security and adhering to them is monitored on an ongoing basis. In addition, HUGO BOSS uses insurance policies to cover the direct financial risk of loss of goods in warehouses as well as a loss of its production sites.

The group-wide bad **debt risk** is limited by a uniform receivables measures management. These measures focus on credit screening and granting and adhering to customer credit limits, monitoring the aging of receivables, and managing doubtful accounts. The Internal Audit department regularly reviews adherence to these Group guidelines. The notes to the balance sheet under [16] in the notes to the consolidated financial statements give additional details on receivables and their due dates. Receivables are also secured across the Group with credit insurance. The default risk of insured receivables is limited to the deductible. Higher bad debt risk must be expected considering the current macroeconomic situation.

As part of net working capital management, inventory management became much more significant in the past fiscal year. Inventory management is coordinated by a central department to reduce **inventory risk** and to optimize the inventory in general.

The Company strives to maintain a balanced customer structure to avoid **sales risks.** Risk is reduced further by expanding retail activities. Key figures such as order levels, sales revenues, and delivery rates are monitored on an ongoing basis in real time by the sales monitoring system.

Organizational risks

The uniform IT infrastructure across the Group facilitates smooth business operations. To reduce communication and information technology risks, such as system interruptions, data loss, and unauthorized access, a number of measures are implemented in the form of multi-level security and virus concepts, issuing access rights, access control systems, and independent energy suppliers.

As part of global business operations, **legal risks** may arise. To avert legal litigation to the furthest extent possible, all significant legal transactions of the HUGO BOSS Group are reviewed and approved by the central legal department in Metzingen. The legal department works closely together with local attorneys and the Group's subsidiaries in this process.

Liability risks are reduced by insurance policies in effect throughout the organization. Adequate provisions are created for court costs and costs for legal counsel.

Personnel risks arise mainly from recruiting, training, and fluctuation. These risks are limited due to comprehensive professional development measures, performance-oriented compensation, and succession planning at an early stage. Employee development is also furthered by comprehensive talent and performance management.

For more information on this topic, please see the chapter entitled “Employees”.

HUGO BOSS enjoys a corporate culture that is based on trust and utilizes flat hierarchies. Independent thinking and individual initiative in action are promoted at all levels. Despite extensive and multilevel auditing and controlling mechanisms, access to confidential information and the high level of entrepreneurial responsibility harbors the risk of abuse. HUGO BOSS has therefore included appropriate regulations in its employment contracts with all employees in line with good **corporate governance.** Individuals who are considered insiders as defined by securities legislation are listed in an insider register and are required to comply with the pertinent regulations. The chains of authority are also reviewed and updated on a regular basis.

OVERALL RISK POSITION

Both the parent company and all subsidiaries work with the same type of risk analysis and risk management. Risks are uniformly quantified in the same way, namely by calculating their influence on operating income and/or cash flow.

There are no individual or combined risks that could jeopardize the Company’s continued existence according to current information.

SUBSEQUENT EVENTS, OPPORTUNITIES, AND OUTLOOK

HUGO BOSS' medium-term prospects are a result of the Group's described strategic positioning intended to create significant growth on the one hand and overall economic conditions on the other. Leading economic research institutes forecast a significant economic downturn in 2009. However, it is difficult to estimate reliably the effects on the real economy for luxury goods in what is expected to be a turbulent year. Over the coming years HUGO BOSS intends to focus on further emphasizing its fundamental strength and on supplementing it with new accents to ensure that the Group is well positioned even in challenging times.

EVENTS AFTER THE BALANCE SHEET DATE

As of March 9, 2009, no material operational changes, structural modifications, or business events had occurred in the HUGO BOSS Group that might serve to significantly alter the net assets, financial position and results of operations as compared with December 31, 2008.

REPORT ON OPPORTUNITIES

HUGO BOSS has been one of the most successful international fashion companies in the high-end fashion segment for many years. This positioning also opens up new potential for sales and profits in the future. A reliable **opportunity management** is important to exploiting this potential. All Group divisions use the Group-wide reporting system to identify relevant opportunities and exploit them systematically with perfectly coordinated strategies. In addition, continued systematic monitoring of business policies supports risk management efforts. The Company headquarters in Metzingen coordinates not only the tools for identifying opportunities, but with central financing also secures the necessary liquidity for the entire Group to realize opportunities.

Additional information on the internal control system and risk management at HUGO BOSS can be found on pages 061 et seq. and 089 et seq.

The focus is on the constant monitoring and analysis of the markets to recognize trends at an early stage and implement them. The Company also strives to use clear brand communication and a correspondingly exclusive sales network to protect the brand's positioning in the premium segment and to uphold the brand's image. This helps HUGO BOSS to maintain or expand its market position in the future.

Past success in the **strategic growth areas** of womenswear, shoes and leather accessories, as well as the Group's own retail activities, continues to offer major growth opportunities to not only defend but also strengthen the Company's market positioning despite the difficult environment. For example, retail expansion not only leads to a potentially higher gross profit margin due to increased vertical diversification, but also permits closer contact with end customers and thus a targeted and proactive presentation of the Company's product assortment and the flexibility to respond to changes in the markets. The Group continues to expect positive development from the BOSS and HUGO brands as well, especially since the individual image of these lines was accentuated even more with the coming collections, thus tailoring them more precisely to the individual target groups. The alignment of the high-quality BOSS Selection line towards the luxury segment and the redesign of the BOSS Orange line in particular will offer additional opportunities for profitable growth. From a regional point of view, opportunities are available in the Asian region as a whole in particular, also due to the growth expected in the coming years in the luxury markets there. The expansion of North American distribution also offers additional sales and earnings potential, as does expanding our leading market position in Eastern Europe. This is why HUGO BOSS aims to increase its proportion of sales outside Europe to 50% of Group sales in the coming years. The Group's Managing Board appointed regional directors for the Europe, America, and Asia regions of the world for its operating business in order to better incorporate the differences of the regional markets and manage them more precisely. The Managing Board also expects better integration of the national companies and therefore improved monitoring of sales and profits from this stronger regionalization of sales structures.

Additional information on the strategic growth areas is presented on pages 062 et seq.

Additional optimization of internal Company processes along the entire value chain is also an opportunity to **increase efficiency.** Improving cost structure in this way is expected to have a positive impact on the Company's position, thus giving it financial leeway right when it is needed in the difficult economic times to come. Following the completion of the "Columbus" project and now that the processes are fully functional, the ready availability of goods in the collections can be increased significantly and the on-time and complete delivery of ordered goods can be ensured with no delays. The purchasing and production processes are also optimized on an ongoing basis, which will have a positive impact on the gross profit margin.

FORECAST FOR 2009 AND 2010

The international financial crisis significantly impacted the global **economic outlook.** The economic downturn picked up significant speed starting in mid-2008. Despite all the efforts by governments and central banks to stabilize the banks and stimulate the economy, it is likely that the global economy will remain in a downslide for some time to come, probably all of next year, and will then recover, but only slowly. For example, the International Monetary Fund (IMF) forecasts global economic growth of 0.5% and expects the pace of growth to increase moderately in 2010.

Economic research institutes forecast a negative economic outlook for **industrialized countries** in particular. In the **USA** consumers have dramatically reduced their consumption levels and industry has slashed investments and jobs. U.S. GNP is expected to decline 1.6%. 2009 growth forecasts for the **European Community** are also expected to be negative (–2.0%). Only in parts of Eastern Europe is a decline in economic growth forecast, with a moderate upturn in overall economic output expected.

The **emerging Asian markets** will also suffer from the effects of the financial market crisis. Growth in countries such as India and China will slow noticeably. For example, the IMF predicts 6.7 % growth in China's GNP and 5.1 % for India.

The outlook for 2010 is difficult to assess at the beginning of 2009. Economic experts foresee that the effects of the banking and financial crisis are expected to wane in 2010 due to the agreed economic stimulus packages, meaning global economic growth will increase again at a moderate pace in 2010.

The economic effects on the **luxury goods sector** in the next two years and on global spending in this industry are difficult to estimate. As a result, a growth forecast for the luxury goods markets in 2009 and 2010 remains difficult as well. However, it seems that 2009 will be an extremely difficult year due to the macroeconomic situation. The market is expected to grow only in the emerging economies of Asia and the Middle East. According to estimates, the U.S. fashion and luxury goods market is not expected to recover yet in 2009. Continued weak growth is expected on the European markets.

Due to the extremely weak global economic situation, HUGO BOSS expects for 2009 declining development of sales. The expected sales decline in the traditional markets could be partially offset because there is still a backlog of consumer demand for luxury items in Asian countries and other emerging countries. This is even more applicable given that HUGO BOSS has not yet reached noticeable market saturation in the above-mentioned markets, which therefore means that there is also untapped sales potential in these countries despite the economic decline. The management expects positive business developments and a sales increase in fiscal year 2010 when the economic situation improves.

However, HUGO BOSS' strategy based on international growth and above all on increasing sales outside of Europe is not only correct in the short term, but also promising in the long term. New consumption potential is expected to arise in a large number of growth markets in the medium term and when the economic crises are over. The drivers here are the steadily growing middle and upper class of people who would like to express their success with the appropriate clothes as well as the increasing number of working women who will have much more financial scope available to them. Increasing brand awareness – especially from men – is also expected to create additional potential. Finally, processes of democratization across the globe are ensuring more stable systems and thus additional lucrative sales markets.

On the whole, the strategy is focused on organic growth driven by the Company's own innovative strength. Acquisitions are examined for their value-enhancing potential. Regardless of this, taking advantage of all sales and income potential from current business is the focus for the coming years.

Results management and cost management have increased again significantly against this background of a difficult sales forecast. Strict monitoring of the cost structure is the only way to identify potential savings at an early stage and improve profit margin by realizing them. Some of the key elements of results include:

- Implementing optimization processes along the Company's entire value chain, starting with margin-based collection planning using a global purchasing network down to improving the levels of materials on an ongoing basis.
- Reducing the complexity of the collections and thus production and logistics costs.
- Central management of the stock business to optimize inventory.
- Optimizing work processes and intermeshing them more closely, as well as reducing existing superfluous structures and therefore streamlining staff structure.

The gross profit margin is also expected to improve further in the coming years due to the expansion of our DOS business. Lastly, additional volume growth, especially in womenswear, shoes, and leather accessories, will generate economies of scale that are expected to make a significant contribution to earnings.

The successful implementation of these measures will have a positive effect on the Company's cost structure and results as early as fiscal year 2009. HUGO BOSS therefore predicts that even in case of declining sales its operating income (EBITDA) will increase in a percentage of sales. HUGO BOSS expects the Company to continue growing profitably in 2010.

Following investment volumes that reached one of the highest levels in HUGO BOSS history in the past fiscal year, **planned investments** for fiscal year 2009 will again be at the same level as previous years. The focus will continue to be on expanding the Company's own retail stores and optimizing Group processes. In the medium term, more investments will be made in rationalization of logistics capacities for flat packed goods. The investment focus and therefore the volume for 2010 will be similar to that of 2009.

Weighted capital costs of debt and equity as part of financing the special dividend have been reduced in the past fiscal year due to the take-up of a syndicated loan. At the same time, the Company is keeping an eye on its liquidity and credit worthiness to maintain the flexibility necessary for the expansion of business. HUGO BOSS plans to maintain its financing strength as measured by its ratio of net debt to EBITDA at below 2.75. This figure was 2.00 as of December 31, 2008 before one-time effects. Given the expected profit opportunities, the HUGO BOSS Group assumes that it will have good liquidity and cash flow generation in the coming years as well. This should provide sufficient funds to finance all investment projects necessary for operations.

Future international growth requires the company to gain efficiencies through accelerated decision making, optimized processes and the better use of synergies. Therefore, management is **reorganizing the company structure** which is designed to make the organization leaner.

In case the business develops more positively again in 2010, employment numbers may increase.

OVERALL STATEMENT ON BUSINESS DEVELOPMENT IN 2009 AND 2010

HUGO BOSS is in a good strategic position for further profit-oriented growth. Nevertheless, actual results may differ materially from expectations of future developments should uncertainties materialize or should the assumptions underlying the statements above prove to be incorrect. Future business development is very closely correlated to risks. If recessionary scenarios become even worse, then negative effects must also be expected on Group sales and profit. Despite extensive measures to protect against fluctuations in currency exchange rates and natural hedging in U.S. dollars, strong currency fluctuations can have positive or negative effects. In the coming years, we also intend to observe the risk of possible insolvency of some of HUGO BOSS' wholesale partners more closely. It is also referred to the "Risk Report" section in this Management Report.

COMPENSATION OF THE BOARDS

COMPENSATION OF THE MANAGING BOARD

The fixed salary components paid to members of the Managing Board comprise benefits such as company cars and benefits in kind as well as other equipment and services necessary for Management Board members to fulfill their duties.

The variable components consist partly of bonuses paid on the basis of the achievement of personal targets as agreed with the Supervisory Board for each Managing Board member and on the achievement of predefined corporate earnings targets.

Since fiscal year 2001, HUGO BOSS AG has been offering a stock appreciation rights program for Managing Board members and executives. As part of this program, managers are accorded a defined number of participation rights. These rights enable them to benefit from any increase in the value of the Company's shares. The participation rights solely confer a claim to payment in cash, not a claim to HUGO BOSS AG shares. New Management Board members who joined in 2008 are not eligible to receive any stock appreciation rights.

Tranches 4 to 8 of the stock appreciation rights program have terms of six years. After the initial holding period of two years, the four-year exercise period commences. Participation rights may be exercised if the increase in the price of preferred shares of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the holding period or during the exercise period.

The payoff is calculated as the difference between the strike price and the average price of HUGO BOSS AG preferred shares during the five trading days preceding the date of exercise. The strike price corresponds to the average price of HUGO BOSS AG preferred shares during the 20 trading days preceding the date of issue.

In addition, the company also provides pension benefits to some Management Board members. The amount of future pension benefits is based on each member's base salary and years of service.

COMPENSATION OF THE SUPERVISORY BOARD

According to the German Stock Corporation Law, the remuneration of Supervisory Board members is divided into a fixed salary component and variable compensation. The variable compensation part is determined on the basis of group earnings per share. The annual shareholder meeting finally decides about the level of compensation.

SPECIAL LEGAL DISCLOSURES

REPORT ON RELATIONS WITH AFFILIATED COMPANIES

The Managing Board of HUGO BOSS AG is required to prepare a **report on relations with affiliated companies** in accordance with Section 312 of the German Stock Corporation Act (AktG). This report covers the relations between Permira Holdings LLP, London, Great Britain, and the companies belonging to the HUGO BOSS Group. In terms of its relations with affiliated companies, the Managing Board issued a report and summarized in a declaration "that the Company received appropriate compensation for all transactions in accordance with the conditions known at the time of the respective transaction. The Company did not take nor neglect to take measures at the instigation of or in the interests of Permira Holdings LLP, London, Great Britain or its affiliated companies."

DISCLOSURES PURSUANT TO THE GERMAN TAKEOVER DIRECTIVE IMPLEMENTING ACT

The requirements pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code (HGB) are listed and explained in the following. The Managing Board sees no need for further explanation as set forth in Section 120, Paragraph 3, Sentence 2 of the German Stock Corporation Act (AktG).

The **share capital** of HUGO BOSS AG has not changed, and continues to consist of 35,860,000 common shares (50.9%) and 34,540,000 preferred shares (49.1%), equivalent to a share in the issued share capital of EUR 1.00 per common or preferred share. Holders of preferred shares are entitled to a preferred dividend of EUR 0.01 per share upon distribution of the retained earnings. This means that the dividends paid to bearers of preferred shares from net retained earnings are EUR 0.01 higher per preferred share than the dividends paid to bearers of common shares. The dividend for preferred shares amounts to no less than EUR 0.01 per share.

Unlike the common shares, the **preferred shares are non-voting shares.** There are no legal or statutory restrictions on voting rights or transfer of shares; the Managing Board is not aware of any such agreements between shareholders.

Equity share exceeding 10% of the voting rights exist. On August 6, 2008, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):

The proportion of voting rights of Permira Holdings LLP, London, Great Britain, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, has exceeded the limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 4, 2008 and amounts to 89.49% of the voting rights since this day (32,092,026 shares). A proportion of voting rights of 88.02% (31,563,471 voting rights) is attributable to Permira Holdings LLP due to the shares held by V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in connection with Sentence 3 of the WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Permira Holdings LLP indirectly via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L. P., Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Permira IV L. P. 2, P4 Co-Investments L. P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S. à r. l., Red & Black TopCo S. à r. l., Red & Black Lux S. à r. l., and Valentino Fashion Group S. p. A. A further proportion of voting rights of 1.47 % (528,555 shares) is attributable to Permira Holdings LLP due to the shares in HUGO BOSS AG held by Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L. P., Permira IV GP Limited, Permira IV GP L. P., Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Permira IV L. P. 2, P4 Co-Investments L. P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S. à r. l., Red & Black TopCo S. à r. l., Red & Black Lux S. à r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in connection with Sentence 3 of the WpHG (German Securities Trading Act).

Apart from that, no other shareholders have reported holdings equivalent to more than 10 % of the voting rights. Moreover, the Company received no other new reports of shareholdings of 3 % or more of the voting rights in HUGO BOSS AG.

HUGO BOSS AG issues no shares vested with special rights granting powers of control. No special provisions exist with regard to the exercise of shareholder rights by shareholders who are employees of HUGO BOSS AG.

The appointment and revocation of Managing Board members of HUGO BOSS AG arise from Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Co-Determination Act (MitbestG) in connection with Section 6 of the Articles of Association. Pursuant to Section 6, Paragraph 1 of the Articles of Association, the Managing Board consists of at least two members. The number of Managing Board members is determined by the Supervisory Board pursuant to Section 6, Paragraph 2 of the Articles of Association. The Supervisory Board may appoint a chairman of the Managing Board as well as a deputy chairman. The Supervisory Board can revoke the appointment of a Managing Board member and the appointment of the chairman of the Managing Board for good cause. According to Section 6, Paragraph 3 of the Articles of Association, Managing Board members generally should not be older than 60 years of age at the time of their appointment. The Supervisory Board appoints Managing Board members for a maximum of five years.

Any changes to the Articles of Association must be approved by the Annual Shareholders' Meeting. Unless otherwise mandated by the German Stock Corporation Act, resolutions are adopted pursuant to Section 17, Sentences 2 and 3 of the Articles of Association by simple majority of the votes cast and, if a majority of the capital represented upon adoption of the resolution is required, by a simple majority of the share capital represented upon adoption on the resolution. According to Section 20 of the Articles of Association, the Supervisory Board is authorized to adopt modifications to the Articles of Association that affect the wording only.

Pursuant to Section 4 Paragraph 4 of the Articles of Association, the Managing Board was authorized by means of a resolution at the Annual Shareholders' Meeting. In accordance with this, the Managing Board of HUGO BOSS AG was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital by May 18, 2009 by a total of no more than EUR 35,200,000 through the issuance one or several times of new bearer common shares and/or non-voting bearer preferred shares, which correspond to the non-voting bearer preferred shares already issued, in return for cash and/or deposits in kind. The increase in capital can be made in return for cash while maintaining the relationship of the two categories of shares to one another. If authorized capital is used, the shareholders have a subscription right. However, the Managing Board is authorized to prevent shareholders from transferring their subscription rights from one class of shares to the other, to exempt peak amounts of the shareholders' subscription rights, and to participate in the shareholders' subscription rights with the consent of the Supervisory Board, if a capital increase against deposits in kind is issued for the purpose of acquiring a company or an equity interest in a company.

The **Managing Board's authorization to repurchase shares** was renewed at the Annual Shareholders' Meeting on May 8, 2008. In accordance with this, Managing Board is authorized until November 7, 2009 to purchase bearer common and/or non-voting bearer preferred shares of HUGO BOSS AG up to an overall maximum of 10% of its current capital. The authorization to purchase shares may be exercised by HUGO BOSS AG for the entire amount at once or in partial amounts on one or several occasions. The shares may be purchased via the stock market by means of a public purchase offer to holders of the respective category of shares. Any Company shares repurchased in accordance with this authorization may be resold via the stock market or by means of an offer to all shareholders. They may also be used as counter-performance for a possible acquisition of enterprises or shareholdings in enterprises, or may be sold at a price that is not substantially lower than the current stock market price, or for listing of the stock on foreign stock markets.

HUGO BOSS International B.V.'s syndicated loan guaranteed by HUGO BOSS AG and the bilateral lines of credit contain standard agreements that give additional rights of termination to both parties to the contract if a change of control occurs due to a takeover bid **(change of control clauses).**

Compensation agreements made by the Company with members of the Managing Board or employees for the event of a takeover bid do not exist.

Metzingen, March 9, 2009

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Norbert Unterharnscheidt

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP
FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2008

in EUR thousand	Notes no.	2008		2007	
Sales	[1]	**1,686,058**			**1,632,018**
Other operating income	[2]	74,921			86,540
Changes in inventories and other own costs capitalized		45,809			47,854
Cost of materials	[3]	(721,300)			(733,428)
Personnel expenses	[4]	(353,508)			(299,667)
Depreciation/amortization	[5]	(60,975)			(67,441)
Other operating expenses	[6]	(480,887)			(445,583)
Operating result			**190,118**		**220,293**
Net interest expense			**(26,297)**		**(7,880)**
Other interest and similar income		1,776		1,503	
Interest and similar expenses		(28,073)		(9,383)	
Other financial items			**(15,425)**		**(32)**
Financial result	[7]		**(41,722)**		**(7,912)**
Income before taxes			**148,396**		**212,381**
Income taxes	[8]		(36,351)		(58,285)
Net income			**112,045**		**154,096**
Attributable to:					
Equity holders of the parent			112,119		154,159
Minority interests	[9]		(74)		(63)
Net income			**112,045**		**154,096**
Earnings per share (EUR) [1]	[10]				
common stock			1.62		2.22
preferred stock			1.63		2.24
Dividend per share (EUR)	[23]				
common stock			1.37		6.45
preferred stock			1.38		6.46

[1] Basic and diluted earnings per share.

CONSOLIDATED BALANCE SHEET

OF THE HUGO BOSS GROUP AS OF DECEMBER 31, 2008

ASSETS

in EUR thousand	Notes no.	2008		2007
Intangible assets	[12]	105,018		97,038
Property, plant and equipment	[13]	294,807		248,960
Deferred tax assets	[8]	43,629		33,613
Non-current financial assets	[14], [29]	9,370		7,302
Other non-current assets	[14]	6,425		13,557
Non-current assets			**459,249**	**400,470**
Inventories	[15]	381,354		351,389
Trade receivables	[16]	201,035		171,288
Current tax receivables	[8]	2,301		7,288
Current financial assets	[14], [29]	13,488		6,684
Other current assets	[14]	79,582		77,634
Cash and cash equivalents	[17]	24,612		24,502
Current assets			**702,372**	**638,785**
Total assets			**1,161,621**	**1,039,255**

EQUITY AND LIABILITIES

in EUR thousand	Notes no.	2008		2007
Subscribed capital	[18]	70,400		70,400
Own shares	[19]	(42,363)		(42,363)
Capital reserve	[20]	399		399
Retained earnings	[21]	102,888		393,882
Accumulated other comprehensive income	[22]	(43,893)		(29,628)
Profit attributable to equity holders of the parent		112,119		154,159
Equity attributable to equity holders of the parent			**199,550**	**546,849**
Minority interests	[9]		(505)	(431)
Group equity			**199,045**	**546,418**
Non-current provisions	[24], [25]	27,884		40,041
Non-current financial liabilities	[26], [29]	588,506		46,103
Deferred tax liabilities	[8]	17,926		9,587
Other non-current liabilities	[27]	26,706		27,409
Non-current liabilities			**661,022**	**123,140**
Current provisions	[24]	59,252		43,076
Current financial liabilities	[26], [29]	40,169		153,178
Income tax payables	[8]	36,768		35,325
Trade payables	[28]	124,105		101,017
Other current liabilities	[27]	41,260		37,101
Current liabilities			**301,554**	**369,697**
Total equity and liabilities			**1,161,621**	**1,039,255**

STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP
FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2008

				Retained Earnings	
in EUR thousand	Subscribed Capital	Own Shares	Capital Reserve	Legal Reserve	Other Reserves
Notes No.	[18]	[19]	[20]	[21]	[21]
January 1, 2007	**70,400**	**(31,114)**	**399**	**6,641**	**340,667**
Net income					
Allocated to retained earnings					128,703
Dividend payment					(82,129)[1]
Share repurchase		(11,249)			
Income and expense recognized directly in equity					
December 31, 2007	**70,400**	**(42,363)**	**399**	**6,641**	**387,241**
Net income					
Allocated to retained earnings					154,159
Dividend payment					(445,153)[1]
Share repurchase					
Income and expense recognized directly in equity					
December 31, 2008	**70,400**	**(42,363)**	**399**	**6,641**	**96,247**

[1] Reduced by the change in liability for the future payment of a minimum dividend of EUR 0.01 to holdres of non-voting preferred stock.

Accumulated other comprehensive income					
Difference arising from currency translation	Market valuation of hedges	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Minority Interests	Group Equity
[22]	[22]			[9]	
(20,847)	**(119)**	**128,703**	**494,730**	**(368)**	**494,362**
		154,159	**154,159**	**(63)**	**154,096**
		(128,703)	**0**		**0**
			(82,129)		**(82,129)**
			(11,249)		**(11,249)**
(11,951)	3,289		**(8,662)**		**(8,662)**
(32,798)	**3,170**	**154,159**	**546,849**	**(431)**	**546,418**
		112,119	**112,119**	**(74)**	**112,045**
		(154,159)	**0**		**0**
			(445,153)		**(445,153)**
			0		**0**
(3,178)	(11,087)		**(14,265)**		**(14,265)**
(35,976)	**(7,917)**	**112,119**	**199,550**	**(505)**	**199,045**

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE[1]

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2008

in EUR thousand	2008	2007
Market valuation of hedges	(11,087)	3,289
Currency translation effects	(3,178)	(11,951)
Income and expense recognized directly in equity	**(14,265)**	**(8,662)**
Net income	112,045	154,096
Recognized income and expense	**97,780**	**145,434**
Attributable to: Equity holders of the parent	97,854	145,497
Minority interests	(74)	(63)

[1] This statement is part of the Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP
FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2008

in EUR thousand	Notes no.	2008	2007
	[33]		
Net income		112,045	154,096
Depreciation/amortization	[12], [13]	60,975	67,441
Income tax expense/refund	[8]	36,351	58,285
Interest income and expenses	[7]	26,297	7,880
Change in inventories		(27,929)	(64,961)
Changes in receivables and other assets		(36,348)	(51,131)
Changes in trade payables and other liabilities		47,116	(3,308)
Result from disposal of non-current assets		2,466	1,138
Change in provisions for pensions	[25]	770	(2,901)
Change in other provisions		3,064	10,353
Income taxes paid		(27,080)	(59,332)
Cash flow from operations		**197,727**	**117,560**
Interest paid	[7]	(34,678)	(9,383)
Interest received	[7]	1,776	1,503
Cash flow from operating activities		**164,825**	**109,680**
Investments in PPE [1] and intangible assets	[12], [13]	(118,781)	(84,745)
Cash receipts from sales of PPE [1] and intangible assets		2,008	8,082
Cash flow from investing activities		**(116,773)**	**(76,663)**
Dividend payment	[23]	(445,491)	(82,466)
Share repurchase	[19]	0	(11,249)
Change in current financial liabilities		(123,758)	71,702
Repayment of non-current financial liabilities		(9,656)	(25,470)
Cash receipts from non-current financial liabilities		531,631	518
Cash flow from financing activities		**(47,274)**	**(46,965)**
Exchange rate-related changes in cash and cash equivalents		(668)	(1,517)
Change in cash and cash equivalents		**110**	**(15,465)**
Cash and cash equivalents at the beginning of the period		24,502	39,967
Cash and cash equivalents at the end of the period	[17]	**24,612**	**24,502**

[1] Property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2008

GENERAL INFORMATION

The consolidated financial statements and the Group management report of HUGO BOSS AG, Metzingen, were authorized for issue to the Supervisory Board by the Managing Board on March 9, 2009. The consolidated financial statements are expected to be published on March 26, 2009.

The Company is registered as HUGO BOSS AG in the Commercial Register of the Stuttgart local court under HRB 360610 (formerly registered in the Commercial Register of the Reutlingen local court under HRB 610-U).

The Company's registered offices are Metzingen, Germany. The address is HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen.

BASIS OF PRESENTATION

The consolidated financial statements of HUGO BOSS AG for the year ending December 31, 2008 were prepared in accordance with the accounting principles of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable to the fiscal year 2008 have been taken into account.

The preparation of the consolidated financial statements requires – in the case of certain items – that assumptions be made that may impact the recognition of such items in the consolidated balance sheet and the consolidated income statement as well as in the disclosure of other financial obligations and contingent liabilities.

To improve clarity of presentation, various items in the consolidated balance sheet and in the consolidated income statement have been combined. These items are listed separately and discussed in the notes to the consolidated financial statements.

The preparation of the consolidated financial statements in EUR thousand may cause rounding differences when adding individual items, since the calculation of the individual items is based on figures stated in euros.

APPLICATION OF NEW IFRS AND AMENDED IAS

The following new and revised IFRS standards and interpretations adopted by the EU were applied by the Group in the fiscal year 2008. The application of these revised standards and interpretations did not affect the Group's financial position or financial performance. However, some additional disclosures were required to be made.

- IFRS 8 Operating Segments
  This standard replaces the "risk and reward approach" to segment reporting as described in IAS 14 with a "management approach" to reporting on the financial performance of operating segments. IFRS 8 is effective for annual periods beginning on or after January 1, 2009.
  HUGO BOSS AG has decided to voluntarily apply IFRS 8 at an early stage. The effects of the early introduction of IFRS 8 are explained in detail in the notes to the annual financial statements under point [34] Segment Reporting.

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
  IFRIC 11 was issued in November 2006 and is effective for annual periods beginning on or after March 1, 2007. Earlier application is permitted. IFRIC 11 IFRS 2 provides guidance on how to account for rights to equity instruments granted by a parent to employees of its subsidiary or rights to equity instruments of the parent granted by a subsidiary to its employees in the individual entities' financial statements, the effects of employee transfers within a group, and how to account for share-based payments involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation. Application of this standard did not affect the Group's financial position, performance, or cash flows.

- IFRIC 13 Customer Loyalty Programs
  This interpretation is effective for annual periods beginning on or after July 1, 2008. Pursuant to this interpretation, an entity that grants loyalty award credits must allocate some of the proceeds of the initial sale to the award credits as a separate component of the sale transaction; the amount of proceeds allocated to the award credits must be measured at the amount for which the award credits could have been sold separately.
  This interpretation did not affect the Group's financial position, financial performance, or cash flow because HUGO BOSS AG does not award credits to customers in the sale of its goods.

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
  IFRIC 14 was issued in July 2007 and is effective for annual periods beginning on or after January 1, 2008.
  This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under IAS 19 Employee Benefits.
  This interpretation did not affect the Group's financial position, financial performance, or cash flow as of the reporting date of December 31, 2008 because no defined benefit assets were measured as part of the asset ceiling pursuant to IAS 19.58.

The following financial reporting standards, interpretations and amendments have been issued, but are not required to be applied for fiscal year 2008:

- Amendment to IFRS 2, Share-based Payment, Vesting Conditions and Cancellations
  The amendments mainly affect the definition of vesting conditions and the regulations on cancellation of a plan by a party other than the Company. The amendments clarify that vesting conditions are service conditions and performance conditions only. The service conditions relate to specific periods of time. The performance conditions, which also include certain performance

targets in addition to the service conditions, may also include market conditions. The changes are to be applied retroactively to fiscal years beginning on or after January 1, 2009.

- Amendment to IFRS 3 Business Combinations as well as modifications to IAS 27 Consolidated and Separate Financial Statements in accordance with IFRS
  Key changes to the revised/modified standards are the application of the full goodwill method, the recognition of acquisition costs in profit or loss, the revaluation of existing investments in profit and loss after control is obtained, the revaluation of the remaining investments in profit and loss after control is lost, the recognition in equity of changes in the investment in a subsidiary without loss of control, and the unlimited allocation of losses to minority shareholders. Both standards are effective for annual periods beginning on or after July 1, 2009.

- Amendment to IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments Presentation
  The amendments are summarized in a document entitled "Puttable Financial Instruments and Obligations Arising on Liquidation" and also include minor amendments to IFRS 7, IAS 39, and IFRIC 2. The amendments mainly affect issues regarding the differentiation between equity and debt. In particular, the new version now allows puttable instruments to be classified as equity under certain conditions. The changes are to be applied retroactively to fiscal years beginning on or after January 1, 2009.

- IAS 23 Borrowing Costs
  The revised IAS 23 Borrowing Costs is effective for annual periods beginning on or after January 1, 2009. This standard states that borrowing costs attributable to a qualifying asset should be capitalized.

- Changes to IAS 39 Financial Instruments: Recognition and Measurement
  The IASB published modifications to IAS 39 Financial Instruments: Recognition and Measurement in July 2008. The modifications are summarized in a document entitled "Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement". The starting point is existing regulations under which a company can involve all, some, or certain risks of an underlying transaction in a hedging instrument.
  In order to simplify the application of the unchanged principles, application principles in the areas of designation of inflation risk as a hedging instrument and designation of a unilateral risk in an underlying transaction (for example an option as a hedge) were added.
  Amendments affecting the reclassification of certain financial instruments were also published in November 2008.
  The changes are to be applied to fiscal years beginning on or after January 1, 2009.

- IFRIC 12 Service Concession Arrangements
  The interpretation governs the accounting treatment of obligations assumed and contractual rights received in the financial statements of the service concession operator. IFRIC 12 is generally effective for annual periods beginning on or after January 1, 2008.
  However, the interpretation has not yet been enclosed by the EU Commission and therefore it does not have to be applied when preparing consolidated financial statements in accordance with Section 315a of the German Commercial Code (HGB).

These new financial reporting standards, interpretations and amendments have not been applied for the consolidated financial statements for fiscal year 2008. Their application is not expected to significantly affect the financial position, financial performance, or cash flows of HUGO BOSS AG.

SCOPE OF CONSOLIDATION

The scope of consolidation of the HUGO BOSS Group covers HUGO BOSS AG and the subsidiaries controlled by HUGO BOSS AG. Generally, control is presumed to exist if the Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In addition to HUGO BOSS AG, Metzingen, Germany, these include the following companies (equity share of 100% unless otherwise noted):

BIL Leasing Verwaltungs-GmbH & Co. 869 KG, Pöcking, Germany [1]
HUGO BOSS (Switzerland) AG, Zug, Switzerland
HUGO BOSS Australia Pty. Ltd., Preston, Australia
HUGO BOSS Belgium BVBA, Diegem, Belgium
HUGO BOSS Belgium Retail BVBA, Diegem, Belgium
HUGO BOSS Benelux B.V., Amsterdam, Netherlands
HUGO BOSS Benelux Retail B.V., Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH, Metzingen, Germany [2]
HUGO BOSS Canada, Inc., Toronto, Canada
HUGO BOSS China Retail Co. Ltd., Shanghai, China
HUGO BOSS Cleveland, Inc., Wilmington, DE, USA
HUGO BOSS Dienstleistungs GmbH, Metzingen, Germany [2]
HUGO BOSS do Brasil Ltda., São Paulo, Brazil
HUGO BOSS España S.A., Madrid, Spain
HUGO BOSS Fashions, Inc., Wilmington, DE, USA
HUGO BOSS France SAS, Paris, France
HUGO BOSS Germany Retail GmbH, Metzingen, Germany [3]
HUGO BOSS Guangdong Trading Co. Ltd., Guangzhou, China
HUGO BOSS Holding Netherlands B.V., Amsterdam, Netherlands
HUGO BOSS Holdings Pty. Ltd., Preston, Australia
HUGO BOSS Holding Sourcing S.A., Coldrerio, Switzerland
HUGO BOSS Hong Kong Ltd., Hong Kong
HUGO BOSS International B.V., Amsterdam, Netherlands
HUGO BOSS International Markets AG, Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH, Metzingen, Germany [2]
HUGO BOSS Italia S.p.A., Milan, Italy
HUGO BOSS Japan K.K., Tokyo, Japan
HUGO BOSS Licensing, Inc., Wilmington, DE, USA
HUGO BOSS Merchandise Management GmbH, Metzingen, Germany
HUGO BOSS Mexico Management Services S.A. de C.V., Mexico City, Mexico
HUGO BOSS Mexico S.A. de C.V., Mexico City, Mexico
HUGO BOSS Nordic ApS, Copenhagen, Denmark
HUGO BOSS Outlet Magazacilik Limited Sirketi, Izmir, Turkey
HUGO BOSS Portugal, Unipessoal, Lda., Lisbon, Portugal
HUGO BOSS Retail, Inc., Wilmington, DE, USA
HUGO BOSS S.p.A., Como, Italy
HUGO BOSS Scandinavia AB, Stockholm, Sweden
HUGO BOSS Shoes & Accessories Italia S.p.A., Morrovalle, Italy
HUGO BOSS shoes & accessories, Inc., Wilmington, DE, USA

HUGO BOSS Switzerland Retail AG, Zurich, Switzerland
HUGO BOSS Textile Industry Ltd., Izmir, Turkey
HUGO BOSS Ticino S. A., Coldrerio, Switzerland
HUGO BOSS Trade Mark Management GmbH & Co. KG, Metzingen, Germany [3]
HUGO BOSS Trade Mark Management Verwaltungs-GmbH, Metzingen, Germany [2]
HUGO BOSS UK Limited, London, Great Britain
HUGO BOSS USA, Inc., Wilmington, DE, USA
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG, Metzingen, Germany [2]
MSC Poland Sp. z. o. o., Radom, Poland
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG, Grünwald, Germany [1]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG, Grünwald, Germany [1]
The Joseph & Feiss Company, Wilmington, DE, USA

1 Investments with an equity share of 94%.
2 Subsidiaries that make use of the exemption pursuant to Section 264 Paragraph 3 and Section 264b, respectively, of the German Commercial Code (HGB) from publishing financial statements.
3 Subsidiaries that make use of the exemption pursuant to Section 264 Paragraph 3 and Section 264b, respectively, of the German Commercial Code (HGB) from preparing a management report and from publishing financial statements.

In addition, the following property companies headquartered in Grünwald, Germany were founded in the past fiscal year:

GRETANA Vermietungsgesellschaft mbH & Co. Objekt Lagerimmobilie KG
GRETANA Vermietungsgesellschaft mbH & Co. Objekt Lagerlogistik KG

These newly-founded companies are special purpose entities that are expected to manufacture the planned logistics property including moveables and then rent it to HUGO BOSS AG in an operate lease. Until the lease agreements are signed, HUGO BOSS AG has undertaken to reimburse the property companies all expenses incurred in the event that the leasing agreement is not signed. All risks and rewards arising from these equity interests are attributable to HUGO BOSS AG, and as such must be included in the scope of consolidation. However, since the investment is of secondary importance, it is not included in the scope of consolidation.

The full list of shareholdings in accordance with Section 313 of the German Commercial Code (HGB) is disclosed in the electronic Federal Gazette as part of the notes to the financial statements.

CHANGES IN THE SCOPE OF CONSOLIDATION

During the reporting period January 1 to December 31, 2008, the number of consolidated companies increased by one to 52 companies in comparison with the consolidated financial statements as of December 31, 2007 due to the establishment of HUGO BOSS Merchandise Management GmbH.

An overview of the number of companies included in the consolidated financial statements for fiscal year 2008 is shown below:

NUMBER OF FULLY CONSOLIDATED COMPANIES

	2008	2007
January 1	**51**	**52**
Newly founded/consolidated companies	1	1
Merged companies	–	(2)
December 31	**52**	**51**

INFORMATION ON THE MAJORITY SHAREHOLDER

Valentino Fashion Group S. p. A., Milan, Italy, holds the majority of voting rights in HUGO BOSS AG due to its control of V. F. G. International N. V., Amsterdam, Netherlands. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Valentino Fashion Group S. p. A., Milan, Italy as the largest scope of consolidation.

PRINCIPLES OF CONSOLIDATION

As part of the initial consolidation of a subsidiary, the cost of the equity investment is compared with the Group's interest in the carrying amount of the equity of the company concerned. As a general rule, any difference between the cost of the equity investment and the Group's interest in the company's equity is fully allocated to the assets and liabilities of the subsidiary in question where such difference is based on hidden reserves or charges. Any remaining excess of the cost of the equity investment over the Group's interest in the company's equity is capitalized as goodwill and tested for impairment on the level of the corresponding cash-generating unit.

The effects of intercompany transactions have been eliminated. Receivables and liabilities between consolidated companies have been offset; intercompany gains and losses on non-current assets and inventories have been eliminated and intercompany income offset against the corresponding expenses. Deferred taxes are recognized as required by IAS 12 to account for any temporary differences resulting from the consolidation.

CURRENCY TRANSLATION

The reporting currency of the HUGO BOSS Group is the euro. Foreign currency transactions in the separate financial statements of Group companies are translated at the exchange rate applicable on the date of the transaction. Monetary items denominated in foreign currencies are generally translated at the closing rate. The resulting foreign currency gains and losses are recognized immediately in profit or loss.

The financial statements of foreign Group companies, which are economically independent units, are translated into euros based on the modified closing rate method in accordance with IAS 21. In principle, the functional currency is the local currency of the respective country. However, the functional currency of HUGO BOSS Textile Industry Ltd. is the euro, since the majority of business transactions of this company are negotiated in euros. HUGO BOSS Textile Industry Ltd. is a foreign business operation that is integrated into the business operations of HUGO BOSS AG. Consequently, there is no need to translate these financial statements into euros.

Assets and liabilities are translated at the middle rate on the balance sheet date, while items in the income statement are generally translated at the rate at the time of the transaction. Due to the immateriality of rate changes, an average of the daily rates is used in order to simplify reporting. Equity is translated at historical rates.

The difference between the translation of the income statement at average rates and of the balance sheet at closing rates is reported under accumulated other comprehensive income in equity. The foreign exchange difference resulting from the translation of equity at historical rates was also taken directly to accumulated other comprehensive income.

The exchange rates of the most relevant currencies changed as follows in relation to the euro:

Country	**Currency**	**Average Rate**		**Closing Rate**	
	1 EUR =	**2008**	**2007**	**2008**	**2007**
Australia	AUD	1.7409	1.6351	2.0435	1.6731
Brazil	BRL	2.6701	2.6639	3.2862	2.5858
Canada	CAD	1.5585	1.4696	1.7331	1.4389
Denmark	DKK	7.4559	7.4508	7.4506	7.4566
Great Britain	GBP	0.7952	0.6843	0.9742	0.7348
Hong Kong	HKD	11.4477	10.6907	10.9261	11.4620
Japan	JPY	152.4061	161.2658	127.4000	166.1300
Mexico	MXN	16.1768	14.9700	19.0863	15.9646
Sweden	SEK	9.6084	9.2495	10.9500	9.4483
Switzerland	CHF	1.5879	1.6427	1.4963	1.6604
USA	USD	1.4699	1.3701	1.4098	1.4692

KEY PERFORMANCE INDICATORS OF SIGNIFICANT INVESTMENTS OF THE HUGO BOSS GROUP

Company
HUGO BOSS AG [1]
HUGO BOSS International B.V. [2]
HUGO BOSS Ticino S.A.
HUGO BOSS USA, Inc. [3]
HUGO BOSS Benelux B.V. [4]
HUGO BOSS Trade Mark Management GmbH & Co. KG
HUGO BOSS International Markets AG
HUGO BOSS Hong Kong Ltd.
HUGO BOSS France SAS
HUGO BOSS Italia S.p.A.
HUGO BOSS Textile Industry Ltd.
HUGO BOSS Shoes & Accessories Italia S.p.A.
HUGO BOSS Australia Pty. Ltd.
HUGO BOSS Canada, Inc.
HUGO BOSS UK Limited
HUGO BOSS Scandinavia AB
HUGO BOSS (Schweiz) AG
HUGO BOSS do Brasil Ltda.
HUGO BOSS Mexico S.A. de C.V.
HUGO BOSS Japan K.K.
HUGO BOSS España S.A.

1 Earnings include income from profit transfer agreements amounting to EUR 300,021 thousand and income from long-term equity investments amounting to EUR 77,702 thousand.

2 Earnings include dividends receipts amounting to EUR 191,149 thousand (2008) and EUR 92,066 thousand (2007).

3 Subgroup financial statements.

4 Earnings in 2007 include gains from the sale of Group investments for a total of EUR 1,148 thousand.

	Earnings (in EUR thousand)		Equity (in EUR thousand)	
Head Office	2008	2007	2008	2007
Metzingen, Germany	329,249	(28,367)	537,852	569,975
Amsterdam, Netherlands	176,926	64,977	105,225	246,897
Coldrerio, Switzerland	38,897	31,124	66,364	70,911
Wilmington, DE, USA	762	10,506	45,666	73,686
Amsterdam, Netherlands	15,902	15,066	37,911	37,009
Metzingen, Germany	79,196	83,213	22,842	103,098
Zug, Switzerland	17,405	18,557	20,977	18,519
Hong Kong	12,525	9,643	17,787	10,215
Paris, France	1,940	2,147	14,055	37,115
Milan, Italy	(1,447)	(125)	13,633	15,080
Izmir, Turkey	5,711	2,125	13,450	7,739
Morrovalle, Italy	1,076	320	8,217	7,141
Preston, Australia	1,736	2,147	7,871	11,094
Toronto, Canada	(2,369)	(1,465)	7,190	11,225
London, Great Britain	11,123	8,356	6,986	10,832
Stockholm, Sweden	4,595	179	5,046	4,351
Zug, Switzerland	4,078	4,487	4,959	4,921
São Paulo, Brazil	113	21	2,466	3,017
Mexico City, Mexico	966	2,226	2,387	7,512
Tokyo, Japan	(4,035)	(1,823)	(11,090)	(4,803)
Madrid, Spain	(22,294)	(3,434)	(20,472)	1,822

ACCOUNTING POLICIES

The financial statements of HUGO BOSS AG and those of its subsidiaries in Germany and abroad have been prepared in accordance with uniform accounting policies as set out in IAS 27.

RECOGNITION OF INCOME AND EXPENSES

Income is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of the income can be measured reliably. Income is measured at the fair value of the consideration received, and is reported after deduction of trade discounts and rebates and exclusive of value added tax. In addition, the following income recognition criteria must be met.

Sale of goods

Proceeds from the sale of goods are recognized after the significant risks and rewards of ownership of the goods have been transferred to the buyer, which generally occurs upon delivery of the goods.

Interest income

Interest is recognized on a time proportion basis based on the effective yield of the asset.

Royalties and other income

Royalties and other income are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Operating expenses are recognized in the income statement in the period to which they relate or in direct association with the earning of specific items of income, and hence when the related income is recognized.

INVENTORIES

Raw materials and supplies as well as merchandise are generally carried at moving average purchase cost, and in some cases at purchase cost calculated on the basis of average costs. Work in progress and finished goods are measured at the cost of conversion. The cost of conversion includes fixed and variable overhead costs based on the normal utilization rate of the production facilities. Borrowing costs have not been taken into account.

Inventories are measured at the lower of cost or net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets used in business operations for more than one year are measured at purchase or conversion cost less any accumulated depreciation. The cost of conversion includes all expenditures that are directly attributable to the production process and an appropriate share of production-related overhead costs. Borrowing costs are not capitalized, but are recognized as an expense in the period in which they are incurred. The measure of useful life used as the depreciation basis corresponds to the expected useful life of the asset within the Group. Depreciation based solely on tax regulations is not recognized.

Depreciation of buildings is generally based on a useful life of 30 years; depreciation of buildings and leasehold improvements on third-party property is based on the shorter of the lease term or the useful life. As a general rule, tangible assets are depreciated using the straight-line method. For technical plant and equipment, the useful life ranges from five to 15 years, and for other plant and operating and office equipment from two to 15 years.

Useful lives and depreciation methods for property, plant and equipment are reviewed periodically to ensure that depreciation methods and periods reflect the expected economic benefit of the assets.

LEASE AGREEMENTS

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the Group as lessee, the lessee must recognize the leased asset in its balance sheet (finance lease in accordance with IAS 17). Depreciation methods and useful lives correspond to those of comparable purchased assets. The leased asset is recognized upon commencement of the lease term at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Any initial direct costs are added to the amount recognized as an asset. Liabilities for the future lease payments are recognized at the carrying amount of the leased asset and reported under financial liabilities.

If the lessor retains beneficial ownership (operating lease), the leased assets are accounted for by the lessor. The related lease expenses are generally recognized in profit or loss over the lease term on a straight-line basis.

INTANGIBLE ASSETS

Acquired and internally generated intangible assets are capitalized if it is probable that the use of the asset is associated with a future economic benefit and the cost of the asset can be reliably measured. Acquired intangible assets and internally generated intangible assets are measured at cost. Internally generated intangible assets are measured at cost of conversion. The cost of conversion includes all costs that are directly attributable to the production of the asset and a proportionate share of production-related overheads. Borrowing costs are not capitalized. Acquired and internally generated intangible assets with a definite useful life are amortized over a useful life of two to ten years on a straight-line basis.

Intangible assets with an indefinite useful life are tested for impairment annually. Whenever there are indications for impairment, the asset is written down to the recoverable amount.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are also expensed as incurred unless they meet the criteria for recognition as an internally generated intangible asset.

FINANCIAL INSTRUMENTS

In accordance with IAS 39, a financial instrument is any contract that simultaneously gives rise to a financial asset of one company and a financial liability or equity instrument of another company.

Financial assets include cash and cash equivalents and trade receivables as well as other loans and receivables and derivative financial assets held for trading.

Financial liabilities include trade payables, liabilities due to banks, finance lease liabilities, derivative financial liabilities held for trading, and other financial liabilities.

Financial assets and financial liabilities, to the extent relevant to the HUGO BOSS Group, are classified as follows:

a) Financial assets at fair value through profit or loss.
b) Loans and receivables.
c) Financial liabilities at fair value through profit or loss.
d) Other financial liabilities measured at amortized cost using the effective interest method.

The aforementioned measurement categories for financial assets and liabilities are designated upon initial recognition of the asset or liability. Reclassifications are made at the end of the fiscal year, provided they are permitted and necessary.

Financial assets

Regular way purchases and sales of financial assets are accounted for as of the settlement date, i.e. the date on which the Group commits to purchase or sell the asset.

Financial assets are measured at fair value on initial recognition. In the case of financial investments other than investments "measured at fair value through profit or loss", transaction costs directly attributable to the acquisition of the assets are also included in the fair value.

The fair value recognized in the balance sheet generally corresponds to quoted prices in an active market for the financial asset. If the market for a financial asset is not active, fair value is established by using common valuation techniques and by reference to current market parameters. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing and independent parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and the use of other valuation techniques.

Cash and cash equivalents as reported in the balance sheet include cash on hand, bank balances, and short-term deposits with original maturities of less than three months; they are reported at amortized cost.

After initial recognition trade receivables as well as other loans and receivables are measured at amortized cost, if appropriate using the effective interest method less any impairment losses. Any gains and losses are recognized in profit or loss when the receivable is derecognized, becomes impaired, or is discharged.

Financial assets are classified as “measured at fair value through profit or loss” if they are acquired with a view to subsequent disposal in the near future. These include derivative financial instruments that are not part of an effective hedging relationship in accordance with IAS 39. All gains or losses from financial assets measured at fair value through profit or loss are recognized in profit or loss.

Financial assets not classified as “measured at fair value through profit or loss” are reviewed for impairment as of each reporting date. If the fair value of a financial asset is less than its carrying amount, the carrying amount of the asset is reduced to the fair value. This reduction represents an impairment loss that is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or are transferred. To transfer a financial asset, substantially all the risks and rewards of ownership of the financial asset or control of the financial asset must be transferred.

Financial liabilities
Financial liabilities are measured initially at fair value less any transaction costs directly attributable to borrowing.

Derivatives that are not part of an effective hedging relationship are classified as “financial liabilities at fair value through profit or loss”. If the fair values are negative, these derivatives are recognized under the item other financial liability.

After initial recognition trade payables and interest-bearing loans are measured at amortized cost using the effective interest method.

Any gains and losses are recognized in profit or loss when the liabilities are derecognized or repaid.

A financial liability is derecognized when the obligation specified in the contract is discharged, canceled, or expired.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the HUGO BOSS Group solely for the purpose of hedging interest rate risks and currency exposure arising from operations.

When entering into hedging transactions, specific derivatives are linked to specific hedged items. The requirements of IAS 39 related to the designation of such transactions as hedging transactions are complied with.

According to IAS 39, all derivative financial instruments are classified as "measured at fair value through profit or loss" and are measured at fair value, regardless of their designated purpose or intention. Changes in the fair value of the derivative financial instrument are recognized in the income statement.

To the extent that financial instruments qualify as effective hedging instruments within the scope of a hedging relationship as defined by IAS 39 (cash flow hedges), any changes in fair value do not impact net income for the period throughout the term of the derivative. Changes in fair value are recognized directly in the item "accumulated other comprehensive income" under equity. The amounts accumulated in equity are recognized in profit or loss for the period in which the hedged cash flow falls due.

The fair value generally corresponds to the market value or stock exchange price. If there is no active market, the fair value is determined on the basis of recognized option pricing models or by means of a bank confirmation.

It is the Group's policy to use effective derivatives for the exclusive purpose of hedging interest rate risks and currency exposure. The substantive and formal requirements under IAS 39 regarding hedge accounting were satisfied both at the time that the hedging contracts were entered into and on the balance sheet date.

IMPAIRMENT OF INTANGIBLE ASSETS AND ITEMS OF PROPERTY, PLANT AND EQUIPMENT

Intangible assets and items of property, plant and equipment are regularly reviewed for impairment; if there is any indication that an asset may be impaired, the recoverable amount is estimated on the basis of cash-generating unit (CGU) to which the asset belongs in accordance with IAS 36.

Impairment losses are recognized if the carrying amount of the intangible assets or items of property, plant and equipment exceeds the recoverable amount determined in accordance with the principles above as of the balance sheet date. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset (value in use). The present value of the estimated future cash flows from continuing use of the asset is calculated on the basis of the medium-term projections for 2009 to 2011. For the six subsequent years, the calculation is based on country- and CGU-specific sales and cost trends; for perpetuity, a growth rate of 2% p.a. is assumed. The ten-year planning horizon on which the forecast of future cash flows is based takes into account the long-term growth rates for the respective products, sector, and countries. As the funding of Hugo Boss' regional business units is centralized, a Group-wide discount rate of 10% was applied to the cash flow forecast. This rate was calculated for the HUGO BOSS Group using a WACC model.

In the event that the reasons for impairment cease to exist, reversals of impairment losses are recognized by a corresponding increase up to amortized cost. Impairment losses recognized for goodwill are not reversed.

INCOME TAXES

The amount of income taxes depends on the amount of earnings and includes deferred taxes. In accordance with IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the tax accounts of the individual companies and the carrying amounts in IFRS consolidated financial statements, as well as for specific transactions related to business combinations. Deferred tax assets also include claims for tax reductions resulting from the expected use of loss carryforwards in subsequent years, the realization of which is deemed reasonably certain.

Deferred tax assets and liabilities are measured in accordance with the expected tax rates for the period in which the temporary differences are likely to be reversed.

LIABILITIES FROM FINANCE LEASES

Liabilities from finance leases are measured upon initial recognition at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. In subsequent periods, the liability is amortized and measured in accordance with the effective interest method.

The interest portion of the lease obligations is reported in the consolidated income statement over the term of the lease.

PROVISIONS

Provisions have been recognized whenever a legal or constructive obligation currently exists towards third parties as a result of a past event and when the obligation is likely to result in a future outflow of resources and can be reliably estimated.

Provisions are reviewed as of each balance sheet date and adjusted to the current best estimate. When the effect of the time value of money is material, the provision equals the present value of the expenditure expected to be required to settle the obligation.

RESTRUCTURING EXPENSES

Restructuring expenses are recognized in the period in which they are incurred and in which a reliable estimate is possible. Expenses in connection with an early termination of an employment relationship are recognized as expenses and financial obligation if, as part of a formal plan, the Company has demonstrably undertaken to offer benefits on the occasion of the termination of employment, thus promoting voluntarily terminations, or if it has undertaken to accept an early termination before the normal retirement age.

PROVISIONS FOR PENSIONS

The measurement of provisions for pensions is based on the projected unit credit method prescribed in IAS 19 for defined benefit plans; this method takes into account future salary and pension increases. At year-end, the present value of the defined benefit obligation is deducted by the fair value of the assets held by a long-term employee benefit fund that fulfill the definition of plan assets as set forth in IAS 19.7. Generally, actuarial gains and losses are immediately recognized in income.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognized in the consolidated balance sheet. Contingent liabilities are disclosed in the notes, unless there is a very low probability that they will result in an outflow of economic benefits. Likewise, contingent assets are not recognized in the consolidated balance sheet. They are disclosed in the notes, provided an associated inflow of economic benefits is considered likely.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date, which provide additional information on the situation of the Company on the balance sheet date (adjusting events after the balance sheet date), are recorded in the consolidated financial statements. Non-adjusting events after the balance sheet date are disclosed in the notes to the consolidated financial statements if they are of a material nature.

JUDGMENTS MADE IN THE APPLICATION OF THE COMPANY'S ACCOUNTING POLICIES

a) Measurement of the Group's own retail stores (directly operated stores)
When testing intangible assets and property, plant and equipment related to directly operated stores (DOS) for impairment, the following assumptions have been made:

- Each individual DOS is defined as a cash-generating unit.
- The future cash flows used for impairment tests are derived and discounted based on budget plans and medium-term forecasting for the individual DOS.

b) Specific valuation allowances for receivables
The recoverability of trade receivables is determined on the basis of the estimated probability of default. Accordingly, specific valuation allowances are recognized for trade receivables due from customers in their full amount when insolvency proceedings against such customers' assets have been initiated (to the extent that existing collateral is not recoverable). Specific valuation allowances for past due receivables are based on individually determined percentages. External expert opinions have been obtained to determine the value of collateral during such impairment reviews.

If the financial situation of the customer deteriorates, the amounts required to be derecognized could exceed the valuation allowances made, which could adversely impact financial performance.

c) Inventory measurement
Write-downs are recognized for inventory risks resulting from a partial reduction in marketability due to long storage periods.
Reductions ranging from 1% to 95% are applied to raw materials based on inventory range and marketability analyses. No write-downs are recognized for work in progress. Measurement of finished goods and merchandise is based on the net realizable value that can be obtained via the Group's own sales channels. In addition, impairments recognized to account for lower expected sales prices are anticipated on the basis of marketability and inventory range analyses.

d) Stock appreciation rights (SAR)
Measurement of obligations from the stock appreciation rights plan requires certain definitions to be made with respect to parameters such as the future volatility of HUGO BOSS preferred shares. These definitions are based on bank estimates.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

[1] SALES

in EUR thousand	2008	2007
Sale of goods	1,639,061	1,583,091
Royalties	46,997	48,927
	1,686,058	**1,632,018**

[2] OTHER OPERATING INCOME

in EUR thousand	2008	2007
Income on marketing expenses charged	30,946	35,321
Income on other expenses charged	24,027	14,945
Income from reversal of provisions	4,949	1,966
Other operating income	14,999	34,308
	74,921	**86,540**

Income from marketing expenses charged is largely composed of charges for shop fittings, marketing materials, and advertising as well as sponsorship activities.

[3] COST OF MATERIALS

in EUR thousand	2008	2007
Purchased merchandise incl. raw materials and supplies	594,419	642,953
Purchased services	126,881	90,475
	721,300	**733,428**

The cost of materials includes foreign exchange gains (after netting against exchange losses) in the amount of EUR 5,154 thousand achieved from sales activities (2007: foreign exchange gains of EUR 635 thousand).

These foreign exchange gains or losses resulted primarily from exchange rate changes between the date of the transaction and the date of the cash flows (at the spot exchange rate) as well as from measurement at the closing rate.

The cost of materials for fiscal year 2008 includes inventory write-downs totaling EUR 12,631 thousand (2007: expense of EUR 22,483 thousand). The write-downs were attributable in particular to merchandise, which had to be written down due to its limited recoverability.

[4] PERSONNEL EXPENSES

in EUR thousand	2008	2007
Wages and salaries	304,548	260,948
Social security	47,311	42,132
Expenses and income for retirement benefits and aid	1,649	(3,413)
	353,508	299,667

In addition to current expenses, wages and salaries also include nonrecurring extraordinary expenses arising from the change in the Managing Board as well as from reorganization expenses due to the measure introduced in the past fiscal year, for the reorganization of the Group structure in the amount of EUR 28,044 thousand.

Income and expense related to retirement benefits primarily refer to changes in pension provisions and the deducted plan assets. In 2007, this resulted in income due to a rise in the market level of interest rates used for discounting pension provisions.

The employer contribution to defined contribution pension plans amounted to approx. 6% (2007: approx. 7%) of personnel expenses.

The number of employees changed as follows:

	2008	2007
Industrial employees	4,477	4,510
Commercial and administrative employees	5,116	4,613
	9,593	9,123

The number of employees was calculated as the number of employees as of December 31, taking into account part-time employees on a pro-rata basis.

During 2008, the HUGO BOSS Group employed an average of 4,605 industrial employees (2007: 4,489) and 4,895 commercial and administrative employees (2007: 4,283).

[5] DEPRECIATION/AMORTIZATION

A breakdown of the amortization of intangible assets and the depreciation of property, plant and equipment can be obtained from the notes on each item. Total depreciation and amortization amounted to EUR 60,975 thousand (2007: EUR 67,441 thousand).

[6] OTHER OPERATING EXPENSES

in EUR thousand	2008	2007
Marketing expenses	142,505	165,781
Other selling expenses	178,225	141,717
General and administrative expenses	47,290	47,060
Operating expenses	61,412	45,571
Additions to provisions	2,890	4,857
Miscellaneous operating expenses	48,565	40,597
	480,887	**445,583**

Marketing expenses primarily consist of costs incurred for advertising, trade fairs, sponsorship activities, and commercial marketing. Other operating income includes income from marketing expenses charged in the amount of EUR 30,946 thousand (2007: EUR 35,321 thousand).

The key components of other selling expenses are commissions, duties, and freight costs – i.e. mainly variable sales-related costs – along with rental expenses and costs for creating the collections.

General and administrative expenses consist largely of rent for premises, maintenance costs, IT operating costs, and legal and consulting fees.

Miscellaneous operating expenses chiefly include allowances for doubtful accounts, other personnel expenses, credit card fees, hedging transaction fees, and losses from the disposal of noncurrent assets. This item also includes other taxes in the amount of EUR 1,911 thousand (2007: EUR 2,252 thousand). This item also contains extraordinary effects from the past fiscal year arising from one-off consulting expenses as part of the strategic reorientation of the new Managing Board in the amount of EUR 8,402 thousand.

[7] FINANCIAL RESULT

in EUR thousand	2008	2007
Net interest income/expense		
Other interest and similar income	1,776	1,503
Interest and similar expenses	(28,073)	(9,383)
	(26,297)	**(7,880)**
Other financial items	(15,425)	(32)
	(41,722)	**(7,912)**

Other financial items consist chiefly of foreign exchange gains and losses incurred in the course of the Group's financing activities as well as the valuation effect of the acquired call options as part of hedging the SAR provisions, which have not yet been recognized.

[8] INCOME TAXES

in EUR thousand	2008	2007
Current taxes	34,473	55,759
Deferred taxes	1,878	2,526
	36,351	**58,285**

Corporate income taxes, including the German solidarity surcharge, trade taxes charged to the German Group companies, and similar income taxes incurred by foreign Group companies, are reported as income taxes.

HUGO BOSS AG is subject to a domestic income tax rate of 28.0% (2007: 37.3%). This year-on-year decrease is a result of the 2008 corporate taxation reform. As in the previous year, tax rates abroad range between 0% and 41%.

In the fiscal year 2008, current income taxes included expenses relating to other reporting periods in the amount of EUR 3,716 thousand (2007: EUR 4,218 thousand). Income relating to other reporting periods totaled EUR 1,779 thousand (2007: EUR 4,308 thousand).

Deferred taxes are calculated on the basis of the tax rates applicable or anticipated in the relevant countries in accordance with the legal situation prevailing at the time of realization.

The following table shows a reconciliation of the anticipated income tax expense that would theoretically result given the application at Group level of the current domestic income tax rate of 28.0% (2007: 37.3%) with the income tax expense actually reported by the Group. The domestic income tax rate used takes into account the corporate income tax rate (including the German unification solidarity surcharge) of 15.8% (2007: 26.4%) and the trade tax rate of 12.2% (2007: 14.9%).

in EUR thousand	2008	2007
Pre-tax result	148,396	212,381
Anticipated income tax	41,548	79,221
Tax effect of non-deductible expenses and tax-exempt income	(846)	(14,148)
Tax rate-related deviation	(17,169)	(12,246)
Tax refunds/back taxes	1,937	(90)
Valuation allowance on deferred tax assets	11,363	4,714
Other deviations	(482)	834
Income tax expenditure reported	**36,351**	**58,285**
Income tax load	24.5%	27.4%

The income tax load was reduced by a total of EUR 10,109 thousand (2007: EUR 39,938 thousand) due to tax-free income. The tax effect from non-deductible operating expenses amounted to EUR 9,263 thousand (2007: EUR 25,790 thousand).

Deferred taxes in the consolidated balance sheet relate to the following items:

	2008		2007	
in EUR thousand	Aktivisch	Passivisch	Aktivisch	Passivisch
Provisions	6,677	(272)	1,682	(156)
Tax loss carryforwards	12,925	0	4,084	0
Tax on interest expense carryforwards	3,601	0	0	0
Inventory measurement	18,022	(6,655)	13,493	(5,138)
Recognition and measurement of non-current assets	6,429	(4,971)	6,337	(2,020)
Receivables measurement	7,666	(218)	7,245	(584)
Market valuation of financial instruments	12	(419)	0	(1,311)
Other differences in recognition and measurement	5,265	(5,391)	6,694	(378)
	60,597	**(17,926)**	**39,535**	**(9,587)**
Impairments [1]	(16,968)	–	(5,922)	–
	43,629	**(17,926)**	**33,613**	**(9,587)**

[1] Including unrecognized tax loss carryforwards.

Deferred tax assets are recognized for all deductible temporary differences, unused tax and interest losses carried forward, and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax and interest losses and unused tax credits can be utilized.

In addition to the effects from the creation or the reversal of temporary differences between the carrying amounts in the consolidated financial statements and those in the financial statements for tax purposes, expenses for deferred taxes included income from changes in the tax rates amounting to EUR 244 thousand (2007: EUR 72 thousand) as well as expenses from the correction of deferred taxes from the previous year amounting to EUR 468 thousand. There is no income from the reduction of an impairment previously recognized for deferred taxes (2007: EUR 219 thousand).

Deferred tax assets on loss carry forwards are not recognized or impaired if there are doubts as to their future recoverability. To calculate these write-downs, all positive and negative factors that might impact the achievement of sufficient future taxable income are taken into consideration.

The impairments of deferred taxes relate to temporary differences in the amount of EUR 5,357 thousand (2007: EUR 2,428 thousand) and from unused tax loss carryforwards in the amount of EUR 11,611 thousand (2007: EUR 3,494 thousand).

Deferred tax income in the amount of EUR 2,466 thousand (2007: deferred tax expenses of EUR 1,233 thousand) were recognized directly in equity in 2008 in connection with accounting for changes in the fair values of derivatives that are part of an effective hedging relationship with no gain or loss recognized.

Tax loss carryforwards related to corporate income tax mainly refer to foreign Group companies as follows:

in EUR thousand	2008	2007
Expiry within		
1 year	138	87
2 years	1,273	736
3 years	3,341	2,278
4 years	2,681	2,352
5 years	7,428	2,128
after 5 years	20,548	6,120
Unlimited	4,458	5,515
Total tax loss carryforwards	**39,867**	**19,216**

[9] MINORITY INTERESTS

The consolidated financial statements include companies in which HUGO BOSS AG holds less than 100% of the equity. In accordance with IAS 27, the related minority interests are reported in equity separately from the equity held by the shareholders of the parent company in the consolidated balance sheet. Minority interests in the Group's net income are also reported separately in the consolidated income statement.

[10] EARNINGS PER SHARE

Pursuant to IAS 33, earnings per share (EPS) are calculated by dividing the net income or loss for the period by the weighted average number of shares outstanding during the fiscal year.

Neither on December 31, 2008 nor on December 31, 2007 were shares outstanding that could have diluted earnings per share.

	2008	2007
Net income in EUR million	112.0	154.1
Average number of shares outstanding [1]		
Common shares	35,331,445	35,331,733
Preferred shares	33,684,722	33,708,598
EPS common shares in EUR [2]	1.62	2.22
EPS preferred shares in EUR [2]	1.63	2.24

1 Includes effect of share buyback program.

2 Stock option program: This is limited to stock appreciation rights (SAR) which do not cause any dilution of EPS.

[11] RESEARCH AND DEVELOPMENT COSTS

In the HUGO BOSS Group, research and development expenses are incurred primarily for the creation of fashion collections.

Of the total research and development costs of EUR 48,651 thousand (2007: EUR 39,984 thousand), personnel expenses accounted for EUR 28,391 thousand (2007: EUR 25,744 thousand), depreciation/amortization for EUR 1,150 thousand (2007: EUR 876 thousand), and other operating expenses for EUR 19,110 thousand (2007: EUR 13,364 thousand).

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

in EUR thousand	Property, plant and equipment	Intangible assets	Total non-current assets
Cost of acquisition			
Balance on December 31, 2006	**469,059**	**119,225**	**588,284**
Currency translation effects	(7,912)	(457)	(8,369)
Additions	64,033	20,712	84,745
Disposals	(20,782)	(1,926)	(22,708)
Transfers	(309)	309	0
Balance on December 31, 2007	**504,089**	**137,863**	**641,952**
Currency translation effects	3,438	100	3,538
Additions	100,045	18,736	118,781
Disposals	(20,994)	(140)	(21,134)
Transfers	216	(216)	0
Balance on December 31, 2008	**586,794**	**156,343**	**743,137**
Depreciation/amortization			
Balance on December 31, 2006	**210,093**	**34,605**	**244,698**
Currency translation effects	(2,525)	(173)	(2,698)
Additions	59,425	8,016	67,441
Disposals	(11,864)	(1,623)	(13,487)
Balance on December 31, 2007	**255,129**	**40,825**	**295,954**
Currency translation effects	2,592	132	2,724
Additions	50,399	10,508	60,907
Disposals	(16,133)	(140)	(16,273)
Balance on December 31, 2008	**291,987**	**51,325**	**343,312**
Carrying amount on December 31, 2008	**294,807**	**105,018**	**399,825**
Carrying amount on December 31, 2007	**248,960**	**97,038**	**345,998**

Land charges in conjunction with land and buildings amounted to EUR 37.0 million (2007: EUR 38.8 million).

[12] INTANGIBLE ASSETS

in EUR thousand	Franchises, industrial property rights[1]	Internally developed software	Goodwill	Total
Cost of acquisition				
Balance on December 31, 2006	**85,807**	**5,603**	**27,815**	**119,225**
Currency translation effects	(457)	0	0	(457)
Additions	20,712	0	0	20,712
Disposals	(1,926)	0	0	(1,926)
Transfers	309	0	0	309
Balance on December 31, 2007	**104,445**	**5,603**	**27,815**	**137,863**
Currency translation effects	100	0	0	100
Additions	18,736	0	0	18,736
Disposals	(140)	0	0	(140)
Transfers	(216)	0	0	(216)
Balance on December 31, 2008	**122,925**	**5,603**	**27,815**	**156,343**
Amortization				
Balance on December 31, 2006	**26,771**	**5,603**	**2,231**	**34,605**
Currency translation effects	(173)	0	0	(173)
Additions	8,016	0	0	8,016
Disposals	(1,623)	0	0	(1,623)
Balance on December 31, 2007	**32,991**	**5,603**	**2,231**	**40,825**
Currency translation effects	132	0	0	132
Additions	10,508	0	0	10,508
Disposals	(140)	0	0	(140)
Balance on December 31, 2008	**43,491**	**5,603**	**2,231**	**51,325**
Carrying amount on December 31, 2008	**79,434**	**0**	**25,584**	**105,018**
Carrying amount on December 31, 2007	**71,454**	**0**	**25,584**	**97,038**

[1] And similar rights, including licenses.

In accordance with IAS 38, goodwill is classified as an asset with an indefinite useful life and relates primarily to the menswear segment in Australia (EUR 6,874 thousand) and men's shoes and leather accessories (EUR 18,710 thousand).

Franchises, industrial property rights includes other assets with indefinite useful lives (particularly trademark rights related to the menswear segment in the U.S.) in the amount of EUR 19,887 thousand (2007: EUR 20,261 thousand).

Impairment losses totaling EUR 1,465 thousand (2007: EUR 256 thousand) were recognized for intangible assets. These losses were mainly due to intangible assets with an indefinite useful life attributed to individual stores. Impairment losses were calculated using impairment tests and are reported under "Depreciation/amortization".

[13] PROPERTY, PLANT AND EQUIPMENT

in EUR thousand	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Construction in progress	Total
Cost of acquisition					
Balance on December 31, 2006	**127,908**	**36,123**	**300,860**	**4,168**	**469,059**
Currency translation effects	(1,824)	(944)	(5,132)	(12)	(7,912)
Additions	1,750	2,768	51,639	7,876	64,033
Disposals	(8,702)	(999)	(9,595)	(1,486)	(20,782)
Transfers	1,089	120	1,031	(2,549)	(309)
Balance on December 31, 2007	**120,221**	**37,068**	**338,803**	**7,997**	**504,089**
Currency translation effects	2,541	416	514	(33)	3,438
Additions	2,128	3,697	59,309	34,911	100,045
Disposals	(4,872)	(411)	(15,065)	(646)	(20,994)
Transfers	1,787	3,927	787	(6,285)	216
Balance on December 31, 2008	**121,805**	**44,697**	**384,348**	**35,944**	**586,794**
Depreciation					
Balance on December 31, 2006	**34,829**	**24,509**	**150,354**	**401**	**210,093**
Currency translation effects	(648)	(690)	(1,187)	0	(2,525)
Additions	3,816	2,568	53,041	0	59,425
Disposals	(3,245)	(845)	(7,774)	0	(11,864)
Balance on December 31, 2007	**34,752**	**25,542**	**194,434**	**401**	**255,129**
Currency translation effects	362	308	1,935	(13)	2,592
Additions	3,843	4,879	41,607	70	50,399
Disposals	(1,566)	(287)	(14,280)	0	(16,133)
Balance on December 31, 2008	**37,391**	**30,442**	**223,696**	**458**	**291,987**
Carrying amount on December 31, 2008	**84,414**	**14,255**	**160,652**	**35,486**	**294,807**
Carrying amount on December 31, 2007	**85,469**	**11,526**	**144,369**	**7,596**	**248,960**

Impairment losses totaling EUR 3,007 thousand (2007: EUR 16,101 thousand) were recognized for items of property, plant and equipment and shown under "depreciation/amortization" in the consolidated income statement. Impairment losses were mainly also attributable to property, plant and equipment of certain stores. They were taken after conducting impairment tests.

FINANCE LEASES

Property, plant and equipment includes land amounting to EUR 147 thousand (2007: EUR 3,404 thousand) and operating and office equipment of EUR 6 thousand (2007: EUR 10 thousand) for which the Group retains beneficial ownership in accordance with IAS 17.

Under finance lease agreements, the following payments become due in subsequent periods:

in EUR thousand	Payable 2009	Payable 2010 to 2013	Payable after 2013
Minimum lease payments	97	110	0
Discounts	28	32	0
Present value	69	78	0

OPERATING LEASES

In addition to finance leases, a substantial number of leases exist that qualify as operating leases due to their nature; consequently, the leased asset is accounted for by the lessor.

Operating leases particularly relate to rental agreements for properties used for the Group's retail activities, as well as for office space used by Group companies. These rental agreements are predominantly based on minimum lease payments. There are also leases that contain agreements on contingent rents (in particular contingent on sales).

In the fiscal year 2008, rental expenses in the amount of EUR 104,023 thousand (2007: EUR 70,192 thousand) were recognized for operating leases. Contingent rental expenses totaled EUR 13,424 thousand (2007: EUR 5,465 thousand).

Operating lease payments falling due in subsequent periods and already contractually agreed as of the reporting date are shown under "other disclosures" (note [31]).

As in the previous year, the Group did not generate substantial revenues from subleases in the year under review.

[14] OTHER ASSETS

	2008			2007		
in EUR thousand		thereof: current	thereof: non-current		thereof: current	thereof: non-current
Financial assets	22,858	13,488	9,370	13,986	6,684	7,302
Tax refund claims and prepayments	35,618	35,554	64	37,009	37,009	0
Other assets	50,389	44,028	6,361	54,182	40,625	13,557
	108,865	**93,070**	**15,795**	**105,177**	**84,318**	**20,859**

Financial assets include positive fair values from financial derivatives totaling EUR 14,764 thousand (2007: EUR 6,593 thousand).

Impairment losses on other assets amounted to EUR 2,403 thousand in the fiscal year 2008 (2007: EUR 2,089 thousand).

[15] INVENTORIES

in EUR thousand	2008	2007
Finished goods and merchandise	300,593	267,686
Raw materials and supplies	77,041	80,254
Work in progress	3,720	3,449
	381,354	**351,389**

The carrying amount of inventories recognized at the lower net realizable value is EUR 109,490 thousand (2007: EUR 91,425 thousand).

[16] TRADE RECEIVABLES

in EUR thousand	2008	2007
Trade receivables	201,035	171,288

Trade receivables do not bear interest and generally have a maturity of 30 to 90 days.

Appropriate allowances are recognized for all identifiable risks. Actual defaults lead to derecognition of the receivables concerned.

As of December 31, 2008, trade receivables at nominal amount EUR 56,180 thousand (2007: EUR 34,127 thousand) were impaired.

The allowances recognized for doubtful accounts changed as follows:

in EUR thousand	2008	2007
Allowance for doubtful accounts as of January 1, 2008	**28,220**	**28,990**
Addition	8,944	5,772
Use	(2,182)	(2,032)
Release	(5,461)	(4,239)
Exchange rate differences	(260)	(271)
Allowance for doubtful accounts as of December 31, 2008	**29,261**	**28,220**

Any income or expense from allowances on trade receivables is shown under other operating income and expenses.

As of December 31, the aging structure of trade receivables was as follows:

in EUR thousand	2008	2007
Carrying amount	**201,035**	**171,288**
Thereof: neither due, nor impaired	**109,260**	**98,469**
Thereof: overdue, but not impaired	**64,857**	**66,912**
< 30 days	26,905	27,072
> 30 to 60 days	22,272	24,331
> 60 to 90 days	11,167	8,613
> 90 to 120 days	2,645	3,243
> 120 to 180 days	750	1,731
> 180 to 360 days	1,047	1,508
> 360 days	71	414

As of the reporting date, there was no indication that any creditors would default on their payment obligations with regard to receivables that were neither due nor impaired.

[17] CASH AND CASH EQUIVALENTS

in EUR thousand	2008	2007
Balances with banks and other cash items	22,656	20,122
Checks/ec-cash	1	54
Cash in hand	1,955	4,326
	24,612	**24,502**

[18] SUBSCRIBED CAPITAL

The fully paid-in share capital of HUGO BOSS AG totaled EUR 70,400,000 as of December 31, 2008. It is divided into 70,400,000 no par value bearer shares and can be broken down as follows:

in EUR thousand	2008	2007
Common shares 35,860,000 shares	35,860	35,860
Non-voting preferred shares 34,540,000 shares	34,540	34,540
	70,400	**70,400**

The Managing Board of HUGO BOSS AG has authorized capital of EUR 35,200,000 at its disposal until May 18, 2009, subject to the consent of the Supervisory Board. Authorized capital allows the Company to increase its share capital on one or more occasions by issuing new common or preferred shares.

The dividends paid to holders of non-voting preferred shares from net retained earnings are EUR 0.01 higher per preferred share than the dividends paid to holders of common shares. However, the dividend for preferred shares amounts to no less than EUR 0.01 per share.

[19] OWN SHARES

The number of own shares has remained unchanged since the previous year:

	2008	2007
Common shares	528,555	528,555
Share of subscribed capital in %	0.8	0.8
Preferred shares	855,278	855,278
Share of subscribed capital in %	1.2	1.2

[20] CAPITAL RESERVE

The capital reserve contains premiums on the issuance of shares.

[21] RETAINED EARNINGS

Retained earnings reflect income earned in the past by the companies included in the consolidated financial statements, provided such income was not paid out as dividends, as well as effects on income resulting from consolidation adjustments for prior periods.

[22] ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income reflects differences arising from the translation of foreign subsidiaries' financial statements with a negative impact on equity of EUR 35,976 thousand (2007: negative impact of EUR 32,798 thousand) and the effects from the measurement of financial instruments after taxes, neither of which is recognized in income. Deferred tax income not recognized in the income statement amount to EUR 2,466 thousand (2007: deferred tax expenses of EUR 1,233 thousand).

With respect to income and expenses recognized in equity please refer to the Consolidated Statement of Recognized Income and Expense.

[23] DIVIDENDS

In accordance with the German Stock Corporation Act (AktG), the dividend payout to shareholders is based on net retained earnings for the year as reported in the HUGO BOSS AG financial statements. The dividend proposed to the Annual Shareholders' Meeting for distribution from the net retained earnings of HUGO BOSS AG in 2008 amounts to EUR 94.9 million. This corresponds to EUR 1.37 per common share and EUR 1.38 per preferred share.

In 2008, dividends totaling EUR 445.5 million were paid out for outstanding shares for the fiscal year 2007 (in 2007 for the fiscal year 2006: EUR 82.5 million), corresponding to EUR 6.45 (2007: EUR 1.19) per common share and EUR 6.46 (2007: EUR 1.20) per preferred share.

[24] PROVISIONS

in EUR thousand	2008	2007
Provisions for pensions	12,688	13,458
Other non-current provisions	15,196	26,583
Non-current provisions	**27,884**	**40,041**
Current provisions	**59,252**	**43,076**
	87,136	**83,117**

Other provisions amounting to EUR 74,448 thousand (2007: EUR 69,659 thousand) comprise current provisions of EUR 59,252 thousand (2007: EUR 43,076 thousand) and other non-current provisions of EUR 15,196 thousand (2007: EUR 26,583 thousand).

Other provisions changed as follows during the fiscal year 2008:

in EUR thousand	Balance on Jan. 1, 2008	Currency translation	Addition	Use	Release	Balance on Dec. 31, 2008
Provisions for personnel expenses	43,605	398	18,401	(14,312)	(14,595)	33,497
Costs of litigation, pending legal disputes	5,133	(5)	1,384	(500)	(451)	5,561
Miscellaneous provisions	20,921	(283)	27,996	(8,715)	(4,529)	35,390
	69,659	**110**	**47,781**	**(23,527)**	**(19,575)**	**74,448**

Provisions for personnel expenses relate mainly to stock appreciation rights, profit sharing and bonuses, severance payments, outstanding vacation entitlements, wages and salaries. For provisions for stock appreciation rights, the date of the outflow of resources depends on the manner in which eligible employees exercise these rights.

Overall, the Company expects that EUR 15,196 thousand (2007: EUR 26,583 thousand) of the provisions for personnel expenses will become due for payment after more than twelve months.

Provisions for litigation costs and pending legal disputes include litigation costs for trademark protection. These provisions are classified as current provisions.

Miscellaneous provisions mainly include provisions for product returns that are expected to be settled within twelve months as well as provisions for the reorganization of the Group structure.

[25] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The amount of the benefit obligations was determined using actuarial methods in accordance with IAS 19, with actuarial gains and losses being recognized in profit or loss in the period in which they occurred.

in EUR thousand	2008	2007
Provisions for pensions	9,099	9,774
Provisions for similar obligations	3,589	3,684
	12,688	**13,458**

Pension provisions are created for obligations based on pension benefits and for ongoing payments to eligible active and former employees of the HUGO BOSS Group. Pension commitments based on the retirement plans are determined largely by the period of service of the eligible employees. The plans are predominantly defined benefit plans.

The company retirement plan is mostly funded by plan assets, to which the reinsurance policies are attributed as qualifying insurance policies in accordance with IAS 19.7 in conjunction with IAS 19.102 et seq.

Calculation of pension expenses is based on planned service cost and expected returns on plan assets. Based on the calculation principles set forth in IAS 19, the following is a summary of the current funding status of pension commitments:

in EUR thousand	2008	2007
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	33,954	33,955
Currency differences	1,010	(294)
Service cost	6,598	5,731
Interest cost	1,759	1,309
Actuarial gains/losses	(4,267)	(5,415)
Benefits paid	(2,591)	(2,063)
Past service cost	3,515	0
Other changes in benefit obligation	271	731
Present Value of benefit obligation on December 31	**40,249**	**33,954**
Change in plan assets		
Fair value of plan assets on January 1	24,469	21,305
Currency differences	784	(205)
Netting with plan assets	0	0
Expected return on plan assets	1,055	760
Benefits paid	(2,525)	(1,834)
Actuarial gains/losses	(150)	(311)
Asset Ceiling IAS 19.58	(3,904)	(2,159)
Other changes in plan assets	11,712	6,913
Fair value of plan assets on December 31	**31,441**	**24,469**
Funding status of the benefits funded by plan assets	**8,808**	**9,485**
Pensions funded by provisions	291	289
Provisions for pensions	**9,099**	**9,774**

Pension expenses consist of service costs for the period, interest expense, expected return on plan assets, actuarial gains and losses, expense based on the asset ceiling pursuant to IAS 19.58, and any other changes in the present value of the benefit obligation and the plan assets. The total amounts recognized in profit or loss are recorded under personnel expenses.

The amounts for the current and the four preceding reporting periods are as follows:

in EUR thousand	2008	2007	2006	2005	2004
Present value of benefit obligation	40,249	33,954	33,955	19,756	14,727
Fair value of plan assets	31,441	24,469	21,305	9,790	9,177
Funding status of the benefits funded by plan assets	**8,808**	**9,485**	**12,650**	**9,966**	**5,550**

The present value of the defined benefit obligations was determined based on the following assumptions, taking into account country-specific circumstances:

Actuarial assumptions	2008	2007
Discount rate	3.50%[1] 6.00%[2]	3.50%[1] 5.10%[2]
Rate of compensation increase	0.00%[1] 1.75%[2]	0.00%[1] 1.75%[2]
Expected salary increase	0.00%[2] 4.00%[1]	2.50%[2] 5.00%[1]
Expected rate of return on plan assets	3.50%[1] 4.50%[2]	4.00%[1] 4.50%[2]

1 Switzerland.
2 Germany.

The expected total return on plan assets was calculated on the basis of common market expectations for the period during which the obligations were fulfilled.

Employee contributions to defined benefit plans in the fiscal year 2008 totaled EUR 1,519 thousand (2007: EUR 1,520 thousand). For the fiscal year 2009, the Group expects employee contributions to defined benefit plans for a total of EUR 1,519 thousand.

Employer contributions to plan assets amounted EUR 3,503 thousand in the fiscal year 2008 (2007: EUR 3,248 thousand), and employee contributions to EUR 8,136 thousand (2007: EUR 3,110 thousand). For the fiscal year 2009, the Group expects employer contributions to plan assets to amount to EUR 2,360 thousand and employee contributions to EUR 3,719 thousand.

Pension obligations for Germany were calculated using biometric principles in accordance with the 2005 G mortality tables compiled by Prof. Dr. Klaus Heubeck.

[26] FINANCIAL LIABILITIES

Financial liabilities include all interest-bearing obligations in existence as of the relevant reporting date. They consist of the following:

in EUR thousand	2008	2007
Non-current financial liabilities	588,506	46,103
Current financial liabilities	40,169	153,178
	628,675	**199,281**

in EUR thousand	2008	With a remaining term up to 1 year	2007	With a remaining term up to 1 year
Liabilities due to banks	607,729	19,226	189,095	152,595
Other financial liabilities	20,946	20,943	10,186	583
	628,675	**40,169**	**199,281**	**153,178**

Other financial liabilities include liabilities from finance leases in the amount of EUR 147 thousand (2007: EUR 3,647 thousand) and liabilities from financial instruments with negative fair values in the amount of EUR 20,799 thousand (2007: EUR 1,136 thousand).

The tables below show the maturities of and conditions for financial liabilities:

FINANCIAL LIABILITIES DUE TO BANKS

	2008		2007	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	**Weighted average interest rate**	**Carrying amount EUR thous.**
up to 1 year	2.70%	19,226	4.47%	152,595
1 to 5 years	3.86%	559,320	5.61%	5,719
more than 5 years	5.67%	29,183	5.66%	30,781

OTHER FINANCIAL LIABILITIES

	2008		2007	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	**Weighted average interest rate**	**Carrying amount EUR thous.**
up to 1 year	6.60%	20,943	5.06%	583
1 to 5 years	6.25%	3	5.31%	1,565
more than 5 years	5.11%	0	5.12%	8,038

The following table shows the contractual (undiscounted) cash flows for non-derivative financial liabilities and for derivative financial instruments with negative fair values:

in EUR thousand 2008	Carrying amount	Total cash flows	< 1 year	1 to 5 years	> 5 years
		Expected cash flows			
Non-derivative financial liabilities					
Liabilities due to banks	607,729	763,482	52,043	689,115	22,324
Liabilities from finance leases	147	147	69	78	0
Derivative financial liabilities					
Freestanding derivatives	2,680	2,680	950	1,087	643
Derivatives subject to hedge accounting	18,119	18,119	4,517	13,602	0
Other financial liabilities	0	0	0	0	0
Financial liabilities	**628,675**	**784,428**	**57,579**	**703,882**	**22,967**

in EUR thousand 2007	Carrying amount	Total cash flows	< 1 year	1 to 5 years	> 5 years
		Expected cash flows			
Non-derivative financial liabilities					
Liabilities due to banks	189,095	206,524	155,231	27,925	23,368
Liabilities from finance leases	3,647	4,643	426	2,105	2,112
Derivative financial liabilities					
Freestanding derivatives	1,130	1,130	404	457	269
Derivatives subject to hedge accounting	6	6	6	0	0
Other financial liabilities	5,403	9,752	304	1,520	7,928
Financial liabilities	**199,281**	**222,055**	**156,371**	**32,007**	**33,677**

All financial instruments held at December 31, 2008 and for which payments were already contractually agreed were included. Forecast figures for new liabilities incurred in the future are not taken into account in this table.

[27] OTHER LIABILITIES

in EUR thousand	2008	2008 thereof: current	2008 thereof: non-current	2007	2007 thereof: current	2007 thereof: non-current
Other liabilities	67,966	41,260	26,706	64,510	37,101	27,409
from taxes	[15,697]	[15,697]	0	[13,864]	[13,864]	0
from social security	[4,598]	[4,598]	0	[4,641]	[4,641]	0
	67,966	**41,260**	**26,706**	**64,510**	**37,101**	**27,409**

In addition to liabilities for taxes and social security, other liabilities primarily include payroll-related liabilities.

[28] TRADE PAYABLES

in EUR thousand	2008	2007
Trade payables	124,105	101,017

Trade payables normally have terms to maturity of up to one year.

[29] ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements.

CARRYING AMOUNTS AND FAIR VALUES BY CLASS OF FINANCIAL INSTRUMENT

		2008		2007	
in EUR thousand	IAS 39 category	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	LaR	24,612	24,612	24,502	24,502
Trade receivables	LaR	201,035	201,035	171,288	171,288
Other financial assets		22,858	22,858	13,986	13,986
thereof:					
Freestanding derivatives	FAHfT	4,271	4,271	2,132	2,132
Derivatives subject to hedge accounting	n. a.	10,493	10,493	4,461	4,461
Other financial assets	LaR	8,095	8,095	7,393	7,393
Liabilities					
Financial liabilities due to banks	FLAC	607,729	611,642	189,095	189,847
Trade payables	FLAC	124,105	124,105	101,017	101,017
Other financial liabilities		20,946	20,946	10,186	10,369
thereof:					
Liabilities from finance leases	n. a.	147	147	3,647	3,856
Freestanding derivatives	FLHfT	2,680	2,680	1,130	1,130
Derivatives subject to hedge accounting	n. a.	18,119	18,119	6	6
Other financial liabilities	FLAC	0	0	5,403	5,377
Totals for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	233,742	233,742	203,183	203,183
Financial Assets Held for Trading	FAHfT	4,271	4,271	2,132	2,132
Financial Liabilities Measured at Amortised Cost	FLAC	731,834	735,747	295,515	296,241
Financial Liabilities Held for Trading	FLHfT	2,680	2,680	1,130	1,130

Cash and cash equivalents, trade receivables, and other receivables mainly have short remaining terms to maturity. Therefore, it may be assumed that the carrying amount approximates to the fair value as of the reporting date. Since trade payables and other liabilities also have short remaining terms, their carrying amounts also approximate to their fair values.

The fair values of non-current financial liabilities due to banks and liabilities from finance leases are calculated as the present values of the payments associated with the liabilities on the basis of the appropriate interest rate parameters.

NET GAINS OR LOSSES BY CATEGORY OF FINANCIAL INSTRUMENT

in EUR thousand	Interest income and expenses	Changes in fair value	Currency translation	Bad debt losses	Disposal of financial instruments	2008	2007
Derivatives (FAHfT and FLHfT)	0	(18,697)	0	0	0	(18,697)	1,001
Loans and receivables (LaR)	1,476	0	5,154	(6,389)	0	241	(5,171)
Financial Liabilities Measured at Amortised Cost (FLAC)	(27,773)	0	(4,944)	0	0	(32,717)	(6,438)

Interest from financial instruments is reported under net interest income/expense (see note [7] to the consolidated income statement).

Valuation allowances on trade receivables attributable to "loans and receivables" are classified as other operating expenses.

Gains and losses from the translation of trade receivables and trade payables denominated in foreign currencies and changes in fair value due to exchange rate hedges in operations are reported under cost of materials (see note [3] to the consolidated income statement).

The effects from the change in fair value of the call options to hedge the SAR positions are recognized in personnel expenses and in other financial items (also see note [37] Share-based payments).

The other components of net gains or losses from financial instruments are recognized as other financial items.

OTHER DISCLOSURES

[30] CONTINGENT LIABILITIES

No provisions have been recognized for the following contingent liabilities, which are recognized at nominal value as the associated risks are considered unlikely to materialize.

in EUR thousand	2008	2007
Contingent liabilities from the provision of collateral for third-party liabilities	3,459	4,353
Other contingent liabilities	0	2,138
	3,459	**6,491**

[31] OTHER FINANCIAL OBLIGATIONS

2008 in EUR thousand	Due 2009	Due 2010 to 2013	Due after 2013	Total
Sum of future minimum lease payments (operating leases)	89,753	242,865	181,133	513,751
Other obligations	6,339	3,270	2	9,611
	96,092	**246,135**	**181,135**	**523,362**
Purchase commitment for investments				
Property, plant and equipment	4,538	0	0	4,538
Intangible assets	3,059	0	0	3,059
	7,597	**0**	**0**	**7,597**

2007 in EUR thousand	Due 2009	Due 2009 to 2012	Due after 2012	Total
Sum of future minimum lease payments (operating leases)	75,232	232,702	187,023	494,957
Other obligations	6,720	8,601	9	15,330
	81,952	**241,303**	**187,032**	**510,287**
Purchase commitment for investments				
Property, plant and equipment	10,989	0	0	10,989
Intangible assets	3,920	0	0	3,920
	14,909	**0**	**0**	**14,909**

There will be no substantial future income for the Group arising from subleases.

[32] HEDGING POLICIES AND FINANCIAL DERIVATIVES

As a Group with international operations, HUGO BOSS is subject to risks arising from movements in exchange rates and interest rates as a result of its ordinary business operations. Derivative financial instruments are employed to mitigate these risks. Only marketable instruments with adequate liquidity are used. The utilization of financial derivatives is subject to internal guidelines and controls at HUGO BOSS.

When using financial derivatives, the HUGO BOSS Group is exposed to the risk of counterparty default. HUGO BOSS reduces this risk by concluding such transactions exclusively with leading financial institutions with very good to good credit ratings.

CURRENCY RISKS

HUGO BOSS AG is represented by its subsidiaries in the most important core markets. These subsidiaries sell products to local customers within a certain geographic area. The subsidiaries place the orders arising from this business exclusively within the Group.

Intercompany orders are generally denominated in the local currency of the respective subsidiary in order to concentrate the exchange rate risk at HUGO BOSS AG in Germany. Currency exposures arise from cash flows denominated in the local currencies of subsidiaries and in euros (HUGO BOSS AG's functional currency) as well as in Swiss francs, the functional currency of HUGO BOSS Ticino S.A., Switzerland. The Group Treasury department is responsible for centrally concluding hedging transactions.

The HUGO BOSS Group makes use of financial derivatives in order to hedge part or all of the subsidiaries' anticipated payments against the above-mentioned currency exposure. This principally entails the use of forward exchange contracts and currency options.

In particular, the HUGO BOSS Group hedges cash flows from countries in which it maintains extensive operations. These countries include the U.S., Japan, Great Britain, Switzerland, Canada, and Australia.

Forward exchange contracts and currency options generally have terms ranging from twelve to 15 months from the contract date; none of the terms exceed 18 months. For the most part those cash flows result from intercompany sales expected to occur within 18 months.

The Managing Board of HUGO BOSS AG believes that the use of currency derivatives reduces the risks described above and uses such instruments exclusively for hedging purposes.

INTEREST RISKS

To minimize the effects of future interest rate volatility on loan financing costs, derivative financial instruments are used on a case by case basis in the form of swaps and interest rate caps.

Some of the interest rate derivatives are directly and immediately linked to a specific loan in the form of a cash flow hedge. In these instances, derivatives with an accounting relationship to hedges exist. Interest expense reported in the income statement from these underlying transactions on which the derivates are based and the linked interest rate derivatives total the sum of the fixed interest rate of the hedge.

RISKS RELATED TO STOCK APPRECIATION RIGHTS

We refer to the information given in note [37].

The following table summarizes the nominal amounts and fair values of financial derivatives:

	2008		2007	
in EUR thousand	Nominal amount	Fair values	Nominal amount	Fair values
Assets				
thereof from				
currency hedging contracts	80,739	11,265	63,986	6,593
interest hedging contracts	0	0	0	0
call option (SAR-hedge)	29,987	3,499	0	0
Liabilities				
thereof from				
currency hedging contracts	13,617	(1,162)	(5,018)	(297)
interest hedging contracts	(286,094)	(19,637)	15,361	(839)
call option (SAR-hedge)	0	0	0	0
	(161,751)	**(6,035)**	**74,329**	**5,457**

The nominal amounts shown reflect the hedged amount of the respective underlying transaction.

The fair values of financial derivatives are carried as other financial assets or other financial liabilities. The fair values do not necessarily represent the amounts that will be realized in the future under prevailing market conditions.

In addition, financial assets include the fair values of call options to hedge the SAR provisions in the amount of EUR 3,499 thousand (2007: EUR 0 thousand).

The fair value of derivative financial instruments recognized includes a fair value of EUR 1,590 thousand (2007: EUR 1,001 thousand) from assets classified as financial assets held for trading.

As of December 31, 2008, expenses totaling EUR 7,917 thousand (2007: income of EUR 3,170 thousand) resulting from the change in fair value of derivative financial instruments were recognized directly in equity in the item “accumulated other comprehensive income”, after deducting deferred taxes. Gains totaling EUR 3,208 thousand (2007: losses of EUR 141 thousand) were transferred from accumulated other comprehensive income to profit and loss in the fiscal year 2008.

[33] NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The HUGO BOSS Group's cash flow statement shows the changes that occurred in cash and cash equivalents during the year under review on the basis of cash transactions. Pursuant to IAS 7, cash flows are reported separately according to source and application in operating activities, investing activities, and financing activities. Cash flows from current business activities are derived indirectly based on the Group's net income. By contrast, cash flows from investing and financing activities are calculated directly from inflows and outflows.

The changes in the Group's cash and cash equivalents are a result of the development of individual cash flows after taking exchange rate-related changes into account.

Cash and cash equivalents as presented in the cash flow statement include all cash items reported on the balance sheet, i.e. cash on hand, checks, and bank balances. Changes in the balance sheet positions presented in the cash flow statement cannot be derived directly from the balance sheet due to exchange rate calculations.

[34] SEGMENT REPORTING

The Managing Board of HUGO BOSS AG decided to organize the Company by geographic areas. This decision reflects its strategy based on increased international expansion. To underline this in the organization's structure, the position of Senior Vice President was created for each region. Senior Vice Presidents are responsible for the distribution companies in the three regions of Europe, America, and Asia/Pacific. The distribution companies of the HUGO BOSS Group are responsible for the sales of all HUGO BOSS products that are not sold as licensed products by third parties in their respective regions.

The segments subject to reporting requirements are therefore divided into the three regions of Europe, America, and Asia/Pacific as well as the Licenses segment and the remaining Group-wide central structures (Corporate Center).

The respective distribution companies of the HUGO BOSS Group are allocated to the Europe, America and Asia/Pacific segments subject to reporting requirements, while the Licenses segment separates out all of HUGO BOSS' licensing business, which includes the licensing business with third parties as well as the Group's licensing business. The purchasing, production, and research and development units as well as other central functions make up the Group-wide central functions. The production site in Cleveland, Ohio, which produces exclusively for the U.S. market, is assigned to the America segment.

The management of the regional business units is aligned to the respective operating results. Income taxes are influenced by Group-wide decisions. Therefore no allocation of that figure is made to the operating segments.

Services between the operating segments are based on market prices, and thus are comparable with prices that would also be used for a transaction with a third party.

2008 in EUR million	Europe[1]	Americas	Asia/ Pacific	Royalties	Corporate Center	Recon-ciliation	HUGO BOSS Group
Total sales	**1,170.2**	**307.0**	**162.1**	**132.1**	**1,118.1**	**(1,203.4)**	**1,686.1**
Inter-segment sales	0.2	0.0	0.0	85.1	1,118.1	(1,203.4)	0.0
External customer sales	1,170.0	307.0	162.1	47.0	0.0	0.0	1,686.1
Segment profit	**125.4**	**16.1**	**16.4**	**78.4**	**63.2**	**(12.0)**	**287.5**
Other interest and similar income	0.8	0.2	0.0	1.3	8.3	(8.8)	1.8
Interest and similar expenses	(5.1)	(2.9)	(1.4)	0.0	(27.6)	8.9	(28.1)
Assets	317.5	185.6	74.5	38.4	1,071.4	(571.7)	1,115.7
Liabilities	(226.1)	(135.4)	(62.8)	(13.1)	(862.9)	392.4	(907.9)
Capital expenditure	**38.2**	**21.9**	**6.4**	**0.1**	**52.2**	**0.0**	**118.8**
Depreciation/ amortization	(19.3)	(10.1)	(2.1)	(0.3)	(24.7)	0.0	(56.5)
Impairments	(3.1)	(1.4)	0.0	0.0	0.0	0.0	(4.5)
thereof tangible assets	(1.6)	(1.4)	0.0	0.0	0.0	0.0	(3.0)
thereof intangible assets	(1.5)	0.0	0.0	0.0	0.0	0.0	(1.5)
SAR expenses and hedging	0.8	0.7	0.1	0.0	(12.7)	0.0	(11.1)

[1] Including Middle East and Africa.

The profit in the respective segments corresponds to EBITDA before special items and therefore does not include the financial result (EUR –41.7 million), income taxes (EUR –36.4 million), expenses due to special items (EUR –36.4 million), and the impairment losses and depreciation/amortization (EUR –61.0 million).

Segment assets do not include deferred tax assets (EUR 43.6 million) and current tax receivables (EUR 2.3 million), as these assets are managed at the Group level.

Segment liabilities do not include deferred tax liabilities (EUR –17.9 million) and current tax payables (EUR –36.8 million), as these liabilities are managed at the Group level.

2007 in EUR million	Europe[1]	Americas	Asia/ Pacific	Royalties	Corporate Center	Recon- ciliation	HUGO BOSS Group
Total sales	**1,151.1**	**298.0**	**134.0**	**131.4**	**1,062.0**	**(1,144.5)**	**1,632.0**
Inter-segment sales	0.0	0.0	0.0	82.5	1,062.0	(1,144.5)	0.0
External customer sales	1,151.1	298.0	134.0	48.9	0.0	0.0	1,632.0
Segment profit	**137.7**	**35.1**	**15.3**	**78.5**	**31.5**	**(10.4)**	**287.7**
Other interest and similar income	2.3	0.2	0.0	2.2	9.9	(13.1)	1.5
Interest and similar expenses	(8.2)	(1.5)	(0.6)	(0.3)	(11.9)	13.1	(9.4)
Assets	286.3	159.2	51.3	118.6	883.8	(500.8)	998.4
Liabilities	(144.5)	(71.2)	(36.7)	(11.8)	(501.3)	317.6	(447.9)
Capital expenditure	**28.0**	**18.6**	**3.5**	**0.4**	**34.2**	**0.0**	**84.7**
Depreciation/ amortization	(17.6)	(7.8)	(2.2)	(0.2)	(23.3)	0.0	(51.1)
Impairments	(7.4)	(8.1)	(0.9)	0.0	0.0	0.0	(16.4)
thereof tangible assets	(7.1)	(8.1)	(0.9)	0.0	0.0	0.0	(16.1)
thereof intangible assets	(0.3)	0.0	0.0	0.0	0.0	0.0	(0.3)
SAR expenses and hedging	(1.3)	(1.3)	(0.5)	(0.1)	(12.9)	0.0	(16.1)

1 Including Middle East and Africa.

The profit in the respective segments corresponds to EBITDA before special items and therefore does not include the financial result (EUR –7.9 million), income taxes (EUR –58.3 million), and expenses due to special items (EUR 0.0 million), and the impairment losses and depreciation/amortization (EUR –67.4 million).

Segment assets do not include deferred tax assets (EUR 33.6 million) and current tax receivables (EUR 7.3 million), as these assets are managed at the Group level.

Segment liabilities do not include deferred tax liabilities (EUR –9.6 million) and current tax payables (EUR –35.3 million), as these liabilities are managed at the Group level.

Segment information is based on essentially the same accounting policies as those applied in the consolidated financial statements.

[35] DISCLOSURE OF RELATED PARTY TRANSACTIONS

After Red & Black S.r.l., Milan, acquired the majority of shares in the Valentino Fashion Group, the group of related parties changed. Related parties now include all companies and persons that meet the definition of a related party as set forth in IAS 24.9 with respect to Permira Holdings LLP, London.

In fiscal year 2008, there have not been any transactions between HUGO BOSS AG and its related parties. (2007: Realized income from consulting services in the amount of EUR 27 thousand). Consequently, there were no receivables outstanding as of the reporting date (December 31, 2007: EUR 15 thousand).

Senior management members are able to shop at HUGO BOSS for their business and personal use. Other than this, no significant transactions occurred between companies included in the HUGO BOSS Group and senior management members or their close relatives.

In the past fiscal year, HUGO BOSS AG also introduced the "Management Participation Program" (MPP for short), an additional form of share-based compensation for members of the top management. In the context of the MPP, managers can invest indirectly in Red & Black TopCo S.à r.l. by making a payment. Red & Black TopCo S.à r.l. meets the definition of a related party as set forth in IAS 24.9.

For further information please refer to note [37].

[36] SUPERVISORY AND MANAGING BOARDS

Members of the Supervisory and Managing Boards are listed on pp. 179 to 181.

Remuneration for members of the Managing Board in the fiscal year 2008 totaled EUR 5,479 thousand (2007: EUR 6,623 thousand). Of this amount, EUR 2,919 thousand (2007: EUR 1,668 thousand) reflects fixed components and EUR 2,560 thousand (2007: EUR 4,955 thousand) variable components. This does not include remuneration components with a long-term incentive effect (2007: EUR 2,951 thousand).

The fixed salary components paid to members of the Managing Board comprise benefits such as company cars and benefits in kind as well as other equipment and services necessary for Management Board members to fulfill their duties.

The variable components consist partly of bonuses paid on the basis of the achievement of personal targets as agreed with the Supervisory Board for each Managing Board member and on the achievement of predefined corporate earnings targets.

Managing Board members are also granted stock appreciation rights to allow them to participate directly in the Company's long-term profits.

Total compensation of EUR 13,362 thousand was paid out when Managing Board members left the Company.

Stock appreciation rights (SAR) granted to members of the HUGO BOSS AG Managing Board under the stock appreciation rights plan were as follows:

	Tranche no. 4	Tranche no. 5	Tranche no. 6	Tranche no. 7	Tranche no. 8	Total
Date of Issue	February 2004	February 2005	February 2006	January 2007	January 2008	–
Number of SARs outstanding on December 31, 2008 [1]	–	68,760	74,490	68,760	68,760	280,770
Strike Price (EUR) pre special dividend	17.00	25.38	32.59	39.08	42.11	–
Strike Price (EUR) post special dividend [2]	14.83	22.14	28.43	34.09	36.74	–
Value of SARs held by Managing Board in office						
31 December, 2007 (EUR thous.)	–	3,962	3,232	2,629	–	9,823
31 December, 2008 (EUR thous.)	–	33	107	88	44	272

1 Due to the payout of a special dividend in May 2008 the contract sizes have been adjusted according to the EUREX conditions with the corresponding R-factor (see [37] share-based payments).

2 Due to the payout of a special dividend in May 2008 the strike prices have been adjusted according to the EUREX conditions with the corresponding R-factor (see [37] share-based payments).

New Managing Board members who joined in 2008 are not eligible to receive any stock appreciation rights.

As a rule, contracts for Managing Board members have a term of five years. They do not contain any special provisions to cover early termination of the contract.

In addition to the remuneration specified above, the Company also provides pension benefits.

For active members of the Managing Board, provisions for pension obligations (after offsetting qualifying reinsurance policies eligible as plan assets) were recognized in the amount of EUR 143 thousand (2007: EUR 379 thousand). In 2008, the gross amount of the obligations amounted to EUR 1,141 thousand (plan assets: EUR 999 thousand) and in 2007 to EUR 10,689 thousand (plan assets: EUR 10,310 thousand).

The Supervisory Board received total remuneration of EUR 1,154 thousand for its services (2007: EUR 1,342 thousand). This includes a variable component of EUR 389 thousand (2007: EUR 587 thousand) calculated on the basis of earnings per share.

The pension obligations for the former members of the Managing Board amounted to EUR 902 thousand (2007: EUR 2,937 thousand) after offsetting qualifying reinsurance policies eligible as plan assets (Gross amount of the obligations in 2008: EUR 12,947 thousand, 2007: EUR 6,944 thousand).

In total, members of the Managing Board and the Supervisory Board hold less than 1 % (2007: 0 %) of the shares issued by HUGO BOSS AG. Total holdings of members of the Managing Board amount to less than 0.01 % of the shares issued by the Company.

[37] SHARE-BASED PAYMENTS

Stock Appreciation Rights Program

During 2001, HUGO BOSS AG introduced a stock appreciation rights (SAR) program for Managing Board members and executives.

As part of this program, executives of HUGO BOSS AG and its subsidiaries are granted a certain number of participation rights. These rights enable them to benefit from any increase in the value of the Company's shares. The participation rights solely grant a claim to cash settlement, not a claim to HUGO BOSS AG shares.

As of December 31, 2008, the individual tranches of the stock appreciation rights program each have a contractual life of six years. After the initial lock-up period of two years, the four-year exercise period commences. Participation rights may be exercised if growth in the market capitalization of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the lock-up period or during the exercise period.

The remuneration to be paid corresponds to the difference between the market capitalization as reflected in the average price of a HUGO BOSS AG preferred share during the five trading days preceding the date of exercise and the strike price of the preferred share in line with the condition. The strike price corresponds to the average price of HUGO BOSS AG preferred shares during the 20 trading days preceding the date of issue.

In order to limit the risk arising from share price fluctuations in connection with the stock appreciation rights (SAR) program, and hence the potential impact on the cash flow and earnings of HUGO BOSS AG, a corresponding hedging program was resolved in late 2007 to come into force from fiscal year 2008. Under the terms of this program, HUGO BOSS AG acquired term-equivalent American call options for HUGO BOSS preferred shares from independent banks in the first quarter of fiscal year 2008 with a 1:1 subscription right, i.e. each option corresponds to one preferred share. The total investment volume was just under EUR 33 million.

When SARs are exercised by employees, the corresponding call options are sold back to the issuing bank. This balances the outflow of funds from the exercise of SARs with the inflow of funds from the sale of call options, and thus offsets the effects on cash flow.

The obligations arising from the SARs for HUGO BOSS AG, which are recognized in the form of corresponding provisions, and the call options used for hedging are regularly recognized as income at their fair value at the respective reporting date. The measurement of the call options and SAR obligations is based on the market values provided by the issuing banks. As the values of the call options and the corresponding SARs are identical at the respective reportingdate, the resulting earnings effects largely offset each other. Deviations result from the pro rata structure of the corresponding provision for SARs in the lock-up period (first two years) pursuant to IFRS 2.

Expenses for SARs in the lock-up period are reported in personnel expenses as defined. Changes in the value of the SARs already in the exercise period and the corresponding hedging transactions are offset against personnel expenses. Where provisions have not yet been recognized for the acquired call options due to the pro rata structure of SAR provisions, this valuation effect is reported in the financial result.

As of December 31, 2008, the earnings effect of additions to and revaluations of SAR provisions and the valuation effect of the corresponding hedging transactions reported in personnel expenses amounted to EUR 4,673 thousand.

The expenses reported in the financial result for the valuation of hedging transactions for which SAR provisions have not yet been recognized amounted to EUR 6,399 thousand.

For fiscal year 2008, this resulted in total expenses of EUR 11,073 thousand (2007: EUR 16,143 thousand) for the stock appreciation rights plan. The provision recognized for the participation rights amounted to EUR 2,583 thousand as of December 31, 2008 (2007: EUR 23,581 thousand). The derivatives that function as hedges recorded a fair value of EUR 3,499 thousand as of the reporting date.

On May 8, 2008, the majority of the Annual Shareholders' Meeting of HUGO BOSS AG resolved to distribute a special dividend. In terms of the current exercise requirements of the SAR program, the SAR parameters were adapted to EUREX conditions. A so called R-factor of 87.24% was calculated, meaning the previous strike prices (100%) were adjusted by this factor. This results in the following adjusted strike prices:

	Tranche no. 4	**Tranche no. 5**	**Tranche no. 6**	**Tranche no. 7**	**Tranche no. 8**
Date of Issue	February 2004	February 2005	February 2006	January 2007	January 2008
Strike Price (EUR) pre special dividend	17.00	25.38	32.59	39.08	42.11
Strike Price (EUR) post special dividend	14.83	22.14	28.43	34.09	36.74

In addition, tranches 4 to 8 of the SAR, which were not yet exercised as of May 9, 2008, were multiplied by an adjustment factor of 1.146 (1/R-factor).

The stock appreciation rights program showed the following changes during 2008 and 2007:

	2008	WASP 2008[1] (EUR)	2007	WASP 2007[1] (EUR)
Number of SARs on Jan. 1	2,222,100	33.54	1,761,900	26.33
Newly granted SARs	1,040,000	36.74	1,071,800	39.08
Forfeited SARs	(226,800)	33.68	(110,600)	33.51
Exercised SARs	(482,800)	25.19	(501,000)	20.01
Expired SARs	0		0	
Number of SARs on May 8 (pre special dividend)	2,552,500	32.69		
Number of SARs on May 9 (post special dividend)	2,925,165	32.69		
Forfeited SARs	(290,167)	32.54		
Exercised SARs	(32,088)	24.81		
Expired SARs	0			
Number of SARs on Dec. 31	2,602,910	32.80	2,222,100	33.54
Number of SARs exercisable on Dec. 31	633,738	24.93	572,500	24.55

[1] WASP= Weighted Average Strike Price.

The weighted average stock price at the time the options were exercised was EUR 35.45 (2007: EUR 48.23)

The weighted average contract term for the outstanding share options as of December 31, 2008 amounted to 4.01 years (2007: 4.25 years).

The strike prices for the stock appreciation rights outstanding as of the end of the reporting period ranged between EUR 14.83 and EUR 36.74 (2007: EUR 17.00 and EUR 39.08).

Management Participation Program

In the context of the “Management Participation Program” (MPP for short), which was introduced in the past fiscal year, members of the Managing Board and second-tier executives can invest indirectly in Red & Black TopCo S. à r. l. by making a payment. Because Red & Black TopCo S. à r. l. holds 100% of the shares in Valentino Fashion Group S. p. A. via Red & Black S. à r. l., the management at HUGO BOSS AG is investing not only in the HUGO BOSS Group, but also in other companies in the Valentino Fashion Group not controlled or influenced by HUGO BOSS.

The indirect investment in Red & Black TopCo S. à r. l. is carried out via a German limited partnership with Red & Black Management Beteiligungs GmbH & Co. KG (“MPP KG” for short). The company agreement was signed for an indefinite period of time, but at least until the end of 2024. MPP KG has a 1.516% stake in the proceeds of Red & Black TopCo S. à r. l. In the event of an initial public offering or the sale of Valentino Fashion Group S. p. A. including HUGO BOSS Group (hereinafter "exit"), MPP KG may also participate strongly in the exit profits if certain conditions are met ("ratchet"). The participation right in these profits is a result of a pro-rated 5-year vesting period.

The legal status of MPP KG managers is regulated in the company agreement. The maximum investment in MPP KG is determined individually. The managers are registered in MPP KG's commercial register as limited partners.

All participating managers acquire shares in the MPP KG limited partnership at fair value. This fair value is calculated based on disposal scenarios that are considered probable from the current point of view.

The calculation of fair value factors in the expected dividend payments used in corporate planning as the basis for valuation.

The fair value of the equity instruments granted was calculated at the time of issuance and will be calculated at later valuation dates as the sum of the intrinsic value of the shares on one hand and the value of the ratchet on the other. The shares' intrinsic value is calculated using the discounted cash flow method, while the value of the ratchet is calculated using the option pricing model.

If MPP shares attributable to a manager are sold as part of an exit, he is entitled to the sales proceeds generated. The manager's entitlement to the payout of his portion of the sales proceeds is linked to the manager in question not having left the HUGO BOSS Group at the time of the exit. Limits on the entitlement to payouts of the pro-rated portion of sales proceeds only exist for managers who leave the Company before an exit. If a manager leaves the Company before the exit, Red & Black TopCo S.à r.l. has the right to acquire the shares held by the manager in question. The manager leaving is qualified as a so-called "good leaver" or "bad leaver" during the determination of the acquisition price.

As shareholders of the Red & Black TopCo S.à r.l., the members of the Managing Board and second-tier executives are entitled to receive future sales proceeds from exit events as well as profit distributions. Under the circumstances described before, no personnel expenses will affect HUGO BOSS' profit or loss.

The MPP did not influence the profit or loss for the period of the HUGO BOSS Group in fiscal year 2008, as no transactions that would have needed to be measured at fair value have been carried out since MPP was established. As a result of the MPP, no financial assets or liabilities were recognized as of the reporting date of December 31, 2008.

[38] EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date (December 31, 2008), no events have occurred that have had a material impact on the Group's financial performance or financial position.

[39] GERMAN CORPORATE GOVERNANCE CODE

The Managing Board and the Supervisory Board of HUGO BOSS AG have submitted the declaration of compliance prescribed by Section 161 of the German Stock Corporation Act (AktG). The declaration is available to shareholders on the Company's website.

[40] AUDITOR'S FEE

The auditor's fee for fiscal year 2008 amounted to EUR 655 thousand (2007: EUR 367 thousand), of which EUR 572 thousand related to audit services (2007: EUR 354 thousand), EUR 21 thousand (2007: EUR 5 thousand) to tax advisory services and EUR 62 thousand to other certification or assessment services (2007: EUR 8 thousand).

This information on the auditor's fee refers to the auditors of the consolidated financial statements and the KPMG companies in Germany and abroad associated with them via KPMG Europe LLP. The group of KPMG Europe LLP companies expanded in 2008.

INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

- On October 17, 2005, HUGO BOSS AG received the following notification from V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 21 of the German Securities Trading Act (WpHG) of March 12, 2003:
  "Referring to our notification of March 12, 2003, we hereby inform you that on September 28, 2005 the Company changed its name from Marzotto International N. V. to V. F. G. International N. V. We continue to hold 78.76% of the voting share capital."

  Metzingen, October 2005
  The Managing Board

- On August 8, 2007, HUGO BOSS AG received from the following companies and individuals the following correction of the notifications on voting rights dated August 3, 2007 pursuant to Section 21 Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG).

  7. Red & Black HoldCo S. à r. l.
  Red & Black HoldCo S. à r. l. notified us of the following:
  The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black HoldCo S. à r. l., Luxembourg (address: 282, route de Longwy, L-1940 Luxembourg), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% 28,242,128 voting rights) is attributable to Red & Black HoldCo S. à r. l. as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Red & Black HoldCo S. à r. l. indirectly via Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., and Valentino Fashion Group S. p. A.,Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Red & Black HoldCo S. à r. l. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

  8. Red & Black HoldCo 2 S. à r. l.
  Red & Black HoldCo 2 S. à r. l. notified us of the following:
  The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black HoldCo 2 S. à r. l., Luxembourg (address: 282, route de Longwy, L-1940 Luxembourg), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Red & Black HoldCo 2 S. à r. l. as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Red & Black HoldCo 2 S. à r. l. indirectly via Red & Black Topco 2 S. à r. l., Red & Black Lux 2 S. à r. l., Red & Black 2 S. r. l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555

voting rights) is attributable to Red & Black HoldCo 2 S.à r. l. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black Topco 2 S.à r. l., Red & Black Lux 2 S.à r. l., Red & Black 2 S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

9. P4 Sub L. P. 1

P4 Sub L. P. 1 notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by P4 Sub L. P. 1, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to P4 Sub L. P. 1 as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by P4 Sub L. P. 1 indirectly via Red & Black HoldCo 2 S.à r. l., Red & Black Topco 2 S.à r. l., Red & Black Lux 2 S.à r. l., Red & Black 2 S. r. l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to P4 Sub L. P. 1 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo 2 S.à r. l., Red & Black Topco 2 S.à r. l., Red & Black Lux 2 S.à r. l., Red & Black 2 S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V., pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

10. Permira IV L. P. 1

Permira IV L. P. 1 notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV L. P. 1, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV L. P. 1 as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Permira IV L. P. 1 indirectly via P4 Sub L. P. 1, Red & Black HoldCo 2 S.à r. l., Red & Black Topco 2 S.à r. l., Red & Black Lux 2 S.à r. l., Red & Black 2 S. r. l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L. P. 1 as a result of the own shares held by HUGO BOSS AG indirectly via P4 Sub L. P. 1, Red & Black HoldCo 2 S.à r. l., Red & Black Topco 2 S.à r. l., Red & Black Lux 2 S.à r. l., Red & Black 2 S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence of the Securities Trading Act.

11. Permira IV Managers L. P.

Permira IV Managers L. P. notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV Managers L. P., Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to

Permira IV Managers L. P. as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Permira IV Managers L. P. indirectly via Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Red & Black Topco 2 S. à r. l., Red & Black Lux 2 S. à r. l., Red & Black 2 S. r. l., Permira IV L. P. 2, Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l, Red & Black S. r. l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Managers IV L. P. as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Red & Black Topco 2 S. à r. l., Red & Black Lux 2 S. à r. l., Red & Black 2 S. r. l., Permira IV L. P. 2, Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

12. Permira IV Managers Limited

Permira IV Managers Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV Managers Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV Managers Limited as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Permira IV Managers Limited indirectly via Permira IV Managers L. P., Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Red & Black Topco 2 S. à r. l., Red & Black Lux 2 S. à r. l., Red & Black 2 S. r. l., Permira IV L. P. 2, Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Managers IV Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira Managers IV L. P., Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Red & Black Topco 2 S. à r. l., Red & Black Lux 2 S. à r. l., Red & Black 2 S. r. l., Permira IV L. P. 2, Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

13. Permira IV L. P. 2

Permira IV L. P. 2 notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV L. P. 2, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey,Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV L. P. 2 as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Permira IV L. P. 2 indirectly via Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black

S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L.P.2 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

14. P4 Co-Investments L.P.

P4 Co-Investments L.P. notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by P4 Co-Investments L.P., Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to P4 Co-Investments L.P. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by P4 Co-Investments L.P. indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to P4 Co-Investments L.P. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

15. Permira Investments Limited

Permira Investments Limited notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Investments Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira Investments Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, Pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira Investments Limited indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Investments Limited as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

16. Permira IV GP L.P.

Permira IV GP L.P. notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV GP L.P., Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey,

Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV GP L.P. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV GP L.P. indirectly via Permira IV L.P. 1, P4 Sub L.P. 1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P. 2, P4 Co- Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV GP L.P. as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV L.P. 1, P4 Sub L.P. 1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P. 2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

17. Permira IV GP Limited
Permira IV GP Limited notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV GP Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV GP Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV GP Limited indirectly via Permira IV GP L.P., Permira IV L.P. 1, P4 Sub L.P. 1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P. 2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV GP Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV GP L.P., Permira IV L.P. 1, P4 Sub L.P. 1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P. 2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

18. Permira Nominees Limited
Permira Nominees Limited notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Nominees Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable

to Permira Nominees Limited as a result of the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act. V. F. G. International N. V. is controlled by Permira Nominees Limited indirectly via Permira Investments Limited, Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47 % (528,555 voting rights) is attributable to Permira Nominees Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira Investments Limited, Red & Black HoldCo S. à r. l., Red & Black Topco S. à r. l., Red & Black Lux S. à r. l., Red & Black S. r. l., Valentino Fashion Group S. p. A., and V. F. G. International N. V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

- On March 14, 2008, HUGO BOSS was notified of the following voting rights announcement pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of the entities mentioned in the following:

  „On March 11, 2008 Red & Black 2 S. r. l., Milan (Address: via San Paolo 10, 20121 Milan, Italy) has been merger into Red & Black S. r. l., Milan (Address: via San Paolo 10, 20121 Milan, Italy). Therewith Red & Black 2 S. r. l. has been extinguished. Legal successor is Red & Black S. r. l.
  Against the background of the above mentioned merger we inform you in the name and by order of Red & Black S. r. l., Mailand Milan (Address: via San Paolo 10, 20121 Milan, Italy) pursuant to 21 paragraph 1, 22 WpHG (German Securities Trading Act) about the following:

  As legal successor of Red & Black S. r. l. 2, Milan (address: via San Paolo 10, 20121 Milan Italy): The proportion of voting rights of Red & Black S. r. l. 2, Milan (address: via San Paolo 10, 20121 Milan, Italy), held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, has gone below the limits of 75 %, 50 %, 30 %, 25 %, 20 %, 15 %, 10 %, 5 % und 3 % on March 11, 2008 and amounts 0,00 % since this day (no voting rights).
  For the company itself: The proportion of voting rights of Red & Black S. r. l., Milan (address: via San Paolo 10, 20121 Milan, Italy), held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, continues to amount more than 75 % of the voting rights as of March 11, 2008, namely 89.49 % of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02 % (31,563,471 voting rights) shall be attributable to Red & Black S. r. l. from the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act). V. F. G. International N. V. is a company controlled indirectly by Red & Black S. r. l. via Valentino Fashion Group S. p. A., Milan, Italy. A further proportion of voting rights of 1.47 % (528,555 voting rights) shall be attributable to Red & Black S. r. l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act).

  Metzingen, March 14, 2008
  The Managing Board

- On March 25, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black S. p. A.:
  Red & Black S.r.l, Milan, Italy has been converted in Red & Black S. p. A. Milan, Italy. Also after the effectiveness of the conversion of form on March 19, 2008 the company Red & Black S. p. A. held in HUGO BOSS AG, Metzingen, Germany voting rights of more than 75%. With effect of the conversion of form on March 19, 2008 the proportion of the voting rights of Red & Black S. p. A. Milan, Italy, held in HUGO BOSS AG, Metzingen, Germany is 89.49% (32,092,026 voting rights). Thereof the proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black S. p. A. from shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act). V. F. G. International N. V. is a company controlled indirectly by Red & Black S. r. l. via Valentino Fashion Group S. p. A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black S. r. l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act).

  Metzingen, March 26, 2008
  The Managing Board

- On April 23, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black TopCo S. à r. l., Luxembourg as of Red & Black Lux S. à r. l., Luxembourg.
  On April 21, 2008 Red & Black TopCo 2 S. à r. l., Luxembourg has been merged into Red & Black TopCo S. à r. l., Luxembourg. Also on April 21, 2008, in a second step, Red & Black Lux 2 S. à r. l., Luxembourg has been merged into Red & Black Lux S. à r. l., Luxembourg. Therewith Red & Black TopCo 2 S. à r. l. and Red & Black Lux 2 S. à r. l. have been extinguished. Legal successor of Red & Black TopCo 2 S. à r. l. is Red & Black TopCo S. à r. l. Legal successor of Red & Black Lux 2 S. à r. l. is Red & Black Lux S. à r. l. Against the background of the above mentioned merger Red & Black TopCo S. à r. l. as well as Red & Black Lux S. à r. l. inform pursuant to section 21 paragraph 1, 22 WpHG (German Securities Trading Act) about the following:

  1. Red & Black TopCo S. à r. l. As legal successor of Red & Black TopCo 2 S. à r. l., Luxembourg:
  The proportion of voting rights of Red & Black TopCo 2 S. à r. l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, has gone below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% on April 21, 2008 and amounts 0.00% since this day (no voting rights).
  For the company itself: The proportion of voting rights of Red & Black TopCo S. à r. l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be 2 attributable to Red & Black TopCo S. à r. l. from the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act). V. F. G. International N. V. is a company controlled indirectly by Red & Black TopCo S. à r. l. via Red & Black Lux S. à r. l., Luxembourg, Red & Black S. p. A., Milan, Italy, and Valentino Fashion Group S. p. A., Milan, Italy. A further proportion of

voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black TopCo S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act).

2. Red & Black Lux S.à r.l. As legal successor of Red & Black Lux 2 S.à r.l., Luxembourg:
The proportion of voting rights of Red & Black Lux 2 S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, has gone below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% on April 21, 2008 and amounts 0,00% since this day (no voting rights).
For the company itself: The proportion of voting rights of Red & Black Lux S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled indirectly by Red & Black Lux S.à r.l. via Red & Black S.p.A., Milan, Italy, and Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act).

Metzingen, April 24, 2008
The Managing Board

- On May 2, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Valentino Fashion Group S.p.A., Milan, Italy (until May 1, 2008 trading under the name of Red & Black S.p.A., Milan, Italy), registered in the company register Milan on June 26, 2007 under the number 05786030964:
  1. On May 1, 2008 Valentino Fashion Group S.p.A., Milan, Italy registered in the company register on February 15, 2005 under the number 047403870962 (hereinafter named as "Valentino Old") has been merged into Red & Black S.p.A., Milan, Italy. Thereby Valentino Old is lapsed. Legal successor is Red & Black S.p.A., Milan, Italy.
  2. In the course of the above mentioned merger the company Red & Black S.p.A. has been named in Valentino Fashion Group S.p.A. (hereinafter named as "Valentino New") on May 1, 2008.
  3. Against the background of the above mentioned merger and renaming Valentino New notify pursuant to section 21 paragraph 1 and section 22 WpHG as follows:

  As the legal successor of Valentino Old: The proportion of voting rights of Valentino Old held in HUGO BOSS AG, Metzingen, Germany, has gone below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% on May 1, 2008 and amounts 0.00% since this day (no voting rights).
  For the company itself: The proportion of voting rights of Valentino New held in HUGO BOSS AG, Metzingen, Germany, continues to amount more than 75% of the voting rights as of May 1,

2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Valentino New from the shares held by V. F. G. International N. V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act). V. F. G. International N. V. is a company controlled indirectly by Valentino New. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Valentino New from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act).

Metzingen, May 2, 2008
The Managing Board

- On August 6, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of the entities and persons mentioned in the following:
  The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, has exceeded the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% on August 4, 2008 and amounts to 89.49% of the voting rights since this day (32,092,026 shares). A proportion of voting rights of 88.02% (31,563,471 voting rights) is attributable to Permira Holdings LLP of the shares held by V. F. G. International N. V., pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act). V. F. G. International N. V. is a company controlled by Permira Holdings LLP indirectly via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L. P., Permira IV GP Limited, Permira IV GP L. P., Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Permira IV L. P. 2, P4 Co-Investments L. P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S. à r. l., Red & Black TopCo S. à r. l., Red & Black Lux S. à r. l. and Valentino Fashion Group S. p. A. A further proportion of voting rights of 1.47% (528,555 shares) is attributable to Permira Holdings LLP of the own shares held by HUGO BOSS AG via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L. P., Permira IV GP Limited, Permira IV GP L. P., Permira IV L. P. 1, P4 Sub L. P. 1, Red & Black HoldCo 2 S. à r. l., Permira IV L. P. 2, P4 Co-Investments L. P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S. à r. l., Red & Black TopCo S. à r. l., Red & Black Lux S. à r. l., Valentino Fashion Group S. p. A. and V. F. G. International N. V. pursuant to section 22 paragraph 1 sentence 1 no. 1 in connection with sentence 3 WpHG (German Securities Trading Act).

  Metzingen, August 7, 2008
  The Managing Board

MANAGING BOARD

Claus-Dietrich Lahrs
Stuttgart, Germany

Chairman of the Managing Board
and Director for Labor Relations,
Responsible for the BOSS and HUGO brand
as well as Licenses, Communications,
Legal Affairs and Human Resources
Member of the Managing Board
since August 1, 2008

Norbert Unterharnscheidt
Ulm, Germany

Responsible for Controlling and Finance,
Member of the Managing Board
since December 3, 2008

Hans Fluri
Pfaeffikon, Switzerland

Responsible for Purchasing, Production,
Logistics and IT,
Member of the Managing Board
from March 5, 2008 until February 28, 2009

André Maeder
Stuttgart, Germany

Responsible for Retail, Sales, Marketing,
Member of the Managing Board
until January 31, 2009

Dr. Bruno Sälzer
Reutlingen, Germany

Chairman of the Managing Board,
Responsible for Sales, Marketing,
and the BOSS brand,
Member of the Managing Board
until February 29, 2008

Dr. Werner Lackas
Eningen unter Achalm, Germany

Responsible for Purchasing, Production,
and Logistics,
Member of the Managing Board
until March 5, 2008

Joachim Reinhardt
Metzingen, Germany

Responsible for Controlling, Finance,
Human Resources, Legal Affairs and IT
as well as Director for Labor Relations
Member of the Managing Board
until July 31, 2008

SUPERVISORY BOARD

Dr. Hellmut Albrecht Munich, Germany	Management consultant, Chairman of the Supervisory Board since July 1, 2008
Dr. Giuseppe Vita Milan, Italy	Chairman of the Supervisory Board until June 30, 2008
Antonio Simina Metzingen, Germany	Tailor/Chairman of the Works Council, HUGO BOSS AG, Metzingen, Germany, Deputy Chairman of the Supervisory Board, Employee representative
Gianluca Andena Lodi, Italy	Managing Director, Permira Associati S.p.A., Milan, Italy
Gert Bauer Reutlingen, Germany	First Authorized Representative of the German Metalworkers' Union (IG-Metall), Reutlingen/Tübingen, Germany, Employee representative
Helmut Brust Bad Urach, Germany	Director Retail Germany, HUGO BOSS AG, Metzingen, Germany, Employee representative
Fabrizio Carretti Milan, Italy	Principal, Permira Associati S.p.A., Milan, Italy
Olaf Koch Ingersheim, Germany	Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, since June 13, 2008
Ulrich Gasse Bad Soden, Germany	Attorney at law, Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany

Susanne Gregor Reutlingen, Germany	Head of OPR Clothing Man HUGO BOSS AG, Metzingen, Germany, Employee representative since January 20, 2009
Peter Haupt Metzingen, Germany	Administrative employee, HUGO BOSS AG, Metzingen, Germany, Employee representative until November 11, 2008
Roland Klett Metzingen, Germany	Head of Warehouse Flat Packed Goods, HUGO BOSS AG, Metzingen, Germany, Employee representative until January 20, 2009
Rainer Otto Langen, Germany	Secretary of the German Metalworkers' Union (IG-Metall), Managing Board, Frankfurt/Main, Germany, Employee representative
Sinan Piskin Metzingen, Germany	Administrative employee, HUGO BOSS AG, Metzingen, Germany, Employee representative since November 11, 2008
Dr. Martin Weckwerth Frankfurt/Main, Germany	Partner, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany
Katrin Wehr-Seiter Bad Homburg, Germany	Prinzipal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, until June 13, 2008

ADDITIONAL INFORMATION ON THE DUTIES OF SUPERVISORY BOARD AND MANAGING BOARD MEMBERS

The following members of our Supervisory Board also hold positions on bodies at the companies specified below:[1]

Dr. Hellmut Albrecht	MME Moviement AG[2]	Munich, Germany
	Pro-Beam AG & Co. KGaA	Planegg, Germany
Gianluca Andena	Valentino Fashion Group S. p. A.	Milan, Italy
	Permira Asesores SL[2]	Madrid, Spain
	CMA S. à r. l.	Luxemburg, Luxembourg
	Dinosol Supermercados SL	Madrid, Spain
	Permira SGR S. p. A.	Milan, Italy
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Fabrizio Carretti	Valentino Fashion Group S. p. A.	Milan, Italy
	Valentino S. p. A.	Milan, Italy
Olaf Koch	Arysta LifeScience Corporation	Tokyo, Japan
	BORSODCHEM ZRT	Kazincbarcika, Hungary
Dr. Martin Weckwerth	Valentino Fashion Group S. p. A.	Milan, Italy
Katrin Wehr-Seiter	ProSiebenSat.1 Media AG	Unterföhring, Germany, until November 2, 2008
Dr. Giuseppe Vita	Allianz S. p. A.[2]	Milan, Italy
	Axel Springer AG[2]	Berlin, Germany
	Deutz AG[2]	Cologne, Germany
	Humanitas S. p. A.	Milan, Italy
	Vattenfall Europe AG	Berlin, Germany, until June 19, 2008
	Barilla S. p. A.	Parma, Italy
	Gruppo Banca Leonardo[2]	Milan, Italy

The following member of our Managing Board also holds a position on a body at the company specified below:[1]

Dr. Bruno Sälzer	Maxingvest AG	Hamburg, Germany

[1] The members not mentioned have no seats on executive or advisory bodies at any other companies.
[2] Holding the post of Chair.

The financial statements of HUGO BOSS AG are published in the electronic German Federal Gazette (eBundesanzeiger), filed with the Commercial Registry at the Stuttgart Local Court and published on the HUGO BOSS webpage.

Metzingen, March 9, 2009

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Norbert Unterharnscheidt

RESPONSIBILITY STATEMENT – CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Metzingen, March 9, 2009

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Norbert Unterharnscheidt

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the HUGO BOSS AG, Metzingen, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB) is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 9, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly:
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Göttgens	Hagg
Wirtschaftsprüfer	Wirtschaftsprüfer

INDEPENDENT AUDITOR'S REPORT

FURTHER INFORMATION

GENERAL INFORMATION

Our Company's performance is best reflected in the consolidated financial statements. Like many other organizations, we have refrained from including the figures from the separate financial statements of the parent company HUGO BOSS AG in this report for the sake of clarity of presentation. To receive a copy of these statements, which continue to be prepared in accordance with the German Commercial Code (HGB), please contact:

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Investor Relations
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FORWARD-LOOKING STATEMENTS

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 or 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.

FINANCIAL CALENDAR AND CONTACTS AT HUGO BOSS AG

FINANCIAL CALENDAR

March 26, 2009	Annual Press and Analyst Conference in Metzingen
April 30, 2009	Report on the First Quarter of 2009
May 14, 2009	Annual Shareholders' Meeting in Stuttgart
July 30, 2009	Report on the First Half of 2009
November 2, 2009	Report on the First Nine Months of 2009

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