HUGO BOSS

Annual Report 2003

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HUGO BOSS Ten-Year Summary

EUR mill.	2003 IFRS	2002 IFRS	2001 IFRS	2001 HGB
Earnings Position				
Sales	1,054.1	1,093.4	1,094.7	1,094.7
Operating result	118.4	115.4	167.4	162.0
Net income	82.4	74.7	117.6	106.6
adjusted[1]	–	–	107.7	–
Personnel expenses	170.4	158.2	149.3	149.7
Employees[2]	5,110	4,600	4,234	4,240
Financial Status and Dividend				
Cash flow	111.9	105.1	150.6	141.9
adjusted[1]	–	–	140.7	–
Free cash flow before dividend	60.5	61.0	(46.8)[10]	(26.3)[10]
Capital expenditures	46.3	68.4	95.6	73.7
Depreciation/amortization[3]	32.9	32.2	29.4	30.6
Dividend	55.3	53.1	53.1	53.1
Special dividend	–	–	–	–
Asset and Liability Structure				
Total assets	754.5	760.4	756.8	661.7
Shareholders' equity[4]	399.5	385.2	375.3	320.9
Current assets	496.7	498.5	528.5	485.1
Non-current assets[9]	257.9	261.9	199.8	159.5
Key Figures				
Foreign sales in %[5]	75.2	74.8	72.9	71.6
EBIT margin in %	11.2	10.6	15.3	14.8
Return on sales after taxes in %	7.8	6.8	10.7	9.7
adjusted[1]	–	–	9.8	–
Return on equity in %[6]	20.4	18.9	30.9	33.2
adjusted[1]	–	–	28.3	–
Equity ratio in %	52.9	50.6	49.6	48.5
Shares (in EUR)				
Dividend per share				
Common stock	0.78[8]	0.75	0.75	0.75
Preferred stock	0.79[8]	0.76	0.76	0.76
Special dividend per share				
Common stock	–	–	–	–
Preferred stock	–	–	–	–
Earnings per share[7]	–	–	–	1.52
Common stock	1.16	1.05	1.52[1]	–
Preferred stock	1.18	1.07	1.54[1]	–
Cash flow per share	1.59	1.49	2.14	2.02
adjusted[1]	–	–	2.00	–
Common stock				
highest price	18.00	26.10	33.80	33.80
lowest price	8.10	7.60	13.70	13.70
Preferred stock				
highest price	17.93	29.45	39.20	39.20
lowest price	8.48	8.20	15.10	15.10

1 Figures adjusted for the tax effect of the special dividend.
2 Average for the year acc. to HGB/capacities at reporting date acc. to IFRS.
3 Including write-offs of financial assets.
4 Incl. 50% of special untaxed reserves.
5 Export share incl. foreign royalties income.
6 Net income in relation to the average shareholders' equity.
7 2003–2001: based on IFRS; prior to 2001: based on DVFA/SG ("Deutsche Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbachgesellschaft").
8 2003: Recommendation for dividend payment.
9 Until 2001: Fixed assets.
10 Negative amounts are shown in brackets.

2000	1999	1998	1997	1996	1995	1994
HGB	HGB	HGB	HGB	HGB	HGB	HGB
923.4	752.9	683.6	581.0	508.9	460.6	438.2
163.5	109.8	96.1	89.7	66.4	58.5	56.1
109.0	56.5	49.7	42.1	38.9	29.7	26.8
99.1	–	–	–	33.2	–	–
123.1	100.5	91.7	80.4	76.3	71.3	74.6
3,394	2,581	2,195	2,055	2,147	2,104	2,027
125.7	73.0	63.8	57.6	49.6	36.6	38.3
115.8	–	–	–	43.9	–	–
17.8	33.5	(2.6)[10]	18.8	22.5	46.5	18.7
36.6	46.9	29.8	43.9	17.7	11.6	8.1
22.8	19.4	13.3	12.0	8.9	6.5	6.7
49.5	28.4	24.8	20.9	15.0	13.7	11.4
43.9	–	–	–	18.7	–	–
501.2	369.5	333.5	297.2	248.6	215.9	189.0
305.4	223.0	185.7	160.1	146.7	121.6	104.2
370.2	260.4	248.8	225.5	207.4	180.8	151.0
115.8	100.6	81.3	68.0	37.8	32.9	33.5
69.5	63.6	61.7	63.5	64.0	62.1	61.1
17.7	14.6	14.1	15.4	13.1	12.7	12.8
11.8	7.5	7.3	7.2	7.6	6.4	6.1
10.7	–	–	–	6.5	–	–
41.3	27.6	28.8	27.4	29.0	26.3	23.3
37.5	–	–	–	25.3	–	–
60.9	60.4	55.7	53.9	59.0	56.3	55.1
0.70	0.40	0.35	0.29	0.21	0.19	0.16
0.71	0.41	0.36	0.30	0.22	0.20	0.17
0.62	–	–	–	0.27	–	–
0.62	–	–	–	0.27	–	–
1.33	0.85	0.71	0.66	0.50	0.45	0.40
–	–	–	–	–	–	–
–	–	–	–	–	–	–
1.79	1.04	0.91	0.82	0.71	0.52	0.54
1.65	–	–	–	0.62	–	–
29.50	12.70	18.45	11.16	9.18	6.02	5.52
10.20	9.26	10.23	8.13	5.58	4.60	4.09
38.50	14.30	19.99	11.95	9.30	5.72	5.02
10.56	9.53	10.97	8.37	5.59	4.29	3.49

Ladies and Gentlemen,

The year 2003 was a good one for HUGO BOSS. Adjusted for currency effects, we achieved a slight sales increase of 1% (–4% after currency effects) and a rise in the net income of 10%. This result was achieved despite the backdrop of a renewed weakness in the world market for fashion, with negative nominal and real growth of around 3%.

Additional key figures highlight our accomplishments: a net sales return of 8%, an equity ratio of 53% and a free cash flow before dividends of EUR 61 million. Equally, our share price, with a 66% increase in preferred shares and a 76% increase in common shares, showed a better performance than the DAX (+37%) and MDAX (+48%) indices.

The new direction adopted for BOSS Woman with respect to fashion statement, fit, quality of workmanship and pricing has proven successful. After large losses in the previous years (2002: EUR 18 million, 2001: EUR 24 million), losses were limited to EUR 3 million in the first half of 2003. In the second half of the year, the break-even point was reached according to plan. After a decline in the previous year, sales rose significantly (+37%); our goal continues to be the establishment of BOSS Woman as an important pillar to support sales and earnings in the medium term.

Bodywear and socks product lines, which previously had been licensed out, have been incorporated in our own business processes. Preparatory measures to take over the previously licensed out product lines of knitwear, shoes and leather accessories have been finalized. All these segments belong to our core business and complement our range of upmarket clothing.

The fashion markets thrive on emotions, zeitgeist and image. In 2003, we continued to employ very internationally oriented activities to reinforce our Company and our brands. Our basic concept remains unchanged: consumers, trading partners and other stakeholders associate HUGO BOSS and its brands with innovation, creativity and fascination.

There are 636 mono-brand shops in 76 countries that uniformly present our brands throughout the world. They achieve 30% of our sales. Major fashion events in Moscow and Berlin, as well as Tokyo, Hong Kong and Stockholm have demonstrated our fashion expertise this past year. Individual exhibits by Matthew Barney and James Rosenquist took place in

New York in conjunction with the Guggenheim Museum. Moreover, we participated in sponsoring the German pavilion at the Venice Biennale. A yacht labelled with the BOSS logo took part in the challenging "Fastnet Race" in the Irish Sea for the first time.

In order to analyze, question and continuously optimize internal tasks, interfaces and procedures as part of an ongoing process, we launched a company-wide Efficiency Stimulus Program (ESP) in the year under review. Over 800 participants explored cross-departmental processes in both headquarters and subsidiaries in more than 80 workshops and elaborated short- and long-term paths to improvement. Increases in efficiency and economy were achieved in the single digit-million Euro range through the commitment and performance of our employees.

Last but not least – and of particular note given the current German business environment – is the fact that of 510 new jobs within the Group, 51 additional employees were hired in Germany.

We are convinced that 2004 will again be a successful year for HUGO BOSS, despite continuing difficulties in the major fashion markets. Adjusted for currency effects, we anticipate a slight increase in sales and a disproportionately higher rise in net income.

I wish to thank all our employees on behalf of the Managing Board for their successful efforts and their outstanding commitment, as well as our shareholders, customers and other business partners for their trust and support.

Regards

Bruno Sälzer
Chair of the Managing Board

Supervisory Board

Dr. Giuseppe Vita
Berlin
– Chair –

Jean F. de Jaegher
Brussels
– Deputy Chair –

Werner Baldessarini
Riederich

Antonio Favrin
Portogruaro, Venice
Deputy Chair of the Board of Directors
and Chief Executive Officer
Marzotto S. p. A., Valdagno (Italy)

Peter Haupt
Metzingen
Administrative staff member
– Employee Representative –

Roland Klett
Metzingen
Administrative staff member
– Employee representative –

Dr. Pietro Marzotto
Valdagno, Vicenza
Member of the Board of Directors
Marzotto S. p. A., Valdagno (Italy)

Michele Norsa
Milan
General Manager of Fashion Division
Marzotto S. p. A., Valdagno (Italy)

Antonio Simina
Metzingen
Tailor
– Employee Representative –

Managing Board

Dr. Bruno Sälzer
Reutlingen
Chair of the Managing Board
Responsible for Sales and Marketing
Member of the Managing Board
since November 1, 1995

Dr. Werner Lackas
Eningen unter Achalm
Responsible for Production and Logistics
Member of the Managing Board
since October 1, 1997

Lothar Reiff
Reutlingen
Responsible for Creation and Licensing
Member of the Managing Board
since January 1, 2002

Jörg-Viggo Müller
Reutlingen
Responsible for Finance, Human Resources,
Administration and IT
Member of the Managing Board
since April 1, 1993

André Maeder
Höchberg
Responsible for Retail, Shoes and
Leather Accessories
Member of the Managing Board
since January 1, 2004

Dr. Werner Lackas, Dr. Bruno Sälzer, Jörg-Viggo Müller, Lothar Reiff (left to right)

HUGO BOSS – Key Share Data

	2003	2002
Number of shares	**70,400,000**	**70,400,000**
common shares	35,860,000	35,860,000
preferred shares	34,540,000	34,540,000
Earnings per share in EUR		
common share	1.16	1.05
preferred share	1.18	1.07
Dividend per share in EUR [1]		
common share	0.78	0.75
preferred share	0.79	0.76
Year-end (12/31) share price in EUR		
common share	16.30	9.25
preferred share	15.95	9.61
Share price in EUR		
common share		
high	18.00	26.10
low	8.10	7.60
preferred share		
high	17.93	29.45
low	8.48	8.20
Market capitalization in EUR mill.		
high	1,264.78	1,953.15
low	583.37	555.76
Price-earnings ratio [2]		
high	15	28
low	7	8
Dividend yield [2]		
high	4.4%	2.6%
low	9.3%	9.3%

[1] 2003: Recommendation for dividend payment.
[2] Based on maximum/minimum prices of preferred share.

Type of Share: No-par-value Shares

Security Code Number (WKN)
– common share: 524 550
– preferred share: 524 553

International Securities Identification Number (ISIN)
– common share: DE 000 524 55 00
– preferred share: DE 000 524 55 34

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

The HUGO BOSS Shares

The stock exchange in 2003

This past fiscal year, 2003, was characterized by a pronounced recovery in the stock markets. The DAX reached its peak at year-end at almost 4,000 points. This represents an increase of 37% from the beginning of the year. The MDAX, the index on which the HUGO BOSS share is listed, showed even sharper growth at 48%.

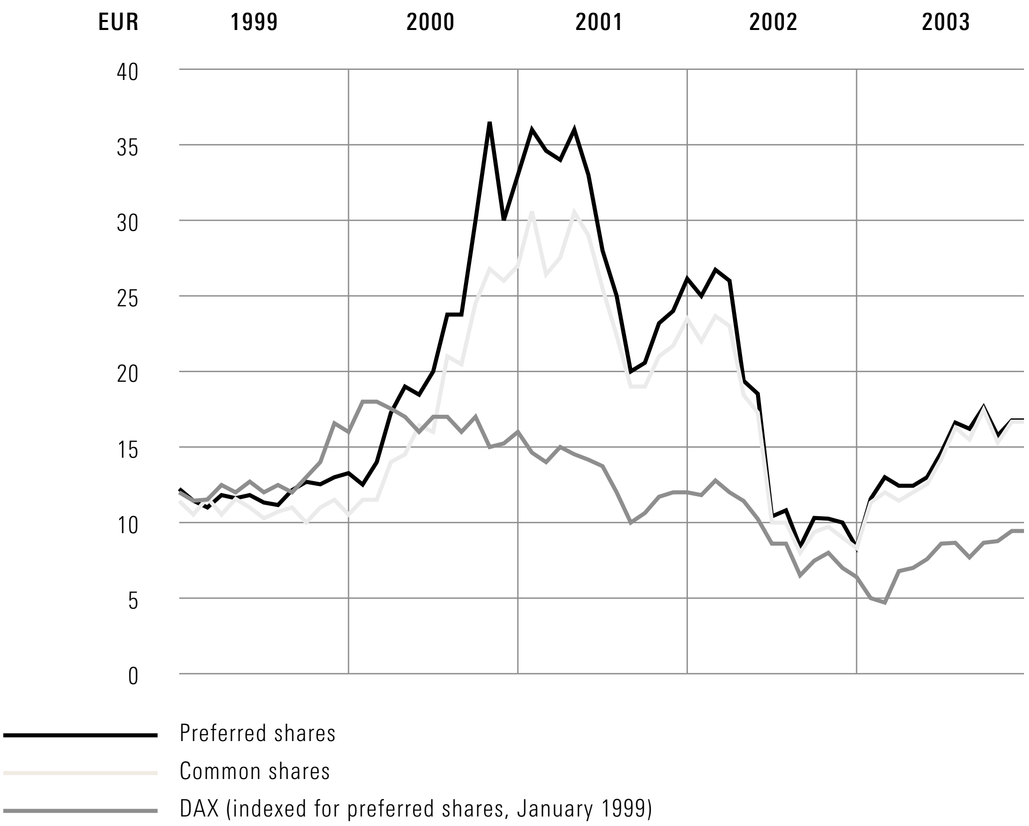
Internationally as well, markets were able to recover from the weak performance of 2002. The European STOXX 50 rose by 15%, the U.S. Dow Jones by 25% and the Nikkei index in Japan by 24%.

Despite a pronounced weakness in a number of significant consumer markets, HUGO BOSS AG shares rose in value considerably compared to all key indices. The price of preferred shares rose from EUR 9.61 to EUR 15.95 (+66%), the price of common shares from EUR 9.25 to EUR 16.30 (+76%).

In the first quarter, in line with the key stock exchange indices, the price of common and preferred shares fell due to a generally pessimistic outlook on global economic growth in 2003 to an annual low (preferred shares EUR 8.48, common shares EUR 8.10). Once HUGO BOSS' promising earnings forecasts were published for fiscal 2003, prices rose significantly. Both share classes reached their highest levels in the third quarter of 2003 (preferred shares EUR 17.93, common shares EUR 18.00). Since the German tax reform was finalized only very late in the year, expectations for economic recovery were subdued. HUGO BOSS AG shares closed slightly below the year's high at EUR 15.95 (preferred shares) and EUR 16.30 (common shares).

Corporate value rose considerably during 2003 in tandem with share price development. At the end of the fiscal year, market capitalization of HUGO BOSS AG totaled EUR 1,135 million (2002: EUR 664 million). With a market capitalization of EUR 429 million, adjusted for the freefloat, HUGO BOSS AG preferred shares occupied 32nd place on the MDAX in the ranking of Deutsche Börse AG. An average volume of EUR 30 million per month put HUGO BOSS AG in 27th place in terms of trading volume.

Share Price Development



The positive development of the share price reflects HUGO BOSS' business growth in 2003. In particular, the two major brands BOSS and HUGO showed positive growth despite the continued economic weakness of the core markets and have been able to expand their market position in key markets for the future.

High level of free cash flow continues

Free cash flow before dividends in 2003 at approximately EUR 61 million was in line with the previous year's record high. While net earnings rose by 10% to EUR 82 million, net capital invested remained almost constant at EUR 539 million (+1%), while capital expenditure (2003: EUR 46 million, 2002: EUR 68 million) exceeded depreciation by 47% (2003: EUR 32 million, 2002: EUR 30 million).

The Managing and Supervisory Boards will be proposing to the Annual Shareholders' Meeting a dividend of EUR 0.78 per common share and EUR 0.79 per preferred share, up by 3 cent compared to the previous year's dividends. Dividend yield remains high at 4.8% for common shares (preferred shares 5.0%).

Earnings per share

Earnings per share also rose satisfactorily in line with net earnings (+10%). As a result, earnings per common share rose to EUR 1.16 (2002: EUR 1.05), and per preferred share to EUR 1.18 (2002: EUR 1.07).

Investor Relations

As before, open and transparent communication was the focus of our investor relations work in fiscal 2003. This was confirmed by HUGO BOSS being awarded third place of MDAX companies by the magazine “Focus Money.” Key to this distinction was the excellent rating obtained for strength in earnings and transparency in accounting.

Communication in the capital markets emphasized discussions with opinion-making analysts and international investors.

Current developments and future potential of the HUGO BOSS Group were the subjects of two analysts’ conferences and during conference calls taking place on a regular basis. Numerous meetings at the Metzingen headquarters, participation in a series of investment conferences and more than 20 roadshows at all key international financial centers allowed institutional investors and analysts direct access to top management.

Communication with private investors was also intensified. A number of events took place in conjunction with shareholder representatives.

The most important investor relations event during 2003 was once again the Annual Shareholders’ Meeting, with 69% of equity ownership represented.

Internet information

All investors can retrieve information on the Company, such as quarterly reports, press releases and financial event dates, as well as continuously updated corporate presentations, immediately after publication, from the investor relations pages. Records of analyst meetings and conference calls are also accessible to all interested parties via the Internet. This allows opportunities for communication with private investors offered by the Internet to be exploited.

Share ownership (December 31, 2003)

	Number of shares	in %
Majority shareholder: Marzotto International N.V., Amsterdam, Netherlands		
Total shareholding	**35,854,128**	**50.9**
common shares	28,242,128	78.8
preferred shares	7,612,000	22.0

Stable shareholder structure

Marzotto Group's share of HUGO BOSS stock is 50.9% (35,854,128 shares). The Marzotto Group holds 78.8% of common shares (28,242,128 units) and 22.0% of preferred shares (7,612,000 units). This implies that 21.2% of common shares and 78.0% of preferred shares are widely held. We are not otherwise aware of any single investor holding voting rights exceeding five percent. Notable blocks of shares are held by major institutional investors in North America, the United Kingdom and Germany.

Corporate Governance at HUGO BOSS AG

Application of the German Corporate Governance Code at HUGO BOSS AG

HUGO BOSS supports transparent and responsible management, which is based on an intensive dialogue between the Managing and Supervisory Boards. This dialogue has continually been improved and intensified over the past few years. HUGO BOSS AG's Managing Board has promptly and comprehensively reported to the Supervisory Board on the Group's position, including risks and risk management, as well as on matters of corporate planning and strategic development. For business transactions requiring consent of the Supervisory Board according to the Company Statutes, such consent was obtained. HUGO BOSS also ensured appropriate implementation of all legislative requirements.

Even prior to the adoption of the German Corporate Governance Code, HUGO BOSS had enacted the majority of recommendations. The amendments to the Company Statutes resolved on May 27, 2003, created the framework required to apply future recommendations under the Corporate Governance Code.

The following are the only recommendations in the Code that have not been put into practice:

– "In principle, each share carries one vote." (Section 2.1.2 of the Code)

At December 31, 2003, the share capital of HUGO BOSS AG was divided into 35,860,000 voting common shares and 34,540,000 non-voting preferred shares. This division exists for historical reasons. On December 19, 1985, initially only non-voting preferred shares were issued. In order to better respond to the differing preferences of market participants, common shares were floated in 1987; nominal capital remained unchanged.

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

HUGO BOSS AG covers the D&O risk by taking out appropriate property and liability insurance for the members of its executive bodies, which also encompasses coverage for the Supervisory Board members. The costs (EUR 0.3 million) are borne by the company.

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

– "Changing such performance targets or the comparison parameters retroactively shall be excluded. For extraordinary, unforeseen developments a possibility of limitation ('Cap') shall be agreed for by the Supervisory Board." (Section 4.2.3 Sentences 6 and 7 of the Code)

We do not intend to apply a cap to compensation of the Managing Board within the long-term incentive system (stock appreciation rights program) in the event of extraordinary, unforeseen developments. HUGO BOSS AG's long-term incentive system provides a number of participation rights for members of the Managing Board and specified employees, enabling them to benefit from price increases of HUGO BOSS shares. This program was established prior to the effective date of the relevant recommendation, which could therefore not be incorporated. We do not plan a post facto change of objectives or comparative parameters.

– "Compensation of the members of the Management Board shall be reported in the Notes of the Consolidated Financial Statements subdivided according to fixed, performance-related and long-term incentive components. The figures shall be individualized." (Section 4.2.4 of the Code)

and

– "The compensation of the members of the Supervisory Board shall be reported in the Notes of the Consolidated Financial Statements, subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall be listed separately in the Notes to the Consolidated Financial Statements." (Section 5.4.5 Para. 3 of the Code)

During the past fiscal year, HUGO BOSS AG again took advantage of the opportunity of calling upon the experience of Supervisory Board members on special topics. This cooperation is performed under conditions customary in the industry, which would also apply to comparable transactions with third parties.

A detailed disclosure of the individual amounts would not be relevant to the capital markets.

Moreover, it has been observed that individual disclosure may lead to a levelling of compensation among members of the managing board. This would not be in the best interest of the Company and its shareholders.

– "The shareholdings, including options and derivatives, held by individual Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company." (Section 6.6 Para. 2 Sentence 2 of the Code)

The German Securities Trading Act prescribes certain announcements and publications in the event that voting rights in the Company exceed or fall below certain levels, as well as in the event of acquisition or sale of the shares or related acquisition or sale rights on the part of members of the Managing or Supervisory Boards. Legislators have weighed the interests of the capital markets against data protection rights. Section 6.6 Para. 2 Sentence 2 of the Code conflicts with this legislation. It is the opinion of the Managing and Supervisory Boards that legislative requirements pertaining to disclosure, together with information under Section 6.6 Para. 2 Sentence 3 of the Code on shareholder information, are sufficient.

With registration of the amendments to the Company Statutes, on July 23, 2003, resolved in the Annual Shareholders' Meeting, HUGO BOSS AG complies with the recommendations of Section 5.4.5 Para.s 1 and 2 of the Code.

Declaration of the Managing Board and Supervisory Board pursuant to Section 161 AktG (German Stock Corporation Act)

HUGO BOSS Aktiengesellschaft, Metzingen
– Securities ID Nos. 524 550, 524 553 –

The Managing and the Supervisory Board of HUGO BOSS AG herewith declare pursuant to Section 161 AktG (German Stock Corporation Act) that they have generally complied with the recommendations of the Government Commission German Corporate Governance Code in the version of November 7, 2002 – published in the electronic Federal Gazette (Bundesanzeiger) on November 26, 2002 – since the first Compliance Declaration of December 2002 until the new version of the German Corporate Governance Code dated July 4, 2003.

The recommendations under sections 2.1.2, 3.8 paragraph 2, 5.4.5 paragraph 1 (partially), paragraphs 2 and 3, of the German Corporate Governance Code were not complied with.

Since July 4, 2003, the recommendations of the Government Commission German Corporate Governance Code in the version of May 21, 2003 – published in the electronic Federal Gazette on July 4, 2003 – have been and are generally complied with.

The recommendations of the German Corporate Governance Code under sections 2.1.2, 3.8 paragraph 2, 4.2.3 sentence 6 and 7, 4.2.4, 5.4.5 paragraph 3, 6.6 paragraph 2, sentence 2 as well as, until July 23, 2003 (date of registration of change of Bylaws, adopted in the General Shareholders' Meeting in May 2003), the recommendations under section 5.4.5 paragraph 1 (partially) and paragraph 2, were not and are not complied with.

Metzingen, December 2003

The HUGO BOSS Group

HUGO BOSS

Outstanding products, professional logistics systems and an excellent product presentation have made HUGO BOSS the global market leader in the up-market clothing segment. We intend to build on this position and further expand our market potential in the future.

We have convinced customers all around the world of our brand strength. With fashions for the most varied target groups, for the most exacting demands and for every occasion, we have been able to maintain our market leadership throughout 2003.

Our brands are the key to our success.

BOSS

Our core brand BOSS, with an extensive women's collection and three independent men's collections, offers fashion for every occasion to quality-conscious men and women.

BOSS Woman

Versatility is the keynote of our BOSS Woman collection. The cosmopolitan and self-confident BOSS Woman customer can express her very personal style with an outfit of outstanding quality in perfect taste. The collection offers feminine tailoring, excellent fit, high-quality materials, refined details and unobtrusive elegance.

BOSS Black

Assurance is provided by BOSS Black with a collection that consistently offers the right outfit. Up-to-date styling, sophisticated tailoring and superior quality meet the high demands of the successful man, at home in the world's metropolises. BOSS Black, with a focus on youthful design and high-quality workmanship, links sophisticated elegance with value for money.

BOSS Orange

Trends are set by the sporty BOSS Orange line with its men's collection for individualists by making a distinct fashion statement in the casual market. Attention to detail and a variety of combination possibilities provide a new interpretation of the usual BOSS quality.

BOSS Green

Function is addressed by the BOSS Green collection for the modern, active man. Technically optimized sportswear and sporty daily wear is combined with functional fabrics in stylish multi-functional clothing of the highest standard for dynamic outdoor and the latest leisure activities.

HUGO

Avantgarde is the word for the trendy HUGO collection for men and women. The cut emphasizes the body, fabrics are innovatively combined and the look is unconventional. This is fashion for individualists who want to make a statement with their outfit.

BALDESSARINI

Exclusivity is embodied in the BALDESSARINI collection, supplemented by top quality home accessories. BALDESSARINI customers share a passion for detail, superior quality and the finest fabrics.

Licenses

Lifestyle accessories, manufactured and sold under license, complete the HUGO BOSS brand collections.

In the world of fragrance, our cooperation with Procter&Gamble, established in 1984, was again successful in 2003. HUGO BOSS is a market leader in the exclusive fragrance segment in all key markets. This position was expanded this past year with the successful launch of “BOSS Intense.” The extension of this licensing agreement represents the foundation for long-term dynamic growth in the fragrances market.

Simultaneously, textile licenses are being integrated into the HUGO BOSS value creation process. Following the previous year’s integration of the bodywear and socks product lines into our internal business processes, the takeover of licenses for knitwear, shoes and leather goods, already initiated, will continue in 2004. These measures serve to further strengthen our core competencies.

Creation and production

HUGO BOSS creative teams continuously develop new collection themes and products aimed both at reflecting zeitgeist and satisfying a demand for innovation. Extensive global research and product testing are conducted for this purpose. HUGO BOSS creates exclusive designs and colors as well as special finishes in outer fabrics. The model team transforms these ideas into prototypes supported by up-to-date CAD software. HUGO BOSS production sites, like our plant in Izmir, Turkey, then quickly manufacture models, which are shown in the international showrooms as sales samples. Our quality assurance department monitors the entire production process, uniformly applying high standards. It also ensures the ongoing specialist training of staff.

Infrastructure

Seamless provision of our products to retailers is assured by an efficient, globally networked infrastructure. Trading partners receive seasonal collection components in several delivery windows each year, allowing a prompt and flexible response to customer needs. Moreover, in the case of individual re-orders, our partners can obtain delivery of goods in stock within 24 hours in Germany and 48 hours within Europe.

Integrated IT systems support this process at all HUGO BOSS warehousing and sales locations. We will continue to focus on the constant adaptation of our technologies to ongoing market developments and internal corporate requirements in the future.

Distribution policy

Despite the difficult economic situation, HUGO BOSS will continue to intensify the transformation of its brands into international life-style brands with worldwide recognition. Our sales policy is based on two strategies: On the one hand, distribution via so called mono-brand shops serves to reinforce the brand experience and create a global image. On the other hand, we rely on our long-term close cooperation with strong trading partners to enable us to convey the fascination of our brands to the final customer. The goal of distributing via up-market fashion retailers is to contribute to joint synergy and focus more sharply on customer convenience.

As a result of this distribution policy, customers from 108 countries currently trust our brands and products. Unique customer and market proximity is achieved by HUGO BOSS subsidiary representation in core markets. In smaller markets, we service our customers directly from our headquarters in Metzingen.

HUGO BOSS Shops

Fashion is an international, visual and, last but not least, a life-style phenomenon. HUGO BOSS shops are designed to give customers the possibility to experience the brands. Contributing to this experience are shop concepts that have a common global theme and are customized for the BOSS (Black, Orange, Green and Woman), HUGO (Man and Woman) and BALDESSARINI brands. These mono-brand shops serve as the showcase for the HUGO BOSS brand world. They ensure optimum merchandise display and promote sales.

The number of shops operated directly by HUGO BOSS will continually be increased in the future. This will enable us to establish in-house retail expertise, which is increasingly important in a competitive environment.

Trade marketing

Various trade marketing activities worldwide bring the HUGO BOSS brands to life at the point of sale and provide support to retailers.

These activities involve decorating retail areas for the individual brands, changing window-decoration monthly, and developing promotion and advertising materials for our retail partners. The range of trade marketing services is complemented by retailing events and professional internal training programs for the sales force.

Communication

Corporate and brand communication for HUGO BOSS is managed globally from Group headquarters in Metzingen. International PR agencies and in-house PR offices in HUGO BOSS subsidiaries are coordinated to support our public image in core markets.

Corporate communication concentrates on media reports, press conferences as well as events such as the Annual Shareholders' Meeting. Corporate communication also assures an internationally consistent presentation and public image for the Group by developing and shaping a HUGO BOSS corporate identity.

Brand communication supports and strengthens the images of the individual brands of BOSS, HUGO and BALDESSARINI. Editorials and photo spreads in leading fashion and life-style magazines are an important component here, as well as interviews with designers and articles about fashion shows. In addition, the brands are emotionally charged by wardrobing films and celebrities with HUGO BOSS products.

Worldwide print ads are coordinated at Company headquarters with the assistance of professional media agencies. Seasonally changing advertising campaigns permit brand visualization and assure a uniform public image worldwide.

The HUGO BOSS Internet presence is of overarching significance in communication. Comprehensive, up-to-date information, financial disclosures and special sales promotions provide an information source for customers, retailers, the press and shareholders alike.

Sponsorship and events

HUGO BOSS' cultural involvement in the sphere of contemporary fine arts has become established in the Company as well as in the public domain. We see this as the optimal connection between fashion and art as well as a bridge that strengthens and communicates the aesthetic message of the HUGO BOSS brands.

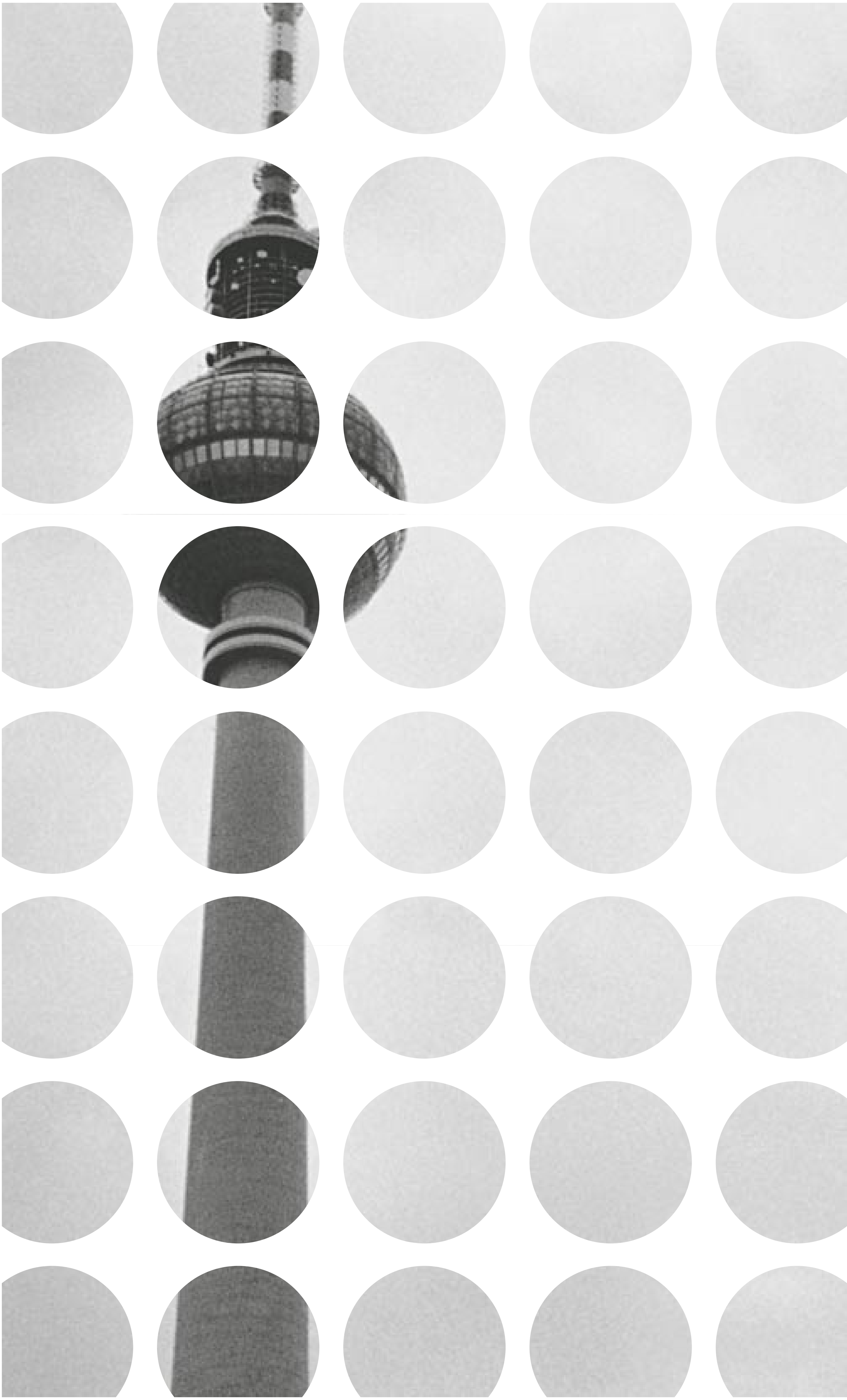
We benefit from a similar image transfer through sport sponsorship activities. HUGO BOSS is engaged in dynamic sports that impressively convey the values of the BOSS core brand: internationalism, perfection and success.

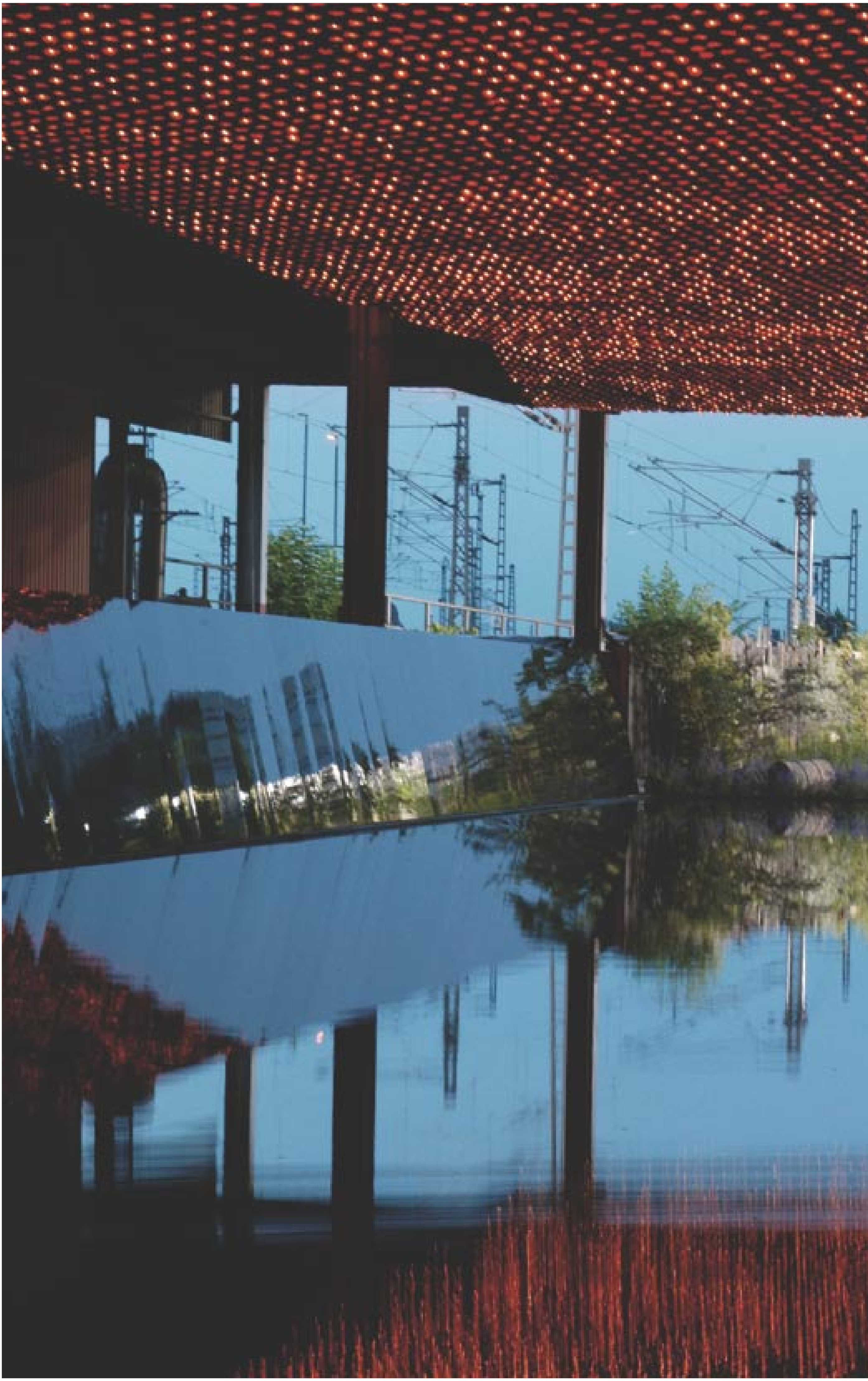
Activities in the world of sports as well as big fashion events in the world's major cities allow us to demonstrate our fashion expertise and permit our brands to be identified with emotional experiences.

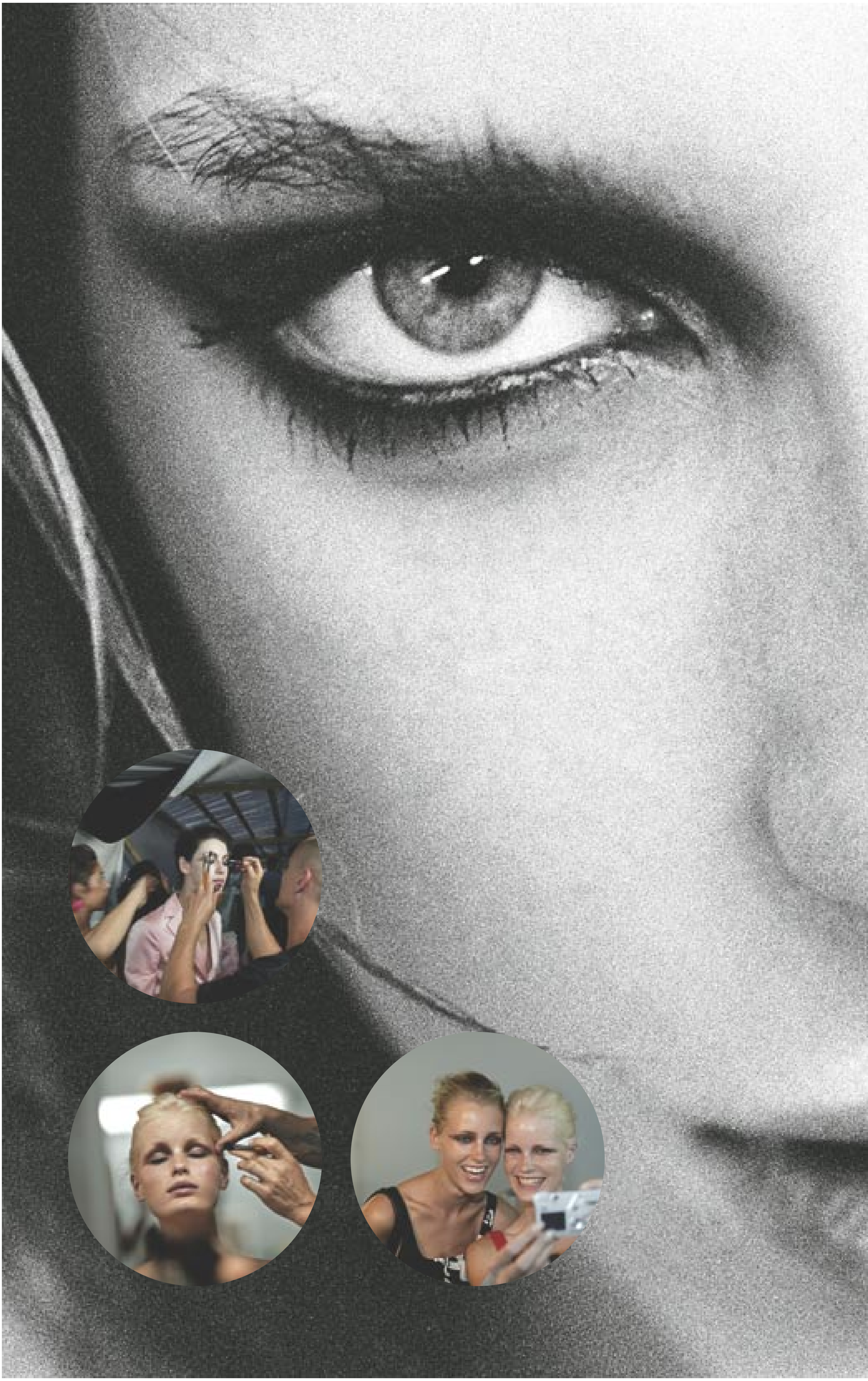
E-Business

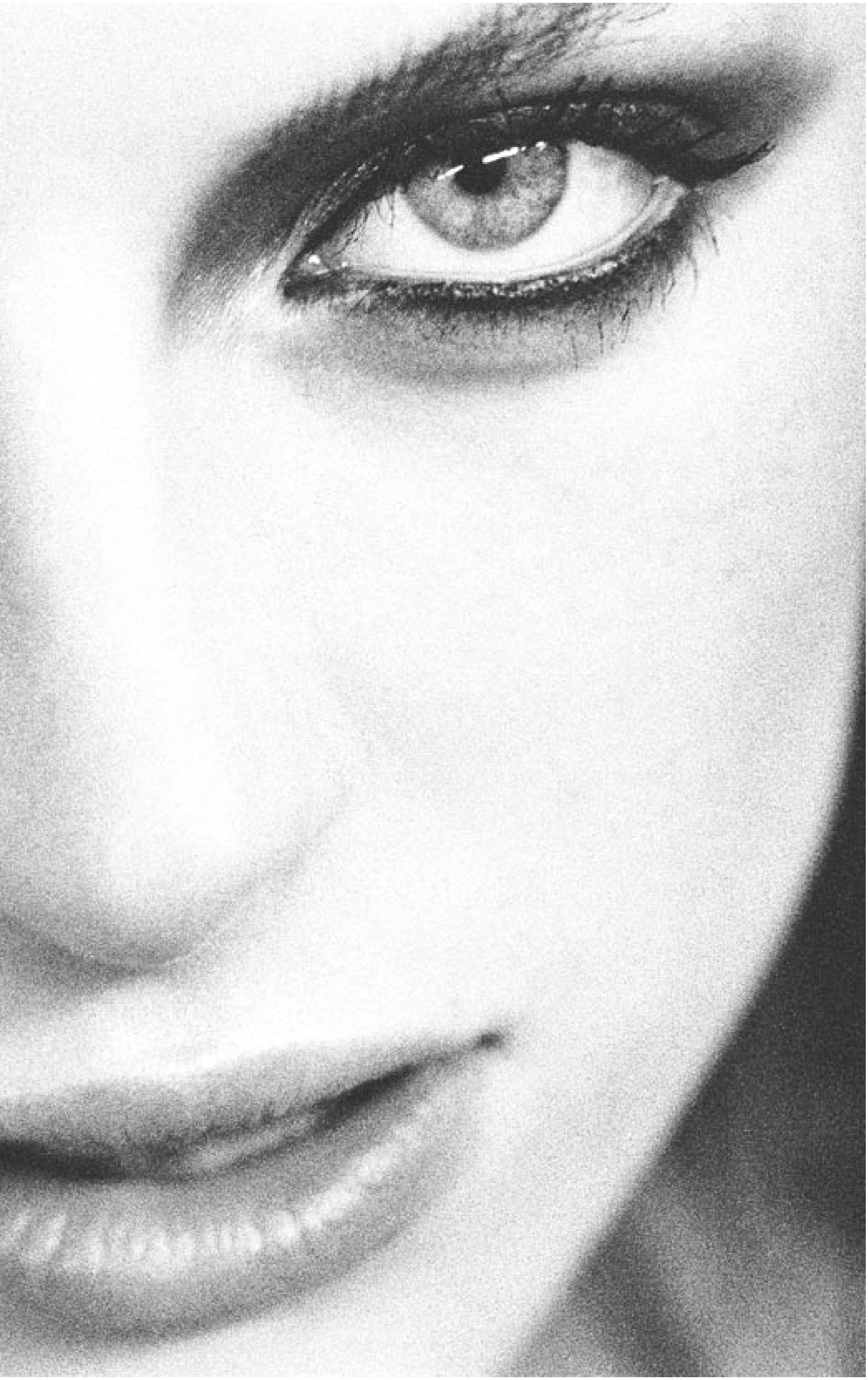
The new media are consistently used by the HUGO BOSS Group and our trading partners to increase flexibility, make processes more transparent, improve logistical operations and communicate as promptly and seamlessly as possible. It is our objective to satisfy customer needs, which are changing ever more rapidly. In addition to nurturing personal customer contact, HUGO BOSS has been involved in the e-sales arena since 2001 and has continued to conduct business to business activities in the current reporting period with growing success. For example, product descriptions used for online orders were supplemented with a "virtual stock book." This stock book is a response to the wishes of many trading partners to provide visualization, using graphics of the products available via the e-sales application. Part of a multi-channel strategy, the e-business solution at HUGO BOSS is imbedded in an extranet created in-house, which allows our customers convenient access to sales-related information.

> BERLIN FASHION SHOW 2003



















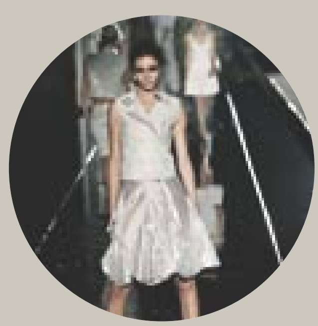


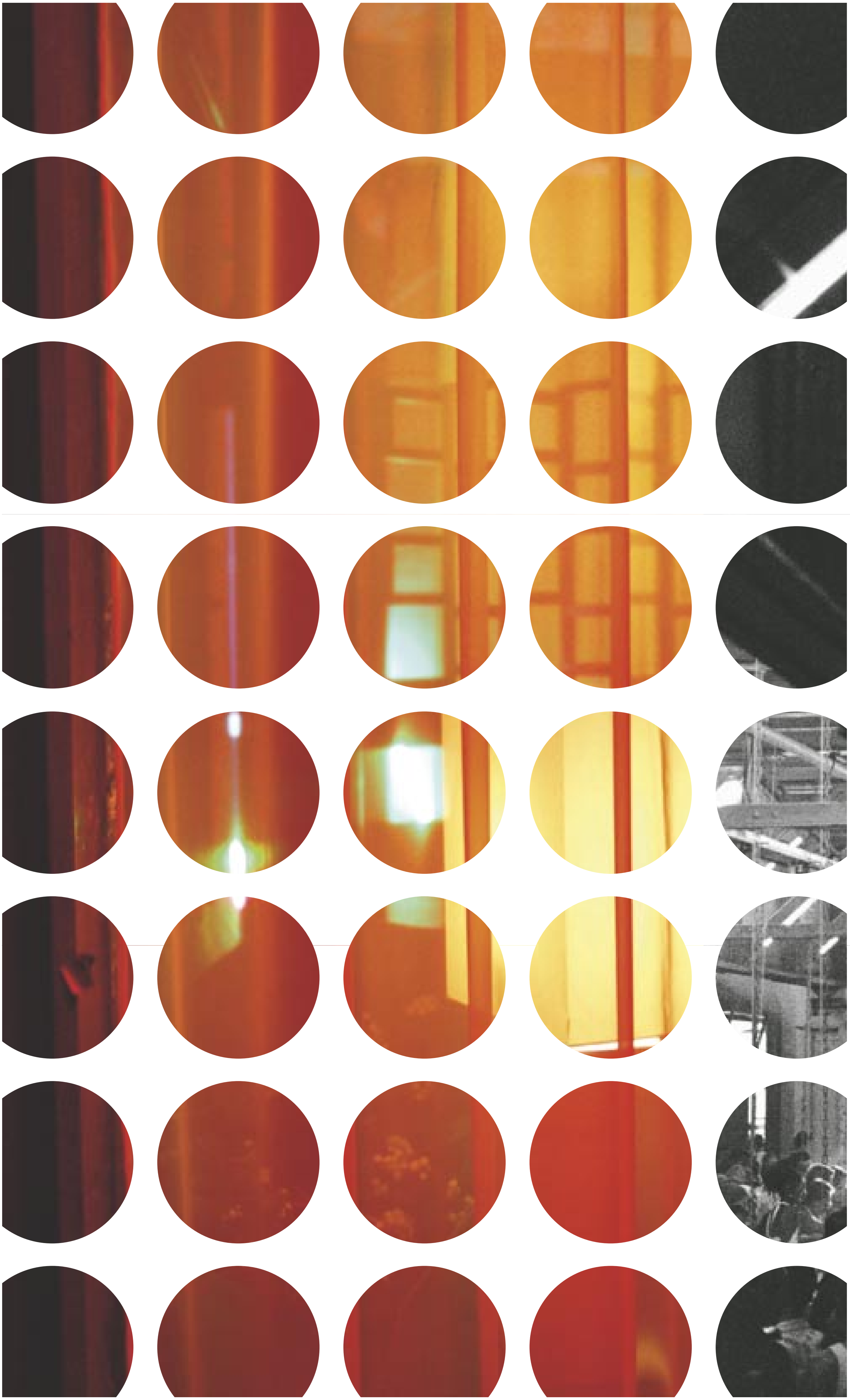


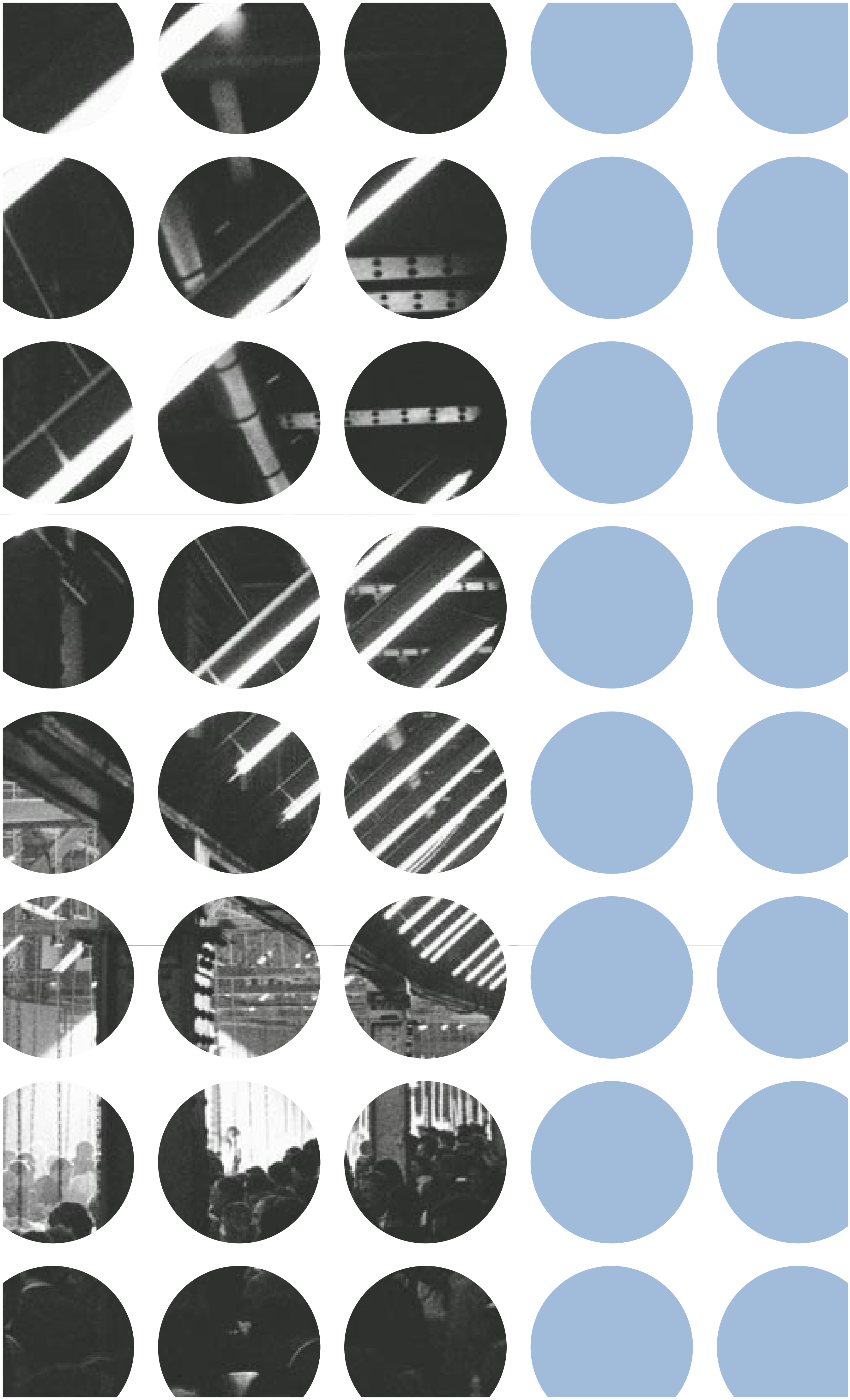


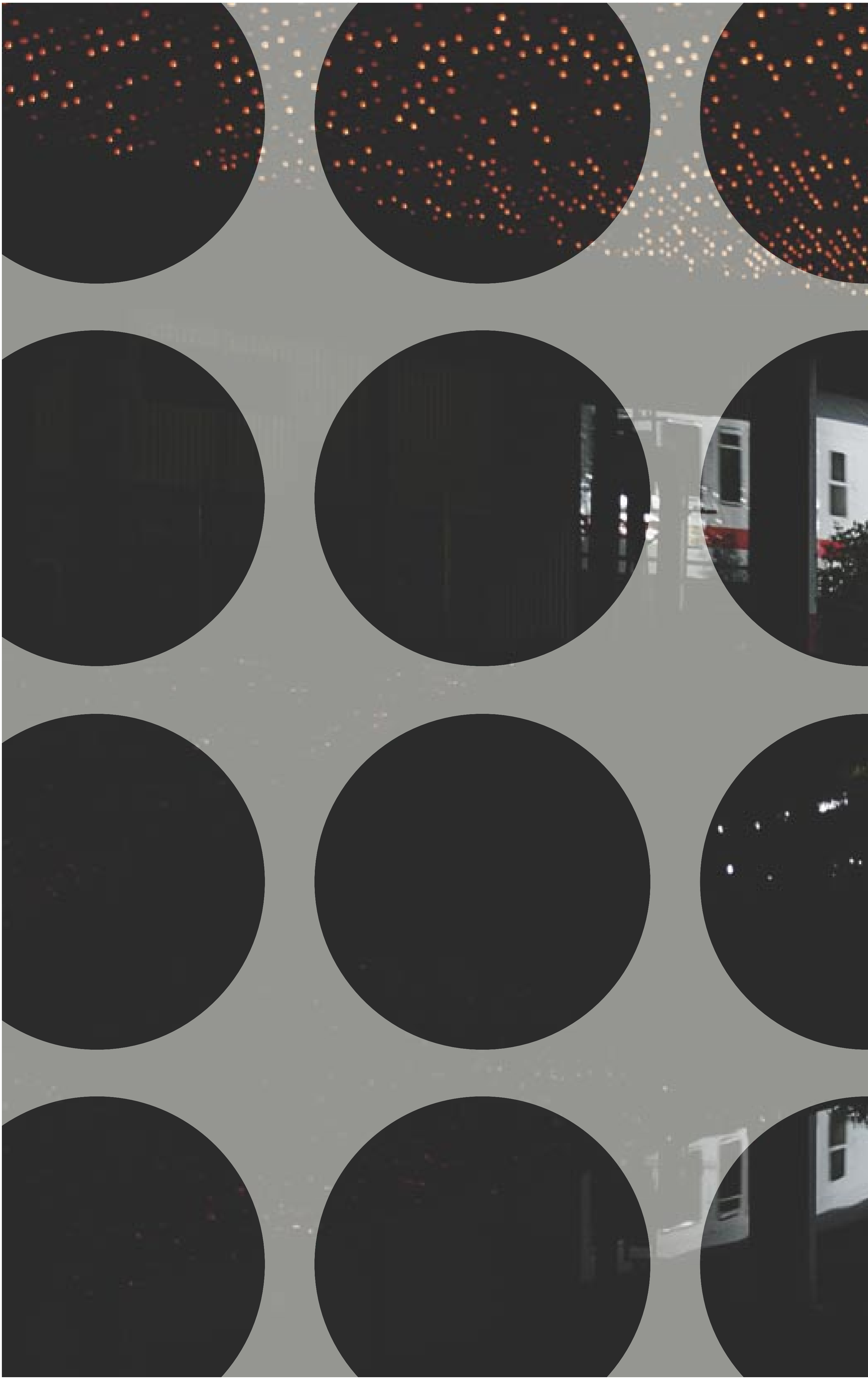


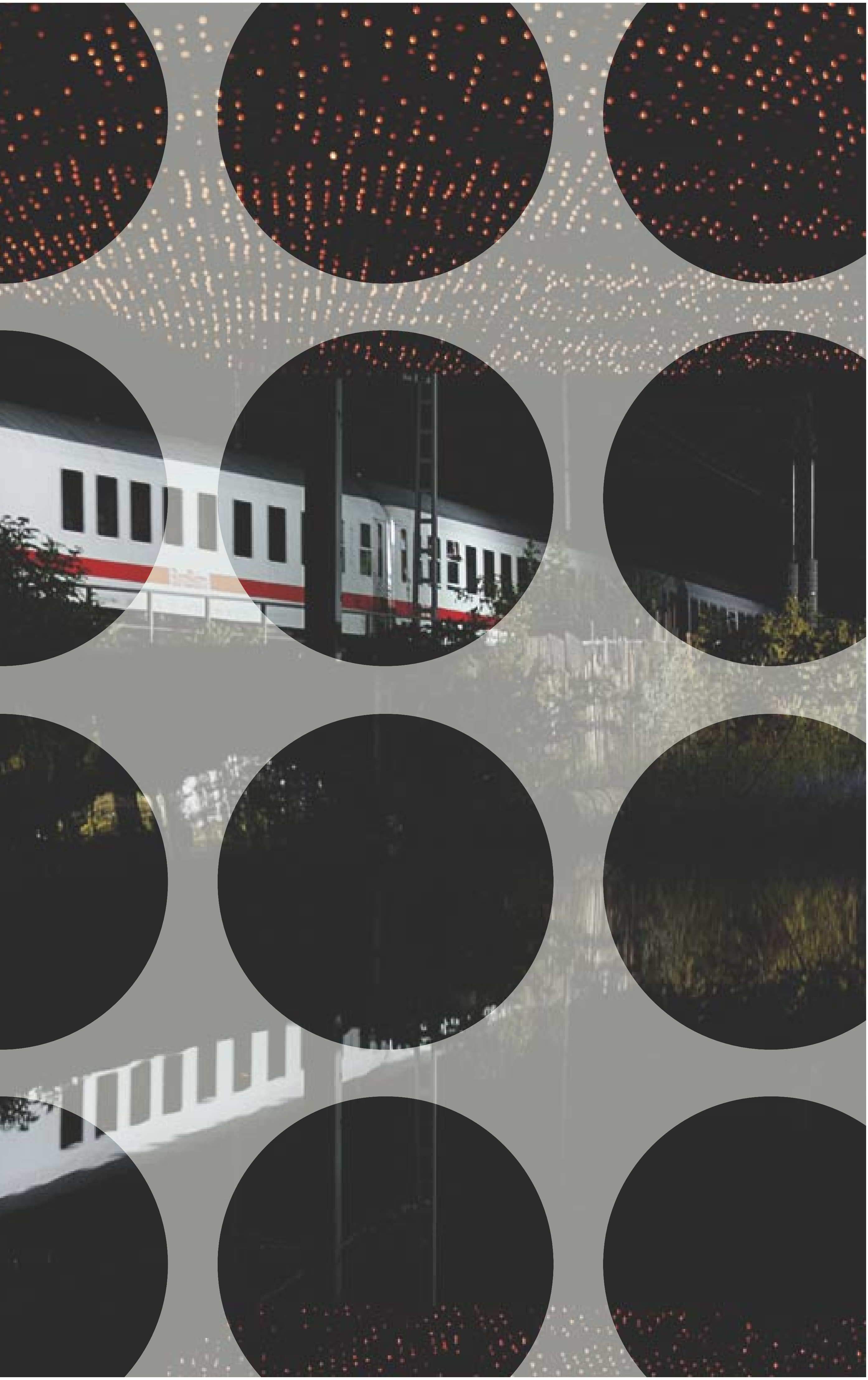








Report of the Managing Board on the 2003 Financial Year and Outlook for the Year 2004

Sales by Brand

	2003 EUR mill.	2002 EUR mill.	Change in %
BOSS	941.0	974.8	(3)
Man	890.2	937.8	(5)
Woman	50.8	37.0	37
HUGO	94.3	98.2	(4)
BALDESSARINI	18.8	20.4	(8)
Total	**1,054.1**	**1,093.4**	**(4)**

Sales by Region

	2003 EUR mill.	2002 EUR mill.	Change in %
Germany	261.4	275.0	(5)
Other European countries	451.5	445.4	1
Americas	186.7	221.0	(16)
Other regions	101.3	87.9	15
Royalties	53.2	64.1	(17)
Total	**1,054.1**	**1,093.4**	**(4)**

Sales by Quarter

	2003 EUR mill.	2002 EUR mill.	Change in %
First quarter	340.3	359.1	(5)
Second quarter	167.5	175.5	(5)
Third quarter	353.7	376.5	(6)
Fourth quarter	192.6	182.3	6
Total	**1,054.1**	**1,093.4**	**(4)**

Report of the Managing Board

General economic development

The first six months of fiscal 2003 were characterized above all by the war in Iraq, the appearance of the infectious disease SARS, and fears of persistent weakness in global demand. This mood was quantitatively expressed by obvious reticence in corporate investment, low propensity for consumption and falling prices on the international capital markets.

The economic outlook started to brighten somewhat towards the beginning of the second half of 2003. By the end of October 2003 at the latest, there was general consensus that the global economy was in a mild recovery phase once again.

The basis for this mood reversal was the upward movement of key U.S. economic indicators. The U.S. economy showed the strongest economic growth in almost two decades during the third quarter of 2003. In addition, a number of economists also forecast an upturn in the U.S. job market. This economic upswing had a positive impact on consumer confidence. Provisional figures put U.S. economic growth for 2003 at 3.1%.

A comparable, although slightly less marked, economic development was observed in the Euro zone. While the first six months were characterized by shrinking economic performance and pessimistic forecasts, the trend was reversed in the third quarter. This boost was carried by a growth in exports in spite of the growing strength of the Euro. While domestic demand continued to stagnate, the remaining factors caused a tangible improvement in the economic climate. All sectors of the economy, with the exception of retail, contributed to improvement of the economic climate. At the beginning of December 2003, the European Central Bank forecast a rise in gross domestic product of approximately 0.7% within the Euro zone. Growth was inhibited, however, by the Euro's strength against the U.S. dollar and by the high price of oil.

As in the recent past, the Asian region showed the greatest economic dynamism. For Japan, the OECD estimates an economic growth rate of 2.7% for 2003 as a result of the increase in domestic consumer demand. In China, positive growth trends continued uninterrupted. According to the OECD, Chinese economic growth was 8.4% during 2003. In Russia, gross domestic product also showed a significant growth with a rate of 6.3%.

According to opinions published by the five leading German economic research institutes last fall, gross national product of the key industrial nations rose by an average of 2.3%.

Despite a mid-year revival, the German economy continued to stagnate for the third year in a row. In the manufacturing sector as well as in many service areas, value creation increased slightly, particularly in the third quarter. An upward order trend could again be identified in the processing industry beginning at the middle of the year. All significant industrial segments benefited from this upswing, especially consumer goods manufacturers. Compared to the previous year, value creation grew in most industry segments during 2003. Only the retail sector has fallen short of its 2002 result by –1%. According to the German federal statistics office, gross domestic product was negative at –0.1%.

Currency-adjusted increase in Group sales

The fashion group HUGO BOSS was able to increase currency-adjusted sales during fiscal 2003 by 1%, despite the troubled economic environment in core markets (2002: EUR 1,093 million).

During 2003, the Euro appreciated significantly against other key currencies, in particular the U.S. dollar and the pound sterling. After currency translation effects, Group sales show a decrease of 4% to EUR 1,054 million (2002: EUR 1,093 million).

Sales decline in the German market

Due to the stagnating economy, uncertainty in the job market, and discussion on tax reform, private spending in Germany fell below prior year's figures by 0.2%. Restraint in clothing purchases was particularly evident with a decline in sales of 6%. Up-market womens- and menswear, the segment of relevance to HUGO BOSS, also showed clear signs of consumer restraint.

The resolution of tax reform issues, delayed until the end of December 2003, came too late to impact Christmas sales. HUGO BOSS, however, anticipates continued improvement in the economic climate and positive stimuli for private consumption in 2004.

In Germany, which is the most important market for HUGO BOSS with 25% of total sales, the influences described above depressed sales during the fiscal year 2003 by 5% to EUR 261 million (2002: EUR 275 million).

Sales stable in the rest of Europe

Sales Other European Countries

	2003 EUR mill.	2002 EUR mill.	Change in %
France	97.0	101.2	(4)
Great Britain	64.5	71.9	(10)
Netherlands	43.0	41.7	3
Italy	45.8	42.7	7
Switzerland	23.8	25.5	(7)
Spain	27.7	20.6	34
Rest of Europe	149.7	141.8	6
Other European countries	**451.5**	**445.4**	**1**
in % of total sales	43	41	2

Development in markets in the rest of Europe varied considerably. For instance, sales in France, the second largest European fashion market after Germany, decreased by 4% to EUR 97 million (2002: EUR 101 million). In Great Britain, currency-adjusted sales declined by 1% below the previous year's level (2002: EUR 72 million). Sales in this market declined by 10% to EUR 65 million after currency translation effects (2002: EUR 72 million).

The Italian and Spanish markets, however, continued to develop positively. In Italy, by the end of fiscal 2003, sales rose by 7% to EUR 46 million (2002: EUR 43 million). Sales growth of 34% to EUR 28 million in Spain (2002: EUR 21 million) indicates enormous potential for HUGO BOSS in this region.

As a whole, HUGO BOSS was able to maintain sales, despite difficult economic conditions throughout Europe, at EUR 452 million compared to EUR 445 million in 2002 (+1%).

Americas

Sales Americas

	2003 EUR mill.	2002 EUR mill.	Change in %
USA	132.4	156.6	(15)
Canada	36.6	38.6	(5)
Mexico	11.9	14.8	(20)
Brazil	2.8	6.6	(58)
Rest of Americas	3.0	4.4	(32)
Americas	**186.7**	**221.0**	**(16)**
in % of total sales	18	20	(2)

Currency-adjusted sales on the American continent reached sales figures of 2002 (EUR 221 million). Taking into account the considerably weakened U.S. dollar compared to the same period in 2002, however, sales declined by 16% to EUR 187 million (2002: EUR 221 million).

In the U.S., HUGO BOSS experienced sales growth of 1% in local currency, and a decline of 15% to EUR 132 million when translated into the Group currency (2002: EUR 157 million) by the end of fiscal 2003.

The Canadian market showed similar developments. Currency-adjusted, sales rose by 1% in Canada (2002: EUR 39 million). The Canadian dollar showed far greater stability vis-à-vis the Euro than the U.S. dollar. In the course of the year, however, the exchange rate changed in favor of the Euro. As a result, sales in the second largest American market declined by 5% to EUR 37 million (2002: EUR 39 million).

South American markets continued to show decline. Currency-adjusted sales here shrank by 9% (2002: EUR 26 million) after currency translation effects, sales fell to EUR 18 million (–31%).

Sales Other Regions

	2003 EUR mill.	2002 EUR mill.	Change in %
Japan	29.0	24.8	17
Australia	16.8	14.3	17
People's Republic of China	16.3	14.9	9
Other countries	39.2	33.9	16
Other regions	**101.3**	**87.9**	**15**
in % of total sales	10	8	2

Significant sales increase in the growth region of Asia/Pacific

HUGO BOSS again recorded double-digit sales growth in the Asia/Pacific region and was able to continue to strengthen its position there. Sales rose by 15% to EUR 75 million (2002: EUR 65 million). Currency-adjusted, sales actually rose by 30%. Sales growth in Japan should be highlighted in particular. Sales increased by 17% to EUR 29 million (2002: EUR 25 million). In Australia sales were up by 17% to EUR 17 million (2002: EUR 14 million). With sales of EUR 16 million (2002: EUR 15 million), the People’s Republic of China has become an increasingly important market. Sales in Euro grew by approximately 16% to EUR 39 million in the remaining countries of the Asia/Pacific region (2002: EUR 34 million).

Royalties

	2003 EUR mill.	2002 EUR mill.	Change in %
Royalties textile	8.2	12.8	(36)
Royalties non-textile	45.0	51.3	(12)
Royalties	**53.2**	**64.1**	**(17)**

Royalties

The bodywear product line previously manufactured under license was incorporated in HUGO BOSS' core business effective May 1, 2003. After the licensing contract ended at the beginning of the third quarter of 2003, the socks product line was also brought in-house at HUGO BOSS.

The knitwear and shoes and leather accessories product lines that are currently manufactured under license, will be integrated in 2004.

Due to the integrations in 2003, royalties of the textile product line dropped by 36% to EUR 8 million (2002: EUR 13 million).

Revenues from the shoes and leather accessories product line continued to show positive growth with an increase over the previous year of approximately 18% to EUR 7 million (2002: EUR 6 million). In contrast, the non-textile product lines of eye-wear and watches, which remain under licensing agreement, showed a declining trend. Royalties from the fragrance product line in fiscal 2003 were below the previous year's level due to one-time licence fee payments in fiscal 2002. In total, royalties fell by 17% to EUR 53 million (2002: EUR 64 million), primarily due to the integration of the textile product lines.

Brand sales: EUR 1.5 billion

Adding Group sales without licensing income to our licensing partners' sales during fiscal 2003 produces the total sales generated worldwide with HUGO BOSS products. In 2003, brand sales fell by 5% to EUR 1,524 million due to difficult economic conditions worldwide and negative currency effects (2002: EUR 1,615 million).

BOSS Man

BOSS Man is the central brand of the brand portfolio with an 84% share (2002: 86%) of HUGO BOSS' total sales. Due to weak private consumer demand, particularly in Germany, a key market for BOSS Man with 23% of sales, sales declined. While BOSS Man achieved EUR 938 million sales in 2002, this figure declined to EUR 890 million in the year under review.

During the reporting period, non-license sales in the Business Wear segment decreased by 8% to EUR 478 million (2002: EUR 518 million). The Sportswear division, on the other hand, remained comparatively stable with only a 1% drop to EUR 375 million (2002: EUR 378 million). This implies that the proportion of sportswear in non-license sales continues to rise. In fiscal 2003, it amounted to approximately 44% (2002: 42%).

BOSS Woman

For BOSS Woman, the highlight of fiscal 2003 was the re-launch of the brand. The sales increase of 37% to EUR 51 million (2002: EUR 37 million) clearly demontrates the success of the re-alignment. Key issues of the re-launch were a modified fashion statement, an improved product and finishing quality, and better delivery performance. As a result of the measures implemented in 2003, BOSS Woman took an important step towards long term growth and profitability.

HUGO

HUGO, the innovative brand in HUGO BOSS's portfolio, is present in 43 countries today. Sales in 2003 decreased as a result of currency losses and fell from EUR 98 million to EUR 94 million (–4%) by the end of the year.

BALDESSARINI

The luxury brand BALDESSARINI, too, with a sales drop of 8% to EUR 19 million, could not escape market developments. Prevalent consumer restraint, which was particularly pronounced in the luxury segment, is the main reason for the weak sales development.

The BALDESSARINI fragrance, launched in 2002, exceeded expectations in 2003 and was one of the top-selling men's fragrances in Germany for the year.

DOS business

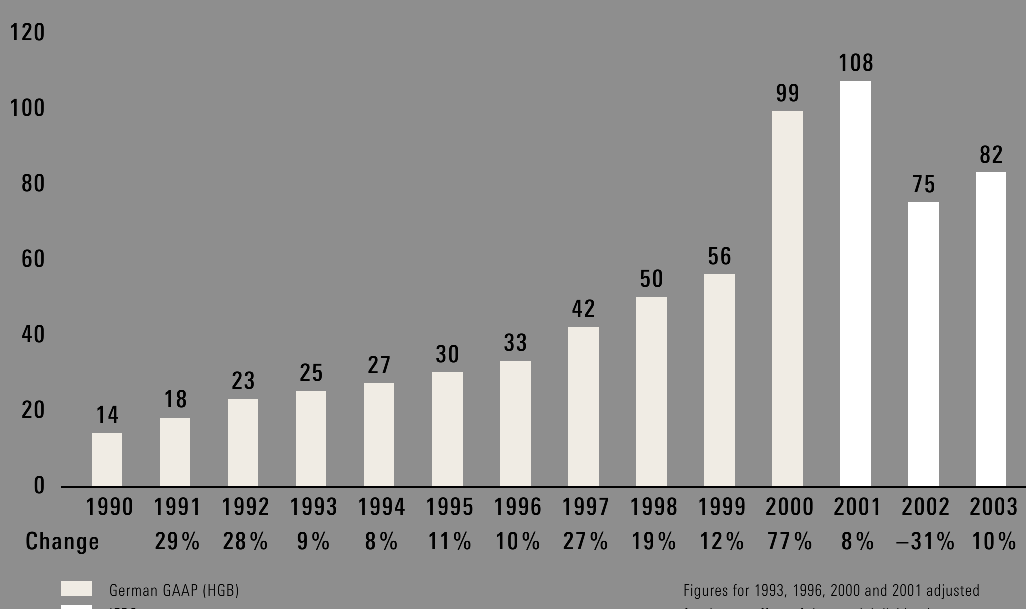
Sales via directly operated stores (DOS) were expanded in fiscal 2003 as well. During the year 2003, sales generated by DOS rose by 11% to EUR 82 million, currency-adjusted by 24% (2002: EUR 74 million). The share of total sales was 8% (2002: 7%). At the end of 2003, 81 such stores were being operated.

Income Statement

	2003 EUR mill.	2002 EUR mill.	Change in %
Sales	**1,054.1**	**1,093.4**	**(4)**
Cost of materials incl. changes in inventories	(508.8)	(526.4)	3
Gross margin	**545.3**	**567.0**	**(4)**
in % of sales	51.7	51.9	
Other operating income and expenses [1]	(224.9)	(263.8)	15
Personnel expenses [1]	(170.4)	(158.2)	(8)
Depreciation/amortization [1]	(31.6)	(29.6)	(7)
Operating result	**118.4**	**115.4**	**3**
Net financial result	1.3	(3.3)	
Non-recurring and exceptional items	0.9	(17.0)	
Earnings before taxes	**120.6**	**95.1**	**27**
Taxes on income	(38.2)	(20.4)	(87)
Net income	**82.4**	**74.7**	**10**

[1] Adjusted for non-recurring and exceptional items.

Development of Net Income



Figures for 1993, 1996, 2000 and 2001 adjusted for the tax effect of the special dividend.
Net income for:
1993: EUR 39.1 mill.
1996: EUR 38.9 mill.
2000: EUR 109.0 mill.
2001: EUR 117.6 mill.

Earnings Position

At the end of fiscal 2003, the fashion group was able to show an increase in net income of 10% over the same period last year, to EUR 82 million (2002: EUR 75 million). This allowed HUGO BOSS to reach its earnings target. The increase in pre-tax income was significantly stronger at 27% than in net income at 10%. Key factors that influenced the income statement for 2003 are detailed below.

Development of Result

		EUR mill.
Net income 2002		**74.7**
Change in gross margin		(21.7)
Change in royalties	(11.1)	
Effect of sales volume on gross margin	(13.7)	
Effect from changes in the gross margin percentage	3.1	
Change in operating expenses and depreciation/amortization		24.7
from other operating expenses	38.9	
from personnel expenses	(12.2)	
from depreciation/amortization	(2.0)	
Change in financial result		4.6
Change in non-recurring and exceptional items		17.9
Change in taxes		(17.8)
Change in earnings before tax	(5.5)	
Other tax effects	(12.3)	
Net income 2003		**82.4**

Gross margin

The gross margin ratio, at 51.7%, is slightly below the level of the previous year (2002: 51.9%).

A number of significant currencies, in particular the U.S. dollar and the pound sterling, have depreciated considerably against the Euro compared to the previous year. This shift in currency parities is compensated by hedging transactions initiated at a central Group level. In this year's Financial Statements the effects of hedging transactions are included in the gross margin and not accounted for under other operating income and expenses as in the previous year.

The integration of the previously licensed product groups of bodywear and socks, which took place during 2003, also negatively influenced the gross margin ratio compared to the prior year. Provisions for returns and reversals, on the other hand, were less in 2003 than in the previous year.

Continued expansion of own retail activities had a positive effect due to their increased share in Group sales.

Operating result and expenses

Other operating income and expenses, personnel costs, and depreciation and amortization declined by 5% compared to the previous year, to EUR 427 million in fiscal 2003 (2002: EUR 452 million).

During 2003, initial improvement measures stemming from the Efficiency Stimulus Program (ESP) were implemented. This alone brought down operating expenses by approximately EUR 5 million.

Measures to protect against doubtful debts were also considerably lower during the current reporting period than for 2002. A reduction of approximately EUR 13 million was achieved in comparison to the previous year.

Additional potential for optimization was exploited in the marketing division relative to 2002, so that expenses could again be decreased. Marketing expenses declined by a total of approximately 10% to EUR 71 million (2002: EUR 79 million). Marketing expenses thus represented 7% of sales.

Additional synergy was achieved by the final steps of the integration of the BOSS Woman organization. This led to savings of EUR 1 million.

EUR 7 million were spent on the integration of the bodywear and socks product groups, previously licensed out.

Key performance indicators

		2003	2002
Operating margin	in %	11.2	10.6
EBIT	in EUR mill.	118.4	115.4
EBITDA	in EUR mill.	150.0	145.0
Return on sales	in %	7.8	6.8
Return on net capital invested (average)	in %	21.5	20.8
Gross margin ratio	in %	51.7	51.9
Net current assets	in EUR mill.	310.1	304.4

Operating result

Lower operating result and expenses more than compensated for the impact of the decline in gross margin. Consequently, the operating result rose by 3%, from EUR 115 million to EUR 118 million.

Non-recurring and exceptional items

Exceptional income of EUR 1 million was recorded for the HUGO BOSS Group in fiscal 2003 (2002: EUR –17 million). At the consolidated level, provisions were created in 1994 for payments into a pension fund for former U.S. employees. Due to a contractual agreement on payments into the U.S. pension fund signed at the beginning of 2004, exceptional income in the amount mentioned above was recorded. There are no further liabilities towards the pension fund. Moreover, numerous smaller provisions were dissolved.

Tax rate

With 32%, the tax rate at the end of fiscal 2003 was considerably higher than the prior year's level. No corporate income tax credit for 2002 dividend payments could be recorded in 2003 (2002: EUR 9 million). According to the new fiscal regulations, corporate income tax credits arising from dividend payments after December 31, 2005 can be applied over a period of 14 years.

Analysis of Financial Requirements

	2003 EUR mill.	2002 EUR mill.	Change in %
Trade receivables, other assets, balances with factoring companies[1]	222.6	225.0	(1)
Inventories	214.7	218.1	(2)
Trade payables and other liabilities[1]	(53.0)	(51.6)	(3)
Provisions	(74.2)	(87.1)	15
Net current assets	**310.1**	**304.4**	**2**
Trade receivables[2]	17.0	14.9	14
Net deferred taxes	11.9	18.6	(36)
Trade payables and other liabilities[2]	(2.7)	(3.0)	10
Fixed assets	222.5	220.4	1
Provisions for pensions	(19.7)	(23.1)	15
Medium- and long-term net assets	**229.0**	**227.8**	**1**
Net capital invested	**539.1**	**532.2**	**1**
Balance of cash at banks and due to banks	139.6	147.0	(5)
Shareholders' equity	399.5	385.2	4
Coverage of net capital invested	**539.1**	**532.2**	**1**

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

Free Cash Flow

	2003 EUR mill.	2002 EUR mill.	Change in %
Net income	82.4	74.7	10
Depreciation/amortization[1]	32.9	32.2	2
Change of pension provisions	(3.4)	(1.8)	(89)
Cash flow	**111.9**	**105.1**	**6**
Net additions to fixed assets	(35.0)	(51.9)	33
Change in remaining net capital invested	(1.5)	14.0	
Currency translation and other equity changes	(14.9)	(6.2)	
Free cash flow – before dividend	**60.5**	**61.0**	**(1)**
Dividend payment	(53.1)	(53.1)	
Free cash flow	**7.4**	**7.9**	**(6)**

[1] Including non-recurring write-offs.

Financial Position

At the balance sheet date of December 31, 2003, HUGO BOSS Group's shareholders' equity amounted to EUR 400 million. The equity ratio of 53% was 2% above the figure at the end of the previous year (December 31, 2002: 51%).

The Group's balance sheet structure shows a balanced relationship between equity and debt capital for financing net assets. 74% of the net capital invested of EUR 539 million are covered by shareholders' equity (EUR 400 million) and only 26% by interest-bearing debt capital (EUR 140 million).

Key financial indicators

		2003	2002
Equity ratio in %	= Shareholders' equity / Total equity and liabilities	52.9	50.6
Debt to total capital ratio in %	= Liabilities / Total equity and liabilities	47.1	49.4
Return on equity in %	= Net income / Ø Shareholders' equity	20.4	18.9
Capital expenditures (EUR mill.)		**46.3**	**68.4**
Total assets (EUR mill.)		**754.5**	**760.4**

Current assets

As of January 1, 2003, HUGO BOSS AG has taken over receivables management for Germany, Austria, and Central and Eastern European countries and thereby completely replaced factoring in the Group.

In total, however, trade receivables, other assets and balances with factoring companies fell by 1% to EUR 223 million, primarily influenced by currency translation effects (2002: EUR 225 million).

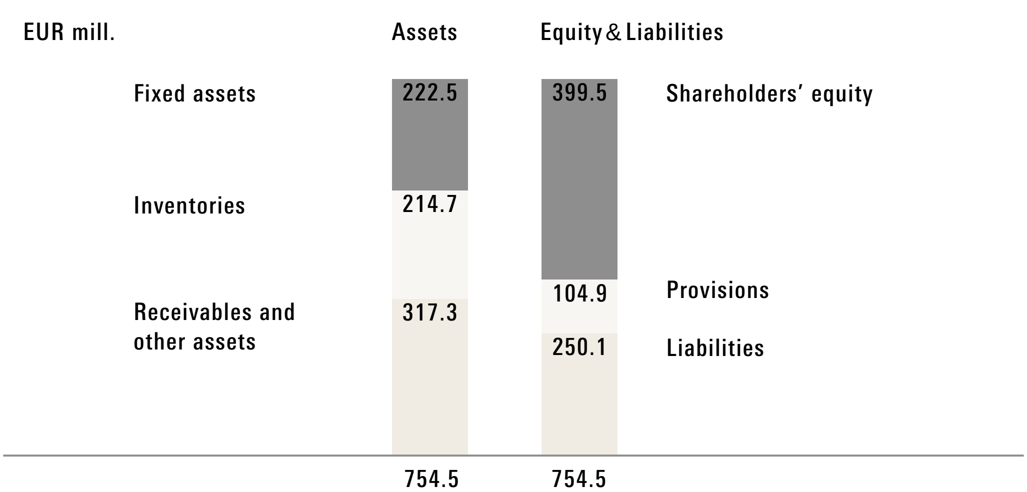
Inventory management measures initiated in prior years showed continued success. Inventory levels of EUR 215 million (2002: EUR 218 million) evidenced a slight reduction of 2%. Inventory age structure once again improved in fiscal 2003.

Non-current assets

Deferred taxes dropped by 36% to EUR 12 million in 2003 (2002: EUR 19 million). The reason for this decline lies in the impact of the weakening U.S. dollar.

Fixed assets remained practically constant with a rise of EUR 3 million (+1%) to EUR 223 million (2002: EUR 220 million).

Balance Sheet Structure



Cash flow

The HUGO BOSS Group was again able to achieve a high level of free cash flow of EUR 61 million (2002: EUR 61 million) before dividend payment during fiscal 2003.

At EUR 112 million, traditional cash flow was higher than prior year's figures (2002: EUR 105 million) in consequence of the 10% increase in consolidated profit over last year.

Due to ongoing measures to optimize inventories, their level fell by 2% to EUR 215 million (2002: EUR 218 million). The takeover of inhouse receivables management for Germany, Austria and Central and Eastern European countries by the HUGO BOSS Group caused trade receivables to rise considerably by 13% or EUR 19 million (2003: EUR 173 million) compared to the previous fiscal year (2002: EUR 154 million) and countered a further improvement in cash flow.

A further diminished investment volume of EUR 46 million compared to the previous year (2002: EUR 68 million) strengthened the positive development of free cash flow.

Research and development

Expenses for research and development for the HUGO BOSS Group were mainly incurred for the creation of fashion collections. During the year under review, a total of EUR 23 million was spent on research and development (2002: EUR 20 million).

Purchasing

The HUGO BOSS Group sources the majority of its high-quality, exclusive fabrics from Italy. HUGO BOSS has nurtured close and long-standing relationships with weavers who manufacture premium goods, in order to meet exacting market demands with regard to fashion trends and quality.

Production

In 2003, expansion of in-house production commenced in Izmir, Turkey. Prior positive experience, the quality of the work force, and local know-how available from technical schools were the key factors for the decision to enlarge the site. In-house production safeguards production know-how, a significant competitive advantage for HUGO BOSS. Constant development of our high quality standards is guaranteed by the direct relationship between production and development. 1,500 employees manufacture suits and shirts at the present time. The expansion plan includes production lines for leisure shirts, classic womenswear and sportswear over the next three years. All production areas have been equipped with the most modern operating facilities. The investment in 2003 for the newly erected building in Izmir was EUR 6 million. Additional staff will be hired to work in the expanded production facilities.

The HUGO BOSS Group also has its own production sites in Cleveland, Ohio (U.S.), Novazzano (Switzerland) and in Metzingen (Germany).

Environmental protection

A responsible approach to environmental concerns is a matter of course for HUGO BOSS and its employees. Throughout the Group, measures to save energy and to recycle resources and remainders have been implemented.

Capital expenditure

During the period under review, capital expenditure at EUR 46 million was well below prior year's level (2002: EUR 68 million). As in the year before, capital expenditure was concentrated on expanding the retail operations totaling EUR 18 million.

In Japan, one of Asia's growth markets, new shops were opened in various key locations, continuously reinforcing the position of HUGO BOSS brands. Approximately EUR 3 million were invested in these projects.

In order to strengthen recognition of HUGO BOSS brands in the fashion hub of New York, a new shop in the recently erected business center at Columbus Circle was opened in February 2004. Investment in this regard amounted to approximately EUR 2 million during the period under review.

Presence in the most important fashion markets is among the success factors required in order to be considered one of the leading fashion companies in the high-end fashion segment in the international arena. In 2003, approximately EUR 7 million were expended for the expansion and modernization of showrooms, including those in Copenhagen and Stockholm (EUR 3 million).

An additional EUR 6 million were spent in the initial phase of the expansion of the Izmir production site. This expenditure was largely occasioned by establishing a production line for BOSS Woman.

Additional investments amounting to EUR 5 million were incurred for various IT projects.

Segment Information by Product Area

	Menswear segment[1]		Womenswear segment	
	2003 EUR mill.	2002 EUR mill.	2003 EUR mill.	2002 EUR mill.
Sales	**1,003.3**	**1,056.4**	**50.8**	**37.0**
Depreciation/amortization	(30.0)	(27.9)	(1.6)	(1.6)
Operating result	121.8	135.1	(3.5)	(19.7)
in % of sales	12.1	12.8	–	–
Non-recurring and exceptional items	0.5	(15.4)	0.4	(1.6)
Net income	**85.4**	**92.8**	**(3.0)**	**(18.1)**
in % of sales	8.5	8.8	–	–
Assets	714.2	707.1	40.3	53.3
Liabilities	253.6	263.8	101.4	111.4
Equity	460.6	443.3	(61.1)	(58.1)
Capital expenditure	**43.5**	**67.0**	**2.8**	**1.4**
Number of employees (Full-time equivalents)	**5,035**	**4,538**	**75**	**62**

[1] Existing men's collections business. Amounts attributable to the HUGO Woman product line have been included to simplify the presentation.

Segment Information by Region

	2003		2002	
	EUR mill.	in %	EUR mill.	in %
Sales				
Germany	261.4	25	275.0	25
Other European countries	451.5	43	445.4	41
Americas	186.7	18	221.0	20
Other regions	101.3	9	87.9	8
Royalties	53.2	5	64.1	6
Total	**1,054.1**	**100**	**1,093.4**	**100**
Assets				
Germany	297.9	39	286.7	38
Other European countries	262.0	35	263.5	34
Americas	128.2	17	154.1	20
Other regions	46.7	6	42.0	6
Royalties	19.7	3	14.1	2
Total	**754.5**	**100**	**760.4**	**100**
Capital expenditure				
Germany	18.9	41	36.2	53
Other European countries	16.4	35	10.9	16
Americas	7.0	15	8.9	13
Other regions	4.0	9	12.4	18
Total	**46.3**	**100**	**68.4**	**100**

Segment Reporting

Sales decline in the menswear segment

Sales in the menswear segment of the HUGO BOSS Group diminished during fiscal 2003 due to the difficult economic environment in various important markets. Overall, sales of BOSS Man, HUGO and BALDESSARINI decreased from EUR 1,056 million to EUR 1,003 million (–5%). Adjusted for currency effects, however, sales in the menswear segment remained at the level of fiscal 2002.

As a result of the integration of the previously licensed out textile product groups, bodywear and socks, the gross profit margin in the menswear segment fell to 52% and thus below the prior year figure of 53%. In fiscal 2003, considerably lower amounts for returns and reversals were recorded compared to the prior year.

Operating expenses of EUR 399 million (–6%) fell well below the previous year’s figure (2002: EUR 423 million). This decrease was due primarily to the identification and realization of savings potential in the menswear division, as well as reduced marketing costs in this segment.

The 2003 operating result was EUR 122 million (2002: EUR 135 million), reflecting the lower gross margin and reduced operating costs.

In fiscal 2003, non-recurring and exceptional income of EUR 1 million was recorded in the menswear segment (2002: EUR –15 million).

Taking into consideration the factors described above, consolidated profit in the menswear segment fell by 8% to EUR 85 million (2002: EUR 93 million).

The successful re-launch of BOSS Woman

The BOSS Woman brand was successfully re-launched in fiscal 2003. Sales increased 37% to EUR 51 million from EUR 37 million in fiscal 2002, confirming the strategy of the re-launch. Consequently BOSS Woman reached the break-even point as planned during the second half of fiscal 2003.

Due to higher sales, the gross margin was significantly above the prior year's results. Based on continuous improvements in style, product and finishing quality, and in delivery, a considerably smaller number of inventory markdowns was required. The operating result in this segment rose by EUR 16 million to EUR –4 million due to an optimization of internal processes as well as a higher gross margin.

Non-recurring and exceptional income for the period under review only occurred to a comparatively limited extent (2002: EUR –2 million).

During the second half of the year 2003, BOSS Woman was able to achieve break-even. Losses for the year total EUR –3 million (2002: EUR –18 million).

Human Resources

Employees (Full-time equivalents)	2003	2002	Change in %
– by region			
Germany	1,623	1,572	3
Other European countries	2,342	1,928	21
Americas	878	914	(4)
Other regions	267	186	44
Total	**5,110**	**4,600**	**11**
– by function			
Production/Logistics	3,226	2,846	13
Sales/Creation/Marketing	1,424	1,318	8
Administration	460	436	6
Total	**5,110**	**4,600**	**11**

Key Personnel Figures

	2003	2002	Change in %
Personnel expenses[1] (total EUR mill.)	170.4	158.2	8
Personnel expenses per employee[1] (EUR thous.)	33.9	34.9	(3)

[1] Non-recurring costs are not included in personnel expenses.

Human Resources

Employee numbers rise according to plan

HUGO BOSS created new jobs during 2003. Compared to the previous year, the number of employees in the Group rose by 11% (+510) to 5,110. Of these, 51 represent new hirings in Germany. The essential contributing factor was the integration of the product ranges of bodywear and socks, previously manufactured under license, into the Group's own business. As part of the business plan, particularly the sales and logistics departments were expanded during this process. An expansion in own retail activities contributed to the increase in the number of employees.

Efficiency Stimulus Program

The Efficiency Stimulus Program (ESP) is the start of a continuous process that will enable existing tasks, interfaces and processes to be analyzed and permanently optimized. More than 80 ESP workshops involving approximately 800 employees were conducted during 2003 at headquarters and in subsidiaries. Short- and long-term improvement approaches were elaborated with the assistance of our employees. Additional similar projects will be launched as a result of this positive outcome.

Continuous education

Systematic new hires of specialists and continuous education in the Company are part of the personnel strategy. Global market requirements call for an international exchange of experience. This requirement was increasingly met by intensified project work with teams composed of members worldwide. A particular challenge in 2003 was the conceptual design of a training program for employees from the retail division. A globally implemented e-learning platform allowed us to train in-house personnel as well as employees of our franchise partners.

Further Education and Training Programs at HUGO BOSS AG

- Apprenticeships in the professions of industrial merchant (Germany and EU), IT merchant, IT specialist, retail salesperson and fashion seamstress/tailor
- Vocational Academy for Industry and Business IT
- Internships, thesis-related projects, workshops for college students
- Trainee programs

Appreciation and thanks

Our employees' committment, knowledge and motivation have further solidified the market position of HUGO BOSS and provided a valuable contribution to corporate growth.

The Managing Board wishes to thank all employees for their commitment and dedication.

Changes in the scope of consolidation

Consolidated Group

	Dec. 31, 2003	Dec. 31, 2002
Number of fully consolidated companies	43	39
Investments accounted for at equity	0	0
Total	**43**	**39**

In the period under review, from January 1, 2003, until December 31, 2003, the number of consolidated companies increased from 39 to 43. The companies, HUGO BOSS Calais SAS, HUGO BOSS Troyes SAS, and HUGO BOSS Elysees SAS, were founded and included in the scope of consolidation as fully consolidated companies as of December 2003, due to planned expansion of the retail business in France. HUGO BOSS Holding France SAS was also included in the scope of consolidation.

Sales Trends

	2004	2003 EUR mill.
Germany	→	261.4
Other European countries	↗	451.5
Americas	→	186.7
Other regions	↗	101.3
Royalties	↘[1]	53.2
Total	↗	**1,054.1**

[1] Due to the integration of the textile product lines.

Earnings Trends

	2004	2003 EUR mill.
Sales	↗	1,054.1
Gross margin	↗	545.3
in % of sales	↗	51.7
Operating result	↗	118.4
Earnings before taxes	↗	120.6
Net income	↗	**82.4**
Earnings per share (EUR)		
Common shares	↗	1.16
Preferred shares	↗	1.18

Other Developments

	2004	2003
Number of employees	↗	5,110
Net current assets (EUR mill.)	→	310.1
Capital expenditure (EUR mill.)	↗	46.3

Forecast

Events after the balance sheet date

Prior to February 19, 2004, no notable operational changes, structural modifications or business events have occurred that might serve to alter statements contained in the 2003 financial statements.

Forecasts for economic development in 2004

Institut für Wirtschaftsforschung (ifo) is assuming a continued recovery for Germany's economy for 2004, given that the ifo business climate index had risen nine times consecutively by January 2004. The industry is receiving positive stimuli from the upward trend of the global economy, particularly from exports, which are expected to rise by 5% over last year. According to the European Central Bank (ECB), Germany's gross domestic product is estimated to rise by a total of 1.8% in 2004.

Due to a possible continued rise of the Euro against the U.S. dollar, which could prove a burden for exports, developments in the Euro-zone are estimated considerably lower at 2.2%.

An average growth in gross domestic product of 3% is assumed by the ECB for the major industrialized nations.

The economic upswing is expected to continue in the U.S. as well. This is supported by ongoing perceptible improvements in economic indicators and consumer confidence. Exports from the U.S. should increase, benefited by the global recovery and the weak U.S. dollar. Local demand is therefore likely to show persistent progress in the U.S. also in 2004. The OECD (Organization for Economic Cooperation and Development) expects an increase of approximately 4% in gross domestic product for the U.S. in 2004.

Japan's marked production expansion is likely to endure. This is, however, counteracted by the appreciation in the yen, which may accelerate during the course of the year. Continued dynamic development is expected from Southeast Asia and the People's Republic of China. The International Monetary Fund, for instance, expects the highest increase in gross domestic product worldwide from China, at approximately 8%.

Sales forecast

For fiscal 2004, the Managing Board of HUGO BOSS AG is assuming a slight increase in currency-adjusted sales, including the product lines of knitwear, shoes and leather accessories previously produced under licensing agreements.

The integration of these product groups is expected to result in additional sales in 2004.

Satisfactory growth is expected from the remaining licensed products in the current fiscal year. Additional positive effects will be generated by the first-time inclusion of sales for the entire year of products successfully launched during 2003, particularly in the fragrance division. The range of fragrances will continue to be expanded in fiscal 2004.

At the beginning of the year 2004, BOSS Selection was presented to our trading partners. The highest quality fabrics are combined with a high degree of craftsmanship in this portion of the BOSS Black collection for men. This will enable HUGO BOSS to further strengthen its core competencies in classic clothing. This innovative premium product provides complete coverage of the top range of men's fashions within the BOSS brand.

Following the retail strategy, the expansion in this sales channel will be continued, which will lead to additional sales in the future.

Projected earnings for 2004

Compared to sales, the Managing Board anticipates a disproportionate rise in net income. Significant effects on income are detailed below:

- Measures initiated in the previous fiscal year to reduce the complexity of collections will show first results. Optimization was performed and synergies achieved on all levels of the value chain. As a result of these factors, the earning power of the HUGO BOSS Group will undergo sustainable growth.

- Integration of the product lines of bodywear, socks, knitwear, shoes and leather accessories, formerly licensed out, depresses the gross margin percentage. Ongoing expansion of sales via own stores and measures implemented in the context of the Efficiency Stimulus Program will have a positive impact. On the whole the gross margin should be at the 2003 level.

- Despite continued corporate expansion, operating expenses will rise only slightly in 2004. The integration of the product groups of knitwear, shoes and leather accessories, previously under license, will result in higher personnel costs in the current fiscal year. Own retail activities will be expanded according to plan.

- No significant charges are anticipated for 2004 as a whole stemming from the measures instituted during fiscal 2003 with respect to the new direction and optimization of the

BOSS Woman business. The Managing Board anticipates a balanced result from BOSS Woman in 2004.

– The tax rate for fiscal 2004 should remain basically unchanged from the level of the year 2003.

New jobs in 2004

The HUGO BOSS Group will continue to create new jobs. These focus primarily on the ongoing expansion of retail activities of the Group and extension of own production.

Capital expenditure

HUGO BOSS' investments in fiscal 2004 will reflect a further expansion of retail activities, particularly with respect to the new flagship store in Paris, and the enlargement of production capacity at the Izmir site. IT projects, benefiting from an investment of approximately EUR 15 million, are of core importance in 2004; these include the replacement of the Enterprise Resource Planning (ERP) system with standard software. Total investment volume in fiscal 2004 will exceed the amount invested in 2003 (EUR 46 million) based on a large number of projects.

Free cash flow

Efficient inventory management and increased earnings should maintain free cash flow at a high level in 2004.

Dividends

Consistency of dividend payments is valued at HUGO BOSS. It is by means of dividends that the shareholders participate in their Company's success resulting from our strategy of profitable growth. The HUGO BOSS Group will continue to justify investor confidence in its shares by paying high dividends.

Risks to future growth

Risk Management System

The risk manual and risk catalogue form the core of the risk management system at HUGO BOSS.

The risk manual describes the risk management system and contains the fundamentals of risk recognition and assessment for the HUGO BOSS Group.

The risk catalogue lists the key risks for the Company. Each risk is assessed for damage level and the probability of occurrence. In addition, activities and tools are described that aid in promptly identifying anomalies. Should a risk materialize, reporting chains are triggered and pre-defined corrective measures initiated. A separate risk catalogue was developed for subsidiaries.

The auditors have reviewed the risk management system and attested to its adequacy in their report.

Risks related to inventories and receivables

Inventories and receivables form a core component of monthly reporting and are analyzed with respect to aging structure, seasonality and alternative sales opportunities on a regular basis. This avoids unforeseen adjustments and problems related to inventory structure.

Inventory management is subject to a continuous improvement process based on supply chain optimization. Trading partners, for instance, are able to enter warehouse orders and follow inventory movements.

Group-wide credit insurance limits the bad debt risk to the amount of the deductible. The policy guarantees an assured cover ratio. Moreover all subsidiaries possess their own credit control measures based on uniform Group rules, which focus on granting of and adherence to customer credit limits, monitoring the aging of receivables and doubtful accounts management.

Compliance with Group guidelines is reviewed as part of the internal audit processes.

Fashion collection risks

As a fashion and lifestyle company, every season confronts HUGO BOSS with a new risk that the collections presented may receive a less positive market reception than anticipated.

HUGO BOSS minimizes this risk – which is all but impossible to quantify – by the centralized creation of the collections and a globally consistent brand image. At the same time, constant market observation as well as a permanent presence at international fashion fairs ensures that trends are recognized early and taken into consideration when the collections are created. The four-season concept is becoming increasingly significant in this process.

Moreover, the broad range of the collections, the great variety of brands and products, as well as our market presence in 108 countries with more than 5,000 points of sale mitigate this risk.

Trademark protection

A brand company such as HUGO BOSS is subject to the special risk of trademark infringement.

Trademark infringements are monitored worldwide and, if necessary, legal proceedings initiated.

Insurance

Insurance constitutes an essential aspect of risk management, providing centralized coverage for significant risks such as operational breakdowns, bad debts, loss of goods and buildings, and damage claims.

This strategy is in principle maintained despite climbing insurance premiums as well as a growing shortage of insurance products on the insurance market. At the same time, preventive security measures, such as transport insurance, were introduced.

Credit insurance for bad debts became effective for the first time throughout the Group during the past fiscal year.

Legal risks

In an internationally operating company such as HUGO BOSS, legal disputes cannot be avoided and legal advice is a requirement. Adequate provisions have been created to cover court costs and attorneys' fees.

Management risks

HUGO BOSS is active in all key markets in the world. Business is usually conducted via subsidiaries in which the managing directors are vested with the authority to make decisions at their own discretion, enabling them to respond promptly and autonomously to local market conditions. For this reason, the HUGO BOSS Group has a holding structure, which ensures that strategic business units are managed by entrepreneurs within the organization. All senior employees have an obligation with respect to responsible management. In addition, internal authorization regulations are reviewed and developed on a regular basis.

Nevertheless, despite extensive and multi-level review and control mechanisms, the risk of abuse cannot be excluded given the high level of entrepreneurial responsibility.

Purchasing, production, logistics and sales

In contrast to functions best exercised in proximity to the market, centralization is an important measure for limiting risks in the production and supply divisions as well as the fashion collection creation process. Suppliers and manufacturers are chosen by the central purchasing and production planning divisions at the Metzingen headquarters. Every effort is made to avoid mutual dependencies and supply and production bottle-necks, as well as to assure an appropriate proportion of in-house production. The central divisions coordinate manufacturers' capacity utilization and deliveries of raw materials at their premises. Products are subject to uniform and centrally managed quality control checks at all stages of production. Traveling quality consultants regularly visit production sites. The final control of the finished product takes place in Metzingen, where shipping is also coordinated. Direct deliveries from the production site to the sales market are the exception. This centralized management ensures that high quality standards are not diluted and capacities are fully exploited.

In the sales area, the focus is on a balanced customer structure. Furthermore, the orientation towards business with independent retailers is increasingly supplemented by own retail activities.

Detailed reporting facilitates continuous and prompt monitoring of order levels, sales and additional relevant key figures.

Funding and interest risks

The HUGO BOSS Group is financed largely by equity and is therefore minimally affected by interest rate developments. Nevertheless, long-term loans are additionally hedged with interest derivatives. To rule out a liquidity risk, the Group has credit lines at its disposal, which significantly exceed the maximum debt capital requirements for the fiscal year.

Currency risks

Sensitive Currencies 2004

EUR mill.	Gross currency exposure	Netting	Net currency exposure	Negative impact of a EUR appreciation by 10%[1]
USD	94.3	(79.4)	**14.9**	(0.01)
GBP	53.2	(6.6)	**46.6**	1.17
CHF	28.0	(13.1)	**14.9**	0.41
CAD	19.1	(0.2)	**18.9**	0.01
Others	24.8	(0.1)	**24.7**	1.31
Total	219.4	(99.4)	**120.0**	2.89

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

As an internationally operating company, HUGO BOSS is subject to risks due to exchange rate fluctuations. Delivery and payment flows due to operational business activities occur in different currencies. The difference between incoming and outgoing payment flows constitutes net currency exposure. As part of the centralized currency management, the Group treasury hedges at least 50% of planned basic transactions with a planning horizon of 18 months utilizing hedging contracts and currency options. Foreign exchange management of balance sheet positions is limited to internal Group dividend payments and internal loans related to subsidiaries.

Exchange rate risks apply primarily to those currencies displayed in the table. As a result of the high coverage rate only a very small risk remains for 2004.

Overall risk

Planning risks naturally arise in connection with the forecast of sales, inventory write-off estimates, bad debts and only to a small degree in connection with exchange rates. Uncertainties in planning concern only the level of sales and income as well as the balance sheet structure.

Risks with the potential to jeopardize the continued existence of the company are not discernible.

Further Information on the Financial Statements and the Majority Shareholder

Proposal for the appropriation of profits

The Consolidated Financial Statements as of December 31, 2003, and the Group Management Report have been prepared by HUGO BOSS AG in compliance with statutory requirements. The Financial Statements of HUGO BOSS AG as of December 31, 2003, show profits available for distribution of EUR 55,257 thousand. The Management and Supervisory Boards will recommend at the Annual Shareholders' Meeting that this income be appropriated as follows:

	2003 EUR thous.
1. Distribution of a dividend of EUR 0.78 per common share 35,860,000 common shares	27,971
2. Distribution of a dividend of EUR 0.79 per preferred share 34,540,000 preferred shares	27,286
	55,257

Information concerning the majority shareholder

HUGO BOSS AG was notified pursuant to sections 21 and 22 WpHG by Marzotto S.p.A., Valdagno, Italy, as follows:

"On March 12, 2003 our subsidiary Marzotto International N.V. acquired from its subsidiary (our sub-subsidiary) Marzotto GmbH all its shares in HUGO BOSS AG, among which are 28,242,128 common shares of HUGO BOSS AG, corresponding to 78.76% of its common stock. This proportion of voting rights which our subsidiary Marzotto International N.V. used to hold indirectly (section 22 paragraph 1 no. 1 WpHG) is now held directly by our subsidiary Marzotto International N.V.

We still hold the mentioned proportion of voting rights by virtue of attribution pursuant to section 22 paragraph 1 no. 1 WpHG, however, we no longer hold indirectly the mentioned proportion through two subsidiaries (Marzotto International N.V. and Marzotto GmbH) but placed only through one subsidiary (Marzotto International N.V.)."

Metzingen, March 2003 Managing Board

HUGO BOSS AG was notified pursuant to section 21 WpHG by Marzotto International N.V., Amsterdam, Netherlands, as follows:

"On March 12, 2003, we acquired from our subsidiary Marzotto GmbH all its shares in HUGO BOSS AG, among which are 28,242,128 common shares of HUGO BOSS AG, corresponding to 78.76% of its common stock. The proportion of voting rights which we used to hold indirectly is now held directly (section 22 paragraph 1 no. 1 WpHG). A participation pursuant to section 22 WpHG does no longer apply."

Metzingen, March 2003 Managing Board

HUGO BOSS AG was notified pursuant to section 21 WpHG by Marzotto GmbH, Frankfurt a.M., Germany, as follows:

"On March 12, 2003, we sold all our shares in HUGO BOSS AG and thus we no longer hold any share voting rights in HUGO BOSS AG.

By selling our shares we fell below all threshold values of 75%, 50%, 25%, 10% and 5% mentioned in section 21 paragraph 1 WpHG."

Metzingen, March 2003 Managing Board

Report on relations with affiliated companies

Since no controlling agreement has been signed with the majority shareholder, the Managing Board of HUGO BOSS AG is obligated to prepare a report on relations with affiliated companies according to Section 312 of the German Stock Corporation Act (AktG). This report covers the relations between the Marzotto Group and the companies belonging to HUGO BOSS Group. The Managing Board declares according to Section 312, Paragraph 3, of the AktG that our Company received appropriate compensation for the legal transactions listed in the report on relations with affiliated companies according to conditions known at the time such legal transactions were undertaken.

One action led to a minor financial detriment for HUGO BOSS AG, but by contract, HUGO BOSS AG has a right to compensation in cash under Section 311, paragraph 2 AktG.

Metzingen, February 19, 2004

HUGO BOSS Aktiengesellschaft
The Managing Board

Independent Auditor's Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by the HUGO BOSS Aktiengesellschaft, Metzingen, for the business year from January 1 to December 31, 2003. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the HUGO BOSS Group for the business year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2003, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Stuttgart, February 19, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helwig
Wirtschaftsprüfer

Hagg
Wirtschaftsprüfer

Report of the Supervisory Board

Report of the Supervisory Board

Throughout fiscal 2003, the Supervisory Board of HUGO BOSS AG continued to fulfill its duties established under the law, the company statutes and its terms of reference. The Supervisory Board assisted management in an advisory capacity and reviewed its work. For this reason, the Supervisory Board met for a total of four sessions in March, May, September and December. The Supervisory Board's Working Committee convened five meetings. The Audit Committee of the Supervisory Board monitored current developments of the Company in four meetings. Members of the Supervisory Board, Working Committee and Audit Committee were in regular attendance at all meetings. Additionally, two senior management meetings were held in Izmir (Turkey) and Novazzano (Switzerland) to discuss special topics.

The Company's Managing Board presented the Supervisory Board with details on current sales, income, corporate plans and the prevalent risk situation, as well as with any business events requiring its consent. This information was analyzed and advice provided during the meetings of the Supervisory Board. In order to prepare for these meetings, comprehensive reports on the course of business were made available to the Supervisory Board on a timely basis. The Supervisory Board is of the opinion that it has been informed of all significant business events and that the Managing Board is conducting business in an appropriate manner. Furthermore, wherever a transaction required Supervisory Board approval, such approval was obtained.

Supervisory Board members were in regular contact with the Managing Board at times other than their regular meetings, and were informed on all current corporate developments.

In December 2002, the Managing and Supervisory Boards for the first time submitted a declaration of compliance with the German Corporate Governance Code. Since then, the Managing and Supervisory Boards have continued to address the issue of Corporate Governance in the HUGO BOSS Group. Further declarations of compliance from January and December 2003 have been published. The Company statutes were adapted to the extent possible to the requirements of the Code with the approval of the Annual Shareholders' Meeting on May 27, 2003.

The Supervisory Board examined the efficiency of its activities as stipulated in Section 5.6 of the Code during its session on December 8, 2003.

In its December 8, 2003 meeting, the Supervisory Board reviewed the structure of the Managing Board's remuneration system on the recommendation of the Working Committee (section 4.2.2 paragraph 1 of the Code).

The external auditor, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed at the Annual Shareholders' Meeting on May 27, 2003, and mandated by the Supervisory Board, has reviewed the Financial Statements of HUGO BOSS AG and its Management Report, as well as the Consolidated Financial Statements and Group Management Report, and issued an unqualified audit opinion. The auditor confirms that no inaccuracies or violations of applicable laws have been noted in the Financial Statements, Consolidated Financial Statements and Management Report and Group Management Report and that the Managing Board has implemented an effective risk management system in accordance with the law.

The Audit Committee and Supervisory Board extensively discussed the Annual and Consolidated Financial Statements as well as the recommendation on the appropriation of profits. Relevant documentation was supplied beforehand. The Supervisory Board agrees with the results of the external audit. Equally, no objections arose from a thorough examination of the Financial Statements and supporting documentation. The Financial Statements as prepared by the Management Board were accepted at the Supervisory Board meeting of March 8, 2004, and the Consolidated Financial Statements deemed approved. The auditors responsible for the audit report were present during the Audit Committee and Supervisory Board meetings and provided details on the key results of the audit review.

The Managing Board has in addition drawn up its report on relations with affiliated companies and submitted this, along with the audit report, to the Supervisory Board, the Working Committee and the Audit Committee. The auditors have issued the following certificate:

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

1. information in this report is correct,

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

3. the measures listed in the report do not warrant an assessment that differs significantly from that made by the Managing Board."

Equally, a comprehensive review of the Supervisory Board and its committees gave rise to no objections. The Supervisory Board concurred with the results of the external audit. No grounds exist to raise objections regarding the Management Board's statement on relations with affiliated companies.

The composition of the Supervisory Board remained unchanged throughout fiscal 2003. In its meeting on December 8, 2003, the Supervisory Board appointed Mr. André Maeder as member of the HUGO BOSS AG Managing Board effective January 1, 2004.

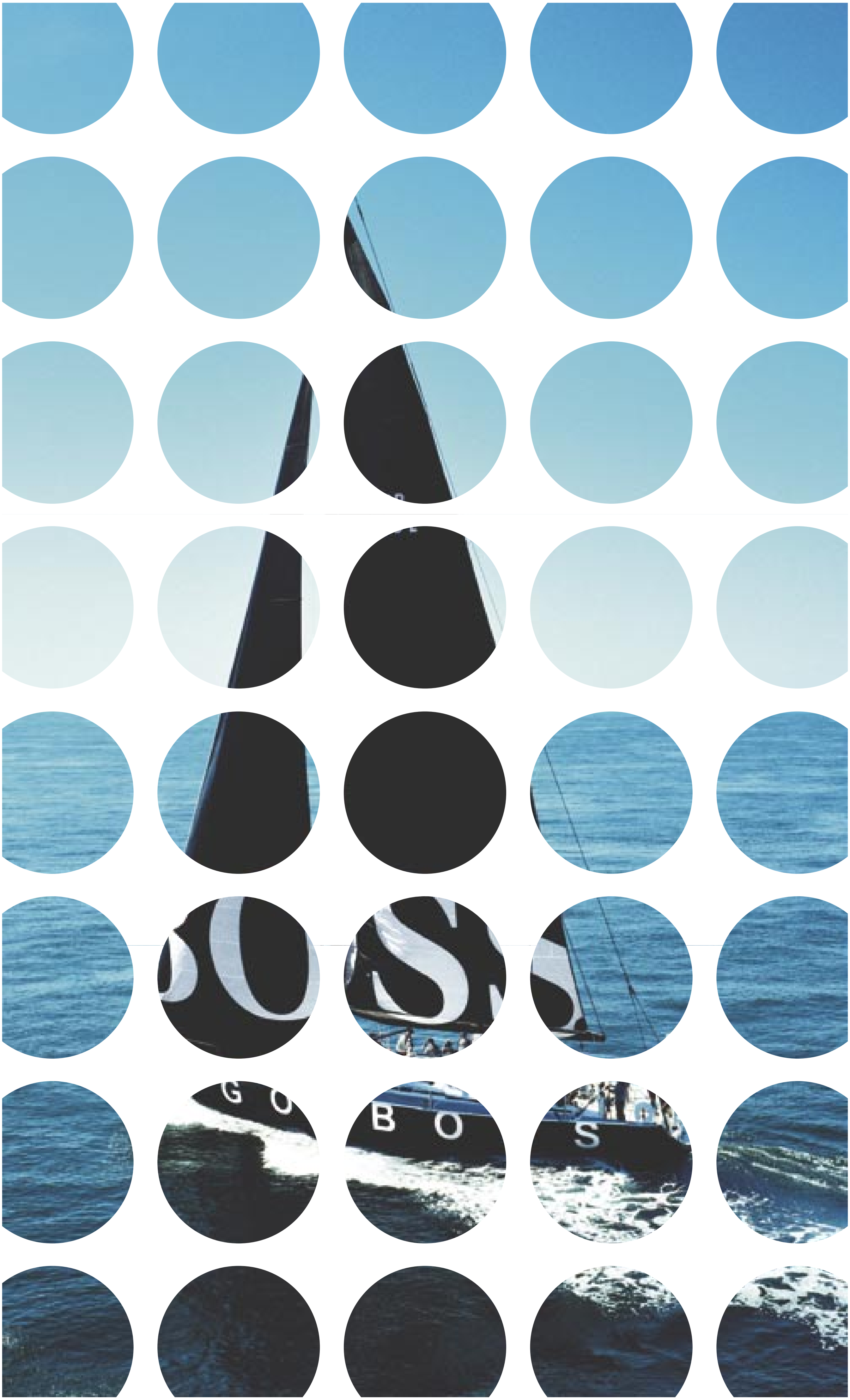
The Supervisory Board wishes to thank the Managing Board, employee representatives and the entire staff for their work in 2003.

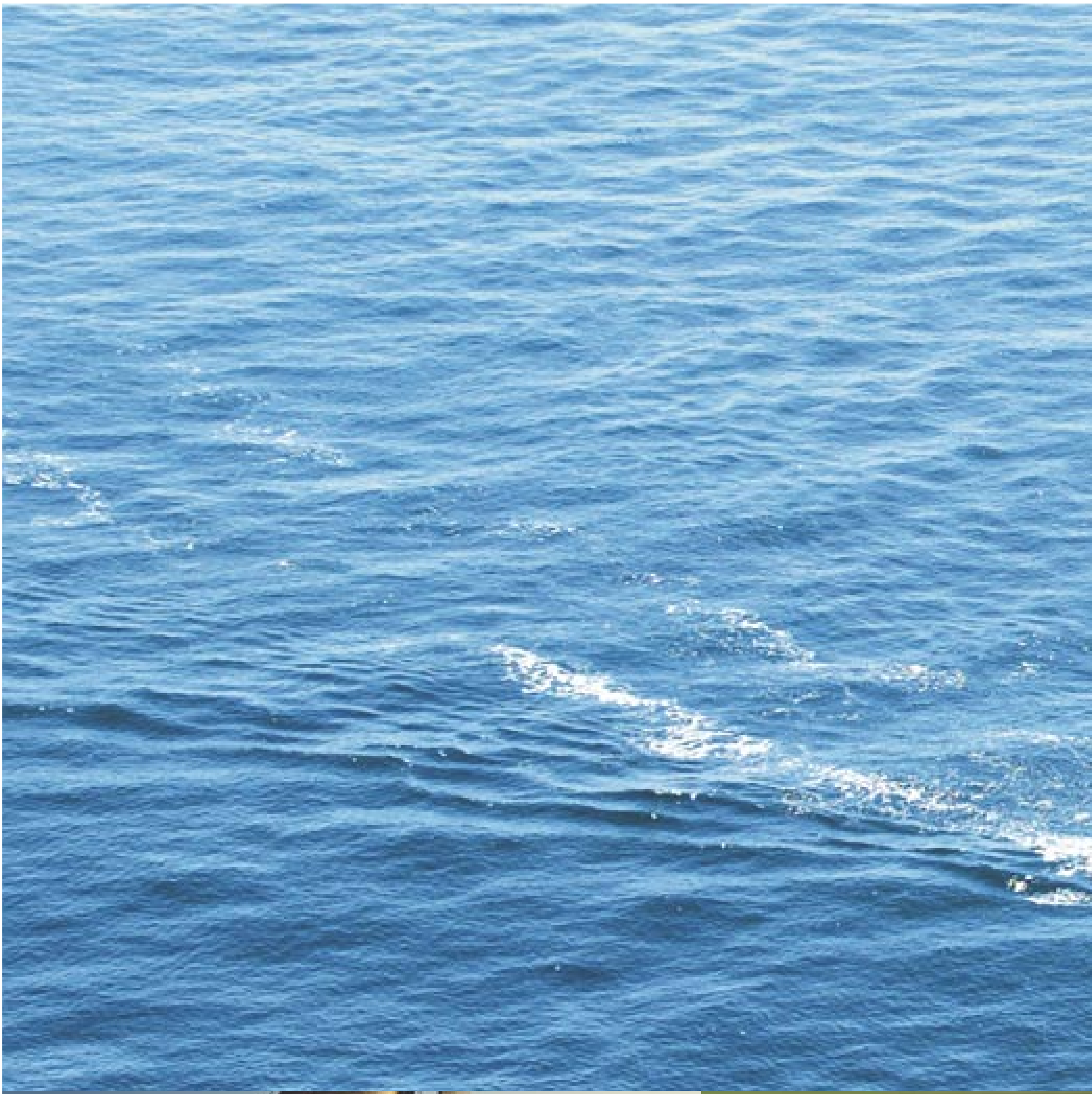
Metzingen, March 8, 2004

The Supervisory Board

Dr. Giuseppe Vita
(Chairman)

> SPORTS AND ARTS 2003





Fastnet Race

The "HUGO BOSS" yacht
in the legendary regatta
on the Irish Sea
August 2003

Steve Webster (UK)

wears HUGO BOSS
Golf-Wear since 1997

Davis Cup

HUGO BOSS has been a partner since 1988 and clothes the umpires, lines persons and ball boys and girls

Vitali and Wladimir Klitschko (UKR)

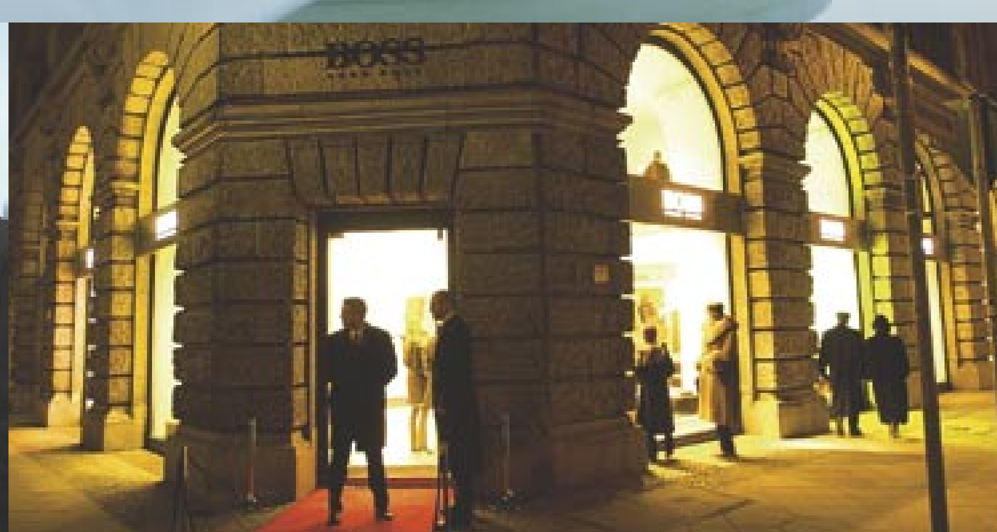
HUGO BOSS Partner since 2002
both inside and outside the ring

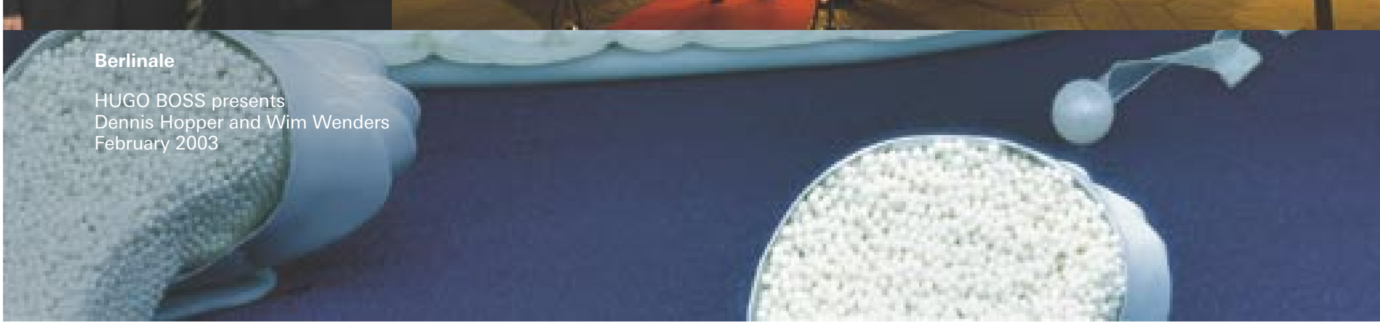
Helio Castronoves (BRA)

HUGO BOSS supports the
Penske team and clothes
the drivers since 1988

Team McLaren Mercedes

HUGO BOSS sponsors and clothes
McLaren Mercedes since 1981





Berlinale

HUGO BOSS presents
Dennis Hopper and Wim Wenders
February 2003

Matthew Barney

The Cremaster Cycle
Guggenheim Museum, New York
February – May 2003

Matthew Barney and Richard Serra

Opening Event, New York
February 2003

Biennale di Venezia

HUGO BOSS sponsors
the German Pavilion
June – November 2003

Biennale di Venezia

HUGO BOSS hosted one of
the opening ceremonies for
the German Pavilion
June 2003

Salzburg Festival

"The Abduction from the Seraglio"
outfitted by HUGO BOSS
July 2003

James Rosenquist

Retrospective
Guggenheim Museum, New York
October 2003 – January 2004

Pop Art Ball

Guggenheim Museum, New York
November 2003

Consolidated Financial Statements
as of December 31, 2003

Consolidated Income Statement

of HUGO BOSS Aktiengesellschaft, Metzingen for the period January 1 to December 31, 2003

	Notes No.	2003 EUR thous.	2003 EUR thous.	2002 EUR thous.
Sales	(1)	**1,054,112**		**1,093,386**
Other operating income	(2)	45,764		45,021
Changes in inventories and other own costs capitalized		10,787		(36,653)
Cost of materials	(3)	(519,607)		(489,702)
Personnel expenses	(4)	(172,246)		(161,017)
Depreciation/amortization	(5)	(32,932)		(32,186)
Other operating expenses	(6)	(266,650)		(320,431)
Operating result			**119,228**	**98,418**
Net interest income		(4,386)		(4,366)
Income from investments valued at equity		0		61
Other financial items		5,719		992
Financial result	(7)		**1,333**	**(3,313)**
Profit from ordinary activities			**120,561**	**95,105**
Income before taxes			**120,561**	**95,105**
Income taxes	(8)		(38,195)	(20,419)
Net income			**82,366**	**74,686**
Minority interests	(9)		0	0
Net income excl. minority interests			**82,366**	**74,686**
Earnings per share (EUR) [1]	**(10)**			
Preferred shares			1.18	1.07
Common shares			1.16	1.05

[1] Diluted and undiluted earnings per share.

Consolidated Balance Sheet

of HUGO BOSS Aktiengesellschaft, Metzingen as of December 31, 2003

Assets	Notes No.	2003 EUR thous.	2003 EUR thous.	2002 EUR thous.
Cash and cash equivalents	(11)	48,264		57,272
Trade receivables	(12)	173,325		153,626
Inventories	(13)	214,682		218,147
Other current assets	(14)	60,412		69,500
Current assets			**496,683**	**498,545**
Property, plant and equipment	(15)	186,996		184,108
Intangible assets	(16)	35,484		36,294
Investments		25		25
Deferred taxes	(8)	22,864		32,532
Other non-current assets	(14)	12,491		8,936
Non-current assets			**257,860**	**261,895**
Total assets			**754,543**	**760,440**

Equity and Liabilities	Notes No.	2003 EUR thous.	2003 EUR thous.	2002 EUR thous.
Current financial liabilities	(17)	115,122		104,002
Trade payables	(18)	34,200		34,690
Provisions	(19)	74,245		87,099
Other current liabilities	(20)	18,806		16,915
Current liabilities			**242,373**	**242,706**
Non-current financial liabilities	(17)	79,364		92,503
Deferred taxes	(8)	10,987		13,950
Provisions for pensions	(21)	19,699		23,127
Other non-current liabilities	(20)	2,614		2,992
Non-current liabilities			**112,664**	**132,572**
Subscribed capital	(22)	70,400		70,400
Capital reserve	(23)	399		399
Retained earnings	(24)	259,209		237,668
Net income		82,366		74,686
Accumulated other equity	(25)	(12,868)		2,009
Equity			**399,506**	**385,162**
Minority interests	(9)		**0**	**0**
Total equity and liabilities			**754,543**	**760,440**

Statement of Changes in Equity

EUR thous.	Subscribed Capital	Capital Reserve	Retained Earnings: Legal reserve	Retained Earnings: Other revenue reserves
Notes No.	**(22)**	**(23)**	**(24)**	**(24)**
January 1, 2002	**70,400**	**399**	**5,634**	**173,114**
Adjustment according to IAS 8				(5,514)
January 1, 2002	**70,400**	**399**	**5,634**	**167,600**
Net income				
Allocated to retained earnings			1,007	116,572
Dividend payment				(53,145)
Market valuation of hedges				
Currency translation effects				
December 31, 2002	**70,400**	**399**	**6,641**	**231,027**
Net income				
Allocated to retained earnings				74,686
Dividend payment				(53,145)
Market valuation of hedges				
Currency translation effects				
December 31, 2003	**70,400**	**399**	**6,641**	**252,568**

	Accumulated Other Equity				
	Difference arising from currency translation (25)	Market valuation of hedges (25)	Net Income	Group Equity	Minority Interests (9)
	9,478	**(1,257)**	**117,579**	**375,347**	0
				(5,514)	
	9,478	**(1,257)**	**117,579**	**369,833**	0
			74,686	**74,686**	0
			(117,579)		
				(53,145)	
		4,422		**4,422**	
	(10,634)			**(10,634)**	
	(1,156)	**3,165**	**74,686**	**385,162**	0
			82,366	**82,366**	0
			(74,686)		
				(53,145)	
		(1,268)		**(1,268)**	
	(13,609)			**(13,609)**	
	(14,765)	**1,897**	**82,366**	**399,506**	0

Consolidated Statement of Cash Flows

	Notes No.	2003 EUR thous.	2002 EUR thous.
Net income		82,366	74,686
Depreciation/amortization		32,932	32,186
Change in provisions for pensions		(3,428)	(1,751)
Cash flow		111,870	105,121
Change in inventories		3,465	12,719
Change in receivables and other assets		(4,498)	(34,796)
Change in trade payables and other liabilities		1,023	(9,718)
Result from the sale of fixed assets		(243)	2,496
Change in other reserves		(15,817)	(2,631)
Cash flow from operating activities		**95,800**	**73,191**
Investments in tangible and intangible assets		(46,289)	(59,991)
Proceeds from retirements of tangible and intangible assets		3,457	4,407
Investments HUGO BOSS Australia Pty. Ltd.		0	(7,980)
Exchange rate differences		8,065	9,712
Cash flow from investing activities		**(34,767)**	**(53,852)**
Dividend preceding year		(53,145)	(53,145)
Currency translation and other equity changes		(14,877)	(6,212)
Change in financial liabilities		(2,019)	3,017
Cash flow from financing activities		**(70,041)**	**(56,340)**
Change in cash and cash equivalents		**(9,008)**	**(37,001)**
Cash and cash equivalents at the beginning of the period		57,272	94,273
Cash and cash equivalents at the end of the period	(11)	**48,264**	**57,272**

Segment Information by Product Area

	Menswear segment[1]		Womanswear segment	
	2003 EUR mill.	2002 EUR mill.	2003 EUR mill.	2002 EUR mill.
Sales	**1,003.3**	**1,056.4**	**50.8**	**37.0**
Depreciation/amortization	(30.0)	(27.9)	(1.6)	(1.6)
Operating result	121.8	135.1	(3.5)	(19.7)
in % of sales	12.1	12.8	–	–
Non-recurring and exceptional items	0.5	(15.4)	0.4	(1.6)
Net income	**85.4**	**92.8**	**(3.0)**	**(18.1)**
in % of sales	8.5	8.8	–	–
Assets	714.2	707.1	40.3	53.3
Liabilities	253.6	263.8	101.4	111.4
Equity	460.6	443.3	(61.1)	(58.1)
Capital expenditure	**43.5**	**67.0**	**2.8**	**1.4**
Number of employees (Full-time equivalents)	**5,035**	**4,538**	**75**	**62**

[1] Existing men's collections business. Amounts attributable to the HUGO Woman product line have been included to simplify the presentation.

Segment Information by Region

	2003		2002	
	EUR mill.	in %	EUR mill.	in %
Sales				
Germany	261.4	25	275.0	25
Other European countries	451.5	43	445.4	41
Americas	186.7	18	221.0	20
Other regions	101.3	9	87.9	8
Royalties	53.2	5	64.1	6
Total	**1,054.1**	**100**	**1,093.4**	**100**
Assets				
Germany	297.9	39	286.7	38
Other European countries	262.0	35	263.5	34
Americas	128.2	17	154.1	20
Other regions	46.7	6	42.0	6
Royalties	19.7	3	14.1	2
Total	**754.5**	**100**	**760.4**	**100**
Capital expenditure				
Germany	18.9	41	36.2	53
Other European countries	16.4	35	10.9	16
Americas	7.0	15	8.9	13
Other regions	4.0	9	12.4	18
Total	**46.3**	**100**	**68.4**	**100**

Notes to the 2003 Consolidated Financial Statements

of HUGO BOSS Aktiengesellschaft, Metzingen

Basis of Presentation

The consolidated financial statements for HUGO BOSS Aktiengesellschaft for the year ending December 31, 2003, were prepared in accordance with International Financial Reporting Standards (IFRS), previously International Accounting Standards (IAS). All International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously Standing Interpretations Committee (SIC), applicable to fiscal year 2003 were adhered to.

The requirements of Section 292a of the German Commercial Code (HGB) governing exemptions from the obligation to prepare consolidated financial statements in accordance with German commercial law have been met. Assessment of these requirements is based on the German Accounting Standard (Deutscher Rechnungslegungsstandard) No. 1 (DRS 1), issued by the German Accounting Standards Committee (DSRC).

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

The current consolidated financial statements contain the following accounting policies that differ from those applicable under German law:

– Accounting for internally produced intangible assets

– General accounting obligation to report deferred tax assets and liabilities according to IAS 12; capitalization of deferred taxes from tax losses carried forward

– Start-up and business expansion expenses not capitalized

– Provisions are not created if the probability of their use is less than 50%

– Measurement of pension provisions based on the projected unit credit method, taking account of future salary increases in accordance with IAS 19

– Full consolidation of companies deemed to be controlled enterprises according to SIC 12

– Measurement of inventories at full cost in accordance with IFRS

– No recognition of tax credits on dividends until actual date of dividend payout according to IAS 12

– Measurement of financial instruments at their fair value pursuant to IAS 39.

Adjustments according to International Accounting Standard 8 (IAS 8)

The conversion of the consolidated financial statements for the year ending December 31, 2002, from accordance with the German Commercial Code (HGB) to accordance with IFRS requires an adjustment to miscalculated balance sheet entries. The adjustment was undertaken in the opening balance sheet of fiscal 2002 according to IAS 8 and had no impact on the consolidated income statements of 2002 and 2001.

Changes in the balance sheet items in the consolidated financial statements of 2002 are detailed below:

	2002 EUR thous.	Adjustment acc. to IAS 8 EUR thous.	2002 (adjusted) EUR thous.
Fixed assets (Depreciation/amortization)	219,515	912	220,427
Other assets (recalculation)	84,862	(6,426)	78,436
Equity	390,676	(5,514)	385,162

Changes in the structure of the consolidated balance sheet and consolidated income statement

The structure of the consolidated balance sheet and consolidated income statement for the year ending December 31, 2003 were altered in order to better conform to internationally accepted accounting methods. The current structure of the consolidated balance sheet and income statement is derived from the structure utilized for quarterly reports in the attachment to the exchange regulations of the Frankfurt stock exchange, section 63, para. 6. Accounts for the comparative period were adjusted correspondingly. The advantage of the structure used here is a more appropriate presentation. The following changes to the structure used in the previous year have been adopted:

– Assets and liabilities in the balance sheet classified according to maturity

– Other taxes included in the other operating expenses

In addition changes have been made to the allocation of income and expense accounts to items in the consolidated income statement. The corresponding accounts from the previous year were adjusted as part of this process. Changes in allocation from the previous year affect the following items:

– Gains and losses on currency translation as a result of sales activities are presented under Cost of materials (previously: Other operating income or expense)

– Gains and losses on currency translation as a result of financing activities are presented under financial income (previously: Other operating income or expense)

– Material consumption not directly related to production reported under other operating expenses (previously: Cost of materials)

Scope of Consolidation

The scope of consolidation comprises HUGO BOSS AG and the subsidiaries which HUGO BOSS AG controls. Generally, control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Apart from HUGO BOSS AG these comprise the following companies:

HUGO BOSS Canada, Inc.
HUGO BOSS España S. A.
HUGO BOSS Holding France SAS
HUGO BOSS France SAS
HUGO BOSS France Retail SAS
HUGO BOSS Calais SAS
HUGO BOSS Elysees SAS
HUGO BOSS Troyes SAS
HUGO BOSS Hong Kong Ltd.
HUGO BOSS Italia S. p. A.
HUGO BOSS Japan K. K.
HUGO BOSS (Schweiz) AG
Holy's GmbH
HUGO BOSS do Brasil Ltda.
HUGO BOSS Holdings Pty. Ltd.
HUGO BOSS International B.V.
HUGO BOSS UK Limited
HUGO BOSS Benelux B.V.
HUGO BOSS USA, Inc.
HUGO BOSS Fashions, Inc.
HUGO BOSS Retail, Inc.
HUGO BOSS Licensing, Inc.
The Joseph & Feiss Company
HUGO BOSS Cleveland, Inc.
AMBRA, Inc.
HUGO BOSS, Inc.
HUGO BOSS Services (Svizzera) S. A.
HUGO BOSS Industries (Svizzera) S. A.
Eura 2000 S. A.
Della Croce Italia S.r.l.
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 Australia Pty. Ltd.
HUGO BOSS Belgium BVBA
HUGO BOSS Denmark APS
HUGO BOSS Scandinavia AB
BIL Leasing Verwaltungs-GmbH & Co. 869 KG
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG

The number of companies shown in the 2003 consolidated financial statements changed as follows in the year under review:

	2003	2002
Number of fully-consolidated companies	43	39
Number of companies consolidated at equity	0	0
Total	**43**	**39**

Changes in the scope of consolidation

The companies HUGO BOSS Holding France SAS, HUGO BOSS Elysees SAS, HUGO BOSS Troyes SAS and HUGO BOSS Calais SAS, established during fiscal year 2003, were included for the first time in the consolidated financial statements as fully consolidated companies falling within the scope of consolidation. These companies were initially consolidated at the date of their establishment.

The impact of changes in the scope of consolidation on the consolidated financial statements for the year ending December 31, 2003, is immaterial.

Information concerning the majority shareholder

Marzotto S.p.A., Valdagno, Italy, holds the majority of the HUGO BOSS AG voting rights of Marzotto International N.V., Amsterdam, Netherlands, which it controls. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Marzotto S.p.A.

HUGO BOSS AG was notified pursuant to sections 21 and 22 WpHG (German Securities Trading Act) by Marzotto S.p.A., Valdagno, Italy as follows:

"On March 12, 2003, our subsidiary Marzotto International N.V. acquired from its subsidiary (our sub-subsidiary) Marzotto GmbH all its shares in HUGO BOSS AG, among which are 28,242,128 common shares of HUGO BOSS AG, corresponding to 78.76% of its common stock. This proportion of voting rights, which our subsidiary Marzotto International N.V. used to hold indirectly (section 22, paragraph 1 no. 1 WpHG) is now held directly by our subsidiary Marzotto International N.V.

We still hold the mentioned proportion of voting rights by virtue of attribution pursuant to section 22 paragraph 1 no. 1 WpHG; however, we no longer hold the mentioned proportion through two subsidiaries (Marzotto International N.V. and Marzotto GmbH), but placed only through one subsidiary (Marzotto International N.V.)."

HUGO BOSS AG was notified pursuant to section 21 WpHG by Marzotto International N.V., Amsterdam, Netherlands as follows:

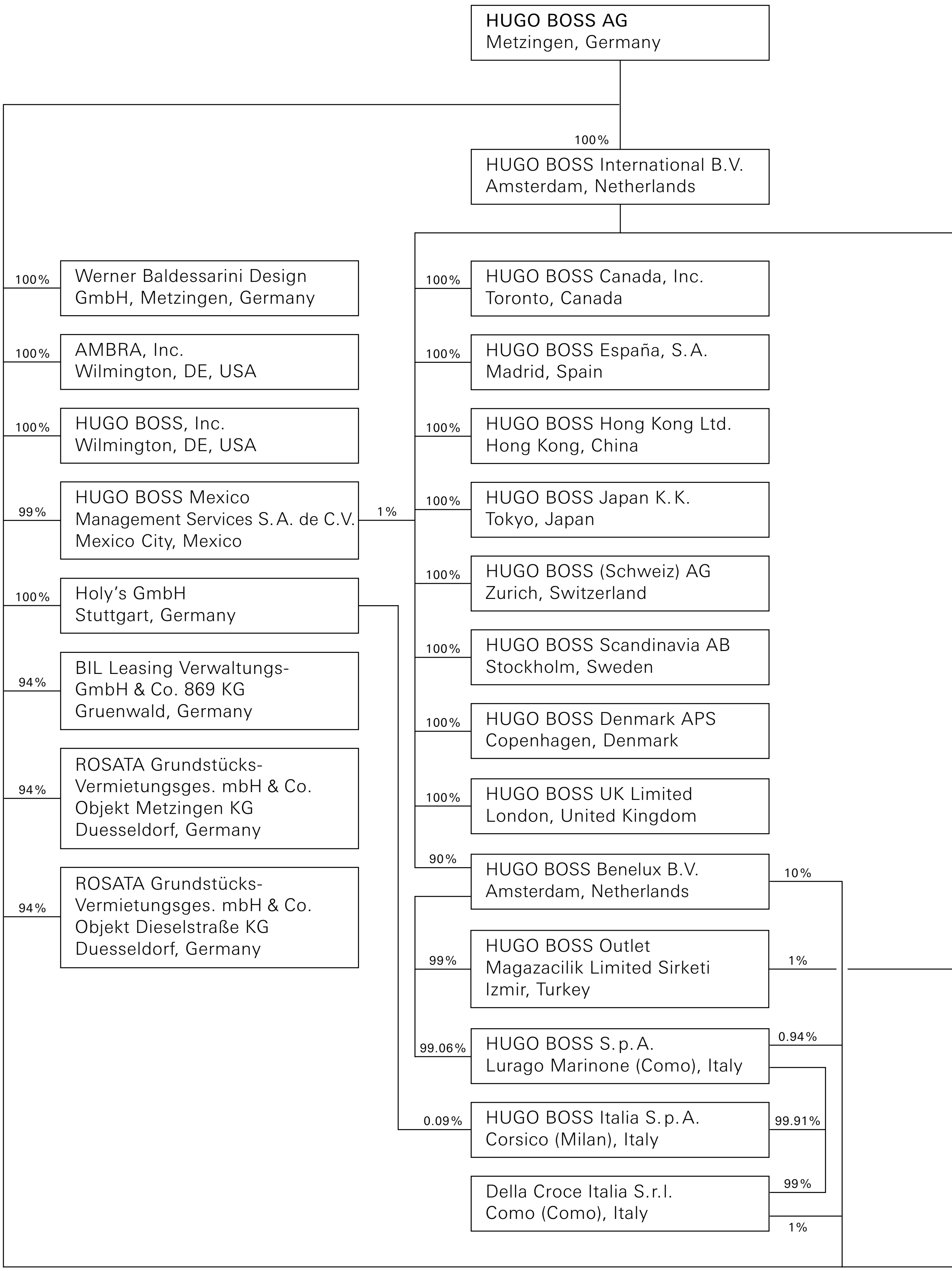
"On March 12, 2003, we acquired from our subsidiary Marzotto GmbH all its shares in HUGO BOSS AG, among which are 28,242,128 common shares of HUGO BOSS AG, corresponding to 78.76% of its common stock. The proportion of voting rights which we used to hold indirectly is now held directly (section 22 paragraph 1 no. 1 WpHG). A participation pursuant to section 22 WpHG does no longer apply."

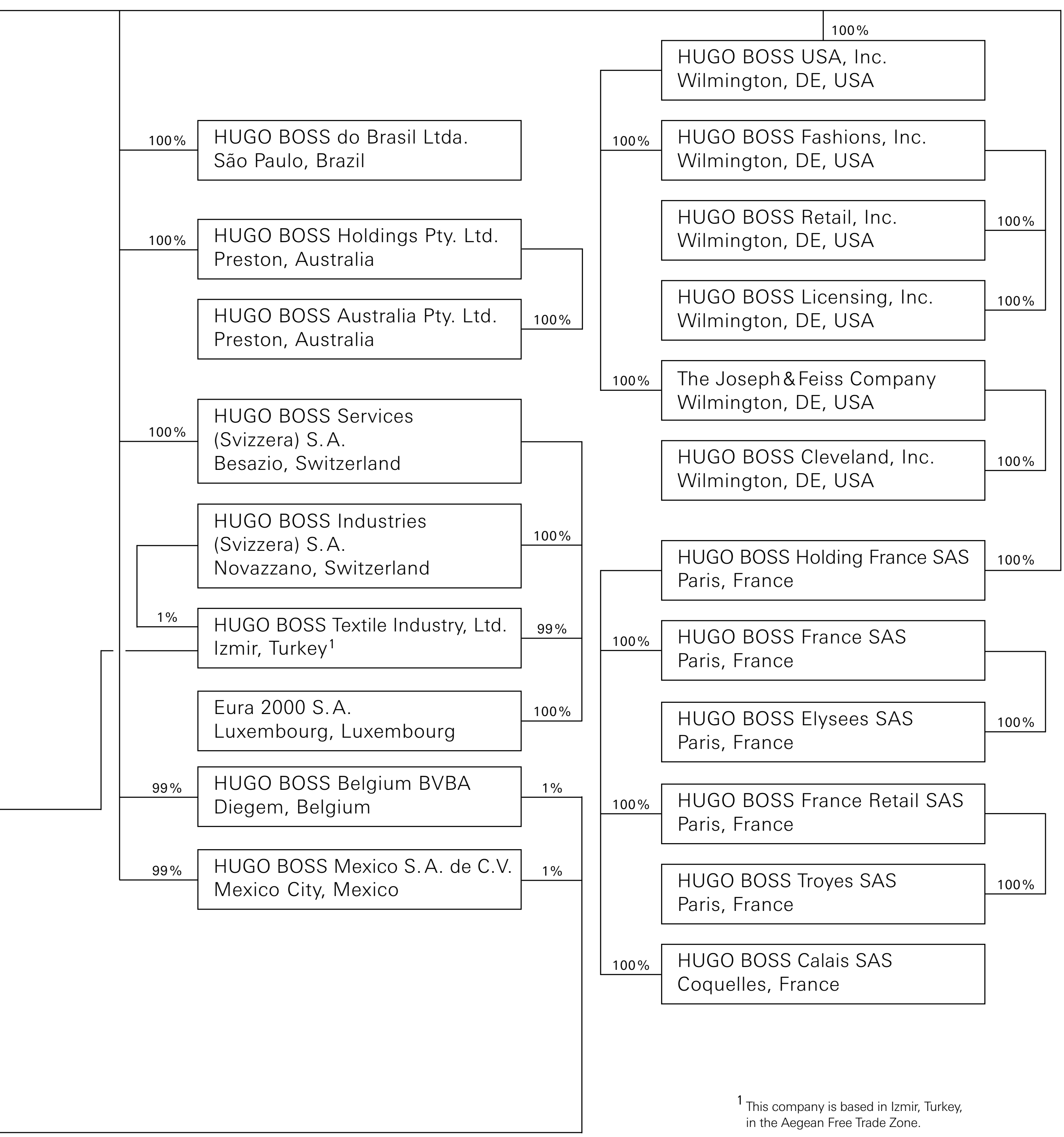
HUGO BOSS AG was notified pursuant to section 21 WpHG by Marzotto GmbH, Frankfurt a. M., Germany as follows:

“On March 12, 2003, we sold all our shares in HUGO BOSS AG and thus we no longer hold any share voting rights in HUGO BOSS AG.

By selling our shares we fell below all threshold values of 75%, 50%, 25%, 10% and 5% mentioned in section 21 paragraph 1 WpHG.“

Investment Holdings





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

Principles of consolidation

As part of the initial consolidation of a subsidiary, the group's cost of acquiring the shareholding is compared to the group's share in the book value of the share capital of the company concerned. As a general rule, the difference between the cost of acquisition and the group's share of capital (where such difference is based on undisclosed reserves or charges) is fully allocated to the assets and liabilities of the subsidiary in question. Any remaining balance is capitalized as goodwill and amortized over a maximum period of twenty years commensurate with its useful economic life.

For shareholdings consolidated according to the equity method, the cost of acquisition will be increased or decreased annually to reflect changes in the group's equity share in the associate.

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

Currency translation

The functional currency of HUGO BOSS AG is the Euro. The financial statements of foreign group companies (which are economically independent units) were converted to Euro based on the functional currency concept according to IAS 21. In principle, the functional currency is the local currency of the respective country. Exceptionally, however, the reporting currency of HUGO BOSS Textile Industry Ltd. is the Euro, because the major business transactions of this company are negotiated in this currency. This company is a foreign business operation, which is integrated into the business operation of the reporting company. Consequently there is no need to convert these financial statements.

Assets and liabilities are translated at the middle rate on the balance sheet date, while items in the income statement are generally translated at the rate at the time of recognition (due to reasons of clarity and materiality an average of the daily rates is used). Equity is translated at historical rates.

The difference between the translation of the income statement at average rates and of the balance sheet at closing rates is reported under other recognized gains and losses without impacting earnings. The currency adjustment resulting from the translation of equity at historical rates was similarly offset in other recognized gains and losses.

The exchange rates of the currencies most relevant to the consolidated financial statements showed the following movement in relation to the Euro:

Country	Currency	Average Rate		Rate at Reporting Date	
	1 EUR =	2003	2002	2003	2002
Australia	AUD	1.7475	1.7376	1.6744	1.8556
Brazil	BRL	3.4954	2.7677	3.5976	3.6972
Denmark	DKK	7.4300	7.4305	7.4434	7.4264
UK	GBP	0.6917	0.6292	0.7039	0.6509
Hong Kong	HKD	8.7783	7.3678	9.7001	8.1781
Japan	JPY	131.17	117.89	133.66	124.49
Canada	CAD	1.5849	1.4820	1.6384	1.6536
Mexico	MXN	12.1645	9.0996	14.0214	10.9400
Sweden	SEK	9.1342	9.1591	9.0704	9.1696
Switzerland	CHF	1.5172	1.4671	1.5599	1.4549
U.S.A	USD	1.1267	0.9447	1.2499	1.0494

Key Figures of the Consolidated Companies of the HUGO BOSS Group

Company	Sales [2]		Result		Equity	
thous.	2003 EUR	2002 EUR	2003 EUR	2002 EUR	2003 EUR	2002 EUR
HUGO BOSS AG	376,387	451,184	43,688[3]	53,247[3]	186,056	205,972
HUGO BOSS USA, Inc.[1]	132,391	155,789	(7,270)[4]	(29,748)	44,755	61,112
HUGO BOSS France SAS	84,293	91,313	5,774	5,282	43,370	37,595
HUGO BOSS UK Limited	69,186	72,456	8,732	10,510	13,581	14,625
HUGO BOSS Benelux B.V.	65,496	41,676	8,172	5,691	37,605	29,434
HUGO BOSS Italia S.p.A.	42,109	43,716	201	329	2,011	1,810
HUGO BOSS Services (Svizzera) S.A.[1]	38,587	39,337	7,701	14,252	39,818	44,003
HUGO BOSS Scandinavia AB	37,320	3,005	2,228	(822)	3,434	1,177
HUGO BOSS Canada, Inc.	36,586	38,543	1,048	1,802	9,721	8,627
HUGO BOSS Hong Kong Ltd.	34,464	30,228	6,221	4,882	3,774	2,586
HUGO BOSS Japan K.K.	28,995	24,822	(573)	(596)	3,666	4,550
HUGO BOSS España S.A.	27,726	20,600	741	58	3,854	3,113
HUGO BOSS (Schweiz) AG	23,157	24,882	2,737	3,408	3,118	3,802
HUGO BOSS Australia Pty. Ltd.	18,071	14,262	1,192	818	9,993	7,895
HUGO BOSS Mexico S.A. de C.V.	14,883	14,827	1,872	2,426	5,166	4,539
HUGO BOSS France Retail SAS	12,453	9,837	(177)	563	657	834
Holy’s GmbH	7,720	8,748	(830)[5]	(1,198)[5]	583	583
HUGO BOSS do Brasil Ltda.	2,757	6,632	(31)	(2,295)	(810)	(758)
HUGO BOSS Outlet Magazacilik Limited Sirketi	896	911	99	(44)	151	52
HUGO BOSS Calais SAS	251	–	(186)	–	(149)	–
Della Croce Italia S.r.l.[6]	137	–	(41)	–	266	–

Company	Sales[2]		Result		Equity	
thous.	2003 EUR	2002 EUR	2003 EUR	2002 EUR	2003 EUR	2002 EUR
AMBRA, Inc.	–	741	216	1,471	2,620	2,889
HUGO BOSS S.p.A.	–	(124)	467[7]	3,341[7]	31,695	31,211
HUGO BOSS Mexico Management Services S.A. de C.V.	–	–	10	16	40	39
HUGO BOSS International B.V.	–	–	39,368[8]	32,617[8]	180,391	156,463
HUGO BOSS Textile Industry Ltd.	–	–	2,178	2,435	7,434	5,256
HUGO BOSS Holdings Pty. Ltd.	–	–	–	61	14,716	12,299
HUGO BOSS, Inc.	–	–	–	–	204	243
HUGO BOSS Belgium BVBA	87	–	229	(216)	1,014	284
HUGO BOSS Denmark APS	160	–	252	(31)	926	676
HUGO BOSS Elysees SAS	–	–	–	–	37	–
HUGO BOSS Holding France SAS	–	–	(10)	–	1,790	–
HUGO BOSS Troyes SAS	–	–	–	–	37	–
BIL Leasing Verwaltungs-GmbH & Co. 869 KG[9]	–	–	(440)	(440)	(2,163)	(1,723)
ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Metzingen KG[9]	–	–	(833)	(588)	(1,414)	(581)
ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Dieselstraße KG[9]	–	–	(37)	(240)	(261)	(229)

1 Subgroup financial statement.
2 External sales; intra-group sales are eliminated.
3 Profits prior to appropriation of profit arising from the profit transfer agreement with Holy's GmbH; profits include dividend receipts amounting to EUR 15,000 thousand (prior year: 0) as well as proceeds from the sale of a Group investment totaling EUR 915 thousand (prior year: 0).
4 Result includes a one-time expense related to the recording of a pension fund provision in the amount of EUR 11,905 thousand before taxes (previously accounted for at the consolidated level).
5 Net income before profit transfer from (to) HUGO BOSS AG (profit and loss transfer agreement).
6 Included in the subgroup financial statement of HUGO BOSS Services (Svizzera) S.A. through 2002.
7 Profits do not reflect dividend receipts in 2003 (EUR 4,680 thousand in 2002).
8 Profits include dividends receipts amounting to EUR 25,404 thousand (2003) and EUR 29,130 thousand (2002), proceeds from the sale of a Group investment amounting to EUR 7,737 thousand (prior year: 0) and devaluations of accounts reflecting investments in consolidated companies of EUR 1,164 thousand (prior year: 0).
9 Investments with an equity share of 94%.

Accounting Policies

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

Recognition of income and expenses

Sales revenues are recognized when it is probable that the economic benefit associated with the transaction will flow to the company, and the amount of revenue can reasonably be established. Sales are recorded adjusted for any discounts.

Proceeds from the disposal of assets are recorded after delivery and passage of risks and opportunities to the buyer.

Interest is recorded pro rata according to the effective interest yield of the asset.

License agreements are recorded according to the conditions and in the period of the underlying contract.

Based on the matching principle, operating expenses are charged to income on the date of performance or at the time they are incurred.

Receivables and other assets

Receivables and other assets are reported at their nominal value or, as applicable, at their cost of purchase. Appropriate provisions were created for all apparent risks. Non-interest-bearing and low-interest-bearing receivables with maturities of more than one year are discounted.

Inventories

Raw materials and supplies as well as merchandise are in principle carried at the cost of purchase calculated on the basis of average cost. Work-in-progress and finished goods are measured at the cost of conversion. Cost of conversion includes fixed and variable overhead costs based on a nominal utilization rate of the plants. Finance charges have not been taken into account.

In the event that purchase or conversion cost of the inventories exceeds the realizable selling price minus costs incurred prior to the sale, the lower amount is used.

Property, plant and equipment

Tangible assets used in business operations for more than one year are measured at purchase or conversion cost less depreciation. The cost of conversion includes all expenditures that are directly attributable to the production process and an appropriate share of overhead related to production. Finance charges are not capitalized. The measure of useful life corresponds to the anticipated useful life of the asset within the group. Depreciation based solely on tax regulations is not reported.

Depreciation of buildings is in principle based on a useful life of 30 years; depreciation of buildings and improvements on third-party property is based on the shorter of the lease term or the useful life. As a general rule, movable non-current assets are depreciated using the straight-line method. For technical plant and equipment, useful life can be from 5 to 15 years, for other plant and office furniture and equipment from 2 to 15 years.

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

Lease agreements

In leases in which the group is the lessee, the commercial title to the leased asset is accorded to the lessee pursuant to IAS 17 if said party essentially bears all the risks and rewards associated with the leased asset (finance lease). Depreciation methods and useful lives correspond to those of comparable acquired assets. Capitalization generally takes place when the lease is signed and at the cost of purchase. Direct costs incurred at lease inception are capitalized. Corresponding lease obligations are shown under other liabilities. The interest portion of the lease payments is reported in the consolidated income statement for the term of the lease.

To the extent that, under leases, the commercial title lies with the lessor (operating lease), then the leased assets are to be reported by the lessor. The costs incurred in earning the lease income are reported in full as expenses.

Intangible assets

Intangible assets which are acquired or internally produced are capitalized, if it can be reasonably assumed that the use of the asset will entail a future economic benefit and the cost of the asset can be reliably measured. Acquired intangible assets are carried at cost of purchase, and the straight-line method applied for amortization over a useful life of three to four years. Internally produced intangible assets that are of probable future benefit to the group and that can be reliably measured are capitalized at the cost of conversion and amortized using the straight-line method over a period of four years. The cost of conversion includes all expenditures that are directly attributable to production of the asset and a proportionate share of overhead related to production. Finance charges are not capitalized.

Trademarks acquired for a consideration are capitalized and amortized using the straight-line method over a 15-year period. Goodwill from consolidation is amortized over its estimated useful life, i.e. a period not exceeding twenty years. Useful lives and depreciation methods are reviewed at the end of each fiscal year.

Amortization of goodwill is included in operating result.

Financial instruments

Financial instruments are presented according to IAS 39. Accordingly, financial assets, to the extent relevant to the HUGO BOSS Group, are classified as follows:

(a) financial assets held for trading

(b) loans and receivables extended by the enterprise

Purchases and disposals of financial assets are recognized according to the accounting method employed at the respective trade date. At the initial recognition of a financial asset, it is recognized at cost of purchase equalling the fair value of the consideration, including transaction costs.

Changes in the fair value of financial assets held for trading purposes are reported in the income statement.

Derivative financial instruments

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

In hedging transactions, certain derivatives are linked to certain basic transactions (micro hedging). Requirements of IAS 39 defining hedging transactions have been complied with.

According to IAS 39, all derivative financial instruments are to be reported at market value at the reporting date, regardless of their designated purpose or intention.

To the extent that financial instruments qualify as effective hedging instruments within the scope of a hedging relationship as defined by IAS 39 (cash flow hedges), any fluctuations in market value do not impact income for the period throughout the term of the derivative. Market value fluctuations are reported in the appropriate reserve account without affecting income. The accumulated equity value is recognized as a profit or loss for the period in which the hedged cash flow falls due.

Changes in the market value of derivative financial instruments classified as trading instruments according to IAS 39 are reported in the income statement.

It is group policy to use effective derivatives exclusively to hedge interest rate and currency exposure. Material and formal requirements under IAS 39 regarding treatment as hedging transactions have been met both at the time that the hedging contract was entered into and at the balance sheet date.

Impairments of assets

The carrying amounts of intangible assets and of property, plant and equipment are regularly reviewed for impairment in accordance with IAS 36 on the basis of cash-generating units.

To the extent that the value of the intangible assets or property, plant and equipment determined according to the principles above exceeds the amount recoverable at the balance sheet date, the carrying amount of the assets is written down. The recoverable amount is considered to be the greater of the net selling price or the present value of estimated future cash flows from continuing use of the asset. In the event that reasons for special write-downs cease to exist, reversal of impairment losses must be accounted for under amortized purchase or conversion costs.

Financial assets are reviewed for impairment at each balance sheet date. If an impairment is likely, it is recognized in the income statement. An impairment loss that has been recognized is reversed, if required by new circumstances, up to no more than amortized cost.

Income taxes

The amount of income taxes depends on the amount of earnings adjusted for deferred taxes. In accordance with IAS 12 deferred tax assets and liabilities have been provided for in the case of all temporary differences between the carrying amounts in individual companies' statements for tax purposes and the carrying amounts in the consolidated financial statements according to IAS, as well as for specific consolidation measures. The deferred tax assets also include claims for tax reductions resulting from the anticipated use of loss carryforwards in subsequent years and the realization of which are deemed reasonably certain.

Deferred tax assets and liabilities are assessed according to the expected tax rates for the period, in which the temporary differences will probably change direction.

Liabilities

Liabilities are reported at their nominal value or repayment amount. Liabilities from finance leases are shown under financial liabilities at the present value of future lease payments.

Provisions

Provisions have been set up wherever, as a result of a past event, a legal or de facto obligation currently exists towards third parties, which is likely to result in a future decrease in assets and which can be reliably estimated.

Provisions are reviewed at each balance sheet date and adjusted to the current best estimate. If the interest effect is material, the provision equals the net present value of the expenses required to fulfill the obligation.

Provisions for pensions

The measurement of provisions for pensions is based on the projected unit credit method prescribed in IAS 19 for defined-benefit plans; this method takes into account future benefit and pension adjustments. The present value of deferred benefits at year-end is compared to the fair value of plan assets reported as funds. Actuarial gains and losses are generally netted and immediately recognized in income.

Contingent liabilities and contingent claims

Contingent liabilities are not reported in the accounts. They are included in the Notes, unless there is a very low probability that they will result in an outflow of economic resources. Equally, contingent claims are not reported. They are listed in the Notes, in the event that an associated inflow of economic resources is considered likely.

Events after the balance sheet date

Events after the balance sheet date, which provide additional information on the situation of the company at the balance sheet date (mandatory disclosure events), have to be accounted for in the consolidated financial statements. Non-mandatory disclosure events after the balance sheet date are reported in the Notes if they are of a material nature.

Notes to the Income Statement

(1) Sales

Classified by brand and region

2003	BOSS Man EUR thous.	BOSS Woman EUR thous.	HUGO EUR thous.	BALDESSARINI EUR thous.	EUR thous.
Germany	203,399	12,367	39,894	5,686	**261,346**
Other European countries	396,192	19,931	29,154	6,251	**451,528**
Americas	170,461	4,533	8,904	2,824	**186,722**
Other regions	89,779	7,319	3,110	1,120	**101,328**
Royalties	30,368	6,698	13,188	2,934	**53,188**
	890,199	50,848	94,250	18,815	**1,054,112**

2002	BOSS Man EUR thous.	BOSS Woman EUR thous.	HUGO EUR thous.	BALDESSARINI EUR thous.	EUR thous.
Germany	221,421	9,249	37,957	6,335	**274,962**
Other European countries	392,924	15,362	28,386	8,772	**445,444**
Americas	204,126	4,143	9,937	2,770	**220,976**
Other regions	81,124	3,888	1,929	985	**87,926**
Royalties	38,169	4,357	19,966	1,586	**64,078**
	937,764	36,999	98,175	20,448	**1,093,386**

(2) Other Operating Income

	2003 EUR thous.	2002 EUR thous.
Income on marketing expenses charged	21,164	22,368
Income on other expenses charged	11,025	7,113
Other operating income	4,240	2,456
Non-recurring income	9,335	13,084
	45,764	**45,021**

Income on marketing expenses charged is largely made up of charges for Shop outfitting and marketing materials, as well as from advertising and sponsorship activities.

Non-recurring income resulted primarily from the dissolution of provisions.

(3) Cost of Materials

	2003 EUR thous.	2002 EUR thous.
Raw materials and supplies	199,399	171,416
Purchased merchendise	251,929	246,906
Purchased services	68,279	71,380
	519,607	**489,702**

Cost of materials include exchange gains (after netting against exchange losses) incurred as a result of sales activities in the amount of EUR 9,751 thousand (prior year: EUR 462 thousand).

These exchange gains or losses result primarily from exchange rate changes between the actual date of change and the payment date (at the cash price) and from valuation as per the balance sheet date.

Cost of materials has decreased for fiscal 2002 by EUR 2,153 thousand compared to prior year's financial statements, due to a change in reporting of exchange gains, as well as accounting for material consumption not directly allocated to production under other operating expenses.

(4) Personnel Expenses

	2003 EUR thous.	2002 EUR thous.
Wages and salaries	143,747	137,291
Social security	25,007	21,702
Expenditure for retirement benefits and aid	3,492	2,024
	172,246	**161,017**

Expenses for retirement benefits consist predominantly of increases in provisions for pensions.

The number of employees changed as follows:

	2003	2002
Industrial employees	2,753	2,470
Commercial and administrative employees	2,357	2,130
	5,110	**4,600**

The number of employees was calculated as the number of employees as of December 31, taking into account part-time employees on a pro-rata basis. This differs from the prior year's method (average number of employees during the year); figures for the previous year were adjusted accordingly.

(5) Depreciation/Amortization

A breakdown of the amortization of intangible assets and the depreciation of property, plant and equipment can be obtained from the notes on each item. Total depreciation and amortization amounts to EUR 32,932 thousand (prior year: EUR 32,186 thousand).

Goodwill amortization for fiscal 2003 amounts to EUR 408 thousand (prior year: EUR 384 thousand).

(6) Other Operating Expenses

	2003 EUR thous.	2002 EUR thous.
Marketing expenses	92,469	101,227
Other sales expenses	87,639	93,575
General and administrative costs	32,105	32,775
Operating expenses	25,546	29,834
Other operating expenses	23,510	33,933
Non-recurring expenses	5,381	29,087
	266,650	**320,431**

Marketing expenses are comprised mainly of costs incurred for advertising, trade fairs, sponsorship activities and commercial marketing.

The key components of other selling expenses are commission, duties, freight costs – i. e. variable sales-related costs – along with rental and collection production costs.

General and administrative costs consist largely of legal and consulting fees, IT operating costs, maintenance costs and rents.

Other operating expenses are largely provisions relating to receivables, other personnel costs, credit card fees, and hedging transaction fees.

Other operating expenses include other taxes in the amount of EUR 1,956 thousand (prior year: EUR 2,213 thousand).

(7) Financial Result

	2003 EUR thous.	2002 EUR thous.
Investment income		
Income from associated companies	0	61
	0	61
Net interest income		
Other interest and similar income	1,858	3,462
Interest and similar expenses	(6,244)	(7,828)
	(4,386)	(4,366)
Other financial items		
Gains on currency translation	14,021	3,312
Losses on currency translation	(8,302)	(2,320)
	5,719	992
	1,333	**(3,313)**

Income from associates in the previous year shows a share of 2002 profits arising from the investment in HUGO BOSS Australia Pty. Ltd. prior to inclusion of the company on a fully consolidated basis in the group's consolidation scope.

The financial result comprises exchange rate gains and losses incurred in the course of financing activities of the group.

(8) Income Taxes

	2003 EUR thous.	2002 EUR thous.
Current taxes	37,929	30,703
Deferred taxes	266	(10,284)
	38,195	**20,419**

Deferred taxes are calculated on the basis of tax rates which apply or are anticipated in the relevant countries according to the legal situation prevailing at the time of realization. HUGO BOSS AG is subject to a domestic income tax rate of 37.2% (prior year: 38.6%). Tax rates abroad range between 0% and 42%.

The following table shows a reconciliation between anticipated income tax expenditure which would theoretically result given the application at group level of the current domestic income tax rate of 38.6% (prior year: 37.2%) and the group's actual income tax expenditure shown. The domestic income tax rate of 38.6% is adjusted for the increase in the corporate income tax rate to 26.5% for the year 2003.

	2003 EUR thous.	2002 EUR thous.
Pre-tax result	120,561	95,105
Anticipated income tax	46,537	35,379
Tax refund on prior year's dividend	0	(9,345)
Tax effect of non-deductible expenses and tax-exempt income	3,160	2,652
Tax rate-related deviation	(9,117)	(8,232)
Tax refunds/back taxes	(3,202)	(330)
Other deviation	817	295
Income tax expenditure carried	38,195	20,419
Income tax load	31.7%	21.5%

The tax refund on prior year's dividends concerns the HUGO BOSS AG tax credit due upon dividend distribution, which is to be taken into account at the time of dividend payout. The remaining corporation tax credit of HUGO BOSS AG amounts to EUR 6.6 million (incl. solidarity surcharge) and can only be applied due to the relevant amendments to the German Corporation Tax Act, as part of dividend payouts in the years 2006 to 2019.

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

	2003		2002	
	Assets EUR thous.	Liabilities EUR thous.	Assets EUR thous.	Liabilities EUR thous.
Provisions	4,050	(19)	13,145	(189)
Loss carryforwards	9,264	–	14,544	–
Inventory measurement	4,204	(4,965)	859	(3,121)
Recognition and measurement of fixed assets	1,418	(2,972)	417	(7,414)
Receivables measurement	4,127	(519)	2,834	(653)
Market valuation of financial instruments	0	(2,152)	210	(2,131)
Other differences in recognition and measurement	193	(360)	1,083	(442)
	23,256	(10,987)	33,092	(13,950)
Valuation allowance	(392)	–	(560)	–
	22,864	**(10,987)**	**32,532**	**(13,950)**

Provisions have been made with respect to deferred taxes, if there are doubts as to their realization. To determine these adjustments, all positive and negative factors that might impact the achievement of sufficient future income levels have been taken into consideration.

(9) Minority Interests

The consolidated financial statements include companies in which HUGO BOSS AG holds less than 100% of the shares. In line with IAS 27, the negative capital share attributable to minority interests and the additional loss attributable to minority interests have been offset against the majority interest in group equity.

(10) Earnings per Share

According to IAS 33, the earnings per share (EPS) figure is calculated by dividing the consolidated net income or loss for the period by the weighted average number of common shares outstanding during the fiscal year. Neither at December 31, 2003, nor at December 31, 2002, were shares outstanding that could have diluted earnings per share.

	2003	2002
Net income in EUR mill.	82.4	74.7
Number of shares		
Common shares	35,860,000	35,860,000
Preferred shares	34,540,000	34,540,000
EPS common shares	1.16	1.05
EPS preferred shares	1.18	1.07

Notes to the Balance Sheet

(11) Cash and Cash Equivalents

	2003 EUR thous.	2002 EUR thous.
Checks/ec-Cash	566	1,083
Cash in hand	774	905
Balances with banks and factoring companies	46,924	55,284
	48,264	**57,272**

(12) Trade Receivables

	2003 EUR thous.	Remaining term more than 1 year EUR thous.	2002 EUR thous.	Remaining term more than 1 year EUR thous.
Trade receivables	173,325	4,496	153,626	5,989

On December 31, 2003, the allowance for doubtful accounts amounted to EUR 23,487 thousand (prior year: EUR 23,579 thousand).

(13) Inventories

The inventories break down as follows:

	2003 EUR thous.	2002 EUR thous.
Raw materials and supplies	48,819	48,222
Work in progress	9,461	9,425
Finished goods and merchandise	156,360	158,409
Payments on account	42	2,091
	214,682	**218,147**

The carrying amount of inventories shown at the lower net realizable value is EUR 59,943 thousand (prior year: EUR 65,584 thousand).

(14) Other Assets

EUR thous.	2003			2002		
		thereof: short-term	thereof: long-term		thereof: short-term	thereof: long-term
Tax claims and prepayments	41,681	40,170	1,511	48,871	47,317	1,554
Other assets	31,222	20,242	10,980	29,565	22,183	7,382
	72,903	**60,412**	**12,491**	**78,436**	**69,500**	**8,936**

Other assets are comprised chiefly of receivables from suppliers and rent deposits, along with positive market values in financial derivatives totaling EUR 6,015 thousand (prior year: EUR 6,951 thousand) are also included. Other assets also include advance payments totaling EUR 2,530 thousand (prior year: EUR 5,376 thousand).

Fixed Assets

EUR thous.	Property, plant and equipment	Intangible assets	Financial assets	Total fixed assets
Costs of acquisition				
Status 1/1/03	305,388	61,029	25	366,442
Currency translation effects	(13,090)	(328)	0	(13,418)
Additions	42,073	4,216	0	46,289
Disposals	(7,221)	(3,177)	0	(10,398)
Transfers	2	(2)	0	0
Status 12/31/03	327,152	61,738	25	388,915
Depreciation/amortization				
Status 1/1/03	121,280	24,735	0	146,015
Currency translation effects	(5,057)	(296)	0	(5,353)
Additions	27,360	5,572	0	32,932
Disposals	(4,138)	(3,046)	0	(7,184)
Transfers	711	(711)	0	0
Status 12/31/03	140,156	26,254	0	166,410
Book value 12/31/03	**186,996**	**35,484**	**25**	**222,505**
Book value 12/31/02	**184,108**	**36,294**	**25**	**220,427**

Land charges exist in conjunction with land and buildings in the amount of EUR 43.5 million (prior year: EUR 39.9 million).

(15) Property, Plant and Equipment

EUR thous.	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Prepayments made and construction in progress	Total
Cost of acquisition					
Status 1/1/03	87,089	24,366	178,064	15,869	305,388
Currency translation effects	(2,300)	(1,655)	(9,155)	20	(13,090)
Additions	977	6,888	27,992	6,216	42,073
Disposals	(271)	(2,007)	(4,943)	0	(7,221)
Transfers	8,192	5,025	2,958	(16,173)	2
Status 12/31/03	93,687	32,617	194,916	5,932	327,152
Depreciation					
Status 1/1/03	20,596	17,451	83,233	0	121,280
Currency translation effects	(660)	(1,117)	(3,280)	0	(5,057)
Additions	3,379	3,106	20,875	0	27,360
Disposals	(92)	(1,459)	(2,587)	0	(4,138)
Transfers	0	0	711	0	711
Status 12/31/03	23,223	17,981	98,952	0	140,156
Book value 12/31/03	**70,464**	**14,636**	**95,964**	**5,932**	**186,996**
Book value 12/31/02	**66,493**	**6,915**	**94,831**	**15,869**	**184,108**

Charges totaling EUR 1,332 thousand were made against property, plant and equipment in particular to reflect the impairment in the value of shop fittings (prior year: EUR 2,578 thousand).

Finance leases

The total of leased assets to be recognized as group commercial property in accordance with IAS 17 is EUR 5,253 thousand (prior year: EUR 6,955 thousand). Of this amount, the sum of EUR 4,174 thousand (prior year: EUR 5,248 thousand) is traceable to the capitalization of a distribution center for which a lease with a purchase option was entered into at the close of the basic term of the lease.

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

	Payable 2004 EUR thous.	Payable 2005–2008 EUR thous.	Payable after 2008 EUR thous.
Lease payments	725	3,274	4,581
Present value	400	2,320	3,359

Operating Leases

In addition to finance leases there are a substantial number of leases, the commercial content of which indicates that they qualify as operating leases; consequently, the leased asset is recognized as belonging to the lessor.

Payments falling due in subsequent periods under operating leases in existence at the reporting date are shown in other notes (27).

(16) Intangible Assets

EUR thous.	Franchises, trademarks, patents, licenses[1]	Company-written software	Goodwill	Total
Cost of acquisition				
Status 1/1/03	47,308	5,603	8,118	61,029
Currency translation effects	(330)	0	2	(328)
Additions	4,216	0	0	4,216
Disposals	(3,177)	0	0	(3,177)
Transfers	(2)	0	0	(2)
Status 12/31/03	48,015	5,603	8,120	61,738
Amortization				
Status 1/1/03	22,944	1,401	390	24,735
Currency translation effects	(329)	0	33	(296)
Additions	4,113	1,051	408	5,572
Disposals	(3,046)	0	0	(3,046)
Transfers	(711)	0	0	(711)
Status 12/31/03	22,971	2,452	831	26,254
Book value 12/31/03	**25,044**	**3,151**	**7,289**	**35,484**
Book value 12/31/02	**24,364**	**4,202**	**7,728**	**36,294**

[1] And similar rights, including licenses.

(17) Financial Liabilities

This position lists all the interest-bearing obligations in existence at the relevant reporting date. It is comprised as follows:

	2003 EUR thous.	2002 EUR thous.
Short-term financial liabilities	115,122	104,002
Long-term financial liabilities	79,364	92,503
	194,486	**196,505**

	2003 EUR thous.	With a remaining term up to 1 year EUR thous.	2002 EUR thous.	With a remaining term up to 1 year EUR thous.
Due to banks	184,467	114,722	185,173	103,623
Other financial liabilities	10,019	400	11,332	379
	194,486	**115,122**	**196,505**	**104,002**

Other financial liabilities include liabilities from finance leases totaling EUR 6,079 thousand (prior year: EUR 7,428 thousand).

The following schedules show the maturities and conditions of financial liabilities:

Due to Banks

Remaining term	Weighted average interest rate	Book value 2003 EUR thous.	Weighted average interest rate	Book value 2002 EUR thous.
up to 1 year	2.22%	114,722	2.74%	103,623
1 to 5 years	2.21%	33,310	2.11%	47,223
more than 5 years	5.91%	36,435	5.99%	34,327

Other Financial Liabilities

Remaining term	Weighted average interest rate	Book value 2003 EUR thous.	Weighted average interest rate	Book value 2002 EUR thous.
up to 1 year	5.37%	400	5.00%	379
1 to 5 years	5.50%	2,381	5.00%	1,690
more than 5 years	5.13%	7,238	5.27%	9,263

(18) Trade Payables

	With a remaining term			
2003	up to 1 year EUR thous.	from 1 to 5 years EUR thous.	of more than 5 years EUR thous.	Total EUR thous.
Trade payables	34,148	52	0	34,200
	34,148	**52**	**0**	**34,200**

	With a remaining term			
2002	up to 1 year EUR thous.	from 1 to 5 years EUR thous.	of more than 5 years EUR thous.	Total EUR thous.
Trade payables	34,690	0	0	34,690
	34,690	**0**	**0**	**34,690**

(19) Provisions

Provisions include:

	2003 EUR thous.	2002 EUR thous.
Tax provisions	15,653	26,788
Other provisions	58,592	60,311
	74,245	**87,099**

Tax provisions contain current income tax obligations. The note on deferred taxes can be found in the Notes to the income statement under “(8) Income Taxes.”

During fiscal 2003, other provisions have changed as follows:

	Status 1/1/03	Currency translation	Addition	Use	Release	Status 12/31/03
Outstanding invoices for goods and services	22,431	(216)	18,140	(17,140)	(599)	22,616
Provisions for human resources	13,407	(443)	12,192	(7,092)	(228)	17,836
Sales agents’ commissions and settlement payments	4,976	(23)	2,170	(2,864)	(1,085)	3,174
Costs of litigation, pending and impending legal disputes	7,734	0	3,096	(4,641)	(556)	5,633
Other provisions	11,763	(395)	9,446	(6,247)	(5,234)	9,333
	60,311	**(1,077)**	**45,044**	**(37,984)**	**(7,702)**	**58,592**

Provisions for personnel expenses refer mainly to profit sharing and bonuses, severance payments, outstanding vacation entitlements, wages and salaries.

The provision for litigation costs and pending legal disputes include litigation costs for trademark protection.

The other provisions are comprised chiefly of provisions for returned merchandise.

(20) Other Liabilities

EUR thous.	2003			2002		
		thereof: short-term	thereof: long-term		thereof: short-term	thereof: long-term
Liabilities to affiliated companies	2,290	2,290	0	2,244	2,244	0
Other liabilities	19,130	16,516	2,614	17,663	14,671	2,992
from taxes	[5,257]	[5,257]	[0]	[5,480]	[5,431]	[49]
from social security	[4,440]	[4,440]	[0]	[3,982]	[3,982]	[0]
	21,420	**18,806**	**2,614**	**19,907**	**16,915**	**2,992**

Payables to affiliated companies include trade payables in the amount of EUR 2,290 thousand (prior year: EUR 2,244 thousand).

In addition to taxes and social security, other liabilities primarily include liabilities arising from payroll accounting obligations.

Other liabilities also include the negative market values of financial derivatives totaling EUR 768 thousand (prior year: EUR 2,103 thousand).

(21) Provisions for Pensions

	2003 EUR thous.	2002 EUR thous.
Provisions for pensions	18,519	22,167
Provisions for similar obligations	1,180	960
	19,699	**23,127**

Pension provisions have been created with respect to obligations based on pension rights and ongoing payments to eligible current and former employees of the HUGO BOSS Group. The promised benefits based on the retirement plans are determined largely by the period of service of the employees in question. Apart from pension benefit obligations in Germany there are also obligations to a pension fund in the U.S.

The funding of the company retirement plan is covered by plan assets held by HUGO BOSS Unterstützungskasse e.V., by reinsurance and by the group's pension provisions.

The computation of the pension expenditure is based on planned service cost and anticipated return on the plan assets. Taking into account the principles of computation set forth in IAS 19, the following summarizes the current funding status of pension commitments:

	2003 EUR thous.	2002 EUR thous.
Change in benefit obligation		
Benefit obligation on January 1	25,774	27,784
Service cost	1,700	1,024
Interest cost	545	983
Actuarial gains/losses	(117)	(44)
Benefits paid	(271)	(926)
Currency translation	(2,659)	(3,047)
Other decrease in benefit obligation	(2,725)	0
Benefit obligation on December 31	22,247	25,774
Change in plan assets		
Fair value of plan assets on January 1	3,857	3,789
Return on plan assets	298	277
Benefits paid	(168)	(209)
Fair value of plan assets on December 31	3,987	3,857
Funding status of the benefits funded by plan assets	**18,260**	**21,917**
Pensions funded by provisions	259	250
Provisions for pensions	**18,519**	**22,167**

Pension expenses consist of service costs plus interest expenses and have been included in personnel expenses.

Pension obligations have been determined based on the following assumptions:

Calculation basis	2003	2002
Discount rate	5.60%	4–5.75%
Rate of compensation increase	1.75%	1.75%

Pension obligations for Germany were computed using the biometric principles according to the mortality tables compiled by Prof. Dr. Klaus Heubeck in 1998.

Equity

Development of equity is shown in the statement of changes in equity on pp. 108–109.

(22) Subscribed Capital

At December 31, 2003, subscribed capital of HUGO BOSS AG totaled EUR 70,400,000, broken down as follows:

	2003 EUR thous.
Common bearer shares 35,860,000 shares	35,860
Non-voting preferred bearer shares 34,540,000 shares	34,540
	70,400

The Managing Board of HUGO BOSS AG may dispose of authorized capital of EUR 3,520,000 until May 17, 2004, with the consent of the Supervisory Board. Authorized capital allows a one-time or multiple increase of share capital from the issue of new common or preferred shares.

In HUGO BOSS AG's Annual Shareholders' Meeting on May 27, 2003, the company was authorized to acquire common and/or preferred shares without voting rights to a cumulative maximum of 10% of equity capital. HUGO BOSS AG has not exercised this authorized right to acquire its shares until December 31, 2003.

(23) Capital Reserve

The capital reserve contains premiums on the issue of shares.

(24) Retained Earnings

Retained earnings contain income earned in the past by the companies included in the consolidated financial statements, provided such income was not paid out as dividends.

(25) Accumulated Other Equity

Accumulated other equity contains adjustments arising from the translation of the financial statements of foreign subsidiaries of EUR –14,765 thousand (prior year: EUR –1,156 thousand) and the effects of the measurement of financial instruments after taxes, neither of which is taken to income. Deferred taxes not impacting the income statement were EUR – 1.126 thousand (prior year: EUR –1,951 thousand).

Miscellaneous

Based on the German Stock Corporation Act, the dividend payout to shareholders is established from net income for the year as reported in the consolidated financial statements of HUGO BOSS AG. The consolidated net income for 2003 of HUGO BOSS AG to be proposed at the Shareholders' Meeting for distribution is EUR 55.3 million. This corresponds to EUR 0.78 per common share and 0.79 per preferred share.

Other Notes

(26) Contingent Liabilities

No provisions have been created for the following contingent liabilities, which are shown at nominal value, since attendant risks are considered unlikely to materialize.

	2003 EUR thous.	2002 EUR thous.
Liabilities from the negotiation and transfers of bills	2,066	845
Contingent liabilities from the provision of collateral for third-party liabilities	1,027	703
secured by mortgages	[447]	[703]
Other contingent liabilities	4,538	0
	7,631	1,548

Other contingent liabilities include a possible future tax charge of EUR 4.5 million as a result of a possible amendment to a law in the Netherlands.

(27) Other Financial Obligations

2003	Due 2004 EUR thous.	Due 2005–2008 EUR thous.	Due after 2008 EUR thous.	Total EUR thous.
Sum of future minimum leasing payments (operating leases)	41,705	146,793	105,811	294,309
Other obligations	3,954	3,697	62	7,713
	45,659	**150,490**	**105,873**	**302,022**
Purchase commitment for investments in fixed tangible and intangible assets	7,998	1,273	0	9,271

2002	Due 2003 EUR thous.	Due 2004–2007 EUR thous.	Due after 2007 EUR thous.	Total EUR thous.
Sum of future minimum leasing payments (operating leases)	40,211	134,603	129,944	304,758
Other obligations	4,315	7,181	0	11,496
	44,526	**141,784**	**129,944**	**316,254**
Purchase commitment for investments in fixed tangible and intangible assets	6,417	0	0	6,417

(28) Hedging Policy and Financial Derivatives

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

When using financial derivatives, HUGO BOSS is exposed to the risk that the counterparty may default. HUGO BOSS reduces this risk by confining such transactions exclusively to banks with impeccable creditworthiness.

In its main markets, HUGO BOSS is represented by its own subsidiaries, who distribute products within defined geographic areas to local customers. These subsidiaries place the orders for the goods and services required exclusively within the group.

Intra-company orders are as a rule denominated in local currency, in order to concentrate the exchange rate risk at HUGO BOSS AG in Germany. Currency exposures arise from cash flows denominated variously in the local currencies of subsidiaries, in Euro (HUGO BOSS AG's functional currency) and in Swiss francs (the functional currency of HUGO BOSS Industries S.A.). Hedging transactions are undertaken centrally by the group's Treasury Department.

In order to hedge part or all of the subsidiaries' anticipated payments against the above-mentioned currency exposure, HUGO BOSS uses financial derivatives. This principally entails the use of forward exchange deals and currency options.

In particular, HUGO BOSS hedges cash flows from countries in which it maintains extensive operations.

These countries include the U.S.A., the United Kingdom, Switzerland, Canada and Australia. The forward exchange and currency option contracts have maturities ranging from 12 to 15 months from the contract date as a rule, with 18 months at maximum. For the most part, these anticipated cash flows, expected within 18 months, arise from intra-group sales.

HUGO BOSS holds the view that the use of currency derivatives reduces the above-mentioned risks and therefore uses such instruments exclusively for hedging purposes.

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

	2003		2002	
EUR thous.	**Nominal amount**	**Fair values**	**Nominal amount**	**Fair values**
Currency hedging contracts	152,146	5,262	118,408	4,955
Interest hedging contracts	16,002	(15)	28,284	(107)
	168,148	**5,247**	**146,692**	**4,848**

The nominal amounts shown reflect the sum of the balances from sales and purchases.

Market values of financial derivatives are carried as other assets or other liabilities. They do not reflect any contrary movements in the value of the hedged item. Moreover, fair values do not necessarily reflect future realizable amounts under the prevailing market conditions.

In addition to financial derivatives to hedge future sales, hedging transactions for present values with a fair value of EUR –15 thousand (prior year: EUR 2 thousand) are also included.

At December 31, 2003, after deduction of deferred taxes, the positive impact of the market valuation of financial derivatives totaling EUR 1,897 thousand (prior year: EUR 3,165 thousand) is reported as a deferral in the equity account.

(29) Notes to the Consolidated Statement of Cash Flows

The consolidated statement of cash flows shows how the HUGO BOSS Group's cash resources have changed during the year under review as a result of cash inflows and outflows. In line with IAS 7, the cash flow statement is divided into cash flows from operating activities, investment activities and financing activities. The indirect method was used to prepare the consolidated statement of cash flows.

The cash and cash equivalents shown in this statement include all the liquid assets shown in the balance sheet, i.e. cash in hand, checks, and credit balances held at banks.

(30) Notes on Segment Reporting

In segment reporting, the activities of the HUGO BOSS Group are differentiated, in accordance with the rules of IAS 14, by business area – i.e. product category – as the primary reporting format and by geographic area as the secondary reporting format.

Segmenting in the case of HUGO BOSS is derived from the internal reporting and organizational structure with primary reporting of the two product areas, menswear and womenswear. Secondary segmenting is based on geographic segments.

In product category segmenting, the menswear segment encompasses the brands of BOSS Man, HUGO and BALDESSARINI.

In the case of geographic segmenting, external sales are classified according to the location of the customer's headquarters. In line with the organization's internal management and reporting structures, the regions are defined separately as Germany, Other European Countries, the Americas and Other Regions.

Segment information is based on the same accounting policies as the consolidated financial statements.

(31) Related Party Disclosures

As part of its ordinary activities, the HUGO BOSS Group also obtains goods and services from related parties. Market prices are paid for the relevant goods and services.

During fiscal 2003, related parties in the Marzotto Group provided supplies and services (in particular fabric supply) amounting to EUR 22,179 thousand (prior year: EUR 22,369 thousand).

Members of the Supervisory Board received licensing fees totaling EUR 1,041 thousand (prior year: EUR 731 thousand) and compensation for services rendered (in particular consulting) totaling EUR 422 thousand (prior year: EUR 50 thousand).

(32) Supervisory Board and Managing Board

The members of the Supervisory Board and Managing Board are listed on page 10.

Remuneration for members of the Managing Board in fiscal 2003 totaled EUR 2,400 thousand (prior year: EUR 3,270 thousand). The fixed component of this sum is EUR 1,408 thousand (prior year: EUR 2,101 thousand) and the variable component is EUR 992 thousand (prior year: EUR 1,169 thousand).

Option rights granted to members of the HUGO BOSS AG Managing Board under the stock option plan, the “stock appreciation rights program” developed as follows:

	Tranche no. 1	Tranche no. 2	Tranche no. 3	Total
Date of issue	July 2001	March 2002	February 2003	–
Number of option rights outstanding on December 31, 2003	96,000	112,500	180,000	388,500
Strike price (EUR)	31.95	23.63	9.71	–
Value of option rights held by Managing Board				
December 31, 2002 (EUR thous.)	106	208	–	314
December 31, 2003 (EUR thous.)	26	118	1,132	1,276

The Supervisory Board received total remuneration of EUR 989 thousand for its services (prior year: EUR 409 thousand). This includes a variable component of EUR 553 thousand (prior year: 0) granted according to the resolution passed in the May 27th, 2003 shareholders’ meeting.

Pension obligations towards former members of the Managing Board increased by EUR 34 thousand to EUR 3,889 thousand.

The members of the Supervisory Board own a total of 1.12% of the shares issued by HUGO BOSS AG. One member, Dr. Pietro Marzotto, holds 1.07%. The members of the Managing Board together own less than 0.01% of the company’s shares.

(33) Stock Appreciation Rights Program

During 2001, HUGO BOSS AG introduced a stock appreciation rights program for Managing Board members and second-tier executives.

As part of this program, members of the HUGO BOSS AG Managing Board and specific other executives of HUGO BOSS AG and its subsidiaries are accorded a certain number of participation rights. These rights enable them to benefit from any increase in the price of the company’s shares. Participation rights solely confer a claim to monetary compensation, but not a claim to HUGO BOSS AG shares.

The stock appreciation rights program has a term of four years. After the initial holding period of two years, a two-year exercise period begins. In the event that growth in market capitalization of HUGO BOSS AG exceeds MDAX growth by five percentage points (exercise barrier) upon expiration of the holding period or during the exercise period, participation rights may be exercised.

The payoff corresponds to the difference between the strike price and the market capitalization reflecting the average prices of the common and preferred HUGO BOSS AG shares during the five trading days preceding the date of exercise. The strike price corresponds to the market capitalization based on the average of the two share prices, divided by the total number of HUGO BOSS AG shares, during the 20 trading days preceding the date of issue.

The stock appreciation rights program performed as follows during the years 2003 and 2002:

	2002	2003
Number of option rights at Jan. 1	206,600	454,250
Newly granted	257,700	462,300
Expired option rights	(10,050)	(8,400)
Number of option rights at Dec. 31	454,250	908,150

Provisions have been created to cover anticipated future claims from the stock appreciation rights program. Based on the Black-Scholes option pricing model, the value of the stock appreciation rights issued is calculated based on current market parameters and then allocated to the provisions on a pro rata basis until the exercise period has commenced. For fiscal 2003, this increased provisions by EUR 1,140 thousand (prior year: Decrease of EUR 170 thousand).

Further Information on Supervisory Board Members

The following members of our Supervisory Board also hold positions on bodies at the companies specified:[1]

Dr. Giuseppe Vita	Allianz Lebensversicherungs AG	Stuttgart, Germany
	BEWAG AG	Berlin, Germany (until 01/31/03)
	Riunione Adriatica di Sicurtà (RAS) S.p.A.[2]	Milan, Italy
	Axel Springer Verlag AG[2]	Berlin, Germany
	Degussa AG	Duesseldorf, Germany (until 02/18/03)
	Schering AG[2]	Berlin, Germany
	Techosp S.p.A.	Milan, Italy
	Vattenfall Europe AG	Berlin, Germany
	Marzotto S.p.A.	Valdagno, Italy (since 05/09/03)
	Medical Park AG	Bad Wiessee, Germany (since 03/01/03)
Jean F. de Jaegher	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy (until 12/11/03)
	Bremer Woll-Kämmerei AG[3]	Bremen, Germany
Antonio Favrin	Valentino S.p.A.[2]	Rome, Italy
	Marzotto GmbH	Frankfurt/Main, Germany
	Vincenzo Zucchi S.p.A.	Milan, Italy
	Mascioni S.p.A.	Milan, Italy
	Industrie Zignago Santa Margherita S.p.A.[2]	Fossalta di Portogruaro, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
	A.I.F. – Attività Industriali Friuli S.r.l.[2]	San Vito al Tagliamento, Italy
	Vetri Speciali S.r.l.	Trento, Italy
	Santa Margherita S.p.A.	Fossalta di Portogruaro, Italy
	Ca'del Bosco S.p.A.	Erbusco, Italy
	Prind S.p.A.[2]	Fossalta di Portogruaro, Italy
	Finanziaria Canova S.p.A.	Milan, Italy
	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy (since 12/11/03)
Dr. Pietro Marzotto	FIN.I.INVEST S.p.A.[2]	Concordia Sagittaria, Italy
	Industrie Zignago Santa Margherita S.p.A.	Fossalta di Portogruaro, Italy
	Vincenzo Zucchi S.p.A.	Milan, Italy
	Mascioni S.p.A.	Milan, Italy
	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy (until 12/11/03)
	Intrapresa S.r.l.[2]	Concordia Sagittaria, Italy
	Valle Zignago S.p.A.[2]	Concordia Sagittaria, Italy

Michele Norsa	Marzotto Distribuzione S.p.A.[2]	Valdagno, Italy
	Valentino S.p.A.	Rome, Italy
	Marzotto France S.a.s.[2]	Paris, France
	Marzotto (USA) Corp.[2]	New York, NY, U.S.A
	Italfashion S.A.[2]	Mendrisio, Switzerland
	Italfashion U.K. Ltd.	London, United Kingdom
	Marzotto Madrid S.L.[2]	Madrid, Spain
	Italfashion GmbH	Munich, Germany
	Marzotto Trading Hong Kong Ltd.	Hong Kong, China
	Givo Limited	Gurgaon, India
	Valentino Couture S.a.s.[2]	Paris, France
	Valentino U.S.A. Inc.[2]	Wilmington, DE, U.S.A
	Valentino Spagna S.L.[2]	Madrid, Spain
	VB Fashion PTE Ltd.	Singapore, Singapore
	V.S. Limited	Hong Kong, China

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

Metzingen, February 19, 2004

HUGO BOSS Aktiengesellschaft
The Managing Board

General Information

Our company's performance is best reflected in the Group financial statements. Like many other organizations, we have therefore opted for a more comprehensive consolidated presentation and refrained from including the figures of the HUGO BOSS AG financial statements in this report. We would, however, be more than happy to send you the annual report for HUGO BOSS AG as well. This is still prepared in accordance with the German Commercial Code (HGB). To receive a copy, please contact:

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Metzingen, February 19, 2004

HUGO BOSS Aktiengesellschaft
The Managing Board

Dr. Bruno Sälzer
Dr. Werner Lackas
André Maeder
Jörg-Viggo Müller
Lothar Reiff

Forward-looking statements contain risks

This report contains forward-looking statements. Forward-looking statements are not historical facts; they include pronouncements on our beliefs and expectations. Any statement in this report that expresses our intentions, beliefs, expectations or predictions (and their underlying assumptions) constitutes a forward-looking statement. These are based on plans, estimates and projections as they happen to be available to the management of HUGO BOSS. Forward-looking statements therefore apply only to the situation on the date they are made. Nor do we undertake to publicly update any of them in light of new information or future events. By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any such statements.

Contacts

Financial Calendar

Feb. 19, 2004	Publication of provisional figures for the 2003 business year
April 1, 2004	Financial Statements Press Conference and Analysts Conference
April 29, 2004	Publication of the First Quarter Report 2004
May 18, 2004	Annual Shareholders' Meeting in Stuttgart
July 29, 2004	Publication of the Interim Report 2004
Nov. 4, 2004	Publication of the Third Quarter Report 2004

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