HUGO BOSS

Annual Report 2000

HUGO BOSS Flagship Store
on Fifth Avenue, New York.
Opening spring 2001.


HUGO BOSS
PENING 2001
OSS
ALDESSARINI
UGO

HUGO BOSS

Annual Report 2000

HUGO BOSS at a Glance[1]

	2000	1999	1998	1997
DEM mill.				
Development of Sales				
Sales	1,806.1	1,472.5	1,337.0	1,136.3
Foreign sales in %[2]	67.2	63.6	61.7	63.5
Earnings Position				
Consolidated net income	213.2	110.5	97.3	82.3
adjusted[3]	193.8			
Return on sales after taxes in %	11.8	7.5	7.3	7.2
adjusted[3]	10.7			
Personnel expenses	240.7	196.6	179.3	157.2
Employees[4]	3,394	2,581	2,195	2,055
Return on equity[5] in %	41.3	27.6	28.8	27.4
adjusted[3]	37.5			
Financial Status and Dividend				
Cash flow	245.9	142.8	124.8	112.7
adjusted[3]	226.6			
Free cash flow before dividend	34.9	65.6	(5.0)	36.8
Liquid assets	102.8	106.5	92.2	113.7
Additions to fixed assets	71.6	91.7	58.2	85.8
Depreciation[6]	44.5	37.9	26.0	23.5
Dividend	96.9	55.5	48.5	40.8
Special dividend	85.9			
Asset and Liability Structure				
Balance sheet total	980.3	722.6	652.2	581.2
Shareholders' equity[7]	597.3	436.2	363.2	313.2
Equity ratio in %	60.9	60.4	55.7	53.9
Fixed assets	226.5	196.7	159.1	133.0
Current assets	724.0	509.3	486.7	441.0
Shares				
Dividend per share in EUR[8]				
Common stock	7.00	4.00	3.49	2.93
Preferred stock	7.07	4.07	3.56	3.00
Special dividend per share in EUR[8]				
Common stock	6.24			
Preferred stock	6.24			
Earnings per share DVFA/SG[9] in EUR[8]	13.34	8.51	7.14	6.55
Cash flow per share in EUR[8]	17.86	10.37	9.07	8.18
adjusted[3]	16.45			
Common stock in EUR[8]				
highest price	295.00	127.04	184.53	111.55
lowest price	101.95	92.63	102.26	81.34
Preferred stock in EUR[8]				
highest price	385.00	143.01	199.87	119.46
lowest price	105.56	95.34	109.70	83.67

1 Ten-year survey of important Group figures.
2 Export share incl. foreign royalties income.
3 Figures adjusted for the tax effect of the special dividend.
4 Average for the year.
5 Consolidated net income in relation to the average shareholders' equity.
6 Including write-offs of financial assets.

1996	1995	1994	1993	1992	1991
995.3	900.9	857.0	846.3	950.1	997.0
64.0	62.1	61.1	58.4	61.7	61.5
76.1	58.0	52.4	76.5	44.2	35.4
64.9			48.6		
7.6	6.4	6.1	9.0	4.7	3.6
6.5			5.7		
149.3	139.4	146.0	141.9	170.4	178.3
2,147	2,104	2,027	2,132	3,072	4,011
29.0	26.3	23.3	35.8	26.8	25.8
25.3			24.3		
97.0	71.5	75.0	104.0	59.3	50.8
85.8			76.1		
44.1	90.9	36.5	119.1	85.4	2.6
126.9	89.6	48.3	99.1	37.2	72.8
34.7	22.7	15.8	13.5	22.4	21.4
17.5	12.8	13.2	17.0	15.8	14.0
29.3	26.7	22.2	15.2	13.9	13.3
36.5			75.2		
486.3	422.3	369.7	396.2	367.5	443.4
287.0	237.9	203.7	245.6	181.7	147.8
59.0	56.3	55.1	62.0	49.4	33.3
74.0	64.3	65.6	66.4	71.7	75.1
405.6	353.6	295.4	321.5	291.1	361.6
2.09	1.91	1.58	1.07	0.98	0.93
2.16	1.98	1.65	1.14	1.05	1.00
2.65			5.46		
2.65			5.46		
4.97	4.51	4.00	3.30	2.88	2.74
7.07	5.21	5.44	7.58	4.32	3.67
6.23			5.53		
91.80	60.19	55.22	46.48	35.05	43.23
55.78	46.02	40.90	21.66	22.08	32.54
92.96	57.17	50.20	43.69	28.35	35.33
55.87	42.86	34.86	18.13	18.82	24.87

[7] Incl. 50% of special untaxed reserves.
[8] Exchange rate: 1.95583.
[9] Deutsche Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbachgesellschaft; figures for 1998-2000 calculated according to the 1999 standards.

Beyond tomorrow

A thrilling thought. The insatiable hunger for the future. A thirst for truth. What will our world be like, beyond tomorrow? Just one question – yet so many answers.

When for a moment the mist clears and we glimpse the future, we see only faint shadows. But that is not enough. To reach tomorrow, we need orientation today – a guide rail in the fog, a vision that gives us direction.

Ideas forged by the passing of time in turn forge the future, showing us the way forward. Plans crystallize, focusing on essentials, generating identity and creating structure.

This is why we embrace the future. Ever working towards tomorrow and beyond. On foundations that support growth – with the goal of further consolidating our market position. The success of the BOSS women's collection. New corporate headquarters in Metzingen. A global flagship store in New York. Expanded production in Izmir and Novazzano. All to deliver on our brands' pledge.

Our brands hold the promise of lifestyle, innovation and glamour. On catwalks bathed in brilliant light, in shops on glittering boulevards, on the pages of international magazines. But our brands also offer security. Through their design, quality and competence. By being utterly dependable.

The brands build on our company, and the company builds on our brands. Ours is an exciting organization. And a successful one – owing its success above all to our employees. On behalf of the Management Board I would like to thank them all for their outstanding commitment and achievements.

Confident and full of optimism, we are looking forward to the future. And ready for tomorrow and beyond.

Best regards,

Werner Baldessarini

Supervisory Board

Dr. Guiseppe Vita

Chairman,
Schering AG Berlin
– Chairman –
(Member and Chairman
since May 22, 2000)

Jean F. de Jaegher

Deputy Chairman,
Marzotto S.p.A., Vicenza (Italy)
– Deputy Chairman –
(Deputy Chairman since May 22, 2000)

Prof. Dr. Johannes Semler

Lawyer, Kronberg/Taunus
(Chairman until May 22, 2000)

Dr. Pietro Marzotto

Member of the Executive Committee,
Marzotto S.p.A. Valdagno (Italy)
(Deputy Chairman until May 22, 2000)

Dr. Sergio Erede

Lawyer, Milan (Italy)
(retired on May 22, 2000)

Silvano Storer

Chief Executive Officer,
Marzotto S.p.A. Mogliano
Veneto/Treviso (Italy)
(Member since May 22, 2000)

Dr. Norbert Käsbeck

Member of the Management Board,
Commerzbank AG Bad Soden

Prof. Dr. Bruno Kropff

Former Undersecretary,
Bonn
(retired on May 22, 2000)

Roland Klett

Administrative Staff,
Metzingen
Staff Representative

Peter Haupt

Administrative Staff,
Metzingen
Staff Representative

Antonio Simina

Tailor, Metzingen
Staff Representative

Management Board

Werner Baldessarini

Riederich
Responsible for the Design and Marketing Divisions, Member of the Board since November 25, 1987
– Chairman & CEO –

Dr. Bruno E. Sälzer

Reutlingen
Responsible for the Sales and Trade Marketing Divisons, Member of the Board since November 1, 1995
– Deputy Chairman –

Dr. Werner Lackas

Eningen unter Achalm
Responsible for the Production and Logistics Divisions, Member of the Board since October 1, 1997

Jörg-Viggo Müller

Reutlingen
Responsible for the Finance, Human Resources, IT and General Administration Divisions, Member of the Board since April 1, 1993

Massimo Suppancig

Milan (Italy)
Responsible for the Women's Collection Division, Member of the Board since August 1, 1998

Massimo Suppancig, Dr. Werner Lackas, Werner Baldessarini, Jörg-Viggo Müller, Dr. Bruno Sälzer (l. to r.)

THE HUGO BOSS GROUP

HUGO BOSS is innovation, creativity and fascination. As a leading international fashion group, it offers attractive lifestyle worlds evoking powerful identification potential for its brands BOSS, HUGO and BALDESSARINI:

BOSS

Successful. International. Modern. BOSS is cosmopolitan. A lifestyle merging business and sports. For women and men.

HUGO

Young. Unusual. Unconventional. And always ahead of its time. HUGO Man and Woman. The cool look for an upbeat urban lifestyle.

BALDESSARINI

Luxurious. Refined. Handcrafted. The life and style of St. Moritz, Portofino and Monaco. BALDESSARINI – the finest quality for discerning dressers.

“The brands build on our company, and the company builds on our brands.”

Werner Baldessarini

The objective of HUGO BOSS is to further consolidate its position as a leading international fashion group and to grow globally with its premium brands.

COLLECTIONS

Fashion and brand image are synonymous at HUGO BOSS; the brand and fashion positionings are identical. HUGO BOSS implements stringent design and quality standards to produce superior products that deliver value for money. All the brand collections adhere to a lifestyle philosophy with a distinctive brand signature. In addition to the core range of tailored clothing, sportswear and accessories, there are non-textile products including eyewear, fragrances, watches, shoes and leather goods. Because these products and accessories lie outside its core clothing competence, HUGO BOSS grants licenses to selected partner companies. The product-oriented expertise of the licensing partners combined with the creative input from HUGO BOSS culminate in accessories that form ideal complements to the fashion collections.

CREATION AND PRODUCTION

Based on the collection themes defined by the head designers, creative teams develop sketches that are converted into patterns using the latest CAD technology. The model-making staff then determines which ingredients and components are best suited to mesh the collection look with the highest quality garments. Subsequently, the model sewing team tailors the individual prototypes for the initial sample collection. The finished collection is then reproduced and displayed to potential buyers at HUGO BOSS showrooms.

In addition to developing the collections, HUGO BOSS is also involved in a series of other formative processes extending beyond the realm of classic creativity. In conjunction with selected suppliers, face fabrics are modified to HUGO BOSS specifications, and new finishes, colors and patterns are developed or customized. In many of the product groups, a full 80% of the outer fabrics used are exclusive materials specially created for the company. To guarantee optimum production quality, the fashion group and chosen manufacturers customize production equipment and redefine the layout planning and technical outfitting of the production facilities. HUGO BOSS quality control monitors every phase of the creation and production processes, ensuring that the same high international quality standards are met around the world.

MARKETING COMMUNICATION

HUGO BOSS marketing communication forms the hub of the corporate and brand presentation. Its goal is to invest the brands with emotional meaning, transforming them into visual, sensual experiences.

Communication

Communication at HUGO BOSS is not only a key feature of marketing communication as a whole; it also defines its strategic parameters. Its goal is to produce an internationally consistent corporate and brand image. Corporate communication concentrates on the HUGO BOSS image and activities. Reports in national and international print media, interviews, and press conferences serve to reinforce and refine this image. A variety of publications, balance sheet press conferences, shareholders' meetings and information on strategic issues complement the mandatory stock corporation disclosures to form the foundations of corporate communication.

Brand communication focuses on the image and activities of the brands. Product and lifestyle PR, film and VIP wardrobing, and interviews with head designers all bring the brands to life. The redesigned website at www.hugoboss.com covers every aspect of communication, and is a popular source of information for all the groups the fashion company addresses.

Advertising

Advertising campaigns visualize the HUGO BOSS brands. For each of the brands, a new global advertising campaign embodying the collection philosophy is developed seasonally in cooperation with top photographers and renowned art directors. The campaign motifs are used in print, poster and catalog advertising around the world. TV commercials are additionally leveraged to promote the successful HUGO BOSS fragrances.

Sponsoring

Sponsoring emotionalizes the HUGO BOSS brands. For this reason the Group's sponsorship activities embrace both sports and the arts. The arts sponsorship program has been developed in conjunction with the Guggenheim Museum in New York. Its aims are to support contemporary art and enhance the HUGO BOSS brands with aesthetic values from lifestyle culture. In the field of sports, the focus lies on Formula One, Indicart, golf, tennis and – most recently – skiing: all activities that lend the core brand BOSS further positive dimensions. All these sports personify the same attributes as the BOSS brand: it too is successful, dynamic and international.

Events

Events sensualize the HUGO BOSS brands. Their richly varied range appeals to all the senses. Fashion shows, Shop openings and special fashion events on an international scale therefore provide the ideal vehicles for energizing target groups.

Trade Marketing

Trade Marketing dramatizes the HUGO BOSS brands – and assists dealers in their own operations. This is a growing field: training sessions for sales staff, dealer events and visual merchandizing seminars ensure high customer service standards and optimum product presentation. A separate department manages the Shops worldwide, and a special Extranet connects HUGO BOSS to its dealers. Imaginative new window-decorating concepts from the visual merchandising program, plus the ongoing development of the Shop concept itself, effectively put the HUGO BOSS commitment to innovation into practice.

DISTRIBUTION CONCEPTS

HUGO BOSS is present in almost 100 markets across the globe. The Group's distribution policy focuses on long-term success rather than short-term gains. The international marketing activities are highly selective and oriented to the specific constellations in each country and to strategic considerations. Subsidiaries are positioned in the key markets, while smaller markets are served by experienced trade representatives who have worked successfully with the Group for many years.

Retail Partners

The Group's distribution activities and choice of retail partners reflect the positioning of the HUGO BOSS brands. The distribution strategy rests on twin pillars: mono-brand stores – i.e. BOSS, HUGO and BALDESSARINI Shops – on the one hand, and top retailers in a competitive brand environment on the other.

HUGO BOSS Shops

The products are sold through dependable retailers who can look back on long partnerships with HUGO BOSS. Specialty retailers and high-quality chains number among HUGO BOSS customers.

Operated on a franchise basis, the Shops play a pivotal role in brand presentation. Keyed to a specific brand and sharing a consistent design worldwide, they offer the ideal showcase for the brand worlds of BOSS, HUGO and BALDESSARINI – and an incalculable benefit in marketing terms. One special highlight of the 2001 business year promises to be the opening of a 20,000 square-foot HUGO BOSS flagship store on Fifth Avenue in New York, where all the brands and collections will be presented under one roof for the first time.

e-commerce Activities

Special activities in the e-sales sector have been launched recently at HUGO BOSS. In one project, a virtual distribution network is being introduced for selected clients on a trial basis. This network will enable retailers to access inventories at HUGO BOSS via an Extranet. Based on text product descriptions that will be supported in a later phase by graphics, products can be selected and ordered directly from PC's. Once it is fully integrated into the logistical processes at HUGO BOSS, the new system will supersede conventional telephone orders through distributors and reduce the risk of transmission errors. In the medium term, this will help conserve capacities for use in other areas.

Ratios per Share

		2000	1999	Change
		EUR	EUR	in %
Consolidated net income		15.48	8.02	93
Earnings according to DVFA/SG[1]		13.34	8.51	57
Cash flow		17.86	10.37	72
Dividend	Preferred share	7.07	4.07	74
	Common share	7.00	4.00	75
Special dividend	Preferred share	6.24	–	–
	Common share	6.24	–	–
Dividend incl. tax credit	Preferred share	19.01	5.81	227
	Common share	18.91	5.71	230
Year-end share price	Preferred share	285.00	127.00	124
	Common share	237.00	118.00	101

[1] Calculation of both years' figures based on the 1999 recommendation (3rd edition).

HUGO BOSS Shares Compared to the DAX

	HUGO BOSS	HUGO BOSS	DAX
	Common Share	Preferred Share	
Price-earnings ratio 2001[1]	14.8	17.8	23.1
Dividend yield in %[2]	4.2	3.5	1.5
Market capitalization-sales ratio 2000[3]	2.0	2.0	0.84

[1] Share prices at the end of 2000 in relation to estimated earnings in the business year closest to the 2000 calendar year. Earnings forecasts of the DAX companies. Source: Datastream. Estimated earnings per HUGO BOSS share: 16.00 EUR.
[2] 2000 dividends incl. tax credits in relation to share prices at the end of 2000.
[3] Market capitalization at the end of 2000 in relation to sales figures in the business year closest to the 2000 calendar year. Sales forecasts by I/B/E/S. Source: Datastream.

The HUGO BOSS Shares

Substantial value gain in 2000

HUGO BOSS shares performed exceptionally well in 2000. At year's end, preferred shares were listed at a price of 285 EUR and common shares at 237 EUR. This put them 124% and 101% respectively above the previous year's closing prices of 127 EUR and 118 EUR. Both HUGO BOSS shares have thus clearly outperformed the key German stock market indexes: the general DAX index closed at –8% (6,433) and the MDAX index at +14% (4,675).

The changing demand in 2000 showed a general shift from technology to more traditional growth industries. Complementing this trend, from which the Group also profited, were a series of factors specific to HUGO BOSS which give investors confidence in the potential of these shares. These include:

– the outstanding sales and earnings levels of 2000 (sales +23%; adjusted net income +75%), that have once again demonstrated HUGO BOSS' growth potential;

– the on-track launch of the BOSS Woman collection and initial successes in this segment;

– positive effects from the tax reform instituted in Germany: this has led to lower taxes on profits and will hence generate higher net income from 2001 onwards.

Notwithstanding the leap in the share price, at year's end the HUGO BOSS share was valued moderately compared to the DAX average. Preferred shares were listed at 18 times the earnings per share, and common shares at 15 times this value. The DAX index was valued at 23 times the results it reflects for the year 2001.

Key Parameters of the HUGO BOSS Share

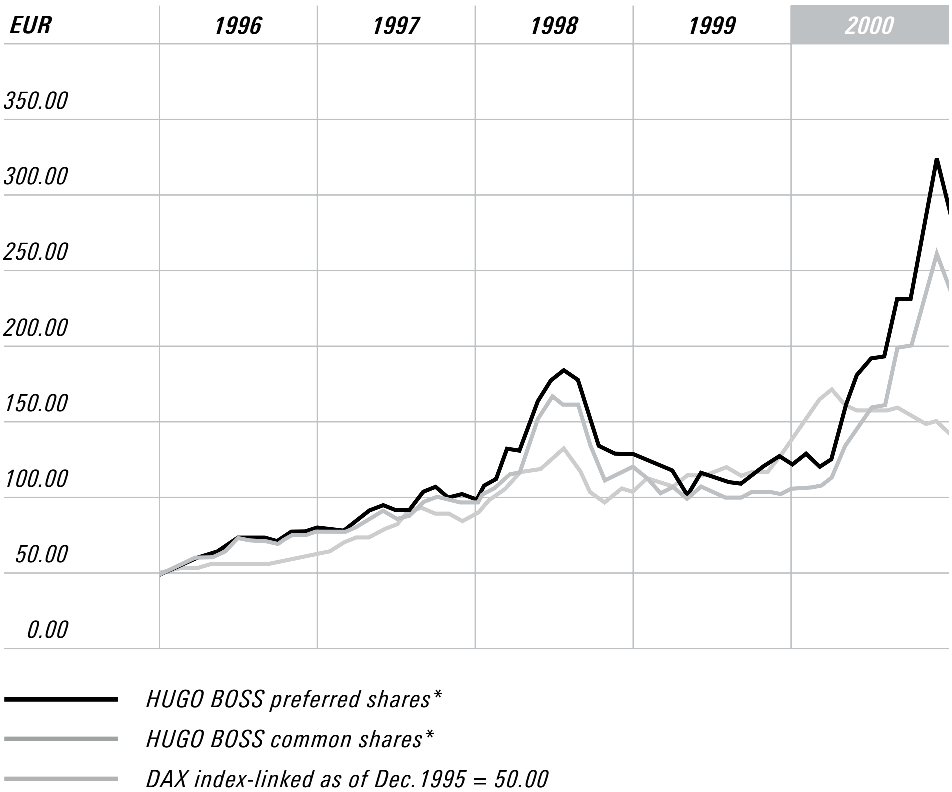
Number of shares: 7,040,000
- *common shares: 3,586,000 (= 50.9%)*
- *preferred shares: 3,454,000 (= 49.1%)*

Share ownership:
- *majority shareholder: Marzotto S.p.A. (50.4% of all shares)*
  - *common shares: 2,784,001 (77.6%)*
  - *preferred shares: 761,200 (22.0%)*
- *remainder: small investors*

Type of share: no-par-value share certificates

Computed equity capital per share: 5 EUR

Share Price Development 1996–2000



**Share price movement adjusted for dividend distribution.*

HUGO BOSS shares as a long-term investment

HUGO BOSS shares can be recommended as a long-term investment. Within a five-year span (from December 1995 to December 2000), the value of preferred stock including dividend payments increased each year by 42%, i.e. at a rate 19% above the average rise in the DAX index (+23%). Since the initial issue in 1985, the annual rate of return has been 26%, outperforming the relevant DAX average return by 15%. An investor who purchased HUGO BOSS original-issue preferred shares for 10,000 DEM would have accrued assets of 249,469 DEM by December 2000 from the reinvested dividends and stock price gains.

Dividend policy

The dividends paid out to the HUGO BOSS shareholders are determined by the results and the liquidity situation during a given year. In light of the excellent financial results for 2000, it will again be possible this year to increase the dividend, enabling the shareholders to participate in the company's fine performance. For the 2000 business year, the Management and Supervisory Boards are hence recommending that the Shareholders' Meeting increase the regular dividend by 41 million to 97 million DEM, thereby distributing 50% of the adjusted consolidated net income. Based on this proposal, a regular dividend of 7.00 EUR would be paid out for each common share and 7.07 EUR for each preferred share (1999: 4.00 EUR and 4.07 EUR respectively).

In addition, the Shareholders' Meeting will be asked to distribute the entire reserves which would otherwise come under the fiscally mandated reclassification of the 2001 German tax reform. This extra distribution would total 86 million DEM. Accordingly, both types of stock would earn a special dividend of 6.24 EUR per share. In total, 183 million DEM would be paid out (1999: 56 mill. DEM). Shareholders subject to taxation in Germany will receive the full tax credit for the regular and special dividends.

Investor Relations

The objective of HUGO BOSS is to keep the shareholders, the public, and leading financial analysts fully informed and abreast of developments. Every three months, the management submits detailed reports on the current business, financial and earnings situations, including updates on staff issues, the progress of major projects, and future prospects.

By means of regular trips to financial centers, DVFA meetings and telephone conferences, the company maintains close ties with analysts at the international investment banks and with institutional investors.

Investor relations information also forms an integral component of the HUGO BOSS homepage at www.hugoboss.com. All the information investors need can be accessed there at any time.

Information on the Share Split

Factor: 10

Number of shares
– before split: 7,040,000
– after split: 70,400,000

Preference dividend for preferred stock
– before split: 0.07 EUR per share
– after split: 0.01 EUR per share

Conversion date: following a resolution of the Shareholders' Meeting in June or July 2001

Computed equity capital
– before split: 5 EUR per share
– after split: 1 EUR per share (after capital increase)

IAS reporting to start in 2002

To facilitate the compatibility of the external reporting with that of the Anglo-American corporations, HUGO BOSS has begun adopting the International Accounting Standards (IAS). Beginning with January 1, 2001, both the German Commercial Code (HGB) and the IAS methods will be used simultaneously. From 2002 onwards, public reporting will comply with IAS. Furthermore, as of 2001, all the quarterly and interim reports will be drawn up in Euro (EUR).

Brand Worlds


BOSS
HUGO BOSS



Baldessarini
HUGO BOSS

Report of the Management Board on the 2000 Financial Year and Outlook for the Year 2001

Sales by Brand

	2000	1999	Change
	DEM mill.	DEM mill.	in %
BOSS[1]	1,667.7	1,366.8	22
HUGO	112.2	86.4	30
BALDESSARINI	26.2	19.3	36
Total	**1,806.1**	**1,472.5**	**23**

[1] Including sales of other brands totaling 12.9 mill. DEM (1999: 9.4 mill. DEM).

Sales by Region

	2000	1999	Change
	DEM mill.	DEM mill.	in %
Germany	530.5	500.9	6
Rest of Europe	671.4	565.2	19
Americas	391.1	252.6	55
Other regions	124.9	91.4	37
Royalties	88.2	62.4	41
Total	**1,806.1**	**1,472.5**	**23**

Sales by Quarter

	2000	1999	Change
	DEM mill.	DEM mill.	in %
First Quarter	548.6	491.1	12
Second Quarter	267.7	224.8	19
Third Quarter	643.0	512.2	26
Fourth Quarter	346.8	244.4	42
Total	**1,806.1**	**1,472.5**	**23**

HUGO BOSS Shops[1]

	2000		1999	
		in %		in %
BOSS Man	354	91	287	98
BOSS Woman	9	2	–	–
BOSS Man & Woman	3	1	–	–
HUGO	19	5	6	2
BALDESSARINI	2	1	1	0
Total	**387**	**100**	**294**	**100**

[1] Owned by the group: 3 in 2000 (2 in 1999).

Sales

Sales up 23%

In 2000 the HUGO BOSS Group increased its sales by 23% to 1,806 million DEM, marking the fifth consecutive year of double-digit growth. Organic growth accounted for 18% of this total. Only 5% was due to the higher valuation of sales transacted in foreign currencies.

All brands record double-digit growth

Sales of all the HUGO BOSS brands rose sharply in the 2000 business year. Sales of the core brand BOSS, which contributed 92% of the Group's total turnover, increased by 22%. As in previous years, BOSS sportswear product sales grew at an exceptional rate. In 2000 they were up 30%. On the other hand, sales of classic menswear also rose by 16%. The BOSS Golf Collection generally matched the performance of the entire brand, registering global product sales of 35 million DEM (+23%).

HUGO and BALDESSARINI gain more than 30%

The dynamic growth of BOSS sales was, however, clearly surpassed by the trend brand HUGO which achieved 30% higher sales. Overall turnover of HUGO products generated 112 million DEM: 82 million DEM produced by the men's collection (+28% compared to 1999) and 30 million DEM by the women's line (+36% compared to 1999). The highest percentage growth during 2000 was achieved by the luxury brand BALDESSARINI with sales of 26 million DEM, 36% up on the previous year.

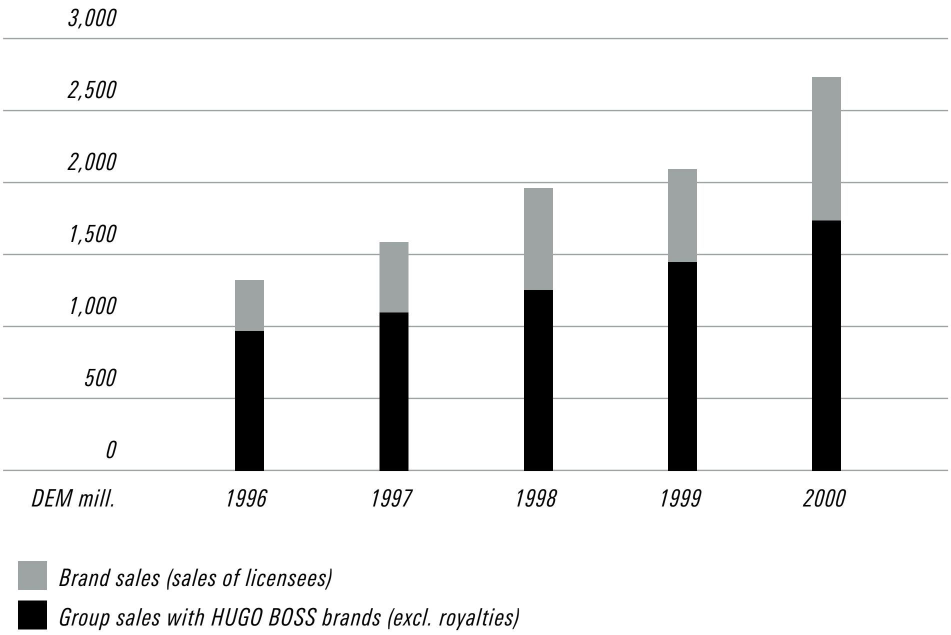
93 new HUGO BOSS Shops opened

Newly-opened mono-brand shops for all the HUGO BOSS brands played a key role in the overall growth. The total number of Shops worldwide rose by 93 to 387 (+30%) in 2000. BOSS Shops retailing the men's collection grew by 67 to 354. Additionally, 13 HUGO Shops and one BALDESSARINI Shop were opened during the year under review.

First deliveries of BOSS Woman

The premiering BOSS Woman collection posted strong sales. December saw the delivery of 2001 Spring/Summer season orders with a value of 15 million DEM, far surpassing the projected 10 million DEM. Licensing income contributed an additional 6 million DEM. Shortly before the end of the year, the ninth BOSS Shop exclusively devoted to the BOSS Woman line was opened; 32 more are due to follow in the first half of 2001.

Development of Brand Sales



Year closes with economic slowdown

The underlying economic trends had little impact on HUGO BOSS operations during 2000. On the whole, consumer spending displayed a slight increase on the global markets, as was the case the previous year. At year's end spending dropped sharply, however, confining the fashion group's growth almost exclusively to increased market shares.

Sales Rest of Europe

	2000	1999	Change in %	
	DEM mill.	DEM mill.	DEM	Local currency
France	152.8	124.9	22	22
Great Britain	102.8	84.9	21	12
Netherlands	66.1	57.5	15	15
Italy	63.5	51.5	23	23
Switzerland	44.0	37.5	17	10
Spain	29.1	24.2	20	20
Other Europe	213.1	184.7	15	15
Rest of Europe	**671.4**	**565.2**	**19**	**17**
in % of total sales	37	38	(1)	

Renewed strong market gains in Europe

This was most clearly the case in Germany, the largest HUGO BOSS market with a 29% share of total turnover. Here as well, retail sales stagnated once again during 2000. With its sales up 6%, the Group captured a substantially larger share of the market. The majority of other European markets such as France and the U.K. exhibited a moderate rise in consumer spending during the course of the year, contrasting sharply with HUGO BOSS sales. In France sales climbed 22%, with the United Kingdom reporting a 21% gain (12% adjusted for currency conversion), while growth in the rest of Europe reached 17% (adjusted).

In the markets of Eastern Europe, Latin America and Southeast Asia, HUGO BOSS benefited from the favorable consumer spending climate. Sales in Eastern Europe rose by 22%, in Mexico by 98% (adjusted) and in Southeast Asia by 76%.

Sales Americas

	2000	***1999***	***Change in %***	
	DEM mill.	*DEM mill.*	*DEM*	*Local currency*
USA	*262.6*	*167.9*	*56*	*35*
Canada	*71.1*	*51.4*	*38*	*20*
Brazil	*21.1*	*16.1*	*31*	*11*
Other Americas	*36.3*	*17.2*	*110*	*90*
Total Americas	***391.1***	***252.6***	***55***	***34***
in % of total sales	*22*	*17*	*5*	

Accelerated growth in the U.S.

Consumer spending rose substantially in the U.S. during the first half of 2000. However, the pace of growth slowed considerably in the second six months. Notwithstanding this trend, HUGO BOSS was able to report very good sales. Following an adjusted rise of 32% in the first half of the year, the Group's U.S. sales increased by 38% in the second half. This equates to an average of 35%, with the unadjusted increase as high as 56%.

Sales Other Regions

	2000	1999	Change in %	
	DEM mill.	DEM mill.	DEM	Local currency
Japan	45.8	38.9	18	(3)
Other countries	79.1	52.5	51	51
Other regions	**124.9**	**91.4**	**37**	**28**
in % of total sales	7	6	1	

Licensing revenues up 41%

The licensing business also performed impressively. In 2000 HUGO BOSS made 88 million DEM from licensing revenues, 41% more than in the previous year. Double-digit increases in sales were registered in all the current areas of licensing; as a consequence, income from licensing fees also rose. In the textile sector, the bodywear and knitwear segments were notably successful, increasing by 56% and 36% respectively. Necktie licensing activities were the only exception to the growth trend, with revenues falling due to the expiration of a partnership agreement and the product group's integration in HUGO BOSS. On the non-textile side, shoes (+61%) and eyewear (+49%) performed remarkably well. The launch of the new BOSS Woman fragrance range proved an exceptional success, with licensing activities generating additional sales of 98 million DEM during the second half of the year alone. Including higher sales from existing fragrance lines, this product group brought HUGO BOSS 43% more licensing revenue than in 1999.

Royalties

	2000	1999	Change
	DEM mill.	DEM mill.	in %
Royalties textile	24.2	19.3	25
Royalties non-textile	64.0	43.1	48
Royalties	**88.2**	**62.4**	**41**
in % of total sales	5	4	1

Brand sales at 2.7 billion DEM

Adding the Group's own burgeoning sales to licensing turnover in 2000 produces the total sales achieved by HUGO BOSS products worldwide. These brand sales rose by 30% to 2,731 million DEM in 2000 (1999: 2,096 million DEM).

Statement of Income

	2000	**1999**	Change
	DEM mill.	DEM mill.	in %
Sales	**1,806.1**	**1,472.5**	**23**
Cost of materials incl. changes in inventories	(862.3)	(738.9)	(17)
Gross margin	**943.8**	**733.6**	**29**
in % of sales	52.3%	49.8%	2.5
Other operating income and expenses[1]	(352.2)	(293.4)	(20)
Personnel expenses[1]	(233.7)	(191.5)	(22)
Depreciation[1]	(38.2)	(34.0)	(12)
Operating income	**319.7**	**214.7**	**49**
Net financial result	3.0	4.0	(25)
Non-recurring and extraordinary items	(3.6)	(12.4)	69
Earnings before taxes	**319.1**	**206.3**	**55**
Taxes on income and other taxes[2]	(125.3)	(95.8)	31
Consolidated net income – adjusted[3]	**193.8**	**110.5**	**75**
Tax effect of the special dividend	19.4	–	–
Net income	**213.2**	**110.5**	**93**

[1] Exclusive of non-recurring and extraordinary items and pre-operating expenses.
[2] Including a minority share of result (–0.1 DEM mill.) in 1999.
[3] Adjusted for the tax effect of the special dividend in 2000.

DVFA/SG Result[1]

	2000	**1999**	Change
	DEM mill.	DEM mill.	in %
Net income	213.2	110.5	93
Tax effect of the special dividend	(19.4)	–	
Elimination of capitalized pre-operating expenses	(9.4)	(4.1)	
Adjustment of valuation differences between IAS and HGB	(14.1)	3.4	
Deferred taxes	13.4	7.4	
Result according to DVFA/SG	**183.7**	**117.2**	**57**
Number of shares	7,040,000	7,040,000	
Earnings per share according to DVFA/SG (EUR)	**13.34**	**8.51**	**57**

[1] Derived from the Joint DVFA/SG Recommendation 1999 (3rd Edition).

Earnings Position

Return on sales after taxes at 11%

The powerful increase in sales not only enabled HUGO BOSS to post record results for the tenth year in succession, but also to achieve a far higher profitability than in the previous year. In 2000, the pre-tax return on sales rose from 14% to 18%, with the corresponding after-tax figure up from 8% to 11% (adjusted). Viewed in absolute terms, this constitutes an impressive gain as well: having recorded a profit of 111 million DEM in 1999, HUGO BOSS posted net income of 213 million DEM in 2000, an increase of 93%. Adjusted for the tax effect of the proposed special dividend, the increase is 75% and the total 194 million DEM. The DVFA result was somewhat lower, because this method also incorporates the capitalized pre-operating expenses for the BOSS Woman project.

Development of Result

	DEM mill.	
Consolidated net income 1999	**110.5**	
Improvement in gross margin	*210.2*	
Increase in royalties		*25.8*
Effect of sales volume on gross margin		*146.5*
Effect of improved gross margin		*37.9*
Increase in operating expenses	*(58.8)*	
Increase in personnel expenses	*(42.2)*	
Increased depreciation	*(4.2)*	
Change in financial result	*(1.0)*	
Deviation of non-recurring and extraordinary items	*8.8*	
Deviation taxes	*(10.1)*	
Increased current taxes		*(29.5)*
Tax effect of the special dividend		*19.4*
Consolidated net income 2000	**213.2**	

Gross margin ratio up three percent

The Group's gross margin ratio was up from 49.8% to 52.3% in the year under review, primarily as a result of the following factors:

- higher exchange rates, generating a 0.9% rise;
- the growing contribution of licensing income (impact: +0.3%); and
- higher productivity at the Izmir plant, causing variable external unit costs to be converted into internal operating expenses. This produced a 1.1% increase in the margin.

The rise in the gross margin ratio, combined with the dynamic growth in sales, generated a 29% increase in the gross margin to 944 million DEM.

Below-par rise in operating expenses

Compared to the growth of sales and the contribution margin, operating expenses rose at a rate below par in 2000. In total, personnel costs, operating costs and depreciation were up 20% or 105 million DEM. In the context of the international management and development of the HUGO BOSS brands, the marketing budget was increased by 25 million to 130 million DEM (+25%), with greater allocations devoted above all to media advertising and trade marketing. An additional 27 million DEM was earmarked for the further development of the BOSS Woman organization and the production plant in Izmir (10 million DEM in 2000). The stronger foreign currencies also played a key role, producing a nominal rise in the expenses incurred in their respective countries.

Impact of Exchange Rates

Sales 2000:
- *1,806.1 million DEM (+23% compared to previous year)*
- *with consistent exchange rates: 1,736.2 million DEM (+18% compared to previous year)*

Gross margin ratio 2000:
- *52.3% of sales (+ 2.5% compared to previous year)*
- *with consistent exchange rates: 51.4% (+1.6% compared to previous year)*

With sales increasing significantly, the margin percentage growing, and operating expenses rising below par, the Group's operating income for 2000 increased by 49% to 320 million DEM.

Low extraordinary expenses

At +55%, earnings before taxes rose even faster than operating income. While extraordinary expenses of 12 million DEM had detracted from the 1999 result, this item fell to just 4 million DEM in 2000. During both periods these costs were incurred in trademark disputes. The net financial result remained stable at 3 million DEM (1999: 4 million DEM).

Impact of Projects on the Consolidated Net Result

BOSS Woman project:
- *2000: (20.4) million DEM*
- *1999: (0.2) million DEM*

Izmir plant setup:
- *2000: (0.4) million DEM*
- *1999: (6.0) million DEM*

Total impact of both projects:
- *2000: (20.8) million DEM*
- *1999: (6.2) million DEM*

Tax load ratio down 7%

The tax load ratio fell appreciably during the year under review. This was mainly a product of the substantial reserves which, while created in 1999, did not affect Group taxation until 2000. The decrease in the tax load ratio was additionally impacted in 2000 by higher contributions to the result from countries with lower tax rates, e.g. Switzerland, Hong Kong and the United Kingdom. On the whole, the tax deviation for the two years was 7% (2000 adjusted: 39%, 1999: 46%), generating a higher rise in the adjusted net income (75%) than in the pre-tax result (55%). If the 19 million DEM tax relief from the special dividend is also taken into account, the tax load ratio decreases by an additional 6% to 33%. The net income shows a parallel increase, putting it 93% above the previous year’s figure. In absolute terms, the HUGO BOSS Group therefore posted net income of 213 million DEM (adjusted: 194 million DEM) in 2000 (1999: 111 million DEM).

DVFA result up 57%

At 184 million DEM or 13.34 EUR per share, the DVFA result for 2000 was 57% higher than the previous year’s figure. Capitalized pre-operating expenses of 9 million DEM contributed substantially to the discrepancy between the net income and the DVFA result for the year ended. The DVFA rules prescribe that the influence of such expenses must be reported in the period of their incurrence and cannot be distributed over a number of years. Furthermore, the result was adjusted for the 19 million DEM tax effects of the special dividend because these represent a non-recurring, positive influence. The valuation differences and the impact of deferred taxes effectively canceled each other out in 2000.

Analysis of Financial Requirements

	2000	1999	Change
	DEM mill.	DEM mill.	in %
Accounts receivable, other assets, balances with factoring companies[1]	353.0	224.9	57
Inventories	297.8	209.2	42
Balance of prepaid expenses and deferred income	4.0	8.9	(65)
Trade payables and other liabilities[1]	(124.5)	(76.6)	63
Tax and other accruals	(147.6)	(116.7)	26
Net current assets	**382.7**	**249.7**	**53**
Accounts receivable[2]	18.1	12.6	44
Trade payables and other liabilities[2]	(4.2)	(7.4)	(43)
Fixed assets	226.5	196.7	15
Capitalized pre-operating expenses	22.2	7.8	185
Pension accruals	(48.7)	(44.5)	9
Medium- and long-term net assets	**213.9**	**165.2**	**29**
Net capital invested	**596.6**	**414.9**	**44**
Balance of cash at banks and due to banks	(0.7)	(21.3)	(97)
Shareholders' equity	597.3	436.2	37
Coverage of net capital invested	**596.6**	**414.9**	**44**

[1] Payable within one year.
[2] Payable after more than one year.

Free Cash Flow

	2000	1999	Change
	DEM mill.	DEM mill.	in %
Consolidated net income	213.2	110.5	93
Depreciation[1]	44.4	37.9	
Change of pension accruals	4.2	2.2	
Capitalization of pre-operating expenses	(15.9)	(7.8)	
Cash flow	**245.9**	**142.8**	**72**
Net additions to fixed assets	(72.9)	(75.5)	
Changes in remaining net capital invested	(141.6)	(12.7)	
Currency exchange and other equity changes	3.5	11.0	
Free cash flow – before dividend –	**34.9**	**65.6**	**(47)**
Dividend payment	(55.5)	(48.5)	
Free cash flow	**(20.6)**	**17.1**	

[1] Including write-offs of other investments.

Financial Position

Solid balance sheet ratios

At the close of the 2000 business year, the HUGO BOSS balance sheet once again exhibited its traditional solidity. The equity ratio of 61% remained consistent (1999: 60%). The debt to total capital ratio of 39% was also extremely low (1999: 40%). An analysis of debts reveals that liabilities are largely covered by the financial balance and that the fashion group does not have any interest-bearing net liabilities.

Ratios

			2000	1999
Equity ratio	=	Shareholders' equity / Total capital	60.9%	60.4%
Debt to total capital ratio	=	Liabilities / Total capital	39.1%	39.6%
Return on shareholders' equity	=	Net income / Ø Shareholders' equity	41.3%	27.6%
Additions to fixed assets		DEM mill.	71.6	91.7
Balance sheet total		**DEM mill.**	**980.3**	**722.6**

Leap in current assets due to seasonal factors

Sales growth accelerated considerably in 2000. Alone in the fourth quarter, sales were up by more than 100 million DEM. This 42% rise constituted the chief reason for the 57% increase in receivables (128 million DEM). As a result of the 20% climb in order volumes for the coming Spring/Summer season, inventories and hence trade payables rose sharply at year's end. The higher parities of most foreign currencies against the Euro generated further additions to current assets. The net current assets of HUGO BOSS increased by 53% or 133 million DEM.

Moderate rise in long-term assets

A more moderate pace characterizes the development of the medium- and long-term asset items. The assets rose by 29% or 49 million to 214 million DEM, traceable predominantly to the 30 million DEM net growth of the fixed assets and the higher capitalized pre-operating expenses (a net gain of 14 million DEM). In 1999, the Group capitalized nearly all its spending on the BOSS Woman collection, and continued to do so until the initial collection was finished in mid-2000. The sum of 7.8 million DEM was transferred to the balance sheet in 1999, and 15.9 million DEM followed in 2000. With the first sales in the final quarter of 2000, the sum of

1.5 million DEM was written off against the total of 23.7 million DEM, thereby commencing the four-year linear depreciation period.

Investment volumes normalized

With additions of 72 million DEM during the year under review, investment activities clearly returned to normal levels, following substantial outlays in the previous period for the setup of the Izmir production plant and the BOSS Woman line, for which the Group spent a total of 92 million DEM. The largest investment in 2000 went towards setting up the new showroom in the U.S. to provide larger premises for both the HUGO BOSS brands and the additional personnel.

Another investment focus was the expansion of showroom space for BOSS Woman in many countries, with the goal of creating larger venues for the sale of the new collection.

The added sales volume necessitates greater logistical capacities; leading the way here is the warehouse for flat-packed goods at HUGO BOSS AG. Capacities are scheduled for further enlargement in 2001; Germany will be one main focus, along with the U.S.

Higher cash flow in 2000

The cash flow figure – the variable that reflects the cash flow generated from business operations – demonstrated a trend similar to that of earnings, rising 72% to 246 million DEM. At the same time, the pre-dividend free cash flow decreased from 66 to 35 million DEM, owing to the fact that much of this cash flow was still tied up in the current assets due to seasonal fluctuation, effectively delaying the inflow until 2001.

Segment Information by Product Area

	2000		1999	
	HUGO BOSS Menswear Segment [2] DEM mill.	HUGO BOSS Womenswear Segment DEM mill.	HUGO BOSS Menswear Segment [2] DEM mill.	HUGO BOSS Womenswear Segment DEM mill.
Sales	1,785.0	21.1	1,472.5	–
Operating income	334.6	(14.9)	214.7	–
Non-recurring and extraordinary items	(2.2)	(1.4)	(12.2)	(0.2)
Net income	233.6	(20.4)	110.7	(0.2)
Assets	927.2 [1]	93.6	698.1 [1]	34.3
Liabilities	358.2	65.3 [1]	281.2	15.0 [1]
Net equity	569.0	28.3	416.9	19.3
Additions to fixed assets	62.7	8.9	73.5	18.2
Number of employees on the annual average	3,289	105	2,559	22

[1] Including a loan from the BOSS men's to the BOSS women's segment (40.5 DEM mill. in 2000, 9.8 DEM mill. in 1999). This amount was eliminated in the HUGO BOSS Group data.
[2] Existing men's collections business. Amounts attributable to the product line HUGO Woman have been included for simplicity's sake.

Segment Information by Region

Sales	2000		1999	
	DEM mill.	in %	DEM mill.	in %
Germany	530.5	29	500.9	34
Rest of Europe	671.4	37	565.2	39
Americas	391.1	22	252.6	17
Other regions	124.9	7	91.4	6
Royalties	88.2	5	62.4	4
Total	**1,806.1**	**100**	**1,472.5**	**100**
Assets [1]				
Germany	331.5	33	278.0	39
Rest of Europe	340.8	35	240.0	33
Americas	258.6	27	161.9	22
Other regions	29.9	3	26.2	4
Royalties	19.5	2	16.5	2
Total	**980.3**	**100**	**722.6**	**100**
Additions to fixed assets [2]				
Germany	22.5	31	16.6	18
Rest of Europe	22.4	31	46.4	50
Americas	23.4	33	27.2	30
Other regions	3.3	5	1.5	2
Total	**71.6**	**100**	**91.7**	**100**

[1] Determined by the location of the assets. Assets resulting from Group relationships were eliminated.
[2] Determined by the location of the investments. Investments resulting from Group relationships were eliminated.

Segmental Reporting

Segmentation by Product Area

BOSS Woman launch on track

The launch of the BOSS Woman collection is proceeding on course. Planning milestones for 2000 included

– the conceptualization and implementation of logistical structures by mid-year;
– the completion of the Spring/Summer collection in June;
– the launch of the BOSS Woman fragrance in the second half of the year;
– the Milan Fashion Show in October; and
– initial deliveries in December.

The retail trade has responded well to the new BOSS women's line, placing the anticipated orders. The launch of the BOSS Woman fragrance has been a complete success.

Project expenditures below budget

BOSS Woman is on track financially as well: the business plan for 2000 foresaw an outflow of funds totalling 49 million DEM. This sum was comprised of investments, capitalized pre-operating expenses and net earnings. The actual outlay was 4 million DEM less; this was due to lower investment requirements than originally assumed, coupled with higher sales and hence higher gross margins.

BOSS Woman Horizontal Analysis 2000

	Actual 2000	Budget[2] 2000	Change
	DEM mill.	DEM mill.	in %
Sales	21	16	31
Net income	(20)	(17)	(18)
Capitalized pre-operating expenses	(16)	(20)	20
Additions to fixed assets	(9)	(12)	25
Total outflow of funds[1]	**(45)**	**(49)**	**8**

[1] Sum of the net income for the year, capitalized pre-operating expenses and additions to fixed assets.
[2] Business plan for 1998, which originally contained neither the licensing income (6 mill. DEM) nor the financing costs. Both factors cancel one another out on the income level.

Segmentation by Region

The Americas accorded a greater role

All the regions contributed to the growth of consolidated sales at HUGO BOSS during the year under review. Sales in the Americas were particularly strong, rising 34% (adjusted for currency conversion). Another 21% – for a total of 55% – resulted from higher exchange rates for the currencies of North, South and Central America. This impressive growth is also reflected in the segmental reporting by region, which demonstrates that the Americas' shares of sales and assets both grew by 5%, with a parallel drop in Germany.

Even distribution of investment budget

A regional shift also characterized the investment budget. During the year now ended, investments had been distributed evenly between the regions "Germany," "Rest of Europe" and "Americas." In 1999, start-up spending for the subsidiary in Milan had led to a concentration on the region "Rest of Europe."

Human Resources

Average Employee Numbers	2000	1999	Change in %
– by region			
Germany	1,369	1,319	4
Rest of Europe	1,270	579	119
Americas	642	581	10
Other regions	113	102	11
Total	**3,394**	**2,581**	**31**
– by function			
Production/Logistics	2,165	1,495	45
Sales/Creative	831	741	12
Administration	398	345	15
Total	**3,394**	**2,581**	**31**

Key Personnel Figures

	2000	1999	Change in %
Personnel expenses[1] (DEM mill.)	239.7	195.2	23
Personnel expenses per employee[1] (DEM thous.)	70.6	75.6	(7)
Sales per employee (DEM thous.)	532.1	570.5	(7)
Net value added per capita (DEM thous.)	166.1	157.7	5

[1] Personnel expenses are exclusive of non-recurring costs.

Human Resources

Employee numbers up

In 2000, HUGO BOSS significantly increased its capacities to accommodate the higher sales. Simultaneously, the Group made considerable progress on its two major projects: setting up the BOSS Woman collection and expanding the production plant in Izmir. This led to a parallel rise in the Group's human resources. On the average, 3,394 people were employed worldwide in 2000 (1999: 2,581), 813 more than the year before (+31%). During the same period, personnel costs increased by 45 million DEM, i.e. by 23% to 240 million DEM. However, the outlay for personnel rose at a rate under par compared to the percentage increase in staff. The per capita cost was down by 5 thousand DEM to 71 thousand DEM.

Impact of BOSS Woman and the Izmir production facility

The growth of the workforce is attributable primarily to the successive expansion of operations and the phase-in of a second production shift at the Izmir plant opened in 1999. During the year under review, human resources at the Turkish facility were increased by 577 employees, putting the year-end workforce at 882 and the annual average at 809.

Additional jobs were created within the scope of the BOSS Woman project. In line with the business plan, the number of staff at HUGO BOSS S.p.A., the Milan-based company established to manage this new area, had risen at year's end to 98. On the annual average, 83 individuals were on the BOSS Woman staff in Milan. An additional 22 people were employed at the other subsidiaries.

Sales necessitate greater capacities

To meet the strong demand for HUGO BOSS products, the Group has expanded its capacities and created new jobs. The opening of numerous new HUGO BOSS Shops, an intensification of market activities, and the logistics needed to handle higher volumes all led to new hires, above all in the divisions Trade Marketing, Sales, Creative and Inventory Management. At HUGO BOSS AG, an additional 52 staff members were employed, while HUGO BOSS USA hired 58 new employees.

Further Education and Training Programs at HUGO BOSS AG

- *apprenticeships in the professions of industrial merchant (German and EU), IT merchant, and fashion seamstress/tailor*
- *Vocational Academy for Industry and Business IT*
- *internships, thesis projects, workshops for college students*
- *national and international trainee programs*

Creation of new jobs in 2001

During the current business year, HUGO BOSS will continue to grow considerably and create more jobs. Human resources – particularly at the parent company and in the U.S. – will rise appreciably. The positive experience in Izmir has led to the decision to expand the production facility there: 2001 will see the suit production capacity increased along with the addition of a new shirt-making line.

April 2001 will mark the opening of the world's largest HUGO BOSS Shop on New York's Fifth Avenue. All the HUGO BOSS brands will be showcased on 1,800 square meters (20,000 sq.ft.) of retail space. Fifty new hires are anticipated for this venue alone.

In relation to the year-end figures for 2000, the number of BOSS Woman employees will increase only moderately. In the divisions Creative and Production Planning, the targeted team size has already been largely achieved. With rising turnover and a growing customer base, the Sales Division is next on the itinerary for expansion.

Flexible working hours

The HUGO BOSS AG is progressively adopting more flexible working hours. By virtue of the existing flex time program, employees are generally free to choose their own working hours outside the prescribed core time.

Human Resources Breakdown

- *1,237 men (= 36% of total human resources)*
- *2,157 women (= 64% of total human resources)*
- *1,930 industrial (= 57% of total human resources)*
- *1,464 commercial (= 43% of total human resources)*
- *average age: 37*

The introduction of an annual work account has also led to more adaptable hours for the staff in commercial logistics. Accordingly, the time an employee spends on the job can be adjusted temporarily to match operational demands; the resultant overtime can be compensated by time off taken on an individual basis.

Appreciation and thanks

Once again HUGO BOSS has succeeded in generating record sales and earnings. This achievement is due in large part to the positive motivation, above-average commitment and strong skills of the employees at HUGO BOSS. The Management Board would like to take this opportunity to express its sincere appreciation to all staff for their dedicated performance.

Sales Trends

	2001	2000	Change
	DEM mill.	DEM mill.	in %
Germany	↗	531	↗
Rest of Europe	↗	671	↗
Americas	↗↗	391	↗↗
Other regions	↗↗	125	↗↗
Licensing	↗	88	↗
Total	**2,100**	**1,806**	**+16**

Earnings Forecast

	2001	2000	Change
	DEM mill.	DEM mill.	in %
Sales	2,100	1,806	+16
Gross margin	↗↗	944	↗↗
in % of sales	↗	52 %	↗
Operating income	↗	320	↗
Earnings before taxes	↗	319	↗
Consolidated net income – adjusted[1]	**220**	**194**	**13**
unadjusted		213	

[1] *Adjusted for the effect of the special dividend.*

Other Developments

	2001	2000	Change
			in %
DVFA/SG result (DEM mill.)	220	184	20
EPS pursuant to DVFA/SG (EUR)	16	13	20
Number of employees	↗↗	3,394	↗↗
Net current assets (DEM mill.)	↗	383	↗
Additions to fixed assets (DEM mill.)	↗↗	72	↗↗

The Year 2001

2001 in Figures

Achieving the corporate objective

The objective of HUGO BOSS is to further consolidate its market position as a leading international fashion group offering premium brands and high quality collections for women and men.

This corporate objective is furthered by a variety of strategic projects and investments which HUGO BOSS plans to initiate and/or further pursue in 2001:

The BOSS Woman collection

Following the successful launch in the business year ended, the distribution network will be enlarged once again; numerous BOSS Shops featuring the new women's collection are also due to open. Additionally, a new licensed product group – BOSS Woman shoes – will be introduced in 2001.

Opening of the HUGO BOSS Shop in New York

April 2001: with showrooms of more than 1,800 square meters (20,000 sq.ft.), the world's largest HUGO BOSS Shop will showcase all the brands in one store for the first time. This will represent an ideal window to the world of HUGO BOSS, and a permanent advertisement on the most exclusive avenue in the world.

Extended production and logistical capacities

Group growth has increased the demands placed on HUGO BOSS' production and logistics; investments will safeguard future growth. With the aim of optimizing service and delivery responsiveness, the capacities in Germany and the United States are slated for enlargement along with the output potential of the Izmir production plant.

Assessment of the economic climate

Where the European and Asian markets are concerned, the Management Board is not anticipating any major changes in the economic climate. Consumer spending in the United States is expected to rise only moderately. Financial analysts see the possibility of an abrupt trend reversal there which could influence the performance of HUGO BOSS.

Forecast: sales growth in 2001 up 16%

Predicated on a higher valuation of the Euro and the completed order books for the Spring/Summer season, the Management Board is expecting consolidated sales in 2001 to increase by some 16% to 2,100 million DEM. This includes the planned turnover generated by the BOSS Woman collection in the amount of 110 million DEM (2000: 21 million DEM).

Gross margin growth above par

As early as 2000, HUGO BOSS entered into exchange contracts covering most of its foreign currency transactions for the ensuing periods, hence largely eliminating the risk of negative influences on the gross margin. Given steady sales prices, the gross margin can be expected to rise somewhat faster than turnover. This is a consequence of the Group's enhanced potential for generating added value, spawned by the integration of the necktie product group and the ongoing enlargement of production capacities in Izmir. The combined impact of the powerful sales growth and the higher margin will boost the gross margin by some 18% in 2001.

Operating expenses due to increase

The fast pace of Group growth necessitates further expansion of capacities in areas such as trade marketing and logistics. The Management Board foresees that this need, together with the influence of the strategic projects, will put operating expenses on a par with the gross margin. If both increase at the same rate, operating income should also rise by approximately 18%.

Net income expected to rise

The following developments will have an impact between operating income and consolidated net income:

- The financial result will decrease due to the liquidity drain of the special dividend. Until its payout in May 2001, the year's free cash flow should suffice to cover the regular dividend. The special dividend will be paid out of borrowed funds, for which interest will fall due in the second half of 2001.
- Non-recurring expenses were relatively low in 2000 and will, in all probability, return to the mean of the previous years.
- The tax load ratio is due to increase from the previous year owing to the absence of the tax relief from the special dividend. Compared to the average tax burden of 39% – adjusted to accommodate this impact – the tax load ratio should, however, fall in 2001.

Based on these effects, HUGO BOSS management is expecting net income of 220 million DEM for the entire 2001 year (2000 adjusted: 194 mill. DEM), i.e. a gain of 13%. The DVFA result should rise at least 20% – even higher than the net income – because the adjustments for the capitalized pre-operating expenses will be positive beginning in 2001.

Risk Management in the HUGO BOSS Group

The Group's risk management system has been reviewed and approved by the auditors pursuant to Section 317, Para. 4 of the German Commercial Code (HGB). This system defines, evaluates and catalogs commercial risks, delegates responsibility for monitoring them, regulates reporting chains, and defines the measures to be taken when risks arise. A comprehensive planning and reporting system guarantees that the Management and Supervisory Boards are kept regularly informed and up-to-date, and are thus in a position to institute effective counter-measures if required.

Risk avoidance as a component of risk management

First and foremost, risk management focuses primarily on avoiding risks. For this reason, at HUGO BOSS the key risk management functions are concentrated at the parent company, thereby ruling out or at least appreciably reducing potential problems. The safeguards applying to currency conversion represent a good example of this policy. While the introduction of a common currency to the nations of the EU has effectively eliminated this risk in Europe, it remains a potential problem in transactions involving the British pound, the Canadian and U.S. dollar, and the Japanese yen. The central "Treasury" division at HUGO BOSS defines clear-cut guidelines towards minimizing currency conversion risks which apply throughout the Group. To facilitate an overview, the transfer prices are designed such as to ensure that currency conversion risks are confined to very few companies. Detailed monthly reports submitted to the CFO round out the currency management system.

Trademark infringement is one specific risk that has the potential to curb HUGO BOSS' range of activities and lead to substantial legal expenses. Therefore, the protection of all trademarks worldwide is under the control of the parent company, which is responsible for monitoring and coordinating all related measures.

Insurance also constitutes an essential part of risk management, providing central coverage for the most significant risks such as business interruption, perishing or loss of goods and buildings, and claims for damages. Regular reviews ensure that, even if there are structural or operational changes, the coverage is always adequate.

When it comes to avoiding commercial risks in the medium term, the centralization of the Group's core areas – such as the buying and creative/marketing divisions – plays a pivotal role. The concentration of buying activities makes it possible to tap comprehensive know-how and firmly establish uniform quality control mechanisms. Having a central creative team enables HUGO BOSS to guarantee a higher design standard in our collections. A global marketing approach promotes the presentation of a cohesive image of the company and its brands worldwide.

Controlling and limiting risks

Alongside risk avoidance, a further integral component of risk management comprises controlling and limiting risks. In the event that a risk cannot be avoided through the business system, corporate management must ensure that the risk can be adequately controlled. If a threat does arise, the reporting chain must respond swiftly. Risk control is effected foremost on the basis of the comprehensive monthly consolidated reporting system that monitors the status and structure of receivables and inventories. In addition, quality assessments and monthly reports are also drawn up in which sales personnel from around the world provide relevant feedback on their markets.

The guidelines drawn up in accordance with the German Law on Control and Transparency in the Corporate Sector (KonTraG) represent another important instrument for controlling and limiting risks. Implemented groupwide, these guidelines define the relevant risks and appropriate counter-measures to be taken, along with assigning responsibilities to specific individuals.

A variety of established regular meetings on risk control and limitation furnish an added safeguard. Two reviews per year provide the management with an overview of stock on hand. The potential risks involving inventories are analyzed, and suitable remedies are discussed.

The Key Tools of Risk Management

- *Catalog of risks to ensure early identification of risks and the definition of counter-measures*
- *Comprehensive reporting system including the monthly consolidation of all Group companies*
- *Centralized hedging contracts to guard against currency fluctuation*
- *Centralized trademark protection*
- *Harmonized global insurance concept*
- *Factoring to protect against bad debt losses*
- *Concentration of core divisions such as buying and creative*

Routine meetings to review the status of receivables have been established as well; these can also be convened whenever required. Risks relating to receivables are largely covered by assigning the majority of claims to factoring companies, hence insuring them against losses. If, however, there are indications that an account will prove uncollectible, the necessary action can be discussed and resolved at such meetings.

Another factor promoting risk control and avoidance is communication between staff members. The Group leverages state-of-the-art communication tools to ensure that risks are identified and minimized in good time.

Further Information on the Financial Statements and the Majority Shareholder

Proposal for the appropriation of profits

The consolidated financial statements as of December 31, 2000 and the 2000 Group management report have been prepared by HUGO BOSS in compliance with legal requirements. The financial statements of HUGO BOSS AG as of December 31, 2000 show an unappropriated income of 182,775 thousand DEM. In agreement with the Supervisory Board, the Management Board proposes to the Shareholders' Meeting that this income be appropriated as follows:

	EUR thous.	EUR thous.	DEM thous.	DEM thous.
1. Distribution of				
– a dividend of EUR 7.00 per common share 3,586,000 common shares	25,102		49,095	
– a special dividend of EUR 6.24 per common share 3,586,000 common shares	22,376	47,478	43,765	92,860
2. Distribution of				
– a dividend of EUR 7.07 per preferred share 3,454,000 preferred shares	24,420		47,761	
– a special dividend of EUR 6.24 per preferred share 3,454,000 preferred shares	21,553	45,973	42,154	89,915
Unappropriated income		**93,451**		**182,775**

Information concerning the majority shareholder

HUGO BOSS AG was notified according to Section 20 (4) of the German Stock Corporation Law (AktG) and Section 21 (1) of the German Securities Trading Act (WpHG) that Marzotto GmbH, Frankfurt/Main, a company controlled by Marzotto S.p.A., Valdagno, Italy, owns the majority of the voting shares. The controlling interest of Marzotto GmbH, Frankfurt/Main, consists of 2,784,001 common shares (77.6% of common stock) and 761,200 preferred shares (22.0% of preferred stock). This represents an interest of 50.4% of the total shares.

Report on relations with affiliated companies

As no control agreement has been signed with the majority shareholder, the Management Board of HUGO BOSS AG was required by law to submit a report concerning its relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Law (AktG). This report detailed the relationship with the Marzotto Group. In accordance with Section 312 (3) of such law, the Management Board declared that, considering all facts known to the Board at the time legal transactions took place or measures were taken, the corporation received appropriate compensation for each instance. There were no measures entailing an obligation to report in the 2000 financial year.

Auditors' Report

We have audited the annual consolidated financial statements and the Group management report of the HUGO BOSS AG, Metzingen, for the business year from January 1, 2000 to December 31, 2000. The preparation of the annual consolidated financial statements and Group management report in accordance with German commercial law and supplementary provisions in the articles of incorporation are the responsibility of the Management Board. Our responsibility is to express an opinion on the annual consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the annual consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and under the observance of the generally accepted standards for the audit of financial statements promulgated by the German Institut der Wirtschaftsprüfer (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 annual consolidated financial statements drawn up in accordance with German principles of proper accounting, 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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the annual consolidated financial statements and in the Group management report are examined primarily on a test basis within the framework of the audit.

The audit includes the evaluation of the subsidiaries' financial statements, the inclusion or exclusion of subsidiaries in the consolidation, the account and consolidation principles and significant estimates made by the Management Board, as well as evaluating the overall presentation of the annual consolidated financial statements and 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, the annual consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole, the Group management report provides a suitable understanding of the Group's position and properly presents the risks of future development.

Stuttgart, February 20, 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner

Wagner
Wirtschaftsprüfer

Möhler
Wirtschaftsprüfer

Report of the Supervisory Board

Report of the Supervisory Board

New members

The Shareholders' Meeting of May 22, 2000, elected a new Supervisory Board due to the expiration of the Board's term of office as prescribed in Section 102, Para. 1 of the German Stock Corporation Law (AktG). Dr. Giuseppe Vita and Mr. Silvano Storer were appointed new members.

At the Supervisory Board meeting of the same day, Dr. Giuseppe Vita was elected Chairperson of the Supervisory Board and Mr. Jean F. de Jaegher Deputy Chairperson. Prof. Dr. Johannes Semler and Dr. Pietro Marzotto did not stand for re-election to these posts, although they will remain on the Board as regular members. We would like to express our special thanks to both gentlemen for their exceptional commitment and the successful work they have accomplished.

These personnel changes necessarily affected the composition of the Working Committee of the Supervisory Board. Prof. Dr. Johannes Semler and Dr. Pietro Marzotto were joined on this body by Dr. Giuseppe Vita and Mr. Jean de Jaegher.

At the end of the Supervisory Board term, Prof. Dr. Bruno Kropff and Dr. Sergio Erede did not stand for re-election. As a consequence, Prof. Dr. Bruno Kropff is no longer a member of the Board's Working Committee. The Supervisory Board would like to express its gratitude for the many years of service these individuals devoted to the company.

Objectives of the Supervisory Board

Notwithstanding the changes in the Supervisory Board's membership in 2000, its composition has displayed a marked continuity over many years. This stability is expected to continue shaping the Supervisory Board's future work and objectives. Both the Management and Supervisory Boards will be striving for dynamic growth – and a corresponding rise in the company's cash flow. As in the past, the Supervisory Board will cooperate closely with the Management Board and provide comprehensive guidance and advice to the HUGO BOSS executive.

Beyond providing ongoing, strategic advice to the Management Board on corporate issues, the Supervisory Board has a special responsibility for ensuring the implementation of and compliance with the German Law on Control and Transparency in the Corporate Sector (KonTraG). For the most part, the requisite instruments are already in place. This is evident in the open corporate information policy and the risk management programs that HUGO BOSS will continue to pursue in the future.

Close cooperation between the Management and Supervisory Boards

During the fiscal year, the Supervisory Board had four regular meetings; the Working Committee of the Supervisory Board met with the Management Board on five further occasions. With one exception, attendance at all of these meetings was complete. Additionally, during a forum lasting several days, the Working Committee met to debate long-term strategic issues affecting the HUGO BOSS Group.

At each of these events, the Supervisory Board satisfied itself that the Management Board is managing and operating the business in an orderly and proper manner, and has taken effective and timely action wherever necessary. The meetings consisted mainly of written and oral reports by the Management Board concerning the company's commercial position, fundamental policy issues, corporate planning, and some special agenda items. Moreover, the Management Board regularly kept the Supervisory Board up to date on market trends and the performance of the Group's divisions. The regular reports, comparing current figures with those in the budget and those from the previous year, provided a major source of information in this context.

Main focuses of the Supervisory Board's work

The launch of the BOSS Woman collection formed a salient focus of the Supervisory Board's work. In 1998 the Supervisory Board had approved the Management Board's business plan for this project. The plan stipulated time- and content-related milestones as well as cost and profit targets. During 2000, ensuring compliance with this plan posed a primary concern. Accordingly, the Supervisory Board monitored the timely completion of both the pilot test collection and – six months later – the first retail Spring/Summer collection, including the progress of the BOSS Woman fragrance launch and initial PR activities as planned. The Management Board kept the Supervisory Board informed of the gratifying pre-order volumes for the Spring/Summer 2001 collection, adherence to cost ceilings during the year under review, and the resultant successive adjustments to corporate plans.

To handle the rapid growth of the HUGO BOSS Group, and particularly that of the Sportswear sector, the Group's capacities will need to be extended. The Management Board has drawn up plans for a phased supplementation of the Group's logistics operations over the course of several years. These plans have been approved by the Supervisory Board. The capacities at the warehouses for raw materials and finished goods in both Germany and the U.S. are slated for steady expansion in the coming three years.

To date, the production plant erected in Turkey during 1999 has surpassed expectations. For this reason, and because of the general need to increase capacity, the suit-making facilities in Izmir will be expanded during 2001 and a new shirt production line installed.

The detailed budget for 2001 and the mid-term plans for 2002 and 2003 were discussed and agreed at two meetings of the Board.

The Supervisory Board was also kept generally informed of all key decisions on investments and human resources. Wherever business matters required Supervisory Board approval by law, this approval was sought and obtained by the Management Board.

Examination and approval of the financial statements for 2000

The Supervisory Board appointed the auditing firm PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was nominated by the Shareholders' Meeting to audit the financial statements.

The auditors have examined the financial statements and consolidated financial statements, and the management reports for the AG and the Group. In accordance with the requirements of Section 317, Para. 1 of the German Commercial Code (HGB), the accounts were also examined. There was no cause for objections, as a result of which a complete audit certificate was issued.

The Supervisory Board further requested that the auditors review the early detection system for risks in line with Section 317 Para. 4 of the German Commercial Code (HGB). This review confirmed that the Group's situation, including the risks of future developments, had been presented both plausibly and logically. Beyond this, no inaccuracies or other infringements were ascertained.

In addition to general documentation on the financial statements, the Supervisory Board has also duly examined the auditors' report and the proposal for the appropriation of profits. On this basis, the Supervisory Board also examined in detail the financial statements, consolidated financial statements and management reports for the AG and the Group. The auditors were present at the relevant deliberations at the Supervisory Board and Working Committee meetings, and were available to answer any questions. The Supervisory Board has concurred with the findings of the auditors' report and has deemed that there are no objections to be raised.

At its meeting of March 5, 2001, the Supervisory Board accepted the financial statements as prepared by the Management Board, and same are now deemed approved in accordance with Section 172 of the German Stock Corporation Law (AktG). The Supervisory Board agrees with the proposed appropriation of profits as recommended by the Management Board.

The Management Board also prepared a report on the relations between the company and its affiliates, and submitted this to the Supervisory Board and its Working Committee together with the auditors' report. The auditors have given the following opinion:

"Based on our audit performed in accordance with our professional duties, we confirm:

1. that the information in the report is stated correctly; and

2. that with respect to the legal transactions cited therein, the company's contribution was not inappropriately high."

The examination of the report by the Supervisory Board did not give rise to any objections. The Supervisory Board endorses the findings of the auditors. Accordingly, the Supervisory Board raises no objections to the declaration made by the Management Board in regard to the relations between the company and its affiliates.

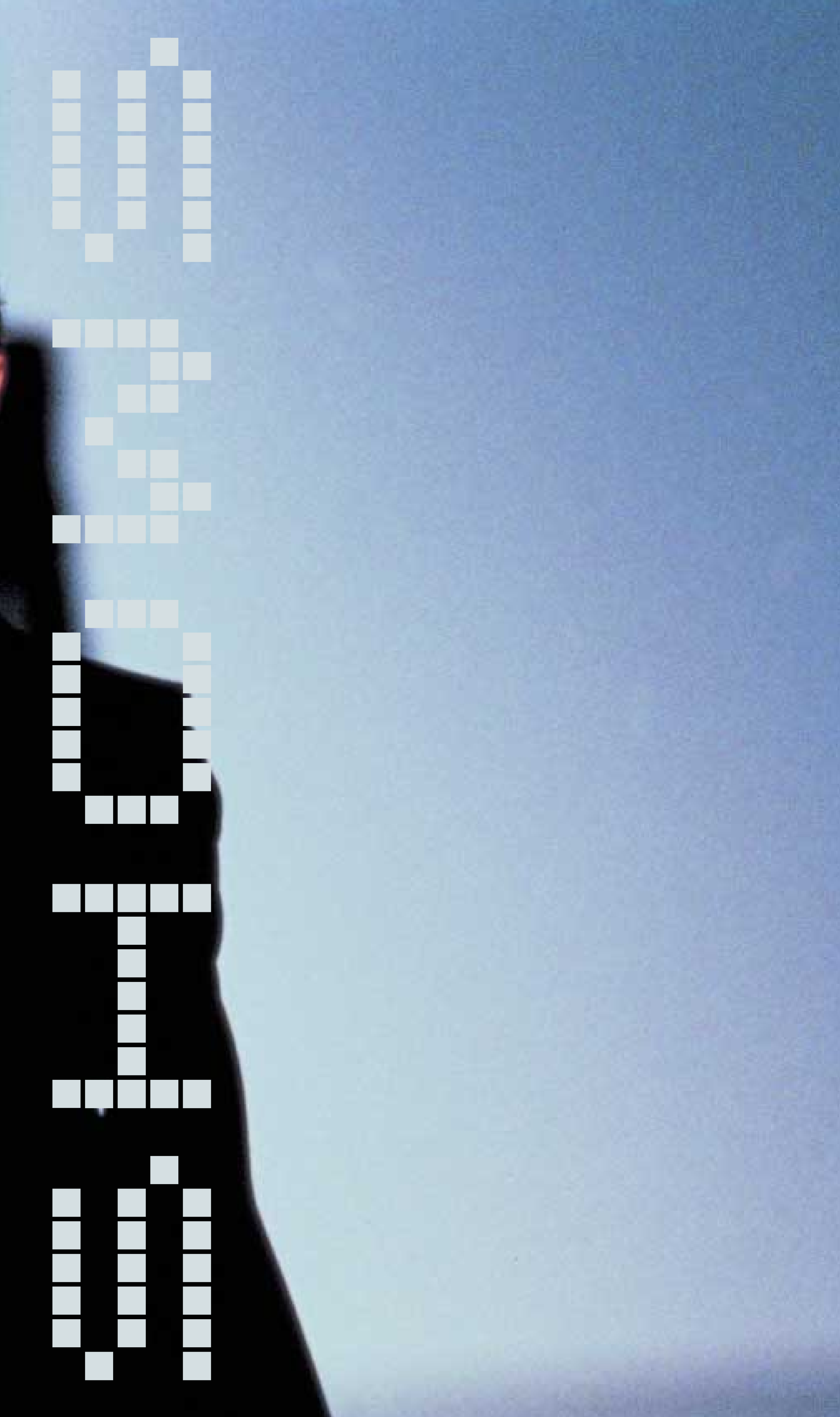
In conclusion, the Supervisory Board wishes to thank the Management Board, the Works Council and all employees of the HUGO BOSS Group for their commitment and labors; it acknowledges their efforts and is placing its hopes for the future in a continuing partnership based on mutual trust.

Metzingen, March 5, 2001

The Supervisory Board

Dr. Giuseppe Vita
(Chairperson)

BOSS SHOWS: JUNE 26, 2000, BOSS MEN'S COLLECTION, FASHION SHOW, MILAN / OCTOBER 5, 2000, BOSS WOMEN'S COLLECTION, FASHION SHOW, MILAN / HUGO SHOWS: FEBRUARY 8, 2000, HUGO FASHION SHOW, NEW YORK / JULY 10, 2000, HUGO FASHION SHOW, METZINGEN / EVENTS: FEBRUARY 4-6, 2000, HUGO BOSS AT MEN'S FASHION WEEK, COLOGNE / JUNE 22-25, 2000, HUGO BOSS AT PITTI IMMAGINE UOMO, FLORENCE / AUGUST 4, 2000, BOSS WOMAN EVENT AT CPD, DUESSELDORF / SHOPS: SEPTEMBER 19, 2000, HUGO SHOP OPENING, NEW YORK / SEPTEMBER 28, 2000, BALDESSARINI SHOP OPENING, FRANKFURT


SHOWS

BOSS
HUGO BOSS

BOSS Men's Collection
Fashion Show
Milan
June 26, 2000



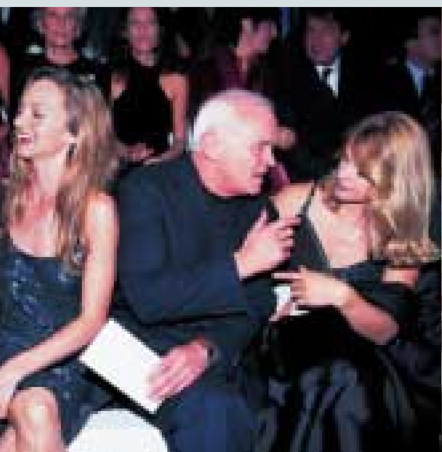



BOSS
HUGO BOSS

BOSS Women's Collection
Fashion Show
Milan
October 5, 2000







HUGO Fashion Show
New York
February 8, 2000

HUGO Fashion Show
Metzingen
July 10, 2000





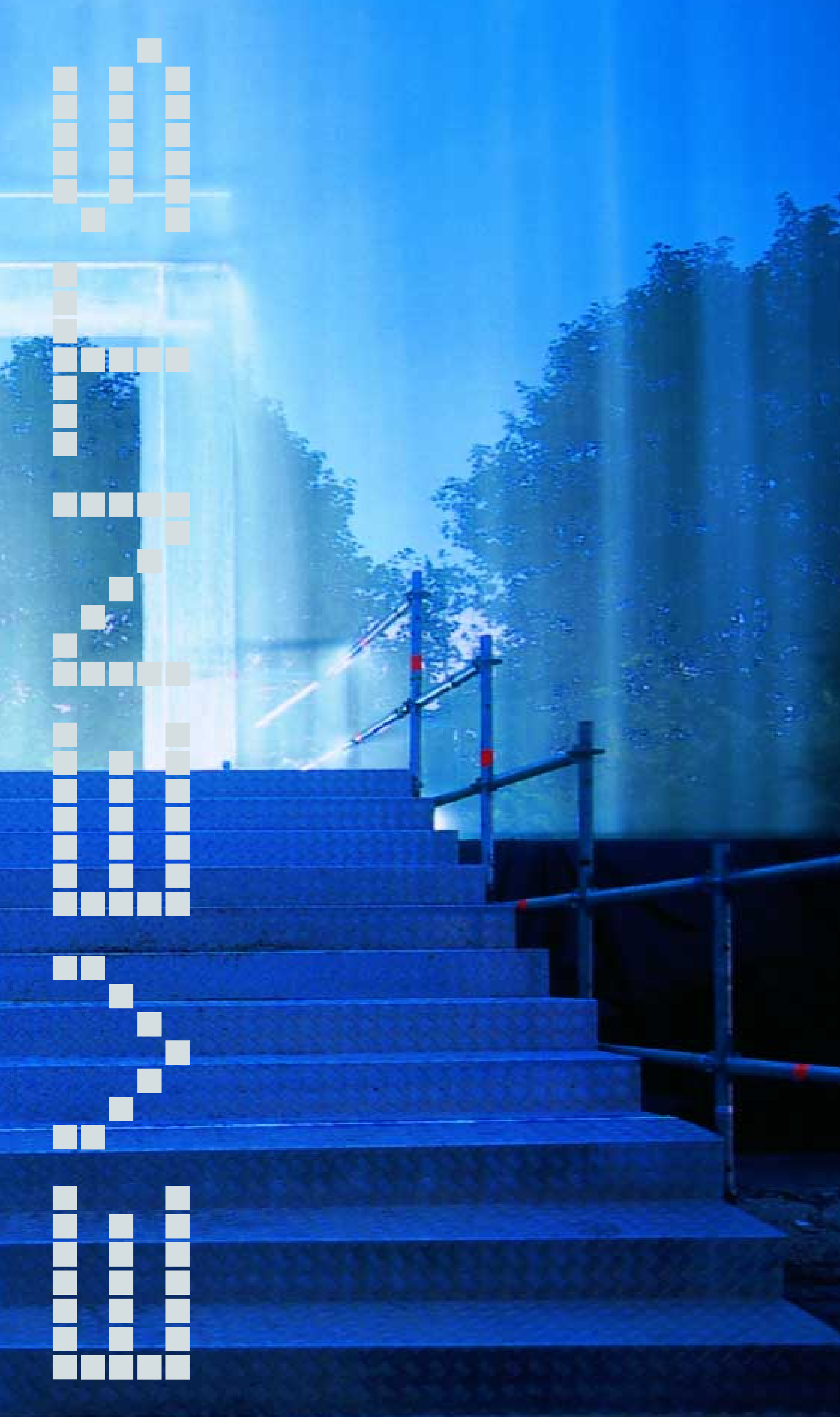



2001
Hugo
2001



Hugo
Hugo

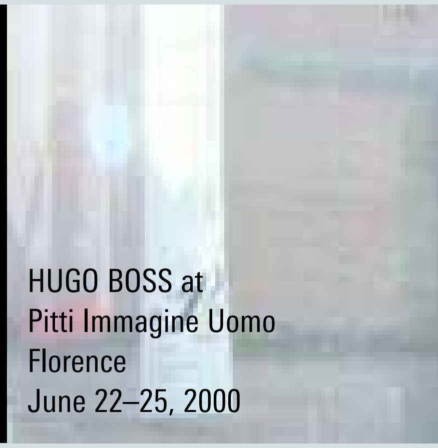




EVENTS

HUGO BOSS

HUGO BOSS at
Men’s Fashion Week
Cologne
February 4–6, 2000

BOSS
HUGO BOSS



HUGO BOSS at
Pitti Immagine Uomo
Florence
June 22–25, 2000

BOSS
HUGO BOSS

BOSS Woman Event at
CPD
Duesseldorf
August 4, 2000





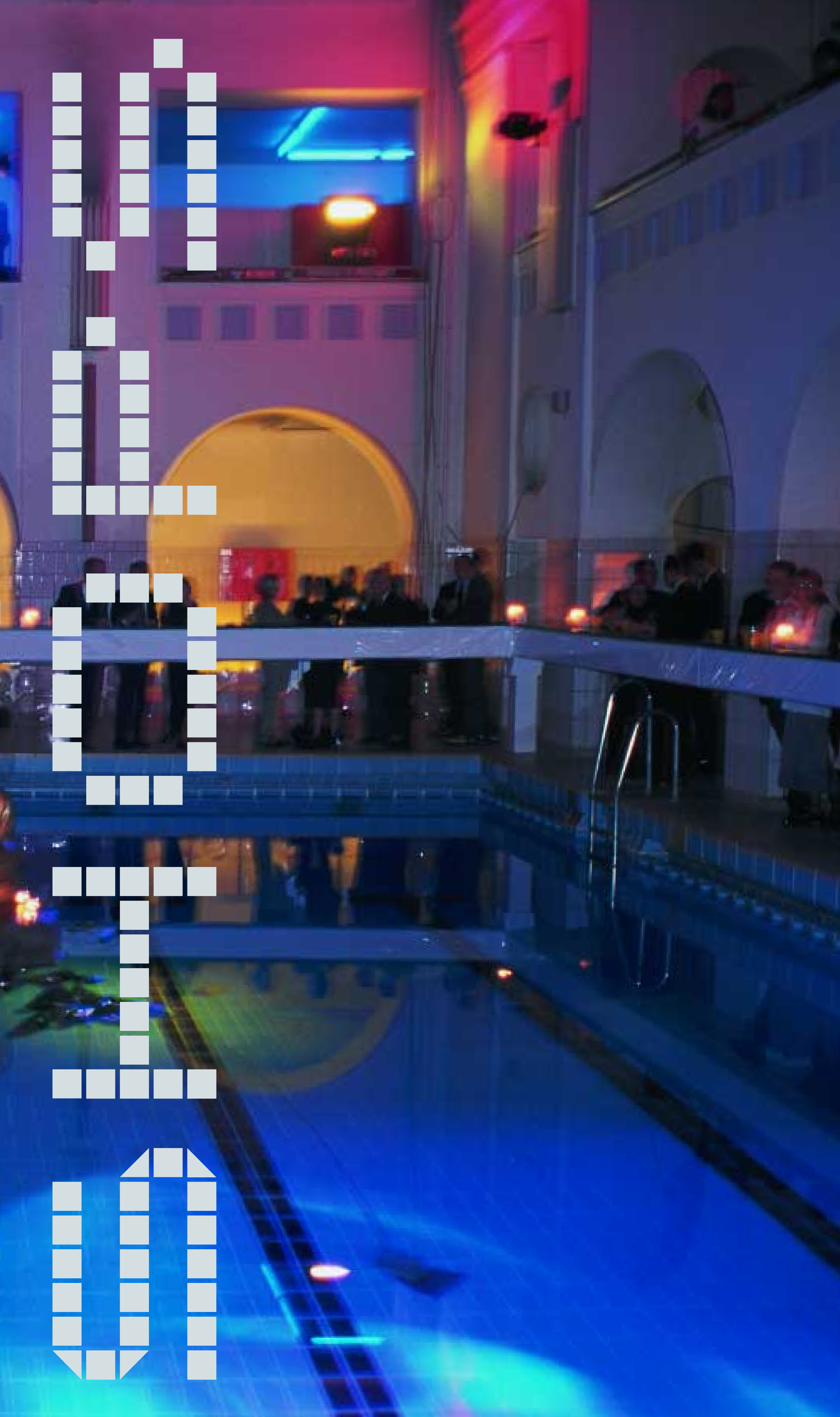











SHOPS

BOSS
HUGO BOSS

BOSS Woman Shop Opening
London
January 25, 2001

BOSS
HUGO BOSS

BOSS Shop Opening
Mannheim
September 29, 2000

Baldessarini
HUGO BOSS

BALDESSARINI Shop Opening
Frankfurt
September 28, 2000






HUGO
HUGO BOSS

HUGO Shop Opening
New York
September 19, 2000








SPORTS

BOSS
HUGO BOSS

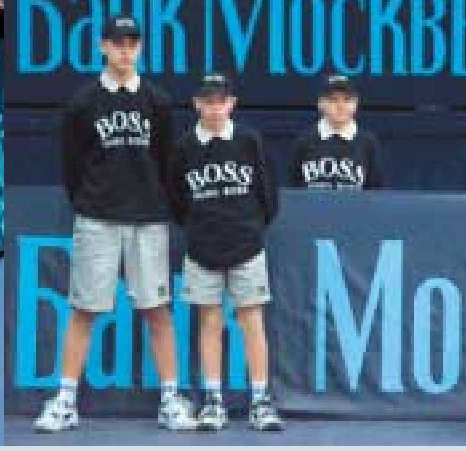
BOSS Sports Sponsorship
Tennis 2000

BOSS Sports Sponsorship
Golf 2000

BOSS Sports Sponsorship
Formula One 2000

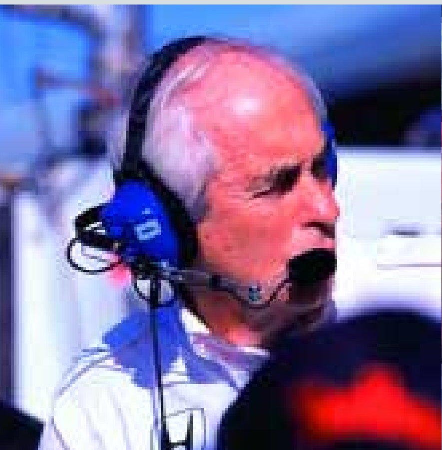
BOSS Sports Sponsorship
Indicart 2000

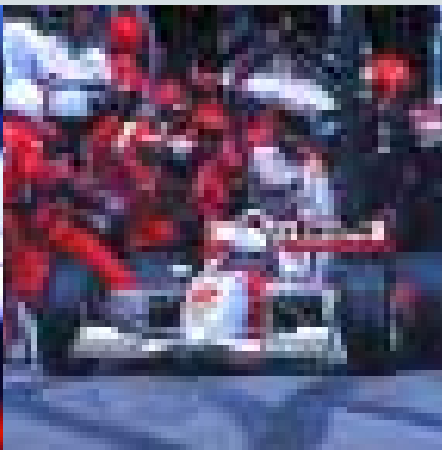
BOSS
BOSS



BOSS
BOSS
BOSS

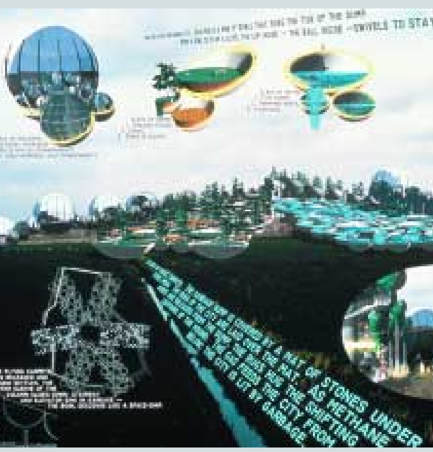
CAMPARI





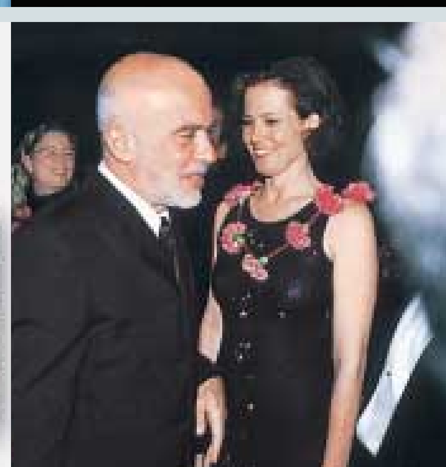

ARTS

HUGO BOSS Arts Sponsorship
HUGO BOSS PRIZE 2000
New York
November 9, 2000



HUGO BOSS

HUGO BOSS Arts Sponsorship
Art Pass 2000
designed by Francesco Clemente













HUGO BOSS Arts Sponsorship
Salzburg Festival
July/August 2000



SEPTEMBER 29, 2000, BOSS SHOP OPENING, MANNHEIM / JANUARY 25, 2001, BOSS WOMAN SHOP OPENING, LONDON / SPORTS: BOSS SPORTS SPONSORSHIP TENNIS 2000 / BOSS SPORTS SPONSORSHIP GOLF 2000 / BOSS SPORTS SPONSORSHIP FORMULA ONE 2000 / BOSS SPORTS SPONSORSHIP INDICART 2000 / ARTS: JULY/AUGUST 2000, HUGO BOSS ARTS SPONSORSHIP SALZBURG FESTIVAL / NOVEMBER 9, 2000, HUGO BOSS ARTS SPONSORSHIP HUGO BOSS PRIZE 2000, NEW YORK / HUGO BOSS ARTS SPONSORSHIP ART PASS 2000, DESIGNED BY FRANCESCO CLEMENTE

Consolidated Financial Statements as of December 31, 2000

Consolidated Balance Sheet as of December 31, 2000 of HUGO BOSS Aktiengesellschaft, Metzingen

Assets	Notes		Dec. 31, 2000	Dec. 31, 1999
	No.	DEM thous.	DEM thous.	DEM thous.
A. Pre-operating and Business Expansion Expenses	(1)		22,235	7,788
B. Fixed Assets	(2)			
I. Intangible assets				
1. Industrial and similar rights			50,420	43,658
2. Goodwill			133	–
			50,553	**43,658**
II. Tangible assets				
1. Land and buildings incl. buildings on third-party land		67,252		63,345
2. Technical equipment and machinery		11,248		10,284
3. Other equipment, factory and office equipment		87,772		72,510
4. Prepayments made and construction in progress		3,929		1,446
			170,201	**147,585**
III. Financial assets	(3)			
1. Shares in affiliated companies		25		25
2. Participating interests in associated companies		5,153		4,992
3. Other investments		47		47
4. Other loans		508		351
			5,733	**5,415**
			226,487	**196,658**
C. Current Assets				
I. Inventories				
1. Raw materials and supplies		74,369		55,175
2. Work in process		13,387		11,267
3. Finished goods and merchandise		205,308		139,632
4. Payments on account		4,779		3,138
			297,843	**209,212**
II. Receivables and other assets	(4)			
1. Trade receivables		230,489		145,234
2. Receivables from associated companies		1,217		1,697
3. Other assets		91,658		46,629
			323,364	**193,560**
III. Liquid assets	(5)		102,751	106,532
D. Prepaid Expenses	(6)		7,646	8,881
			980,326	**722,631**

Equity and Liabilities	Notes		Dec. 31, 2000	Dec. 31, 1999
	No.	DEM thous.	DEM thous.	DEM thous.
A. Shareholders' Equity				
I. Subscribed capital	(7)			
1. Common stock		35,068		35,068
2. Non-voting preferred stock		33,777		33,777
			68,845	**68,845**
II. Capital surplus	(8)		781	781
III. Retained earnings	(9)			
1. Legal reserves		6,104		3,000
2. Other revenue reserves		308,083		252,681
			314,187	**255,681**
IV. Difference arising from capital consolidation	(10)		250	250
V. Consolidated net income for the year			213,206	110,463
VI. Minority interest			–	140
			597,269	**436,160**
B. Accruals				
1. Accruals for pensions and similar obligations		48,658		44,476
2. Tax accruals		42,644		28,430
3. Other accruals	(11)	105,061		88,258
			196,363	**161,164**
C. Liabilities	(12)			
1. Liabilities to banks		39,652		19,820
2. Trade payables		91,135		49,582
3. Liabilities to affiliated companies		5,540		3,926
4. Other liabilities		46,740		51,959
			183,067	**125,287**
D. Deferred Income	(13)		3,627	20
			980,326	**722,631**
Contingent Liabilities	(14)		15,804	13,805

Consolidated Statement of Income

for the Period January 1 to December 31, 2000 of HUGO BOSS Aktiengesellschaft, Metzingen

	Notes		2000	1999
	No.	DEM thous.	DEM thous.	DEM thous.
1. Sales	(15)		1,806,056	1,472,546
2. Decrease/increase in finished goods and work in progress			38,156	–13,417
3. Other own costs capitalized	(16)		15,939	7,788
4. Other operating income	(17)		79,988	64,218
			1,940,139	**1,531,135**
5. Cost of materials				
a) Cost of raw materials and supplies and of purchased merchandise		738,485		575,511
b) Cost of purchased services		162,031		149,971
			900,516	**725,482**
6. Personnel expenses	(18)			
a) Wages and salaries		208,194		167,831
b) Social security and other pension costs		32,493		28,783
			240,687	**196,614**
7. Depreciation of intangible fixed assets, tangible assets and capitalized pre-operating and business expansion expenses	(19)		39,637	34,016
8. Other operating expenses	(20)		438,410	368,854
			320,889	**206,169**
9. Income from associated companies			1,839	1,579
10. Other interest and similar income			5,094	6,509
11. Write-offs of financial assets and marketable securities	(21)		4,836	3,901
12. Interest and similar expenses			3,911	4,025
13. Income from ordinary activities			**319,075**	**206,331**
14. Taxes on income			103,801	94,185
15. Other taxes			2,068	1,559
16. Net income			**213,206**	**110,587**
17. Minority share of result	(22)		–	–124
18. Consolidated net income			**213,206**	**110,463**

Notes to the 2000 Consolidated Financial Statements

of HUGO BOSS Aktiengesellschaft, Metzingen

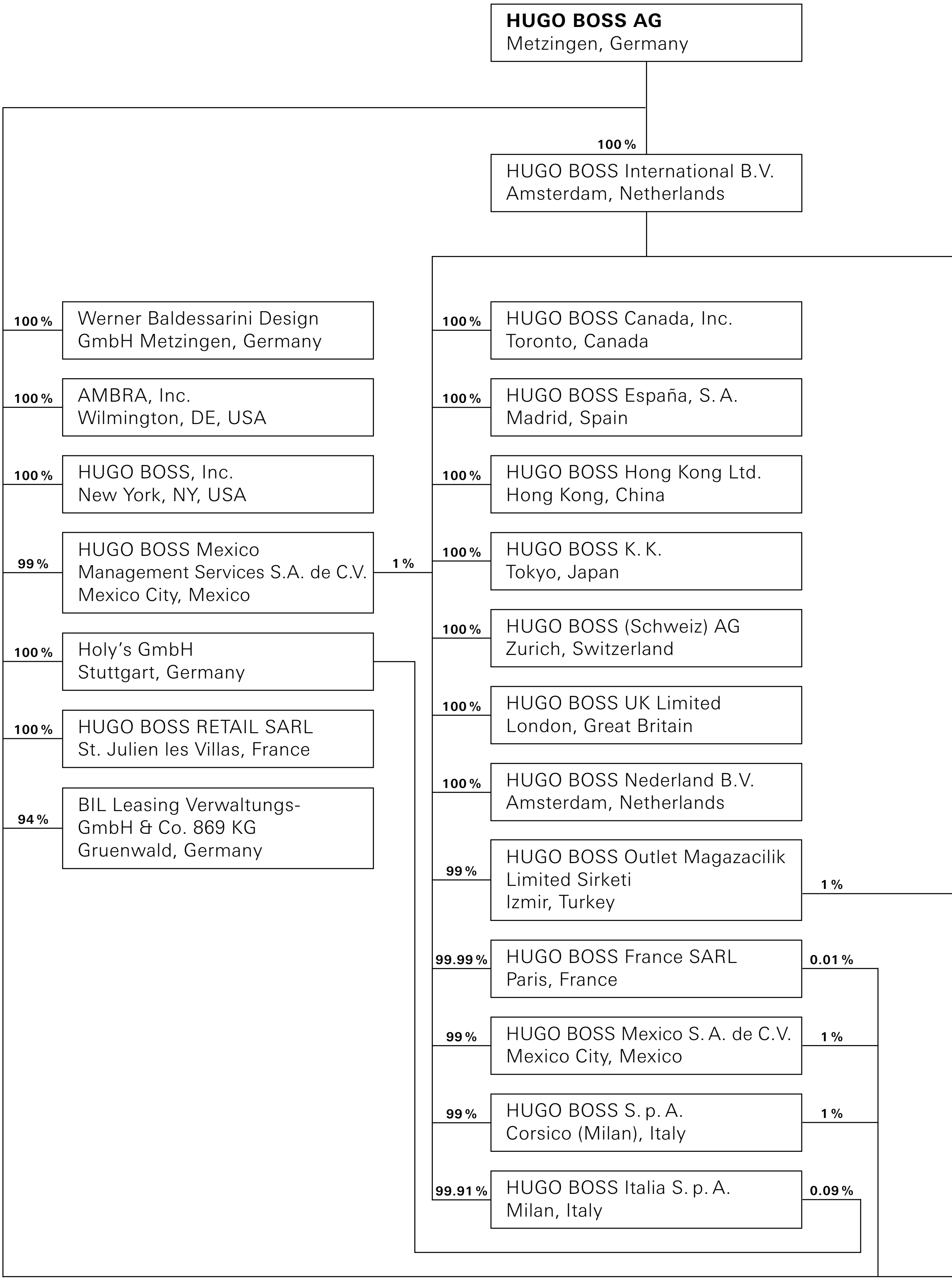
Accounting

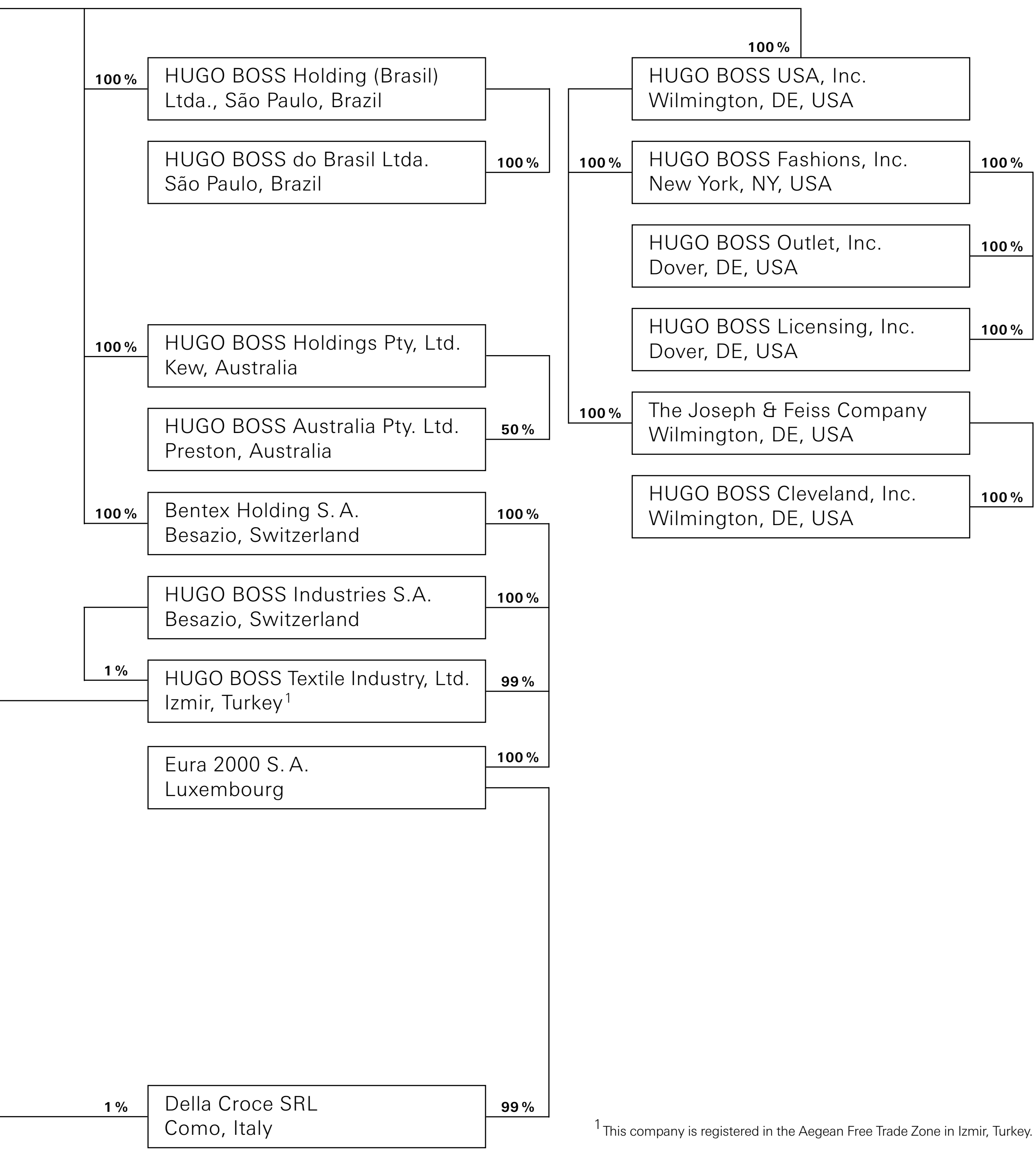
The 2000 consolidated financial statements of HUGO BOSS Aktiengesellschaft have been prepared in accordance with the rules and regulations of the German Commercial Code (HGB) and the Stock Corporation Law (AktG).

To provide a clearer overview of the consolidated balance sheet and the consolidated statement of income, the comments and explanations on the individual items have been included in the notes. Items that were not applicable were not shown.

Marzotto S.p.A., Valdagno, Italy, holds the majority of the voting rights of HUGO BOSS AG via Marzotto GmbH, Frankfurt/Main. The consolidated financial statements of HUGO BOSS AG will be included in the consolidated financial statements of Marzotto S.p.A.

Investment Holdings pursuant to Section 313 (2) of the German Commercial Code





[1] This company is registered in the Aegean Free Trade Zone in Izmir, Turkey.

Consolidated Group and Principles of Consolidation

The consolidated group includes HUGO BOSS AG and subsidiaries in which HUGO BOSS AG directly or indirectly holds the majority of the shareholders' votes, namely:

HUGO BOSS Canada, Inc.
HUGO BOSS España, S.A.
HUGO BOSS France SARL
HUGO BOSS RETAIL SARL
HUGO BOSS Hong Kong Ltd.
HUGO BOSS Italia S.p. A.
HUGO BOSS K. K.
HUGO BOSS (Schweiz) AG
Holy's GmbH
HUGO BOSS Holding (Brasil) Ltda.
HUGO BOSS do Brasil Ltda.
HUGO BOSS Holdings Pty. Ltd.
HUGO BOSS International B.V.
HUGO BOSS UK Limited
HUGO BOSS Nederland B.V.
HUGO BOSS USA, Inc.
HUGO BOSS Fashions, Inc.
HUGO BOSS Outlet, Inc.
HUGO BOSS Licensing, Inc.
The Joseph & Feiss Company
HUGO BOSS Cleveland, Inc.
AMBRA, Inc.
HUGO BOSS, Inc.
Bentex Holding S.A.
HUGO BOSS Industries S.A.
(formerly: Della Croce & Ci S.A.)
Eura 2000 S.A.
Della Croce SRL
HUGO BOSS Textile Industry, Ltd.
HUGO BOSS Outlet Magazacilik
Limited Sirketi
HUGO BOSS S.p.A.
HUGO BOSS Mexico S.A. de C.V.
HUGO BOSS Mexico Management
Services S.A. de C.V.

HUGO BOSS RETAIL SARL (France) and HUGO BOSS Outlet Magazacilik Limited Sirketi (Turkey), retail companies founded in April 2000, and HUGO BOSS Mexico Management Services S.A. de C.V. (Mexico), a service company established in November 2000, were included for the first time. The initial consolidation of these companies had no structural effect on the consolidated statement of income and the balance sheet. The new subsidiaries have been fully consolidated.

In 2000 HUGO BOSS AG increased the indirect participation of HUGO BOSS do Brasil Ltda. via HUGO BOSS Holding (Brasil) Ltda. from 70% to 100%. The initial consolidation of these additional shares led to goodwill of 133 thousand DEM.

The associated company HUGO BOSS Australia Pty. Ltd. was included by using the equity method of accounting according to Section 312 (1) Clause 1 No. 2 of the German Commercial Code (HGB).

With one exception, the book value method was applied for the consolidation of subsidiaries' equity. The acquisition was offset against the share of equity at the date of acquisition or at the time of the initial consolidation. HUGO BOSS USA, Inc. was consolidated using the revaluation method. Pursuant to Section 296 (2) of the German Commercial Code, Werner Baldessarini Design GmbH was not included.

The corporate objectives of BIL Leasing Verwaltungs-GmbH & Co. 869 KG, in which HUGO BOSS AG is a limited partner, are to erect an administrative building in Metzingen and enter into a long-term lease for such premises with HUGO BOSS AG. This company has not been included in the consolidated financial statements because there is no parent-subsidiary relationship with HUGO BOSS AG as defined by Section 290 of the German Commercial Code.

The American holding company HUGO BOSS USA, Inc., the Brazilian holding company HUGO BOSS Holding (Brasil) Ltda. as well as Bentex Holding SA were subconsolidated according to German consolidation principles, including the subsidiaries of these companies. The passive difference from the consolidation of equity resulting from the initial consolidation of Holy's GmbH and HUGO BOSS France SARL was carried forward without change according to Section 309 (2) of the German Commercial Code.

Receivables and payables between consolidated companies were offset; results from sales and services within the Group were eliminated. In the consolidated statement of income, internal sales and other income were offset against the corresponding costs and expenses.

The currency conversion of the subsidiaries' equity using the exchange rates at the balance sheet date resulted in an increase in retained earnings of 3,592 thousand DEM. In the year under review, currency conversion differences aggregating 1,086 thousand DEM from the consolidation of intercompany balances were shown as other operating expenses or, respectively, income. Conversion differences in the amount of –2,523 thousand DEM from consolidation of income and expenses have been reclassified as other operating expenses or, respectively, income without affecting results. Intercompany profits connected with deliveries and services (1,052 thousand DEM) and dividends paid out to HUGO BOSS International B.V. by Group companies (35,472 thousand DEM) were eliminated during the year under review with an effect on current-period results. Intercompany balances resulting from deliveries and services to the associated company have not been eliminated as the amounts were immaterial. Where required, tax was deferred in regard to the consolidation procedures.

Key Figures of the Consolidated Companies of the HUGO BOSS Group

Company	Sales[2]		Result		Equity	
	2000	1999	2000	1999	2000	1999
thous.	DEM	DEM	DEM	DEM	DEM	DEM
HUGO BOSS AG	798,725	726,497	154,422[4]	77,446[4]	421,663	322,780
HUGO BOSS USA, Inc.[1]	254,423	162,793	6,671	3,987	76,715	65,031
HUGO BOSS France SARL	151,254	124,856	15,537	10,886	59,653	57,650
HUGO BOSS UK Limited	102,187	84,739	15,488	11,155	20,755	16,681
HUGO BOSS Nederland B.V.	66,133	57,572	7,399	4,527	9,099	4,362
Bentex Holding S.A.[1]	54,948	52,670	12,771	9,218	56,847	41,560
HUGO BOSS Canada, Inc.	71,058	51,354	3,957	1,800	15,041	10,658
HUGO BOSS Italia S.p.A.	57,830	45,115	2,772	2,316	10,489	7,717
HUGO BOSS K.K.	45,802	38,924	2,811	(707)	5,377	2,880
HUGO BOSS (Schweiz) AG	43,635	37,199	5,140	3,215	6,594	6,387
HUGO BOSS Australia Pty. Ltd.	37,155[3]	31,605[3]	3,679	3,158	10,304	9,984
HUGO BOSS Hong Kong Ltd.	50,654	28,764	5,999	2,725	7,250	4,053
HUGO BOSS España, S.A.	29,110	24,192	2,131	1,916	4,638	3,682
HUGO BOSS Holding (Brasil) Ltda.[1]	22,140	16,105	641	887	2,658	2,386
Holy's GmbH	17,426	12,667	10[5]	(2,474)[5]	1,140	1,140
AMBRA, Inc.	8,097	5,076	120	537	6,357	6,626
HUGO BOSS Mexico S.A. de C.V.	28,180	4,121	237	451	1,278	981
HUGO BOSS S.p.A.	2,187	–	(22,273)	(5,346)	21,276	14,212
HUGO BOSS Mexico Management Services S.A. de C.V.	0	–	0	–	11	–
HUGO BOSS Outlet Magazacilik Limited Sirketi	828	–	(1,667)	–	(1,302)	–
HUGO BOSS RETAIL SARL	1,511	–	9	–	29	–
HUGO BOSS International B.V.	–	–	36,118[6]	5,098[6]	190,408	154,291
HUGO BOSS Textile Industry Ltd.	–	–	(378)	(6,018)	1,792	2,169
HUGO BOSS Holdings Pty. Ltd.	–	–	1,840	1,579	5,153	4,992
HUGO BOSS, Inc.	–	–	0	0	535	496

[1] Subconsolidated financial statement.
[2] External sales; sales with Group companies are eliminated.
[3] Sales are not included in the consolidated financial statement due to equity consolidation.
[4] Net income before income transfer from Holy's GmbH (profit and loss transfer agreement).
[5] Net income before income transfer to HUGO BOSS AG (profit and loss transfer agreement).
[6] Net income includes dividend income of 35,472 thousand DEM in 2000 and 5,124 thousand DEM in 1999.

Accounting and Valuation Principles, Currency Conversion

Accounting and Valuation Principles

Assets and liabilities included in the consolidated financial statements according to Section 300 (2) of the German Commercial Code (HGB) were consistently valued on the basis of the valuation methods applied in the financial statements of HUGO BOSS AG. In particular, valuation options permitted by the Commercial Code were exercised in the consolidated financial statements in the same manner as in the financial statements of the parent company.

For the associated company, the valuation of assets and liabilities was not adjusted for consolidation purposes due to insignificance.

The disclosure and valuation methods applied last year have principally not undergone any changes.

Pursuant to Section 269 of the German Commercial Code, pre-operating and business expansion expenses incurred for the creation of the women's collection and the related business organization were capitalized in the consolidated balance sheet. Corresponding income is shown in the consolidated statement of income as own costs capitalized. With the completion of the setup phase, the amortization of these expenses began on October 1, 2000; the straight-line method will be applied over a period of four years.

Intangible assets acquired were capitalized at the cost of acquisition and amortized using the straight-line method.

Tangible assets were valued at the cost of acquisition or production reduced by regular depreciation.

Buildings were depreciated on the basis of useful lives of 25 to 50 years. Technical equipment and machines have useful lives of 5 to 10 years; for other equipment, factory and office equipment, the useful lives were assumed between 2 and 10 years. The declining balance method with a transition to the straight-line method of depreciation was applied for tangible fixed assets, where consistent with tax directives.

Financial investments were valued at the cost of acquisition or the lower value applicable. In the consolidated financial statements, participating interests in the associated company were valued using the equity method of accounting.

Inventories were valued at the cost of acquisition or production. Cost of production included direct costs of materials, manufacturing costs and special costs of production. Perceivable risks arising from low inventory turnover and reduced utilization were covered by appropriate write-downs.

All apparent individual risks associated with the receivables and other assets were taken into account by suitable write-downs. The general credit risks were adequately covered by a lump-sum bad debt allowance.

Prepaid expenses include payments made before the year-end closing date for a determinable period after this date and, in the consolidated financial statements, the credits balance for deferred taxes resulting from the consolidation. Pursuant to the option of Section 274 (2) of the German Commercial Code, the deferred taxes were not capitalized when the individual financial statements were adjusted to comply with the uniform Group valuation principles.

Accruals for pensions at HUGO BOSS AG have been fully valued on an ongoing basis according to actuarial principles and assuming an interest rate of 4 percent. For the subsidiaries, accruals for pensions have been valued in accordance with local accounting principles.

The tax accruals consist mainly of the anticipated final tax payments for the current fiscal year. The corporation income tax was calculated based on the proposal for the appropriation of profits.

The other accruals cover all ascertainable risks and contingent liabilities. Costs of maintenance and repair not effected were accrued according to Section 249 (1) Clause 3 of the German Commercial Code. Apart from this, certain expenses as stipulated by Section 249 (2) of the Commercial Code were accrued.

For valuation purposes, exchange contracts were combined with the underlying business transaction. Thus the results of such contracts entered into to cover currency risks are not shown until their maturity.

Liabilities were valued at their repayment amounts.

Deferred income includes receipts before the year-end closing date which represent income for a determinable period after this date.

The contingent liabilities reflect the obligations existing at the closing date.

The financial statements of HUGO BOSS AG were drawn up showing the appropriation of net income. The consolidated financial statements do not, however, reflect the appropriation of the consolidated net income.

Currency Conversion

For consolidation purposes, all items in the balance sheets of the foreign subsidiaries were converted at the rate of exchange effective at the balance sheet date and the items in the statement of income were generally converted using the weighted average exchange rates of the year.

For the newly founded Turkish company, HUGO BOSS Outlet Magazacilik Limited Sirketi, the individual accounts were adjusted for inflation before incorporating them into the consolidated statement.

Differences resulting from the application of varying exchange rates were offset against the revenue reserves and therefore did not affect net income. Depending on their nature, the remaining differences resulting from the conversion of foreign currencies were partially reflected in shareholders' equity and partially included in income.

Country	Currency	Average Rate		Current Rate	
		2000	1999	2000	1999
Australia	AUD	1.2306	1.1852	1.1670	1.2733
Brazil	BRC	1.1647	0.9944	1.0651	1.0848
Canada	CAD	1.4284	1.2375	1.4041	1.3420
France	FRF	0.2981	0.2981	0.2981	0.2981
Great Britain	GBP	3.2102	2.9698	3.1379	3.1535
Hong Kong	HKD	0.2729	0.2371	0.2695	0.2507
Italy	ITL	1.0101	1.0101	1.0101	1.0101
Japan	JPY	1.9694	1.6213	1.8308	1.9079
Mexico	MXN	0.2250	0.1984	0.2192	0.2054
Netherlands	NLG	0.8875	0.8875	0.8875	0.8875
Switzerland	CHF	1.2562	1.2221	1.2847	1.2188
Spain	ESP	1.1755	1.1755	1.1755	1.1755
Turkey	TRL	3.4036	n.a.	3.1370	n.a.
USA	USD	2.1224	1.8358	2.1026	1.9504

Evaluation of Finances

Funds Flow Statement

	2000	1999
	DEM thous.	DEM thous.
Net income for the year	213,206	110,463
Depreciation of fixed assets	44,473	37,917
Change in pension accruals	4,182	2,182
Capitalization of pre-operating and business expansion expenses	–15,939	–7,788
Cash flow	245,922	142,774
Change in inventories	–86,989	9,942
Change in receivables and other assets[1]	–130,211	–20,653
Change in trade payables and other liabilities[2]	48,392	–7,945
Change in tax and other accruals	31,017	27,275
Cash flow from operating activities	**108,131**	**151,393**
Disposal of fixed assets	3,258	28,428
Gross investments in fixed assets	–71,584	–91,745
Currency adjustments	–4,584	–12,178
Cash flow from investment activities	**–72,910**	**–75,495**
Dividend preceding year	–55,449	–48,471
Currency conversion and other equity changes	3,451	11,014
Change in financial liabilities	12,996	–24,074
Cash flow from external financing activities	**–39,002**	**–61,531**
Change in liquid funds	**–3,781**	**14,367**
Liquid funds at the beginning of the period	–106,532	–92,165
Liquid funds at the end of the period	**102,751**	**106,532**

[1] Payments on account for inventories, other assets, prepaid expenses.
[2] Other non-interest bearing liabilities, deferred income.

Segmental Reporting

Section 297 (1) Clause 2 of the German Commercial Code (HGB) requires the HUGO BOSS Group, as a public company, to show its financial information by segment in the notes to its financial statements. Since the 1999 fiscal year, the existing menswear activities have been contrasted with the evolving BOSS womenswear segment, thus providing an overview of developments in both areas. Financial information is also reported by geographical segments, i.e. by region.

In accordance with their significance for the HUGO BOSS Group, the business segments as thus defined are presented and analyzed in the Group Management Report. This presentation complies with the German Accounting Standard No. 3 (DRS 3) on segmental reporting.

For the sake of clarity and brevity, we have refrained from repeating the segmental reporting section in the notes to the financial statements and instead refer readers to the Group Management Report, where segment developments are discussed.

Notes to the Balance Sheet

(1) Pre-operating and Business Expansion Expenses

The development of pre-operating and business expansion expenses capitalized during the 2000 fiscal year pursuant to Section 269 of the German Commercial Code (HGB) is shown on pages 126–127.

This item refers exclusively to pre-operating expenses of 22,235 thousand DEM for the BOSS brand women's collection that can be capitalized pursuant to the rule cited above. Corresponding income of 15,939 thousand DEM is shown in the consolidated statement of income as other own costs capitalized.

Upon completion of the set-up phase, the amortization (1,483 thousand DEM) of these expenses commenced in 2000, using the straight-line method to be applied over a period of four years.

During the year ended, this capitalization positively impacted results in the amount of 13,519 thousand DEM.

(2) Fixed Assets

The development of fixed assets during the 2000 fiscal year as defined by Section 268 (2) of the German Commercial Code is shown on pages 126–127.

The intangible assets refer mainly to trademarks and software. The year's additions to intangible assets are due primarily to the acquisition of HUGO trademarks for 4.8 million DEM. These will be depreciated, using the straight-line method, over a period of fifteen years.

The Group's additions to tangible assets (51.7 million DEM) are attributable mainly to marketing investitures and the expansion of the Group's own production facilities in Turkey and the USA. The sales-related investments refer primarily to the new administrative building, showroom extension and renovation (e.g. in the United States and France) and to the BOSS Shop in Florence. Substantial funds were also devoted to IT, logistics and production.

(3) Financial Assets

The only share in associated companies shown is that in HUGO BOSS Australia Pty. Ltd., Australia. The increase is the result of appreciation in conjunction with equity consolidation and currency conversion.

Composition of the financial assets

	2000	1999
	DEM thous.	DEM thous.
Shares in affiliated companies	25	25
Participating interests in associated companies	5,153	4,992
Other investments	47	47
Other loans	508	351
due after more than one year	(508)	(351)
	5,733	**5,415**

(4) Receivables and Other Assets

Classified according to remaining terms (prior year's figures in brackets)

	With a remaining term			Total
	up to 1 year DEM thous.	from 1 to 5 years DEM thous.	of more than 5 years DEM thous.	DEM thous.
Trade receivables	224,019 (145,000)	6,470 (234)	– (–)	230,489 (145,234)
Receivables from associated companies	1,217 (1,697)	– (–)	– (–)	1,217 (1,697)
Other assets	79,985 (34,238)	6,457 (7,911)	5,216 (4,480)	91,658 (46,629)
	305,221 **(180,935)**	**12,927** **(8,145)**	**5,216** **(4,480)**	**323,364** **(193,560)**

Trade receivables rose particularly in the last quarter of 2000 mainly due to higher sales.

Receivables from associated companies are the result of trade in goods and services.

Other assets refer primarily to tax receivables, advances to and receivables from suppliers and other business partners, guarantee deposits, receivables from credit card institutions as well as loans granted to business partners.

The increase in comparison to 1999 results mainly from the appreciably higher prepayments and tax credits.

Notes to the Balance Sheet

(5) Liquid Assets

	2000	1999
	DEM thous.	DEM thous.
Checks/ec-Cash	810	12,100
Cash in hand	419	6,166
Postal giro balances, balances with banks and factoring companies	101,522	88,266
	102,751	**106,532**

Liquid assets mainly comprise credit with banks and credit balances with factoring companies from secured receivables for delivered merchandise.

(6) Prepaid Expenses

	2000	1999
	DEM thous.	DEM thous.
Deferred taxes according to section 306 of the German Commercial Code (HGB)	2,551	3,662
Other	5,095	5,219
	7,646	**8,881**

(7) Subscribed Capital

At December 31, 2000, the subscribed capital of HUGO BOSS AG amounted to 35,200,000.00 EUR, which corresponds to 68,845,216.00 DEM and is divided as follows:

	EUR thous.	DEM thous.
Common stock issued to bearer 3,586,000 shares	17,930	35,068
Non-voting preferred stock issued to bearer 3,454,000 shares	17,270	33,777
	35,200	**68,845**

The Management Board of HUGO BOSS AG is entitled, given the approval of the Supervisory Board, to increase the subscribed capital of the company by authorized capital of 3,520,000.00 EUR until May 17, 2004. The authorized capital can be used to issue common and preferred shares on one or more occasions.

(8) Capital Surplus

This caption consists of the capital surplus according to Section 272 (2) No.1 of the German Commercial Code (HGB).

(9) Retained Earnings

	2000	1999
	DEM thous.	DEM thous.
Legal reserves	6,104	3,000
Other revenue reserves	308,083	252,681
	314,187	**255,681**

Accordingly, the legal reserves developed as follows during 2000:

	DEM thous.
Balance sheet at January 1, 2000	3,000
Allocation from the net income of HUGO BOSS AG for the 1999 financial year according to Section 150 (2) of the German Stock Corporation Law (AktG)	3,104
Balance sheet at December 31, 2000	**6,104**

The other revenue reserves developed as follows during the year under review:

	DEM thous.
Balance sheet at January 1, 2000	252,681
Consolidated net income for the 1999 financial year after allocation to the legal reserves of HUGO BOSS AG	107,359
Effects of currency conversion for the 2000 financial year	3,592
Dividends at HUGO BOSS AG for the 1999 financial year, paid out in 2000	(55,549)
Balance sheet at December 31, 2000	**308,083**

Notes to the Balance Sheet

(10) Difference Arising from Capital Consolidation

	2000	1999
	DEM thous.	DEM thous.
Holy's GmbH, Stuttgart	168	168
HUGO BOSS France SARL, Paris	82	82
	250	**250**

The credit differences incurred in past years by the first consolidation of the subsidiaries did not change during the 2000 financial year.

(11) Other Accruals

	2000	1999
	DEM thous.	DEM thous.
Estimated liabilities	104,323	87,182
Deferred maintenance according to Section 249 (1.1) of the German Commercial Code	139	175
Other accruals for expenses	599	901
	105,061	**88,258**

Accruals for estimated liabilities consist mainly of sales agents' commissions and termination payments, outstanding invoices for goods and services, litigation cost provisions to defend our trademarks, as well as employees' and directors' bonuses. In addition, this position includes accruals for pending claims for damages, liabilities for returns of merchandise, vacation provisions and possible losses from pending business transactions.

(12) Liabilities

Classified according to remaining terms (previous year's figures in brackets)

	With a remaining term			Total
	up to 1 year DEM thous.	from 1 to 5 years DEM thous.	of more than 5 years DEM thous.	DEM thous.
Liabilities to banks	*39,652*	*–*	*–*	*39,652*
	(19,820)	*(–)*	*(–)*	*(19,820)*
Trade payables	*91,106*	*29*	*–*	*91,135*
	(49,535)	*(47)*	*(–)*	*(49,582)*
Liabilities to affiliated companies	*5,540*	*–*	*–*	*5,540*
	(3,926)	*(–)*	*(–)*	*(3,926)*
Other liabilities	*33,185*	*5,725*	*7,830*	*46,740*
	(31,332)	*(14,179)*	*(6,448)*	*(51,959)*
	169,483	***5,754***	***7,830***	***183,067***
	(104,613)	***(14,226)***	***(6,448)***	***(125,287)***

Other liabilities consist mainly of an interest-bearing loan from a business partner (7.4 million DEM), obligations from wages and salaries (2.7 million DEM), liabilities from taxes (6.0 million DEM) and for social security (13.1 million DEM). Liabilities to the HUGO BOSS support fund (7.3 million DEM) are included in liabilities for social security. The legal retention of title commonly used in trade applies to the liabilities from the delivery of raw materials, supplies and purchased merchandise. The sum of 7.6 million DEM of the liabilities to banks is secured by mortages.

Breakdown of other liabilities:

	2000	1999
	DEM thous.	DEM thous.
Other liabilities	*46,740*	*51,959*
from taxes	*(5,985)*	*(4,694)*
for social security	*(13,149)*	*(10,982)*

Notes to the Balance Sheet

(13) Deferred Income

This position is comprised exclusively of deferred income at AMBRA, Inc.

(14) Contingent Liabilities

	2000	1999
	DEM thous.	DEM thous.
Liabilities from the negotiation and transfer of bills	2,440	1,027
Securities	133	–
Contingent liabilities from the provision of collateral for third-party liabilities	13,231	12,778
secured by mortgages	(4,260)	(4,660)
	15,804	**13,805**

Notes to the Statement of Income

(15) Sales

	2000	1999
	DEM thous.	DEM thous.
Classified by brand		
BOSS[1]	1,667,616	1,366,800
HUGO	112,213	86,476
BALDESSARINI	26,227	19,270
	1,806,056	**1,472,546**
Classified by geographical market		
Germany	530,459	500,863
Rest of Europe	671,448	565,236
Americas	391,083	252,652
Other regions	124,909	91,406
Royalties	88,157	62,389
	1,806,056	**1,472,546**

[1] Including sales of other brands totaling 12,860 thousand DEM (1999: 9,440 thousand DEM).

(16) Other Own Costs Capitalized

This item is composed exclusively of start-up costs during the first six months of 2000 resulting from the creation of the BOSS women's collection and the set-up of the related business organization. These costs were capitalized in the consolidated balance sheet as pre-operating and business expansion expenses.

(17) Other Operating Income

	2000	1999
	DEM thous.	DEM thous.
Income on marketing expenses charged	29,436	22,641
Income on other expenses charged	8,265	8,851
Gains on currency translation	20,543	12,252
Other operating income	11,285	14,354
Non-recurring income	10,459	6,120
	79,988	**64,218**

Notes to the Statement of Income

The income on marketing expenses charged is largely made up of charges from Shop outfitting and marketing materials, as well as from advertising and sponsoring activities. Other operating income refers mainly to the release of allowances for bad debts, the consolidation of intercompany balances, and to gains on the sale of fixed assets. The non-recurring income is predominantly comprised of reversed accruals and out-of-period reimbursements.

(18) Personnel Expenses

	2000	1999
	DEM thous.	DEM thous.
Personnel expenses	240,687	196,614
for pensions	(2,001)	(1,834)
non-recurring amounts included	(6,956)	(5,071)

The non-recurring amounts include start-up costs for the BOSS women's collection (5,964 thousand DEM) that are balanced by a corresponding amount of capitalized pre-operating expenses. This item also includes payments for the termination of employment contracts as well as severance pay.

Number of employees on the annual average:

	2000	1999
Industrial employees	1,930	1,384
Commercial and administrative employees	1,464	1,197
	3,394	**2,581**

(19) Depreciation of intangible fixed assets, tangible assets and capitalized pre-operating and business expansion expenses

	2000	1999
	DEM thous.	DEM thous.
Depreciation	39,637	34,016
depreciation on the basis of fiscal regulations only (Section 6 b of the German Income Tax Law, EStG)	(–)	(1,494)

For the first time the depreciation includes amortization of the pre-operating expenses for the BOSS Woman collection (1,483 thousand DEM).

(20) Other Operating Expenses

	2000	1999
	DEM thous.	DEM thous.
Marketing expenses (gross)	159,734	128,060
Other sales expenses	121,687	101,667
General and administrative costs	43,360	33,852
Operating expenses	43,915	28,653
Losses on currency translation	23,885	21,336
Other operating expenses	29,061	37,917
Non-recurring expenses	16,768	17,369
	438,410	**368,854**

The marketing expenses are comprised mainly of costs incurred for advertising, fairs, events, HUGO BOSS Shops and sponsoring activities. The key components of other operating expenses are commission, duties, freight costs – i.e. variable sales-related costs – and costs for producing the collections. General and administrative costs consist largely of legal and consulting fees, IT operating costs, and rents. The increase in sales expenses and administrative costs is attributable primarily to the expenditures for the BOSS women's collection affecting income for the first time. The increase in operating expenses is mainly due to the extension of production capacities at HUGO BOSS Textile Industry in Turkey, and to the intitial impact of logistics costs for the BOSS Woman collection. Operating expenses are further comprised of rent, maintenance expenses and insurance premiums. The other operating expenses are largely allowances for doubtful accounts, exchange hedging transaction costs, losses from the retirement or sale of fixed assets as well as additions to accruals for possible losses from pending business transaction and for other risks. The non-recurring expenses are attributable primarily to outlays in conjunction with the BOSS women's collection shown as own costs capitalized, and to accruals for agent compensation claims and for trademark disputes.

(21) Write-offs of Financial Assets and Marketable Securities

This caption refers exclusively to write-offs for other participating interests in a business partner which AMBRA, Inc. obtained in 2000 in the course of restructuring measures. These shares were in excess of the interests obtained in 1999. The write-off proved necessary because the partner is in very difficult commercial and financial straits.

(22) Minority Share of Result

In the 2000 financial year, HUGO BOSS Holding (Brasil) Ltda. took over the shares of the minority shareholder of HUGO BOSS do Brasil Ltda., thus rendering this item superfluous.

Additional Information

Other Financial Obligations according to Section 285 No. 3 of the German Commercial Code

	2000
	DEM thous.
Due 2001	47,908
Due 2002–2005	119,611
Due after 2005	157,454
	324,973
Obligations from already initiated investments, due in 2001	2,050

Other financial obligations mainly include obligations from rental, leasing and sponsoring contracts.

Obligations from investments arose largely in conjunction with the construction of the new administration building.

Total Remuneration of the Supervisory Board and Management Board

The Supervisory Board received total remuneration of 434 thousand DEM for its services. The total remuneration of the Management Board amounted to 7,534 thousand DEM; 3,671 thousand DEM thereof was fixed, and 3,863 thousand DEM variable.

A former member of the HUGO BOSS AG Management Board received retirement pay in the amount of 41 thousand DEM. Accruals for pension obligations for former members of the Management Board increased to 5,226 thousand DEM. There were no other financial obligations arising from subsidiaries.

Further Information on Supervisory Board Members

The following members of the Supervisory Board are also members of advisory bodies at the following companies:[1]

Dr. Giuseppe Vita	*Continental AG*	*Hanover, Germany*
	Allianz Lebensversicherungs-AG	*Stuttgart, Germany*
	BEWAG AG	*Berlin, Germany*
	Deutsche Bank S.p.A.[2]	*Milan, Italy*
	Sviluppo Italia S.p.A.	*Rome, Italy*
	Riunione Adriatica di Sicurtà (RAS)	*Milan, Italy*
	Lazard & Co. GmbH	*Frankfurt/Main, Germany*
	Dussmann AG & Co. KG aA	*Berlin, Germany*
Jean F. de Jaegher	*Vincenzo Zucchi S.p.A.*	*Milan, Italy*
	Mascioni S.p.A.	*Milan, Italy*
	Marzotto GmbH[3]	*Frankfurt/Main, Germany*
	Linificio e Canapificio Nazionale S.p.A.[2]	*Fara Gera d'Adda, Italy*
	AB Liteksas[3]	*Kaunas, Lithuania*
Dr. Sergio Erede	*Parmalat Finanziaria S.p.A.*	*Milan, Italy*
	Autogrill S.p.A.	*Milan, Italy*
	Interpump Group S.p.A.[2]	*S. Ilario d'Enza, Italy*
	Unisys Italia S.p.A.	*Milan, Italy*
	Societa Italo Britannica L. Manetti – H. Roberts S.p.A.	*Florence, Italy*
	Manetti & Roberts Sanitas S.p.A.	*Florence, Italy*
	Carraro S.p.A.	*Campodarsego, Italy*
	Seat Pagine Gialle S.p.A.	*Turin, Italy*
	Olivetti S.p.A.	*Ivrea, Italy*
	Telecom Italia S.p.A.	*Turin, Italy*
	Exportex S.p.A.	*Milan, Italy*
	Manuli Rubbers Industries S.p.A.	*Campolungo, Italy*
	Marzotto S.p.A.[3]	*Valdagno, Italy*
Dr. Norbert Käsbeck	*AMB Aachener und Münchener Beteiligungs AG*	*Aachen, Germany*
	Friatec AG[3]	*Mannheim, Germany*
	MAN AG	*Munich, Germany*
	SÜBA Bau AG	*Mannheim, Germany*
	HAWESKO Holding AG	*Hamburg, Germany*
	Salamander AG	*Kornwestheim, Germany*
	comdirect bank AG[2]	*Quickborn, Germany*
	Commerz Grundbesitz-Investmentgesellschaft mbH[3]	*Wiesbaden, Germany*
	Commerz Finanz-Management GmbH[2]	*Frankfurt/Main, Germany*
	EURO Kartensysteme EUROCARD und eurocheque GmbH	*Frankfurt/Main, Germany*
	T-Online International AG	*Darmstadt, Germany*
	ADIG Allgemeine Deutsche Investmentgesellschaft mbH[3]	*Haar near Munich, Germany*

Dr. Pietro Marzotto	*FINIINVEST S.p.A.*[2]	*Concordia Sagittaria, Italy*
	Industrie Zignago S. Margherita S.p.A.	*Fossalta di Portogruaro, Italy*
	Vincenzo Zucchi S.p.A.	*Milan, Italy*
	Mascioni S.p.A.	*Milan, Italy*
	Marzotto GmbH[2]	*Frankfurt/Main, Germany*
	Linificio e Canapificio Nazionale S.p.A	*Fara Gera d'Adda, Italy*
	Intrapresa S.r.l.[2]	*Concordia Sagittaria, Italy*
Prof. Dr. Johannes Semler	*Stylepark AG*[2]	*Frankfurt/Main, Germany*
	Hauck & Aufhäuser Privatbankiers KGaA[2]	*Frankfurt/Main, Germany*
Silvano Storer	*Guabello S.p.A.*[2]	*Mongrando, Italy*
	Lanifici Riuniti Biella[2]	*Valdagno, Italy*
	Linificio e Canapificio Nazionale S.p.A.[3]	*Fara Gera d'Adda, Italy*
	AB Liteksas[2]	*Kaunas, Lithuania*

[1] The members not mentioned are not on executive or advisory bodies of any other companies.
[2] Holding the post of Chairperson.
[3] Holding the post of Deputy Chairperson.

Development of Pre-operating and Business Expansion Expenses and Fixed Assets (in DEM thousand)

	Acquisition or manufacturing costs			
	Jan. 1, 2000	Additions	Disposals	Regrouped
A. Pre-operating and Business Expansion Expenses	**7,788**	**15,930**	**0**	**0**
B. Fixed Assets				
I. Intangible Assets				
1. Industrial and similar rights	60,333	13,064	260	0
2. Goodwill	0	133	0	0
	60,333	**13,197**	**260**	**0**
II. Tangible Assets				
1. Land and buildings including buildings on third-party land	94,814	6,161	4,896	0
2. Technical equipment and machinery	40,070	3,922	965	-18
3. Other equipment, factory and office equipment	160,179	37,646	7,023	1,411
4. Prepayments made and construction in progress	1,446	3,921	48	-1,393
	296,509	**51,650**	**12,932**	**0**
III. Financial Assets				
1. Shares in affiliated companies	25	0	0	0
2. Participating interest in associated companies	4,992	1,744	1,167	0
3. Other investments	3,948	4,836	0	0
4. Other loans	351	156	0	0
	9,316	**6,736**	**1,167**	**0**
	366,158	**71,583**	**14,359**	**0**

[1] *The currency adjustment results from the application of the closing rate method.*

		Depreciation		Net book values	
Currency adjustments[1]	Dec. 31, 2000	Fiscal year	Accumulated	Jan. 1, 2000	Dec. 31, 2000
0	**23,718**	**1,483**	**1,483**	**7,788**	**22,235**
3,285	76,421	9,093	26,001	43,658	50,420
0	133	0	0	0	133
3,285	**76,554**	**9,093**	**26,001**	**43,658**	**50,553**
2,107	98,187	3,091	30,935	63,345	67,252
1,373	44,381	3,154	33,133	10,284	11,248
1,280	193,493	22,816	105,721	72,510	87,772
3	3,929	0	0	1,446	3,929
4,763	**339,990**	**29,061**	**169,789**	**147,585**	**170,201**
0	25	0	0	25	25
–417	5,153	0	0	4,992	5,153
304	9,088	4,836	9,041	47	47
0	508	0	0	351	508
–113	**14,774**	**4,836**	**9,041**	**5,415**	**5,733**
7,935	**431,318**	**42,990**	**204,831**	**196,658**	**226,487**

General Information

Our company's performance is best reflected in the Group financial statement. Like many other companies, we have therefore opted for the more comprehensive consolidated presentation and refrained from including the figures of the HUGO BOSS AG financial statement in this report. We would, however, be more than happy to send you the annual report for HUGO BOSS AG as well. To receive your copy, please contact:

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Phone +49 (0) 7123/94-0

The financial statement of HUGO BOSS Aktiengesellschaft will be published in the German Federal Bulletin (Bundesanzeiger) and deposited with the Commercial Registry of the Reutlingen Local Court.

Metzingen, February 20, 2001

HUGO BOSS Aktiengesellschaft
The Management Board

Werner Baldessarini
Dr. Bruno E. Sälzer
Dr. Werner Lackas
Jörg-Viggo Müller
Massimo Suppancig

Contacts

Financial Calendar

Feb. 19, 2001	Publication of the provisional figures for the 2000 business year
April 2, 2001	Balance Sheet Press Conference and DVFA* Analysts Conference
May 3, 2001	Publication of the First Quarter Report 2001
May 21, 2001	Shareholders' Meeting in Stuttgart
Aug. 6, 2001	Publication of the Interim Report 2001
Sep. 3, 2001	DVFA* Analysts Conference
Nov. 5, 2001	Publication of the Third Quarter Report 2001

*German Association of Financial Analysts and Investment Consultants

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