HUGO BOSS

ANNUAL REPORT 2012

TARGETS, RESULTS AND FORECAST

SALES

TARGET 2012
Further currency-neutral increase

RESULTS 2012
2,345.9
EUR million
+ 10%
(currency-adjusted)

FORECAST 2013
Further currency-neutral increase

SALES BY REGION

TARGET 2012
Growth in all regions

RESULTS 2012

Europe
1,378.0
EUR million
+ 10%
(currency-adjusted)

Americas
558.7
EUR million
+ 14%
((currency-adjusted)

Asia/Pacific
352.7
EUR million
+ 4%
(currency-adjusted)

FORECAST 2013
Growth in all regions

SALES BY DISTRIBUTION CHANNEL

TARGET 2012
Double-digit growth in own retail, growth in wholesale

RESULTS 2012

Own retail
1,149.7
EUR million
+ 19%
(currency-adjusted)

Wholesale
1,139.7
EUR million
+ 2%
(currency-adjusted)

FORECAST 2013
Double-digit growth in own retail, approximately stable development in wholesale

EBITDA BEFORE SPECIAL ITEMS

TARGET 2012
Stronger growth than sales

RESULTS 2012

EBITDA before special items
529.3
EUR million

+ 13%

Adjusted EBITDA margin
22.6%

–20
Basis points

FORECAST 2013
Stronger growth than sales

NET FINANCIAL LIABILITIES

TARGET 2012
Further reduction

RESULTS 2012

130.4
EUR million

–12%

FORECAST 2013
Further reduction

GROUP'S OWN RETAIL STORES

TARGET 2012
Further expansion

RESULTS 2012

Stores
840

+218

FORECAST 2012
Continued expansion

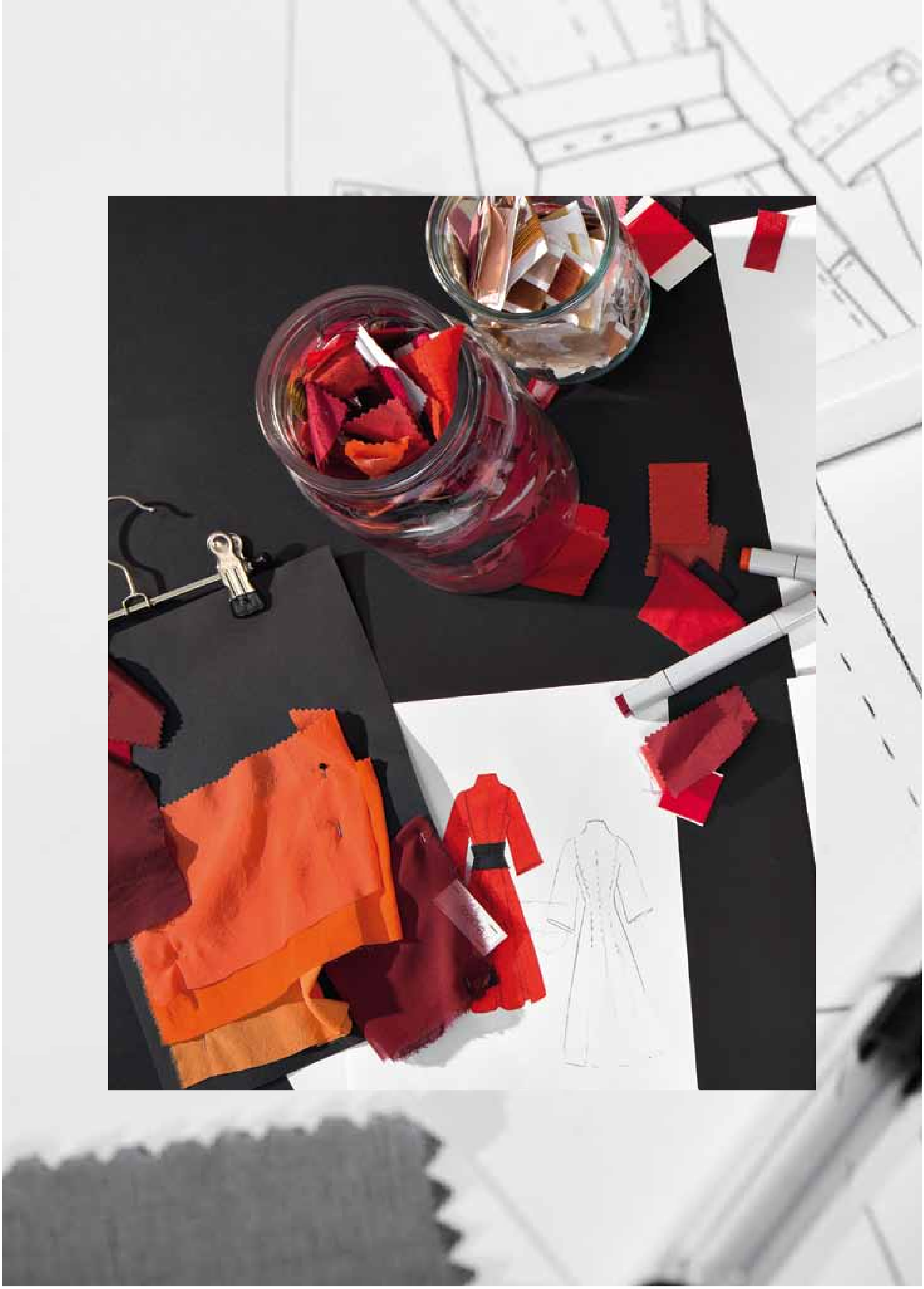
HUGO BOSS

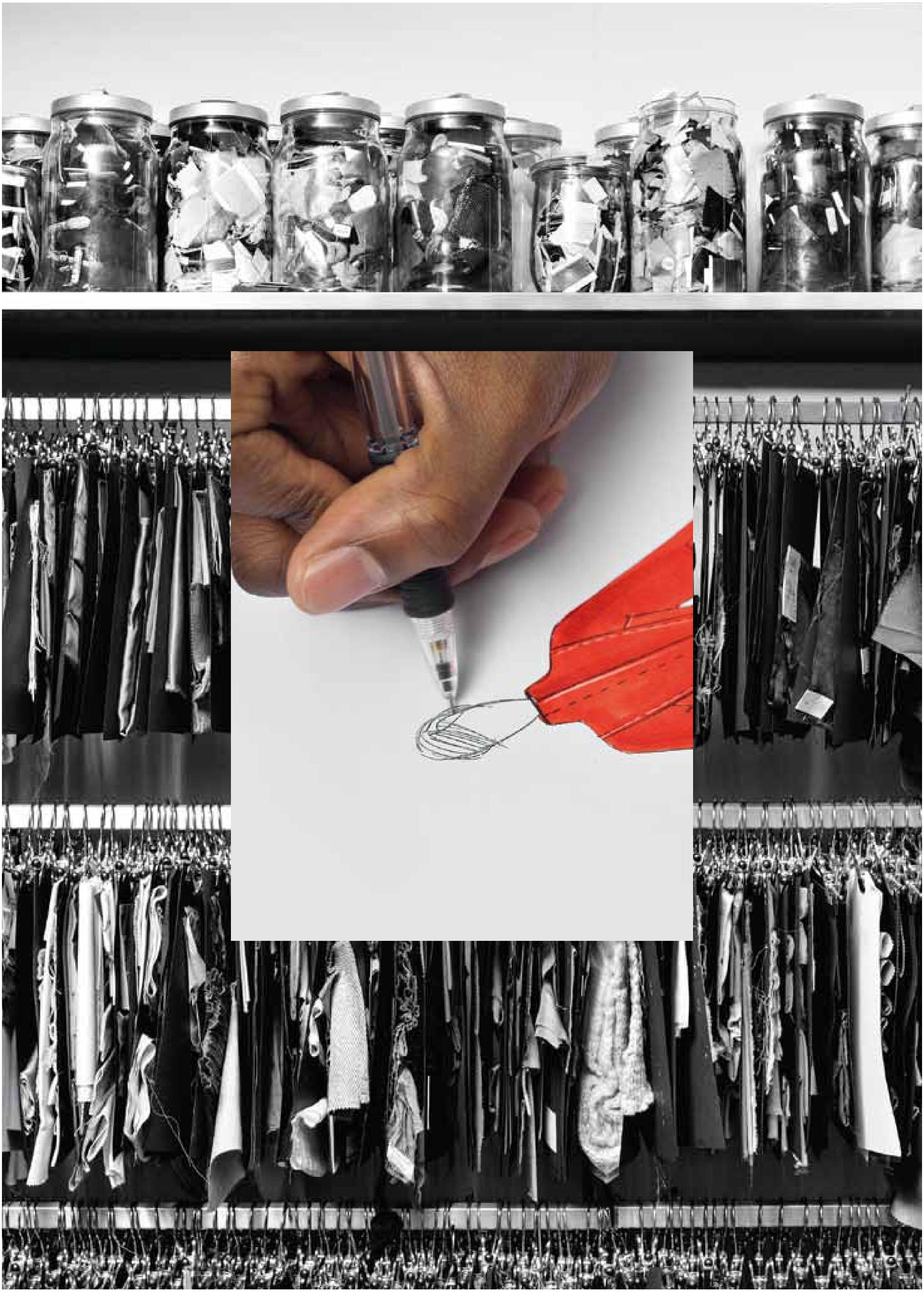
ANNUAL REPORT 2012

FROM METZINGEN TO THE WORLD
–
THE EVOLUTION OF A LOOK

TURNING INSPIRATION INTO IDEAS. AND IDEAS INTO DESIGNS.

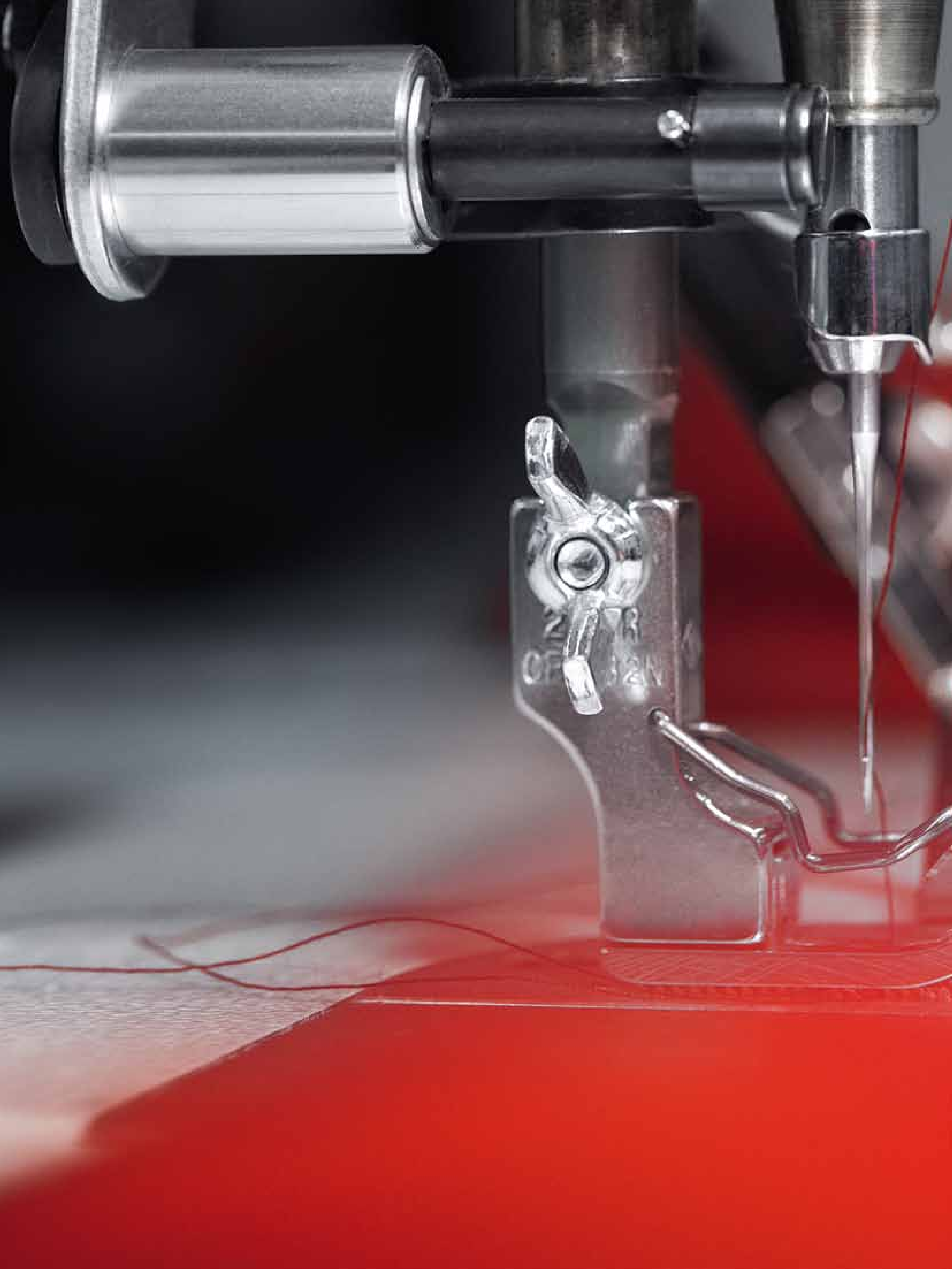
Brand & Creative Director Womenswear Eyan Allen at his workplace at Metzingen headquarters, creating a new collection.





FINE FABRICS, SOPHISTICATED CUTS – A STYLE TAKES SHAPE.

Dressmakers at the sample studio producing the new collection's prototypes from patterns.



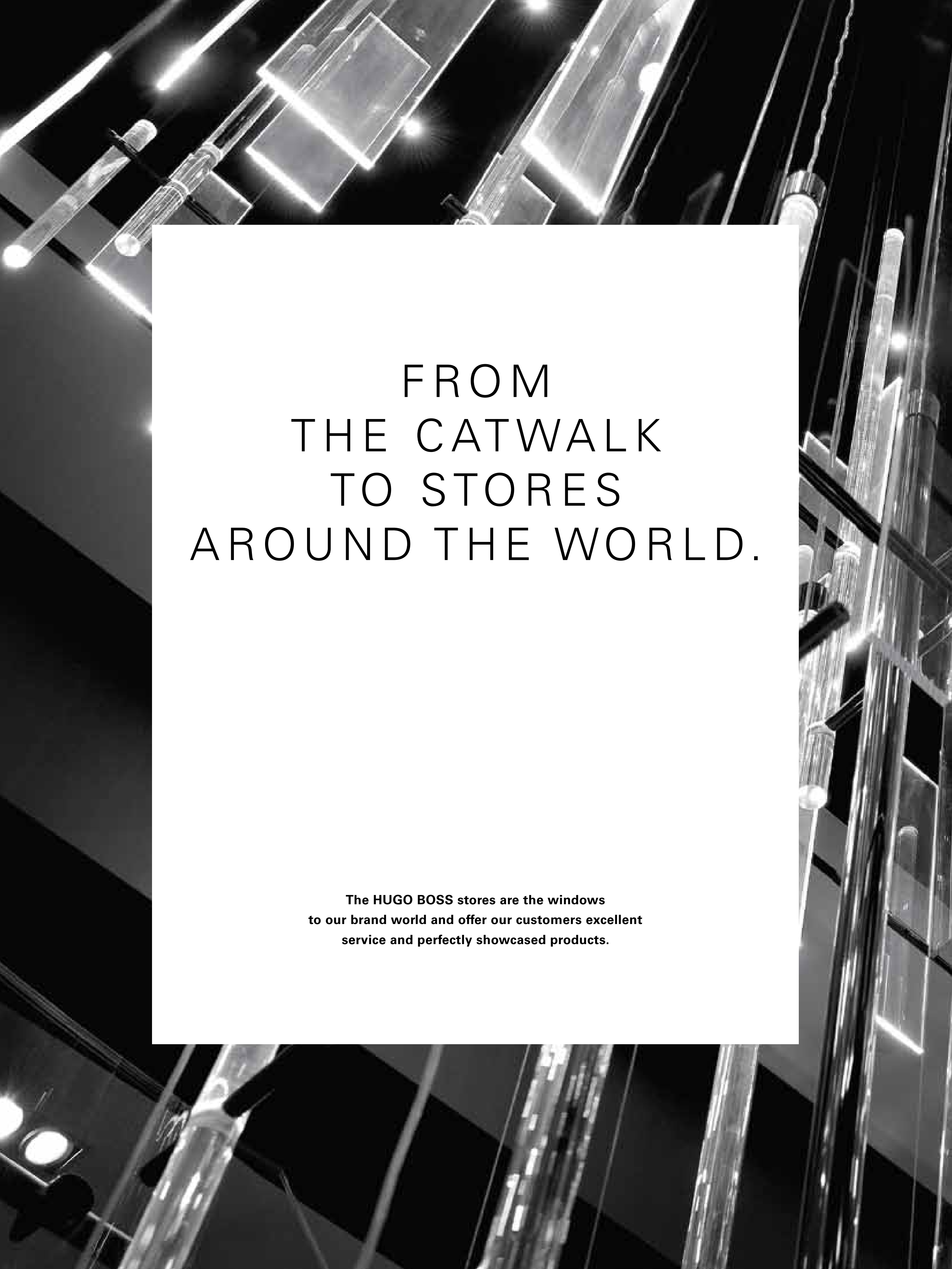
WELCOME TO THE BOSS FALL/ WINTER 2012 FASHION SHOW IN BEIJING.

**From model casting
through fitting the looks to styling
– absolute perfection is a must.**


BOSS
HUGO BOSS

ALL SET FOR THE FIRST FASHION SHOW TO BE STREAMED LIVE IN 3-D.

Top international models present the new BOSS Collection on a gigantic catwalk. A global audience of 70,000 follows the show on the Internet.



FROM THE CATWALK TO STORES AROUND THE WORLD.

The HUGO BOSS stores are the windows to our brand world and offer our customers excellent service and perfectly showcased products.


BOSS

Sydney

Berlin

London

New York

Paris

Beijing

Mexico City


Los Angeles

Brussels

Toronto

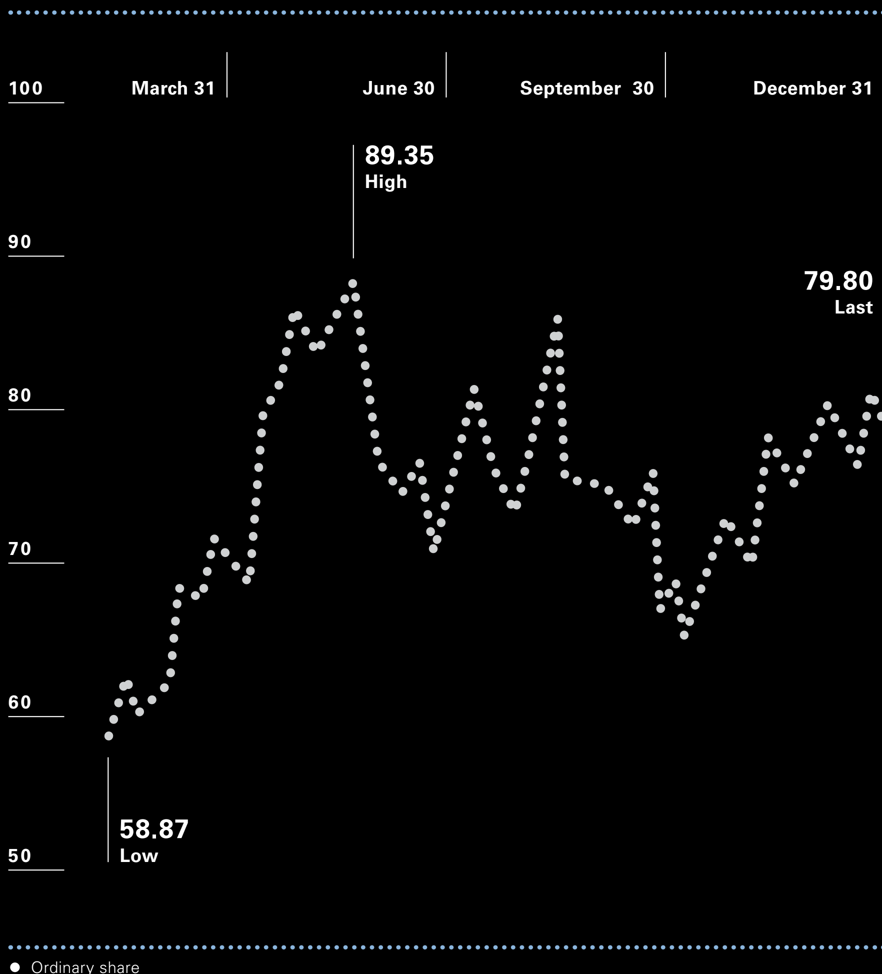
HUGO BOSS

WWW.HUGOBOSS.COM

TO OUR SHAREHOLDERS

1

SHARE PRICE DEVELOPMENT 2012
(in EUR)



LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Readers,

Despite a difficult economic environment, 2012 proved a successful year for HUGO BOSS. Sales excluding currency effects were up 10% to exceed EUR 2.3 billion as the Group's operating result climbed by 13%. As a consequence, we have met our forecast and taken another major stride toward reaching our medium-term goals.

Our strong brands have made key contributions to this performance. It is no coincidence that we chose our May 2012 Fashion Show in Beijing as the theme of this year's annual report. As the largest fashion event HUGO BOSS has ever staged in Asia, the show marks a significant milestone in our development in the region. The wholly positive feedback from end consumers and business partners around the world has reaffirmed our decision to invest still further in the visibility of HUGO BOSS and its brands across Asia.

The year 2012 also brought a watershed in our own retail activities. For the first time in our history, sales at stores directly operated by HUGO BOSS exceeded those to the Group's wholesale partners. Just a few years ago this would have been unthinkable.

The own retail business will drive growth in the future as well. In 2013 we will continue to expand the store networks in each of our regions. We will be consistently showcasing our brands to our customers in unique and luxurious environments – first and foremost at our new flagship venues in Berlin, Amsterdam, Shanghai, Hong Kong and Tokyo.

The active management of shop-in-shops, which had previously been run by wholesale partners, is playing an equally important role in the growth of our own retail operations. Last year we established this business model with acquisitions in Spain, Switzerland and Canada. Tapping this comprehensive control of our brand presentation has enabled us to achieve substantial productivity increases in many cases while enhancing the HUGO BOSS image and profile in multi-brand environments. We intend to further advance this distribution format during the current business year.

Notwithstanding today's challenging market environment, the successes of these past years lend substance to our expectation of renewed profitable growth. Thanks to our powerful brands and first-class products, we are confident that we can extend our position in the global premium and luxury apparel segment and post stronger growth than the market as a whole.

Our performance in 2012 is not only testimony to all our work. It also inspires us to add yet another chapter to the success story that is HUGO BOSS. I am certain that our organization has everything it needs to record further profitable growth.

Over the past year I have again been profoundly impressed by the passion and commitment of our employees. I would therefore like to take this opportunity to thank them, as I would our customers, business partners and shareholders. With their help we will ensure that 2013 becomes yet another successful year for HUGO BOSS.

Sincerely yours,

Claus-Dietrich Lahrs
CEO and Chairman of the Managing Board

MANAGING BOARD

CLAUS-DIETRICH LAHRS
Stuttgart, Germany

Chairman of the Managing Board
Responsible for Distribution,
Retail,
Licenses,
Communication and
Global Replenishment

MARK LANGER
Stuttgart, Germany

Responsible for
Controlling,
Investor Relations,
Finance,
Legal and Compliance,
Human Resources,
Logistics,
IT and Central Services
Director for Labor Relations

CHRISTOPH AUHAGEN
Stuttgart, Germany

Responsible for
Brand Management,
Creative Management,
Sourcing and
Manufacturing

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Supervisory Board continued to fulfill its monitoring and advisory duties as established by law, the Company's Articles of Association and its Rules of Procedure with the utmost diligence in fiscal year 2012.

The Managing Board issued detailed verbal and written reports to the Supervisory Board in a comprehensive and timely manner on the intended business policy and other fundamental aspects of corporate planning, including financial, investment and human resources planning in particular. On the basis of these reports by the Managing Board, the Supervisory Board guided the work of the Managing Board in an advisory capacity in fiscal year 2012 and monitored its management of the Company. Moreover, the Chairman of the Managing Board and the Chairman of the Supervisory Board held regular discussions on key developments and forthcoming decisions. In this context, the Supervisory Board was kept well informed of both HUGO BOSS AG and the Group companies at all times. This also applies to the strategic development, business progress – including sales and the Company's position in particular – and the development of the key financial figures, particularly the profitability of the Company and, above all, its equity. Any deviations from forecasts and targets were explained to the Supervisory Board in detail and reviewed by means of the documentation presented. The Managing Board and the Supervisory Board jointly agreed on the Company's strategic orientation.

If decisions or measures taken by the Managing Board required authorization on the basis of law, the Articles of Association or the Rules of Procedure, the proposed resolutions – prepared by the committees in some cases – were discussed, reviewed and resolved by the Supervisory Board at its meetings. If necessary, authorizations were issued only after asking for clarification from the Managing Board and extensively discussing the matter with the members of the Managing Board. In urgent cases, the Supervisory Board passed resolutions by way of circulation. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance to the Company. Furthermore, the economic situation as described in the Managing Board's reports and the development prospects of the Group were always discussed carefully in the Supervisory Board.

MAIN TOPICS OF THE SUPERVISORY BOARD MEETINGS IN 2012

In the 2012 reporting year, there was a total of four Supervisory Board meetings held in the months of March, May, September and December. The meeting in September was a two-day meeting. The Supervisory Board was in full attendance at most of the meetings. No member of the Supervisory Board attended less than half of the meetings held in fiscal year 2012.

The Supervisory Board meeting in March 2012 focused on the annual financial statements of HUGO BOSS AG and of the HUGO BOSS Group as of December 31, 2011, the audit report prepared by the auditors and the audit of the dependent company report. At this meeting, the annual financial statements of HUGO BOSS AG as of December 31, 2011 were approved and adopted and the consolidated financial statements of the HUGO BOSS Group were also approved. In addition, the Supervisory Board's report to the Annual Shareholders' Meeting was discussed and adopted, as were – after reviewing the independence of the newly proposed auditor for fiscal year 2012 – the proposals for the adoption of resolutions at the Annual Shareholders' Meeting of HUGO BOSS AG on May 3, 2012. The two-day meeting of the Supervisory Board in September 2012 served an extensive discussion of sales and earnings development, a detailed presentation of retail expansion and womenswear activities, a report on external financing and a presentation on the founding of various subsidiaries. The Supervisory Board meeting in December 2012 conducted the review of the efficiency of the Supervisory Board, discussed and approved the declaration of compliance with the German Corporate Governance Code for 2012, discussed the reports by the committees of the Supervisory Board in detail and discussed and resolved both the budget and the internal audit planning for 2013.

Sales and earnings development, investment planning, individual investment projects and the Company's current risk situation were discussed regularly at the Supervisory Board meetings and approved where necessary. The Supervisory Board also dealt in particular with the further internationalization of business, i.e. the expansion of retail activities and forthcoming investments, compliance issues and the German Corporate Governance Code.

COMMITTEES OF THE SUPERVISORY BOARD AND THEIR WORK IN 2012

In order to perform its duties efficiently, the Supervisory Board has created a total of five committees: an Audit Committee, a Working Committee, a Personnel Committee, a Nomination Committee and a Mediation Committee as required by law. The Supervisory Board's decision-making power has been transferred to committees where legally permissible. The committees comprehensively addressed the respective issues assigned to them and the chairs of the respective committees always reported in detail to the Supervisory Board on the committee meetings and their results.

The Audit Committee met four times in fiscal year 2012. The main subjects of its meetings were the accounting of the Company and the Group for the annual, half-year and quarterly financial statements and reports, the audit of the annual financial statements and the consolidated financial statements, the risk monitoring system and risk management, the internal control systems and compliance issues. The Personnel Committee held four meetings, at which it focused on target agreements for the Managing Board, target attainment and the prolongation of the agreement with the Chairman of the Managing Board. The Working Committee held three meetings in the year under review, in which it dealt with fixed cost savings, brand changes, womenswear activities, the development of the Chinese market and strategy, including in particular preparation for the strategy meeting of the Supervisory Board, the development of the Supervisory Board members and the preparation for the Supervisory Board meetings and resolutions. The Nomination Committee and the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG — German Co-Determination Act) did not need to meet in the past fiscal year.

CORPORATE GOVERNANCE

The Supervisory Board also discussed the development in the corporate governance regulations at the Company in the past fiscal year. In December 2012, the Managing Board and the Supervisory Board issued a new Declaration of Compliance in accordance with section 161(1) sentence 1 of the Aktiengesetz (AktG — German Stock Corporation Act) on compliance with the recommendations of the German Corporate Governance Code at HUGO BOSS AG. The joint report on corporate governance at the Company in accordance with section 3.10 of the German Corporate Governance Code can be found on page 14. As in previous years, a review of the efficiency of the Supervisory Board's activities – as recommended by the German Corporate Governance Code – was conducted by means of a standardized, comprehensive questionnaire. The results were discussed in detail and analyzed at the Supervisory Board meeting on December 13, 2012, where the Supervisory Board arrived at a positive conclusion.

There were no conflicts of interest relating to Managing Board or Supervisory Board members in fiscal year 2012 that had to be disclosed to the Supervisory Board immediately and about which the Annual Shareholders' Meeting had to be informed in accordance with the German Corporate Governance Code.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of HUGO BOSS AG, the management report for fiscal year 2012, the consolidated financial statements and the Group management report for fiscal year 2012 prepared by the Managing Board, including the accounting records, were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft, Stuttgart. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting on May 3, 2012. This included an agreement with the auditor to inform the Chairman of the Audit Committee immediately during the audit of any grounds for disqualification or partiality that could not be immediately rectified. There was also an agreement with the auditor to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. The auditor was also required to inform the Supervisory Board or note in the audit report if any facts were ascertained during the audit that would result in the declaration submitted by the Managing Board and the Supervisory Board in accordance with section 161(1) sentence 1 Aktiengesetz (AktG - German Stock Corporation Act) not being correct. There was, however, no cause for any such report by the auditor. In addition, the Supervisory Board obtained the auditor's declaration of independence in accordance with section 7.2.1 of the German Corporate Governance Code and assured itself of the auditor's independence. The possibility of commissioning the auditor to perform non-audit services was also discussed.

The consolidated financial statements of HUGO BOSS AG were prepared in accordance with section 315a of the Handelsgesetzbuch (HGB — German Commercial Code) on the basis of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The auditor issued an unqualified audit opinion for both the annual financial statements including the management report and the consolidated financial statements including the Group management report.

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

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

1. the information in the report is correct, and
2. with respect to the legal transactions cited therein, the Company's contribution was not inappropriately high,
3. the measures listed in the report are not the occasion for an assessment substantially different from that of the Managing Board."

The Supervisory Board had at its disposal the audit records and the Managing Board proposal for the appropriation of profits as well as the two audit reports from the external auditors, including the report on relations with affiliated companies in accordance with section 312 AktG and the auditor's audit of the dependent Company report. These documents were initially discussed and reviewed in detail by the Audit Committee and then by the entire Supervisory Board in the presence of the auditors, who reported on their audit findings. The auditors reported on their main audit findings and commented in detail on the net assets, financial position and results of operations of the Company and the Group. The auditors further reported that there were no material weaknesses in the internal control system and risk management system in respect of the accounting process. They also reported that no occasion had arisen to cause concern about any partiality on their part and reported on services that they provided in addition to their audit work. The questions posed by the Supervisory Board and its committees at such time were answered, and the financial statement documents were examined in detail with the auditors and discussed and reviewed by the Supervisory Board and the Audit Committee. The audit reports were discussed with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After a final review, the Supervisory Board raised no objections.

At its financial review meeting on March 13, 2013, the Supervisory Board therefore approved the annual financial statements, the consolidated financial statements and the corresponding management reports as prepared by the Managing Board fiscal year 2012. The annual financial statements of HUGO BOSS AG for fiscal year 2012 have therefore been adopted in accordance with section 172 AktG.

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

Finally, in its meeting on March 13, 2013, the Supervisory Board approved the proposal of the Managing Board for the appropriation of profits. In this context the Supervisory Board held intensive discussions on the liquidity situation of the Company, the financing of planned investments and the effects on the capital market. In the course of its discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of both the Company and its shareholders.

The Supervisory Board would like to thank all the employees for their high level of personal commitment and the work they performed, without which HUGO BOSS AG's success in fiscal year 2012 would not have been possible.

Metzingen, March 13, 2013

The Supervisory Board

Dr. Hellmut Albrecht
Chairman of the Supervisory Board

SUPERVISORY BOARD

DR. HELLMUT ALBRECHT
Munich, Germany
Management Consultant
Chairman of the Supervisory Board

ANTONIO SIMINA
Metzingen, Germany
Tailor/Chairman of the Works Council
HUGO BOSS AG,
Metzingen, Germany
Deputy Chairman of the Supervisory Board
Employee representative

GERT BAUER
Reutlingen, Germany
First Authorized Representative of the German Metal-workers' Union (IG Metall), Reutlingen/Tübingen, Germany
Employee representative

HELMUT BRUST
Bad Urach, Germany
Director Social Affairs
HUGO BOSS AG,
Metzingen, Germany
Employee representative

BERND SIMBECK
Metzingen, Germany
Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

SINAN PISKIN
Metzingen, Germany
Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

DR. MARTIN WECKWERTH
Frankfurt/Main, Germany
Partner
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany

MONIKA LERSMACHER
Kornwestheim, Germany
Secretary of the German Metalworkers' Union IG Metall
Area Headquarters, Baden-Württemberg,
Stuttgart, Germany
Employee representative

DAMON MARCUS BUFFINI
Surrey, Great Britain
Managing Director
Permira Advisers LLP,
London, Great Britain

LUCA MARZOTTO
Venice, Italy
Chief Executive Officer
Zignago Holding S.p.A.,
Fossalta di Portogruaro, Italy

GAETANO MARZOTTO
Milan, Italy
Chairman of the Supervisory Board
Gruppo Santa Margherita S.p.A.,
Fossalta di Portogruaro, Italy

DR. KLAUS MAIER
Stuttgart, Germany
Management Consultant

CORPORATE GOVERNANCE REPORT

in accordance with section 3.10 of the German Corporate Governance Code

HUGO BOSS has always been convinced that good and transparent corporate governance in compliance with national and international standards is a significant factor contributing to the Company's long-term success. Corporate governance is accordingly part of the Group's identity and encompasses all areas of the Company and the Group. The Managing Board and the Supervisory Board consider it their obligation to ensure the ongoing existence of the Company and the creation of sustained value added through responsible long-term corporate governance. HUGO BOSS seeks to justify the confidence of investors, financial markets, business partners, employees and the public on a lasting basis and continues to develop corporate governance within the Group.

In fiscal year 2012, the Managing Board and the Supervisory Board discussed in detail the fulfillment of the requirements of the German Corporate Governance Code (GCGC). The Declaration of Compliance was submitted in December 2012 as a result. It is included at the end of this report and published on the HUGO BOSS AG website, as are the previous Declarations of Compliance. With few exceptions, HUGO BOSS AG complies with the recommendations of the Code as initially promulgated by the Government Commission on the German Corporate Governance Code as amended May 26, 2010 – published in the Federal Gazette on July 2, 2010 – and as since added to the Code as amended May 15, 2012 – published in the Federal Gazette on June 15, 2012. Details of this can be found in the following report by the Managing Board and the Supervisory Board.

COOPERATION, COMPOSITION AND ACTIVITIES OF THE MANAGING BOARD AND THE SUPERVISORY BOARD

The Managing Board and the Supervisory Board work together closely in the interests of the Company. Both share the goal of sustainably increasing enterprise value. To this end, the Managing Board reports regularly, comprehensively and in a timely manner to the Supervisory Board on all issues of significance to strategy, planning, business performance, risk exposure, risk management and compliance issues. Any deviations from targets and planning are discussed with the Supervisory Board and its committees, and the strategic orientation and development of the Group is coordinated and discussed with the Supervisory Board.

HUGO BOSS has long required that the members of its Supervisory Board are independent, as is stressed in the German Corporate Governance Code. The members of the Supervisory Board of HUGO BOSS possess the requisite knowledge, skills and professional experience for the respective committees. None of the current Supervisory Board members has previously occupied a management position within the Company. Similarly, no consulting agreements or other contracts for work or services were entered into between Supervisory Board members and the Company in the year under review.

Furthermore, in accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has established specific targets for its composition and for the composition of the Managing Board, which it already set out in detail in the corporate governance report for 2011. These targets have not changed. They have been complied with in terms of internationalism (at least two), the absence of potential conflicts of interest and the standard age limit (one deviation justified on election). The Supervisory Board intends to meet its diversity objective with a target of at least two women (currently one) after its scheduled elections in 2015. In addition, the Supervisory Board set itself a specific target for the number of "independent" members of the Supervisory Board within the meaning of the German Corporate Governance Code following the amendment of the German Corporate Governance Code. This target states that, in future, at least eight of the twelve members of the Supervisory Board must be independent. This figure already includes the six employee representatives. Given the new definition of the term "independent" in the German Corporate Governance Code and the fact that HUGO BOSS AG is a majority-owned company, the Supervisory Board considers this number and therefore the number of two shareholder representatives as independent members to be appropriate.

The German Corporate Governance Code also stipulates that the Managing Board must give consideration to diversity in filling management positions in the Company and in particular must strive to achieve suitable representation of women. The Managing Board is committed to this goal. It has taken care to ensure diversity among the employees and suitable representation of women in the past and will continue to do so in future.

The members of the Managing Board and the Supervisory Board must not pursue any personal interests or grant any unfair advantages to other persons in connection with their activities or when making decisions. In fiscal year 2012 there were no conflicts of interest on the part of Managing Board or Supervisory Board members. The mandates of the members of the Managing Board and the Supervisory Board are listed in the notes under "Supervisory Board and Managing Board". The positions held by members of the Managing Board and the Supervisory Board in supervisory boards required by law or similar domestic or foreign oversight bodies at commercial enterprises can be found on page 206. No member of the Managing Board holds more than three supervisory board positions at third-party listed companies. This also applies to Supervisory Board members who sit on the boards of other listed companies.The relationships with related parties (companies and individuals) are listed in the Notes to the Consolidated Financial Statements on page 182 et seq.

RISK MANAGEMENT AND RISK CONTROLLING

The responsible handling of risks by the Company is a key element in good corporate governance. The Group's value-based management involves a systematic risk management process that allows the Company to identify and measure risks at an early stage and to optimize risk exposure using appropriate measures. One key responsibility is to provide for appropriate risk management and risk controlling in the Company. The Audit Committee set up by the Supervisory Board regularly monitors the accounting process, the effectiveness of internal control, risk management and auditing systems and the audits of financial statements, including with the involvement of the auditors. The systems are continuously developed and adjusted to changing overall conditions. However, by their nature they cannot provide absolute protection against losses from business transactions or even fraudulent activities. Details on the topic of the internal control, risk management and auditing system can be found in the Risk Report on page 98 et seq.

ACCOUNTING AND AUDITING

Since fiscal year 2001, HUGO BOSS AG has been reporting in accordance with the International Financial Reporting Standards (IFRS). The Audit Committee set up by the Supervisory Board regularly monitors the accounting process and the audit of financial statements. With respect to the year under review, it was agreed with the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, that they would inform the Chairman of the Audit Committee immediately during the audit of any grounds for disqualification or partiality that are not immediately rectified. The auditor was also required to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. The auditor was also required to inform the Supervisory Board or note in the audit report if any facts were ascertained during the audit that were not consistent with the Declaration of Compliance issued by the Managing Board and the Supervisory Board in accordance with section 161(1) sentence 1 Aktiengesetz (AktG - German Stock Corporaton Act). The Supervisory Board also obtained a declaration of independence from the auditor in accordance with section 7.2.1 of the German Corporate Governance Code and satisfied itself of the auditor’s independence, with the declaration also relating to commissioning of the auditor for non-audit services.

CORPORATE COMPLIANCE

HUGO BOSS AG and the Group companies operate in many different countries and regions and therefore in different legal systems. Corporate compliance, meaning measures to which HUGO BOSS has committed itself to ensure adherence to legal and official regulations, the Company’s internal guidelines and codes, and their observance by Group companies, is seen as a major responsibility of the Managing Board at HUGO BOSS. This includes antitrust and corruption regulations as well as the regulations of capital market law. HUGO BOSS AG expects all employees to act in a legally unobjectionable way in day-to-day business operations.

To support the Managing Board in introducing and monitoring an effective compliance management system, a Compliance department was established in 2010 which reports directly to the Chief Financial Officer as Chief Compliance Officer. The central Compliance office as well as the Compliance Officers of the Group companies ensure a Group-wide implementation of the Compliance Program which is continuously updated since its introduction. The Audit Committee is informed on a regular basis about the activities of the Compliance Office.

In order to facilitate a legally compliant behaviour of HUGO BOSS' employees and to form a relevant basis, in 2010 HUGO BOSS compiled the Group-wide integrity principles in a Code of Conduct and in guidelines which were implemented throughout the Group over the course of 2011. The Code of Conduct and the guidelines focus in particular on regulations on competition, on avoiding corruption and conflicts of interest, on dealing correctly with company information and on ensuring fair and respectful working conditions. Conscious misconduct and sustained valuation of the Code of Conduct are not tolerated at HUGO BOSS.

The employees are familiarized on an ongoing basis with the rules of the Code of Conduct and the Group guidelines. This aims to sensitize them for the adherence to compliance regulations. Therefore HUGO BOSS has implemented besides face-to-face trainings, a worldwide e-learning program which needs to be completed by the relevant employees on a regular basis. The e-learning will be rolled out to the subsidiaries of HUGO BOSS accordingly.

For support and advice on questions regarding legally correct behavior, employees can turn to their superiors or the Compliance Officer. HUGO BOSS has implemented a worldwide ombudsman system as an additional form of reporting. Employees as well as third parties (suppliers and customers) can confidentially turn to this ombudsman in case they notice any evidence of fraud, antitrust violations or any violations of the Code of Conduct's regulations. This can also be done on an anonymous basis if desired.

CAPITAL MARKET COMMUNICATIONS

In order to ensure the highest possible degree of transparency and thus to reinforce the trust placed in the Group by shareholders, investors and the interested public, the Company reports regularly and promptly on the situation of the Company and any major business changes. The investor relations activities involve a regular discussion with institutional investors and financial analysts. In addition to the annual Press and Analysts' Conference on the annual financial statements, conference calls are held for financial analysts on publication of the interim reports on the first and third quarters and the half-year results.

For private shareholders, the Annual Shareholders' Meeting is the most important Investor Relations event of the year. The Annual Shareholders' Meeting serves to effectively provide all shareholders with current and comprehensive information. If shareholders are not able to attend the Annual Shareholders' Meeting in person, they can watch the broadcast of the speech by the Chairman of the Managing Board on the Internet. They can either cast their vote themselves at the meeting or by proxy through an authorized person of their choice or a representative of the Company acting as per their instructions.

All key information and publications can be viewed on the Company's website at www.group.hugoboss.com. The site includes a financial calendar showing the most important dates. It is updated on an ongoing basis and is a fixed component of the annual report and the interim reports. Information on current developments and all press releases and ad hoc disclosures are also published on the website. Ad hoc disclosures in accordance with section 15 of the Wertpapierhandelsgesetz (WpHG — German Securities Trading Act) that directly relate to the Company are published immediately by HUGO BOSS in accordance with the statutory provisions and can be viewed in "News and Releases" in the "Investor Relations" section of the Company's website. The is also true for notifications of equity interests. In line with the principle of fair disclosure, it is thus ensured that all shareholders and major target groups are treated equally and that new information is provided to all shareholders and the interested public at the same time. Lastly, those who are interested can receive information on the latest developments at the Group in an electronic newsletter.

DISCLOSURES IN ACCORDANCE WITH SECTION 15a WpHG

Security transactions, made by persons pursuant to section 15a of the Wertpapierhandelsgesetzt (WpHG - Securities Trading Act), have been published accordingly on the Company website.

As of December 31, 2012, the entire holdings of HUGO BOSS shares by members of the Management Board and the Supervisory Board account for less than 1% of the shares issued by the Company.

COMPENSATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD

The compensation report details the principles that apply to the determination of the total compensation of the members of the Managing Board of HUGO BOSS AG and explains the structure and amount of Managing Board member compensation. Furthermore, it describes the principles and amount of compensation for members of the Supervisory Board. In accordance with the current version of the German Corporate Governance Code as amended May 15, 2012, the compensation report is disclosed as part of the management report. ➔ **Compensation Report, p. 92**

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement (in accordance with section 289a of the Handelsgesetzbuch (HGB — German Commercial Code)) contains the Declaration of Compliance, information on Group management practices and the description of the functions of the Managing and Supervisory Boards. **:// www.group.hugoboss.com/Investor Relations/Corporate Governance**

DECLARATION OF COMPLIANCE

In accordance with section 161(1) sentence 1 Aktiengesetz (AktG - German Stock Corporation Act), the Managing Board and the Supervisory Board of HUGO BOSS AG must submit an annual Declaration of Compliance stating whether the recommendations published by the Government Commission on the German Corporate Governance Code in the official section of the electronic Federal Gazette have been and are complied with. The declaration must also state which recommendations were not or are not complied with and the reasons for this. The last amendment to the German Corporate Governance Code dated May 15, 2012 was published in the electronic Federal Gazette on June 15, 2012. The Managing Board and the Supervisory Board accordingly issued the following declaration of compliance in December 2012:

"DECLARATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD OF HUGO BOSS AG IN ACCORDANCE WITH SECTION 161 AKTG (GERMAN STOCK CORPORATION ACT)

HUGO BOSS AG, Metzingen, Securities Code Number A1PHFF

The Managing Board and Supervisory Board of HUGO BOSS AG herewith declare pursuant to section 161 para. 1 sentence 1 AktG (German Stock Corporation Act) that since the Compliance Declaration of December 2011 the recommendations of the Government Commission "German

Corporate Governance Code" initially as amended on May 26, 2010 – officially published in the Federal Gazette on July 02, 2010 – and since its effectiveness in the version as amended on May 15, 2012 – officially published in the Federal Gazette on June 15, 2012 – have been and are complied with except for:

- Section 2.1.2 sentence 1 German Corporate Governance Code („GCGC"): In addition to ordinary shares with voting rights at HUGO BOSS AG there existed also preference shares without voting rights. This division had historic reasons and was abolished by the registration of the respective changes of the articles of association in the commercial register on June 15, 2012.

- Deviating from the recommendation in section 3.8 paragraph 3 GCGC, the D&O-(Directors' & Officers'-) insurance for members of the Supervisory Board does not contain a deductible. HUGO BOSS AG covers the D&O-risk via an appropriate liability insurance in which also members of the Supervisory Board are included. The members of the Supervisory Board hold their offices responsibly and in the interest of the Company. HUGO BOSS AG is of the opinion that a deductible is no appropriate means for further improving the sense of responsibility. Further, the introduction of a deductible would not lead to a significant reduction of premium payments.

- Deviating from the recommendation in section 4.2.3 para. 4 sentence 3 GCGC, the calculation of the severance pay cap is based on the total compensation of the past full financial year or, if the member of the Managing Board has already served on the board for two full financial years, on the average of the past two full financial years because the Supervisory Board is of the opinion that this constitutes a broader and therefore better basis for assessment. The new service agreement for a member of the management board which will be effective as of August 1, 2013, will provide for a severance pay cap calculated in line with the GCGC, thus HUGO BOSS AG will not deviate from section 4.2.3 para 4 sentence 3 GCGC from this time on.

- Deviating from section 5.4.6 para. 2 GCGC the remuneration for members of the Supervisory Board based on the success is not oriented toward sustainable growth. The remuneration for members of the Supervisory Board was resolved by the general assembly of the shareholders, the remuneration based on the success is contained in section 12 para. 2 of the articles of association of HUGO BOSS AG and in the opinion of HUGO BOSS AG appropriate.

- Deviating from section 5.4.6 para. 3 GCGC the compensation of the members of the Supervisory Board is not reported individually in the notes nor in the management report. 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, are not listed on an individual basis. The compensation paid to the members of the Supervisory Board is demonstrated in total in the notes. In the view of HUGO BOSS AG, individual reporting of compensation does not provide information relevant to the capital market.

  Metzingen, December 2012"

HUGO BOSS – KEY SHARE DATA

01|01 HUGO BOSS – KEY SHARE DATA

	2012	2011
Number of shares	**70,400,000**	**70,400,000**
Thereof outstanding shares	69,016,167	69,016,167
Thereof own shares	1,383,833	1,383,833
Ordinary shares	**70,400,000**	**35,860,000**
Thereof outstanding shares	69,016,167	35,331,445
Thereof own shares	1,383,833	528,555
Preferred shares[1]		**34,540,000**
Thereof outstanding shares		33,684,722
Thereof own shares		855,278
Share price in EUR[2]		
Ordinary share		
Last (December 31)	79.80	55.19
High	89.35	76.75
Low	58.87	43.00
Preferred share		
Last (December 31)		56.90
High		80.00
Low		47.35
Market capitalization in EUR million (December 31)	**5,618**	**3,944**
Earnings per share in EUR		
Ordinary share	4.45	4.12
Preferred share		4.13
Price-earnings ratio[3]	**17.9**	**13.4**
Dividend per share in EUR		
Ordinary share	3.12[4]	2.88
Preferred share		2.89
Dividend yield in %[3]	**3.9[4]**	**5.2**
Amount distributed in EUR million	**216[4]**	**199**
Payout ratio in %[5]	**70[4]**	**70**

[1] Preferred shares were converted into ordinary shares on June 15, 2012.
[2] Xetra.
[3] Based on closing price (December 31) of ordinary share.
[4] 2012: Dividend proposal.
[5] Based on net income attributable to shareholders.

TYPE OF SHARE: NO-PAR-VALUE ORDINARY BEARER SHARES

01|02 TYPE OF SHARE: NO-PAR-VALUE ORDINARY BEARER SHARES

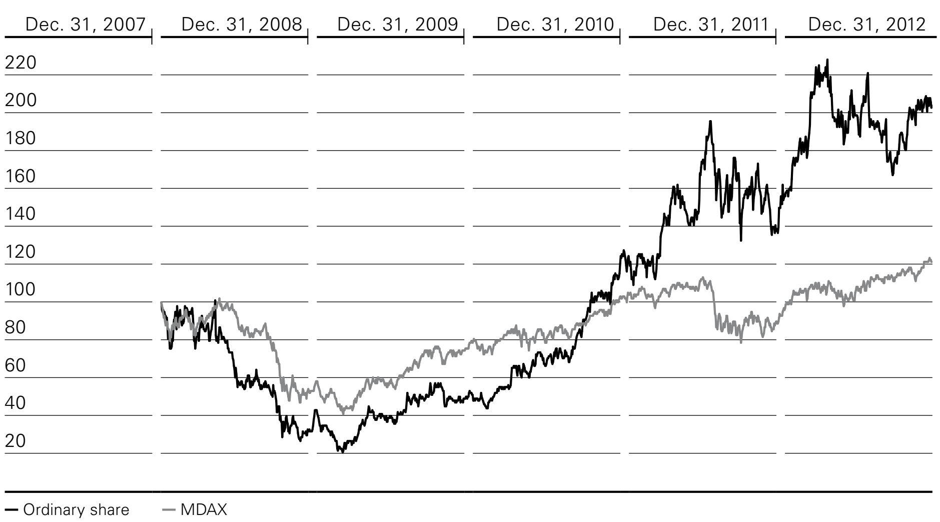
	German Security Identification Number (WKN)	International Securities Identification Number (ISIN)
HUGO BOSS ordinary share	A1PHFF	DE000A1PHFF7

HUGO BOSS shares are traded on the following stock exchanges: Xetra, Frankfurt/Main, Stuttgart, Duesseldorf, Hamburg, Munich, Hanover, Berlin/Bremen

HUGO BOSS ON THE CAPITAL MARKET

After a positive start to the year, sentiment on the German stock markets cooled notably over the first six months owing to the renewed escalation of the euro debt crisis. As the year progressed, monetary policy stimulus and the positive development of leading economic indicators from the U.S., China and the euro area led to a recovery on the markets, which ended the year with significant gains. Over the year, the HUGO BOSS share outperformed the market as a whole overall.

01|03 SHARE PRICE PERFORMANCE (Index: December 31, 2007 = 100)



Robust performance in spite of economic uncertainty

Backed by positive economic data from the U.S. and the easing on the market for Italian and Spanish government bonds, the stock markets enjoyed a good start to 2012. However, during the second quarter the markets were again burdened by resurgent concerns caused by the euro debt crisis and a possible collapse of the euro zone. The dwindling growth in the U.S. and China also had a negative impact on investor sentiment. Only towards the end of the first half of the year were there any signs of a recovery, which strengthened over the course of the third quarter. At the same time, the positive development was supported by political decisions and investors' hopes of further intervention in the market by national central banks. In the fourth quarter, the impending fiscal cliff in the U.S. and patchy corporate results in the euro zone again led to slight price corrections. However, the expansive course steered by the U.S. Fed and the robust economic data from the U.S., signs of recovery in leading economic indicators in Germany and China and a further bailout for Greece by the end of the year allowed prices on stock markets to rise again.

Stock conversion implemented

Following the broad agreement of the Annual Shareholders' Meeting of HUGO BOSS AG on May 3, 2012 to convert the **preferred** shares into **ordinary shares** and to switch from **bearer** to **registered shares**, both measures were implemented after the close of stock market trading on June 15, 2012. Since then the Company's share capital has consisted of 70,400,000 no-par-value registered ordinary shares. All shares now grant voting rights. Since June 18, 2012, the registered ordinary shares have been listed under the following new ISIN, German security identification number and ticker symbol:

01|04 ISIN, WKN AND TICKER SYMBOL HUGO BOSS SHARES

	Since June 18, 2012	Until June 15, 2012	
	Registered ordinary share	Ordinary bearer share	Preferred bearer share
Number	70,400,000	35,860,000	34,540,000
ISIN	DE000A1PHFF7	DE0005245500	DE0005245534
WKN	A1PHFF	524550	524553
Ticker symbol	BOSS	BOS	BOS3

HUGO BOSS shares post strong gains over the year

The **ordinary shares of HUGO BOSS AG** began the first quarter of 2012 with price gains. The price rose significantly around the time of the publication of the preliminary results for 2011 in February and the presentation of the results for fiscal 2011 in March in particular. However, the shares lost some of their strong gains from the start of the year during the second quarter. From the end of April to the start of June especially, the shares suffered from growing economic fears and the general market correction. After healthy increases in July, there was **profit taking after** the publication of half-year results at the end of the month. The shares also reacted negatively to more cautious commentary from the sector in mid-September. The share price gathered momentum again towards the end of the year both prior to and after the publication of the results for the third quarter and the reiteration of the Company's guidance for 2012 as a whole. Overall, the shares rose again sharply in the fourth quarter and closed the year at EUR 79.80, a surge of 45% as against the closing price for 2011.

The **DAX** and the **MDAX** also posted strong gains in the past fiscal year. In total, the DAX and the MDAX rose by 29% and 34% respectively in 2012. The shares of fashion and luxury goods industry companies also saw their prices rise last year. The **MSCI World Textile, Apparel & Luxury Goods Index**, which tracks the performance of companies operating in the area of apparel and luxury goods, rose by 26% in 2012.

The shares of HUGO BOSS AG therefore significantly outperformed the market as a whole and the industry average in the past year.

01|05 HUGO BOSS SHARES IN COMPARISON (Change in %)

	1 Jahr	3 Jahre	5 Jahre	10 Jahre
HUGO BOSS ordinary shares[1]	45	295	102	755
DAX	29	28	(6)	163
MDAX	34	59	21	294
MSCI World Textile, Apparel & Luxury Goods	26	73	53	313

[1] Xetra, without consideration of reinvested dividend payments.

Voting right notifications as per sections 21 and 25a (1) WpHG due to stock conversion

In accordance with section 21 WpHG, shareholders are required to report the amount of their shareholdings if they exceed or fall below certain thresholds. The reporting thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. In the first half of 2012, the Company received notification that the share of voting rights held by Red & Black Holding GmbH and therefore those of its controlling companies Red & Black Lux S.à.r.l., Red & Black Topco S.à.r.l., Red & Black Holdco S.à.r.l., Red & Black Holdco 2 S.à.r.l., P4 Sub L.P.1, Permira IV L.P.1, Permira IV Managers L.P., Permira IV Managers Limited, Permira IV L.P.2, P4 Co-Investment L.P., Permira Investments Limited, Permira IV GP L.P., Permira IV GP Limited, Permira Nominees Limited and Permira Holdings Limited had fallen below the 75% threshold on June 15, 2012 as a result of the conversion of preferred shares into ordinary shares and was 67.53%, including the attributed treasury shares held by HUGO BOSS AG (1.97%).

Also in connection with the conversion of the two share classes, the Company was notified in accordance with section 25a(1) WpHG by the financial institutions UniCredit Bank AG and UniCredit S.p.A. and by PFC S.r.l., Zeta Finance S.A. and Zignago Holding S.p.A., three companies linked to Permira Holdings Limited, of changes to financial and other instruments that could enable the acquisition of voting rights.

The Company published these notifications verbatim on its website www.group.hugoboss.com in "News and Releases" under "Investor Relations".

Treasury shareholdings unchanged

The Annual Shareholders' Meeting on June 21, 2010 authorized the Managing Board of HUGO BOSS AG to continue the share buyback program already in place at that time. In accordance with this, the Managing Board is authorized to acquire shares in HUGO BOSS AG up to a maximum of 10% of its outstanding share capital until June 20, 2015. This authorization was not utilized in the past fiscal year.

Thus, HUGO BOSS AG still holds 1,383,833 treasury shares. This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital. → **Legal Disclosures, p. 95**

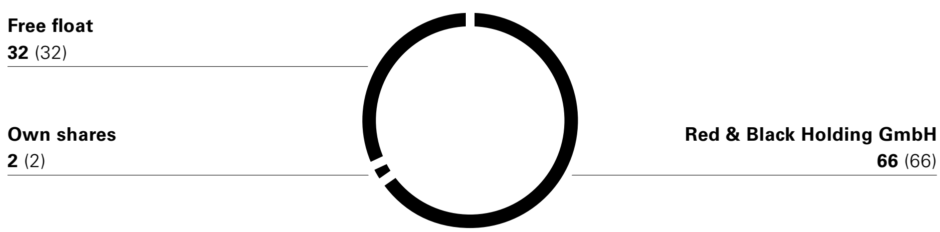
Unchanged shareholder structure

The shareholder structure of HUGO BOSS AG breaks down as follows: 65.56% of the shares are held by Permira Holdings Limited through Red & Black Holding GmbH and 1.97% of the capital is held by HUGO BOSS AG as treasury shares. The remaining 32.47% of the shares are in free float.

In total, members of the Managing Board and the Supervisory Board hold less than 1% of the shares issued by HUGO BOSS AG. → **Corporate Governance Report, p. 73**

01|06 SHAREHOLDER STRUCTURE AS OF DECEMBER 31 (in % of share capital)

2012 (2011)

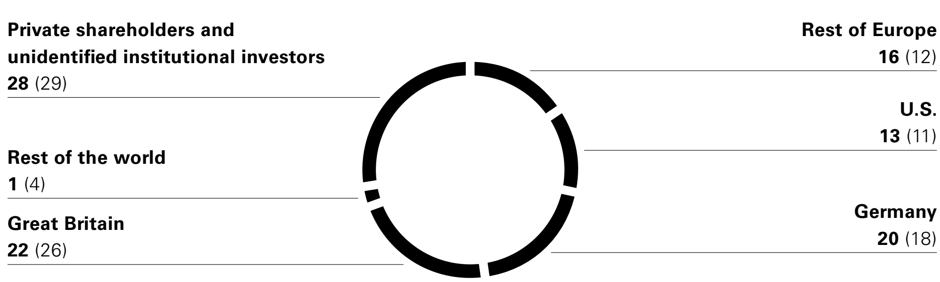


Europe forms core of investor base

To allow for the selective targeting of institutional investors in HUGO BOSS, an analysis of the free float shareholder base was conducted in 2012. The results showed that the majority (58%) of shares in free float are still held by European institutional investors (2011: 56%), though the share held by American investors increased further in the past year to currently 13% (2011: 11%). The private shareholders enlisted in the share register and the institutional investors unknown to the Company account for 28% of the free float (2011: 29%).

01|07 REGIONAL SPLIT OF INVESTOR BASE AS OF DECEMBER 31 (in % of free float)

2012 (2011)



Weighting of HUGO BOSS shares in MDAX rises

The **HUGO BOSS preferred share**, which was included in the **MDAX**, was replaced by the **registered ordinary share** in June 2012 as a result of the conversion of the share classes. At the end of December 2012, the HUGO BOSS ordinary share was ranked 16th by Deutsche Börse on the basis of free float-adjusted market capitalization (historic preferred share at end of December 2011: 20th). In terms of trading volume, the HUGO BOSS ordinary share was ranked 8th (historic preferred share at end of December 2011: 26th). Thus, at the end of December, the weighting of the HUGO BOSS ordinary share in the MDAX was 2.1% (weighting of the historic preferred share at end of December 2011: 1.6%). An average of 83,525 ordinary shares were traded per day in 2012 (2011: 10,362). In the period from conversion on June 18, 2012 until the end of December, the average daily trading volume of ordinary shares was 144,952 shares.

01|08 MARKET CAPITALIZATION AS OF DECEMBER 31 (in EUR million)

2012	**5,618**
2011	3,944
2010	3,717
2009	1,573
2008	1,118

No corporate bonds issued

As in previous years, HUGO BOSS AG and its subsidiaries did not issue any bonds in 2012. At the end of 2012 there were therefore no outstanding corporate bonds of HUGO BOSS AG. The Group also does not have a rating from an external rating agency.

Clear increase in dividend per share

HUGO BOSS pursues a profit-based dividend policy under which the shareholders participate appropriately in the Group's earnings development. Between 60% and 80% of net income is to be distributed to the shareholders on a regular basis. On the basis of the significant increase in profits in the past fiscal year and the positive expectations for 2013, the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 16, 2013 a dividend of EUR 3.12 per ordinary share (2011: EUR 2.88) for fiscal 2012. The proposal corresponds to a distribution ratio of 70% of net income attributable to the shareholders of the parent company in 2012 (2011: 70%). If the shareholders approve the proposal, the dividend will be paid out on the day following the Annual Shareholders' Meeting, i.e. on May 17, 2013. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 216 million (2011: EUR 199 million).

01|09 DIVIDEND PER ORDINARY SHARE (in EUR)

2012	**3.12**[1]
2011	2.88
2010	2.02
2009	0.96
2008	1.37

[1] 2012: Dividend proposal.

Transparent and open communication is the goal of Investor Relations activities

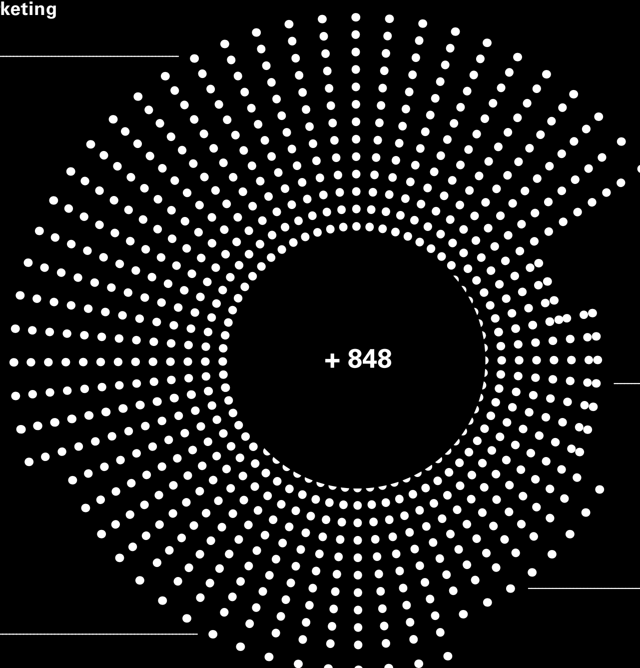
For HUGO BOSS, good capital market and corporate communications means communicating current developments within the Company promptly and transparently, thereby strengthening the confidence of capital market participants and the public in the Group. In 2012, the Managing Board and the Investor Relations department therefore maintained a regular dialog with institutional and private investors. The Internet is also a valuable tool for communicating with institutional investors, private shareholders and interested members of the public. The Investor Relations website of HUGO BOSS AG provides current financial reports, company presentations, press releases, the financial calendar and contact details for the Investor Relations department, in addition to general information and key figures of the Company.
:// www.group.hugoboss.com/Investor Relations

GROUP MANAGEMENT REPORT
GROUP PROFILE

2

EMPLOYEES

(as of December 31)



BUSINESS ACTIVITIES AND GROUP STRUCTURE

HUGO BOSS strives to strengthen and expand its position as one of the world market leaders in the premium and luxury segment of the global apparel market. The Group, which is based in Metzingen in Germany and employs a workforce of almost 12,000 people, generated annual sales of EUR 2.3 billion in fiscal year 2012 and is among the world's most profitable apparel manufacturers.

Positioning in the premium and luxury segment of the apparel market

The HUGO BOSS Group is one of the world market leaders in the premium and luxury segment of the apparel market. The Group focuses on developing and marketing high-end women's and men's fashion and accessories. With its brand world, HUGO BOSS targets different, clearly defined consumer groups. The brands cover an extensive product range consisting of classic-modern business wear, elegant evening wear and sportswear, shoes and leather accessories and licensed fragrances, eyewear, watches, children's fashion, motorcycle helmets, mobile phones, mobile accessories and home textiles.

Targeted brand communication

Intensive marketing activities and the sponsorship of sports and cultural events enhance the worldwide recognition of HUGO BOSS and the image of its brands. Alongside traditional forms of advertising such as print and out-of-home, the relevant consumer groups are increasingly being addressed through new marketing instruments such as social networks. Sports sponsorship activities focus on premium sports such as Formula 1, sailing and golf and are an ideal vehicle for conveying the brand values such as dynamism, perfection and precision. In its cultural sponsorship activities, the Group highlights the similarities between art and fashion in terms of design, aesthetics and creativity. The Company also shines at high profile fashion events in the world's fashion capitals, further emphasizing the appeal and acceptance of the Group's brands among key target groups and emotionally charging the HUGO BOSS brand world.

Global sourcing and distribution activities

HUGO BOSS products are predominantly manufactured by independent suppliers, which are mainly based in Eastern Europe and Asia. The Company sells its products in 129 countries around the world. The sales regions of the Group are Europe (59% of sales), the Americas (24% of sales) and Asia/Pacific (15% of sales). Besides, 2% of sales are generated by royalties. → **Group Strategy, p. 53** → **Business Segment Earnings Development, p. 76**

Growing importance of own retail business

Today, consumers can purchase HUGO BOSS products at more than 6,800 points of sale. In addition to multi-brand points of sale operated by wholesale partners, the importance of mono-brand points of sale is growing significantly. Independent HUGO BOSS stores are operated either by franchise partners or by the Group itself. There is a total of around 1,200 stores and shop-in-shops operated by franchisees. As a result of moving forward with the Group's own retail activities, the number of retail stores increased by 218 to 840 in the past year. This brings the total number of mono-brand stores in the HUGO BOSS Group to over 2,000 in more than 80 countries. At the same time, online sales are becoming increasingly important. The Group currently has online stores in Germany, the Netherlands, France, the UK, Austria, Switzerland and the United States. In total, 49% of sales were generated by the Group's own retail activities in fiscal year 2012. → **Group Strategy, p. 38** → **Consolidated Sales and Results of Operations, p. 63**

Legal structure of the Group characterized by dual management and control structure

The HUGO BOSS Group is managed by its parent company HUGO BOSS AG, which is based in Metzingen, Germany, and bundles all the central management functions. As a German stock corporation (Aktiengesellschaft), HUGO BOSS AG has a dual management and control structure. The Managing Board is responsible for managing the Group, while the Supervisory Board advises the Managing Board and oversees its management of the Company. In addition to HUGO BOSS AG, the Group consists of 53 consolidated subsidiaries that run local business operations. 32 subsidiaries are organized as distribution companies. With few exceptions, all subsidiaries are fully controlled by HUGO BOSS AG. All the subsidiaries are run as independent profit centers and thus hold profit responsibility.

Regionally oriented organizational structure

The HUGO BOSS Group has a regionally oriented structure and has combined its local business operations into three regional organizations: Europe including the Middle East and Africa, the Americas and the Asia/Pacific region. These three regions as well as the royalties business make up the four operative segments of the Group. Responsibility for the central functions is divided between the different Managing Board areas. In particular, the Managing Board is responsible for Group strategy. The management and collection development for all brands are also bundled at the Group's headquarters. Other responsibilities based at the Group's headquarters include own retail management, sourcing, logistics and IT, human resources management, financial management including corporate financing and risk management. Furthermore, in addition to internal communications, HUGO BOSS AG is also responsible for external communication, including maintaining relations with the capital market.

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02|01 HUGO BOSS GROUP STRUCTURE

MANAGING BOARD	
CENTRAL FUNCTIONS	**OPERATIVE SEGMENTS**
Sourcing, production and logistics	**Europe** incl. Middle East and Africa
Finance and controlling	
IT	**AMERICAS**
Communication	
Own retail	**ASIA/PACIFIC**
Brand and creative management	
Human resources	**ROYALTIES**
Legal	

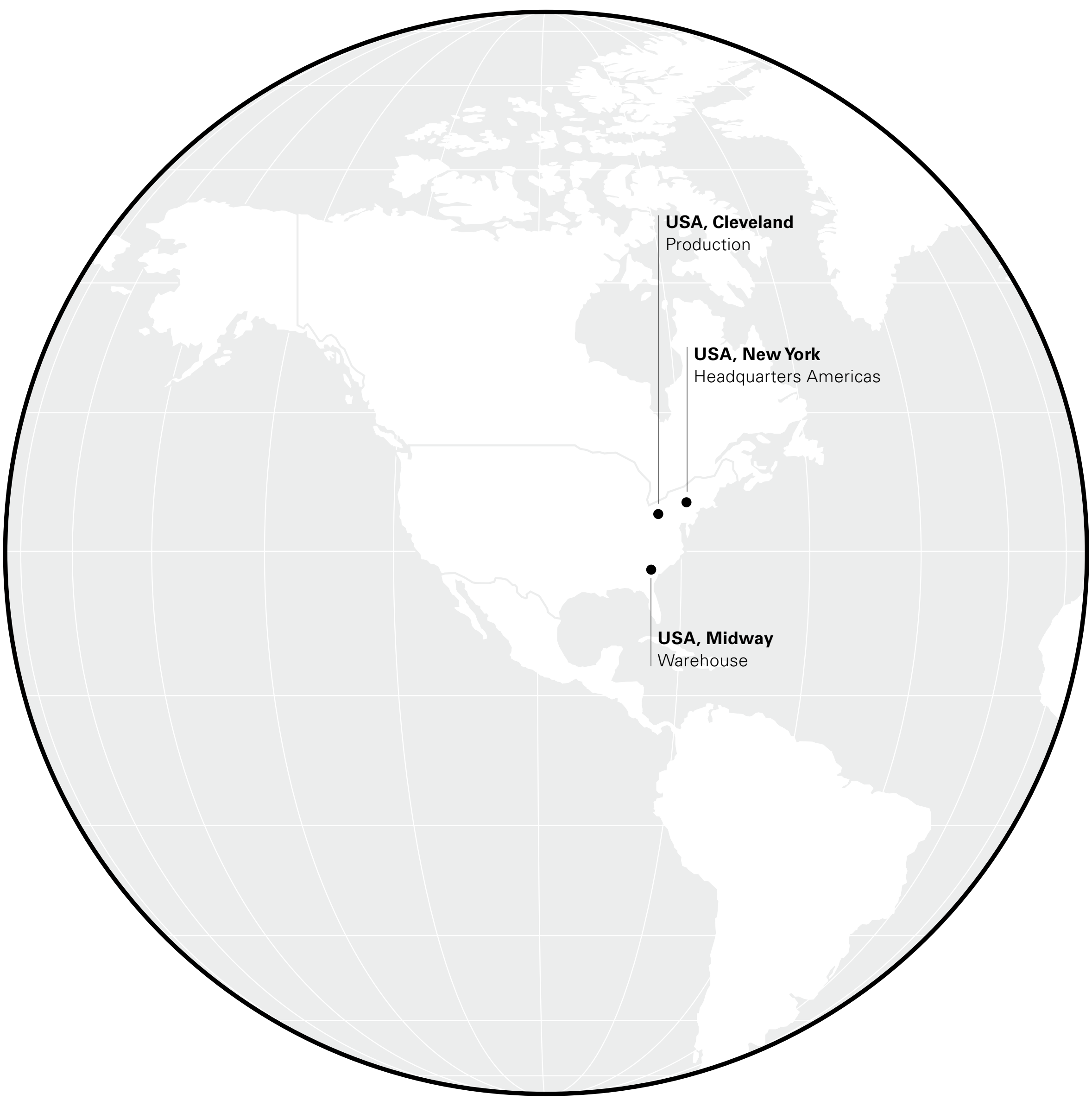
Regional organizations implement Group strategy

In the three regional organizations, the Group strategy is implemented in the respective market environment in close coordination with the Managing Board and under the leadership of the respective regional director. Working together with the country managers within their region, the directors are responsible in particular for the regional design of the wholesale and retail sales strategy and for the development of sales and earnings. The regionalization of the sales structures strengthens the Group's consumer proximity and improves its ability to react to market developments and to adapt to market-specific features. It also allows for a fast exchange of best practices through the close integration of the national companies.

02|02 KEY LOCATIONS/GLOBAL MARKET PRESENCE

AMERICAS

Points of sale	**~ 1,400**
Own retail stores	**147**
Showrooms	**2**
Franchise stores	**~ 150**

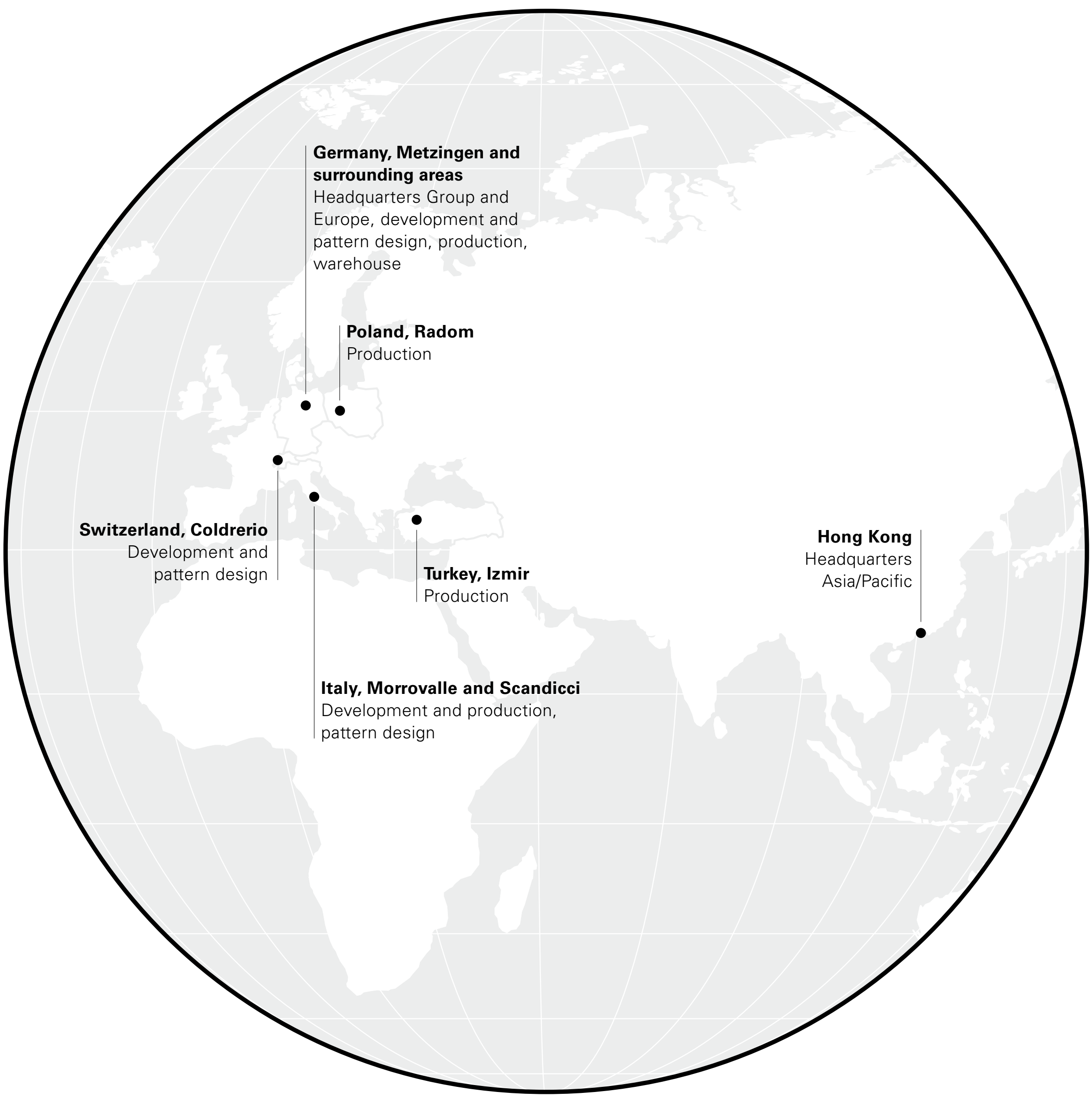


EUROPE (incl. Middle East and Africa)

Points of sale	~ 5,000
Own retail stores	469
Showrooms	19
Franchise stores	~ 850

ASIA/PACIFIC

Points of sale	~ 400
Own retail stores	224
Showrooms	2
Franchise stores	~ 200



GROUP MANAGEMENT

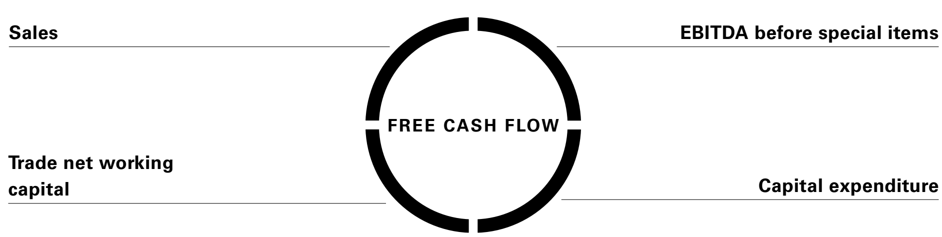
The goal of HUGO BOSS management is to generate a sustainable increase in enterprise value. The Group's internal management system supports the Managing Board and the management of the business units in aligning all Group processes with this goal.

MANAGING BOARD AS A WHOLE RESPONSIBLE FOR GROUP MANAGEMENT

The HUGO BOSS Group is managed by the Managing Board as a whole, which in particular determines the Group's strategic orientation. Operational implementation of the Group strategy is operationally implemented in close cooperation with the regional and brand directors and the heads of the central functions. The organizational and management structure clearly allocates authority and responsibilities within the Group and defines the reporting lines. It thus directs all Group resources towards sustainably increasing enterprise value.

KEY PERFORMANCE INDICATORS

02|03 KEY PERFORMANCE INDICATORS OF THE HUGO BOSS GROUP



Focus on increasing free cash flow

To increase enterprise value, the Group focuses on maximizing its free cash flow. A permanent positive free cash flow ensures the Group's financial independence and solvency at all times. The main levers for improving free cash flow are increasing sales and operating income, defined as EBITDA (earnings before interest, taxes, depreciation and amortization) before extraordinary items. The free cash flow development is also supported by strict management of trade net working capital and disciplined investment activity.

02|04 DEFINITION FREE CASH FLOW

	Cash flow from operating activities
+	Cash flow from investing activities
=	**FREE CASH FLOW**

Sales and EBITDA — the most important key performance indicators for Group management

As a growth-oriented company, HUGO BOSS attaches particular importance to profitably increasing sales. All activities for increasing sales are measured by their potential to increase EBITDA adjusted for special items and the adjusted EBITDA margin (ratio of income to sales) in the long term. As a key driver of free cash flow, EBITDA was identified as the most important key performance indicator. Improving the EBITDA margin is seen as the main lever for increasing the EBITDA margin in improving efficiency in the Group's own retail business and optimizing the pricing strategy. In addition, operating expenses are strictly monitored with the aim of limiting increases in relation to sales to a low level.

The management of the Group companies is directly responsible for profitable corporate growth. Therefore, some of the total remuneration of distribution company managers is variable and linked to sales and EBITDA targets in addition to other key cash flow indicators.

Trade net working capital management to maximize efficiency of capital employment

Given HUGO BOSS' relatively non-capital-intensive business model, trade net working capital is the key performance indicator for maximizing efficiency in the use of capital.

02|05 DEFINITION TRADE NET WORKING CAPITAL

	Inventories
+	Trade receivables
−	Trade payables
=	**TRADE NET WORKING CAPITAL**

Managing inventories, trade receivables and trade payables is the responsibility of the central functions and the operational business units. These three components are managed with the key figures of DIO (days inventories outstanding), DSO (days sales outstanding) and DPO (days payables outstanding), to which the variable remuneration of the distribution units' management is also partially linked. In addition, the ratio of trade net working capital to sales is covered by management targets, planning and monthly reporting by the business units.

Capital expenditure focus on Group's own retail business

The potential value added of proposed investment projects is assessed considering the relevant capital costs. The focus of the Group's investment activity is currently on the expansion of its retail activities. For this reason, a specific approval process has been set up for projects in this area. In addition to qualitative analysis of potential locations, this process also involves assessing the net present value of each project in particular. → **Consolidated Sales and Results of Operations, p. 63, → Net Assets and Financial Position, p. 81**

02|06 DEVELOPMENT OF KEY PERFORMANCE INDICATORS (in EUR million)

	2012	2011	Change in %
Sales	2,345.9	2,058.8	14
EBITDA before special items	529.3	469.5	13
Trade net working capital	417.6	407.3	3
Capital expenditure	165.8	108.5	53
Free cash flow	220.6	194.9	13

The Group's planning, management and monitoring activities focus on optimizing the key performance indicators described above. The key elements of the Group's internal management system are:

- Group planning,
- Group-wide, IT-based reporting and
- investment controlling.

Regular updating of Group planning

Group planning covers a rolling three-year period. It is prepared annually as part of the company-wide budget process and taking into account the current business situation.

Based on central targets set by the Group's Managing Board, the distribution companies prepare comprehensive earnings, balance sheet and investment planning for the sales markets or business areas for which they are responsible. From this, the development and sourcing units derive their medium-term capacity planning and translate this into cost planning. The bottom-up planning by the business units is checked centrally for plausibility and aggregated into overall Group planning.

The annual planning is revised at regular intervals with regard to the actual business development and existing risks and opportunities in order to be able to forecast consolidated net income for the current year. The Group Treasury department also prepares a monthly liquidity forecast on the basis of the anticipated cash flow development. This allows for early identification of financial risks and timely implementation of measures with regard to financing and investment needs. In addition, the currency-differentiated liquidity planning provides a foundation for initiating potential currency hedging activities. → **Report on Risks and Opportunities, Financial Risks, p. 102**

Focus of Group-wide reporting on analysis of early indicators

The Managing Board and the management of the Group companies are informed of the operational development on a monthly basis in the form of standardized, largely IT-based reports with differing levels of detail. This reporting is supplemented with ad hoc analyses if required. Actual data as generated by the Group-wide reporting system is compared against planning data on a monthly basis. Deviations from targets must be explained and the planned countermeasures must be described. Developments with a significant influence on consolidated net income must be reported to the Managing Board immediately. Particular importance is also attached to analyzing early indicators able to provide an evidence of future business development. In this context, order intake, the performance of replenishment business and retail sales area productivity are analyzed on at least a weekly basis. In addition, benchmark analyses with major competitors are conducted at regular intervals.

Investment controlling ensures Group profitability targets

Investment controlling assesses planned and implemented investment projects in respect of their contribution to the Group's profitability targets. In doing so, only those projects that are expected to help improve the Group's economic performance are initiated. The profitability of projects already realized is reviewed by way of subsequent analyses at regular intervals. In the event of deviations from the profitability targets originally set, countermeasures are implemented.

GROUP STRATEGY

HUGO BOSS has set itself ambitious sales and earnings targets for 2015. In order to achieve these targets, the Group will continue to build on its traditional core competence – developing and marketing high-quality apparel, shoes and accessories in the premium and luxury segment. Building on this, the Group strategy aims to further strengthen the individual brands, expand the Group's own retail activities, leverage global growth opportunities and improve key operational processes.

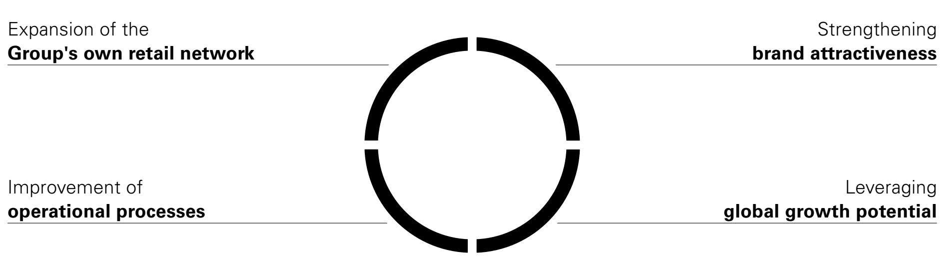
Ambitious medium-term targets

The successful business performance of the past years highlights the strength of HUGO BOSS' business model. This forms the basis for achieving its ambitious growth targets. The Group aims to generate sales of EUR 3 billion and an operating result (EBITDA before special items) of EUR 750 million in 2015 through organic growth. Together with the strict management of trade net working capital and disciplined investment activity, the planned earnings increase will form the basis for the intended maximization of free cash flow and thereby for enhancing enterprise value.

Medium-term growth strategy based on four pillars

HUGO BOSS has identified four main growth areas for which strategic initiatives have been defined to increase sales and earnings in the long term. The attractiveness of the individual Group brands will be further strengthened by appealing product initiatives and persuasive brand communication. In future, the Group's own retail activities will be expanded to become the most important distribution channel. The Group also believes there is considerable growth potential in Asia and America. Finally, operational processes are to be strengthened further.

02|07 MID-TERM GROWTH STRATEGY



STRENGTHENING BRAND ATTRACTIVENESS

Strong brands form the basis for the Company's future success

The expertise that has been amassed over the decades in the segment of high-end womenswear and menswear, shoes and leather accessories in the premium and luxury segment defines the offering of all Group brands. All brands are distinguished by the use of the highest quality materials, excellent workmanship and outstanding design. In addition to its core BOSS brand, the Company also offers consumers the brands BOSS Green, BOSS Orange and HUGO to address different target groups with a variety of attitudes and needs.

Clear differentiation of Group brands

The Group is constantly sharpening the positioning of its brands to clearly distinguish them from each other and the competition. In addition to developing an unmistakable signature design for the collections, the focus here is on individually tailored communication for the different brands and optimal presentation at the point of sale.

Core BOSS brand defines consumer perception of HUGO BOSS

HUGO BOSS feels there is considerable potential for further growth in all brands. The core BOSS brand will remain by far the largest single brand moving forward as well. It stands for sophisticated, elegant fashion that appeals to fashionably minded men and women who wish to be perfectly dressed in both the business wear and sportswear arenas. By absorbing the BOSS Black and BOSS Selection brands into the core BOSS brand, starting with the Fall 2013 collection brand presentation will be simplified to strengthen the market position of BOSS in the luxury goods area especially. In particular, the Made to Measure range will be expanded significantly in order to emphasize the Company's skill in couture of the highest quality.

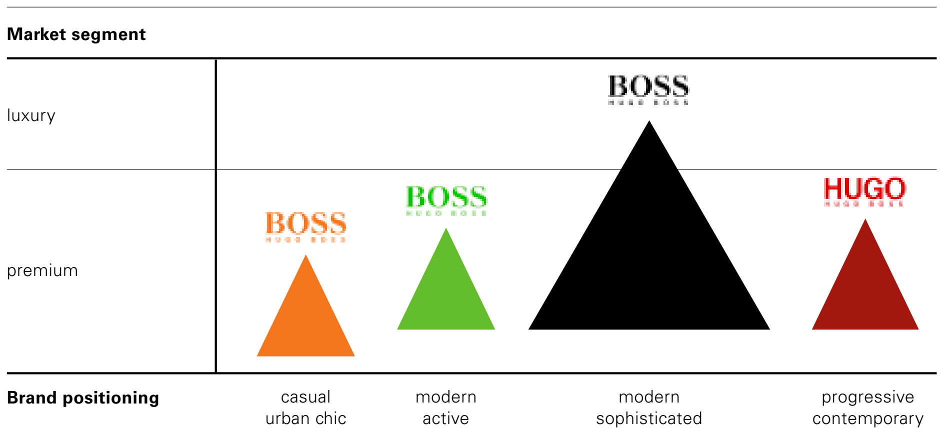
HUGO — the Company's fashion spearhead

The HUGO brand enjoys a strong market positioning among highly fashion-conscious consumers thanks to its progressive style and avant-garde design. Its minimalist design language and reduced looks mean that HUGO can be clearly distinguished from the competition. The Group believes there is substantial growth potential for this brand in selectively rolling out its own retail presence on markets such as the United States in particular, where HUGO market penetration is still comparatively low.

Convincing sportswear range allows HUGO BOSS to stand out from competition

In addition to its historically strong market position in menswear, HUGO BOSS also has a high-quality sportswear range in the BOSS, BOSS Orange and BOSS Green brands. While BOSS stands for sophisticated, elegant sportswear and the highest standards of quality, design, fit and workmanship, BOSS Orange appeals to generally younger customers who prefer an individual and unconventional clothing style. Finally, BOSS Green scores with active sportswear that combines fashion and technology with style.

02|08 HUGO BOSS BRAND POSITIONING



Expansion of market positioning in womenswear

The Group is striving to improve its market positioning in womenswear. As a separate unit under independent management, the organizationsl set-up of this division has been strengthened significantly. In addition to the clothing range with which HUGO BOSS scores with a modern design signature, a reliable fit and appealing value for money, there are also attractive growth opportunities in leisurewear and shoes and accessories that turn the apparel collections into complete outfits. Accordingly, the Group will be devoting more of its own retail space to womenswear in future. Furthermore, womenswear will be promoted for the first time in 2013 with an exclusive campaign and a dedicated presentation at the New York Fashion Show.

Extensive brand communication activities

HUGO BOSS supports the perception of its brands with extensive communications activities. In addition to the print campaigns tailored to the individual brand identities, a modern brand image is heightened by selective sports sponsorship activities in motor sports, golf and sailing in particular. Furthermore, fashion shows such as that planned in Shanghai for May 2013 elevate the visibility of the brands to consumers, the trade press and business partners. The Group is also stepping up its online activities in order to maintain a presence in the relevant social networks and blogs and so as to enter into an increasingly more individual dialog with its customers.

HUGO BOSS

BRAND WORLD

BOSS
HUGO BOSS

BOSS MENSWEAR

The BOSS core brand epitomizes authentic, understated luxury. The men's collection offers modern, refined business- and eveningwear along with sophisticated casual looks and premium sportswear for after work. The unique fits, high-quality materials and exquisite styles help to bring out a man's personality – and give him the confidence that he is perfectly dressed for every occasion. Shoes and accessories round out the range, supplemented by watches, eyewear and fragrances produced under license.

BOSS
HUGO BOSS

BOSS WOMENSWEAR

The women's collection of the BOSS core brand stands for feminine styles with a strong focus on fine fabrics and sophisticated details. The rich array of modern businesswear, exclusive leisurewear and glamorous evening apparel fuses fashionable silhouettes with excellent design and timeless elegance. Coordinated shoes and accessories complete the looks, which are enhanced by licensed watches, eyewear and fragrances.


BOSS

BOSS KIDSWEAR

BOSS Kidswear offers a premium range of quality leisure- and sportswear featuring smart details – along with dressy outfits for more formal occasions. The versatile collections for newborns, children and young adults are produced under license and are complemented by matched accessories.


BOSS
BOSS
HUGO BOSS

BOSS GREEN

BOSS Green is the active sportswear line from HUGO BOSS that transcends the boundary between modern leisure outfits and performance golf apparel. Linking fashion, lifestyle and function, the collection delivers distinctive, dynamic looks in impactful colors.


Comfort

BOSS
HUGO BOSS

BOSS ORANGE

As the urban casualwear collection from HUGO BOSS, BOSS Orange sends an easy-going message. The laid-back lifestyle fashions appeal to men and women who set stock in individuality and cultivate mobility and spontaneity as parts of their personal mindset. Shoes and accessories join licensed watches, eyewear and fragrances to perfect the uncomplicated, modern look.

HUGO

In the HUGO BOSS brand world, HUGO stands for progressive looks and an edgy, urban attitude. The brand combines these qualities with its roots in traditional tailoring, fusing classic sartorial art with fresh shapes and creative details. The women's and men's collections consistently set self-confident, stylish accents; shoes, accessories as well as licensed fragrances round out the ranges.

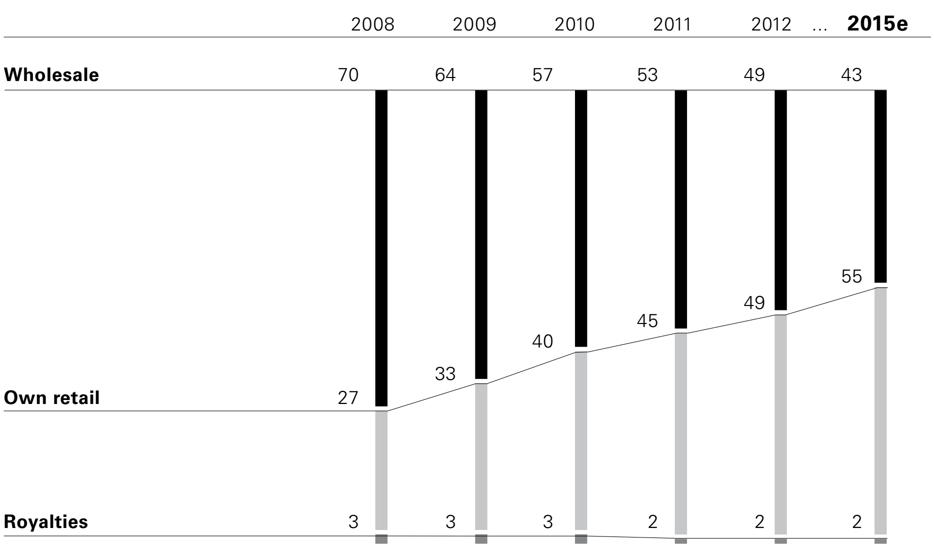
WWW.HUGOBOSS.COM

EXPANSION OF THE GROUP'S OWN RETAIL NETWORK

Own retail a key growth driver

HUGO BOSS is increasingly gearing its distribution activities and its business model towards its own retail operations, without neglecting its wholesale business. Here, the Group is taking account of the growing consumer demand for mono-brand sales formats, particularly in emerging markets such as China, and the attractive return profile of this distribution channel. Thanks to new store openings, takeovers and productivity enhancements, the Group anticipates that the share of sales of its own retail activities will rise to at least 55% in 2015 (2012: 49%).

02|09 SALES BY CHANNEL (in %)



Further improvement in retail expertise

In past years, the Group has implemented important measures to adapt its business model more closely to the requirements of its own retail operations to be able to react more quickly to market changes. The collection cycle has been changed from previously two collections per year to currently four. Changing monthly themes constantly ensure new purchase incentives to increase customer traffic. By reducing the time to market — the time between the start of collection development and its delivery to customers — from 50 weeks in the past to 38 weeks today, brand and creative management can now apply information from sales in the preceding season directly to the development of the subsequent collection and thereby optimize the collection structure. Products which have strong sales potential and which are highly significant to the collection statement are included in the so called core range that will be offered in all of the Group's own stores in Europe.

Enhancing service quality a top priority

Knowing that customers demand similarly good service with excellent products, increasing customer satisfaction is a high priority at HUGO BOSS. The remuneration system for sales staff is designed to motivate them to enhance service quality. Compliance with service standards is checked and measured on an ongoing basis by mystery shopping visits. Any deficits are mainly addressed by comprehensive training activities.

Systematic customer relationship management

The Group has also stepped up its efforts in customer relationship management in order to better understand and satisfy its customers' requirements and thereby improve their loyalty to the brand. HUGO BOSS is reaching out to its customers with an ever greater degree of personalization with relevant and interesting information and offers to provide them with an attractive brand experience across all channels. In particular, consumers can register with their local stores to be invited, for example, to exclusive collection launches or special store events.

Further expansion of store network planned

The Group sees itself as having major opportunities to increase its global market penetration by opening new stores and shop-in-shops in the coming years. Around 50 such openings are scheduled to take place annually in the next few years. As well as opening new stores, the Group also examines possibilities for acquiring stores previously operated by franchise partners, depending on the attractiveness and growth prospects of the market in question. There is also intriguing potential in taking over the management of shop-in-shops previously under the responsibility of wholesale partners. Last year, HUGO BOSS greatly improved the sales productivity of the spaces it took over by designing its own assortments and providing its own sales staff, thereby generating a positive sales and earnings effect. Furthermore, the Group is investing in the renovation of existing stores to elevate the consistency of global brand perception and space productivity.

Rising significance of online retail activities

In addition to its bricks-and-mortar retail, HUGO BOSS is also pushing its online retail activities in keeping with the growing acceptance of this distribution channel by consumers. As well as opening new online stores, there is a focus on continuously optimizing the existing stores in the U.S., the UK, Germany, France, the Netherlands, Austria and Switzerland in terms of user-friendliness, product range and presentation and service. Greater attention will also be paid to integrating online activities with bricks and mortar retail to offer consumers a seamless and convenient shopping experience.

Wholesale still a vital distribution channel

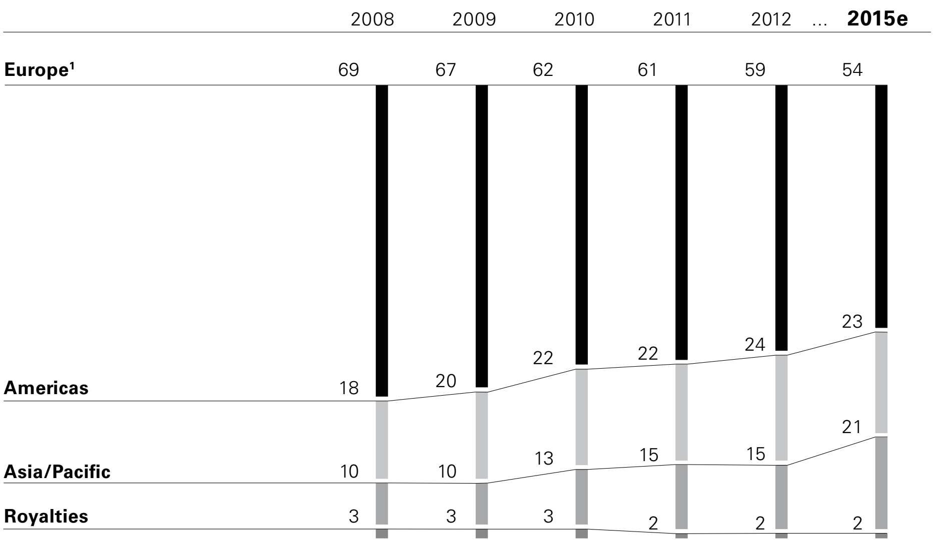
The acquisition of space from retail partners, ongoing consolidation trends and only minor space expansion are limiting the growth potential in the wholesale business. Nonetheless, with the customer relationships in the premium and luxury apparel segment that have been established for decades and its brand power, the Group is confident of offering its partners a convincing product range, the highest levels of service in the industry and excellent delivery reliability in future as well, thereby allowing it to gain market share.

LEVERAGING GLOBAL GROWTH POTENTIAL

Global brand recognition offers growth potential

The appeal of its brands has brought HUGO BOSS a high level of global recognition. In all of its markets, HUGO BOSS stands for attractive European design, superior quality and appealing value for money. The Company feels it has excellent opportunities of commercializing this brand perception even more comprehensively than in the past in the coming years and of further increasing its penetration, particularly on the markets in which its presence is still relatively low. The share of sales generated outside Europe is therefore expected to steadily increase in the next few years.

02|10 SALES BY REGION (in %)



¹ Including Middle East and Africa.

Europe to remain core region for HUGO BOSS

Nonetheless, Europe will remain the Group's biggest sales market in future as well. The Group can continue to count on its strong portfolio of wholesale partners and the appeal that its brands enjoy in this distribution channel. Its own retail operations will play an increasingly significant role. On many markets the Group supplements its presence with its wholesale partners with its own stores, thereby elevating the value perception of its brands. In addition, last year the Group increasingly began actively managing wholesale spaces. As a result it largely escaped the difficult market environment in Southern Europe in particular. In addition to expanding its market position in its traditional core markets such as Germany, the UK, France and the Benelux region, the Group also has attractive growth prospects in Eastern Europe. In future, the Company will control its distribution on this market to a greater degree.

Good growth opportunities in the Americas

HUGO BOSS is enjoying strong momentum on the American market. This is above all due to a positive perception of its brands defined by a European lifestyle. Along with modern design, HUGO BOSS is ascribed high dependability in terms of fit and quality and an attractive value proposition. HUGO BOSS aims at increasingly leveraging this strength in the currently underrepresented portions of its portfolio, such as the HUGO brand or womenswear. In the wholesale business, the Group is focusing on partnerships with retailers in the high-end market segment. Here, optimization of brand presentation both in category business and also increasingly in shop-in-shop formats is a major growth driver. In the Group's own retail activities it is focusing on selective new store openings in Latin America in particular and on improving the shopping experience.

Investment in further growth in Asia/Pacific region

HUGO BOSS attaches a great deal of importance to improving its market position in the Asia/Pacific region. A steadily expanding middle class and the associated rise in purchasing power for premium and luxury goods in China in particular is offering HUGO BOSS substantial sales potential. The Company has therefore invested in its brand perception in particular in the past year. For example, the biggest fashion show that HUGO BOSS has ever staged in Asia took place in Beijing. At the same time, actor Chow Yun-Fat was secured as a brand ambassador. In 2013, the Company will follow this up with a fashion show in Shanghai. Special attention is also being paid to strengthening the retail network. In particular, the quality of brand presence will be raised further by the opening of flagship stores in major cities such as Shanghai or Hong Kong and the renovation of existing stores.

IMPROVEMENT OF OPERATIONAL PROCESSES

Operational strength gives rise to commercial success

Strong operational processes enable the Group to develop, source, produce and deliver high-quality products in large numbers efficiently, quickly and to an industry standard. This gives HUGO BOSS the chance to stand out from its competitors with appealing value for money and high delivery reliability. In 2013 the Group will also focus on optimizing its operational processes in line with the requirements of its own retail business.

Vertically integrated organizational structure ensures design and product excellence

HUGO BOSS has optimized its organizational structure in the past year to link the product design and development process even more closely with industrial manufacturing and sourcing. To this end, the strict brand organization was replaced by a structure oriented towards the categories of clothing, sportswear, womenswear and shoes and accessories. The close interaction of all responsible parties into product development improves product quality, promotes development speed and generates synergy effects in development and sourcing.

Own production activities secure crucial expertise

HUGO BOSS still produces a significant share of its product offering in classical clothing itself. Using its own production sites guarantees the Company crucial expertise and allows development activities to be systematically geared towards subsequent industrial manufacturing. The knowledge gained from own production also enables profitable management of the external supplier network, which ensures a consistently high product quality on the basis of long-standing partnerships. The close and early involvement of suppliers means that production-related considerations are integrated directly into the development process.

High-performance IT structure supports effective management

The Group attaches great importance to a homogeneous and powerful IT structure that effectively supports the operational processes of all functions and creates the necessary transparency for business decisions. Thus, sell-through performance in its own retail activities can be directly controlled via the Group-wide SAP retail platform, facilitating short reaction times for merchandise allocation and discount management. The implementation of a new IT solution is planned for 2013, which will enable a fully integrated view of goods flows in own retail activities and thereby allow planning geared directly to consumer demand.

Further expansion of logistics infrastructure

An efficient logistics infrastructure ensures on-schedule delivery of the correct quantities to distribution partners. In 2013 the Group will take further efforts to increase the speed and flexibility of its logistics processes, especially so as to be able to better supply the growing portfolio of its own stores. In this context, the construction of a new flat-packed goods warehouse near the Group’s headquarters is a top priority. After completion in 2014, the distribution center will significantly improve the efficiency of essential handling processes as compared to their current status.

EMPLOYEES

The work of the almost 12,000 employees of the HUGO BOSS Group worldwide is the basis for the Company's success. Their skills and their passion for fashion can be seen in unmistakable products. The objective of personnel work at the HUGO BOSS Group is to foster team spirit and motivation among the employees in an international environment and to create a working atmosphere in which creativity and perfection can unfold in the best possible way.

Corporate mission statement reflects corporate culture

In 2012, a corporate mission statement was devised for the HUGO BOSS Group as part of an international project involving employees from different departments and levels of hierarchy. The mission statement is based on the values of quality, respect, passion, cooperation and innovation – values that define employees' day-to-day interactions and reflect the corporate culture. Human resources (HR) management at HUGO BOSS is geared towards bringing the corporate mission statement to life so that each individual employee can contribute to the Company with his or her skills, commitment and enthusiasm and help the Group to achieve its goals in the long term.

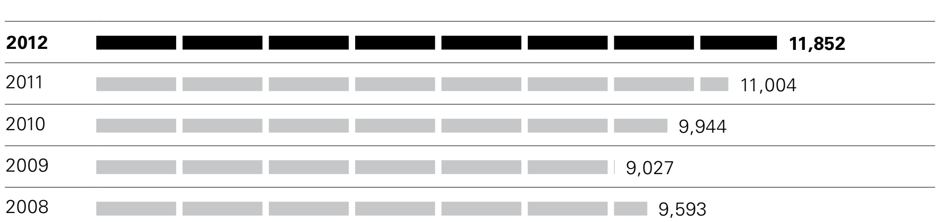
Human resources strategy supports Company growth

One of the objectives of personnel work at HUGO BOSS is to secure suitable employees for the Company, to systematically promote their development and to retain them in the long term. The range of inspiring and challenging activities should ensure that each and every individual makes his or her contribution to the Company's success. In the past year, HR management focused above all on mapping the growing strategic orientation towards the Group's own retail activities in terms of human resources. In light of the advancing internationalization of the business activities, special attention was also paid to designing standardized and transparent processes throughout the Group for personnel selection and development.

Number of employees increases in 2012

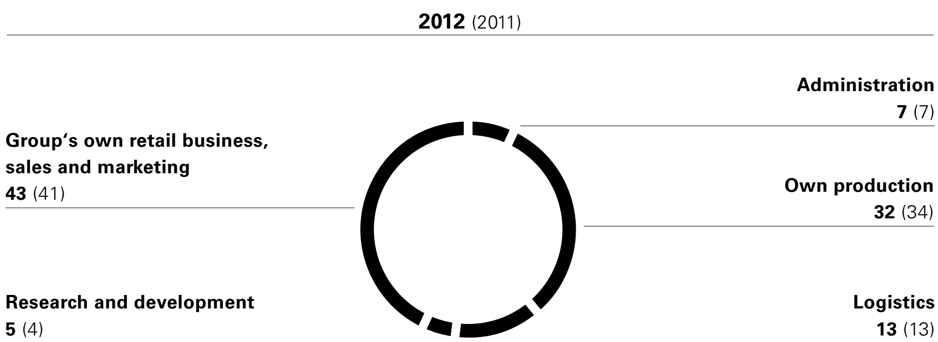
The number of employees in the HUGO BOSS Group continued to rise in 2012 as well. At the end of fiscal 2012, the total number of people working at HUGO BOSS was 11,852. The workforce therefore grew by 848 people, or 8%, as compared to the previous year (2011: 11,004).

02|11 NUMBER OF EMPLOYEES AS OF DECEMBER 31



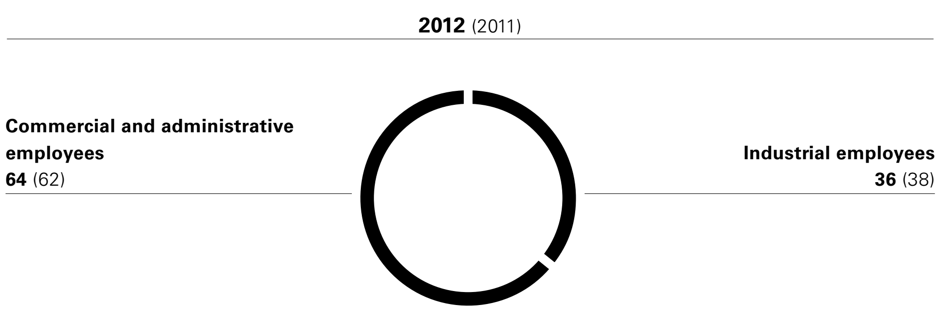
This rise is due to the positive business performance and the higher personnel requirements this entailed, particularly in the Group's own retail activities. In the Group's own retail business alone, the staff number increased by 15% to 4,139 from 3,585 in the year before. The majority of the new employees in this area were hired in Europe and Asia, where the expansion of the Group's own retail business is rapidly being driven forward.

02|12 EMPLOYEES BY FUNCTIONAL AREA AS OF DECEMBER 31 (in %)



As at the end of 2012, 7,549 employees or 64% of the total staff (2011: 6,810) worked in commercial and administrative areas and 4,303 people or 36% of the total staff (2011: 4,194) worked in industrial areas. → **Notes to the Consolidated Financial Statements, note 9 p. 153**

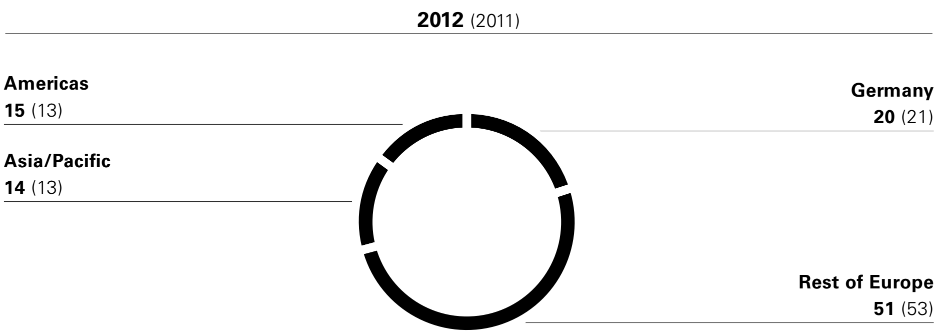
02|13 INDUSTRIAL, COMMERCIAL AND ADMINISTRATIVE EMPLOYEES AS OF DEC. 31 (in %)



Internationality is a top priority at HUGO BOSS

The corporate culture at HUGO BOSS is characterized by internationality, openness and diversity. This is reflected in the regional distribution of the employees. 80% of the Group's staff work outside of Germany (2011: 79%). A third of the employees at HUGO BOSS AG in Germany has an international background.

02|14 EMPLOYEES BY REGION AS OF DECEMBER 31 (in %)



Women account for 60% of employees in the HUGO BOSS Group (2011: 60%). In management, i.e. including all management levels, 46% (2011: 46%) of positions are currently held by women. The Company thus complies with the recommendation of the German Corporate Governance Code according to which the Managing Board is supposed to aim for an appropriate consideration of women when filling managerial positions. → **Corporate Governance Report, p. 14**

Consistently high share of women in management

02|15 EMPLOYEE STATISTICS (in %)

	2012	2011
Proportion of men of total number of employees	40	40
Proportion of women of total number of employees	60	60
Proportion of men in management	54	54
Proportion of women in management	46	46
Average age in years	34	34

Professional education is a key component of ensuring the skills of future employees at HUGO BOSS. Industrial/technical and commercial apprenticeships as well as Cooperative State University courses play a key part in selectively meeting skills requirements and offer graduates attractive entry opportunities. Students at the Cooperative State Universities are introduced to working in an international context during their education. Thus, HUGO BOSS gives all such students the opportunity to gather inter-cultural experience at an international Group company while working abroad.

Professional education has a firm place in the Company

The number of apprentices and Cooperative State University students climbed in the past year to a total of 90 (up 12%). A further increase is planned for 2013. 18 apprentices and Cooperative State University students successfully completed their training in 2012. At the same time, 37 new apprentices and students joined the Group.

Number of apprentices rises

HUGO BOSS pursues the goal to clearly position itself on the market as an interesting and attractive employer for young people. In order to discover young talent at an early stage and to gain it for the Company, the Group works closely with national and international colleges and universities. HUGO BOSS maintains close contact with students with a variety of company presentations and tours at its headquarters in Metzingen, regular lectures by employees

HUGO BOSS targets talent at an early stage

from different departments at the colleges and universities themselves and by organizing competitions for potential future employees. The Company regularly takes advantage of these contacts when recruiting new staff.

Internships to set foot into the Company

As a "Fair Company" (an initiative by the careers magazine "Junge Karriere" headed up by the newspaper Handelsblatt and the magazine WirtschaftsWoche), HUGO BOSS AG offers internships primarily alongside the interns' studies to provide professional orientation and pays the interns an adequate expense allowance. In total, HUGO BOSS AG offered around 300 interns the chance to gain practical experience in virtually all the Company's departments in 2012. After their internship, selected interns can round off their studies by writing a thesis in the Company. Nearly 35 such theses were supervised at HUGO BOSS in 2012. An alumni program makes it possible for very good interns to maintain ties with HUGO BOSS after their time with the Company, continuing their development to secure them as qualified employees at a later date.

Increasing employer attractiveness

The success of personnel marketing activities and intern supervision in the past year is reflected, for instance, in the fact that the Company has risen in various rankings of Germany's most popular employers. In addition, HUGO BOSS received the "Award TOP Praktikum 2012" for the first time by Clevis GmbH. This award is bestowed for an intern program of special quality and a commitment to providing training and qualifications for potential future employees.

Individual personnel development enhances performance of the organization

The Group strives to improve the knowledge and skills of its employees at all times by providing systematic personnel training and development based on a transparent skills model. This enhances not only the performance of the organization as a whole but also the individual employee's motivation and self-confidence.

Targeted measures help employees to improve their performance in their day-to-day work and to extend their knowledge beyond the requirements of their current position. In addition to a variety of classroom training options, online training is also increasingly being offered for the Group's own retail activities in particular. Offered in different language options, they enable high levels of standardization in training employees around the world. More than 16,000 online training sessions were successfully completed in the past fiscal year (2011: 6,000).

In addition, personnel development can be supported on a case-by-case basis by transferring to different departments or functions, both within the Group's headquarters or at an international subsidiary, helping employees to expand their own sphere of activities or to rise to management positions. In the past fiscal year, a particular focus was laid on the facilitation of Group-wide carreer paths in oder to increase the international mobility of the employees. The career of each manager is guided by targeted consulting and by constantly promoting personal, methodical, technical and management skills and methodologies.

In addition to management careers, so-called specialist careers were also developed in the past year. Especially talented and dedicated employees are thereby given the opportunity to further develop their knowledge along a specialist career pathway through clearly defined development stages. Both specialists and management careers should thus assist employees in their long-term professional and personal development at HUGO BOSS, both within their own division and across other divisions.

To evaluate the performance, skills and development potential of each individual and document this transparently, all supervisors conduct feedback discussions on an annual basis. In these discussions, the tasks and personal goals for the coming year are set out and the training requirements for achieving the employee's individual goals are defined.

Employee pay based on a transparent remuneration system

In the HUGO BOSS Group, compensation is designed so that individual performance is rewarded fairly and transparently, promoting a culture of motivation and commitment. Clearly documented job descriptions and evaluations are used as a basis for compensation. The compensation of employees in Germany covered by a collective agreement is based on the collective agreement of the Südwestdeutsche Bekleidungsindustrie (Southwest German Textile Industry). The compensation of staff employed in retail is based on the German retail collective agreement. Employees working in retail and sales are entitled to a fixed salary and variable compensation linked to quantitative targets. For example, the compensation of employees in directly operated stores may be linked to service standards defined uniformly for the entire Group and to guidelines for retail operations. Joint incentives are also created for the employees at individual stores for achieving specific retail targets. Employees who are not covered by a collective agreement receive — in addition to their basis salary — a bonus linked to both corporate targets and qualitative and quantitative personal targets. Thanks to the introduction of a fixed employer contribution and the improved subsidization of employee contributions effective at the beginning of 2013, the attractiveness of the corporate pension scheme was also increased in the past year.

In addition to the contractually stipulated salary components, employees are also entitled to a travel allowance, employee discounts on HUGO BOSS products and a variety of arts and cultural events in the context of the Group's sponsorship activities. Furthermore, all employees at the Group's headquarters can exercise at the in-house fitness studio all year long and free of charge.

RESEARCH AND DEVELOPMENT

Each season, HUGO BOSS must prove itself against the competition on the global clothing market to develop collections that meet the fashion and quality demands of its customers and that can be optimally placed on the shop floor. The research and development activities at the start of the value chain have a crucial influence on the Company's innovative strength and customers' perception of the creativity of collections, and they therefore play a central role in the Company's success.

Research and development a key element in creating collections

HUGO BOSS sees research and development (R&D) as a key element in the process of creating a collection, which means implementing a creative idea as a commercially viable product. The starting point in this process is the systematic identification of fashion trends, analyzing market and sales data and assessing consumer feedback to be able to judge customer needs as well as possible. In the product development process in the narrower sense, innovation is mainly expressed as the use of new types of materials, innovative designs and crafting techniques that enhance both quality and efficiency.

Innovation meets consistency at HUGO BOSS

As a company that has successfully positioned itself in the premium and luxury segment of the global fashion market, it is of the utmost importance for HUGO BOSS to present customers with fashionable, innovative products each season and therefore to keep offering new incentives to buy. On the other hand, the customer also expects HUGO BOSS products to maintain the same high quality, a guaranteed perfect fit and an unmistakable design signature in every collection. Development work at HUGO BOSS therefore focuses on meeting the standards for quality, a perfect fit, consistent brand management and also for excellent and innovative design.

Close interaction between creative department and technical development

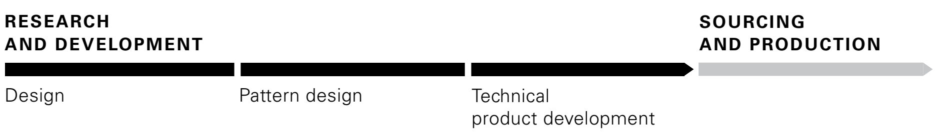
The research and development process is at the start of the value chain and therefore plays a decisive role in the subsequent success of the collection.

In the first stage of collection preparation, creative management defines the collection statement, plans the color, theme, shape and fabric concepts, and sets target prices. This takes into account the information from analyzing the current season. In searching for new ideas, the creative teams also take inspiration from impressions gathered from fields such as architecture, design and art, as well as from new technologies and social and economic developments. To a limited extent, in this first stage of product development, the design teams also cooperate with external consultants such as trend scouts to identify fashion trends even earlier on.

In the second stage, the Creative department hands over its sketches to the Pattern Design department, where the implementation of the creative ideas is checked from a tailoring perspective. The models are then developed as prototypes in technical development. The prototypes undergo extensive testing which, among other things, provides information on the materials' physical properties needed for subsequent series production.

After the prototyping phase comes sampling, the production of a sample collection and its presentation and sale to international wholesale customers. Afterwards the ordered pieces are produced and sold to the consumers, either through a wholesale partner or the Group's own retail operations.

02|16 PRODUCT DEVELOPMENT PROCESS AT HUGO BOSS



Virtualization to further simplify development process

To further simplify and speed up technical development, the Company is working on a project to facilitate computer-based, virtual development of selected product categories. The virtual prototypes can be flexibly discussed and adjusted directly on a PC, not just with the internal contacts involved in the process but with suppliers around the world as well. The close cooperation between the development teams and the suppliers means that the products cannot only be developed more quickly and to higher quality, but also at a lower cost due to the reduced need for physical prototypes. In 2013 the technology should be firmly established in the development process and be used in the shirts, suits, dresses and shoes product categories in particular.

Optimized organizational structure creates a consistent development process

HUGO BOSS has optimized its organizational structure in the past year to more closely coordinate the various stages in product design, product development and the sourcing process. As part of the realignment, brand and creative management were organized based on the categories of clothing, sportswear, womenswear and shoes and accessories. Adjusting the organizational logic in this way also allows for a direct connection between the creative departments, the product divisions responsible for model and technical development and sourcing and production activities. This guarantees more direct communication between all parties involved in product development and efficiency improvements in terms of quality, speed and costs.

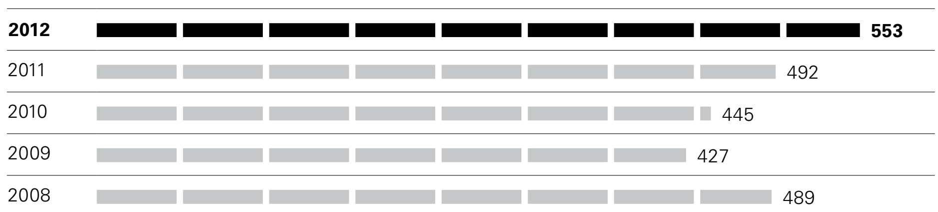
Development work distributed across four locations

Innovation and development work at HUGO BOSS is organized at the four development centers in Metzingen (Germany), Coldrerio (Switzerland), Morrovalle (Italy) and Scandicci (Italy). At the Group's headquarters in Metzingen, the Company uses its many years of experience in industrial textile production to develop pioneering products in the core area of classic menswear and womenswear as well as in sportswear. The center of competence in Coldrerio (Switzerland) is responsible for both the development of the shirts, ties and knitwear textile product groups and the general supervision of shoes, leather accessories and bodywear. Work at the Italian locations in Morrovalle and Scandicci focuses on the development of shoes and leather accessories.

Staff growth in creative and development teams

The Group's creative and development departments are staffed by skilled fashion designers, tailors, shoe and clothing technicians and engineers. In 2012 the Company strengthened its creative teams — and thereby its innovation skills — and increased the number of employees in this area by 12% to 553 (2011: 492). **→ Employees, S. 45 → Notes to the Consolidated Financial Statements, note 9, p. 153**

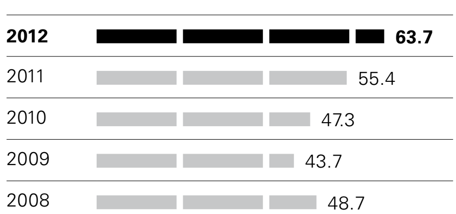
02|17 NUMBER OF EMPLOYEES IN R&D AS OF DECEMBER 31



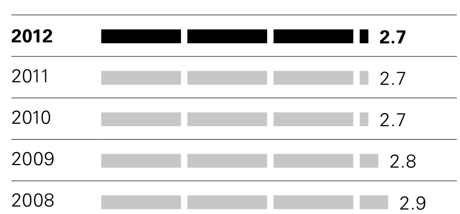
Rise in R&D expense matches sales increases

Research and development expenses predominantly consist of personnel costs and other operating expenses. As in previous years, the majority of costs for research and development were recognized as an expense at the time they were incurred in 2012 as well. A portion of production-related development expenses is included in the cost of inventories. No research and development costs were capitalized as internally generated intangible assets. The Group-wide expenses in connection with the collection development process rose by 15% to EUR 64 million in the past fiscal year (2011: EUR 55 million). The main reason for this development was an increase in personnel costs. These accounted for 70% of total research and development expenses (2011: 64%). The ratio of research and development expenses to consolidated sales was unchanged in the past financial year at 3% (2011: 3%).

02|18 R&D EXPENSES (in EUR million)



02|19 R&D EXPENSES (in % of sales)



Quality assurance begins in the product creation phase

Consumers expect the highest quality from HUGO BOSS products. The development phase is vital in ensuring this. Close cooperation from an early stage between the brand and creative departments, the pattern designers and the technical developers is essential. At the development center in Metzingen, the pattern designers, who draw the product cuts, and the product developers, who implement them technically and commercially, work together in a very early phase of product creation. Thus, they have the opportunity to identify not just potential for improvement but also shortcomings in the designs at an early stage, allowing for them to be counteracted before production begins. Product development at HUGO BOSS is also characterized by intensive cooperation between the internal creative and development teams on the one hand and the external suppliers and technology partners on the other. This not only ensures a smooth downstream production process, but also guarantees HUGO BOSS a competitive edge in manufacturing technology and product quality.

SOURCING AND PRODUCTION

The consumer is at the heart of the HUGO BOSS Group's business activities. Meeting consumer demand in both wholesale and the Group's own retail activities on time and in line with the highest quality standards is therefore the maxim of the sourcing and production units. To achieve this goal, HUGO BOSS constantly works to ensure transparent, efficient and flawless structures in its sourcing and production process by selectively choosing its suppliers, constantly strengthening existing supplier relationships and adhering to the highest technical production standards at its own production facilities.

Majority of production by independent suppliers

As a company that manufactures and operates internationally, standardized, system-aided and well-coordinated sourcing and production processes are a key factor in the success of HUGO BOSS. Around 20% (2011: 21%) of the full product line is produced in HUGO BOSS' own factories and around 80% (2011: 79%) is manufactured by independent suppliers in commissioned production or purchased as merchandise. Self-producing a significant portion of its traditional clothing product range allows the Group to gain considerable expertise and optimizes quality and product availability.

The Company's own production sites are in Izmir (Turkey), the largest self-owned facility, Cleveland (USA), Metzingen (Germany), Radom (Poland) and Morrovalle (Italy). The factory in Izmir mainly produces suits, trousers, jackets, shirts and womenswear clothing. At the factory in Cleveland, HUGO BOSS manufactures suits for the American market. In Metzingen, the focus is on small-series production of suits, jackets and trousers. In addition, the facility manufactures prototypes, sample pieces and individual orders. In particular, this is where HUGO BOSS creates its Made to Measure suits. Production in Radom and Morrovalle focuses on shoes.

Strategic management of the supplier network a factor for success

By covering a broad product range in the fields of apparel and accessories in the premium and luxury segment, HUGO BOSS utilizes a stable and sufficiently large network of specialized suppliers. In the past year, the Group continued to work with around 320 suppliers for contract manufacturing and merchandise (2011: 320). The higher sourcing requirements due to increased demand were covered by optimized capacity utilization with the supplier network already in place in the past fiscal year. The sourcing volume is distributed across a global network of suppliers so as to diversify risk and make the Group as independent of individual sourcing locations and manufacturing companies as possible. As such, the largest independent manufacturer of merchandise accounted for only around 8% of the total sourcing volume of the HUGO BOSS Group (2011: 8%).

Forms of sourcing vary according to product groups

Sourcing activities are broken down by raw material sourcing, contract manufacturing and purchase of merchandise. The sourcing of raw materials includes mainly fabrics but also elements such as linings, buttons, thread and zippers. The majority of raw materials used in own production and in contract manufacturing is sourced in Europe. Fabrics are predominantly purchased from long standing suppliers in Italy.

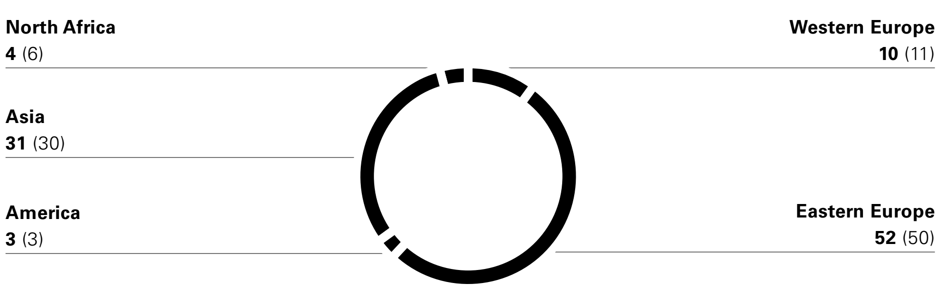
Contract manufacturing is primarily used for the production of suits, jackets and trousers. In these product groups, HUGO BOSS mainly works with companies in Eastern Europe. For products created in contract manufacturing, the supplier receives the fabrics and other components to be used as well as the patterns. By contrast, sourcing for sportswear is largely based on purchased merchandise. With this type of sourcing, suppliers are usually provided with the necessary patterns by HUGO BOSS but source the raw materials themselves. Sportswear merchandise is primarily sourced from Asia and Eastern Europe. With the exception of the classic shoe collection, which is produced at the Company's own plants in Italy and Poland, the shoe and leather accessory product categories are primarily sourced from partners in Asia and Europe.

Share of sourcing in Eastern Europe rising

Measured in terms of their value, more than half (52%, 2011: 50%) of all HUGO BOSS products (goods produced in its own factories, goods sourced in commissioned production and merchandise) are produced in Eastern Europe and Turkey. The Group's own factory in Turkey plays an important role in this context, accounting for 15% of the sourcing value in total (2011: 16%). 31% of all products come from Asia (2011: 30%). In this region China is still the most important single sourcing country for HUGO BOSS. The rest of the goods come from Western Europe (10%, 2011: 11%), North Africa (4%, 2011: 6%) and America (3%, 2011: 3%).

02|20 REGIONAL SPLIT OF SOURCING AND PRODUCTION VOLUME (in %)

2012 (2011)



Objective criteria as basis for selecting suppliers

Suppliers are chosen based on clearly defined technical production criteria. The most important criterion is compliance with the high quality and workmanship requirements. In addition, the financial strength, cost structure, productivity, existing technical standards and innovation of suppliers are also taken into account in the selection process. Strict compliance with social and environmental standards in accordance with the Conventions of the International Labour Organization (ILO) and the United Nations' Universal Declaration of Human Rights at production facilities is an essential requirement for commencing a business relationship.
→ **Sustainability, p. 56**

Close supplier relationships are strategically important

The Group has a strong interest in a long-term cooperation with its suppliers. The joint development of production expertise ensures the high quality for which HUGO BOSS products are famous around the world. Close coordination between the manufacturing companies and the technical development department is essential in the HUGO BOSS Group, particularly in light of the shortened lead time. For instance, technical production considerations are integrated into the product development process at a very early stage. The suppliers' feedback on the fabrics and patterns used in past collections is likewise taken into account in developing new designs. → **Research and Development, p. 50**

Complexity reduction raises efficiency in sourcing

Constant efficiency improvements in cooperation with the suppliers are required to effectively counteract cost increases in sourcing processes, especially due to higher labor costs. A key lever here is ensuring optimal capacity utilization at suppliers with the highest possible lot sizes. The core range and the reduction in collection complexity entailed by its launch play a key role in this regard. Thus, the complexity of collections has been reduced by a third in recent years and by 7% year-on-year in the past year. Furthermore, the four-collection cycle introduced last year helps to even out sourcing activities from season to season, thereby optimizing capacity utilization at suppliers.

In addition, the Group is continuing to work on optimizing its planning and sourcing processes so as to reserve production capacity for the required volumes at an early stage and at low cost. To this end, the electronic connection between the suppliers and the Company has extended further in the past few years to enhance transparency across the supply chain.

Quality management covers entire production process

HUGO BOSS places the highest demands on the quality of its products. In order to satisfy these, quality management begins right where the product is created – at the suppliers themselves. For instance, the manufacturing companies are provided with standardized quality and processing manuals that document requirements. The most important processes relevant to quality at HUGO BOSS' own factories are also described in a process manual and are constantly optimized and subject to ISO 9001 certification.

To meet the high quality standards, the manufacturing process is automated where economically feasible so as to minimize manufacturing tolerance. Compliance with manufacturing standards is also ensured through fixed controls that are always carried out at certain process steps in the production line. Furthermore, random checks of individual process steps are performed on a regular basis. The extensive hardware and software support for the inspection processes allows for a high degree of standardization and electronic analysis of the results.

SUSTAINABILITY

As an international company, HUGO BOSS is aware of its particular responsibility towards society, employees and the environment. Corporate responsibility, understood as a business sustainability principle, comprises precisely these economic, social and ecological aspects of responsible business management and seeks a dialog with different stakeholders.

The Company is meeting the wide range of challenges this entails. Not only in terms of social commitment but also in production and quality processes, in the treatment of employees and in relation to environmental issues, it is important to implement the concept of excellence operationally and take it into account in strategic decisions.

02|21 CORPORATE RESPONSIBILITY AT HUGO BOSS

PRODUCTION AND QUALITY

Compliance with international social standards

As defined in the Code of Conduct, HUGO BOSS pledges itself and its suppliers to compliance with internationally recognized minimum labor and social law standards under the conventions of the International Labor Organization (ILO) and the Universal Declaration of Human Rights of the United Nations.

The resulting social standards are a fixed component of the contractual regulations with all suppliers and a prerequisite for accepting new business partners. The following aspects are regulated in the social standards: compliance with national laws, prohibition of child labor, prohibition of forced labor, maximum working hours, humane working conditions, prohibition of discrimination, payment of adequate wages, healthy and safe working conditions, entitlement to freedom of association and collective bargaining, and responsible handling of environmental issues. **→ More on the Code of Conduct in the Corporate Governance Report, page 16**
:// www.group.hugoboss.com/Company/Sustainability

If there is no sufficient national legislation defining matters such as working times and adequate wages, HUGO BOSS' social standards constitute the minimum standard.

Regular examination of compliance with social standards

Contract manufacturers and merchandise suppliers that generate a relevant level of sales with HUGO BOSS are monitored in regular social compliance audits that are performed globally, both with the Group's own auditors and also in cooperation with experienced external service providers. The audits firstly ensure compliance with the social standards and secondly support HUGO BOSS suppliers in developing their social management.

Before entering into a permanent business relationship with HUGO BOSS, new suppliers are always audited with regard to social standards. This allows for a sustainable and socially responsible cooperation between the HUGO BOSS Group and the suppliers that is to be constantly expanded.

The audit results are also included in the semi-annual supplier appraisal. If infringements of the social standards and statutory provisions are identified, the audit frequency is increased depending on the seriousness of the infringement and a binding plan of measures with renewed implementation control is agreed together with the suppliers. In exceptional cases, for example repeated warnings without any initiated improvements or serious infringements of the social standards, HUGO BOSS retains the right to terminate the cooperation.

No use of sandblasting

HUGO BOSS also attaches a great deal of importance to avoiding health risks in the manufacturing companies. In this context, the Group refrains from using sandblasting. Sandblasting refers to the use of sand jets as a refining method for denim products to achieve a "used" effect. If this method is carried out using quartz sand without sufficient protective measures, these can lead to serious damage to the employees' health.

The Group does not use blasting technology. As such, it is not only blasting agents containing quartz that the Group avoids, but also alternative blasting agents.

Targeted product safety requirements

As a leading company in the global high-end fashion industry, it is a matter of course for the Group to meet its responsibilities towards the consumers. HUGO BOSS products must not pose health risks. For this reason, the Company requires each supplier to sign a written guarantee confirming its compliance with the Restricted Substances List (RSL). The RSL includes stipulations that ensure that the materials used comply with national legislation and the Group's internal guidelines, which often go beyond the statutory minimum requirements, and that they are not harmful to health in either the production process (e.g. due to emissions) or when used. HUGO BOSS supports this prevention with active pollutant tests that are conducted in accredited laboratories and permanently ensure the safety and quality of the products.

EMPLOYEES

Support for work-life balance through family support, sport and nutrition

Since 2008 the Company has been part of the Germany-wide "Erfolgsfaktor Familie" (Success Factor Family) network and offers a flexible family support model. This is primarily designed to make it easier to return to work after parental leave or maternity leave. For employees at the Group headquarters in Metzingen, there are specially reserved places in two daycare centers or the option to receive financial support for an alternative form of childcare. More than 130 couples with children currently benefit from these offers.

With regard to nutrition at the workplace, HUGO BOSS makes an important contribution as an employer to its employees' health. The Company's cafeteria follows a balanced nutrition plan with menus changing daily and offers a wide range of fresh fruit and salad. Furthermore, the employees have the option of being given coaching by a nutritionist.

In addition, all employees at the Group headquarters have the opportunity to train at the Company's fitness studio and to participate in subsidized courses such as back training, aerobics or pilates. Many employees in Metzingen also make use of the soccer field, the beach volleyball field and the HUGO BOSS Run. More than 800 runners took part in this event at the Company's headquarters in 2012.

Diversity and openness put into practice at HUGO BOSS

As an international company, HUGO BOSS operates in 129 countries worldwide for customers with a wide range of cultural backgrounds. For the Company, diversity means recognition of social diversity and ensuring equal opportunities for all employees in the Group, irrespective of their nationality, gender, religious and political convictions, sexual orientation, age and any disability they may have.

Diversity represents not only an enrichment of the corporate culture but also a clear success factor in international competition. This culture of diversity at HUGO BOSS has already gained the Company several awards from the "Great Place to Work" Institute. HUGO BOSS also emphasized the high priority given to diversity within the Group by joining the UN Diversity Charter in 2008. → **Employees, page 45**

ENVIRONMENT

Promoting animal welfare and conservation

The Group respects the conservation of species and therefore supports the preservation of biodiversity. Animal breeding and rearing methods that are not appropriate for the species in question are consequently rejected. Furthermore, for several years the Group has been reducing the use of fur products in the collections. These are mostly used for appliqués and trimming on collars, hoods and sleeves.

The Company has also maintained an ongoing exchange with individual animal welfare and consumer organizations for many years. Particularly with regard to mulesing, HUGO BOSS maintains an open dialog and distances itself from this procedure. Mulesing refers to a painful surgical procedure chiefly used in Australia on Merino sheep to protect them from attack by aggressive species of fly. Although more animal friendly alternatives to this procedure do exist, they are currently still in the development stage. The Company has therefore resolved that wherever possible it will restrict its purchases of Merino wool to sources that can prove they do not use the procedure.

Continuous improvements in climate and environmental protection

The idea of "eco-efficiency" – defined by the World Business Council for Sustainable Development (WBCSD) as "creating more value with less impact" – represents the foundation for developing and implementing logistics and building concepts in the HUGO BOSS Group. Environmental data such as greenhouse gases, waste and water consumption are collected and analyzed by the Company in accordance with the guidelines of the internationally recognized Global Reporting Initiative (GRI). The results are used as a basis for optimizing the entire value chain with regard to climate and environmental protection.

For instance, in the transportation of goods from the Group's own plant in Izmir, Turkey, and from suppliers in Asia, the Group increasingly used more environmentally friendly sea freight in 2012. In addition, the Group's car fleet was equipped with fuel-efficient vehicles and the distances traveled were reduced.

By integrating environmental considerations in the design and management of the Company's own production facilities and office buildings, the energy efficiency of the Company (not including the Group-wide retail organizations) has been continuously improved over the past years. CO_2 emissions (as defined by GRI Scope 1 and 2) decreased by 16% to 19,666 tonnes of CO_2 in 2011 (2010: 23,398 tonnes) and were reduced by another 3% to 19,024 tonnes in the past year. In addition, HUGO BOSS AG in Germany and the Swiss location in Tessin, for example, use certified environmentally friendly electricity obtained entirely from ecological energy sources.

The use of renewable energy and sustainable building concepts is incorporated as a matter of course in planning and implementing current building projects such as the new distribution center in Filderstadt-Bonladen near Stuttgart and the new office building on the HUGO BOSS Campus in Metzingen, which is also under construction.

To develop energy management efforts further in a structured way, HUGO BOSS AG introduced ISO certification 50001 at the end of 2012. This will enable the Company to achieve the targets for more efficient use of energy, to measure the results and to optimize energy management in a continuous process.

The majority of the Company's water consumption is for sanitation purposes. It is also caused to a lesser extent by own production. As a result of measures initiated by the Company to lower water consumption, this has been reduced considerably over the past two years.

SOCIAL COMMITMENT

HUGO BOSS takes action worldwide for children and young people

UNICEF and HUGO BOSS are united by a longtime partnership. The Company has successfully supported UNICEF's "Schools for Africa" initiative for many years.

Furthermore, the Company gets involved in times of crisis when rapid assistance is required. HUGO BOSS also works for children and young people at a national level and since 2011 has been a permanent partner in the Off Road Kids foundation, a nationwide charity for street children in Germany.

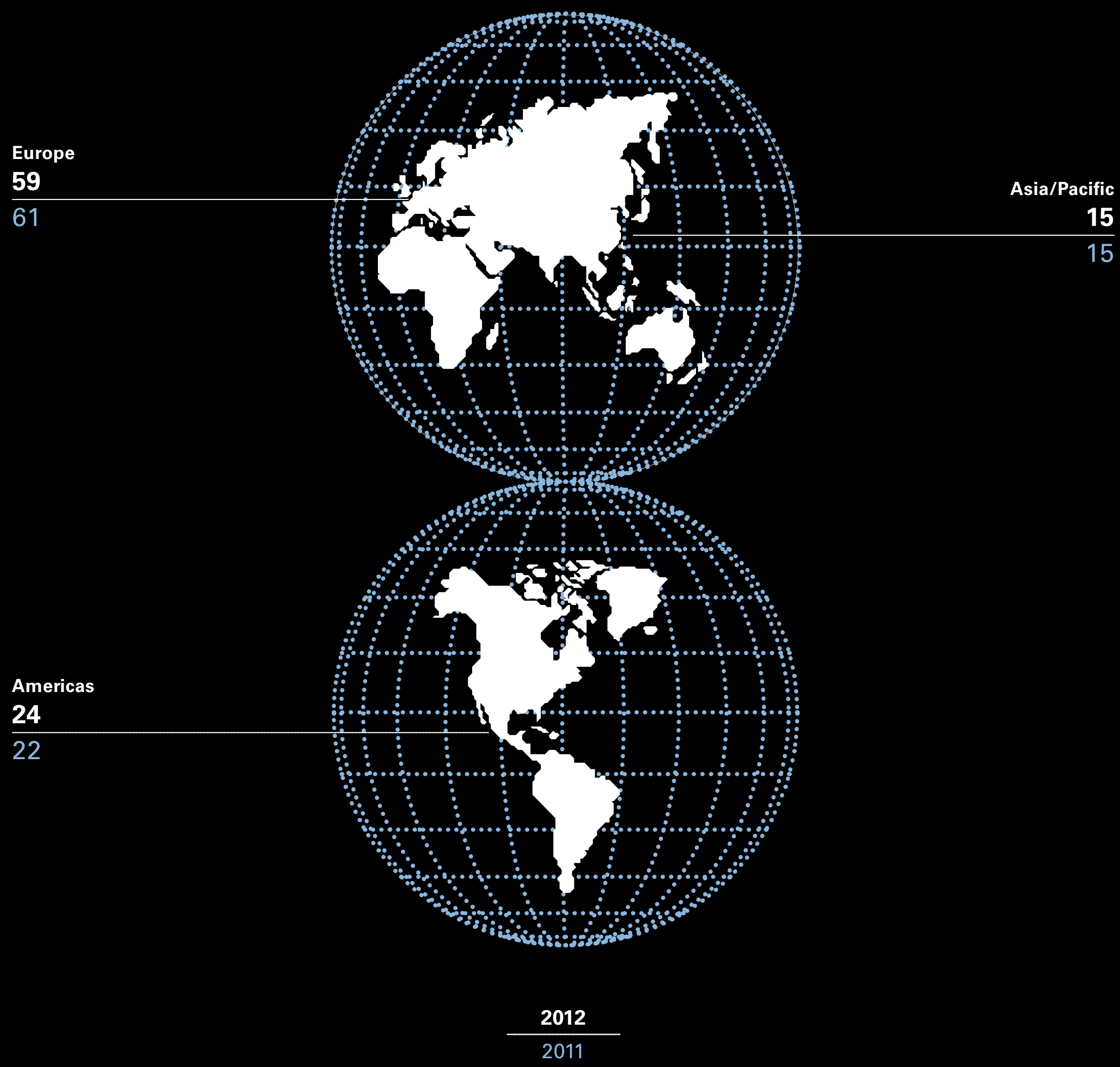
In addition, HUGO BOSS and the employees at the Group headquarters are closely associated with the Metzingen location. Together with the Works Council, they have donated cash and goods in support of over 100 non-profit regional projects and medical, social and charitable institutions. For example, for many years there have been close ties with the Tübingen children's cancer ward and the Red Cross.

GROUP MANAGEMENT REPORT
THE FISCAL YEAR

3

HUGO BOSS WORLDWIDE[1]

(Sales by region in %)



[1] Excluding Royalties: 2% (2011: 2%).

GROUP SALES AND RESULTS OF OPERATIONS

The operating performance of the HUGO BOSS Group is influenced by the overall economic conditions and trends specific to the industry. The weaker economic environment and the slowing industry momentum in China had a negative influence on the sales and earnings development of the Group in 2012. Nonetheless, HUGO BOSS outperformed the growth rates of the global economy and the premium and luxury goods industry and posted increases in sales and earnings in all regions.

General Economic Situation

Global economic growth losing pace in 2012

After the first months of 2012 indicated an improving global performance, the development of the economy slowed down considerably over the course of the year. This downturn in the economic situation was perceived not just in the euro zone, but in the United States and China as well. As a result, the general economic conditions for the HUGO BOSS Group deteriorated year-on-year in the past year.

Debt crisis leading to slight recession in euro zone

Last year, the **euro zone** suffered from a slight decline in economic activity. The reasons for this included the ongoing political and economic uncertainty surrounding the debt crisis. In particular, the peripheral nations of the euro zone, where high debt levels and rising unemployment reign, were hit by a sharp drop in economic activity over the course of the year. Weak investment activity, falling private consumer spending in many areas and diminishing demand for exports also increasingly muted the economic performance of the core euro zone countries. As a result, Germany also saw a dip in growth in the second half of the year, though it still outperformed the region as a whole thanks to comparatively robust investment and export activity by companies and stable private consumer spending.

American economy sees moderate growth

The **American economy** posted moderate growth in the past year. In spite of record highs in unemployment, private spending proved robust over the year. However, companies were more cautious in their investment activities in light of the lingering fiscal and political uncertainty. In spite of various examples of monetary and fiscal policy support, the economy was affected by the mixed performance on the real estate market and the drop in export demand due to the global economic slowdown. Economic momentum also decreased in **Latin America** owing to slower growth in exports and reduced investment activity. The slowdown was particularly evident in Brazil, while Chile, Colombia and Peru in particular developed positively.

Slower growth rates in Asia

There was a further moderation in economic growth in **Asia** in the past year. Factors contributing to this included weaker export activity and, in China in particular, falling domestic demand. Growth in China was curbed by the measures taken in recent years to combat inflation and to restrain surging prices on the real estate market. However, there were the first signs of recovery again towards the end of the year, seemingly indicating that the Chinese economy could have overcome its temporary weakness. Moreover, the slight economic improvement is also due to last year's change in government and the hope for comprehensive economic reforms. The economic situation in Japan and Australia grew dimmer as the year progressed, partly on account of weak consumer demand, strong local currencies and diminishing exports.

SECTOR PERFORMANCE

Premium and luxury goods industry outperformed economy as a whole

The positive trend in the global premium and luxury goods industry continued in the past year despite difficult general economic conditions and a weak consumer environment. After adjustment for currency effects, the industry posted growth of 5% overall — less than in the previous year but significantly higher than the growth rates for the economy as a whole.

In particular, own retail activities were again a growth driver, while the wholesale environment proved to be increasingly challenging. Strong growth rates were also posted in the online business.

Positive sector performance in all regions

Consumer confidence dwindled visibly in **Europe** on account of the escalating concern over the future of the euro zone. However, the strong development of Eastern European markets and a sound performance in Western Europe largely compensated for weaker growth in Southern Europe. In the metropolitan regions of Western and Southern Europe especially, demand from tourists, particularly from Asia, supported market growth. The industry continued to expand in **America**, building on continuing positive consumer sentiment in the relevant market segment. This growth was supported by a stable performance at U.S. department stores and consistently strong consumer demand in South America. Growth slowed down in **Asia** over the course of the year on account of rising consumer uncertainty, especially in China. Concern over the country's future political outlook and the general decline in economic growth caused a slowdown in momentum within the industry here. Nonetheless, the region enjoyed strong growth rates as compared to the overall sector and benefited from the positive trends in disposable income, which is allowing a steadily larger number of consumers to purchase premium and luxury goods.

SALES PERFORMANCE

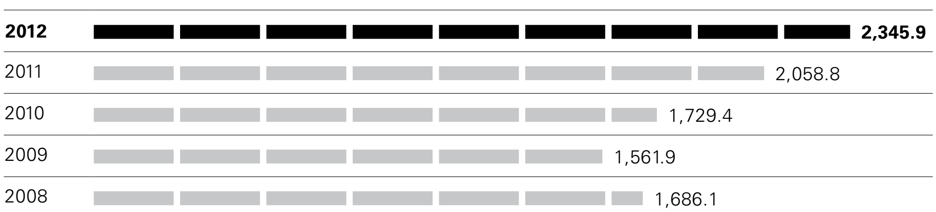
OVERALL STATEMENT ON BUSINESS DEVELOPMENT

HUGO BOSS sets new records for sales and consolidated earnings in 2012

The HUGO BOSS Group continued its growth in fiscal year 2012, exceeding not only its sales and consolidated earnings for the previous period but also the growth rates for the economy as a whole and the industry. The strong brand portfolio, the expansion and greater professionalism of the Group's own retail operations and excellent relations with wholesale partners ensured that HUGO BOSS improved its sales and earnings in all regions in fiscal year 2012 as well.

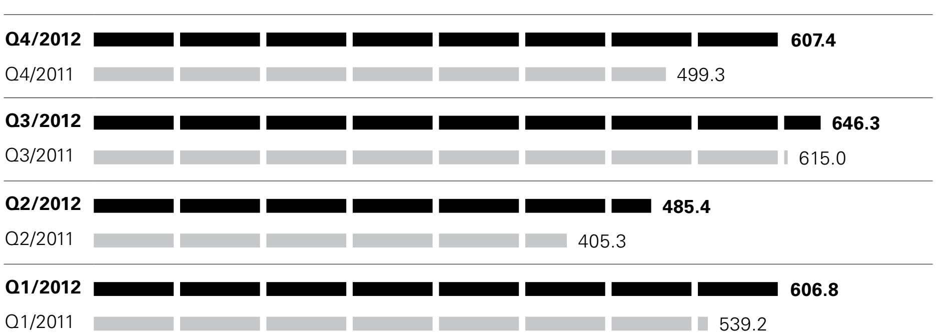
SALES DEVELOPMENT

03|01 SALES DEVELOPMENT (in EUR million)



HUGO BOSS generated **Group sales** of EUR 2,346 million in fiscal year 2012. Thus, sales performance in Group currency was up 14% on the previous year's level (2011: EUR 2,059 million). Currency fluctuations had a positive effect on Group sales performance in the reporting period. Thus, HUGO BOSS posted a 10% year-on-year sales increase in local currencies in the past fiscal year.

03|02 SALES PERFORMANCE BY QUARTER (in EUR million)



Sales development throughout year emphasizes growth

Sales performance during the year highlighted the dynamic growth in fiscal year 2012, reflecting both the rising share of sales of the Group's own retail activities and the faster collection cycle in preorder business. HUGO BOSS had an extremely successful start to 2012, with sales of EUR 607 million in the first quarter exceeding the strong prior-year level by 13% (Q1 2011: EUR 539 million). This corresponds to a 10% rise in sales after adjustment for currency effects. Increases in all regions also resulted in a double-digit consolidated sales growth. At EUR 485 million, sales here exceeded the same period of the previous year by 20% (Q2

2011: EUR 405 million), or 14% after currency adjustment. HUGO BOSS also posted a solid performance in a challenging market environment in the third quarter, generating sales of EUR 646 million (Q3 2011: EUR 615 million). Due to a strong previous period and the shifts in the collection and delivery cycles in preorder business, sales growth of 5% was generated in reporting currency. Sales matched the previous year's level after currency adjustment. In the fourth quarter, HUGO BOSS benefited in particular from the strong trend in the Group's own retail operations and the boost to wholesale partner budgets favoring the winter collection delivered in the fourth quarter. At EUR 607 million, sales exceeded those in the same quarter of the previous year by 22% (Q4 2011: EUR 499 million). Even after currency adjustment, sales in the fourth quarter were up significantly on the same period of the previous year by 18%.

SALES BY REGION

03|03 SALES BY REGION (in EUR million)

	2012	**In % of sales**	2011	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	1,378.0	59	1,245.4	61	11	10
Americas	558.7	24	454.8	22	23	14
Asia/Pacific	352.7	15	309.3	15	14	4
Royalties	56.5	2	49.3	2	15	15
Total	**2,345.9**	**100**	**2,058.8**	**100**	**14**	**10**

[1] Including Middle East and Africa.

03|04 SALES BY REGION – FIVE-YEAR-OVERVIEW (in EUR million)

	2012	2011	2010	2009	2008
Europe1	1,378.0	1,245.4	1,073.2	1,041.3	1,170.0
Americas	558.7	454.8	380.7	312.2	307.0
Asia/Pacific	352.7	309.3	230.4	164.7	162.1
Royalties	56.5	49.3	45.1	43.7	47.0
Total	**2,345.9**	**2,058.8**	**1,729.4**	**1,561.9**	**1,686.1**

[1] Including Middle East and Africa.

Sales growth in all regions

HUGO BOSS generated sales growth in all three regions in fiscal year 2012. Sales in **Europe** including the Middle East and Africa increased by 11% in reporting currency to EUR 1,378 million in fiscal year 2012 (2011: EUR 1,245 million) and were up 10% on the previous year's level in local currencies. In the **Americas**, sales in reporting currency increased by 23% year-on-year to EUR 559 million (2011: EUR 455 million). Sales growth of 14% was posted in local currencies in the past fiscal year. This dynamic performance was aided by consistently positive consumer sentiment in the relevant market segment. After the end of fiscal year 2012, sales in **Asia/ Pacific** were up 14% on the previous year's level in reporting currency at EUR 353 million (2011: EUR 309 million). In local currencies, sales rose 4% as against the same period of the previous year. In particular, this development reflects the difficult market environment in China in fiscal year 2012. ➔ **Business Segment Earnings Development, p. 76**

SALES BY DISTRIBUTION CHANNEL

03|05 SALES BY DISTRIBUTION CHANNEL (in EUR million)

	2012	**In % of sales**	2011	In % of sales	Change in %	Currency-adjusted change in %
Wholesale	1,139.7	49	1,085.3	53	5	2
Group´s own retail business	1,149.7	49	924.2	45	24	19
Directly operated stores	757.6	32	617.7	30	23	17
Outlet	343.2	15	273.6	13	25	21
Online	48.9	2	32.9	2	49	47
Royalties	56.5	2	49.3	2	15	15
TOTAL	**2,345.9**	**100**	**2,058.8**	**100**	**14**	**10**

03|06 SALES BY DISTRIBUTION CHANNEL – FIVE-YEAR-OVERVIEW (in EUR million)

	2012	2011	2010	2009	2008
Wholesale	1,139.7	1,085.3	993.2	1,007.9	1,183.3
Group´s own retail business	1,149.7	924.2	691.1	510.3	455.8
Directly operated stores	757.6	617.7	447.7	303.5	268.6
Outlet	343.2	273.6	223.7	199.1	186.7
Online	48.9	32.9	19.7	7.7	0.5
Royalties	56.5	49.3	45.1	43.7	47.0
TOTAL	**2,345.9**	**2,058.8**	**1,729.4**	**1,561.9**	**1,686.1**

Positive sales performance in wholesale channel

Sales in the **wholesale channel** climbed by 5% in reporting currency in fiscal year 2012 to EUR 1,140 million (2011: EUR 1,085 million). This corresponds to a growth of 2% after adjustment for currency effects.

The acquisition of stores previously operated by franchisees, particularly in Spain, Switzerland and China, caused a shift in sales from wholesale business towards the Group's own retail operations. In addition, the more difficult market environment in the second half of the year in Europe in particular meant a drop in demand among predominantly smaller partners. However, this was more than offset by consistently high demand among the 50 biggest international partners and the replenishment business, which allows HUGO BOSS to react to sudden surges in demand from partners.

The share of the wholesale channel in consolidated sales dropped from 53% in the previous year to 49% in the reporting period.

Retail operations continued to be a major growth driver in the past fiscal year. The expansion of this distribution channel driven forward by the opening and acquisition of new stores and the continuing professionalization of the existing store network made a key contribution to the Group's positive overall performance. Sales by the Group's own retail stores including outlets and online stores increased by 24% in the past fiscal year to EUR 1,150 million (2011: EUR 924 million), thereby rising above the one-billion-euro line for the first time ever in November. This corresponds to a 19% increase in sales after adjustment for currency effects. In 2012, the Group's own retail operations accounted for 49% of total sales (2011: 45%), for the first time matching sales in the wholesale channel. Retail comp store sales increased by 10% year-on-year in Group currency and 5% in local currencies.

SALES BY RETAIL FORMAT

Sales from **directly operated stores (DOS)** grew by 23% (17% after adjustment for currency effects) to EUR 758 million (2011: EUR 618 million) in the reporting period.

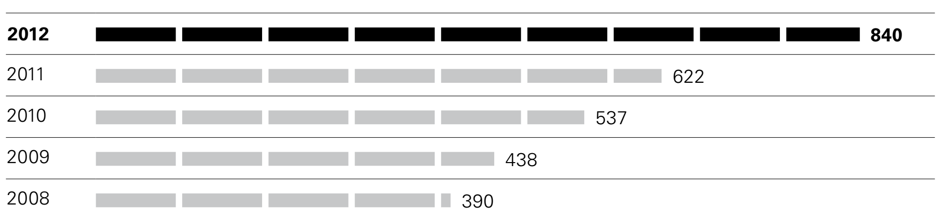
With sales growth of 25% in reporting currency to EUR 343 million, **outlet stores** also contributed to the positive development of sales in the retail channel in fiscal year 2012 (2011: EUR 274 million). Adjusted for currency effects, this corresponds to an increase of 21%.

Sales generated by **online stores** in Germany, the Netherlands, France, Great Britain, Austria, Switzerland and the United States increased by 49% in the past fiscal year to EUR 49 million (2011: EUR 33 million). This corresponds to a 47% increase in local currencies.

NUMBER OF GROUP'S OWN RETAIL STORES

In fiscal year 2012, the total number of the **Group's own retail stores** increased by a net figure of 218 since the beginning of the year to 840 (2011: 622). **:// www.hugoboss.com/Store Locator**

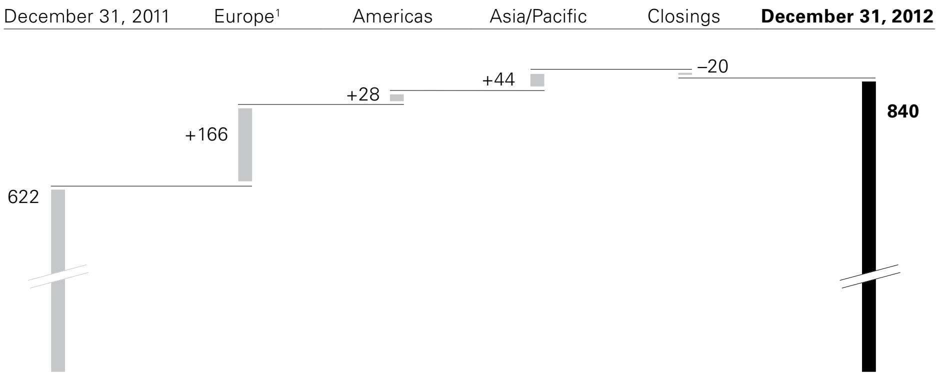
03|07 NUMBER OF GROUP'S OWN RETAIL STORES



Group's own retail network grows by 218 stores in net terms in 2012

The global presence was expanded by 122 new stores and the takeover of 116 shop-in-shop units from wholesale partners, amounting to 238 additional locations in total. Including six closures, the number of **shop-in-shop units** climbed by 149 in net terms to 412 in the reporting period. The opening of 83 **directly operated freestanding stores including outlets** was offset by 14 closures. As of the end of the year, the number of directly operated freestanding stores including outlets therefore amounted to 428.

03|08 DEVELOPMENT OF GROUP'S OWN RETAIL STORES



[1] Including Middle East and Africa.

New stores opened in all relevant European markets

In **Europe** in particular, the retail network grew by 79 new stores with the takeover of 87 shop-in-shop units from wholesale partners. The Group especially expanded its presence on the markets of Spain, France and Switzerland. Taking into account seven closures, there was a net rise in the number of retail stores in Europe of 159 to currently 469 (2011: 310).

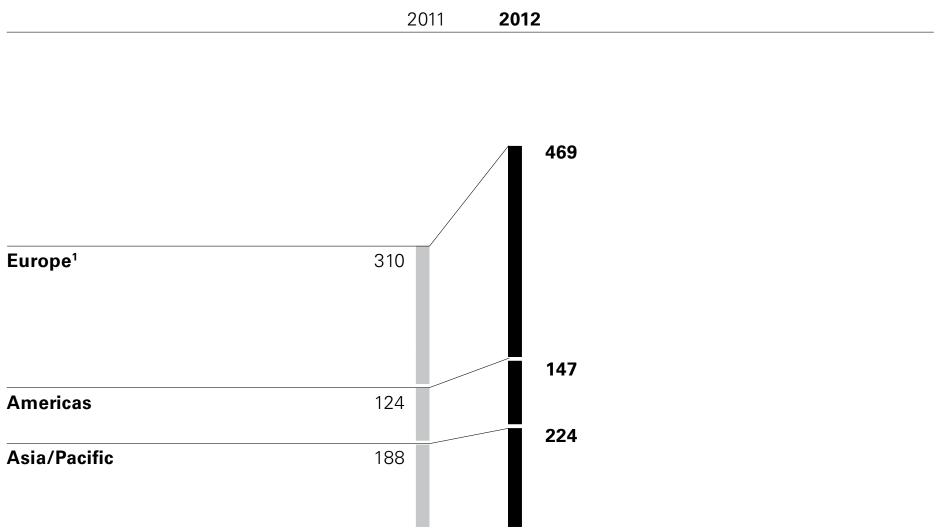
Group's retail network grows in America as well

The expansion of the retail network in the **Americas** progressed with the opening of 19 stores and nine takeovers in the past fiscal year. In particular, the focus here was on the North American market, where the store network was expanded by eleven attractive stores in Canada and nine in the US. In addition, eight new retail stores were opened in Central and South America. This was offset by the closure of a total of five locations in the U.S. and Canada. Thus, there was a net rise in the number of retail stores in the Americas region of 23 to 147 as of the end of the year (2011: 124).

Expansion in China strengthens retail network in Asia/Pacific

Market presence in **Asia/Pacific** was raised further in fiscal year 2012 with the opening of 24 new stores and the takeover of 20 attractive locations. The expansion continued to focus on the growth market of China, emphasizing the Beijing site in particular. The total number of retail stores in China increased by 23 in net terms. The retail network in the Asia/Pacific region was expanded further thanks to the opening of further stores in Australia, Japan and Taiwan. Taking into account eight closures in the reporting period, there was a net rise of 36 to a total of 224 retail stores in this region (2011: 188).

03|09 NUMBER OF GROUP'S OWN RETAIL STORES BY REGION



[1] Including Middle East and Africa.

Including the around 1,200 franchise stores and shops, whose sales are recognized in the wholesale channel, the HUGO BOSS Group owns more than 2,000 monobrand stores and shops in total in over 80 countries. **Main locations/global market presence, p. 32**

ROYALTY SALES

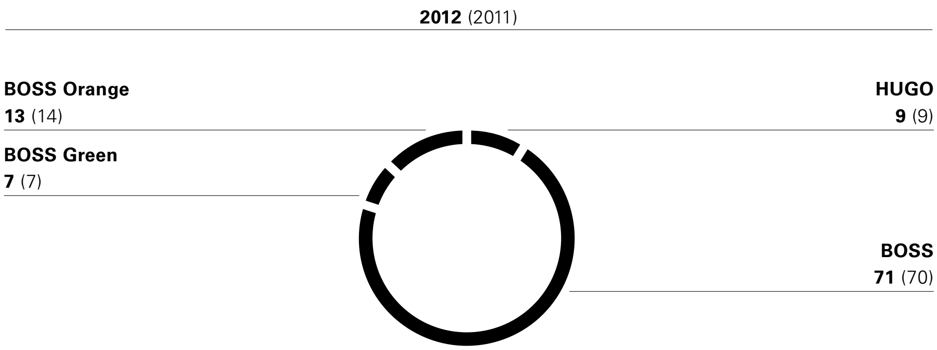
Royalty business grows by 15% in 2012

Royalty business developed positively in fiscal year 2012. Products manufactured by partners include **fragrances, eyewear, watches, children's fashion, motorcycle helmets, cell phones, mobile accessories and home textiles**. External sales with outside licensees increased by 15% as against the previous year to EUR 57 million (2011: EUR 49 million). High growth rates were generated in sales with licensees for fragrances, watches, children's fashion, home textiles and cell phones in particular.

Total **brand sales** of HUGO BOSS products worldwide amounted to EUR 5,077 million in the 2012 reporting year (2011: EUR 4,506 million). This figure is based on HUGO BOSS consolidated sales minus royalty income and plus sales by HUGO BOSS license partners.

SALES BY BRAND

03|10 SALES BY BRAND (in %)



Sales increases in all brands

HUGO BOSS posted sales increases in all brands in fiscal year 2012. Sales by the core brand **BOSS** rose by 16% as against the previous year. The **BOSS Green** brand also saw further increases in the past fiscal year, posting year-on-year growth of 23%. The **BOSS Orange** brand's sales rose by 3% in the reporting period. Sales of the **HUGO** brand were up 12% on previous year's figure.

Menswear sales increased by 15% to EUR 2,097 million in the past fiscal year (2011: EUR 1,828 million). Like in the previous period, this figure corresponds to an 89% share of total sales (2011: 89%). Sales in **womenswear** were up 8% on the previous year's level at EUR 249 million (2011: EUR 231 million). Womenswear sales therefore accounted for 11% of total sales (2011: 11%).

DEVELOPMENT OF THE ORDER SITUATION

HUGO BOSS' business model has changed increasingly in recent years. Instead of the preorder business that dominated in the past, business today is increasingly driven by sales generated either through the Group's own stores and shops or replenishment business. Ongoing integration processes along the entire value chain, the gradual reduction in complexity and the continuous market-oriented development of the brand and collection portfolio are necessary in order to meet customers' changing demands.

Preorder business accounts for 38% of total sales

Today, HUGO BOSS provides four up-to-date fashion collections a year for its customers all over the world, and is increasing the number of monthly themed deliveries at the same time. The **share of traditional order business**, i.e. selling preordered goods to trading partners, dropped to 38% of sales in the past fiscal year (2011: 43%). In absolute terms, the sales generated in this distribution channel increased by 3% in the reporting period and matched previous year's level after currency adjustment. By contrast, classic HUGO BOSS products in particular can today be replenished flexibly for partners. In order to allow predictable production conditions in the future as well given the ongoing changes in distribution, HUGO BOSS does not rely solely on order figures, but is also increasingly using information from the distribution companies and the Group's own retail stores in its volume planning.

EARNINGS DEVELOPMENT

INCOME STATEMENT

03|11 INCOME STATEMENT (in EUR million)

	2012	In % of net sales	2011[1]	In % of net sales	Change in %
Net sales	**2,345.9**	**100.0**	**2,058.8**	**100.0**	**14**
Cost of Sales	(849.2)	(36.2)	(756.5)	(36.7)	(12)
Direct Selling Costs	(43.5)	(1.9)	(37.5)	(1.8)	(16)
Gross profit	**1,453.2**	**61.9**	**1,264.8**	**61.4**	**15**
Selling and Distribution Expenses	(808.8)	(34.5)	(682.1)	(33.1)	(19)
Administration costs an other operating income/expenses	(211.2)	(9.0)	(188.1)	(9.1)	(12)
Operating Income (EBIT)	**433.2**	**18.5**	**394.6**	**19.2**	**10**
Net interest income/expense	(16.1)	(0.7)	(16.2)	(0.8)	1
Other financial items	(7.5)	(0.3)	4.5	0.2	
Financial result	**(23.6)**	**(1.0)**	**(11.7)**	**(0.6)**	
Earnings before taxes	**409.6**	**17.5**	**382.9**	**18.6**	**7**
Income taxes	(98.1)	(4.2)	(91.5)	(4.4)	(7)
Net income	**311.5**	**13.3**	**291.4**	**14.2**	**7**
Attributable to:					
Equity holders of the parent company	307.4	13.1	284.9	13.8	8
Non-controlling interests	4.1	0.2	6.5	0.3	(36)
Net income	**311.5**	**13.3**	**291.4**	**14.2**	**7**
Per share (EUR)[2]					
Ordinary share	4.45		4.12		8
Preferred share[3]			4.13		
EBITDA	**525.1**	**22.4**	**468.0**	**22.7**	**12**
Special Items	(4.2)	(0.2)	(1.5)	(0.1)	
EBITDA before special items	**529.3**	**22.6**	**469.5**	**22.8**	**13**
Income tax rate in %	**24**		**24**		

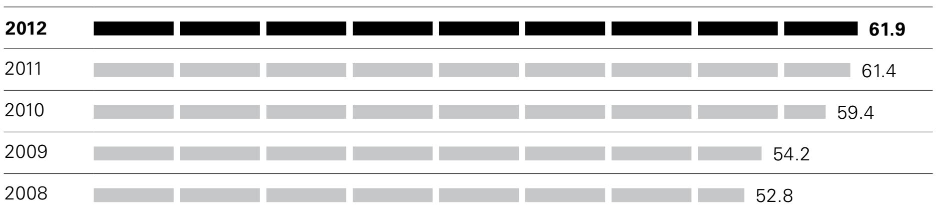
[1] Certain amounts shown here do not correspond to the 2011 Consolidated Financial Statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy/Changes in presentation, p. 147).

[2] Basic and diluted earnings per share.

[3] Preferred shares were converted into ordinary shares on June 15, 2012 after the close of stock market trading.

NOTES TO THE INCOME STATEMENT

03|12 GROSS PROFIT MARGIN (in %)



Gross profit margin rises to 61.9%

The **gross profit margin** increased by 50 basis points to 61.9% in the past fiscal year (2011: 61.4%). This positive development is mainly due to the expansion of the Group's own retail operations and the positive development in royalty business. In addition, the continuing optimization of global goods production also contributed to the positive gross profit margin development. These effects offset higher discounts in the Group's own retail and wholesale operations. **Gross profit** climbed by 15% to EUR 1,453 million in fiscal year 2012 (2011: EUR 1,265 million).

Expansion of retail operations leads to higher distribution expenses

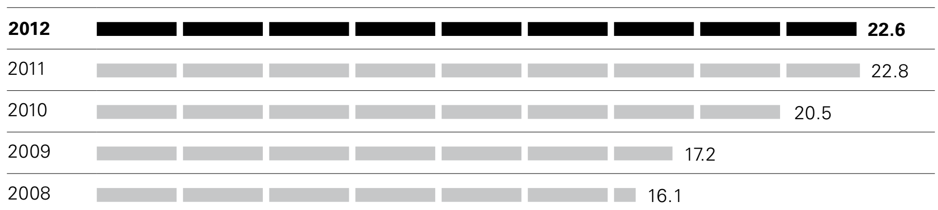
At EUR 809 million, **selling and distribution expenses** were 19% above the previous year's figure in fiscal year 2012 (2011: EUR 682 million). In relation to sales, selling and distribution expenses rose from 33% to 34%. As a result of the global expansion in the Group's own retail operations in particular, distribution expenses increased by EUR 103 million in fiscal year 2012 and were therefore up 23% on the previous year's level. This includes additional expenses for 218 net new openings and takeovers in the reporting period as part of the global expansion of this distribution channel. At 11%, marketing expenses rose less rapidly than sales. A key factor for the absolute increase were expenses for further emphasizing the appeal and acceptance of the Group's brands among key target groups. Besides expenses for sports sponsorship activities and traditional forms of advertising such as print and increasingly online media, a significant portion of this was accounted for by the HUGO BOSS Fashion Show in Beijing, which represents a long-term investment in the Asian market.

In relation to sales, logistics expenses were reduced from 6% to 5% as against the same period of the previous year. This was aided by the optimization of global warehouse capacity that was already initiated in the previous fiscal year. Allowances for doubtful accounts and bad debt losses played only a minor role in 2012 thanks to the ongoing systematic receivables management. → **Notes to the Consolidated Financial Statements, note 15, p. 163**

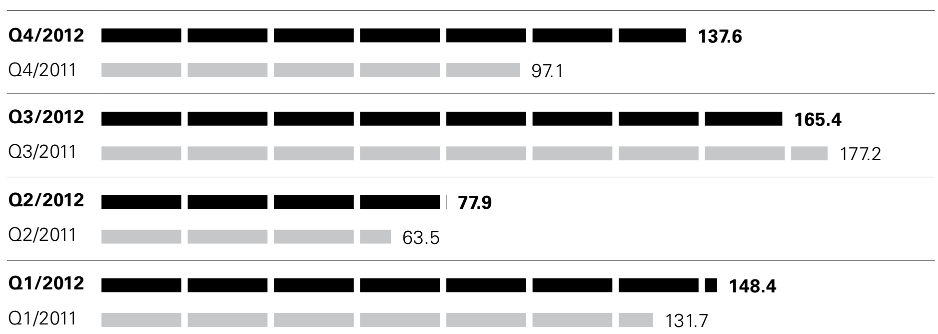
Administrative expenses stable in relation to sales

At EUR 211 million, **administrative expenses and the balance of other operating income and expenses** were up 12% on the previous year's level (2011: EUR 189 million). In relation to sales, administrative expenses and the balance of other operating income and expenses remained constant at 9%. As a result of the increased personnel expenses in particular, the research and development costs incurred to create the collections rose by 15% or EUR 9 million in absolute terms to EUR 64 million (2011: EUR 55 million). The extraordinary effects of EUR 4 million (2011: EUR 1 million) relate to the simplification of the brand structure and the bundling of the creative areas under the BOSS brand.

03|13 ADJUSTED EBITDA MARGIN (in %)



03|14 EBITDA BEFORE SPECIAL ITEMS BY QUARTER (in EUR million)



Adjusted EBITDA margin of 22.6%

The internal performance indicator **EBITDA before special items** increased by 13% year-on-year to EUR 529 million (2011: EUR 469 million). The adjusted EBITDA margin therefore declined slightly by 20 basis points as against the previous year to 22.6% (2011: 22.8%). The positive sales performance and the improvement in the gross profit margin did not fully offset the higher operating expenses in distribution and marketing.

At EUR 92 million, **depreciation and amortization** was up 25% on the previous year's level (2011: EUR 73 million). This was due to greater investment intensity for the Group's own retail operations and a EUR 5 million rise of impairments on property, plant and equipment in own retail stores. → **Notes to the Consolidated Financial Statements, note 11, p. 158** → **Notes to the Consolidated Financial Statements, note 12, p. 159**

EBIT amounted to EUR 433 million in fiscal 2012, up 10% on the previous year's figure (2011: EUR 395 million).

As the total of net interest income less other net financial income, the **financial result** climbed by EUR 12 million in fiscal year 2012 to EUR 24 million (2011: EUR 12 million). As in the previous year, net interest expenses amounted to EUR 16 million. Hereby, the low market interest rates affected interest expenses and interest income equally. The other financial items amounted to a net expense of EUR 8 million (2011: net income of EUR 4 million). This includes exchange rate effects that were limited by targeted hedging measures implemented at an early stage. The expense resulting from exchange rate effects amounted to EUR 3 million (2011: income of EUR 5 million).

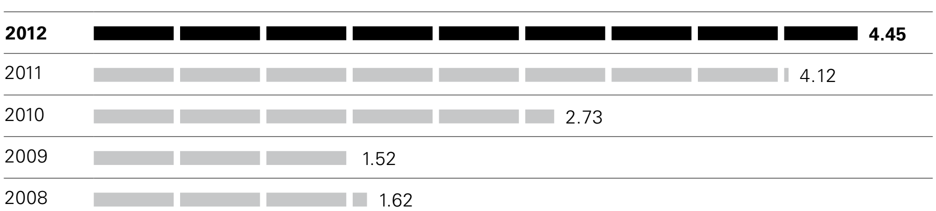
Tax rate stable year-on-year at 24%

Earnings before taxes therefore rose by 7% to EUR 410 million (2011: EUR 383 million). At 24%, the **tax rate** was on par with the previous year's level (2011: 24%). Changes in the regional earnings mix resulting from differences in regional earnings growth had a neutral effect on the tax rate of the HUGO BOSS Group in fiscal year 2012.

Rise in net income

The **net income** increased by 7% year-on-year to EUR 312 million in fiscal year 2012 (2011: EUR 291 million). The net income attributable to shareholders amounted to EUR 307 million, 8% higher than the previous year's figure (2011: EUR 285 million). Non-controlling interests fell to EUR 4 million in the same period (2011: EUR 6 million) and primarily related to the 40% share held by the Rainbow Group in the joint venture companies in China.

03|15 EARNINGS PER ORDINARY SHARE (in EUR)



Earnings per ordinary share rose by 8% year-on-year to EUR 4.45 (2011: EUR 4.12). The conversion of preferred shares into ordinary shares became effective when trading closed on June 15, 2012. Since June 18, 2012, the HUGO BOSS shares are traded as registered ordinary shares via the electronic trading system XETRA, on the Frankfurt Stock Exchange and on all regional stock exchanges in Germany under the ticker symbol BOSS. Earnings per preferred share amounted to EUR 4.13 in the previous year.

DIVIDEND AND APPROPRIATION OF PROFITS

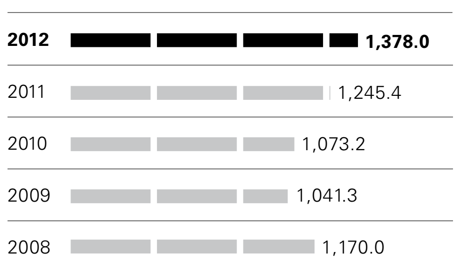
HUGO BOSS AG closed fiscal year 2012 with a net income for the year of EUR 288 million (2011: EUR 88 million). The unappropriated surplus after allocation to retained earnings amounted to EUR 220 million (2011: EUR 203 million). Given its **profits-based distribution policy**, the Managing Board and the Supervisory Board will recommend the distribution of a **dividend of EUR 3.12 per ordinary share (2011: EUR 2.88 per ordinary share and EUR 2.89 per preferred share)** for fiscal year 2012 at the Annual Shareholders' Meeting. This corresponds to an amount of EUR 216 million (2011: EUR 199 million). A recommendation will also be made to the Annual Shareholders' Meeting for the dividend amount attributable to own shares of EUR 4 million to be carried forward to new account (2011: EUR 4 million).

PROFIT DEVELOPMENT OF THE BUSINESS SEGMENTS

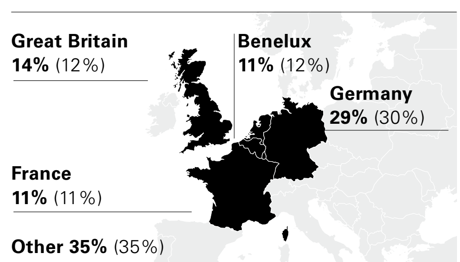
In fiscal year 2012 HUGO BOSS again generated sales increases in all four segments and thereby further expanded its positioning in the premium and luxury goods sector. In particular, the strong sales growth in the Group's own retail business supported the profit performance in the segments.

EUROPE

03|16 SALES EUROPE (in EUR million)



03|17 SHARE IN SALES EUROPE 2012 (2011)



Sales in **Europe** including the Middle East and Africa developed positively in spite of the challenging market environment, rising by 11% year-on-year to EUR 1,378 million in reporting currency (2011: EUR 1,245 million). In local currencies, sales rose by 10% in fiscal year 2012.

Solid sector performance in Western Europe was reflected in sales development

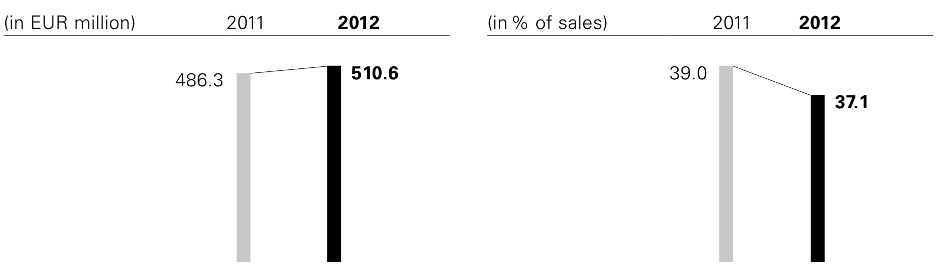
The solid sector performance in **Western Europe** was also reflected in the Group's sales development in the past fiscal year. At EUR 401 million, sales in **Germany** were up 6% on the previous year's level (2011: EUR 378 million) due to stable private consumer spending. In **Great Britain**, sales rose by 27% on the same period of the previous year to EUR 197 million in reporting currency (2011: EUR 156 million). In local currencies, sales climbed 19% year-on-year. In particular, this development is due to sales increases in the Group's own retail business. Sales in the **Benelux countries** grew by 6% on the previous year's level to EUR 157 million (2011: EUR 149 million). In **France**, sales climbed by 5% year-on-year to EUR 147 million (2011: EUR 140 million). Enhanced by the takeover of shop-in-shop units, sales in **Switzerland** rose by 13% in Group currency to EUR 52 million (2011: EUR 46 million) and were up 11% on the previous year's level after currency adjustment. Supported by a robust industry performance in **Eastern Europe**, Group's sales increased by 12% both in reporting and local currencies and amounted to EUR 87 million (2011: EUR 78 million).

Double-digit sales growth rates in Southern Europe in spite of difficult market situation

In spite of the difficult market environment in **Southern Europe**, HUGO BOSS generated double-digit growth rates in fiscal year 2012 in both **Italy** and on the **Iberian Peninsula**. Enhanced by the takeover of various shop-in-shop units, sales on the Iberian Peninsula climbed by 10% to EUR 87 million (2011: EUR 80 million). In Italy, the expansion of the Group's own retail business boosted the positive sales performance in particular. Sales on this market rose by 10% to EUR 49 million (2011: EUR 45 million).

The Europe region posted sales of EUR 610 million for the **Group's own retail business** (2011: EUR 483 million). This corresponds to an increase of 26% in reporting currency and 24% in local currencies. Sales with **wholesale** customers rose by 1% in Group currency to EUR 768 million (2011: EUR 762 million) and matched the previous year's level after currency adjustment.

03|18 PROFIT DEVELOPMENT EUROPE

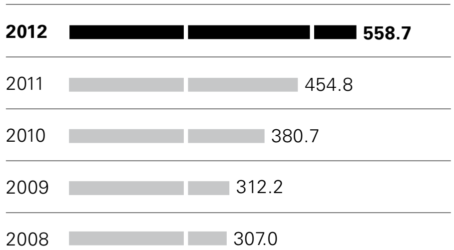


Positive year-on-year segment profit development

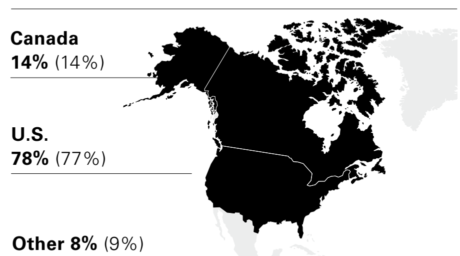
The **segment profit** of EUR 511 million in Europe were 5% higher than the previous year's level (2011: EUR 486 million). The further expansion in Europe resulted in higher selling and distribution expenses which was not fully offset by the rise in the gross profit margin. The adjusted EBITDA margin declined by 190 basis points to 37.1% (previous year: 39.0%).

AMERICAS

03|19 SALES AMERICAS (in EUR million)



03|20 SHARE IN SALES AMERICAS 2012 (2011)



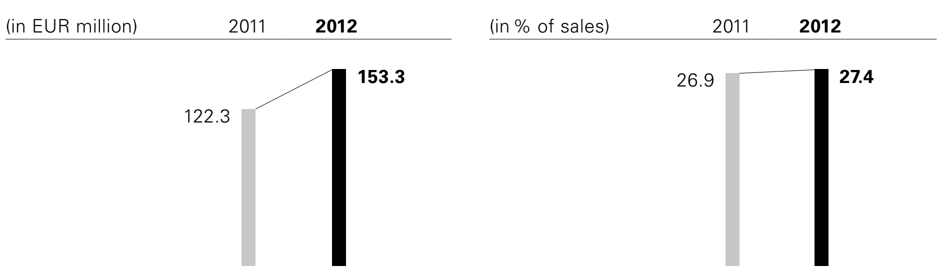
In **Americas**, sales in reporting currency increased by 23% year-on-year to EUR 559 million (2011: EUR 455 million). Sales growth of 14% was posted in local currencies in the past fiscal year. This dynamic performance was aided by consistently positive consumer sentiment in the relevant market segment.

The U.S. became Group's biggest retail market

In the **U.S.** in particular, sales rose by 24% in reporting currency and at EUR 434 million were again significantly higher than the previous year's figure (2011: EUR 349 million). Sales growth of 15% was posted in local currencies. Double-digit growth rates were generated in both reporting currency and local currencies in wholesale and sales through the Group's own retail business. Sales increases on existing retail space and selected new store openings again resulted in a greater market share in the United States in the past fiscal year. Thus, the U.S. became the Group's biggest retail market in the past fiscal year and again defended its position as the biggest sales market for the Group's own retail operations. Sales in **Canada** were up 17% year-on-year in reporting currency at EUR 76 million (2011: EUR 66 million). Despite a challenging market environment, especially in wholesale, sales climbed by 9% year-on-year after adjustment for currency effects. **Central and South America** posted sales growth of 21% in reporting currency to EUR 49 million (2011: EUR 40 million), with business performing particularly well in Brazil. A sales increase of 21% was also generated in local currencies.

Sales in the **Group's own retail business** rose by 27% in reporting currency to EUR 260 million (2011: EUR 205 million). Adjusted for currency effects, this corresponds to an increase of 18%. In the **wholesale channel**, sales of EUR 299 million were generated over the same period (2011: EUR 250 million). Sales therefore rose by 20% in Group currency and 12% in local currencies.

03|21 PROFIT DEVELOPMENT AMERICAS

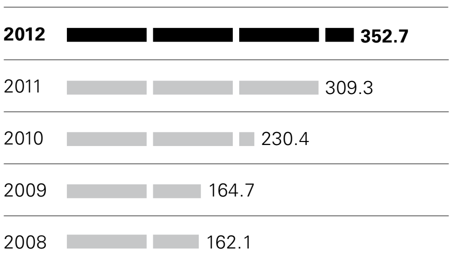


Significant increase in segment profit year-on-year

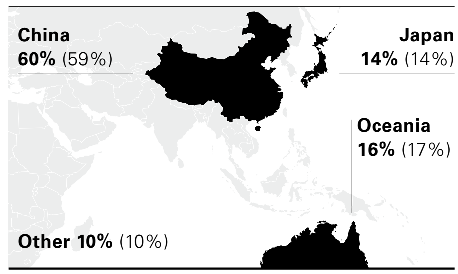
The **segment profit** of EUR 153 million in the Americas was 25% higher than the previous year's level (2011: EUR 122 million). In addition to rising sales in all channels, the higher gross profit margin driven by a rising share of retail business contributed to this earnings improvement in particular. The adjusted EBITDA margin in this region increased by 50 basis points to 27.4% year-on-year in fiscal year 2012 (2011: 26.9%).

ASIA/PACIFIC

03|22 SALES ASIA/PACIFIC (in EUR million)



03|23 SHARE IN SALES ASIA/PACIFIC 2012 (2011)



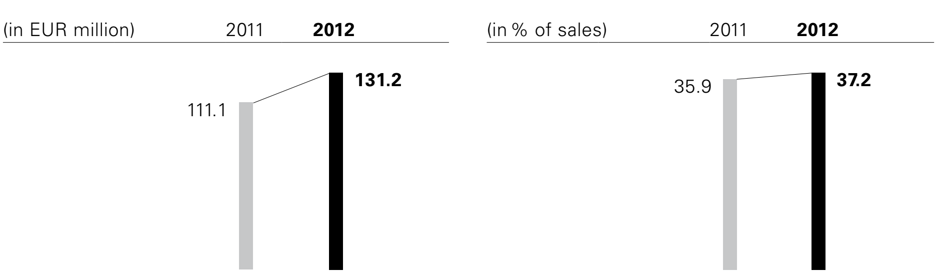
At the end of fiscal year 2012, sales in **Asia/Pacific** were up 14% on the previous year's level in reporting currency at EUR 353 million (2011: EUR 309 million). After adjustment for currency effects, sales growth against the previous year was 4%. This development reflects the slowdown in the sector's momentum in this region in fiscal year 2012.

Sales increases despite a challenging market environment

Sales in **China** rose by 15% in reporting currency to EUR 211 million (2011: EUR 183 million), and were up 4% on the previous year after currency adjustment. The general downturn in economic growth and the diminishing domestic demand were key factors of this development. In **Oceania**, sales rose by 5% on the previous year's level to EUR 56 million (2011: EUR 53 million). After currency adjustment, sales declined by 3% due to a challenging market environment. Sales in **Japan** recovered in fiscal year 2012 and at EUR 48 million in reporting currency were up 13% on the previous year's level (2011: EUR 43 million). Sales were 4% higher than the prior-year level after adjustment for currency effects.

In reporting currency, sales in the Asia/Pacific region in the **Group's own retail business** climbed by 19% to EUR 280 million (2011: EUR 236 million). A sales increase of 8% was posted in local currencies. By contrast, sales with **wholesale** customers were down 1% on the previous year's level in Group currency at EUR 73 million (2011: EUR 74 million). After currency adjustment, sales fell by 9% as against the figure for the same period of the previous year.

03|24 PROFIT DEVELOPMENT ASIA/PACIFIC

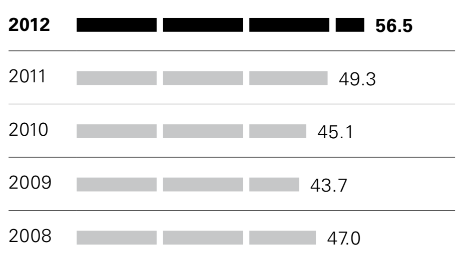


Segment profit increased by 18%

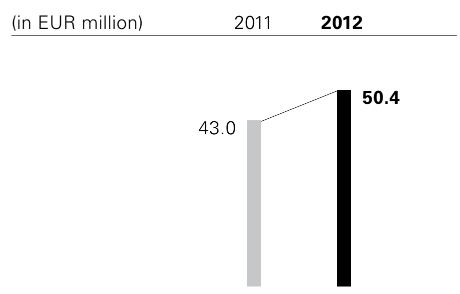
With rising sales, **segment profit** in Asia/Pacific increased by 18% on the previous year's level to EUR 131 million (2011: EUR 111 million). The further expansion of the Group's own retail business as well as various marketing activities, such as the HUGO BOSS Fashion Show in Beijing, led to higher selling and distribution expenses. In particular, these were more than offset by a sales increase in particular in the Group's own retail operations and the associated improvement in the gross profit margin. The adjusted EBITDA margin in this region increased by 130 basis points to 37.2% in fiscal 2012 (2011: 35.9%).

ROYALTIES

03|25 SALES ROYALTIES (in EUR million)



03|26 PROFIT DEVELOPMENT ROYALTIES



Royalty business continues its positive development

Royalty business developed positively in fiscal 2012. Products manufactured by partners include fragrances, eyewear, watches, children's fashion, motorcycle helmets, cell phones, mobile accessories and home textiles. External sales with outside licensees increased by 15% as against the previous year to EUR 57 million (2011: EUR 49 million). High growth rates were generated in sales with licensees for fragrances, watches, children's fashion, home textiles and cell phones in particular.

The **segment profit** of EUR 50 million in the royalties segment were 17% higher than the previous year's level (2011: EUR 43 million). This includes other income from the sale of the brand rights to the fragrance "Baldessarini", which was generated in the first quarter of fiscal 2012.

NET ASSETS AND FINANCIAL POSITION

The structure of the statement of financial position continued to improve in fiscal year 2012. The rise in total assets is essentially due to higher property, plant and equipment because of increased capital expenditure. The share of financial liabilities declined slightly. By contrast, the share of equity increased as a result of the positive business performance.

Balance sheet structure and key balance sheet ratios

Certain amounts shown here do not correspond to the 2011 consolidated financial statement and reflect adjustments made. ➜ **Notes to the Consolidated Financial Statements, Changes in accounting policy/Changes in presentation, p. 147**

Total assets climb to EUR 1,585 million

As of the end of 2012, **total assets** climbed by 11% to EUR 1,585 million (December 31, 2011: EUR 1,426 million). In particular, this change was driven by a rise in property, plant and equipment due to increased capital expenditure and a rise in cash and cash equivalents.

The **equity ratio** rose to 40% as against the previous year (December 31, 2011: 37%).

03|26 BALANCE SHEET STRUCTURE AS OF DECEMBER 31 - ASSETS (in %)

	2011	**2012**
ASSETS		
Property, plant and equipment and intangible assets	30	**31**
Inventories	32	**27**
Trade receivables	12	**14**
Other assets	12	**12**
Cash and cash equivalents	14	**16**
TOTAL	**100**	**100**
ASSETS (in EUR million)	**1,425.9**	**1,584.5**

For absolute figures see Consolidated Balance Sheet, p. 127

The **share of current assets** decreased slightly year-on-year to 63% (December 31, 2011: 65%). Accordingly, the **share of non-current assets** rose from 35% in the previous year to 37% as of December 31, 2012.

03|27 BALANCE SHEET STRUCTURE AS OF DECEMBER 31 - EQUITY AND LIABILITIES (in %)

EQUITY AND LIABILITIES	2011	**2012**
Equity	37	**40**
Provisions and deferred taxes	10	**10**
Trade payables	16	**15**
Other liabilities	10	**10**
Financial liabilities	27	**25**
TOTAL	**100**	**100**
EQUITY AND LIABILITIES (in EUR million)	**1,425.9**	**1,584.5**

For absolute figures see Consolidated Balance Sheet, p. 127

The **structure of equity and liabilities** also changed as against the previous year. As of the end of the reporting period, the share of financial liabilities decreased slightly year-on-year from 27% in the previous year to 25%. By contrast, the share of equity increased.

Net Assets

Investments in administrative and logistics capacity cause rise in non-current assets

Under assets, **non-current assets** climbed by 17% to EUR 500 million as of the end of the fiscal year (December 31, 2011: EUR 427 million). Investments in the further expansion of the Group's own retail network contributed to this increase. This item also rose as a result of the expansion of logistics capacity and the construction of an office building at the Metzingen location.

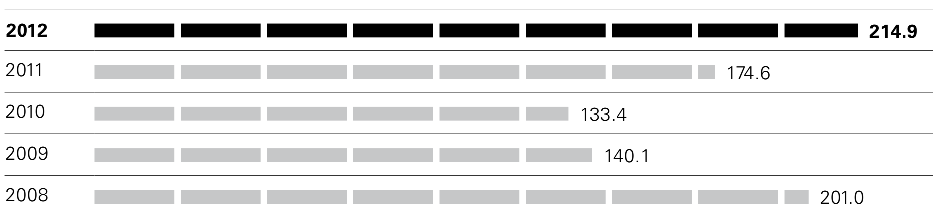
03|28 INVENTORIES AS OF DECEMBER 31 (in EUR million)

2012	**430.3**
2011	457.9
2010	377.3
2009	306.0
2008	381.4

Inventories slightly below previous year's level

As of the end of fiscal year 2012, **inventories** declined by 6% to EUR 430 million (December 31, 2011: EUR 458 million). Inventories were also down by 6% year-on-year after adjustment for currency effects. The main factors driving this development were the change in the delivery windows as part of the company-wide D.R.I.V.E. project and effective measures to reduce inventories.

03|29 TRADE RECEIVABLES AS OF DECEMBER 31 (in EUR million)



Increase in trade receivables due to altered delivery cycles

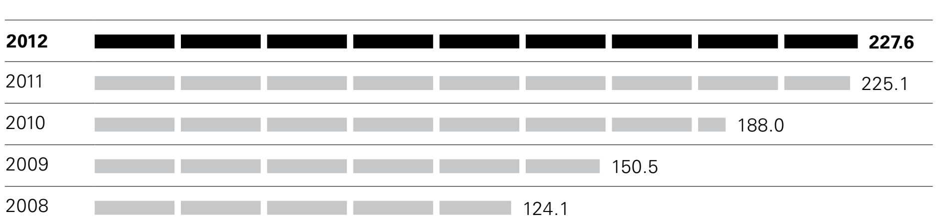
Trade receivables rose by 23% year-on-year to EUR 215 million (December 31, 2011: EUR 175 million). Adjusted for currency effects, this corresponds to an increase of 24%. A key driver in this development was the change in the schedule of product deliveries as against the previous year resulting from the transition in the collection cycle. In particular, this led to a clear rise in delivery volumes as compared to the same month of the previous year in December.

Other assets increased by 11% year-on-year to EUR 185 million (December 31, 2011: EUR 166 million). This decline was predominantly due to the increase in deferred tax assets.
→ **Notes to the Consolidated Financial Statements, note 6, p. 151**

Cash and cash equivalents amounted to EUR 255 million as of the end of the reporting period (December 31, 2011: EUR 200 million). The rise of 27% is mainly due to the development of the cash flow from operating activities, which had a positive effect on the Group's liquidity situation.

Under equity and liabilities, **provisions and deferred taxes** were up 9% on the previous year's level at EUR 165 million (December 31, 2011: EUR 152 million EUR). This includes provisions for pensions and other personnel expenses of EUR 93 million (December 31, 2011: EUR 76 million). It also includes other provisions totaling EUR 52 million (December 31, 2011: EUR 55 million) and deferred tax liabilities of EUR 20 million (December 31, 2011: EUR 21 million).

03|30 TRADE PAYABLES AS OF DECEMBER 31 (in EUR million)



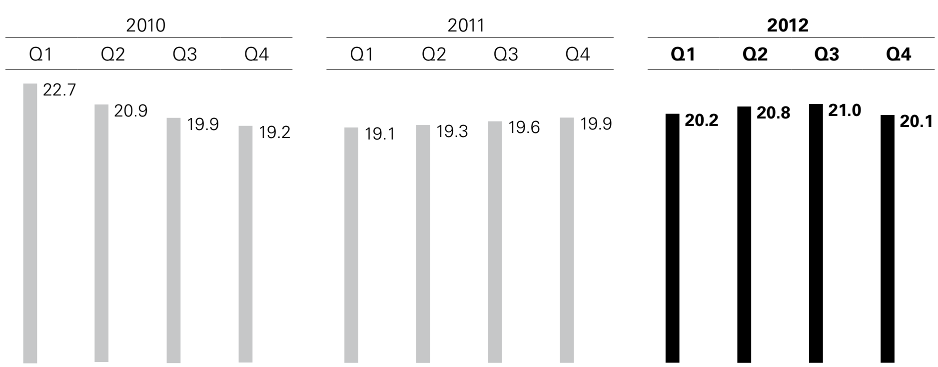
Trade payables virtually match previous year's level

Trade payables were virtually unchanged as against the previous year both in reporting currency and after adjustment for currency effects, amounting to EUR 228 million (December 31, 2011: EUR 225 million).

As of the end of the reporting period, total **current and non-current financial liabilities** rose by 2% to EUR 395 million (December 31, 2011: EUR 389 million). The EUR 292 million drop in non-current financial liabilities is mainly due to the change in the reporting of the syndicated loan as a current financial liability. Furthermore, current financial liabilities rose as a result of local refinancing arrangements. In addition to the set tranche of the syndicated loan, financial liabilities include negative fair values of interest and currency hedges with a total amount of EUR 10 million (December 31, 2011: EUR 22 million).

Other liabilities increased by 15% year-on-year to EUR 158 million (December 31, 2011: EUR 137 million). This development is mainly influenced by increased income taxes and VAT liabilities as well as accrued liabilities from lease obligations for the Group's own retail stores and for overtime and vacation. → **Notes to the Consolidated Financial Statements, note 26, page 171**

03|31 TRADE NET WORKING CAPITAL (in % of sales)



Trade net working capital is the HUGO BOSS Group's key performance indicator for measuring the efficient use of capital. The only three components involved in calculating this figure are the operating figures for inventories, trade receivables and trade payables. → **Group Management, p. 34**

As against the previous year, trade net working capital rose by 3% to EUR 418 million (December 31, 2011: EUR 407 million). The rise in trade receivables was partially offset by the decline in inventories and the rise in trade payables. The low rise in relation to sales was in particular due to effective measures to reduce inventories.

Trade net working capital as percentage of sales at prior-year level

At 20.1%, the rolling twelve-month average of **trade net working capital as a percentage of sales** was virtually unchanged as against the previous year (December 31, 2011: 19.9%).

FINANCIAL POSITION

FINANCIAL MANAGEMENT AND FINANCING PRINCIPLES

The most important objective of **financial management** at HUGO BOSS is to ensure sufficient liquidity reserves to meet payment obligations at all times and to be able to provide adequate liquidity for the Group's ongoing growth, while at the same time to minimize the Group's financial expenses. → **Report on Risks and Opportunities, Financing and Liquidity Risks p. 102**

The Group-wide liquidity management and monitoring of financial risks are bundled centrally in the Treasury Department of HUGO BOSS AG. **Global finance management** is based on Group-wide principles and guidelines. At subsidiary level, finance managers are responsible for compliance with Treasury principles.

The **external financing volume** of the HUGO BOSS Group is primarily borrowed through HUGO BOSS International B.V. This largely covers the financing requirements of the Group companies. Other HUGO BOSS companies enter into external financing agreements only in individual cases, such as when the use of local credit and capital markets is economically advantageous. If the Group companies directly enter into external credit transactions, either HUGO BOSS AG or HUGO BOSS International B.V. submit guarantees or letters of comfort depending on requirements.

The Group's most important source of liquidity is cash provided by the operating activities of the individual Group companies. The basis for the liquidity forecast is a three-year financial planning and supplementary liquidity planning on a rolling monthly basis with a one-year horizon, which is prepared by all Group companies through a **central financial reporting system**. Liquidity management is still based on a three-year financial plan and a supplementary monthly liquidity plan for the Group as a whole. Thus, the HUGO BOSS Group is able to monitor its financial status and the future development of cash and cash equivalents at all times, and can derive controlling measures if so required.

In day-to-day liquidity management, efficient **cash management systems** are used to leverage excess liquidity at individual Group companies to cover the financial requirements of others (cash pooling). This internal offsetting reduces external financing requirements and thereby optimizes net interest expenses.

FINANCING

Market capacity, financing costs, investor diversification, flexibility, credit terms and maturities are taken into account when **selecting financing instruments**. → **Notes to the Consolidated Financial Statements, note 25, p. 169,** → **Notes to the Consolidated Financial Statements, note 28, p. 172**

The Group's **financial flexibility** was guaranteed in fiscal year 2008 by way of a syndicated loan of EUR 750 million with term of five years. In light of the positive development in cash and cash equivalents, this syndicated facility was restructured in order to reduce borrowing costs. The loan was reduced from EUR 750 million to EUR 450 million. It consists of a fixed tranche of EUR 300 million and a revolving tranche of EUR 150 million, of which only the fixed tranche of EUR 300 million was utilized in 2012. As of the reporting date, the Group was in negotiations for long-term refinancing. HUGO BOSS is aiming for another syndicated loan of EUR 450 million with a term of five years at current market conditions as follow-up financing. → **Supplementary Report and Forecast, Forecast, p. 117**

In its capacity as an in-house bank, HUGO BOSS International B.V. provided these funds by means of matched maturity intercompany loans to Group companies with high financing requirements. These bullet loans were granted in the local currency of the respective distribution company. To hedge against the resulting foreign currency risk at HUGO BOSS International B.V., forward exchange contracts with appropriate terms were entered into for the key currencies.

To further ensure liquidity, the Group has bilateral credit lines with a total volume of EUR 140 million, EUR 79 million of which had been utilized as of December 31, 2012. In addition to the unutilized credit lines of EUR 211 million, the Group had cash and cash equivalents of EUR 255 million as of the end of the reporting period, of which EUR 130 million was invested in fixed deposit accounts with a term of up to three months.

FINANCING CONDITIONS

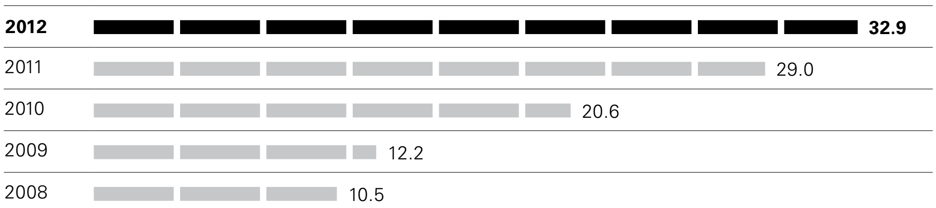
The **syndicated loan agreement** includes standard covenants requiring compliance with certain performance indicators. In addition to minimum equity, these indicators include an interest cover ratio and a leverage ratio. The interest cover ratio is calculated as the ratio of EBITDA before special items and before expenses for the stock appreciation rights program to the net financial result. The leverage ratio is calculated as the ratio of net debt to operating earnings (EBITDA before special items) before expenses in connection with the stock appreciation rights program. ➜ **Notes to the Consolidated Financial Statements, note 25, p. 169**

03|32 TOTAL LEVERAGE AS OF DECEMBER 31[1]

[1] Net financial liablities/EBITDA before special items and expenses for the stock appreciation rights program.

As in the preceding quarters, HUGO BOSS significantly exceeded the required minimum values as of December 31, 2012. As a result of the positive development in operating income and the improvement in net debt, the **total leverage** in particular again improved year-on-year. As of the end of the reporting period, this ratio was down from 0.3 in the previous year to 0.2.

03|33 INTEREST COVER[1]



[1] EBITDA before special items and expenses for the stock appreciation rights program/net interest income/expense.

The interest cover ratio also improved from 29.0 in the previous year to 32.9 as of the end of the reporting period.

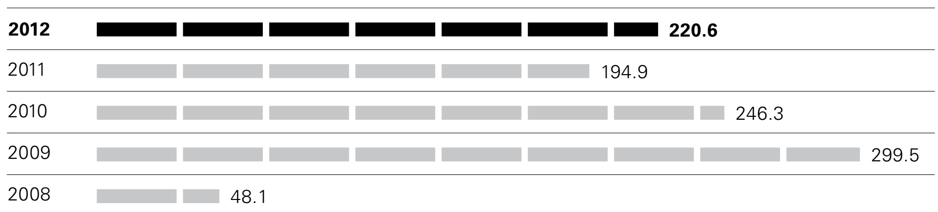
Most of the **financial liabilities** of the HUGO BOSS Group have a floating and market-driven interest rate and the majority is subject to short-term interest fixing. As of December 31, 2012, around EUR 312 million of the EUR 339 million in floating-rate financial liabilities were hedged against an increase in interest rates with payer swaps. Other fixed-income loans are not subject to interest rate risk. **→ Notes to the Consolidated Financial Statements, note 25, page 169**

OFF-BALANCE SHEET FINANCING INSTRUMENTS

Financing is supplemented by off-balance sheet operating leases for the Group's own retail stores and for logistics and administration property. **→ Notes to the Consolidated Financial Statements, note 30, p. 175**

STATEMENT OF CASH FLOWS

03|34 FREE CASH FLOW (in EUR million)



The statement of cash flows is presented in accordance with IAS 7. The cash and cash equivalents shown here are the same as the item of the same name in the balance sheet.

Cash flow from operating activities up year-on-year

At EUR 392 million, the **cash flow from operating activities** was up significantly on the previous year's level (2011: EUR 303 million). The change in the collection cycle and the measures taken to reduce inventories resulted in a year-on-year decline in cash outflow from current net working capital to EUR 11 million (previous year: EUR 57 million). A key factor in this was the cash inflow generated by the change in inventories of EUR 27 million (2011: cash outflow of EUR 73 million). This was partially offset by a lower cash inflow from the change in trade payables and other assets in the amount of EUR 6 million (2011: EUR 57 million). However, the cash outflow from the change in receivables and other assets remained almost unchanged as against the previous year at EUR 45 million (2011: EUR 40 million). Cash outflow from income tax payments amounted to EUR 104 million in total (2011: EUR 98 million).

The net cash outflow from interest income and expenses was again at EUR 16 million as of the end of the reporting period (2011: EUR 16 million). The lower market interest level had a neutral effect on net interest income overall.

As the statement of cash flows was adjusted for currency effects, these values cannot be derived from the balance sheet.

Investments in logistics and administrative capacity dominate cash used in investing activities

At EUR 172 million, **cash used in investing activities** was significantly higher than in the previous year (2011: EUR 108 million). Key factors for this development were investments such as the construction of an administrative building at the Metzingen location and the extension of logistics capacity. The expansion of the Group's own retail operations was again a central factor in fiscal year 2012. In addition, the final tranche of the purchase price payment for the acquisition of the joint venture in China resulted in cash outflows of EUR 6 million (HKD 61 million).

The **free cash flow**, calculated from the cash provided by operating activities and investing activities, rose by EUR 26 million in fiscal 2012 to EUR 221 million (2011: EUR 195 million).

Dividend payment drives cash outflow from financing activities

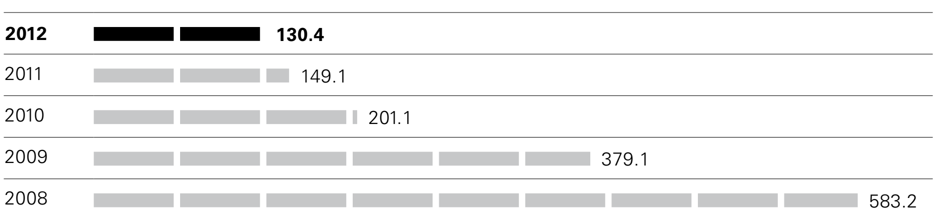
Cash used in financing activities amounted to a total of EUR 166 million in fiscal year 2012 (2011: EUR 291 million). This was essentially due to the payment of the dividend of EUR 199 million (2011: EUR 140 million). This was slightly offset by a cash inflow of EUR 20 million from local refinancing activities. The cash outflow in the same period of the previous year was dominated by the partial repayment of the syndicated loan of EUR 150 million.

Cash and cash equivalents amounted to EUR 255 million as of the end of the reporting period (December 31, 2011: EUR 200 million). In contrast to the previous year, currency effects were neutral (2011: EUR 1 million).

NET FINANCIAL LIABILITIES

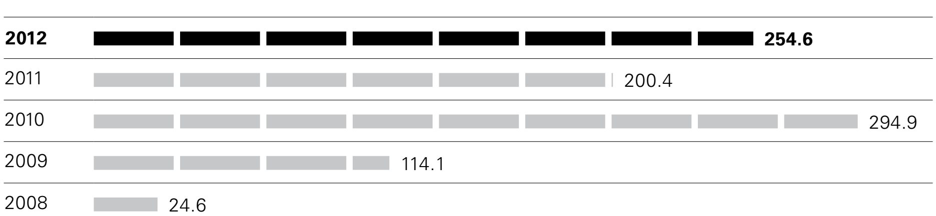
Net financial liabilities are the total of all financial liabilities due to banks less cash and cash equivalents.

03|35 NET FINANCIAL LIABILITIES AS OF DECEMBER 31 (in EUR million)



As of the end of the reporting period, financial liabilities due to banks were up slightly on the previous year's level at EUR 385 million (2011: EUR 349 million) as a result of local refinancing activities.

03|36 CASH AND CASH EQUIVALENTS AS OF DECEMBER 31 (in EUR million)



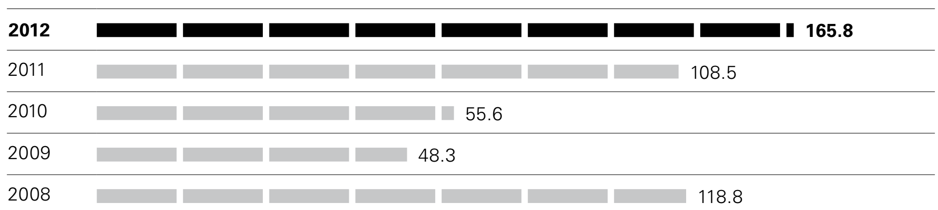
The cash liquidity reserve increased from EUR 200 million in the previous year to EUR 255 million as of December 31, 2012. The increase is due to changes in cash provided by operating activities.

Improvement in net financial liabilities

Net financial liabilities therefore improved by a further EUR 19 million from EUR 149 million to EUR 130 million as of December 31, 2012.

CAPITAL EXPENDITURE

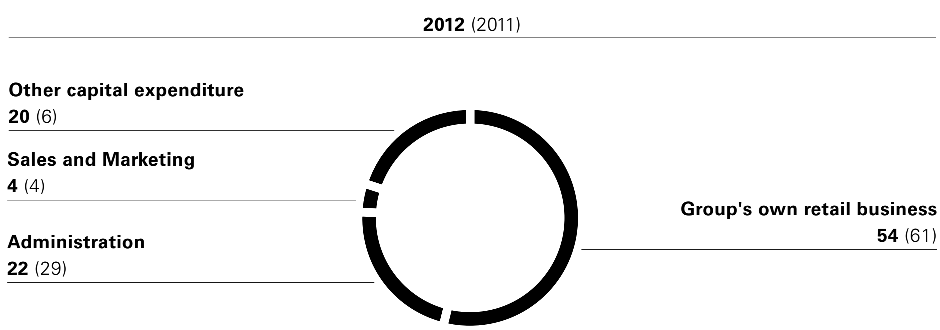
03|37 CAPITAL EXPENDITURE (in EUR million)



Significant increase in capital expenditure in 2012

In the past fiscal year, the total capital expenditure by the HUGO BOSS Group in property, plant and equipment and intangible assets amounted to EUR 166 million, a significant increase of 54% on the previous year's level (2011: EUR 108 million).

03|38 CAPITAL EXPENDITURE BY FUNCTIONAL AREA (in %)



Majority of investments relate to Group's own retail operations

The global expansion and modernization of the Group's own retail operations was again at the heart of the total investment volume in fiscal year 2012, accounting for 54% of total investments (2011: 61%). Investments in **new retail stores** amounted to EUR 51 million (2011: EUR 55 million). In Europe, own retail stores were opened in Brompton Road, London, and at Boulevard de Waterloo in Brussels among others. In the Americas, attractive locations in Salt Lake City and Manhasset were opened in fiscal year 2012. On top of that, new openings in the Taipeh Tower, in the China Worlds shopping mall, Beijing, and at the Crown Casino, Melbourne, must also be highlighted.

In addition, a further EUR 39 million was invested in the **renovation and modernization** of existing retail locations (2011: EUR 11 million). These investments are mostly attributable to the modernization of the Champs Élysées flagship store in Paris, as well as to own retail stores on Regent Street, London, at Premium shopping mall Iguatemi, São Paulo, at Beverly Center, Los Angeles, and on King Street, Sydney.

Administrative area also drives investments

Administrative investments amounted to EUR 36 million and increased by EUR 5 million as against the previous year (previous year: EUR 31 million). This includes investments of EUR 15 million for an additional administrative building and a parking deck at the Metzingen location (2011: EUR 12 million). Investments in IT infrastructure and other administrative investments contributed EUR 21 million to the investment volume (2011: EUR 19 million).

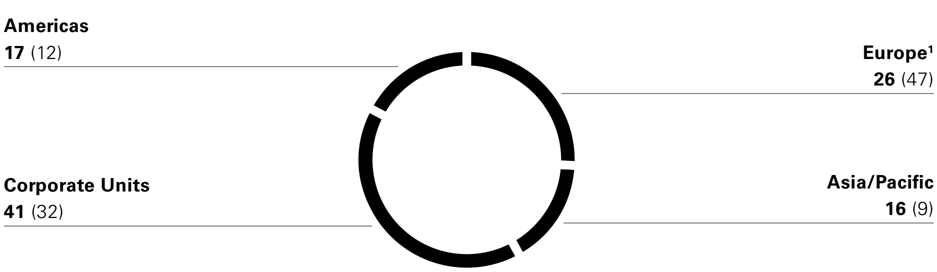
Investments in the **production, logistics and distribution structure** and for **research and development** amounted to EUR 40 million (2011: EUR 11 million). Of particular note are the investments in setting up a new distribution center in Filderstadt totaling EUR 30 million.

Cumulative depreciation and amortization on non-current assets including own work capitalized amounted to EUR 545 million (2011: EUR 480 million).

Existing obligations from investment projects that have already been started amounted to EUR 76 million as of December 31, 2012 (December 31, 2011: EUR 4 million). → **Notes to the Consolidated Financial Statements, note 30, p. 176**

03|39 CAPITAL EXPENDITURE BY REGION (in %)

2012 (2011)



[1] Including Middle East and Africa.

COMPENSATION REPORT

This report is based on the recommendations of the German Corporate Governance Code and includes disclosures in line with the requirements of the German Accounting Standard (GAS) 17, the Handelsgesetzbuch (HGB – German Commercial Code) and the International Financial Reporting Standards (IFRS). Disclosures pursuant to IAS 24 are included in the notes to the consolidated financial statements.

MAIN FEATURES OF THE COMPENSATION SYSTEM FOR THE MANAGING BOARD

Decisions concerning the compensation system for the Managing Board as well as regular discussion and review of the compensation system are the responsibility of the Supervisory Board. Proposals are to be prepared by the Personnel Committee. The compensation system that has applied to the members of the HUGO BOSS AG Managing Board since fiscal year 2010 was approved with a vast majority by the Annual Shareholders' Meeting on May 10, 2011.

The total compensation for the Managing Board consists of non-performance-related (fixed) compensation components and performance-related (variable) compensation components. The compensation structure is oriented toward sustainable growth of the Company by including compensation components with a multi-year assessment basis. The total compensation of the individual Managing Board members is determined by the Supervisory Board based on a performance assessment, taking into consideration any payments by Group companies. Criteria for determining the appropriateness of the compensation are both the responsibilities of the individual member of the Managing Board, his/her personal performance, the economic situation, the performance and outlook of the company, as well as the common level of the compensation taking into account the peer companies and the compensation structure in place in other areas of the Company. In the event of extraordinary services or success of a Managing Board member, the Supervisory Board may decide on special payments at its due discretion.

By resolution of the Annual Shareholders' Meeting on June 21, 2010, no disclosures are to be made on the individual compensation of Managing Board members. The information required in Section 285 Sentence 1 No. 9 Letter a Sentences 5 to 8 and Section 314 Paragraph 1 No. 6 Letter a Sentences 5 to 8 of the German Commercial Code will accordingly not be disclosed for five years. This resolution applies to the fiscal year that began on January 1, 2010 and the four subsequent fiscal years, namely until December 31, 2014. The remuneration is therefore reported in total broken down into individual compensation components.

BASIC COMPENSATION AND ADDITIONAL BENEFITS

The **fixed compensation** components consist of a fixed basic compensation, additional benefits and a contribution to retirement benefits. The fixed basic compensation is paid as a monthly salary. The members of the Managing Board receive additional benefits such as a company car, supplemental payments for health and nursing insurance, conclusion of and contributions to accident and D&O insurance and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

In accordance with Section 93 Paragraph 2 Sentence 3 of the German Stock Corporation Act (AktG), the deductible for the D&O insurance corresponds to 10% of the relevant loss, but no more than one-and-a-half times the fixed annual compensation. Tax on the non-monetary benefit resulting from private use of the company car is to be paid by the Managing Board member.

PERFORMANCE-RELATED COMPENSATION

The **performance-related compensation** includes variable compensation components with a long-term incentive effect. In addition to the personal performance of each member of the Managing Board, the variable compensation is also determined based on the development of the Group's key performance indicators. The quantitative targets are oriented toward increasing the enterprise value and are based on the development of the two key performance indicators EBITDA before special items and trade net working capital over a period of three years. The amount of the variable compensation for a fiscal year depends on the fulfillment of the pre-defined quantitative targets for the multi-year period and the achievement of the personal targets agreed with the Supervisory Board. Earnings-related targets are defined for the multi-year period of three years, whereas individual performance targets are defined for each individual fiscal year. For each of the three targets, however, the degree of target achievement is determined over the multi-year period and then weighted. The weighted average of the target achievement for all three targets is what determines the payout amount.

In the event of full target achievement, 100% of the amount contractually agreed for each member of the Managing Board is paid out. The maximum payout in the event of target achievement of 120% or more is 150% of the contractually agreed amount. If the level of target achievement is less than 75%, no payout takes places.

For a transition period following the introduction of the multi-year bonus agreement in 2010 and ending in fiscal 2012, the members of the Managing Board received advance payments on their expected variable compensation in 2010 and 2011. The final settlement for the transition period takes place after the end of fiscal 2012. If the advance payments received exceed the bonus earned for the three-year period from 2010 to 2012, the difference must be repaid to HUGO BOSS AG by the Managing Board member.

SHARE-BASED PAYMENTS

The Managing Board members currently in office do not hold any participation rights from the tranches of the stock appreciation rights program issued in the fiscal years 2001 to 2009

BENEFITS IN THE EVENT OF TERMINATION OF EMPLOYMENT

For the event of early termination, the employment contracts include regulations which – except for the deviation stated in the Declaration of Compliance from December 2012 – comply with the requirements of the German Corporate Governance Code. For the event of regular termination, the employment contracts do not include any regulations other than pension regulations.

In addition, the company has provided pension benefits for Managing Board members. The amount of future pension benefits is based on each member’s base salary and years of service.

PENSION EXPENSES

03|40 PENSION EXPENSES (in EUR thousands)

	2012	2011
Service Costs (IFRS)	1,793	1,055
Present value provision (IFRS) after offsetting of the plan assets	3,897	137
Expenses of earned pension commitments (HGB)	2,259	1,103
Present value provision (HGB) after offsetting of the plan assets	1,386	(72)

TOTAL COMPENSATION

The Managing Board received total remuneration of EUR 7,053 thousand in 2012 (2011: EUR 5,348 thousand). EUR 3,303 thousand of this related to the fixed salary components including additional benefits (2011: EUR 2,873 thousand) while the bonus for the 2010-2012 three-year period including the outstanding amounts for the transition period amounted to EUR 3,750 thousand (2011: EUR 2,475 thousand).

OTHER DISCLOSURES

Former members of the Managing Board and their surviving dependents received total remuneration of EUR 15,226 thousand in 2012 (2011: EUR 10,202 thousand). This includes post-employment benefits for Managing Board members and payments relating to the exercise of outstanding participation rights from the stock appreciation rights program in the amount of EUR 15,035 thousand (2011: EUR 10,016 thousand). The sale of the call options held to secure participation rights did not result in any additional cash outflow for the Group. The members of the Managing Board were not granted any loans in fiscal 2012, nor were contingent liabilities entered into for the benefit of these persons.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board, which is determined by the Annual Shareholders' Meeting, is regulated in Article 12 of the Articles of Association of HUGO BOSS AG. It is based on the size of the company and the scope of activities performed by the Supervisory Board member. The compensation of Supervisory Board members is divided into a fixed and a variable component. The variable component is determined on the earnings per share in the consolidated financial statements. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation. The fixed and variable compensation is paid out after the end of the Annual Shareholders' Meeting that decides on the approval of the actions of the Supervisory Board for the past fiscal year. Members of the Supervisory Board who were on the Supervisory Board or a committee for only part of a fiscal year receive pro rata compensation for each month commenced in this position. Expenses arising in connection with performing their duties are reimbursed to members of the Supervisory Board. Any value added tax is reimbursed by the company, provided the members of the Supervisory Board are entitled to bill the company separately for value added tax and exercise this right. The Supervisory Board received total remuneration of EUR 1,956 thousand for its services in 2011. For fiscal year 2012, total remuneration is expected to amount to EUR 2,014 thousand, including a provision for the variable component of EUR 1,259 thousand (2011: EUR 1,156 thousand), calculated on the basis of anticipated earnings per share in the consolidated financial statements.

LEGAL DISCLOSURES

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement (in accordance with section 289a of the Handelsgesetzbuch (HGB — German Commercial Code)) contains the Declaration of Compliance, information on Group management practices and the description of the functions of the Managing and Supervisory Boards. **:// www.group.hugoboss.com/Investor Relations/Corporate Governance**

REPORT ON RELATIONS WITH AFFILIATED COMPANIES

The Managing Board of HUGO BOSS AG is required to prepare a **report on relations with affiliated companies** in accordance with section 312 of the Aktiengesetz (AktG — German Stock Corporation Act). This report covers the relations with Permira Holdings Limited, Guernsey and the companies owned by the HUGO BOSS Group. In terms of its relations with affiliated companies, the Managing Board issued a report and summarized in a declaration "… that the company received appropriate compensation for all transactions in accordance with the conditions known at the time of the respective transaction. The company was not disadvantaged in 2012 by any measures taken or not taken at the instigation of or in the interest of Permira Holdings Limited, Guernsey or of its affiliated companies."

DISCLOSURES IN ACCORDANCE WITH SECTION 289(4) AND SECTION 315(4) OF THE HANDELSGESETZBUCH (HGB -- GERMAN COMMERCIAL CODE)

The requirements in accordance with section 289(4) and section 315(4) of the Handelsgesetzbuch (HGB — German Commercial Code) are listed and explained below. The Managing Board sees no need for further explanation within the meaning of section 175(2) sentence 1 and section 176(1) sentence 1 of the Aktiengesetz (AktG- German Stock Corporation Act).

Following the stock consolidation, the **issued capital** of HUGO BOSS AG consists of 70,400,000 no-par-value ordinary shares, each with a notional amount of the share capital of EUR 1.00.

There are shareholdings exceeding 10% of the voting rights. **➔ Notes to the Consolidated Financial Statements, Majority Shareholder Disclosures, p. 232**

Apart from that, no other shareholders have reported holdings exceeding more than 10% of voting rights. The company has also received no other new reports of shareholdings of 3% or more of the voting rights in HUGO BOSS AG.

HUGO BOSS AG has not issued shares with special rights granting powers of control. There are no special provisions regarding the exercise of shareholder rights by shareholders who are employees of HUGO BOSS AG.

The **appointment and dismissal of Managing Board members** of HUGO BOSS AG is based on sections 84 and 85 of the Aktiengesetz (AktG - German Stock Corporation Act) and section 31 of the Mitbestimmungsgesetz (MitbestG — German Co-Determination Act) in conjunction with Article 6 of the Articles of Association. In accordance with Article 6(1) of the Articles of Association, the Managing Board consists of at least two members. The number of Managing Board members is determined by the Supervisory Board in accordance with Article 6(2) of the Articles of Association. The Supervisory Board can appoint a chairman of the Managing Board and a deputy chairman. The Supervisory Board can revoke the appointment of a Managing Board member and the appointment of the chairman of the Managing Board for good cause. According to Article 6(3) of the Articles of Association, Managing Board members generally should not be more than 60 years of age at the time of their appointment. The Supervisory Board appoints Managing Board members for a maximum of five years.

Any changes to the Articles of Association must be approved by the Annual Shareholders' Meeting. Unless otherwise mandated by the German Stock Corporation Act, resolutions are adopted in accordance with Article 17(2) of the Articles of Association by a simple majority of the votes cast and, if a majority of the capital represented upon adoption of the resolution is required, by a simple majority of the share capital represented upon adoption of the resolution. According to Article 20 of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association that affect their wording only.

AUTHORIZATION OF THE MANAGING BOARD TO INCREASE THE SHARE CAPITAL (AUTHORIZED CAPITAL 2009) WITH THE OPTION TO EXCLUDE SUBSCRIPTION RIGHTS

In accordance with the resolution of the Annual Shareholders' Meeting on May 14, 2009, the Managing Board is authorized, with the consent of the Supervisory Board, to increase the nominal authorized capital of the company by a total of no more than EUR 35,200,000 by issuing new registered shares and/or registered preferential shares without voting rights, which correspond to the registered preferential shares without voting rights already issued, in return for cash and/or deposits in kind until May 13, 2014. Increases in the nominal authorized capital of the Company for cash deposits are made subject to the ratios of the two share classes to each other. If the authorized capital is utilized, shareholders are entitled to subscription rights. However, the Managing Board is authorized to exclude the subscription rights of bearer of one class to purchase shares of the other class, to exclude maximum amounts from the subscription rights of the shareholders and, with the approval of the Supervisory Board, to exclude the shareholders' subscription right insofar as the capital increase is made in return for deposits in kind for the purpose of purchasing companies or participation in companies.

AUTHORIZATION TO ACQUIRE AND USE TREASURY SHARES, ALSO EXCLUDING TENDER RIGHTS AND SUBSCRIPTION RIGHTS, INCLUDING THE AUTHORIZATION TO REDEEM PURCHASED TREASURY SHARES AND CAPITAL REDUCTION

The Managing Board's authorization to repurchase shares was renewed at the Annual Shareholders' Meeting on June 21, 2010. In accordance with this, the Managing Board is authorized until June 20, 2015 to acquire registered ordinary and/or registered non-voting preferred shares up to a maximum of 10% of the share capital outstanding on June 21, 2010. HUGO BOSS AG can exercise this authorization to acquire treasury shares in full or in part, solely for registered ordinary and/or registered non-voting preferred shares, thereby partially excluding any options to sell relating to the respective share class, on one or several occasions in pursuit of one or several objectives. The shares can be purchased on the stock market or by means of a public tender offer to holders of the respective share class. Any treasury shares repurchased in accordance with this authorization can be resold on the stock market or by way of an offer to all shareholders, excluding shareholders' subscription rights. They can also be redeemed, used as consideration for a possible acquisition of companies or equity holdings in companies, sold at a price not substantially less than the current stock market price or admitted to foreign stock markets.

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

The company has not entered into any compensation agreements with members of the Managing Board or employees for the event of a takeover bid.

REPORT ON RISKS AND OPPORTUNITIES

In addition to ensuring the Group's continuation as a going concern, the aim of the risk and opportunity policy of the HUGO BOSS Group is to sustainably increase the enterprise value and to achieve its financial and strategic objectives. Effective risk management should ensure that risks are detected and minimized at an early stage. As well as further reducing potential risks to the Company's success, the identification of new opportunities also serves in particular to ensure profitable growth.

RISK REPORT

The success of the HUGO BOSS Group is based on systematically exploiting opportunities as part of the Group's medium-term and long-term strategy. In addition, the risk policy pursues the goal of ensuring the Group's continuation as a going concern, sustainably increasing the enterprise value and achieving its financial and strategic objectives.

RISK MANAGEMENT

Uniform Group-wide standards ensure successful risk management

The basis for successful risk management is set out in uniform Group-wide standards for systematically dealing with risks. These are laid down for the HUGO BOSS Group by the Managing Board in the risk policy and documented in a risk manual which applies to the whole Group and is available to the employees online. Risks are defined as potential negative deviations from the planned operating result (EBIT). Established limits describe the risk-bearing capacity of the HUGO BOSS Group and allow the risks to be classified in risk levels from "low" to "high". Risks are reported at regular intervals. In the event of critical issues, the regular reporting process is supplemented by ad-hoc reporting in order to analyze these issues in a timely manner. Furthermore, all HUGO BOSS Group employees are committed to acting with awareness of risks and to avoiding risks that could threaten the Group's continuation as a going concern. All risks are recorded in risk a software on the basis of a uniform system, thereby ensuring historization and auditing acceptability.

The coordination of Group-wide risk management is centrally guided in HUGO BOSS AG's Risk and Insurance Management department to recognize risks and opportunities at an early stage in order to analyze, manage, monitor and counteract them if needed with risk-minimizing measures. This department is continuously further developing the tools for the risk management system and ensures that risks and opportunities are recorded systematically and regularly within the defined intervals using a uniform method throughout the Group.

Decentralized risk analysis in the divisions

Responsibility for analyzing risks, handling them appropriately and implementing effective risk-reducing measures is decentralized to the individual divisions where the risks may arise. Risk owners are defined for each division. The central department responsible for risk management reports regularly to the Managing Board and supports it in implementing, executing and monitoring the risk management and internal control system and in reporting to the Supervisory Board's Audit Committee.

Risks are handled in four ways: avoidance, reduction, acceptance and transfer of risks. Consequently, transferring risks to insurance companies is part of risk management. This neutralizes the financial consequences of insurable risks to the furthest extent possible.

Differentiated risk quantification through examination of scenarios

Risks are reviewed at least once a year, and depending on their magnitude also at six-month, quarterly and monthly intervals, to ensure that they reflect the current situation. Individual risk entries are revised or supplemented as necessary. Risks are quantified by estimating their probability of occurrence and the associated effects on the operating result (EBIT).

03|41 ASSESSMENT CRITERIA FOR COMPANY RISKS

Frequency of occurrence

unlikely	**≤ 20%**
possible	**> 20 – 40%**
likely	**> 40 – 60%**
most likely	**> 60%**

Financial impact

minor
moderate
significant
high

Different risk scenarios for the best, average and worst cases are considered in order to obtain a picture of the risks as differentiated as possible. This takes into account the potentially strong influence of extreme scenarios which have a low probability of occurrence, but a major impact. Medium-term risk trends are also calculated in addition to the 12-month planning period used for risk quantification.

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

The HUGO BOSS Group is able to identify risks at an early stage and to respond quickly and appropriately. The risk management system is also reviewed at regular intervals by the Internal Audit department to ensure its proper functioning and appropriateness. The Audit Committee set up by the Supervisory Board is regularly involved in monitoring the effectiveness of internal control, risk management and auditing systems, including with the involvement of the auditors. As part of the audit of the annual financial statements, the independent auditor verifies that the Managing Board has taken the necessary steps according to Section 91, Paragraph 2 of the German Stock Corporation Act (AktG) in an appropriate manner.

Risk areas and structure of individual risks

The individual risks identified in the HUGO BOSS Group are combined in overarching risk areas, which are in turn allocated to an external, strategic, financial, operational or organizational main risk category.

03 |42 RISK CATEGORIES

EXTERNAL RISKS	STRATEGIC RISKS	FINANCIAL RISKS	OPERATIVE RISKS	ORGANIZATIONAL RISKS
Overall economy	**Collection and sector**	**Financing and liquidity**	**Suppliers and sourcing markets** Dependencies Product costs Planning	**IT**
Sales markets	**Brands and corporate image**	**Changes in interest rates**	**Quality**	**Legal**
	Investitments	**Currencies**	**Logistics**	**Personnel**
		Loans	**Distribution** Group's own retail business Wholesale Competition	**Corporate governance and compliance**
		Share price		
		Taxes		

The main risks are described below, although potential other risk that are not currently known or that are currently classed as immaterial may also adversely affect the Company's development in the future.

EXTERNAL RISKS

Overall economic risks

Like any company that operates globally, the HUGO BOSS Group is exposed to general economic risks. A particularly crucial factor here is the global economic situation, which can result in a risk of reduced demand for textile goods and accessories in the premium fashion and luxury market. The consumer goods sector's dependency on consumers' buying behavior results in a general risk for the consumer goods industry that can impact planned sales. However, through advance order entries and the development of its own retail business the HUGO BOSS Group has important early warning indicators that allow the effects of possible general economic risks to be forecasted at an early stage. The HUGO BOSS Group has taken various countermeasures to effectively counteract possible negative impacts of a deterioration in the general economic situation at an early stage. These include strong brand positioning with the aim of increasing market share in a highly competitive environment. A business model geared towards international growth also taps new consumer potential and helps to compensate for possible declines in demand in individual markets. The Group also aims for a balanced distribution of sales across different regions to avoid being overly dependent on individual markets. HUGO BOSS will therefore continue to seek to expand in profitable growth regions, notably the Asia/Pacific region. The above-average sales growth of the HUGO BOSS Group in the fiscal year 2012 as compared to the growth rates of the global economy and the luxury sector as a whole shows that these measures were successful and HUGO BOSS benefits from a strong market position. The Group expects continued growth in the global economy and the premium and luxury goods sector in fiscal year 2013. However, the management believes the actual growth will vary greatly depending on the region. Unfavorable general economic developments can thus possibly affect the planned Group growth. On the basis of ongoing uncertainties in relation to the euro debt crisis and definitive avoidance of the "fiscal cliff" in the U.S., the management considers the potential financial impact to be significant. ➜ **Subsequent Events and Outlook, Outlook, p. 117**

Sales market risks

As an international company, HUGO BOSS is also subject to risks relating to changes in the sales markets. These risks may arise as a result of changes in the political and regulatory environment or socio-cultural developments. As is the case for all companies, terrorist acts and environmental disasters constitute another possible risk to the Company's net assets, financial position and results of operations. In order to minimize country risks with regard to sales, HUGO BOSS products are mainly sold in countries with stable economic and political environments. In the view of the Managing Board, changes to the regulatory environment in the HUGO BOSS Group's sales markets are currently to be classified as unlikely. The Managing Board estimates the financial impact of an unexpected change to the regulatory environment or socio-cultural development to be minor.

STRATEGIC RISKS

Collection and sector risks

Collection and sector risks may arise as a result of changing fashion and lifestyle trends. The challenge is twofold – identifying the right trends in time and then quickly making them into an unmistakable collection. HUGO BOSS counteracts this risk with in-depth analysis of target groups and markets. The collections for the total of four seasons per year are made up of different elements ranging from components that are used over multiple seasons to programs available for a short time only. This means that trends can quickly be integrated in the collection. Initiatives to shorten the product development cycle so as to react faster to market trends have also been implemented. Increased consumer proximity due to the Group's own retail business also makes a significant contribution to enabling information on trends and buying behavior to be incorporated quickly in the collections. The management considers the probability of collection and sector risks to be unlikely. Potential negative effects are rated as minor. ➜ **Group Strategy, p. 38**

Risks to the brand image and corporate image

Financial success at HUGO BOSS rests on its brand image and its long-term positioning of the Group brands in the premium and luxury market. Protecting and maintaining the brand image is therefore a correspondingly high priority at HUGO BOSS. This is implemented in the form of strategic measures such as clearly defined brand positioning supported by targeted marketing activities and a uniform global brand presentation with ongoing monitoring and analysis of the markets. The brand's trademark protection and the prosecution of counterfeiters are a key part of securing the brand image.

The HUGO BOSS Group's corporate image is reflected in its perception by its stakeholders, such as customers, shareholders, suppliers and employees. Corporate communications with external parties are managed centrally through the Communications and Investor Relations departments. Compliance with laws, standards and guidelines is also monitored on a regular basis both within the Company and at suppliers. Negative effects of risks to brand and corporate image are currently classified as possible. However, the impact of these risks on net assets, financial position and results of operations is considered minor.

Investment risk

One of HUGO BOSS' main strategic objectives is the continued expansion of the Group's own retail business. Retail activities involve investment risks arising from establishing and maintaining stores and from long-term leases and personnel expenses. This inevitably leads to an increase in fixed costs, although this is counterbalanced by the opportunity of rising gross profit margins. In order to minimize the risk of bad investments and unprofitable Group retail stores, decisions regarding new store openings and store closures are made centrally in consultation with the responsible regional directors. The opening of any new store is always preceded by extensive examinations of the location and analyses of its potential and by intensive sales and development planning.

Group companies are required to submit monthly reports on the performance of their own retail activities. Continuous monitoring of their performance ensures that the onset of any negative trends at individual stores can be recognized early and countermeasures can be taken, such as possible restructuring. The investment risk is also minimized by a globally uniform store concept at the points of sale, so that in the event of a store closure some of the furniture can be used at other locations. In the context of general investment controlling, the value contribution of all other investments is also examined taking into account the risks entailed. In light of the measures described, the investment risk is considered minor and its probability of occurrence unlikely. → **Group Management, Investment Controlling, p. 37**

FINANCIAL RISKS

The main responsibilities of the HUGO BOSS Group include coordinating and steering the financial requirements within the Group, ensuring the financial independence of the Group as a whole, and reducing financial risks.

The HUGO BOSS Group is primarily subject to credit risks and risks related to financing, liquidity and changes in interest rates and currency exchange rates, which may influence the Group's net assets, financial position and results of operations. These risks are subject to continuous intensive controls. The development of the exposure is constantly monitored, quantified and – if necessary – hedged in order to minimize balance sheet risks.

Financing and liquidity risks

Managing liquidity risk is one of the main responsibilities of the HUGO BOSS AG Treasury Department. Liquidity risk is the risk that current or future payment obligations may not be met with regard to their maturity, volume and currency due to insufficient available cash. This risk is managed centrally in the HUGO BOSS Group. To guarantee the Group's solvency and financial flexibility at all times, financial requirements are calculated on the basis of a three-year financial plan and currency-differentiated liquidity planning that is prepared on a rolling monthly basis with a planning period of up to one year. The financial requirements are then covered by credit lines and cash.

A syndicated loan available until May 2013 ensures financial flexibility. The current credit line under the syndicated loan amounts to EUR 450 million, of which only the fixed tranche of EUR 300 million had been utilized as of the reporting date.

The existing syndicated loan agreement includes standard covenants requiring compliance with certain key indicators. Breaches of these covenants would result in the loan being called in early. HUGO BOSS does not see any risks from infringements of financial covenants, even in the case of overall economic conditions deteriorating. → **Net Assets and Financial Position, Financing Conditions, p. 86**

In addition to the syndicated loan, HUGO BOSS also has short-term bilateral credit lines available amounting to EUR 140 million which increase its flexibility. Financing and liquidity risks are further reduced by means of an internal financial compensation mechanism and by cash pooling.

In addition to the credit lines in place on December 31, 2012 amounting to EUR 590 million, the Group had liquid funds of EUR 255 million as of the reporting date. These funds are generally held in the form of call deposit and term deposit investments.

The Group was currently holding negotiations for long-term refinancing as of the reporting date. HUGO BOSS is aiming for another syndicated loan of EUR 450 million as follow-up financing. → **Subsequent Events and Outlook, Outlook, p. 117**

Management assumes that the follow-up financing of the existing syndicated loan will be successfully concluded at the end of the first quarter of 2013. On that condition, the raising of sufficient funds to finance the Group's ongoing growth is guaranteed. The Managing Board can take other measures to secure the continuation of operating business. This would include a possible sale of treasury shares, postponement of planned investments in further retail expansion or a reduction of dividend payments. In addition, additional potential sources of finance, such as authorized and contingent capital, are available to the Group. For this reason, the Managing Board expects liquidity to be secure in the forecast period even in the unlikely event that follow-up financing is not obtained. Consequently, the management regards the probability of financing and liquidity risks as unlikely and of a minor financial extent.

Interest rate risks

Market-driven fluctuations in interest rates firstly impact the level of interest expenses in the HUGO BOSS Group and secondly influence the market value of financial instruments. Significant changes in interest rates could therefore affect the profitability, liquidity and financial position of the Group.

The major part of the financial liabilities of the HUGO BOSS Group are floating-rate debts and are subject to short-term interest fixing. The resulting interest rate risk also represents a cash flow risk with implications for the amount of future interest payments. To minimize the effects of future interest rate volatility on financing costs, derivative financial instruments are mainly used in the form of interest rate swaps. Derivatives in an effective hedge relationship as defined in the IFRS impact equity in the event of interest rate changes, whereas derivatives without such hedge relationships are recognized in profit or loss. As of the reporting date, the derivatives to hedge the interest on the syndicated credit line were in an effective hedge relationship as defined in the IFRS.

Opportunity effects can also occur. These arise as a result of the balance-sheet recognition of non-derivative financial instruments which are measured at cost rather than at fair value. The opportunity risk represents the difference between the two values which is neither recognized in the balance sheet nor in the income statement.

Due to the continued low interest level, the shift in the yield curve for the analysis of interest rate sensitivity as of the reporting date was maintained at +100/–30 basis points as in the previous year in order to avoid negative interest and to represent realistic scenarios. Taking into account the underlying exposure in EUR, JPY and CNY, HUGO BOSS considers the +100/–30 basis point shift to be appropriate. The financial transactions were in some cases based on a market interest rate of less than 30 basis points. In such cases, sensitivity to a downward shift was calculated with a zero interest rate level.

The effects of changes in key interest rates on income and equity were analyzed in accordance with the requirements of IFRS 7. The analysis included floating-rate financial liabilities of EUR 339 million (December 31, 2011: EUR 330 million), interest rate derivatives amounting to EUR 312 million (December 31, 2011: EUR 313 million) and cash and cash equivalents totaling EUR 255 million (December 31, 2011: EUR 200 million). The effect of interest rate changes on future cash flows is not included in the analysis.

03|43 INTEREST RATE SENSITIVITY AS OF DECEMBER 31 (in EUR million)

	2012		2011	
	+100 bp	**-30 bp**	+100 bp	-30 bp
Cash flow risks	1.7	-0.5	1.3	-0.4
Risks from interest rate derivates recognized in income	0.8	-0.3	0.8	-0.3
Effects on net income	**2.5**	**-0.8**	**2.1**	**-0.7**
Risks from interest rate derivates reflected on the balance sheet	0.8	-0.1	3.1	-0.9
Effects on Group equity	**3.3**	**-0.9**	**5.2**	**-1.6**

A rise of 100 basis points in the market interest rate as of December 31, 2012 would have resulted in an increase in earnings of EUR 2.5 million (2011: EUR 2.1 million) and an increase in equity of EUR 3.3 million (December 31, 2011: EUR 5.2 million). A decrease of 30 basis points in the market interest rate would have caused earnings to decline by EUR 0.8 million (2011: by EUR 0.7 million) and Group equity to decline by EUR 0.9 million (December 31, 2011: by EUR 1.6 million). The effects from interest rate derivatives would have resulted from changes in fair value. The cash flow risks would have resulted primarily from higher/lower interest income and interest expenses from cash and cash equivalents.

On the basis of the effects of interest rate changes of +100/–30 basis points on the financial instruments as shown in the sensitivity analysis, the impact of interest rate changes on the HUGO BOSS Group is regarded as minor. In view of the current monetary policy, particularly that of the European Central Bank and of the Federal Reserve, the management considers significant changes in interest rates to be unlikely at present, in contrast to the previous year.

Currency risks

The currency risks of the HUGO BOSS Group mainly result from its operating business as well as from its intercompany financing activities.

In operating business, currency risks primarily arise from receivables and liabilities in foreign currencies (transaction risk), for instance from sourcing goods in a currency other than the Company's functional currency, and from intercompany financing activities in non-euro companies.

Distribution activities in the most important core markets are carried out by local subsidiaries. The subsidiaries place the orders arising from this business exclusively within the Group. Intercompany orders are generally denominated in the local currency in order to manage the currency risk centrally. The currency risk therefore arises from cash flows denominated in the local currencies of subsidiaries. Currency risks of the HUGO BOSS Group arising from business operations are incurred mainly from activities in the U.S., Great Britain, Australia, Canada, Switzerland, Japan, Hong Kong and China and from purchasing activities of the sourcing units denominated in foreign currencies.

Furthermore, currency risks arise from the conversion of the net assets of foreign subsidiaries located outside the euro zone and their income and expenses (translation risk), against which the Group does not take hedging measures. → **Notes to the Consolidated Financial Statements, Currency Translation, p. 139**

Currency management for transaction risks is carried out centrally for all Group companies. The primary goal is to reduce the overall currency exposure by using natural hedges. These hedges consist of balancing the currency exposure from business operations across the Group. No further hedging measures are then necessary for the balanced positions.

Forward exchange contracts, swaps and plain vanilla currency options can be used to hedge the remaining exposure. The primary goal of the hedging strategy is to limit the effects of exchange rate fluctuations on the balance sheet. The terms of the derivatives entered into are generally adapted to the underlying hedged item when the derivatives are concluded. The financial derivatives entered into that are traded on the OTC market are used solely to hedge the underlying transactions. In order to obtain the best possible deal, quotes are obtained from a number of banks. Transactions are contracted with the bank quoting best.

Foreign currency risks from financing activities result from financial receivables and liabilities in foreign currencies and from loans in foreign currencies which are granted to Group companies for financing purposes. In the case of loans granted to Group companies, a distinction is made between two types of contract. Operating loans can be drawn down flexibly in line with the character of an overdraft credit line. Financing loans are granted to Group companies with high financing requirements. As of the reporting date, the main financing loans with repayment on final maturity were hedged with forward exchange contracts.

Group-wide guidelines ensure a strict separation of functions between trading, processing and control of all financial market transactions. These guidelines also constitute the basis for selecting and determining the scope of hedging activities. The goal of currency hedging is to reduce currency effects on the development of the Group’s net income and equity.

The currency risk is calculated based on the balance sheet currency exposure as of December 31, 2012. This procedure is selected on the basis of the HUGO BOSS Group’s hedging strategy, which aims to minimize balance sheet risks.

The exposure comprises cash and cash equivalents, receivables and liabilities and intercompany loans held in currencies other than the functional currency of the subsidiary in question. Effects due to the translation of financial statements from foreign subsidiaries outside the euro zone have not been taken into account.

Based on the requirements of IFRS 7, the HUGO BOSS Group has calculated the effects of changes in the most important exchange rates on income and equity. The following sensitivity analyses show the impact on net income and equity if different exchange rates had been in place as of the reporting date. It is assumed that the level at the reporting date is representative for the year as a whole. The previous year's figures have been adjusted on the basis of an improved calculation method.

03|44 EXPOSURE AND SENSITIVITIES AT THE REPORTING DATE DECEMBER 31, 2012
(in EUR million)

	USD	GBP	AUD	CAD	CHF	JPY	HKD	CNY
Gross currency exposure	**40.4**	**16.6**	**22.5**	**11.7**	**(30.0)**	**29.8**	**(7.5)**	**18.5**
Hedging	(45.5)	(21.4)	0.0	(7.6)	0.0	(26.4)	(4.4)	0.0
Net currency exposure	**(5.1)**	**(4.8)**	**22.5**	**4.1**	**(30.0)**	**3.4**	**(11.9)**	**18.5**
Historic volatility	9.2	6.8	8.7	8.2	4.8	12.3	9.5	9.4
Appreciation of the euro by standard deviation								
Net income	0.4	0.2	(1.5)	(0.3)	1.1	(0.3)	0.9	(1.3)
Depreciation of the euro by standard deviation								
Net income	(0.4)	(0.2)	1.5	0.3	(1.1)	0.3	(0.9)	1.3

03|45 EXPOSURE AND SENSITIVITIES AT THE REPORTING DATE DECEMBER 31, 2011
(in EUR million)

	USD	GBP	AUD	CAD	CHF	JPY	HKD	CNY
Gross currency exposure	**29.2**	**20.9**	**25.2**	**14.9**	**(24.8)**	**37.3**	**(11.1)**	**28.6**
Hedging	(44.9)	(21.0)	(11.8)	(7.6)	0.0	(29.9)	1.6	0.0
Net curreny exposure	**(15.7)**	**(0.0)**	**13.4**	**7.3**	**(24.8)**	**7.3**	**(9.5)**	**28.6**
Historic volatility	11.1	8.0	10.9	9.3	14.9	12.5	10.8	10.9
Appreciation of the euro by standard deviation								
Net income	1.3	0.0	(1.1)	(0.5)	2.8	(0.7)	0.8	(2.4)
Depreciation of the euro by standard deviation								
Net income	(1.3)	(0.0)	1.1	0.5	(2.8)	0.7	(0.8)	2.4

Historic volatility in the individual foreign currencies was used to take account of the different fluctuations in the foreign currencies relevant to the HUGO BOSS Group against the euro and the requirements of IFRS 7 of a “change considered possible” in the exchange rates. This historic volatility was calculated on the basis of daily fluctuations over the past 12 months. There are no direct effects on the Group equity since there were no currency hedging transactions accounted for directly in equity according to IAS 39 as of the reporting date.

In the event of appreciation of the euro as against the relevant foreign currency exposure by the standard deviation in each case, the Group’s net income would have decreased by EUR 0.8 million (2011: increase of EUR 0.2 million). In the event of equivalent depreciation of the euro, the Group’s net income would have increased by EUR 0.8 million (2011: decrease of EUR 0.2 million). As of the reporting date, no currency hedging derivatives were in an effective hedge relationship as defined in the IFRS. The sensitivity of the equity therefore corresponds to that of the Group's net income.

Based on this sensitivity analysis, currency risk and its influence on the net income of the HUGO BOSS Group is regarded as minor. The management is assuming that changes in the currency pairs relevant to HUGO BOSS are most likely in fiscal year 2013.

Credit risk

The credit risk related to financial institutions arises primarily from the investment of liquid funds as part of liquidity management, from short-term deposits of bank balances where necessary, and from trading in derivatives.

With financial instruments, the Group is exposed to a (bank) default risk resulting from the possible counterparty default. The maximum amount of this risk is therefore the positive fair value of the financial instrument in question. To minimize default risk, the HUGO BOSS Group concludes financial instruments only with counterparties with first class credit ratings and adheres to predetermined risk limits. Only in exceptional cases and with the approval of the Managing Board may investments be made or derivative transactions entered into – within narrow limits and terms – with banks with a lower credit rating. HUGO BOSS assumes that the risk concentration is low and considers the probability of default by counterparties to be minor. As the Group works with banks of consistently excellent credit standing, counterparty risks are considered unlikely. → **Notes to the Consolidated Financial Statements, note 25, p. 169**

Share price risk

The HUGO BOSS Group employs derivatives to hedge against future expenditure from claims arising from the share-based compensation program "Stock Appreciation Rights Program" that have not yet been settled. Due to fluctuations in the share price, both the stock appreciation rights and the hedging instruments used are subject to changes in value. Hedging instruments that are no longer opposed by a hedged item can affect the Group's earnings. The efficacy of the hedging and the exercise of the stock appreciation rights are monitored on a monthly basis. The scope of derivative hedging instruments is changed provided that there are no more obligations in connection with the stock appreciation rights program. However, delayed sale of the hedging transactions can possibly result in a negative impact on the earnings, net assets and the financial position, but the HUGO BOSS Group regards this impact as minor.
→ **Notes to the Consolidated Financial Statements, note 25, p. 169**

Tax risks

Tax issues are regularly analyzed and assessed by the central tax department in cooperation with third-party tax consultants. Tax risks are possible for all outstanding assessment periods and can result from current business activities or changes in the legal or tax structure of the Group. Sufficient provisions have been recognized in the past for tax risks already known about. The amount of these provisions is based on various assumptions such as the interpretation of the respective regulations, court rulings and administrative opinion by local tax consultancies, on the basis of which the management measures the level and probability of a potential risk. Due to changes in the tax legislation of individual countries or different assessments of existing facts by the tax authorities, the Group assumes that additional tax risks are possible.

OPERATIONAL RISKS

Risks relating to the sourcing market

The high quality requirements for HUGO BOSS products and thus the sourcing and production processes require close partnerships with suppliers. The increased overall sourcing and production volume resulted in even closer cooperation with selected suppliers. **Dependencies** may arise due to production capacity being concentrated with key suppliers. A possible accumulation risk could also result from regional events that simultaneously affect several suppliers, business areas or product groups. This has practical relevance, e.g. with regard to earthquake risk at the production site in Turkey. Potential losses and relocation options have been identified and the risks of financial loss have been covered to the fullest extent possible with insurance policies.

In order to ensure reliable availability of production materials and capacities of a suitable quality and at prices in line with the market, orders to suppliers and utilization of manufacturers' capacity are coordinated centrally. The supplier structure is reviewed on a regular basis with the aim of identifying country risks in good time. Diversification of risks is ensured to the greatest extent possible in line with the volumes, which depend on quality and available production capacity. The sourcing volume is distributed across a global network of suppliers so as to spread the risk and make the Group as independent as possible of single sourcing locations and manufacturing companies. As such, the largest independent manufacturer of merchandise accounted for only around 8% of the total sourcing volume of the HUGO BOSS Group (2011: 8%). On this basis, the management considers risks from dependence on individual suppliers or the regional distribution of the sourcing volume unlikely. Due to increased demand and reduced time to market as part of a conversion to a four-collection cycle, the importance of a reliable and punctual supply of goods has continued to grow. The financial impact of risks from dependency in terms of sourcing has therefore risen in comparison to the previous year and is classified as moderate.

Wage increases in production – which are particularly likely in emerging economic regions – and rising raw material prices may lead to higher **product costs**, thus putting pressure on the gross profit margin. The HUGO BOSS Group is counteracting this risk with margin-based collection planning, company-wide measures to improve efficiency in production and sourcing processes, an improvement in the use of materials, and consistent implementation of the pricing strategy. Due to the lead time in the sourcing and production processes, the Group can already react to early warning indicators. In light of the current developments in the emerging economies, it is presently assumed that risks of higher product costs are possible but would have only a minor negative effect on forecast earnings development.

The allocation of production capacity as well as raw materials and finished goods as part of sourcing processes is associated with **planning risks**. Deviations from the appropriate allocation can lead on the one hand to overallocation and a resulting risk of increased capital commitment, and on the other hand to underallocation with the risk of not taking advantage of sales opportunities. The effects of this are considered likely with a significant influence on expected earnings development. The Group is therefore working very hard to continually improve the quality of forecasts and to reduce time to market in order to reduce this risk. To this end, the electronic connection between the suppliers and the company has extended further in the past few years to enhance transparency across procurement chains.

Quality risks

Product quality plays a key role in brand image. Products are subject to standardized Group quality control checks at all stages of production. Traveling quality consultants regularly visit production sites and review compliance with the strict design and production specifications of HUGO BOSS. Incoming controls, supplier checks and quality tests in the Technical Development Center at the Metzingen head office ensure that the high quality standards of HUGO BOSS are complied with and that goods are delivered to customers smoothly and on time. Nonetheless, HUGO BOSS will continue to regard the occurrence of product returns for reasons of quality as most likely. However, due to the formation of corresponding return provisions and the regular review of the values taken into account, the impact on future earnings development is considered moderate. → **Sourcing and Production, p. 53**

Logistics risks

Raw materials and finished goods are stored only in a few selected locations. The central distribution center for hanging goods at the Group headquarters in Metzingen and the establishment of a central flat packed goods warehouse further strengthen this consolidation trend. Logistics risks may occur relating, for example, to the failure or loss of warehouses. To counteract the risk of loss of raw materials or finished goods, which equals a loss of sales due to inability to supply, strategically important warehouses are operated by the Group itself and comprehensive technical and organizational measures are taken for fire protection and security. Adherence to these measures is monitored on an ongoing basis. In addition, HUGO BOSS uses insurance policies to cover the direct financial risk of loss of goods in warehouses as well as a loss of its production sites. Because of the continued expansion of the Group’s own retail business, the importance of on-schedule delivery of the correct quantities has continued to grow. Therefore, the probability of risks in logistic processes has increased year-on-year and is classified as possible. Financial effects are therefore rated minor.

Distribution risks

There is a risk that individual directly operated stores could fall short of the originally planned sales targets and, in extreme cases, might have to be closed. These cost risks are discussed under investment cost risks in the area of strategic risks. → **Report on Risks and Opportunities, Strategic Risks, p. 101**

The increasing share of the **Group's own retail business** may potentially entail a corresponding increase in inventory risks as a consequence of the general economic situation or weak development of the Group’s own retail stores. This may result in depreciation of inventories or ultimately in a need to destroy goods. Differentiated retail formats and collections tailored to this are used to bring about a constant improvement in efficiency on the sales floors.

Inventory management will continue to be of major importance. The challenge is to be able to respond to orders from customers at short notice while still optimizing inventories. Replenishment is coordinated by a central department to reduce inventory risk and to optimize the inventory position in general. Write-downs are recognized and reviewed at regular intervals for inventory risks resulting from a partial reduction in marketability due to long storage periods. In the management's view, sufficient write-downs had been performed as of the reporting date. A decline in demand or a mistaken estimate of the sales ratio can possibly have a negative impact on inventory turnover and lead to higher discounts. Both factors affect the value of inventories and result in further write-downs that can moderately affect the business development of the Group.

The Company strives to maintain a balanced customer structure to avoid potential dependency on individual customers in the **wholesale channel**. The expansion of the Group's own retail activities reduces reliance on wholesale business. Key figures such as order levels, sales, and delivery rates are monitored on an ongoing basis in real time by the sales controlling department.

Losses due to bad debts may be incurred in the wholesale channel. This risk depends on both the general economic development and the customers' individual financial situation. The HUGO BOSS Group is therefore exposed to negative effects as a result of individual trading partners' inability to pay or insolvency and cumulated defaults arising from a potential deterioration of the general economy in individual markets and regions. However, this risk is mitigated by the disproportionately increase in the share of the Group's own retail business in total sales. The Group-wide credit management system successfully implemented in the past, which operates in accordance with uniform rules, was further intensified by centrally coordinated measures. These measures focus on credit screening and on setting and adhering to customer credit limits, monitoring the receivables' age structure, and managing doubtful accounts. In some cases, this also resulted in discontinuation of business with customers deemed not creditworthy. The Internal Audit department regularly reviews adherence to these Group guidelines. There was no concentration of default risks due to major receivables from individual customers as of the reporting date. Possible risks in connection with default by wholesale partners are therefore considered to be minor. **➔ Notes to the Consolidated Financial Statements, note 15, p. 163**

External conditions such as the **competition** result in changes in demand for HUGO BOSS products and higher price pressure in the sales markets affected.

Despite the continued expansion of the Group's own retail business, wholesale business will remain an important distribution channel. The establishment of close customer relationships and long-term alliances with trading partners in the high-end market segment therefore remains important in order to gain additional market share. Granting additional discounts to wholesale partners could result in negative effects on the gross profit margin. Higher discounts in retail due to deterioration of demand would also negatively affect the Group's earnings development. However, to limit the discounts offered, margin and earnings targets are defined in advance for each individual market and distribution channel. In addition, the discounts granted are monitored on an ongoing basis, both for wholesale and the Group's own retail operations, as part of the preparation of the monthly financial statements. Compliance with internal corporate guidelines on granting discounts in retail is also continuously monitored by the central sales controlling department. Adequate provisions were made for discounts already granted, particularly in wholesale, at the reporting date. However, the management assumes that it is likely for additional discounts to be granted and that these discounts would have a moderate impact on the Group's planned earnings development.

ORGANIZATIONAL RISKS

IT risks The uniform IT infrastructure across the Group facilitates smooth business operations. To reduce risks such as system interruptions, data loss, and unauthorized access, a number of measures are implemented in the form of multi-level security and virus plans, issuing access rights, access control systems and independent energy supplies. Therefore, the management assumes that the occurrence of IT risks is unlikely and that these risks would have only a minor financial impact.

Legal risks

As part of global business operations, legal risks may arise. To avert litigation to the greatest extent possible, all significant legal transactions of the HUGO BOSS Group are reviewed and approved by the central legal department. The central legal department works closely with local attorneys and the Group's subsidiaries in this process. Liability risks are reduced by insurance policies in effect throughout the organization. Adequate provisions were made in the past fiscal year for court costs and costs for legal counsel. The risk of further legal risks is considered possible, though the management feels that its impact on the earnings, net assets and financial position of the Group would be minor.

Personnel risks

Risks relating to personnel arise mainly from shortages of potential staff in the recruitment process, a lack of specialist staff and fluctuation. These risks are limited by means of comprehensive professional development measures, performance-oriented compensation and succession planning at an early stage. Employee development and career planning is also promoted in a targeted way with comprehensive talent and performance management. The personnel risks described are considered possible given the current HR requirements within the Group with a minor effect on planned earnings development at the same time.
→ **Employees, p. 45**

Risks relating to corporate governance and compliance

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

All HUGO BOSS Group employees are required to adhere to the general code of conduct that applies throughout the Group as well as to additional specific compliance regulations. A comprehensive training program on compliance was conducted again in the past fiscal year. Adherence to the compliance regulations is monitored centrally and reported to the Managing Board. Violations of compliance regulations are considered possible, but non-compliance would have only a minor financial impact in the management's view.

In addition, suppliers are contractually obliged to adhere to social standards governing areas such as occupational health and safety, prohibition of child labor and adequate wages. This is monitored by means of regular audits. If infringements of standards and statutory provisions are identified, the audit frequency is increased depending on the seriousness of the infringement and a binding plan of measures with renewed implementation control is agreed together with the suppliers. In serious cases, the cooperation may be terminated.

The Managing Board currently considers non-compliance with the Group's social standards unlikely. Unexpected infringements could have a moderate impact on the earnings, net assets and financial position of the Group. → **Sustainability, p. 56** → **Corporate Governance Report, p. 14**

Assessment of the risk situation by the management

Both the parent company and all the subsidiaries operate with the same kind of risk analysis and risk management, which is the organizational precondition for early detection of risks. Risks are uniformly quantified in the same way, namely by calculating their influence on EBIT and/or cash flow.

There are no individual or combined risks that could jeopardize the Group's continuation as a going concern according to current information.

REPORT ON THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND THE RISK MANAGEMENT SYSTEM IN ACCORDANCE WITH SECTION 289 PARAGRAPH 5 AND SECTION 315 PARAGRAPH 2 NO. 5 HGB

The goal of the Internal Control and Risk Management System as it applies to the accounting process and the preparation of the financial statements of the HUGO BOSS Group is to record, present and value all transactions correctly on the balance sheet. The clear definition of areas of responsibility in the finance department of HUGO BOSS AG and the proper continued professional education of employees, together with the use of the suitable software and uniform prescriptive guidelines, constitutes the basis for a proper, efficient and consistent accounting process. This ensures that the assets and liabilities are recognized, valued and reported correctly in the consolidated financial statements and that a reliable statement about the Group's earnings, net assets, financial position and cash flow can be made.

Accounting-related IT systems

Management controls in all business divisions require correct and up-to-date information. This means that business information and reporting systems are extremely important. The quality of control over operations has been greatly improved by the introduction of SAP AFS, SAP Retail and the Business Intelligence Services system (BIS) throughout the Group. BIS contains numerous key performance indicator reports for both the finance department and all operational divisions that can be accessed daily.

In the finance department, the comprehensive monthly reporting package is one of the most important reporting instruments. As part of standardized Group-wide reporting, all HUGO BOSS companies provide detailed information on the most important balance sheet and income statement items, as well as key figures and additional comments. Both the reporting dates and the content for this are stipulated by the central finance department and are binding. There are automated and standardized reporting formats for a large part of the reporting content. Professional responsibility for this lies with the central finance and controlling departments. In addition to centrally updating the master data of the uniform Group-wide chart of accounts, this also involves reviewing the reporting formats on an ongoing basis with regard to compliance with the applicable international standards for financial reporting. In addition, the uniform Group-wide mapping of HUGO BOSS' transactions is reviewed at regular intervals and corrected if the presentation differs from the actual transactions.

In order to prevent unauthorized access to accounting-related data and to ensure the integrity, availability and authenticity of the data at all times, the SAP Security Policy (part of the IT Security Guideline) was implemented throughout the Group. This guideline also includes requirements for monitoring compliance in the finance department. The IT security for accounting-related processes is supplemented with system-supported controls and workflow-based processes which stipulate a checks-and-balances principle, appropriate separation of functions, and approval processes. These include invoice auditing and authorization, purchasing processes and SAP authorization management.

In addition, the IT authorization required by employees is defined by their roles, which reflect jobs or positions within the Company. In order to ensure a proper separation of functions in the SAP systems, HUGO BOSS began fully implementing special detection software in 2009. This compares the rights profile of a user with a pre-installed SoD (segregation of duties) schedule. The software allows critical rights to be identified and appropriate countermeasures to be initiated. The Group-wide rights management and role definition also come under the responsibility of the central IT departments of HUGO BOSS AG in Metzingen.

Organization of accounting and accounting-related guidelines

All subsidiaries of the HUGO BOSS Group are independent legal entities. Each market is run by a Managing Director who is responsible for business operations and a Finance Manager for all accounting-related matters. The areas of responsibility of the Finance Manager in each market include continuous monitoring of key performance indicators, monthly reporting of key financial indicators to the central finance department, and preparation of the three-year plan. In addition, new investment projects, particularly in the area of the Group's own retail business, must be analyzed with reference to their feasibility and profitability and then agreed with the HUGO BOSS AG controlling department.

As the functional superior of all Finance Managers, the Chief Financial Officer of HUGO BOSS AG is authorized to issue directives and is therefore responsible for worldwide financial management.

Furthermore, the Finance Managers and Managing Directors of HUGO BOSS companies issue what is known as a CFO Certificate every quarter confirming adherence to certain defined principles and the exercise of management controls. Some of these controls are also integrated in the Group-wide ERP software. Reports are also submitted on the appropriateness of the controls for ensuring data integrity and data access protection, and on cases of fraud or major violations of the Internal Control System.

In addition to providing active support for all business divisions and Group companies, the central finance department in Metzingen is also responsible for preparing and updating uniform guidelines and instructions for accounting-related processes. This chiefly pertains to preparing and updating a guideline on allowances for doubtful accounts, an investment guideline, the IAS/IFRS accounting manual and clear requirements for intercompany reconciliation.

Questions on specific accounting or valuation matters relevant to the HUGO BOSS Group are also dealt with centrally, where they are analyzed and documented before being communicated to the HUGO BOSS Financial Community. A central e-mail address also gives employees the opportunity to quickly address open questions to the central finance departments. Major accounting issues and changes to the relevant IAS/IFRS standards and interpretations are discussed with the Group's auditors at regular meetings which take place at least once a quarter. Professional development events are also organized at regular intervals, and updates on accounting-related topics are communicated in the Accounting Newsletter and listed on the Group Intranet in the Finance Forum. Training is given in a financial college for junior employees in the finance department. The responsible Finance Managers meet once a year at the Finance Managers' Meeting.

The Internal Audit department is part of the Internal Control System and reviews the specified controls for compliance and effectiveness as part of its monitoring function. The annual audit plan and the areas it will focus on are agreed with the Managing Board and the Audit

Committee. Ad-hoc audits may be carried out at any time. All audit reports are reported directly to the Chief Financial Officer and to other Managing Board members as appropriate. In addition, the Internal Audit department submits regular reports to the Audit Committee.

OPPORTUNITIES REPORT

Systematically identifying and exploiting value-enhancing business opportunities is a key element of ensuring profitable growth of the Company.

Decentralized organization of opportunity management

On account of the direct connection with the goals and strategy of the relevant business division, responsibility for identifying, assessing and exploiting opportunities lies with the operational management in the regions, individual markets and central functions. Opportunities are always considered in conjunction with potential risks and are pursued only if they outweigh the risks associated with them and if these risks are considered manageable and limited in terms of their potential effects.

Ongoing monitoring and close links with Group planning

Short-term opportunities, defined as potential positive deviations from the planned operating result (EBIT) for the current fiscal year, are recorded centrally at regular intervals. Long-term opportunity management is directly linked with Group planning. Opportunities that have been identified and assessed on the basis of their contribution to the enterprise value are incorporated in the annual budget and long-term strategic planning. In dialog with the operating units, the Managing Board makes the decision on their implementation and allocates the resources required for this.

HUGO BOSS has identified the following major opportunities arising both from the business environment and also from the Group strategy itself.

EXTERNAL OPPORTUNITIES

Opportunities from the general economic development

The Group's growth prospects are influenced by the economic situation on its sales markets. As a consumer goods company, HUGO BOSS can benefit directly from positive general economic developments and their impact on consumer confidence and customers' buying behavior.

Opportunities from changes in the market environment

Changes in regulation and legislation can have a potentially positive influence on the Company's sales opportunities and profitability. A reduction in import duties or taxes, for example, can improve the Company's competitive position in relation to the local competition.

STRATEGIC AND OPERATIONAL OPPORTUNITIES

Relevant customer segment growing significantly

Industry experts anticipate strong global growth in the market segment relevant to the premium and luxury goods sector. For instance, some analysts expect that by 2025 approximately 600 million more people worldwide will have the financial capacity to purchase premium and luxury goods as compared to the present. Significant increases are expected particularly in emerging economies such as China due to rising income and the high share of total disposable income spent on consumption as compared to other regions of the world. Owing to its brand positioning at the threshold of the luxury sector, the Group considers itself to be ideally positioned to benefit from this development. It is working to realize the identified growth potential through market entry and market cultivation strategies specifically tailored to the individual countries.

Growing interest in fashion among men

In recent years, interest in fashionable clothing has grown considerably among younger men in particular. More and more men are paying increasing attention to a fashionable appearance in order to express their own personality or to stand out from the crowd. In addition, increasing importance is being attached to individuals' clothing with regard to perceptions of their personal skills in a work environment. HUGO BOSS' brand commitment to offer fashionable and stylish apparel of outstanding quality addresses these needs very effectively, so that the Group therefore sees good opportunities to benefit from the global trend of men's growing interest in fashion.

Group seizes opportunities from changes in shopping habits and lifestyle

The rapid technological advances of the past fifteen years, particularly the massive increase in the importance of the Internet, have made a great difference to consumers' shopping habits and lifestyle. HUGO BOSS sees these changes as an opportunity to enhance the image of its brands, strengthen existing consumer relationships and gain new customers. In expanding and continuously improving its online store, the Group meets consumers' needs with regard to product presentation, choice of products, service and convenience. Closer integration of its online business with its bricks-and-mortar retail also offers significant growth opportunities. At the same time, the Group uses digital media to allow consumers to experience its brands first hand and to increasingly individualize the way it approaches customers.

Multi-brand strategy allows Group to target differentiated customer segments

HUGO BOSS has an outstanding position in the global fashion market. All of the Group brands stand for excellent quality, outstanding workmanship and modern design. With its brands, the Group appeals to a wide public across the whole spectrum of the premium fashion market – from the avant-garde HUGO brand to the BOSS Orange lifestyle brand. By deciding to combine BOSS Selection and the core BOSS brand, the Group has also enhanced its product range in the luxury segment. The Group expects the further expansion of its product range in this market segment to result in improved opportunities for strengthening its customers' loyalty to the brand across all stages of their life.

Growth opportunities in product categories with comparatively low market penetration

HUGO BOSS holds the leading market position particularly in premium menswear in many regions. In the womenswear market, however, it has a much lower penetration in most markets. The Group therefore sees considerable potential in this market and is working intensively on successfully implementing its strategy in this business area in order to gain market share. In sportswear in particular, the Group feels that there are significant opportunities here based on its market success in menswear. HUGO BOSS has also identified good growth opportunities in the product categories of shoes and accessories in combination with its apparel range.

Increasing retail expertise opens up new growth opportunities

Over the past years, HUGO BOSS has geared its distribution activities more strongly towards end consumers and has significantly increased the share of sales generated by its own retail business. The Company is thereby responding to customers' preference for monobrand sales formats, particularly in many fast-growing emerging markets where the multi-brand sales formats such as department stores that are well-established in Europe and North America have much lower market penetration. In addition, more and more trading partners in the Group's established core markets are changing over to allowing manufacturers to manage their sales space independently. The Group has therefore systematically increased its retail expertise and sees major opportunities to generate above-average sales and profit growth from direct sales to end consumers in addition to its established wholesale business.

Own distribution enhances brand image

Extensive control over how the point of sale is arranged also enables the Group to enhance the presentation of its brands, thereby increasing the perceived value of its product range. HUGO BOSS believes that this development offers major opportunities to profitably increase consumer demand both in its directly operated stores and with its trading partners.

Process improvements tap additional sales and earnings potential

HUGO BOSS has also taken account of the growing importance of own retail business by optimizing key operational processes. As a result, the Group is able to gear itself more strongly towards the needs of end consumers and to react faster to market changes than it has done in the past. The Group also sees significant opportunities in the coming years to achieve positive sales and earnings effects through ongoing process optimization. For example, the construction of a new flat packed goods warehouse provides significant opportunities for optimizing the management of flows of goods in own retail business in Europe and for increasing efficiency.

FINANCIAL OPPORTUNITIES

Currency fluctuations can support earnings development

Favorable exchange rate developments can potentially have a positive influence on the Group's earnings development. The Group analyzes the market environment on an ongoing basis in order to identify and take advantage of such opportunities.

SUBSEQUENT EVENTS AND OUTLOOK

HUGO BOSS expects continued profitable Group growth in 2013. The implementation of the medium-term growth strategy will help the Group to raise its sales and its operating result to new record levels. All regions are expected to report a year-on-year increase after adjustment for currency effects. Whereas the Group's own retail business is forecasted to post double-digit growth as a result of new store openings and organic growth, a roughly stable development is anticipated in the wholesale business. The operating result (EBITDA before special items) is likely to see stronger growth than sales, primarily due to the expansion of the Group's own retail business and efficiency improvements.

SUBSEQUENT EVENTS

HUGO BOSS launches ADR program

On January 18, 2013, the HUGO BOSS Group launched a Level 1 American Depositary Receipt (ADR) program in the U.S.

The program is intended to increase the Group's visibility on the U.S. capital markets and broaden its investor base there. The securities are traded under the CUSIP number 444560106 and the ticker symbol BOSSY on the over-the-counter market in the U.S. An ADR represents one-fifth of the HUGO BOSS AG ordinary share. The custodian bank for the ADRs is The Bank of New York Mellon.

HUGO BOSS ordinary shares are also still traded via the electronic trading system XETRA, on the Frankfurt Stock Exchange and on all regional stock exchanges in Germany under the ticker symbol BOSS.

Subsidiary in Singapore

With effective date of January 23, 2013 all shares of H.Boss East Asia Pte Ltd., Singapore were transferred to HUGO BOSS International B.V.

No further reportable events

Between the end of the fiscal year 2012 and the approval for publication of this report on February 22, 2013, there were no further significant macroeconomic, socio-political, sector-related or company-specific changes that the management expects will have a material influence on the results of operations, net assets and financial position of the Company.

OUTLOOK

As an international fashion company, HUGO BOSS' profitable growth is influenced not only by the strategic initiatives implemented throughout the Group, but also by global economic conditions and sector-specific developments. For example, consumer confidence and private consumption, which are highly relevant to the HUGO BOSS Group, are often reflected in the economic situation or in forward-looking business climate indicators. It is therefore very important for the Group to identify macroeconomic and sector-specific trends at an early stage so that it can react to them in good time with suitable measures.

The following report sets out the HUGO BOSS management's forecasts for the future business performance and describes the anticipated development of the main economic and sector-specific conditions. It reflects the current knowledge of the management at the time the report was prepared, while also aware that the actual development may differ considerably from these forecasts, either positively or negatively, due to the occurrence of risks and opportunities as described in the report on risks and opportunities. Other than the statutory publication requirements, the HUGO BOSS Group does not assume any obligation to update the statements contained in this report. → **Report on Risks and Opportunities, p. 98**

Outlook for growth in the global economy fraught with considerable risks

For 2013, experts anticipate moderate global economic growth with a slightly higher increase than in the previous year. The economic outlook is overshadowed by ongoing uncertainties in relation to the euro debt crisis and definitive avoidance of the "fiscal cliff" (tax increases and spending cuts imposed by budget law) in the U.S. Opportunities for the economy arise primarily from the monetary and fiscal policy stimulus measures planned and in some cases already implemented in emerging economies. The level of growth will therefore differ from region to region in 2013: Asia is likely to remain the world's growth engine and the U.S. economy is expected to post moderate growth – provided a sustainable solution to the U.S. budget problems is found – whereas the euro-zone economy is expected to develop stably overall or could even contract slightly.

Economic environment in the euro zone expected to remain difficult

In **Europe**, the economic prospects for 2013 have improved slightly in comparison to the previous year, but still point to a minor downturn in the economy. High unemployment and sustained government austerity will continue to negatively impact consumption. Following a moderate recession in the first half of the year, the euro zone is expected to see a slight expansion in the second half, partly due to the recovery of the global economy and the resulting increase in foreign demand. There is no sign of a quick solution to the sovereign debt crisis in Southern Europe in particular. Much will depend on how much progress the peripheral countries can make in overcoming the crisis. Germany is expected to perform better than average and to grow slightly in 2013. This development should be supported by its low unemployment, robust private consumption, stable domestic demand and increasing exports.

American economy continues moderate growth

Provided a sustainable solution is found for reducing the high level of sovereign debt, conditions for growth in the **U.S.** are likely to remain positive in 2013. Lower energy costs, a significant upturn in private consumption and increased corporate capital expenditure should contribute to this. Overall, economic growth of 2% is expected in the U.S. After a mixed performance in the past year, economists are forecasting a substantial recovery in growth rates in **Latin America** in 2013. This trend will likely be boosted by an upturn in the export sector, among other factors. Chile, Colombia and Peru are expected to make a significant contribution to growth in the region, and the Brazilian economy should also pick up in light of considerable monetary policy stimuli.

Continued high pace of growth in Asia

The **Asian economy** is likely to see slightly stronger growth in 2013 than in the previous year. Growth here is expected to reach almost 7%, supported by global signs of recovery. In China, the new political leadership is expected to introduce major economic stimulus measures, with one of their focuses being to boost private consumption. Experts anticipate economic growth of just over 8% in China in 2013, representing a slight year-on-year improvement. In the mature markets of Japan and Australia, a mixed performance is expected. Following the recent slowdown in economic growth in Japan, a more aggressive fiscal and monetary policy approach by the government should bring about a moderate recovery starting from the second half of 2013. Growth of the Australian economy is expected to slow slightly due to the difficult situation in the real estate sector and restrained private consumption.

Continued sector growth expected

The growth trend in the premium and luxury goods sector is expected to continue in 2013. According to sector experts, the currency-neutral growth rate will be in the mid single-digit range and is thus expected to be higher than the rate for the economy as a whole. Despite continued uncertainty regarding the economic situation in Europe and the U.S., growth should be supported by higher demand in China in particular.

All regions to contribute to growth

In 2013, all regions are expected to contribute to sector growth, which will be supported in particular by growing demand in emerging economies. This is also expected to foster the sales performance in **Europe** and **the Americas** in the form of tourism. Growth in Western Europe and particularly in Southern Europe will most probably still be impacted by the deterioration in consumer sentiment. However, this is likely to be offset by strong growth in Russia and the Middle East in particular. Demand in **the Americas** is considered to be stable still, as consumer confidence has increased again. The **Central** and **South American markets** will make an above average contribution to the region's moderate growth prospects. In both Europe and the Americas, continued consolidation of the sector is anticipated. Tapping of regions outside the major cities is likely to increase on a global level. Despite the slowdown in growth observed in the past year, the highest growth rates for the sector are forecasted in **Asia**. In China, the sector environment is expected to recover again following the deterioration in 2012. The extent of this recovery will depend to a large extent on the relevant consumer segment's confidence in the future economic and political development of the country.

Further increase in currency-neutral sales

HUGO BOSS expects to increase its sales further on a currency-neutral basis in 2013. The Group anticipates that this growth will exceed the growth rates for the global economy and the luxury goods sector.

Growth in all regions

All regions will contribute to the forecasted sales increase for the Group as a whole in 2013. In Europe, increases are expected in all major markets, with particularly strong growth forecasted in Eastern Europe. In the comparatively much smaller markets of Southern Europe, the effects of the sovereign debt crisis and the difficult consumer environment could lead to weaker growth rates. In the Americas, a continued positive development is anticipated, still driven primarily by the strength of the U.S. market. In Asia, the Group plans to generate stronger currency-neutral growth than in the previous year. This should be supported by a gradual improvement in growth rates in the important Chinese market. Sales in the royalties segment are also expected to develop positively.

Own retail business remains engine of sales growth

Own retail will be the main sales driver for the Group again in 2013. Own retail sales are expected to increase at a double-digit rate, mainly as a result of strong growth in directly operated stores and online. In addition to the positive effects of the expansion of the Group's own store network, comp store revenues are also forecasted to rise. The Group is benefiting here from further professionalization of its retail activities and the strong appeal of its brands. The acquisition of HUGO BOSS shop-in-shops previously managed by retail partners in Germany and Spain will make a moderate contribution to the sales increase in own retail. For the wholesale business, a roughly stable sales development is forecasted. This projection is based on the development of incoming orders, feedback from trading partners on the new collections, and expectations regarding the development of the replenishment business.

Continued sales space expansion in own retail

The HUGO BOSS Group will continue to expand its own retail activities and increase the number of directly operated stores in 2013. Based on an analysis of its global market penetration, the Group believes that there are opportunities to profitably increase its sales space in all regions. In 2013, HUGO BOSS plans in particular to tap the Russian market with its own retail business. In addition to organic new store openings, the Group also aims to take over HUGO BOSS shop-in-shops previously managed by retail partners in Germany and Spain.

Increase in operating result

HUGO BOSS plans to increase its operating result (EBITDA before special items) in 2013. EBITDA growth is expected to exceed the increase in sales. The main drivers of profit growth will be the expansion and improved management of the Group's own retail business. As a result of the higher share of this distribution channel, the gross profit margin will increase as against the previous year. Operating expenses will rise, mainly due to the further expansion of own retail activities and higher marketing expenses. Research and development costs are also expected to increase moderately. In light of the anticipated sales growth, however, the Group expects operating expenses to decrease overall in relation to sales. As a result of the EBITDA improvement before special items, net income is also forecasted to grow.

Strict management of trade net working capital

Strict management of trade net working capital continues to be a high priority so as to generate improvements in operating cash flow. Particular attention is given to reducing the cash conversion cycle. Potential for improvement is seen particularly in decreasing days inventories outstanding. The Group is therefore aiming to reduce days inventories outstanding, particularly in own retail, by means of more frequent renewal of the product range due to the changed collection cycle and improved planning of flows of goods. Overall, the Group expects trade net working capital to grow more slowly than sales in 2013.

Own retail focus of investment activities

In 2013 capital expenditure will continue to focus on expanding own retail activities and renovating existing stores and shops. Additional expenses will also be incurred in connection with the ongoing construction of a new distribution center for flat-packed goods and the construction of a new office building at the Company's headquarters. However, the Group has not yet reached a decision on how these measures will be financed, hence their accounting cannot yet be fully anticipated. Without taking into account additional expenses to be capitalized in connection with these projects, the Group's capital expenditure in 2013 will be roughly on par with the previous year's level.

Continued strong cash flow development

The Group anticipates that cash flow will develop strongly in 2013, primarily due to the planned operating result improvement, strict management of trade net working capital, and disciplined investment activity. In addition to the dividend payment, excess funds are to be used to further reduce debt. Accordingly, the Group expects net financial liabilities at the end of the year to be lower than in the previous year. To maintain its financial flexibility, the Group plans to refinance the existing syndicated credit line with a new syndicated loan amounting to EUR 450 million. In view of its sound financial profile and its continued strong internal financing capability, the Group expects to be able to conclude the refinancing successfully and at current market terms.

Dividend per share rises substantially

HUGO BOSS pursues a profit-based dividend policy under which the shareholders participate appropriately in the Group's earnings development. Between 60% and 80% of net income is to be distributed to the shareholders on a regular basis. On the basis of the significant increase in profit in the past fiscal year and the positive expectations for 2013, the Managing Board and Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 16, 2013 a dividend of EUR 3.12 per ordinary share (2011: EUR 2.88 per ordinary share and EUR 2.89 per preferred share) for fiscal year 2012. The proposal corresponds to a payout ratio of 70% of net income attributable to the equity holders of the parent company in 2012 (2011: 70%). Provided the shareholders approve the proposal, the dividend will be paid out on the day following the Annual Shareholders' Meeting, i.e. on May 17, 2013. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 216 million (2011: EUR 199 million).

Ambitious medium-term growth plans

The Group plans to generate significant sales and earnings increases in the medium term. The Group strategy is based on organic growth of the existing brand portfolio. Sales are to reach EUR 3 billion in 2015. The operating result is to be increased to EUR 750 million in the same year. The Group expects to make further progress towards achieving these goals in 2014. Sales and operating profit are forecasted to increase further. A continued recessionary economic environment, particularly in major European core markets, as well as cost inflation in the sourcing processes and loss of appeal of the Group's brands could jeopardize achievement of these goals. The Group has taken precautions to limit the probability of these or other risks occurring and the effects if they do occur. Details can be found in the Risk Report.
→ **Report on Risks and Opportunities, Risk Report, p. 98**

OVERALL ASSESSMENT OF THE MANAGING BOARD ON THE ECONOMIC SITUATION OF THE GROUP

HUGO BOSS looks back on a successful business performance in 2012. In line with our original expectations, we set new records in sales and earnings despite a challenging economic environment.

Consolidated sales rose in line with our original forecast. Sales growth outperformed the development of the economy as a whole and the global premium and luxury goods industry. As forecasted, all regions and distribution channels contributed to this development. However, while the growth in sales was slower than expected in Asia, the increase in Europe and the Americas outstripped original targets.

Operating earnings (EBITDA before special items) climbed by 13%. Thus, growth exceeded the corridor of between 10% and 12% projected after the first six months of the year 2012. Earnings grew also stronger than currency-adjusted sales. However, as consolidated sales rose slightly more strongly than operating profit in reporting currency, the operating margin decreased. → **Consolidated Sales and Results of Operations, p. 63**

Thanks to significant progress in the management of trade net working capital over the course of the year and disciplined investment activity, we were able to increase free cash flow as against the previous year and achieved our goals for further reducing net debt. → **Net Assets and Financial Position, p. 81**

Thus, the Group's economic situation is very solid overall, providing a good foundation for further profitable growth. Accordingly, we are anticipating continued increases in consolidated sales and earnings in 2013 and an ongoing positive business performance beyond. We think it realistic that we will achieve our stated goals for 2015.

03|46 DEVELOPMENT OF KEY FINANCIAL FIGURES

	2012	2011	Change in %
Sales (in EUR million)	2,345.9	2,058.8	14
EBITDA before special items (in EUR million)	529.3	469.5	13
Adjusted EBITDA margin (in %)	22.6	22.8	13
Trade net working capital (in EUR million)	417.6	407.3	3
Trade net working capital (in % of sales)	20.1	19.9	20 bp
Capital expenditure (in EUR million)	165.8	108.5	53
Free cash flow (in EUR million)	220.6	194.9	13

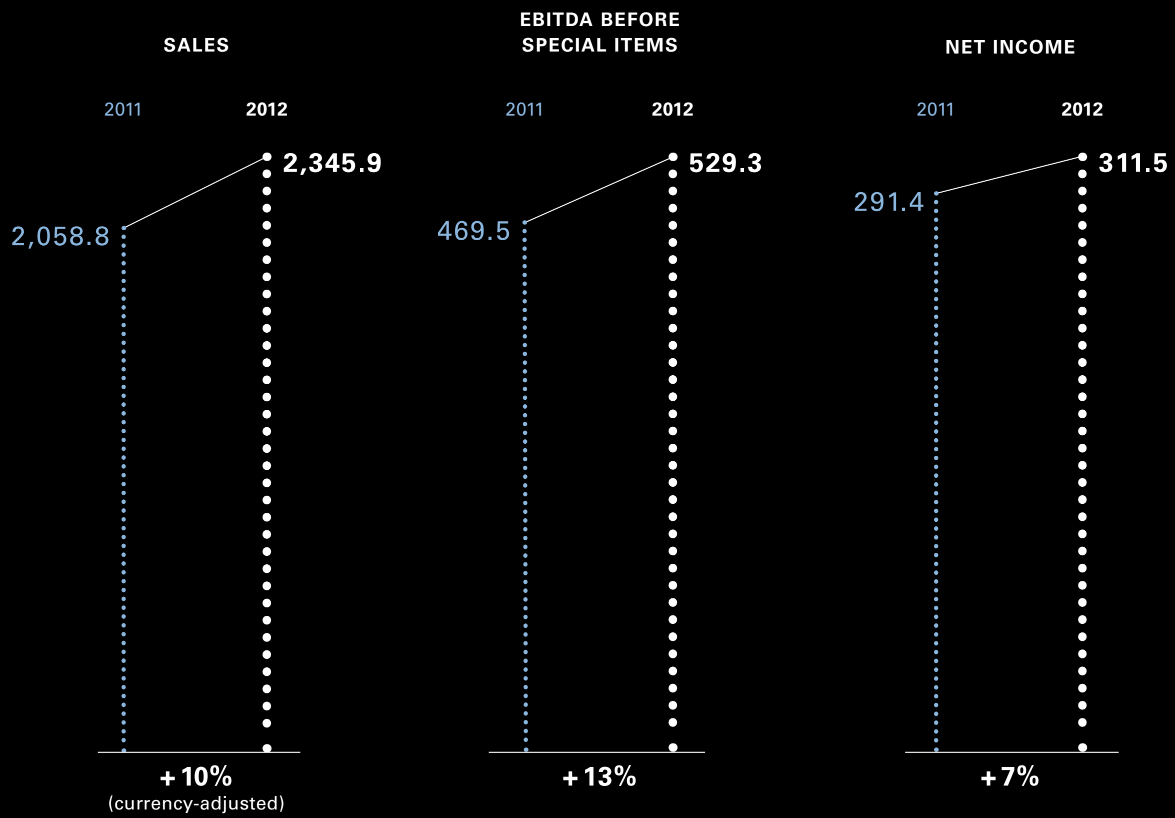
Metzingen, February 22, 2013
HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

CONSOLIDATED FINANCIAL STATEMENTS

4

KEY FIGURES 2012
(in EUR million)



CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

04|01 CONSOLIDATED INCOME STATEMENT (in EUR thousand)

	Notes - no.	2012	2011[1]
Net sales	(1)	**2,345,854**	**2,058,841**
Cost of Sales	(2)	(849,138)	(756,552)
Direct selling costs	(2)	(43,471)	(37,452)
Gross profit		**1,453,245**	**1,264,837**
In % of net sales		61.9	61.4
Selling and distribution expenses	(3)	(808,868)	(682,155)
Administration costs and other operating income/expenses	(4)	(211,176)	(188,073)
Operating result		**433,201**	**394,609**
Net interest income/expense		**(16,102)**	**(16,199)**
Other interest and similar income		2,659	4,721
Interest and similar expenses		(18,761)	(20,920)
Other financial items		**(7,470)**	**4,500**
Financial result	(5)	**(23,572)**	**(11,699)**
Earnings before taxes		**409,629**	**382,910**
Income taxes	(6)	(98,109)	(91,548)
Net income		**311,520**	**291,362**
Attributable to:			
Equity holders of the parent company		307,394	284,888
Non-controlling interests	(7)	4,126	6,474
Net income		**311,520**	**291,362**
Earnings per share (EUR)[2]	(8)		
Ordinary share		4.45	4.12
Preferred share[3]			4.13
Dividend per share (EUR)	(22)		
Ordinary share		3.12[4]	2.88
Preferred share[3]			2.89

[1] Certain amounts shown here do not correspond to the 2011 Consolidated Financial Statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy / Changes in presentation, p. 147).

[2] Basic and diluted earnings per share.

[3] Preferred shares were converted into ordinary shares on 15 June, 2012 after the close of stock market trading.

[4] 2012: Recommendation for dividend payment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

04|02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR thousand)

	2012	2011[1]
Net income	**311,520**	**291,362**
Gains/losses from market valuation of hedges	10,581	7,364
Income taxes	(2,722)	(1,878)
Actuarial gains/losses of provisions for pensions	(8,773)	(520)
Income taxes	2,253	125
Currency differences	4,067	6,977
Income and expenses recognized directly in equity	**5,406**	**12,068**
Total comprehensive income	**316,926**	**303,430**
Attributable to:		
Equity holders of parent company	313,015	295,354
Non-controlling insterests	3,911	8,076
Total comprehensive income	**316,926**	**303,430**

[1] Certain amounts shown here do not correspond to the 2011 Consolidated Financial Statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy / Changes in presentation, p. 147).

CONSOLIDATED BALANCE SHEET

OF THE HUGO BOSS GROUP AS OF DECEMBER 31, 2012

04|03 CONSOLIDATED BALANCE SHEET (in EUR thousand)

Assets	Notes - no.	**2012**	2011[1]	January 1, 2011[1]
Intangible assets	(10)	142,210	141,098	126,937
Property, plant and equipment	(11)	357,454	285,530	264,415
Deferred tax assets	(6)	66,974	56,086	36,290
Non-current financial assets	(13),(28)	14,542	13,754	20,853
Non-current tax receivables		2,140	2,660	3,141
Other non-current assets	(13)	2,617	2,669	2,868
Non-current assets		**585,937**	**501,797**	**454,504**
Inventories	(14)	430,297	457,913	377,330
Trade receivables	(15)	214,899	174,576	133,365
Current tax receivables	(6)	10,891	8,166	8,847
Current financial asstes	(13),(28)	26,541	17,528	14,717
Other current assets	(13)	61,347	65,490	57,825
Cash and cash equivalents	(16)	254,606	200,396	294,884
Assets classified as held for sale		0	0	1,290
Current assets		**998,581**	**924,069**	**888,258**
Total assets		**1,584,518**	**1,425,866**	**1,342,762**

Equity and Liabilities	Notes – no.	**2012**	2011[1]	January 1, 2011[1]
Subscribed capital	(17)	70,400	70,400	70,400
Own shares	(18)	(42,363)	(42,363)	(42,363)
Capital reserve	(19)	399	399	399
Retained earnings	(20)	286,208	206,944	158,200
Accumulated other comprehensive income	(21)	(8,718)	(20,859)	(31,720)
Profit attributable to equity holders of the parent company		307,394	284,888	188,889
Equity attributable to equity holders of the parent company		613,320	499,409	343,805
Non-controlling interests	(7)	24,587	23,829	17,416
Group equity		**637,907**	**523,238**	**361,221**
Non-current provisions	(23),(24)	55,188	40,880	39,047
Non-current financial liabilities	(25),(28)	63,265	355,042	529,824
Deferred tax liabilities	(6)	19,637	20,858	10,152
Other non-current liabilities	(26)	13,998	15,558	27,107
Non-current liabilities		**152,088**	**432,338**	**606,130**
Current provisions	(23)	90,270	89,822	86,807
Current financial liabilities	(25),(28)	332,177	33,464	3,112
Income tax payables	(6)	51,198	41,868	39,661
Trade payables	(27)	227,575	225,145	187,991
Other current liabilities	(26)	93,303	79,991	57,840
Current Liabilities		**794,523**	**470,290**	**375,411**
Total equity and liabilities		**1,584,518**	**1,425,866**	**1,342,762**

[1] Certain amounts shown here do not correspond to the 2011 Consolidated Financial Statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy / Changes in presentation, p. 147).

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31,2012

04|04 STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (in EUR thousand)

				Retained earnings	
	Subscribed Capital	Own Shares	Capital Reserve	Legal Reserve	Other Reserves
Notes-no.	(17)	(18)	(19)	(20)	(20)
January 1, 2011	**70,400**	**(42,363)**	**399**	**6,641**	**154,553**
Change in accounting policies					(2,994)
January 1, 2011 (adjusted)[1]	**70,400**	**(42,363)**	**399**	**6,641**	**151,559**
Net income					
Other income					(395)
Total comprehensive income					**(395)**
Changes in scope of consolidation					0
Allocated to retained earnings					188,889
Dividend payment					(139,750)
December 31, 2011[1]	**70,400**	**(42,363)**	**399**	**6,641**	**200,303**
January 1, 2012	**70,400**	**(42,363)**	**399**	**6,641**	**200,303**
Net income					
Other income					(6,520)
Total comprehensive income					**(6,520)**
Changes in scope of consolidation					
Allocated to retained earnings					284,888
Dividend payment					(199,104)
December 31, 2012	**70,400**	**(42,363)**	**399**	**6,641**	**279,567**

[1] Certain amounts shown here do not correspond to the 2011 Consolidated Financial Statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy / Changes in presentation, p. 147).

Accumulated other comprehensive income					
Differences arising from currency translation	Market valuation of hedges	Profit attributable to equity holders of the parent company	Equity attributable to equity holders of the parent company	Non-controlling interests	Group Equity
(21)	(21)			(7)	
(14,853)	**(16,867)**	**185,895**	**343,805**	**17,416**	**361,221**
		2,994			
(14,853)	**(16,867)**	**188,889**	**343,805**	**17,416**	**361,221**
		284,888	284,888	6,474	291,362
5,375	5,486		10,466	1,602	12,068
5,375	**5,486**	**284,888**	**295,354**	**8,076**	**303,430**
					0
		(188,889)			
			(139,750)	(1,663)	(141,413)
(9,478)	**(11,381)**	**284,888**	**499,409**	**23,829**	**523,238**
(9,478)	**(11,381)**	**284,888**	**499,409**	**23,829**	**523,238**
		307,394	307,394	4,126	311,520
4,282	7,859		5,621	(215)	5,406
4,282	**7,859**	**307,394**	**313,015**	**3,911**	**316,926**
		(284,888)			
			(199,104)	(3,153)	(202,257)
(5,196)	**(3,522)**	**307,394**	**613,320**	**24,587**	**637,907**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

04|05 CONSOLIDATED STATEMENT OF CASH FLOWS (in EUR thousand)

	Notes – No.	2012	2011[1]
	(32)		
Net income		311,520	291,362
Depreciation/amortization	(9)	91,936	73,420
Unrealized net foreign exchange gain/loss		0	(3,984)
other non-cash transactions		(662)	5,426
Income tax expense/refund	(6)	98,109	91,548
Interest income and expenses	(5)	16,102	16,199
Change in inventories		26,990	(73,318)
Changes in receivables and other assets		(44,752)	(40,437)
Changes in trade payables and other liabilities		6,304	57,269
Result from disposal of non-current assets		543	(2,420)
Change in provisions for pensions	(24)	2,561	1,126
Change in other provisions		3,418	1,823
Income taxes paid		(103,572)	(98,311)
Cash flow from operations		**408,497**	**319,703**
Interest paid	(5)	(18,780)	(20,889)
Interest received	(5)	2,685	4,549
Cash flow from operating activities		**392,402**	**303,363**
Investments in PPE[2]	(11)	(147,800)	(79,365)
Investments in intangible assets	(10)	(18,002)	(29,114)
Payment for changes in scope of consolidation	(32)	(6,219)	(5,411)
Payment for founding of non-consolidated companies		(993)	0
Cash receipts from sales of PPE[2] and intangible assets		1,173	5,454
Cash flow from investing activities		**(171,841)**	**(108,436)**
Dividends paid to equity holders of the parent	(22)	(199,104)	(139,750)
Dividends paid to non-controlling interests		(3,153)	(1,663)
Change in current financial liabilities		20,342	2,842
Repayment of non-current financial liabilites		(1,317)	(152,084)
Cash receipts from non-current financial liabilities		16,895	0
Cash flow from financing activities		**(166,337)**	**(290,655)**
Exchange rate-related changes in cash and cash equivalents		(14)	1,240
Change in cash and cash equivalents		**54,210**	**(94,488)**
Cash and cash equivalents at the beginning of the period		200,396	294,884
Cash and cash equivalents at the end of the period	**(16)**	**254,606**	**200,396**

[1] Certain amounts shown here do not correspond the the 2011 Consolidated Financial Statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy / Changes in presentation, p. 147).

[2] Property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2012

GENERAL INFORMATION

HUGO BOSS AG is a listed stock corporation domiciled at Dieselstrasse 12, 72555 Metzingen, Germany. The company is registered in the commercial register of the Stuttgart local court under HRB 360610.

The purpose of the company HUGO BOSS AG and its subsidiaries (collectively referred to as the "HUGO BOSS Group") is the development, marketing and distribution of high-end women's and men's fashion and accessories in the premium and luxury segment. With its brand world, HUGO BOSS targets different, clearly defined consumer groups. The brands cover an extensive product range consisting of classic-modern business wear, elegant evening wear and sportswear, shoes and leather accessories and licensed fragrances, eyewear, watches, children's fashion, motorcycle helmets, cell phones, mobile accessories and home textiles.

HUGO BOSS AG compiles the consolidated income statement using the cost of sales method.

The consolidated financial statements and Group management report of HUGO BOSS AG, Metzingen, were approved by way of resolution of the Managing Board dated February 22, 2013 to be forwarded to the Supervisory Board.

Because of rounding and presentation in thousands of euro, it is possible that certain figures in the HUGO BOSS AG consolidated financial statements do not add up exactly to the total shown and that percentages shown do not precisely reflect the absolute data to which they relate.

To improve clarity of presentation, various items in the consolidated statement of balance sheet and in the consolidated income statement have been combined. These items are reported separately and explained in the notes to the consolidated financial statements. The reporting of prior-period figures has been restated to match that of the figures for the reporting period. All adjustments are explained in more detail under "Changes in accounting method/Changes in presentation".

The Group generally classifies assets and liabilities as current when they are expected to be received or settled within twelve months of the end of the reporting period.

ACCOUNTING

The consolidated financial statements of HUGO BOSS AG as of December 31, 2012 were prepared in accordance with the accounting principles of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law in accordance with section 315a(1) of the Handelsgesetzbuch (HGB — German Commercial Code). All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable to fiscal 2012 have been taken into account.

ADOPTION OF NEW OR AMENDED IFRS ACCOUNTING REGULATIONS

The following new and revised IFRS standards and interpretations endorsed by the EU were applied by the Group in the fiscal year. This also includes the amendments published by the IASB as part of the ongoing project to make annual improvements to the IFRS. Unless stated otherwise, the adoption of these revised standards and interpretations did not materially affect the Group's results of operations, net assets or financial position. However, some additional disclosures were required. Also, further standards and interpretations without a significant influence on the consolidated financial statements of HUGO BOSS AG have been published.

New and amended IFRS/IAS accounting regulations adopted for the first time in fiscal year 2012:

Standard/interpretation		Publication by IASB	Mandatory adoption	EU endorsement	Content
IAS 12	Income taxes	December 2010	from January 1, 2012	December 2012	The amendments to IAS 12 relate to the measurement of deferred taxes, which is dependent on whether the carrying amount of an asset is recovered through use or disposal.
IFRS 7	Financial instruments	October 2010	from July 1, 2011	November 2011	The amendments to IFRS 7 extend the disclosure requirements. On the one hand, they extend the disclosures in the notes for transfers of financial assets whereby the transferor retains a continuing involvement in the transferred assets or a continuing involvement must be recognized. On the other hand they require an additional disclosure if an unusually high amount is transferred as of the end of a reporting period.

The following accounting regulations have been issued by the IASB but their adoption was not required for fiscal year 2012:

Standard/interpretation		Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 2	Share-based payment	May 2012	January 1, 2014	Outstanding	The amendment to IFRS 2 as part of the 2012 annual improvements is intended to improve the definition of vesting conditions. This is also expected to clarify the distinction between service conditions and performance conditions.

Standard/interpretation		Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 3	Business combinations	May 2012	January 1, 2015	Outstanding	As part of the 2012 annual improvements, IFRS 3 is intended to classify contingent consideration as an equity or debt instrument and currently refers to other standards in this regard. As part of the amendments it is intended to remove these cross-references. Moreover, it will be stipulated that contingent consideration must be measured at fair value in profit or loss on subsequent measurement.
IFRS 7	Financial instruments	December 2011	January 1, 2015	December 2012	The amendments to IFRS 7 extend the disclosure requirements for offsetting financial assets and financial liabilities.
IFRS 8	Operating segments	May 2012	January 1, 2014	Outstanding	The amendments to IFRS 8 in the 2012 annual improvements state that companies must report disclosures on the criteria applied in aggregating segments in accordance with IAS 8.12, describing the economic characteristics in particular. A further amendment concerns the reconciliation of segment assets to the entity's assets. To ensure uniform presentation of assets and liabilities, existing regulations have been adjusted to the effect that a reconciliation is only required if the total amount is also presented in segment reporting.
IFRS 9	Financial instruments	November 2009	January 1, 2015	Outstanding	IFRS 9 regulates the recognition, classification and measurement of financial instruments and replaces IAS 39. The key factor is the nature of the contractually agreed cash flows of the financial assets and the model for managing the financial instruments. A uniform impairment method is also intended. In October 2010, IFRS 9 was supplemented by the requirements for accounting for financial liabilities. In December 2011, the planned date of application was postponed from January 1, 2013 to January 1, 2015.
IFRS 10	Consolidated financial statements	May 2011	January 1, 2014	December 2012	IFRS 10 completely replaces SIC 12 "Consolidation – Special Purpose Entities" and partially replaces IAS 27. The standard introduces a single consolidation model for all entities on the basis of control, irrespective of the type of investee. A comprehensive control concept is used to determine which entities are to be included in the consolidated financial statements.
IFRS 10	Consolidated financial statements	June 2012	January 1, 2014	December 2012	The amendment to IFRS 10 clarifies transition provisions. Accordingly, comparative information only has to be provided for the directly preceding comparative period.
IFRS 10	Consolidated financial statements	October 2012	January 1, 2014	Outstanding	The amendments to IFRS 10 relate to the definition of investment companies, which is less restrictive than the exposure draft.
IFRS 11	Joint arrangements	May 2011	January 1, 2014	December 2012	IFRS 11 replaces IAS 31 "Interests In Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The standard is geared towards the type of rights and obligations arising from the arrangement rather than the legal form. The option of applying the pro rata consolidation method to account for jointly controlled entities has been removed. The remaining method is accounting for the interest using the equity method. Jointly controlled assets have also been removed. Only joint business activities and joint ventures still remain.
IFRS 11	Joint arrangements	June 2012	January 1, 2014	December 2012	The amendment to IFRS 11 clarifies transition provisions. Accordingly, comparative information only has to be provided for the directly preceding comparative period.
IFRS 12	Disclosure of interests in other entities	May 2011	January 1, 2014	December 2012	IFRS 12 replaces the provisions on disclosures in the notes in IAS 27, IAS 28, IAS 31 and SIC 12. The standard aims to improve disclosures on consolidated and non-consolidated companies by means of new, extensive disclosures for all types of interests.
IFRS 12	Disclosure of interests in other entities	June 2012	January 1, 2014	December 2012	The amendment to IFRS 12 clarifies transition provisions. Accordingly, comparative information only has to be provided for the directly preceding comparative period. Moreover, the disclosure requirement for comparative information on non-consolidated companies for periods prior to first-time adoption of IFRS 12 has been removed.
IFRS 12	Disclosure of interests in other entities	October 2012	January 1, 2014	Outstanding	The amendments to IFRS 12 relate to the definition of investment companies, which is less restrictive than the exposure draft.

Standard/interpretation		Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 13	Fair value measurement	June 2011	January 1, 2013	December 2012	IFRS 13 defines fair value and governs its calculation. The guidelines on fair value measurement that were previously in place in individual standards have been replaced by one central standard. In addition, the disclosure requirements have been standardized as far as possible, including extending the disclosure requirements for non-financial assets. Other amendments relate to accounting for counterparty credit risk, which can influence the valuation of the derivatives.
IFRS 13	Fair value measurement	May 2012	January 1, 2014	Outstanding	IFRS 13 was adjusted as a result of amendments to IFRS 9 and IAS 39. Thus, it no longer includes the simplified principle that current receivables and liabilities without a stated interest rate can be recognized at nominal value if the effect of discounting is immaterial. However, the annual improvements clarify that this regulation can still be applied. Possible implications to HUGO BOSS will be reviewed
IAS 1	Presentation of financial statements	June 2011	July 1, 2012	June 2012	Other comprehensive income must be broken down so that other items that will later be reclassified to the income statement are reported separately from items that will remain in other comprehensive income.
IAS 1	Presentation of financial statements	May 2012	January 1, 2013	Outstanding	The amendment to IAS 1 in the 2011 annual improvements includes changes to the disclosure of comparative information.
IAS 1	Presentation of financial statements	May 2012	January 1, 2014	Outstanding	The amendment to IAS 1 in the 2012 annual improvements is intended to clarify issues of interpretation. If a loan is due within twelve months but a follow-up agreement is concluded or a prolongation agreed before the end of the reporting period, the loan is classified as non-current in accordance with IAS 1.73. The annual improvements also clarify that this should only be the case when the agreement is with the same lender and at similar conditions. In other cases the loan is reported as current.
IAS 7	Statement of cash flows	May 2012	January 1, 2014	Outstanding	The amendment to IAS 7 in the 2012 annual improvements clarifies that interest payments capitalized in the statement of cash flows in accordance with IAS 23 must be assigned to the same category as the associated asset.
IAS 12	Income taxes	May 2012	January 1, 2014	Outstanding	The amendment to IAS 12 in the 2012 annual improvements intends that the eligibility of deferred tax assets should be assessed separately for separate tax types with restrictions on deductibility for each type of income. An overall analysis is therefore only permitted if there are no restrictions on offsetting. Furthermore, the assessment of whether there will be sufficient taxable profits in future should be performed before deducting temporary differences.
IAS 16 IAS 38	Property, plant and equipment Intangible assets	May 2012	January 1, 2014	Outstanding	The amendment to IAS 16 and IAS 38 in the 2012 annual improvements states that when applying the gross approach in the revaluation method, a mandatory proportional adjustment of accumulated depreciation/amortization is no longer required. The adjustment of the gross carrying amount should be consistent with the remeasurement of the carrying amount. The cumulative depreciation/amortization and impairment losses should define the difference between the gross and net carrying amount.

Standard/interpretation		Publication by IASB	Expected adoption	EU endorsement	Content
IAS 19	Employee benefits	June 2011	January 1, 2013	June 2012	The amendments to IAS 19 firstly include the abolition of the corridor method. Actuarial gains and losses are accordingly recognized immediately in other comprehensive income within equity (SORIE method). Secondly, the amended standard governs the presentation of changes in net liabilities (or in net assets) from defined benefit plans including the immediate recognition of defined benefit cost. Another amendment relates to the net interest components for the expected return on plan assets and interest expense on the pension obligation. Furthermore, it stipulates full recognition of past service cost in the period of the plan amendment. In addition, interest on plan assets is no longer paid on the basis of expectations but in the amount of the discounting interest rate of the pension obligations. The amended IAS 19 also provides for an extension of disclosure and explanation requirements. The amendments to IAS 19 will have effects on the level of net interest income and the components of comprehensive income not recognized in the income statement. There are propably no changes in pensions obligations.
IAS 24	Related party disclosures	May 2012	January 1, 2014	Outstanding	The amendments to IAS 24 in the 2012 annual improvements clarify that members of management in key positions can also be a legal person (management entity) in addition to a natural person.
IAS 27	Consolidated and Separate Financial Statements	May 2011	January 1, 2014	December 2012	The consolidation regulations previously included in IAS 27 have been revised and are now included in IFRS 10 "Consolidated Financial Statements". IAS 27 therefore now only includes regulations on separate financial statements.
IAS 27	Consolidated and Separate Financial Statements	October 2012	January 1, 2014	Outstanding	The amendments to IAS 27 relate to the definition of investment companies, which is less restrictive than in the exposure draft.
IAS 28	Investments in associates	May 2011	January 1, 2014	December 2012	The amendments to IAS 28 are follow-up changes resulting from the new IFRS 10, IFRS 11 and IFRS 12. The scope of IAS 28 has therefore been extended to accounting for joint ventures.
IAS 32	Financial instruments	June 2011	January 1, 2013	Outstanding	The amendments to IAS 32 in the 2011 annual improvements relate firstly to accounting for the tax consequences of distributions to holders of equity instruments and secondly to accounting for transaction costs in an equity transaction.
IAS 32	Financial instruments	December 2011	January 1, 2014	December 2012	The amendments to IAS 32 clarify previous netting rules.
IAS 34	Interim reporting	May 2012	January 1, 2013	Outstanding	The amendments to IAS 34 from the 2011 annual improvements relate to the segment disclosures for total assets and liabilities in interim reporting.
IAS 36	Impairment of assets	May 2012	January 1, 2014	Outstanding	The amendment to IAS 36 in the 2012 annual improvements is intended to harmonize disclosures in the notes for impairment losses on the basis of values in use and fair values less costs to sell. When applying the fair value less costs to sell, the interest rates applied must also be disclosed in addition to the basis of calculation. Other disclosures arising from IAS 13 have been removed.

SCOPE OF CONSOLIDATION

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

BIL Leasing Verwaltungs-GmbH & Co. 869 KG	Pullach, Germany [1, 2]
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH	Metzingen, Germany [2]
HUGO BOSS (Schweiz) AG	Zug, Switzerland
HUGO BOSS Australia Pty. Ltd.	Preston, Australia
HUGO BOSS Belgium BVBA	Diegem, Belgium
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands
HUGO BOSS Benelux B.V. CIA, S.C.	Madrid, Spain
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH	Metzingen, Germany [2]
HUGO BOSS Canada, Inc.	Toronto, Canada
HUGO BOSS China Retail Co. Ltd.	Shanghai, China
HUGO BOSS Cleveland, Inc.	Cleveland, OH, U.S.A.
HUGO BOSS Dienstleistungs GmbH	Metzingen, Germany
HUGO BOSS Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG	Metzingen, Germany [2]
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil
HUGO BOSS Fashions, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS France SAS	Paris, France
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, China
HUGO BOSS Hellas LLC	Athens, Greece
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia
HUGO BOSS Hong Kong Ltd.	Hong Kong
HUGO BOSS International B.V.	Amsterdam, Netherlands
HUGO BOSS International Markets AG	Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH	Metzingen, Germany [2]
HUGO BOSS Ireland Ltd.	Dublin, Ireland
HUGO BOSS Italia S.p.A.	Milan, Italy
HUGO BOSS Japan K.K.	Tokyo, Japan
HUGO BOSS Licensing, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS Lotus Hong Kong Limited	Hong Kong
HUGO BOSS Magazacilik Ltd. Sti.	Izmir, Turkey
HUGO BOSS Mexico Management Services S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Mexico S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Nordic ApS	Copenhagen, Denmark
HUGO BOSS Portugal & Companhia	Lisbon, Portugal
HUGO BOSS Retail, Inc.	New York, NY, U.S.A.
HUGO BOSS Scandinavia AB	Stockholm, Sweden
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy

[1] Investments with an equity share of 94%.
[2] Subsidiaries that exercise the exemption in accordance with section 264(3) and section 264b of the Handelsgesetzbuch (HGB – German Commercial Code).
[3] Investments with a direct and indirect equity share of 60%.

HUGO BOSS Switzerland Retail AG	Zurich, Switzerland
HUGO BOSS Textile Industry Ltd.	Izmir, Turkey
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland
HUGO BOSS Trade Mark Management GmbH & Co. KG	Metzingen, Germany [2]
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany
HUGO BOSS UK Ltd.	London, UK
HUGO BOSS USA, Inc.	New York, NY, U.S.A.
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG	Metzingen, Germany [2]
Lotus Concept Trading (Macau) Co., Ltd.	Macau [3]
Lotus (Shenzhen) Commerce Ltd.	Shenzhen, China [3]
MSC Poland Sp.z.o.o.	Radom, Poland
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG	Grünwald, Germany [1, 2]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG	Grünwald, Germany [1, 2]

[1] Investments with an equity share of 94%.
[2] Subsidiaries that exercise the exemption in accordance with section 264(3) and section 264b of the Handelsgesetzbuch (HGB – German Commercial Code).
[3] Investments with a direct and indirect equity share of 60%.

The two following companies have not been included in the scope of consolidation since they were founded in 2008:

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

They were deleted from the commercial register effective January 12, 2012.

Effective October 2, 2012, the HUGO BOSS Group established a new subsidiary in Russia, HUGO BOSS Rus LLC, Moscow, Russia. The HUGO BOSS Group holds 100% of the shares in this company. HUGO BOSS Rus LLC has not been included in the consolidated financial statements as of December 31, 2012 as it is immaterial to the Group. The sales, earnings and total assets of the company do not significantly influence the presentation of the net assets, financial position and results of operations of the Group. All the indicators named amount to less than the threshold value of 1% of the corresponding Group figure.

CHANGES IN THE SCOPE OF CONSOLIDATION

The number of consolidated companies did not change in the reporting period from January 1 to December 31, 2012 as against the consolidated financial statements as of December 31, 2011. The number of companies included in consolidation is still 54. The following changes occurred in the scope of consolidation in fiscal 2012.

As of January 1, 2012, HUGO BOSS Merchandise Management GmbH, Metzingen, Germany, was transformed into HUGO BOSS Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG.

An overview of the number of companies included in the consolidated financial statements in fiscal 2012 is shown below:

NUMBER OF FULLY CONSOLIDATED COMPANIES

	2012	2011
January 1	**54**	55
Newly founded/consolidated companies	0	1
Merged companies/disposal	0	(2)
December 31	**54**	54

DISCLOSURES ON THE LARGEST SCOPE OF CONSOLIDATION

Red & Black Holding GmbH, Oberursel (Taunus), Germany, holds the majority of voting rights in HUGO BOSS AG. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Red & Black Holding GmbH, Oberursel (Taunus), Germany, as the largest scope of consolidation.

PRINCIPLES OF CONSOLIDATION

Subsidiaries are fully consolidated from their acquisition date, i.e. from the date when the Group gains control of them. Consolidation ends when the parent company no longer controls them. Subsidiaries with an insignificant influence on the net assets, financial position and results of operations of the Group are not included in the consolidated financial statements. These companies are considered insignificant if their sales, earnings and total assets account for less than 1% of the corresponding Group figure. This assessment is reviewed at the end of each reporting period. Non-consolidated subsidiaries are measured at fair value or, if this cannot be reliably determined, at cost and reported under other non-current financial assets.

The financial statements of the subsidiaries are prepared using uniform Group-wide accounting principles.

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

BUSINESS COMBINATIONS

All business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the total of the consideration transferred, measured at fair value as of the acquisition date, and the non-controlling interests in the company acquired. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured at fair value as of the acquisition date. Non-controlling interests are measured in line with their share in the fair value of the identifiable assets, liabilities and contingent liabilities. Costs incurred in the business combination are recognized as an expense.

GOODWILL

When a company obtains control of another company, this constitutes a business combination as defined in IFRS 3. In accordance with IFRS 3, business combinations are recognized using the acquisition method. A purchase price allocation must be carried out in this context.

Goodwill resulting from a business combination represents the difference between the consideration transferred plus the amount of the non-controlling interests and the assets acquired and liabilities assumed. If the consideration is less than the fair value of the acquired subsidiary's net assets, the difference is recognized in profit or loss immediately after being checked again.

After initial recognition, goodwill is carried at cost less cumulative impairment losses in the functional currency of the acquired foreign entity. Recognized goodwill is tested for impairment once a year and if there are any indications of potential impairment.

INTERCOMPANY PROFIT ELIMINATION

The HUGO BOSS distribution companies normally buy finished goods and merchandise exclusively from the Group's own production and purchasing units. Gains on intercompany deliveries are eliminated during consolidation for the merchandise delivered internally within the Group and still in stock at the end of the reporting period.

Intercompany profits are not eliminated if the carrying amount of the distribution company has fallen below Group cost as a result of local write-downs.

The intercompany profit to be eliminated is calculated as the difference between the carrying amount of the merchandise at the level of the distribution company after local write-downs and Group cost.

In addition, merchandise measured at Group cost is tested for impairment from the perspective of the HUGO BOSS Group. Additional write-downs must be recognized if Group cost is higher than anticipated net realizable value. The anticipated net realizable value from the perspective of the Group is based on the Group's own global sales channels, including its warehouse and outlet capacity in particular.

CURRENCY TRANSLATION

The Group's reporting currency is the functional currency of the parent company, HUGO BOSS AG. The functional currency of the subsidiaries included in the consolidated financial statements is generally the respective local currency. In the case of entities that process a significant portion of their sales and purchasing activities and financing in a currency other than their respective local currency, the functional currency is the currency of the primary business environment. Accordingly, the functional currency of HUGO BOSS Textile Industry Ltd., Turkey, and HUGO BOSS International Markets AG, Switzerland, is the euro as the majority of business transactions of these companies are performed in euro.

FOREIGN CURRENCY TRANSACTIONS AND NET FOREIGN CURRENCY BALANCES

In the separate financial statements, transactions in foreign currencies are recognized at the time of the transaction at the currently valid exchange rate. Monetary items (cash and cash equivalents, receivables and liabilities) in a foreign currency are translated into the functional currency at the end of each reporting period using the exchange rate at the end of the reporting period. The resulting foreign currency gains and losses are recognized immediately in profit or loss under net other financal result.

TRANSLATION OF THE SEPARATE FINANCIAL STATEMENTS

The annual financial statements of the foreign Group companies with a functional currency other than the euro are translated into the Group currency (euro) on the basis of the respective functional currency. The currency translation is performed in line with the modified closing rate method in accordance with IAS 21, under which assets, inclusive Goodwill, and liabilities are translated at the exchange rate as of the end of the reporting period, while items in the income statement are translated at the average rates for the reporting period. The difference between the translation of the income statement at average rates and of the balance sheet at closing rates is reported under cumulative other comprehensive income. The foreign exchange difference resulting from the translation of equity at historical rates is also taken directly to cumulative other comprehensive income. Exchange differences recognized in cumulative other comprehensive income are reclassified to the income statement if the Group company in question is sold.

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

	Currency	Average Rate		Closing Rate	
Country	1 EUR =	**2012**	2011	**2012**	2011
Australia	AUD	1,241	1,349	1,271	1,272
Brazil	BRL	2,508	2,326	2,704	2,416
Canada	CAD	1,285	1,376	1,314	1,322
China	CNY	8,109	8,997	8,221	8,159
Denmark	DKK	7,444	7,451	7,461	7,434
Great Britain	GBP	0,811	0,868	0,816	0,835
Hong Kong	HKD	9,971	10,834	10,226	10,051
Japan	JPY	102,570	111,028	113,610	100,200
Macau	MOP	10,275	11,163	10,536	10,338
Mexico	MXN	16,909	17,275	17,185	18,051
Norway	NOK	7,477	7,794	7,348	7,754
Sweden	SEK	8,707	9,027	8,582	8,912
Switzerland	CHF	1,205	1,234	1,207	1,216
U.S.A.	USD	1,285	1,392	1,319	1,294

ACCOUNTING POLICIES

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

RECOGNITION OF INCOME AND EXPENSES

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

SALE OF GOODS

Proceeds from the sale of goods are recognized after significant risks and rewards of ownership of the goods have been transferred to the buyer, which generally occurs upon delivery or sale of the goods. Claims from returns agreements are deducted from income when the sale is recognized if the amount of the future returns can be reliably determined.

INTEREST INCOME

Interest is recognized pro rata temporis taking into account the effective yield on the asset.

ROYALTIES AND OTHER INCOME

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

Operating expenses are recognized in the income statement on the basis of a direct association between the costs incurred and the corresponding income when the service is utilized or when the expenses are incurred.

FUNCTION COSTS

Operating expenses are allocated to the individual functions in line with the functional area of the respective cost center. Expenses relating to cross-functional activities or projects are divided between the relevant function costs on the basis of a suitable allocation principle.

INVENTORIES

Raw materials and supplies and finished goods are carried at moving average cost, and in-house produced goods at a standard price adjusted for product deviations. Work in progress and finished goods are measured at cost. The cost includes fixed and variable overheads based on the normal utilization rate of the production facilities. Borrowing costs have not been taken into account.

Inventories are measured at the lower of cost or net realizable value less costs to sell.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment used in business operations for more than one year are measured at cost less depreciation. The cost includes all expenditures that are directly attributable to the production process and an appropriate share of production-related overheads. Borrowing costs are not capitalized and are instead recognized as an expense in the period in which they are incurred if the criteria for capitalization are not met. The useful lives used are the expected useful lives within the Group. Depreciation based solely on tax regulations is not reported.

A useful life of 30 years is assumed for buildings. Buildings including buildings on third-party land are written down over the shorter of the term of the lease and useful life. The present value of the expected costs for removing or restoring the asset after its use is included in the cost if the criteria for recognizing a corresponding provision are met.

Property, plant and equipment is depreciated using the straight-line method. Useful lives of five to 15 years are used for technical equipment and machinery and of two to 15 years for other equipment and operating and office equipment.

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

ASSETS CLASSIFIED AS HELD FOR SALE

Individual non-current assets or disposal groups are classified as "non-current assets held for sale" if a sale is very likely and the asset or disposal group can be sold immediately in its current condition. "Non-current assets held for sale" are reported separately in the balance sheet and measured at the lower of the carrying amount and fair value less costs to sell. Depreciation of assets or disposal groups ends when they are classified as "non-current assets held for sale".

LEASES

For leases in which the Group is the lessee, beneficial ownership of the leased assets in accordance with IAS 17 is attributed to the lessee if it bears substantially all the risks and rewards of ownership (finance lease). The depreciation methods and useful lives are the same as those for similar purchased assets. The leased asset is recognized at the lower of fair value and the present value of future minimum lease payments on conclusion of the lease. Any initial direct costs are capitalized as part of the asset. Lease obligations are reported under financial liabilities at the carrying amount of the leased asset.

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

INTANGIBLE ASSETS

Purchased and internally generated intangible assets are capitalized if it is likely that the use of the asset is associated with a future economic benefit and the cost of the asset can be reliably measured. Acquired intangible assets are measured at cost of acquisition, while internally generated intangible assets are measured at production cost. Production cost includes all costs that are directly attributable to the production of the asset and an appropriate share of production-related overheads. Borrowing costs are not capitalized and are instead recognized as an expense in the period in which they are incurred if the criteria for capitalization are not met. Purchased and internally generated intangible assets with a finite useful life are amortized on a straight-line basis over a useful life of two to ten years. Key money is also included in intangible assets. These are one-time payments made to the previous tenant or to the lessor when leases are concluded for retail operations in a prime location. The distinction between finite and indefinite useful lives is based on the actual circumstances in the countries in which the retail operations are located. Key money with an indefinite useful life currently relates to France, Brazil and Denmark.

Intangible assets with an indefinite useful life are tested for impairment annually. Impairment losses are recognized when the assets lose value.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are also expensed as incurred unless they meet the criteria for recognition as an internally generated intangible asset. Development costs are included in the production-related fixed and variable overheads and therefore in the production costs.

FINANCIAL INSTRUMENTS

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

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

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

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

a / Financial assets at fair value through profit or loss (FAHfT)
b / Loans and receivables (LaR)
c / Financial liabilities at fair value through profit or loss (FLHfT)
d / Other financial liabilities measured at amortized cost using the effective interest method (FLAC)
e / Available for sale assets measured at fair value (AFS). Equity instruments are measured at amortized cost if there is no active market and the fair value cannot be reliably determined.

The financial assets and liabilities are assigned to the above measurement categories upon initial recognition. Reclassifications are made at the end of the fiscal year if permitted and necessary.

FINANCIAL ASSETS

Regular way purchases and sales of financial assets are recognized as of the settlement date, i.e. the date on which the Group commits to purchasing or selling the asset.

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

The fair value recognized in the balance sheet is usually the market price of the financial assets. If there is no active market, fair value is calculated using recognized measurement models and by reference to current market parameters. Measurement methods include using recent arm's length market transactions between knowledgeable, willing and independent parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and the use of other measurement models.

Cash and cash equivalents recognized in the balance sheet comprise cash in hand, bank balances and current deposits with an original term of less than three months and are measured at amortized cost.

After first-time recognition, trade receivables and other loans and receivables are measured at amortized cost, possibly using the effective interest method less any impairment losses. Gains and losses are recognized in profit or loss when the receivable is derecognized, becomes impaired or is discharged.

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

Financial assets not classified as "measured at fair value through profit or loss" are reviewed for impairment as of the end of each reporting period. If the fair value of a financial asset is less than its carrying amount, the carrying amount of the asset is reduced to the fair value. This reduction is an impairment loss that is recognized in profit or loss. An impairment loss previously recognized in profit or loss is reversed in profit or loss if so required by events occurring after it was originally recognized.

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

FINANCIAL LIABILITIES

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

Derivatives that are not part of an effective hedging relationship are classified as "financial liabilities at fair value through profit or loss". If the fair values are negative, these derivatives are recognized under other financial liabilities. Any gains and losses resulting from subsequent measurement are recognized in profit or loss.

After first-time recognition, trade payables and interest-bearing loans are measured at amortized cost using the effective interest method. Any resulting gains and losses are recognized in profit or loss when liabilities are derecognized or repaid.

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

DERIVATIVE FINANCIAL INSTRUMENTS

The HUGO BOSS Group uses derivative financial instruments solely for the purpose of hedging interest rate risks, currency exposure and share price risks (SAR) arising from operations.

When entering into hedging transactions, specific derivatives are assigned to specific hedged items. The requirements of IAS 39 for the qualification of such transactions as hedges are complied with.

In accordance with IAS 39, all derivative financial instruments are classified as measured at fair value through profit or loss and are measured at fair value, regardless of their designated purpose or intention. Changes in the fair value of the derivative financial instruments are recognized in profit or loss.

If the financial instruments used qualify as an effective hedge as part of a hedging relationship in accordance with the provisions of IAS 39 (cash flow hedges), any changes in their fair value do not affect net profit or loss throughout the term of the derivative. Changes in fair value are recognized directly in equity in the relevant reserve. The amount accumulated in equity is recognized in net profit or loss when the hedged cash flow matures.

The fair value is generally the market value or listed price. If there is no active market, the fair value is calculated by using recognized option pricing models and bank valuations.

It is the Group's policy to use only effective derivatives to hedge interest rate risks and currency exposure. The substantive and formal requirements of IAS 39 for hedge accounting were satisfied both at the time that the hedges were entered into and as of the end of the reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date it is assessed whether there is an indication that a non-financial asset (property, plant and equipment, intangible assets including goodwill) may be impaired (triggering event). If there are such indications of impairment, the recoverable amount of the respective asset is estimated. Regardless of whether or not there is a triggering event, intangible assets with indefinite useful lives (key money and trademark rights) and goodwill acquired in a business combination are tested for impairment annually. The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. The value in use is the present value of the expected cash inflows. The expected cash flows are discounted using a weighted average cost of capital that reflects the risks of the asset. The fair value less costs to sell is determined using recent market transactions, if any, on the basis of third-party expert opinions. If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit (CGU) to which the asset in question can be assigned is determined.

If the carrying amount of an asset or CGU exceeds its respective recoverable amount, an impairment loss is immediately recognized on the asset in profit or loss. If there is an impairment loss within a CGU, any goodwill is written down first. Any impairment losses that exceed these reduce the remaining non-current assets of the respective CGU pro rata.

If, after impairment losses have been recognized, the recoverable amount of the asset or CGU increases, the impairment loss is reversed to not higher than the recoverable amount. The reversal of impairment losses is limited to the adjusted carrying amount that would have been recognized had there been no impairment losses in the past. Impairment losses are reversed in profit or loss. Impairment losses on goodwill cannot be reversed.

INCOME TAXES

Current tax assets and tax liabilities for the current period are measured at the amount expected to be refunded by the tax authority/paid to the tax authority. The amount is calculated based on the tax rates and tax laws applicable at the end of the reporting period in the countries where the Group operates and generates taxable income. This also applies to the calculation of deferred tax assets and liabilities.

In accordance with IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the tax accounts of the individual companies and the carrying amounts in the IFRS consolidated financial statements, and for specific consolidation adjustments. The deferred tax assets and liabilities are recognized in line with the liability method.

Deferred tax assets also include claims for tax reductions resulting from the expected use of loss carryforwards in subsequent years, the realization of which is deemed reasonably certain.

Deferred tax assets and liabilities are measured in accordance with the expected tax rates for the periods in which the temporary differences are likely to reverse. Deferred tax liabilities are also recognized for retained profits at foreign subsidiaries to the extent it is likely that these will be distributed in the foreseeable future.

Deferred tax assets and liabilities are shown net if the Group has a right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity. Any issues that are posted directly to equity and that entail a change in deferred taxes are also taken into account in equity.

FINANCE LEASE LIABILITIES

Finance lease liabilities are measured upon initial recognition at the lower of the fair value of the leased asset and the present value of minimum lease payments. The liability is repaid and measured in accordance with the effective interest method in subsequent periods.

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

TREASURY SHARES

Any treasury shares purchased by the Group are recognized at cost and deducted from equity. The purchase, sale, issue or redemption of treasury shares is recognized directly in equity. In the event of a sale or reissue, any differences between the carrying amount and the consideration are recognized as a share premium. The Group cannot exercise the voting rights associated with the treasury shares. Furthermore, no dividends are allocated to these shares.

PROVISIONS

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

Provisions are reviewed as of the end of each reporting period and adjusted to the current best estimate. If the corresponding interest effect is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

RESTRUCTURING EXPENSES

Restructuring expenses are recognized in the period in which they are incurred or the criteria for recognizing a provision as described above are satisfied. Expenses in connection with an early termination of employment are recognized as expenses and an obligation if, as part of a formal plan, the company has demonstrably undertaken to offer benefits on the occasion of termination of employment, thus promoting voluntarily terminations, or if it has undertaken to accept early termination before the normal retirement age.

PROVISIONS FOR PENSIONS

The measurement of provisions for pensions is based on the projected unit credit method prescribed in IAS 19 for defined benefit plans; this method takes into account future salary and pension increases. The present value of the defined benefit obligation at year-end is reduced by the fair value of the plan assets transferred to funds if offsetting is permitted (asset ceiling). Actuarial gains and losses are recognized in full in other comprehensive income in the periods incurred. Actuarial gains and losses are not reclassified from other comprehensive income to consolidated profit or loss in subsequent years. The treatment of any asset ceiling effects is the same. The expected return on plan assets and interest expenses are reported in net finance costs, the remaining components of pension expenses remain in profit from operating activities.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

SEGMENT REPORTING

Segment reporting in the HUGO BOSS Group is based on the internal organizational and reporting structure in line with the management approach. The data on the basis of which the internal performance indicators are calculated are derived from the financial statements prepared in accordance with IFRS.

JUDGMENTS AND ESTIMATIONS IN THE APPLICATION OF ACCOUNTING POLICIES

In preparing the consolidated financial statements, the management makes judgments, estimates and assumptions that affect the amount of the income, expenses, assets and liabilities reported as of the end of the reporting period and the disclosure of contingent liabilities. These estimates and assumptions are made in order to provide an accurate view of the net assets, financial position and results of operations of the Group. The underlying assumptions are reviewed on an ongoing basis. However, the actual amounts may differ from the original estimates.

In applying the Group's accounting methods, the management made the following judgments that significantly influence the amounts in the consolidated financial statements.

a / Impairment of non-financial assets

Certain basic assumptions were made to determine recoverable amount when testing intangible assets (goodwill, trademark rights with an indefinite useful life, key money with a finite and indefinite useful life) and the property, plant and equipment of the Group's own retail stores for impairment. Furthermore, the expected cash flows used for impairment tests are derived and discounted based on budget planning and medium-term forecasts for the respective CGUs. The management assumes that the assumptions and estimates on which the discounted cash flows are based are appropriate. However, changes in the economic conditions and the sector-specific growth assumptions could affect the impairment tests which could lead to additional impairment losses or reversals of impairment losses in the future.

The basic assumptions for determining the recoverable amount of the various CGUs including a sensitivity analysis are described in more detail in note 12.

Impairments of EUR 10,567 thousand (2011: EUR 4,150 thousand) had been recognized as of the end of the reporting period. Further details can be found in note 10 to 12.

b / Write-downs on receivables

The recoverability of trade receivables is assessed on the basis of the estimated probability of default. Accordingly, receivables from customers that have initiated insolvency proceedings are written down in full (to the extent that existing collateral is not recoverable). Write-downs on receivables that are past due are based on individually calculated percentages of between 1% and 100%. All HUGO BOSS Group subsidiaries are required to keep records showing the maturity structure of their trade receivables. This ensures that risk-adjusted write-downs are possible. Third-party expert opinions have been obtained to determine the value of collateral during such impairment testing.

If the financial situation of the customer deteriorates, the amounts required to be derecognized could exceed the write-downs recognized, which could adversely impact the result of operations.

Write-downs of EUR 16,628 thousand (2011: EUR 33,521 thousand) had been recognized as of the end of the reporting period. Further details can be found in note 15.

c / Inventory measurement

Write-downs are recognized for inventory risks resulting from a partial reduction in marketability due to long storage periods.

Deductions ranging from 1% to 95% are applied to raw materials based on inventory range and marketability analyses. No write-downs are recognized for work in progress. The carrying amount of finished goods and merchandise is based on the net realizable value that can be achieved through the Group's own sales channels.

The lowest value is determined for merchandise and finished goods using marketability, inventory range and net realizable amount analyses. Impairments recognized to account for lower expected sales prices both on the level of the distribution companies and from the Group's perspective are anticipated on the basis of these impairment routines.

Write-downs of EUR 41,891 thousand (2011: EUR 34,439 thousand) had been recognized as of the end of the reporting period. These are explained in note 14.

d / Provisions

As the HUGO BOSS Group operates in several different countries, it is subject to a variety of different legal conditions. Given the complexity of international regulations, it is possible that differences between the actual events and the assumptions made/changes to such assumptions may necessitate adjustments to the Group's reported provisions in the future. Provisions for possible effects of legal matters are recognized on the basis of reasonable estimates. The assessment draws on the evaluation of local external experts such as lawyers and tax advisors. Any differences between the original estimate and the actual outcome could affect the net assets, financial position and results of operations of the Group in the respective period. Further details can be found in note 23.

e /Provisions for Pensions

The expense from defined benefit plans is determined using actuarial calculations. These are made on the basis of assumptions relating to discount rates, expected return on plan assets, future salary increases, mortality and future pension increases. The discount rates used are based on market yields on high-quality fixed-rate corporate bonds. The expected long-term return on plan assets is determined on the basis of historical long-term returns and the structure of the portfolio. Considering the long-term orientation of these plans, such assumptions are subject to major uncertainty. Pension provisions of EUR 96,422 thousand (2011: EUR 78,868 thousand) had been recognized as of the end of the reporting period. For further information, please refer to note 24

f / Deferred taxes on loss carryforwards

Deferred tax assets are recognized on unutilized tax loss carryforwards to the extent it is likely that there will be future taxable income against which the unutilized tax loss carryforwards can be offset. The management exercises discretion regarding the expected timing of such income and the amount of future taxable income and measures the deferred tax assets on unutilized tax loss carryforwards in the appropriate amount. Deferred tax assets on unutilized tax loss carry forwards of EUR 1,031 thousand (2011: EUR 2,938 thousand) had been recognized as of the end of the reporting period. For further information, please refer to note 6.

CHANGE IN ACCOUNTING METHOD/ CHANGE IN PRESENTATION

The management believes that the following change allows a more accurate presentation of the net assets, financial position and results of operations of the Group. To allow the financial statements of the Group to be compared over time, the presentation of the items in the financial statements was also restated retroactively for prior periods to match the presentation in the reporting period.

PROVISIONS FOR PENSIONS

Starting with the 2012 Annual Report, the Managing Board of HUGO BOSS AG has resolved to reassess the accounting method for pension provisions as compared to the previous year.

The standard applicable to pension provisions as of the time of these consolidated financial statements being prepared, IAS 19, provides an option for the presentation of actuarial gains and losses. Actuarial gains and losses can be accounted for as follows:

- In profit or loss in the fiscal year in which they arise
- In profit or loss proportionately over the expected remaining working life and only to the extent that a certain amount is exceeded (corridor method)
- In other comprehensive income (SORIE method)

In accordance with IAS 19.93a, the HUGO BOSS Group has decided to recognize all actuarial gains and losses and the effects of the asset ceiling in other comprehensive income (SORIE method) from fiscal 2012, rather than in profit or loss as was previously the case. The HUGO BOSS Group is of the opinion that this change better reflects the standard practice of its competitors in the industry. This voluntary change in accounting method means that the following items of the statement of financial position have also been retrospectively changed:

As of December 31, 2012, other reserves declined by EUR 6,520 thousand to EUR 279,567 thousand and the profit attributable to the shareholders of the parent company rose by EUR 6,520 thousand to EUR 307,394 thousand. In the consolidated income statement, the item administration costs and other operating income/expenses decreased by EUR 8,773 thousand to EUR 211,176 thousand, so income taxes increased by EUR 2,253 thousand to EUR 98,109 thousand.

As of December 31, 2011, other reserves declined by EUR 395 thousand to EUR 206,944 thousand and the profit attributable to the shareholders of the parent company rose by EUR 395 thousand to EUR 284,888 thousand. In the consolidated income statement administrative costs an other operating expenses/income declined by EUR 519 thousand to EUR 188,073 thousand, income tax rose by EUR 125 thousand to EUR 91,548 thousand.

As of January 1, 2011, other reserves 2010 declined by EUR 2,994 thousand to EUR 158,199 thousand and the profit attributable to the shareholders of the parent company rose by EUR 2,994 thousand to EUR 188,889 thousand. In the consolidated income statement administrative costs an other operating expenses/income declined by EUR 3,943 thousand to EUR 184,862 thousand, income tax rose by EUR 948 thousand to EUR 60,875 thousand. Other retained earnings as of January 1, 2011 contained the accumulated effects arising from previous fiscal years in actuarial gains/losses as well as asset ceiling amounting to EUR 4,869 thousand.

The effect on earnings per share due to the change in the accounting method is less than EUR 0.01 for fiscal year 2011 earnings per share of ordinary share were at EUR 4.12 and of preferred shares at EUR 4.13. For fiscal year 2010 the effect was EUR 0.04, earning per share of ordinary shares were at EUR 2.73 and of preferred shares at EUR 2.74. The prior-year figures were adjusted retroactively in accordance with the regulations of IAS 8.

DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

In the 2012 Consolidated Financial Statements, the HUGO BOSS Group nets deferred tax assets against deferred tax liabilities.

In accordance with IAS 12, deferred tax assets and liabilities are shown net if the Group has a right to offset current tax assets against current tax liabilities and these also relate to the same taxable entity for income taxes.

This change in presentation results in a reduction of total balance sheet.

As of December 31, 2012, deferred tax assets decreased by EUR 21,703 thousand to EUR 66,974 thousand. Deferred tax liabilities declined by EUR 21,703 thousand to EUR 19,637 thousand. Total assets therefore fell from EUR 1,602,721 thousand to EUR 1,584,518 thousand as of December 31, 2012.

As of December 31, 2011, deferred tax assets decreased by EUR 23,150 thousand to EUR 56,086 thousand. Deferred tax liabilities declined by EUR 28,696 thousand to EUR 20,858 thousand. Due to the reevaluation of a tax issue, an amount of EUR 5,546 thousand was reclassified from deferred tax liabilities to current income tax liabilities. Current income tax liabilities therefore increased to EUR 51,198 thousand. Total assets therefore fell from EUR 1,449,016 thousand to EUR 1,425,866 thousand as of December 31, 2011.

As of January 1, 2011, deferred tax assets decreased by EUR 12,680 thousand to EUR 36,290 thousand. Deferred tax liabilities declined by EUR 14,726 thousand to EUR 10,152 thousand. Due to the reevaluation of a tax issue, an amount of EUR 2,046 thousand was reclassified from deferred tax liabilities to current income tax liabilities. Current income tax liabilities therefore increased to EUR 39,661 thousand. As of January 1, 2011, total assets therefore fell from EUR 1,355,442 thousand to EUR 1,342,762 thousand.

The prior-year figures were adjusted retroactively in accordance with the regulations of IAS 8.

RECEIVABLES FROM CREDIT CARD COMPANIES

In the 2012 Consolidated Financial Statements, the HUGO BOSS Group no longer reports receivables from credit card companies under other current assets but rather with the current financial assets.

As of December 31, 2012, other current assets therefore decreased by EUR 16,494 thousand to EUR 61,347 thousand and current financial assets increased by EUR 16,494 thousand to EUR 26,541 thousand.

As of December 31, 2011, other current assets therefore decreased by EUR 5,827 thousand to EUR 65,490 thousand and current financial assets increased by EUR 5,827 thousand to EUR 17,528 thousand.

As of January 1, 2011, other current assets therefore decreased by EUR 4,095 thousand to EUR 57,825 thousand and current financial assets increased by EUR 4,095 thousand to EUR 14,717 thousand.

The prior-year figures were adjusted retroactively in accordance with the regulations of IAS 8.

STATEMENT OF CASH FLOWS

In fiscal 2012, dividends paid to non-controlling interests amounting to EUR 3,153 thousand were shown separately under cash outflow from financing activities. On December 31, 2011, the corresponding amount of EUR 1,663 thousand in cash flow from operating activities was included and was reclassified accordingly. In fiscal 2010, there were no dividends paid to non-controlling interests.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1| SALES

(in EUR thousand)

	2012	2011
Sale of goods	2,289,342	2,009,512
Royalties	56,512	49,329
TOTAL	**2,345,854**	**2,058,841**

2| COST OF SALES AND DIRECT SELLING EXPENSES

(in EUR thousand)

	2012	2011
Cost of purchase	785,429	694,000
Cost of conversion	63,709	62,552
Direct Selling expenses	43,471	37,452
TOTAL	**892,609**	**794,004**

The cost of sales includes the cost of materials, which is the amount of inventories recognized as an expense in the fiscal year. This item also includes costs for incoming freight and duties.

The cost of sales for fiscal 2012 includes inventory impairment losses of EUR 41,891 thousand (2011: EUR 34,439 thousand). The impairment losses relate in particular to finished goods and raw materials, which had to be written down due to their limited recoverability.

Direct selling costs primarily include sales commissions, freight and duties charges and credit card fees.

3| SELLING AND DISTRIBUTION EXPENSES

(in EUR thousand)

	2012	2011
Expenses for own retail business, indirect sales and marketing organization	545,236	442,427
Marketing spendings	135,613	121,707
Logistics expenses	126,172	115,638
Bad Debts/Losses	1,847	2,383
TOTAL	**808,868**	**682,155**

In addition to staff costs, rental expenses are the largest expense item for the Group's own retail business, indirect selling and marketing organization.

In addition to staff and rental expenses for wholesale distribution, the expenses for the Group's own retail operations, indirect selling and marketing organization also include other expenses for retail services and regional sales management.

Distribution expenses consist of gross distribution expenses of EUR 152,040 thousand (2011: EUR 138,660 thousand), and income from passing on distribution expenses of EUR 16,427 thousand (2011: EUR 16,953 thousand). Income from passing on distribution expenses is largely composed of charges for shop fittings, marketing materials, advertising and sponsorship activities.

The total other taxes on selling and distribution expenses are EUR 2,878 thousand (2011: EUR 2,045 thousand).

4| ADMINISTRATIVE COSTS AND OTHER OPERATING EXPENSES/INCOME

(in EUR thousand)

	2012	2011
General administration costs	143,301	131,211
Research and development costs	63,712	55,399
Special items	4,163	1,463
TOTAL	**211,176**	**188,073**

Administrative expenses mainly comprise rent for premises, maintenance costs, IT operating costs, legal and consulting fees and the staff costs of the respective functional areas.

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

The total research and development costs of EUR 63,712 thousand (2011: EUR 55,399 thousand), break down as follows: EUR 44,543 thousand (2011: EUR 35,611 thousand) for staff costs, EUR 1,860 thousand (2011: EUR 1,663 thousand) for depreciation and amortization and EUR 17,309 thousand (2011: EUR 18,125 thousand) for other operating expenses.

The special items relate to the simplification of the brand structure and the bundling of the creative areas under the BOSS brand.

Significant income was created in administrative expenses and other operating expenses/income by charging other costs and services totaling EUR 9,216 thousand (2011: EUR 9,105 thousand) and the reversal of provisions in the amount of EUR 7,264 thousand (2011: EUR 4,342 thousand), EUR 798 thousand of which (2011: EUR 661 thousand) relates to special effects.

The total other taxes in administrative expenses and other expenses/income amount to EUR 2,545 thousand (2011: EUR 2,696 thousand).

5| FINANCIAL RESULT

(in EUR thousand)

	2012	2011
Interest income due to bank deposit	1,400	3,245
Other interest income	1,259	1,476
Interest income	**2,659**	**4,721**
Interest expenses from financial liabilities	(18,761)	(20,920)
Interest expense	**(18,761)**	**(20,920)**
Net interst income/expense	**(16,102)**	**(16,199)**
Exchange rate gains/losses from receivables and liabilities	(6,680)	8,710
Gains/losses from hedging transactions	4,169	(4,038)
Other financial expenses/income	(4,959)	(172)
Other financial items	**(7,470)**	**4,500**
Financial result	**(23,572)**	**(11,699)**

Other financial expenses consist of net interest expenses from pension provisions, non-current provisions and the recognized return on plan assets of EUR 1,623 thousand (2011: EUR 754 thousand).

Interest and similar expenses include expenses for interest rate swaps of EUR 13,086 thousand (2011: EUR 10,539 thousand).

The exchange rate losses on receivables and liabilities amount to EUR 2,511 thousand after hedging transactions (2011: gains of EUR 4,672 thousand). These include exchange rate gains of EUR 16,301 thousand (2011: EUR 45,959 thousand), exchange rate losses of EUR 22,981 thousand. (2011: EUR 37,249 thousand) and net hedge income of

EUR 4,169 thousand (2011: expense of EUR 4,038 thousand). These included FX forwards and swaps that further reduced currency effects in fiscal year 2012.

6| INCOME TAXES

(in EUR thousand)

	2012	2011
Current taxes	110,688	98,092
Deferred taxes	(12,579)	(6,544)
TOTAL	**98,109**	**91,548**

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

HUGO BOSS AG remains still subject to a domestic income tax rate of 28.0% (2011: 28.0%). As in the previous year, tax rates abroad range between 0% and 40%.

In fiscal year 2012, current income taxes included prior-period expenses of EUR 809 thousand (2011: EUR 6,096 thousand). This was offset by prior-period income of EUR 4,106 thousand (2011: EUR 548 thousand).

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

The following table shows a reconciliation of the anticipated income tax expense that would theoretically result given the application of the current domestic income tax rate of 28.0% at Group level (2011: 28.0%) with the income tax expense actually reported by the Group. The domestic income tax rate used takes into account the corporate income tax rate (including the German solidarity surcharge) of 15.8% (2011: 15.8%) and the trade tax rate of 12.2% (2011: 12.2%).

(in EUR thousand)

	2012	2011
Pre-tax result	**409,629**	**382,910**
Anticipated income tax	114,696	107,215
Tax effect of permanent items	4,643	11,226
Tax rate-related deviation	(20,256)	(26,387)
Tax refunds/back taxes	(3,296)	5,841
Valuation allowance on deferred tax assets	2,752	(9,319)
Tax effects from distributable profit of subsidiaries	657	5,237
Other deviations	(1,087)	(2,265)
Income tax expenditure reported	**98,109**	**91,548**
Income tax load	24%	24%

The income tax expense was reduced by tax-exempt earnings in the amount of EUR 1,164 thousand (2011: EUR 5,481 thousand). The opposing tax effects from non-deductible operating expenses amounted to EUR 5,587 thousand (2011: EUR 8,395 thousand) and other permanent effects totaled EUR 220 thousand (2011: EUR 8,312 thousand).

In addition to the effects from the creation or reversal of temporary differences between the carrying amounts in the consolidated financial statements and those in the financial statements for tax purposes, expenses for deferred taxes included income from differences caused by tax rates of EUR 20,256 thousand (2011: EUR 26,387 thousand). EUR 6,806 thousand (2011: EUR 2,491 thousand) of this resulted from tax-rate differences.

Other comprehensive income includes deferred tax expenses of EUR 469 thousand (2011: EUR 1,753 thousand). EUR 2,721 thousand (2011: EUR 1,878 thousand) of this relates to the recognition of fair value fluctuations of hedge derivatives and income of EUR 2,253 thousand (2011: income of EUR 125 thousand) from offsetting actuarial gains/losses from pension provisions in equity.

Deferred tax assets and liabilities have been shown net if they relate to the same tax authority and the same taxable entity. Deferred taxes in the consolidated statement of financial position relate to the following items:

(in EUR thousand)

	2012	
	Deferred tax assets	**Deferred tax liabilites**
Provisions and other liabilities	30,596	(54)
Tax loss carryforwards	26,719	0
Inventory measurement	41,322	(2,998)
Recognition and measurement of non-current assets	7,496	(19,356)
Receivables measurement	5,991	(300)
Market valuation of financial instruments	435	(9,627)
Tax effects from distributable profit of subsidiaries	0	(5,824)
Other differences in recognition and measurement	3,060	(3,180)
	115,549	**(41,340)**
Impairments[1]	(26,872)	0
Netting	(21,703)	21,703
TOTAL	**66,974**	**(19,637)**

[1] including unrecognized tax loss carryforwards.

(in EUR thousand)

	2011	
	Deferred tax assets	Deferred tax liabilites
Provisions and other liabilities	25,908	(535)
Tax loss carryforwards	25,499	0
Inventory measurement	31,798	(5,714)
Recognition and measurement of non-current assets	8,016	(18,343)
Receivables measurement	6,649	(195)
Market valuation of financial instruments	4,073	(9,627)
Tax effects from distributable profit of subsidiaries	0	(5,237)
Other differences in recognition and measurement	3,807	(9,649)
	105,700	**(49,554)**
Impairments[1]	(26,464)	0
Netting	(23,150)	23,150
TOTAL	**56,086**	**(26,404)**

[1] inculding unrecognized tax loss carryfowards.

Deferred tax assets are recognized for all deductible temporary differences, unutilized tax loss and interest carryforwards and unused tax credits to the extent that it is likely that future taxable income will be generated against which these deductible temporary differences and the unutilized tax loss and interest carryforwards and unused tax credits can be offset.

EUR 27,443 thousand (2011: EUR 25,964 thousand) of deferred tax assets and EUR 30,855 thousand (2011: EUR 33,091 thousand) of deferred tax liabilities are non-current. The total amount is reported as long-term in the balance sheet.

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

The impairments of deffered taxes relate to temporary differences in the amount of EUR 5,243 thousand (2011: EUR 3,953 thousand) and the amount of EUR 21,629 thousand (2011: EUR 22,511 thousand) from loss carryforwards which will be probably not be usable in the future.

Distributable profits at foreign subsidiaries are to be partially distributed to Germany in the coming years. The German tax expense incurred on distribution of EUR 1,200 thousand (2011: EUR 1,200 thousand) was recognized as a deferred tax liability. In addition, deferred taxes were recognized for distributable profits of subsidiaries that distribute to other subsidiaries to the extent that withholding taxes are incurred for future distributions. Deferred tax liabilities were recognized in the amount of EUR 4,624 thousand (2011: EUR 4,037 thousand) for these withholding tax expenses.

Other deferred tax liabilities on distributable profits at subsidiaries totaling EUR 503,817 thousand (2011: EUR 403,540 thousand) were not recognized as these profits are currently intended to remain permanently invested. On distribution of the profits to Germany, these would be subject to 5% of German taxation or might give rise to foreign withholding taxes. Distributions therefore generally lead to additional tax expenses. Estimating non-reported deferred tax liabilities on undistributed profits is possible only with a disproportionate amount of effort.

Unutilized income tax loss carryforwards mainly relate to foreign Group companies as follows:

(in EUR thousand)

	2012	2011
Expiry within		
1 year	2,830	0
2 years	1,091	2,259
3 years	444	1,176
4 years	1,395	411
5 years	47,386	39,736
After 5 years	23,551	26,330
Unlimited carryforward	9,899	7,018
TOTAL	**86,596**	**76,930**

The corresponding deferred tax assets were recognized on unutilized tax loss carryforwards on December 31, 2012 and in the preceding fiscal years amount to EUR 5,090 thousand (2011: EUR 2,938 thousand). In fiscal year 2012 no deferred taxes for tax loss carryforwards amounting to EUR 69,507 thousand (2011: EUR 67,017 thousand) were recognized.

7| NON-CONTROLLING INTERESTS

The consolidated financial statements include companies in which HUGO BOSS AG holds less than 100% of equity. In accordance with IAS 27, the non-controlling interests are reported in equity separately from the equity held by the shareholders of the parent company in the consolidated statement of financial position. Similarly, non-controlling interests are shown separately in the consolidated income statement.

8| EARNINGS PER SHARE

In accordance with IAS 33, earnings per share (EPS) are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares outstanding during the fiscal year.

The stock option program did not have any dilutive effects in the reporting periods shown. The participation rights from the stock appreciation rights program grant only a claim to cash settlement, not to HUGO BOSS AG shares.

There were no shares outstanding that could have diluted earnings per share on either December 31, 2012 or December 31, 2011.

(in EUR thousand)

	2012	2011
Net income attributable to equity holders of the parent company	307,394	284,888
Average number of shares outstanding[1]		
Ordinary shares	69,016,167	35,331,445
Preferred shares[2]	0	33,684,722
EPS ordinary shares in EUR[3]	4.45	4.12
EPS preferred shares in EUR[2,3]	0.00	4.13

[1] Regardless of own shares.
[2] Preferred shares were converted in ordinary shares on June 15, 2012 after the close of stock market trading.
[3] Basic and dilluted earnings per share.

9| ADDITIONAL DISCLOSURES TO THE CONSOLIDATED INCOME STATEMENT

PERSONNEL EXPENSES

(in EUR thousand)

	2012	2011
Cost of Sales and direct selling expenses		
Thereof cost of conversion	50,616	40,724
Selling and distribution expenses		
Thereof logistics expenses	75,571	69,061
Thereof expenses of own retail business, indirect sales and marketing organization	201,499	167,161
Administrative costs and other operating expenses/income		
Thereof research and development costs	44,543	35,611
Thereof general administration costs	75,261	62,083
Thereof extraordinary items	2,844	(972)
TOTAL	**450,334**	**373,668**

The extraordinary items in 2012 of EUR 2,844 thousand mainly relate to the termination of employment relationships which result from the simplification of the brand structure and the bundling of the creative areas under the BOSS brand.

In previous years, provisions were recognized for structural reorganization of individual markets. In fiscal 2011, individual provisions were reversed due to the completion of these reorganization activities, resulting in remaining income of EUR 972 thousand in extraordinary items.

(in EUR thousand)

	2012	2011
Wages and salaries	385,321	316,635
Social security	60,466	52,319
Expenses and income for retirement benefits and aid	4,547	4,714
TOTAL	**450,334**	**373,668**

Employer contributions for defined contribution pension plans amount to EUR 11,001 thousand (2011: EUR 10,111 thousand) and are shown in staff costs.

Employees as of December 31:

	2012	2011
Industrial employees[1]	4,303	4,194
Commercial and administrative employees[1]	7,549	6,810
TOTAL	**11,852**	**11,004**

[1] Previous year figures were adjusted.

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

The restatement of prior-year figures relates to a reclassification of 493 employees from industrial to commercial employees.

Annual average of employees:

	2012	2011
Industrial employees[1]	4,134	4,491
Commercial and administrative employees[1]	7,169	5,874
TOTAL	**11,303**	**10,365**

[1] Previous year figures were adjusted.

DEPRECIATION

(in EUR thousand)

	2012	2011
Cost of sales and direct selling expenses		
Thereof cost of conversion	4,232	4,403
Selling and distribution expenses		
Thereof logistics expenses	10,943	7,275
Thereof expenses for own retail business, indirect sales and marketing organization	58,085	44,128
Administrative costs and other operating expeneses/income		
Thereof research and development costs	1,860	1,663
Thereof general administration costs	16,816	15,951
TOTAL	**91,936**	**73,420**

Amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 91,936 thousand (2011: EUR 73,420 thousand). The breakdown of depreciation and amortization expense into the corresponding balance sheet items is shown in the notes to the consolidated balance sheet below.

COST OF MATERIALS

The cost of materials in the past year amounted to EUR 714,687 thousand (2011: EUR 589,072 thousand).

NOTES TO THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

(in EUR thousand)

	Property, plant and equipment	Intangible assets	Total
Cost of aquisition			
December 31, 2010	**638,245**	**202,744**	**840,989**
Changes in scope of consolidation	(767)	(1,366)	(2,133)
Currency translation effects	8,589	2,956	11,545
Additions	79,365	29,114	108,479
Disposals	(14,976)	(1,732)	(16,708)
Transfers	(25,573)	(10,100)	(35,673)
December 31, 2011	**684,883**	**221,616**	**906,499**
Changes in scope of consolidation	0	0	0
Currency translation effects	(3,876)	1,616	(2,260)
Additions	147,800	18,002	165,802
Disposals	(15,360)	(2,069)	(17,429)
Transfers	(6,527)	(1,137)	(7,664)
December 31, 2012	**806,920**	**238,028**	**1,044,948**
Depreciation/impairment			
December 31, 2010	**373,830**	**75,807**	**449,637**
Changes in scope of consolidation	(151)	0	(151)
Currency translation effects	5,773	514	6,287
Depreciation	54,216	15,054	69,270
Impairment	3,510	640	4,150
Disposals	(12,211)	(1,364)	(13,575)
Transfers	(25,614)	(10,133)	(35,747)
December 31, 2011	**399,353**	**80,518**	**479,871**
Changes in scope of consolidation	0	0	0
Currency translation effects	(3,051)	(94)	(3,145)
Depreciation	64,501	16,868	81,369
Impairment	8,894	1,673	10,567
Disposals	(13,703)	(2,010)	(15,713)
Transfers	(6,528)	(1,137)	(7,665)
December 31, 2012	**449,466**	**95,818**	**545,284**
Carrying amount December 31, 2012	**357,454**	**142,210**	**499,664**
Carrying amount December 31, 2011	**285,530**	**141,098**	**426,628**

Land charges in connection with land and buildings amounted to EUR 47,079 thousand (2011: EUR 33,667 thousand).

10| INTANGIBLE ASSETS

(in EUR thousand)

	Concessions, industrial property rights[1]	Internally developed Software	Goodwill	**Total**
Cost of acquisition				
December 31, 2010	**159,102**	**5,603**	**38,039**	**202,744**
Changes in scope of consolidation	(1,200)	0	(166)	(1,366)
Currency translation effects	2,956	0	0	2,956
Additions	28,855	0	259	29,114
Disposals	(1,732)	0	0	(1,732)
Transfers	(9,063)	0	(1,037)	(10,100)
December 31, 2011	**178,918**	**5,603**	**37,095**	**221,616**
Changes in scope of consolidation	0	0	0	0
Currency translation effects	(250)	0	1,866	1,616
Additions	18,002	0	0	18,002
Disposals	(2,069)	0	0	(2,069)
Transfers	(1,137)	0	0	(1,137)
December 31, 2012	**193,464**	**5,603**	**38,961**	**238,028**
Depreciation/impairment				
December 31, 2010	**67,973**	**5,603**	**2,231**	**75,807**
Changes in scope of consolidation	0	0	0	0
Currency translation effects	514	0	0	514
Depreciation	15,054	0	0	15,054
Impairment	640	0	0	640
Disposals	(1,364)	0	0	(1,364)
Transfers	(9,095)	0	(1,038)	(10,133)
December 31, 2011	**73,722**	**5,603**	**1,193**	**80,518**
Changes in scope of consolidation	0	0	0	0
Currency translation effects	(81)	0	(13)	(94)
Depreciation	16,868	0	0	16,868
Impairment	1,673	0	0	1,673
Disposals	(2,010)	0	0	(2,010)
Transfers	(1,137)	0	0	(1,137)
December 31, 2012	**89,035**	**5,603**	**1,180**	**95,818**
Carrying amount December 31, 2012	**104,429**	**0**	**37,781**	**142,210**
Carrying amount December 31, 2011	**105,196**	**0**	**35,902**	**141,098**

[1] And similar rights, including licenses.

Concessions and industrial rights essentially include software and software licenses, key money, trademark rights and intangible assets identified in purchase price allocation.

SOFTWARE AND SOFTWARE LICENCES

The "Columbus" IT project launched in fiscal 2003 resulted in the purchase of new software for all of corporate management. This affected the purchasing, production control, logistics, distribution and financial systems (worldwide). Over the lifetime of the "Columbus" project, intangible assets with a cost of EUR 65,037 thousand (2011: EUR 61,130 thousand) were recognized for the ERP system, consisting of the industry solution SAP AFS and SAP Retail for the Group's own retail stores, of which EUR 34,472 thousand (2011: EUR 27,230 thousand) had been amortized as of the end of the reporting period. The remaining amortization period is 4.2 years. In addition to the software described, this item includes other software licenses in the amount of EUR 22,228 thousand (2011: EUR 16,165 thousand) with a remaining amortization period of 4.3 years.

KEY MONEY

As of the end of the reporting period, key money of EUR 19,039 thousand (2011: EUR 19,006 thousand) had been recognized under concessions and industrial rights. EUR 6,872 thousand (2011: EUR 6,480 thousand) of this relates to key money with an indefinite useful life and EUR 12,167 thousand (2011: EUR 12,526 thousand) to key money with a finite useful life. Key money with an indefinite useful life currently relates to Brazil, France and Denmark. Key money with a finite useful life essentially relates to Switzerland, Australia and the Benelux countries. It has a remaining amortization period of 6.0 years.

TRADEMARK RIGHTS

The trademark rights reporting in concessions and industrial rights in the amount of EUR 14,992 thousand (2011: EUR 14,992 thousand), which primarily relate to the use of the brand names of HUGO, BOSS and HUGO BOSS in the United States, are also classified as assets with indefinite useful lives.

INTANGIBLE ASSETS FROM PURCHASE PRICE ALLOCATION

Concessions, industrial rights, similar rights and assets and licenses also include intangible assets from purchase price allocation. As part of the first-time consolidation of joint venture companies, business licenses and franchise agreements were capitalized with a residual carrying amount of EUR 13,774 thousand (2011: EUR 14,980 thousand) and a remaining amortization period of 12.5 years as of December 31, 2012. The franchise agreements identified in purchase price allocation following the acquisition of the mono-brand stores of the franchise partner Moss Bros in the UK in 2011 had a residual carrying amount of EUR 3,831 thousand (2011: EUR 6,153 thousand) as of the end of the reporting period. The remaining amortization period is 1.5 years.

Further information on impairment losses can be found in note 12.

11| PROPERTY, PLANT AND EQUIPMENT

(in EUR thousand)

	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Construction in progress	**Total**
Cost of acquisition					
December 31, 2010	**136,266**	**41,985**	**458,024**	**1,970**	**638,245**
Changes in scope of consolidation	0	0	(767)	0	(767)
Currency translation effects	4,399	579	3,608	3	8,589
Additions	19,101	3,115	46,932	10,217	79,365
Disposals	(1,399)	(1,012)	(12,565)	0	(14,976)
Transfers	65,007	39,132	(123,729)	(5,983)	(25,573)
December 31, 2011	**223,374**	**83,799**	**371,503**	**6,207**	**684,883**
Changes in scope of consolidation	0	0	0	0	0
Currency translation effects	(1,354)	(68)	(2,462)	8	(3,876)
Additions	36,045	4,096	84,320	23,339	147,800
Disposals	(1,281)	(861)	(13,121)	(97)	(15,360)
Transfers	(157)	111	(1,762)	(4,719)	(6,527)
December 31, 2012	**256,627**	**87,077**	**438,478**	**24,738**	**806,920**
Depreciation/impairment					
December 31, 2010	**47,810**	**32,624**	**292,930**	**466**	**373,830**
Changes in scope of consolidation	0	0	(151)	0	(151)
Currency translation effects	2,905	515	2,353	0	5,773
Depreciation	11,699	5,149	37,367	1	54,216
Impairment	428	92	2,990	0	3,510
Disposals	(1,180)	(847)	(10,184)	0	(12,211)
Transfers	39,507	22,639	(87,294)	(466)	(25,614)
December 31, 2011	**101,169**	**60,172**	**238,011**	**1**	**399,353**
Changes in scope of consolidation	0	0	0	0	0
Currency translation effects	(883)	(74)	(2,094)	0	(3,051)
Depreciation	12,805	5,339	46,356	1	64,501
Impairment	3,437	106	5,351	0	8,894
Disposals	(1,274)	(827)	(11,602)	0	(13,703)
Transfers	(11)	(814)	(5,701)	(2)	(6,528)
December 31, 2012	**115,243**	**63,902**	**270,321**	**0**	**449,466**
Carrying amount December 31, 2012	**141,384**	**23,175**	**168,157**	**24,738**	**357,454**
Carrying amount December 31, 2011	**122,205**	**23,627**	**133,492**	**6,206**	**285,530**

Impairment losses of EUR 8,894 thousand (2011: EUR 3,515 thousand) were recognized on property, plant and equipment, which was allocated to the individual function areas and reported in depreciation and amortization expense in the consolidated income statement. Impairment losses also essentially relate to property, plant and equipment for certain stores and were recognized after impairment testing.

12| IMPAIRMENT TESTING IN THE HUGO BOSS GROUP

At each reporting date it is assessed whether there is an indication that a non-financial asset (property, plant and equipment, intangible assets including goodwill) may be impaired (triggering event). Regardless of whether or not there is a triggering event, intangible assets with indefinite useful lives (key money and trademark rights) and goodwill acquired in a business combination are tested for impairment annually. As of the December 31, 2012 reporting date, the following non-current assets were reviewed for impairment as part of the annual impairment test or due to a triggering event:

- Property, plant and equipment subject to depreciation and intangible assets subject to amortization at CGU level
- Other intangible assets with an indefinite useful life (key money)
- Trademark rights with an indefinite useful life
- Goodwill

Impairment testing is based on detailed earnings, balance sheet and investment planning for all Group units, prepared as part of the company-wide budget planning process taking into account the current business situation. A long-term growth rate is determined for periods beyond the budget planning and used to forecast future cash flows. The long-term growth rares used are consistent with external information sources. Planning for investments and trade net working capital is based on budget planning data and is carried forward on the basis of past experience. The cost of capital calculated for the HUGO BOSS Group using a WACC model includes standard market and country-specific risk premiums (country risk spreads) and a premium for currency risk (inflation spread). The cost of capital is used to discount the cash flow forecasts prepared in local currency The cost of capital rate used as of December 31, 2012 is based on a risk-free interest rate of 2.25% (2011: 3.29%) and a market risk premium of 6% (2011: 5%).

PROPERTY, PLANT AND EQUIPMENT SUBJECT TO DEPRECIATION AND INTANGIBLE ASSETS SUBJECT TO AMORTIZATION AT CGU LEVEL

The **Group's own retail stores (directly operated stores, DOS)** were identified as a CGU in the HUGO BOSS Group, i.e. the smallest group of assets that can generate cash flows independently. "Flagship stores" are a particular type of directly operated stores. Because of their size and exclusivity, they have an effect beyond their respective locations on the HUGO BOSS brand image and provide sales incentives for other stores. Flagship stores are therefore not independent CGUs.

The depreciated and amortized DOS assets are tested for impairment when there are indications or changes in planning assumptions that may lead to the conclusion that the carrying amount of the assets cannot be recovered. In this context, HUGO BOSS performs a triggering event test after preparing its annual budget planning at DOS level. If they fall short of defined sales and profitability indicators as compared to the last planning, the non-current assets of the respective DOSs are tested for impairment.

The recoverable amount of the DOSs is determined by calculating its value in use using the discounted cash flow method. This uses the planned cash flows from the bottom-up planning approved by the management of HUGO BOSS AG. The forecast period is derived on the basis of expected useful lives for all DOSs and reviewed annually. After the bottom-up planning, sales and cost developments specific to the country and CGU are derived for the remaining useful life. The growth rates used are based on the nominal, forecasted retail growth rates of the respective market for the planning year in question. For the majority of DOSs, the growth rates are in the medium to high single digit range. In some emerging economies, however, there are low double digits growth rates. At the end of the remaining useful life, it is assumed that the respective DOS will be liquidated with disposal proceeds in the amount of the residual carrying amount of its operating assets. To calculate the value in use of the DOS, its cash flows were discounted with a weighted average cost of capital before taxes of between 10.2% and 30.1% (2011: between 9.6% and 23.3%).

The DOS impairment testing resulted in impairment losses in the in the past fiscal year of EUR 7,036 thousand (2011: EUR 4,066 thousand). These were recognized in profit or loss under selling and distribution expenses. Due to negative developments in the profitability of individual locations, the non-current assets of certain DOSs had to be adjusted as part of the impairment test. The increase is attributable in particular to impairment losses on retail locations in Europe. Impairment losses on depreciated and amortized DOS assets in the Americas and Asia/Pacific regions were at the level of the previous year.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The following table shows basic assumptions for calculating the value in use for the goodwill and intangible assets with an indefinite useful life assigned to the relevant groups of CGUs:

(in EUR thousand)

2012	**Carrying amount**		**Assumptions**	
	Goodwill	intangible assets with indefinite useful life	WACC	long-term growth rate
Europe	265	3,330	9.2 - 13.6%	1.9 - 4.1%
Americas	0	3,542	22.8%	7.8%
Asia/Pacific	18,806	0	10.3 - 12.7%	4.0 - 5.7%
Royalties	0	14,992	10.2 - 17.8%	1.6 - 4.2%
Corporate Units	18,710	0	17.9%	1.6%
Total	**37,781**	**21,864**		

2011	Carrying amount		Assumption	
	Goodwill	intangible assets with indefinite useful life	WACC	long-term growth rate
Europe	259	4,141	11.0 - 20.9%	2.0%
Americas	0	2,339	20.9%	2.0%
Asia/Pacific	16,932	0	11.95 - 14.01%	3.0%
Royalties	0	14,992	12.45 - 13.19%	2.0%
Corporate Units	18,710	0	12.5%	2.0%
Total	**35,901**	**21,472**		

In the table, goodwill was assigned to the Europe and Asia/Pacific regions and the corporate units. This represents an aggregation of several CGUs at the level of the respective operating segments and the bundling of corporate units. The goodwill acquired through business combinations in the Asia/Pacific region is attributable to the acquisition of shares in the joint venture sales units Lotus (Shenzhen) Commerce Limited and Lotus Concept Trading (Macau) Co., Ltd. in fiscal 2010 (EUR 9,740 thousand) and to the acquisition of shares in the Australia sales unit in 2002 (EUR 9,066 thousand). The goodwill allocated to the corporate units results from the acquisition of shares in the companies of the Shoes and Leather Accessories business unit (EUR 18,710 thousand) in fiscal 2004. The acquisition of the mono-brand stores in fiscal 2011 from Moss Bros Group PLC, the most important franchise partner in the UK, resulted in a goodwill of EUR 265 thousand, which is assigned to the Europe region.

Intangible assets with indefinite useful life in the Europe and Americas regions are attributable to key money with indefinite useful life in the markets of France, Brazil and Denmark. Trademark rights for the use of the brand name, primarily in the USA and Italy markets, are assigned to the royalties segment.

The method of testing goodwill and intangible assets with indefinite useful life for impairment at CGU level is described below:

OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE (KEY MONEY)

Impairment testing on key money with an indefinite useful life, which was paid when concluding rental agreements, is performed once per year or when there are indications of impairment. The recoverable amount of the CGU is determined by calculating its value in use using the discounted cash flow method. An indefinite forecast period is assumed for DOS with key money. After the detailed planning period, the forecast cash flows are extrapolated using a long-term, country-specific growth rate of between 1.9% and 7.8% (2011: between 1.9% and 4.5%) based on the nominal, forecasted retail growth rates of the respective markets. To calculate the value in use of the DOS, its cash flows were discounted with a weighted average cost of capital before taxes of between 9.2% and 22.8% (2011: between 11.0% and 20.9%).

In individual cases, calculations of the fair value less costs to sell prepared by third-party experts are used to test key money for impairment.

An impairment charge of EUR 240 thousand was calculated for DOS with key money with an indefinite useful life in fiscal 2012 (2011: EUR 90 thousand). This relates to the key money for one DOS in Brazil. The planned long-term profitability declined compared to previous year.

TRADEMARK RIGHTS WITH AN INDEFINITE USEFUL LIFE

The trademark rights with indefinite useful life are mainly attributable to rights acquired in fiscal 1997 to use the BOSS brand name in the USA and for acquired trademark rights in Italy. The indefinite useful life is the result of the estimate of permanent use of the registered brand name.

The recoverable amount of trademark rights with an indefinite useful life is calculated on the basis of the fair value less cost to sell. The latter is based on a sales forecast for the respective market approved by the management during the budget process. Country-specific sales growth rates are also used. After the five-year detailed planning period, the planned sales are extrapolated with a growth rate of between 1.6% and 4.2% (2011: 2.0%). The growth rate is consistent with the long-term nominal retail growth of the respective markets. Depending on the intangible asset being measured, the cost of capital before taxes used is between 10.2% and 17.8% (2011: between 12.5% and 13.2%).

No impairment losses were recognized for trademark rights with an indefinite useful life in the 2012 and 2011 fiscal years.

GOODWILL

The recoverable amount of the respective CGU is calculated using cash flow forecasts based on financial planning approved by the management. Restructuring measures to which the Group has not yet committed and investments associated with operating activities that increase the earnings power of the tested CGUs are not taken into account. Country-specific sales growth rates based on the nominal retail growth are also used after the planning period. The last planning year is extrapolated with long-term growth rates of between 1.6% and 5.7% (2011: between 2.0% and 3.0%). Depending on the goodwill being measured, the cost of capital before taxes used is between 10.3% and 17.9% (2011: between 12.0% and 14.0%).

As in the previous years, there were no impairment losses on any goodwill in fiscal 2012.

OTHER IMPAIRMENT LOSSES

In the past fiscal year, there were also impairment losses on non-current assets of EUR 1,043 thousand on account of the planned closure of individual DOSs and of EUR 2,248 thousand on the basis of third-party expert opinions calculating the fair value less costs to sell of a warehouse logistics property at the Metzingen location.

KEY ASSUMPTIONS USED IN VALUE IN USW CALCULATION

The following central assumptions, are subject to management judgement and estimated when determing the value in use of the assets described above:

- Nominal, long-term retail growth
- Gross profit margin
- Development of fixed costs
- Discount rates
- Expected useful life of DOS

Estimating growth rates -- The growth rates are based on published, industry-specific market research, based on the country-specific nominal retail growth. In particular, these growth rates were used to calculate the value in use in the detailed planning phase and for perpetuity.

Estimating gross profit margin -- The planned gross profit margin takes into account both, increases in efficiency and of margin shifts due to different sales shares accounted for by distribution channels (channel mix effects). A constant gross profit margin was assumed following the detailed planning phase.

Development of fixed costs -- The development of fixed costs is based on both the country-specific, real growth in gross domestic product and the country-specific rate of inflation.

Discount rates -- The discount rates are the current market estimates for the specific risks of the respective CGUs. The time value of money and the specific risks of the assets are taken into account. Country-specific costs of capital are taken into account for the individual CGUs that include both a country risk premium and a premium for currency risk. The weighted average cost of capital (WACC) takes into account both the debt and equity. In addition, the beta, the interest rate on debt and the capital structure are derived on the basis of a peer group in accordance with IAS 36 and calculated annually on the basis of publicly available market data.

Useful life of the DOS -- The forecast period for impairment tests on depreciated and amortized non-current assets at the DOS level is based on the average remaining terms of leases. This is calculated and reviewed annually. Extension options are included in the calculation of average remaining terms provided the management can use the option without significant cost.

SENSITIVITY OF ASSUMPTIONS

Scenarios were calculated for critical measurement parameters such as the discount rates and growth rates for deriving of cash flow forecasts used to asses the values in use calculated as of December 31, 2012. The management of the HUGO BOSS Group considers an average increase in the discount rate of 0.6% to be possible. A 0.5% reduction in the growth rates used in extrapolating the detailed planning period for the goodwill of CGUs is considered possible.

In the event of an increase in the discounting rate of 0.6%, there would be an additional impairment loss of EUR 219 thousand on the DOSs analyzed including key money. The value in use of all goodwill would exceed the respective carrying amounts under the above assumption.

If the growth rate were to decline by 0.5%, the value in use of all goodwill would exceed the carrying amount.

If the discount rate were to decline by 0.6%, the carrying amount of the key money with an indefinite useful life in Brazil would match the value in use (zero sensitivity).

13| FINANCIAL AND OTHER ASSETS

(in EUR thousand)

			2012			2011
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Financial assets[1]	41,083	26,541	14,542	31,282	17,528	13,754
Tax refund claims and prepayments	12,113	12,113	0	17,332	17,332	0
Other assets[1]	51,851	49,234	2,617	50,827	48,158	2,669
Total	**105,047**	**87,888**	**17,159**	**99,441**	**83,018**	**16,423**

[1] Previous year figures were adjusted.

Financial assets include positive fair values from currency hedging transactions and hedges in accordance with the stock aprreciation rights program in the amount of EUR 7,846 thousand (2011: EUR 11,171 thousand) and rent deposits for directly operated stores in the amount of EUR 15,067 thousand (2011: EUR 14,274 thousand). From fiscal 2012, financial assets include receivables from credit card companies in the amount of EUR 16,494 thousand (previous year: EUR 5,827 thousand). The figures for the previous year have been restated accordingly.

Impairment losses on other assets in fiscal 2012 amounted to EUR 93 thousand (2011: EUR 279 thousand).

Other assets include bonus receivables from supplier relationships as well as advance payments for service contracts and rents.

14| INVENTORIES

(in EUR thousand)

	2012	2011
Finished goods and merchandise	369,503	380,602
Raw materials and supplies	54,459	72,379
Work in progress	6,335	4,932
Total	**430,297**	**457,913**

The carrying amount of inventories carried at fair value less costs to sell is EUR 89,796 thousand (2011: EUR 164,450 thousand). In fiscal 2012, impairment losses on finished goods and raw materials in particular amounted to EUR 41,891 thousand (2011: EUR 34,439 thousand) and were included in the cost of sales.

15| TRADE RECEIVABLES

(in EUR thousand)

	2012	2011
Trade receivables, gross	231,527	208,097
Accumulated allowance	(16,628)	(33,521)
Trade receivables, net	214,899	174,576

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

All discernible risks are accounted for by appropriate write-downs. Specific defaults result in the receivables in question being derecognized.

The development of write-downs on doubtful accounts is as follows:

(in TEUR)

	2012	2011
Allowances for doubtful accounts as of January 1	**33,521**	**36,760**
Additions	7,466	11,739
Use	(10,680)	(1,895)
Release	(13,677)	(13,162)
Currency differences	(2)	79
Allowances for doubtful accounts as of December 31	**16,628**	33,521

Any income or expense from write-downs on trade receivables is reported under selling and distribution expenses.

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

(in EUR thousand)

	2012	2011
Trade receivables, net	**214,899**	**174,576**
Thereof: neither due, nor impaired	**145,444**	**119,987**
Thereof: overdue, but not impaired	**69,455**	**54,589**
≤ 30 days	44,336	24,888
> 30 to 60 days	11,433	17,080
> 60 to 90 days	6,269	6,224
> 90 to 120 days	3,978	1,862
> 120 to 180 days	1,149	2,147
> 180 to 360 days	1,779	1,493
> 360 days	511	895

As of the end of the reporting period, there was no indication that any creditors would default on their payment obligations with regard to receivables that were neither past due nor impaired. The total of receivables overdue but not impaired (EUR 69,455 thousand) was equal to the difference between receivables overdue (EUR 86,083 thousand) and the write-downs (EUR 16,628 thousand) recognized on them. Trade receivables are written down at individually calculated percentages of between 1% and 100%.

16| CASH AND CASH EQUIVALENTS

(in EUR thousand)

	2012	2011
Balances with banks and other cash items	245,611	188,595
Checks/ec-cash	852	2,555
Cash in hand	8,143	9,246
Total	**254,606**	**200,396**

In addition to cash in the narrower sense – i.e. checks, cash on hand and bank balances – cash and cash equivalents also include short-term investments that can be converted into cash at any time and that are subject only to insignificant fluctuations in value.

As of the end of the reporting period, bank balances included short-term investments totaling EUR 130,000 thousand (2011: EUR 115,000 thousand).

17| SUBSCRIBED CAPITAL

The fully paid-up share capital of HUGO BOSS AG as of December 31, 2012 amounted to EUR 70,400,000. The nominal value per share is EUR 1. The share capital is divided into 70,400,000 bearer shares and can be broken down as follows:

(in EUR thousand)

	2012	2011
Ordinary shares	70,400	35,860
Preferred shares[1]	0	34,540
Total	**70,400**	**70,400**

[1] Preferred shares were converted in ordinary shares on 15 June, 2012 after the close of stock market trading.

The total ordinary shares include 34,540,000 former preferred shares, which were converted into ordinary shares after close of trading on June 15, 2012. The conversion of preferred shares into ordinary shares and the change from bearer to registered was approved at HUGO BOSS Annual Shareholders' Meeting on May 3, 2012. Since then the company's share capital has consisted of 70,400,000 no-par-value registered ordinary shares. The Managing Board of HUGO BOSS AG has authorized capital of EUR 35,200,000 at its disposal until May 13, 2014, subject to the approval of the Supervisory Board. The authorized capital entitles the Managing Board to increase share capital on one or several occasions by issuing new registered ordinary shares and/or non-voting registered preferred shares, which are equal to the non-voting registered preferred shares already issued.

PRICIPLES OF CAPITAL MANAGEMENT

Equity includes equity attributable to equity holders of the parent.

The primary goal of the HUGO BOSS Group's capital management is to secure financial scope for value-enhancing investments for continued company growth and thus for the sustainable increase of enterprise value.

To increase enterprise value, the Group focuses on maximizing free cash flow. A permanent positive free cash flow ensures the Group's financial independence and solvency at all times.

The main levers for improving free cash flow consist of increasing sales and operating income, defined as EBITDA (earnings before interest, taxes, depreciation and amortization) before special items. The free cash flow development is also supported by systematic management of trade net working capital and disciplined investment activity. To maintain or adjust the capital structure, the Group can make adjustments to dividend payments to shareholders, repay capital to its shareholders or issue new shares.

As of December 31, 2012 and December 31, 2011, no changes were made to the objectives, guidelines or processes.

In addition, efficient use of capital and the capital structure are regularly monitored on the basis of the leverage ratio, i.e. the ratio of net debt to operating earnings (EBITDA before special items):

(in TEUR)

	2012	2011
Liabilities due to banks	385,054	349,464
Cash and cash equivalents	(254,606)	(200,396)
Net debt	**130,448**	**149,068**
Operating profit	**529,300**	**469,493**
Financing strength	**0.2**	**0.3**

As a result of the positive development of operating income and the reduction of net debt, the leverage ratio improved again year-on-year. As of the end of the reporting period, this ratio was down from 0.3 in the previous year to 0.2.

Financing strength is apart interest cover ratio and minimum equity the covenant defined in the syndicated loan agreement

These covenants must not exceed/fall below specified values. As in the preceding quarters, HUGO BOSS significantly exceeded the required minimum values as of December 31, 2012.

18 | TREASURY SHARES

The number of treasury shares is as follows as against the previous year:

	2012	2011
Ordinary shares	1,383,833	528,555
Share of subscribed capital in %	2.0	0.8
Preferred shares[1]	0	855,278
Share of subscribed capital in %	0.0	1.2

[1] Preferred shares were converted in ordinary shares on 15 June, 2012 after the close of stock market trading.

At the Annual Shareholders' Meeting of June 21, 2010, it was decided to authorize the Managing Board until June 20, 2015 to purchase its own registered ordinary and/or non-voting registered preferred shares of HUGO BOSS AG up to an overall maximum of 10% of its current capital.

19 | CAPITAL RESERVE

The capital reserves contains premiums on the issuance of shares.

20 | RETAINED EARNINGS

Retained earnings include the past earnings of the companies included in the consolidated financial statements, to the extent that this has not been distributed, and effects on earnings resulting from consolidation adjustments for prior periods.

21 | ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income reports the differences arising from the currency translation of the financial statements of foreign subsidiaries in equity of EUR -5,196 thousand (2011: EUR -9,478 thousand) and the effects of the remeasurement of financial instruments after taxes in equity. Deferred tax income not recognised in the income statement amount to EUR 1,174 thousand (2011: EUR 3,895 thousand).

Please see the consolidated statement of comprehensive income for information on income and expenses recognized in equity.

22| DIVIDEND

In accordance with the Aktiengesetzbuch (AktG -- German Stock Corporation Act), the dividend that can be distributed to shareholders is based on the unappropriated surplus for the year as reported in the HUGO BOSS AG annual financial statements of EUR 219,648 thousand. The unappropriated surplus of HUGO BOSS AG for 2012 proposed to the Annual Shareholders' Meeting for distribution amounts to EUR 215,330 thousand. This corresponds to EUR 3.12 per ordinary share. It will also be proposed to the Annual Shareholders' Meeting for the dividend amount attributable to treasury shares of EUR 4,318 thousand to be carried forward to new account.

In fiscal year 2012 a dividend of EUR 199,103 thousand was distributed for the shares outstanding in fiscal year 2011 (in 2011 for fiscal 2010: EUR 139,750 thousand). This corresponds to EUR 2.88 (2010: EUR 2.02) per ordinary share and EUR 2.89 (2010: EUR 2.03) per preferred share.

23| PROVISIONS

(in EUR thousand)

	2012	2011
Provisions for pensions	31,936	20,662
Other non-current provisions	23,252	20,218
Non-current provisions	**55,188**	**40,880**
Current provisions	**90,270**	**89,822**
Total	**145,458**	**130,702**

Other provisions amounting to EUR 113,522 thousand (2011: EUR 110,040 thousand) comprise current provisions of EUR 90,270 thousand (2011: EUR 89,822 thousand) and other non-current provisions of EUR 23,252 thousand (2011: EUR 20,218 thousand).

The other provisions changed as follows in fiscal 2012:

(in EUR thousand)

	Balance on Jan. 1, 2012	Currency differences	Addition	Use	Release	**Balance on Dec. 31, 2012**
Provisions for personnel expenses	55,242	(148)	48,676	(34,813)	(8,110)	60,847
Costs of litigation, pending legal disputes	7,570	(10)	3,613	(1,759)	(1,246)	8,168
Miscellaneous provisions	47,228	(100)	17,844	(10,106)	(10,359)	44,507
Total	**110,040**	**(258)**	**70,133**	**(46,678)**	**(19,715)**	**113,522**

(in EUR thousand)

	Balance on Jan. 1, 2011	Currency differences	Addition	Use	Release	Balance on Dec. 31, 2011
Provisions für personnel expenses	53,623	396	28,404	(25,902)	(1,279)	55,242
Costs of litigation, pending legal disputes	5,450	55	3,841	(1,336)	(440)	7,570
Miscellaneous provisions	47,462	1,506	33,896	(17,419)	(18,217)	47,228
Total	**106,535**	**1,957**	**66,141**	**(44,657)**	**(19,936)**	**110,040**

Provisions for staff costs predominantly relate to profit sharing and bonuses, severance payments, outstanding vacation entitlements and wages and salaries.

Overall, the company expects that EUR 19,137 thousand (2011: EUR 20,218 thousand) of the provisions for staff costs will be paid out after more than twelve months.

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

Miscellaneous provisions mainly include provisions for product returns that are expected to be settled within twelve months. Provisions for the possible effects of legal and tax matters were also recognized on the basis of reasonable estimates. Furthermore, the miscellaneous provisions include the non-current provisions for restoration obligations.

Provisions with a term of more than one year are discounted using risk-free interest rates. The risk-free interest rates are between 1.1% and 7.8% depending on term and currency. In the past fiscal year, additions to non-current provisions include an interest effect of EUR 1,362 thousand (2011: EUR 412 thousand).

24| PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The amount of benefit obligations was determined using actuarial methods in accordance with IAS 19, whereby actuarial gains and losses are recognized in other comprehensive income in the period in which they are incurred.

(in EUR thousand)

	2012	2011
Provisions for pensions	27,424	17,130
Provisions for similar obligations	4,512	3,532
Total	**31,936**	**20,662**

Pension provisions are recognized for benefit obligations and for current payments to eligible active and former employees of the HUGO BOSS Group. Pension commitments based on the retirement plans are determined largely by the period of service of the eligible employees. With company pensions, a distinction is generally made between two types of pension systems: defined contribution plans and defined benefit plans. In the HUGO BOSS Group pension plans are mostly defined benefit plans. The HUGO BOSS Group also offers Managing Board members and executives the option to acquire additional pension benefits by means of deferred compensation agreements. Defined benefit plans were granted in Germany, Switzerland and Mexico in the past fiscal year.

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

The calculation of pension expenses is based on planned service cost and expected returns on plan assets. Based on the calculation principles set forth in IAS 19, the following is a summary of the current funding status of pension commitments in fiscal 2012:

(in EUR thousand)

	2012	2011
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	78,868	65,899
Currency differences	158	515
Service cost	4,113	5,624
Interest cost	3,067	2,634
Acturial gains/losses	12,387	67
Benefits paid	(6,461)	(1,988)
Contribution by participants of the plan	4,290	5,708
Other changes in benefit obligation	0	409
Present value of benefit obligation on December 31	**96.422**	**78.868**
Changes in plan assets		
Fair value of plan assets on January 1	61,738	49,893
Currency differences	98	313
Expected return on plan assets	2,806	2,292
Benefits paid	(5,753)	(1,223)
Acturial gains/losses	(1,357)	(525)
Contribution by the employer	2,206	3,050
Contribution by participants of the plan	4,290	5,708
Asset Ceiling acc. to IAS 19.58	4,970	73
Other changes in benefit obligation	0	2,157
Fair value of plan assets on December 31	**68,998**	**61,738**
Funding status of the benefits funded by plan assets	**27,424**	**17,130**

As of December 31, 2012, EUR 90,451 thousand (2011: EUR 73,733 thousand) of benefit obligations are financed by a fund, EUR 5,971 thousand (2011: EUR 5,135 thousand) relates to plans not financed by funds.

The change in present values as against the previous year resulted partly from the change in the discount rate in Germany from 4.50% to 3.50%. This change is reflected in the actuarial losses.

Pension expenses consist of service costs for the period, the interest expense, the expected return on plan assets and other changes in the present value of the benefit obligation and plan assets.

The actual return on plan assets for fiscal 2012 amounted to EUR 1,449 thousand (2011: EUR 1,766 thousand). This corresponds to the total of the return on plan assets and the actuarial losses.

For commitments from deferred compensation, current service costs are only incurred in the year of deferral. Additional work done does not lead to an increase in pension commitments. Interest expenses are reported under net other finance costs.

(in EUR thousand)

	2012	2011
Current service costs	4,113	5,624
Interest costs	3,067	2,634
Expected return on plan assets	(2,806)	(2,292)
Pensions expenses for the period	**4,374**	**5,966**

Actuarial losses and the result from the asset ceiling are recognized in equity in accordance with IAS 19.58. In fiscal year 2012, EUR 6,520 thousand (2011: EUR 395 thousand) is recognized under other comprehensive income.

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

(in EUR thousand)

	2012	2011	2010	2009	2008
Present value obligation	96,422	78,868	65,899	49,199	40,249
Fair value of plan assets	68,998	61,738	49,893	39,929	31,441
Funding status of the benefits funded by plan assets	**27,424**	**17,130**	**16,006**	**9,270**	**8,808**
Experience adjustments of accumulated benefit obligation	2,096	4,811	1,994	(1,563)	1,342
Experience adjustments of plan assets	(29)	(61)	(172)	(895)	(150)

The actuarial calculation used to determine the present value of the defined benefit obligations also included relevant influencing factors, the planned service cost and the expected return on plan assets. In addition to assumptions regarding life expectancy, the following assumptions were made here, taking into account country-specific circumstances:

Acturial assumptions	**2012**	2011
Discount rate		
Germany	3.50%	4.50%
Mexico	7.75%	8.25%
Switzerland	2.00%	2.40%
Rate of compensation increase		
Germany	1.75%	1.75%
Mexico	0.00%	0.00%
Switzerland	0.00%	0.00%
Expected salary increase		
Germany	2.50%	2.50%
Mexico	4.75%	4.75%
Switzerland	4.00%	4.00%
Expected rate of return on plan assets		
Germay	4.20%	4.50%
Mexico	0.00%	0.00%
Switzerland	2.00%	2.40%

The future funding status and therefore the level of funding provisions is dependent on factors such as the development of the discount factor, especially in Germany. The share of companies based in Germany in pension provisions (funding status) is 58%. A hypothetical 0.25% increase of the discount factor to calculate the defined benefit pension plans of companies based in Germany results in a EUR 2,875 thousand decline of the funding status.

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

Employee contributions to defined benefit plans in fiscal 2012 amounted to EUR 4,290 thousand (2011: EUR 7,530 thousand). For fiscal 2013, the Group expects employee contributions to defined benefit plans to total EUR 3,758 thousand.

For fiscal 2013, the Group expects employer contributions to plan assets to amount to EUR 2,276 thousand and employee contributions to EUR 3,758 thousand.

Pension obligations for Germany were calculated using biometric principles in accordance with the 2005 G Heubeck mortality tables. In addition, the assumptions upon which the calculation of pension provisions are based are subject to economic fluctuations, such as charges in interest rates. Deviations in the corresponding parameters can influence the benefit obligations recognized in future periods and fund assets.

25| FINANCIAL LIABILITIES

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

(in EUR thousand)

	2012	2011
Non-current financial liabilities	63,265	355,042
Current financial liabilities	332,177	33,464
TOTAL	**395,442**	**388,506**

(in EUR thousand)

	2012	**with remaining term up to 1 year**
Financial liabilities due to banks	385,054	325,071
Other financial liabilities	10,388	7,105
TOTAL	**395,442**	**332,176**

(in EUR thousand)

	2011	with remaining term up to 1 year
Financial liabilities due to banks	349,464	4,392
Other financial liabilities	39,042	29,072
TOTAL	**388,506**	**33,464**

The other financial liabilities include liabilities from financial instruments with negative fair values totaling of EUR 10,208 thousand (2011: EUR 21,917 thousand). There were no liabilities from finance leases in 2012 (2011: EUR 1 thousand).

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

FINANCIAL LIABILITIES DUE TO BANKS

	2012	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**
Up to 1 year	0.89%	325,071
1 to 5 years	1.53%	29,228
More than 5 years	3.41%	30,755

	2011	
Remaining term	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	2.46%	4,392
1 to 5 years	1.70%	321,642
More than 5 years	3.77%	23,430

The drop in the market interest rate resulted in lower average interest rates in 2012, particularly for floating-rate liabilities to banks.

OTHER FINANCIAL LIABILITIES

	2012	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**
Up to 1 year	3.37%	7,105
1 to 5 years	5.11%	2,138
More than 5 years	5.58%	1,145

	2011	
Remaining term	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	1.16%	29,072
1 to 5 years	1.97%	9,011
More than 5 years	4.06%	959

In contrast to the previous year, the share of non-interest-bearing financial liabilities dropped significantly. As a result of this, weighted average interest rates rose considerably. The following table shows the contractually agreed undiscounted cash flows for primary financial liabilities and derivative financial instruments with negative fair values:

(in EUR thousand)

		Expected cash flows			
2012	**Carrying amount**	**Total Cash flows**	**< 1 year**	**1–5 years**	**> 5 years**
Non-derivative financial liabilities					
Financial liabilities due to banks	385,054	397,873	343,246	19,770	34,857
Liabilities from finance leases	0	0	0	0	0
Derivative financial liabilities					
Freestanding derivatives	5,513	5,638	2,411	1,981	1,246
Derivatives subject to hedge accounting	4,695	4,696	4,696	0	0
Other financial liabilities	180	180	0	180	0
TOTAL	**395,442**	**408,387**	**350,353**	**21,931**	**36,103**

(in EUR thousand)

		Expected cash flows			
2011	Carrying amount	Total Cash flows	< 1 year	1–5 years	> 5 years
Non-derivative financial liabilities					
Financial liabilities due to banks	349,464	372,958	11,523	332,159	29,276
Liabilities from finance leases	1	1	1	0	0
Derivative financial liabilities					
Freestanding derivatives	6,641	6,874	690	5,054	1,130
Derivatives subject to hedge accounting	15,276	15,367	11,314	4,053	0
Other financial liabilities	17,124	17,124	17,124	0	0
TOTAL	**388,506**	**412,324**	**40,652**	**341,266**	**30,406**

26| OTHER LIABILITIES

(in EUR thousand)

	2012			2011		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Other liabilities	107,301	93,303	13,998	95,549	79,991	15,558
From taxes	27,277	27,277	0	26,161	26,161	0
From social security	5,586	5,586	0	4,407	4,407	0

In addition to liabilities for taxes and social security contributions, other liabilities primarily include deferred liabilities from rent obligations for directly operated stores and overtime and vacation entitlement.

27| TRADE PAYABLES

(in EUR thousand)

	2012	2011
Trade payables	227,575	225,145

Trade payables include advance payments of EUR 3,965 thousand (2011: EUR 2,121 thousand).

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

28| ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

CARRYING AMOUNT AND FAIR VALUES BY CLASS OF FINANCIAL INSTRUMENTS

(in EUR thousand)

		2012		2011	
	IAS 39 category	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	LaR	254,606	254,606	200,396	200,396
Trade receivables	LaR	214,899	214,899	174,576	174,576
Other financial assets		41,083	41,083	31,282	31,282
Thereof:					
Available for sale investments	AFS	1,002	1,002	10	10
Freestanding derivatives	FAHfT	7,846	7,846	11,171	11,171
Derivatives subject to hedge accounting	n.a.	0	0	0	0
Other financial assets	LaR	32,235	32,235	20,101	20,101
Liabilities					
Financial liabilities due to banks	FLAC	385,054	389,238	349,464	353,314
Trade payables	FLAC	227,575	227,575	225,145	225,145
Other financial liabilities		10,388	10,388	39,042	39,042
Thereof:					
Liabilities from finance leases	n.a.	0	0	1	1
Freestanding derivatives	FLHfT	5,513	5,513	6,641	6,641
Derivatives subject to hedge accounting	n.a.	4,695	4,695	15,276	15,276
Other financial liabilities	FLAC	180	180	17,124	17,124
TOTAL for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	501,740	501,740	395,073	395,073
Financial Assets Held for Trading	FAHfT	7,846	7,846	11,171	11,171
Available for sale investments	AFS	1,002	1,002	10	10
Financial Liabilities Measured at Amortised Cost	FLAC	612,809	616,993	591,733	595,583
Financial Liabilities Held for Trading	FLHfT	5,513	5,513	6,641	6,641

The fair value of financial assets and financial liabilities is shown with the amount for which the relevant instrument could be exchanged in a current transaction between willing parties. The methods and assumptions used to calculate the fair values are as follows:

Cash and cash equivalents, trade receivables, other financial assets, trade payables and other current liabilities very closely approximate to their carrying amounts, mainly as a result of the short maturities of these instruments.

The fair value of bank loans and other financial liabilities, finance lease liabilities and other non-current financial liabilities is calculated by discounting the future cash flows using interest rates currently available for borrowing at similar conditions, credit risks and maturities.

The fair value of financial assets available for sale is calculated on the basis of market prices on active markets if available.

The Group concludes derivative financial instruments with various parties, most of which are financial institutions of good credit standing (investment grade). Financial transactions with parties with a lower credit rating require the approval of the Managing Board and are concluded only to a limited extent. Derivatives measured using a method with input parameters observable on the market primarily include interest rate swaps and currency forwards. The most frequently used measurement methods include the forward price and swap models using present value calculations. These models take into account various factors such as the creditworthiness of counterparties, foreign exchange spot and forward rates, yield curves and the forward rates of the underlying commodities.

As of December 31, 2012, the derivative positions are measured at market prices (marked-to-market) exclusively of the write-down for creditworthiness, which is based on the default risk of the counterparty of the derivative. The default risk of the counterparty did not entail any significant effects.

HIERARCHY OF FAIR VALUES

The Group uses the following hierarchy to determine and report the fair value of financial instruments by measurement method:

Level 1: Listed (non-adjusted) prices on active markets for similar assets or liabilities

Level 2: Methods in which all the input parameters that significantly affect the calculation of fair value are either directly or indirectly observable

Level 3: Method in which the input parameters that significantly affect the calculation of fair value are not based on observable market data

As of December 31, 2012, level 2 applies to all financial instruments in the categories FAHfT and FLHfT and to derivatives with hedging relationships that are measured at fair value.

NET GAINS OR LOSSES BY CATEGORY OF FINANCIAL INSTRUMENTS

(in EUR thousand)

	Interest income and expenses	**Changes in fair value**	**Currency translation**	**Bad debt losses**	**Disposal of financial instruments**	**2012**	2011
Derivatives (FAHfT und FLHfT)	0	4,862	0	0	6,931	11,793	55
Loans and Receivables (LaR)	2,659	0	(2,932)	(1,847)	0	(2,120)	8,067
Financial Liabilities Measured at Amortised Cost (FLAC)	(20,276)	0	(3,748)	0	0	(24,024)	(19,454)

Interest from financial instruments is reported in net interest result (see note (5) to the consolidated income statement).

Write-downs on trade receivables in the “Loans and receivables” category are reported in distribution expenses.

Gains and losses from the translation of receivables and liabilities denominated in foreign currencies, changes in fair value and the effects of disposals of currency hedges are reported under other financial items.

The effects of the change in fair value of the call options to hedge the SAR provisions are recognized in staff costs and in other net financial items (also see note (35) “Share-based remuneration”).

OTHER DISCLOSURES

29| CONTINGENT LIABILITIES

No provisions have been recognized for the following contingent liabilities, which are recognized at nominal value, as the associated risks are considered unlikely to materialize. There were no contingent liabilities as of the end of the reporting period (2011: EUR 1,018 thousand).

(in EUR thousand)

	2012	2011
Contingent liabilities from the provision of collateral for third-party liabilities	0	1,018
TOTAL	**0**	**1,018**

30| OTHER FINANCIAL OBLIGATIONS

OPERATING LEASES

There is a substantial number of leases that qualify as operating leases due to their economic substance, which means that the leased asset is accounted for by the lessor.

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

In fiscal 2012, rental expenses in the amount of EUR 178,613 thousand (2011: EUR 141,773 thousand) were recognized for operating leases. Contingent rental expenses amounted to EUR 50,143 thousand (2011: EUR 33,652 thousand).

The following payments become due under operating leases in subsequent periods:

(in EUR thousand)

2012	**Due 2013**	**Due 2014-2017**	**Due after 2017**	**TOTAL**
Sum of future minimum lease payments (operating leases)	140,716	425,110	240,844	**806,670**
Other obligations	11,987	1,737	615	**14,339**
	152,703	**426,847**	**241,459**	**821,009**

2011	Due 2012	Due 2013-2016	Due after 2016	TOTAL
Sum of future minimum lease payments (operting leases)	132,626	363,526	187,459	**683,611**
Other obilgations	13,241	537	0	**13,778**
	145,867	**364,063**	**187,459**	**697,389**

The Group generated income of EUR 481 thousand (2011: EUR 115 thousand) from subleases in fiscal 2012. As of December 31, 2012, the total future minimum lease payments from subleases anticipated on account of non-cancellable leases amounted to EUR 1,552 thousand (2011: EUR 1,751 thousand).

FINANCE LEASES

As in the previous year, property, plant and equipment did not include land beneficially owned by the Group in accordance with IAS 17 in fiscal year 2012. Moreover, it did not include any operating or office equipment (2011: EUR 1 thousand).

OTHER FINANCIAL OBLIGATIONS

The HUGO BOSS Group has entered into advertising and sponsorship agreements which result in other financial obligations. This results in the following payments in subsequent years:

There are also purchase commitments for investments in the amount of EUR 76,656 thousand (2011: EUR 4,060 thousand). EUR 73,500 thousand of this relates to property, plant and equipment (2011: EUR 2,204 thousand) and EUR 3,156 thousand relates to intangible assets (2011: EUR 1,856 thousand). The obligations as of December 31, 2012 are payable in the fiscal years 2013 and 2014. In fiscal year 2011, the purchase commitments were due within one year. There are no further financial obligations.

(in EUR thousand)

2012	Due 2013	Due 2014-2017	Due after 2017	**TOTAL**
Advertising and sponsoring contracts	12,588	8,850	0	**21,438**
	12,588	8,850	0	**21,438**

2011	Due 2012	Due 2013-2016	Due after 2016	**TOTAL**
Advertising and sponsoring contracts	12,477	19,671	0	**32,148**
	12,477	19,671	0	**32,148**

31| HEDGING POLICIES AND FINANCIAL DERIVATIVES

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

(in EUR thousand)

	2012	
	Nominal values	**Fair values**
Assets		
Currency hedging contracts	76,768	4,926
Interest hedging contracts	0	0
Call options (SAR-Hedges)	2,550	2,920
Liabilities		
Currency hedging contracts	31,606	(1,789)
Interest hedging contracts	(312,039)	(8,419)
Call options (SAR-Hedges)	0	0
TOTAL	**(201,115)**	**(2,362)**

(in EUR thousand)

	2011	
	Nominal values	Fair values
Assets		
Currency hedging contracts	50,579	3,245
Interest hedging contracts	0	0
Call options (SAR-Hedges)	9,964	7,926
Liabilities		
Currency hedging contracts	63,572	(3,552)
Interest hedging contracts	(312,550)	(18,365)
Call options (SAR-Hedges)	0	0
TOTAL	**(188,435)**	**(10,746)**

The nominal amounts shown reflect the hedged amount of the underlying transaction. The fair values of financial derivatives are carried as other financial assets or other financial liabilities. The fair values do not necessarily represent the amounts that will be realized in the future under current market conditions.

In addition, financial assets include the fair values of call options to hedge the stock appreciation rights program in the amount of EUR 2,920 thousand (2011: EUR 7,926 thousand).

The fair value of derivative financial instruments shown includes EUR 2,333 thousand (2011: EUR 4,530 thousand) for financial assets and liabilities classified as held for trading.

As of December 31, 2012, expenses totaling EUR 3,522 thousand (2011: EUR 11,381 thousand) resulting from the remeasurement at fair value of interest hedges were recognized in equity after deducting deferred taxes. Expenses from interest hedges of EUR 9,376 thousand after taxes (2011: expenses of EUR 7,519 thousand) were reclassified to profit or loss in fiscal year 2012. These consisted of interest expenses of EUR 12,501 thousand (2011: EUR 10,025 thousand) and income from deferred taxes of EUR 3,125 thousand (2011: EUR 2,506 thousand). The changes in fair value amounted to an expense of EUR 1,517 thousand (previous year: EUR 2,033 thousand). As in the previous year, no currency hedge effects were reclassified from equity to profit or loss in fiscal 2012. The figures for the previous year were restated on account of the change in net reporting.

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

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

CURRENCY RISKS

The information required under IFRS 7 on currency risks and a corresponding sensitivity analysis are presented in detail in the risk report in the group management report. As in the previous year, the currency risk is calculated based on the currency exposure already recognized as the hedging strategy is still aimed at limiting accounting risks.

INTEREST RISKS

The information required under IFRS 7 on interest rate risks and a corresponding sensitivity analysis are presented in detail in the risk report in the group management report.

Risks arising from stock appreciation rights are presented in detail in note (35).

32| NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

Cash and cash equivalents as presented in the statement of cash flows include all cash items reported in the balance sheet, meaning that in addition to cash in the narrow sense – i.e. checks, cash on hand and bank balances – it also includes short-term investments that can be converted into cash at any time and are subject only to insignificant fluctuations in value. Cash and cash equivalents are measured at amortized cost.

Non-cash income and expenses relate in particular to unrealized foreign currency gains/losses, changes in profit or loss in the fair value of financial derivatives and other non-cash changes in financial liabilities.

Expenses for changes in the scope of consolidation relate to the remaining purchase price payments for the joint venture company, which were first included in the consolidated financial statements on July 1, 2010.

33| SEGMENT REPORTING

The Managing Board of HUGO BOSS AG manages the company by geographic areas. The HUGO BOSS national distribution companies are responsible for the sales of all HUGO BOSS products that are not sold as licensed products by third parties in their respective regions. The managing directors of the national companies report to the responsible regional directors, who in turn report to the Managing Board of HUGO BOSS AG. This organizational structure ensures that Group targets are implemented directly while taking into account the particular market conditions.

The operating segments are therefore divided into the three regions of Europe, the Americas and Asia/Pacific as well as the royalties division. The distribution companies of the HUGO BOSS Group are assigned to the reporting regions, while all of HUGO BOSS' licensing business with third parties is assigned separately to the royalties division.

The chief operating decision maker of the HUGO BOSS Group is defined as the Managing Board of HUGO BOSS AG.

The management of the regional business units is aligned to value added contribution at Group level.

The most important factor for management and the allocation of resources by the Managing Board is EBITDA before special items. Segment earnings are therefore defined as EBITDA before special items of the distribution units plus the gross profit margin of the sourcing units and intercompany royalty sales.

Group financing (including interest income and expenses) and income taxes are managed on a Group-wide basis and are thus not assigned to the individual business segments.

Managing the operating figures inventories and trade receivables is the responsibility of the sales regions. These items are regularly reported to the Managing Board. Thus, segment assets comprise only trade receivables and inventories.

Liabilities are not part of segment reporting. Thus, segment liabilities are not disclosed.

The accounting policies applied to the segment information are consistent with those of the HUGO BOSS Group, as described under Accounting Policies.

The Managing Board regularly reviews certain effects recognized in the statement of comprehensive income, including impairment losses and depreciation/amortization in particular.

Capital expenditure is also regularly reported to the Managing Board as part of the internal reports and is therefore a component of segment reporting.

All expenses and assets that are not directly attributable to the sales regions or the royalties segment are recognized in the following statements of reconciliation under Corporate units/Consolidation. All Group-wide corporate units are pooled in the Corporate Center segment. The bundling of the remaining expenses of the sourcing, production, research and development units now constitutes an operating cost center, the direct allocation of which to the sales regions would not be appropriate. No operating income is allocated to the Corporate Center segment.

(in EUR thousand)

2012	Europe[1]	Americas	Asia/Pacific	Royalties	Total operating segments
TOTAL Net sales	**1,377,934**	**558,725**	**352,683**	**56,512**	**2,345,854**
Segment profit	**510,633**	**153,283**	**131,210**	**50,402**	**845,528**
in % of net sales	37.1	27.4	37.2	89.2	36.0
Segment assets	183,628	169,279	72,158	17,764	442,829
Capital expenditures	43,743	28,511	25,769	8	98,031
Impairments	(5,111)	(1,684)	(1,523)	0	(8,318)
Thereof tangible assets	(3,890)	(1,420)	(1,336)	0	(6,646)
Thereof intangible assets	(1,221)	(264)	(187)	0	(1,672)
Depreciation/Amortization	(24,507)	(13,501)	(15,017)	0	(53,025)
SAR expenses and hedging	0	0	0	0	0

[1] Including Middle East and Africa.

(in EUR thousand)

2011	Europe[1]	Americas	Asia/Pacific	Royalties	Total operating segments
TOTAL Net sales	**1,245,399**	**454,793**	**309,320**	**49,329**	**2,058,841**
Segment profit	**486,314**	**122,347**	**111,070**	**43,002**	**762,733**
in % of net sales	39.0	26.9	35.9	87.2	37.0
Segment assets	145,043	154,028	78,332	16,609	394,012
Capital expenditures	50,511	12,881	10,288	8	73,688
Impairments	(1,301)	(1,654)	(1,195)	0	(4,150)
Thereof tangible assets	(1,086)	(1,654)	(770)	0	(3,510)
Thereof intangible assets	(215)	0	(425)	0	(640)
Depreciation/Amortization	(19,654)	(11,649)	(11,597)	0	(42,900)
SAR expenses and hedging	0	0	0	0	0

[1] Including Middle East and Africa.

RECONCILIATION

NET SALES

(in EUR thousand)

	2012	2011
Net sales operating segments	**2,345,854**	**2,058,841**
Corporate units	0	0
Consolidation	0	0
TOTAL	**2,345,854**	**2,058,841**

OPERATING INCOME

(in EUR thousand)

	2012	2011
Segment profit - operating segments	**845,528**	**762,733**
Depreciation/Amortization operating segments	(53,025)	(42,895)
Impairments operating segments	(8,318)	(4,155)
Special items operating segments	(157)	(1,431)
Operating income (EBIT) - operating segments	**784,028**	**714,252**
Corporate units	(361,322)	(298,342)
Consolidation	10,494	(21,301)
Operating income (EBIT) HUGO BOSS Group	**433,201**	**394,609**
Net interest result	**(16,102)**	**(16,199)**
Other financial items	**(7,470)**	**4,500**
Earnings before taxes HUGO BOSS Group	**409,629**	**382,910**

CAPITAL EXPENDITURES

(in EUR thousand)

	2012	2011
Capital expenditures - operating segments	**98,031**	**73,688**
Corporate units	67,771	34,791
Consolidation	0	0
TOTAL	**165,802**	**108,479**

DEPRECIATION/AMORTIZATION

(in EUR thousand)

	2012	2011
Depreciation/Amortization - operating segments	**53,025**	**42,900**
Corporate units	28,344	26,370
Consolidation	0	0
TOTAL	**81,369**	**69,270**

IMPAIRMENTS

(in EUR thousand)

	2012	2011
Impairments - operating segments	**8,318**	**4,150**
Corporate units	2,249	0
Consolidation	0	0
TOTAL	**10,567**	**4,150**

SAR-EXPENSES AND HEDGING

(in EUR thousand)

	2012	2011
SAR expenses and hedging - operating segments	**0**	**0**
Corporate units	(86)	3,378
Consolidation	0	0
TOTAL	**(86)**	**3,378**

SEGMENT ASSETS

(in EUR thousand)

	2012	2011
Segment assets - operating segments	**442,829**	**394,012**
Corporate units	202,367	238,477
Consolidation	0	0
Current tax receivables	10,891	8,166
Current financial assets	26,541	17,528
Other current assets	61,347	65,490
Cash and cash equivalents	254,606	200,396
Assets classified as held for sale	0	0
Current assets HUGO BOSS Group	**998,581**	**924,069**
Non-current assets HUGO BOSS Group	585,937	501,797
TOTAL Assets HUGO BOSS Group	**1,584,518**	**1,425,866**

GEOGRAPHIC INFORMATION

(in EUR thousand)

	Third party sales		**Non-current assets**	
	2012	2011	**2012**	2011
Germany	400,676	378,238	201,539	183,227
Other European markets	976,293	866,631	164,405	130,441
USA	433,582	349,133	40,221	33,085
Other North- and Latinamerica markets	125,190	105,837	16,795	11.957
China	211,365	183,347	38,080	27,229
Other Asian markets	142,236	126,326	29,202	30,243
Royalties	56,512	49,329	15,065	15,080
TOTAL HUGO BOSS Group	**2,345,854**	**2,058,841**	**505,306**	**431,262**

4% (previous year: 3%) of consolidated net sales were generated with the Group's largest customer in fiscal 2012. These sales were allocated to the Americas region. The second and third largest customers' shares were 3% (previous year: 4%) and 2% (previous year: 2%) and relate to the Europe region and the royalties segment.

34| DISCLOSURE OF RELATED PARTY TRANSACTIONS

All entities and persons that meet the definition of IAS 24.9 are considered related parties.

The following reportable transactions were performed with related parties in the period from January 1 to December 31, 2012:

PARENT COMPANY

In fiscal year 2010, a service agreement was concluded between HUGO BOSS AG and Red & Black Holding GmbH, Oberursel (Taunus), the direct parent company of HUGO BOSS AG. This service agreement includes the preparation of the quarterly and annual financial statements as well as the consolidated financial statement of Red & Black Holding GmbH, Oberursel (Taunus). In return, HUGO BOSS AG receives standard and appropriate annual remuneration of EUR 50 thousand (2011: EUR 50 thousand). As of December 31, 2012, the Group reported a receivable of EUR 50 thousand from this business relationship (December 31, 2011: EUR 50 thousand).

In the period from January 1 to December 31, 2012, the Company entered into legal transactions in the form of deliveries of goods in the amount of EUR 0 thousand (2011: EUR 14 thousand) with Permira Holdings Limited, Guernsey, the ultimate parent company of the HUGO BOSS Group, and with its affiliated companies. There were no outstanding items from these business relationships as of December 31, 2012.

NON-CONSOLIDATED AFFILIATED COMPANIES

In fiscal 2012, sales from deliveries of EUR 486 thousand were generated with non-consolidated subsidiaries, resulting in outstanding receivables of the same amount as of December 31, 2012.

TRANSACTIONS WITH PERSONS IN KEY POSITIONS OF THE GROUP

The disclosure of management remuneration for key positions in the Group in accordance with IAS 24 comprises the remuneration of the active Managing Board and the Supervisory Board.

The members of the Supervisory Board and the Managing Board are listed on pages 204 to 205.

Remuneration of the active Managing Board

The remuneration within the meaning of IAS 24 for the active Managing Board is as follows:

Total current benefits amounted to EUR 3,303 thousand in 2012 (2011: EUR 2,873 thousand). A service cost of EUR 1,793 thousand was incurred for the company pension plan in 2012 (2011: EUR 1,055 thousand). The cost of other non-current benefits was EUR 5,583 thousand (2011: EUR 3,500 thousand). As in the previous year, there were no expenses for termination benefits for active members of the Managing Board in the reporting period. Moreover, as in the previous year, there are no share-based benefit obligations for active members of the Managing Board.

By way of resolution of the Annual Shareholders' Meeting of June 21, 2010, the individual remuneration of the members of the Managing Board has not been disclosed. The information required in section 285 sentence 1 no. 9 a) sentence 5 to 8 and section 314(1) no. 6a sentence 5 to 8 of the Handelsgesetzbuch (HGB) -- German Commercial Code will not be disclosed for five years. This resolution applies to the fiscal year that began on January 1, 2010 and the four subsequent fiscal years, namely until December 31, 2014. Their remuneration is therefore reported as a total figure, but broken down into the individual remuneration components.

The total remuneration of the members of the Managing Board in accordance with section 314(1) no. 6 a) sentence 1 to 4 of the Handelsgesetzbuch (HGB -- German Commercial Code) amounted to EUR 7,053 thousand in fiscal 2012 (previous year: EUR 5,348 thousand). EUR 3,303 thousand of this related to the fixed salary components including additional benefits (2011: EUR 2,873 thousand) while the bonus for the 2010-2012 three-year period amounted to EUR 3,750 thousand (2011: EUR 2,475 thousand).

The members of the Managing Board were not granted any loans in fiscal 2012, nor were contingent liabilities entered into for the benefit of these persons.

Remuneration of former Managing Board members

Former members of the Managing Board and their surviving dependents received total remuneration of EUR 15,226 thousand (2011: EUR 10,202 thousand). This includes post-employment benefits for Managing Board members and payments relating to the exercise of outstanding participation rights from the stock appreciation rights program in the amount of EUR 15,035 thousand (2011:

EUR 10,016 thousand). The sale of the call options held to secure participation rights did not result in any additional cash outflow for the Group.

There are pension obligations of EUR 22,909 thousand (2011: EUR 19,510 thousand) for former members of the Managing Board and their surviving dependants. The corresponding plan assets in the form of reinsurance policies amount to EUR 17,101 thousand (2011: EUR 16,813 thousand).

Former members of the Managing Board hold 68,760 participation rights (2011: 117,520) from the tranches of the stock appreciation rights program issued in the fiscal years 2001 to 2009. The fair value of the participation rights of tranche 8 outstanding on the balance sheet date was EUR 2,967 thousand (December 31, 2011: EUR 2,871 thousand). At the time they were granted, the options had a fair value of EUR 0 thousand. As a result of the 1:1 hedging of the participation rights with call options, the earnings effects of the changes in the fair values of the participation rights and the call options offset each other almost completely. The further information on share-based remuneration in accordance with DRS 17.73 can be found in note 35.

Remuneration of the Supervisory Board

The Supervisory Board received total remuneration of EUR 1,956 thousand for its services in 2011. For fiscal 2012, total remuneration is expected to amount to EUR 2,014 thousand, including a provision for the variable component of EUR 1,259 thousand (2011: EUR 1,156 thousand), calculated on the basis of earnings per share in the consolidated financial statements.

In total, the members of the Managing Board and the Supervisory Board hold less than 1% (2011: less than 1%) of the shares issued by HUGO BOSS AG.

Members of the Managing Board and the Supervisory Board shop at HUGO BOSS as part of the benefits in kind granted to them as part of their salary and for personal use. Other than this, there were no significant transactions between companies of the HUGO BOSS Group and persons in key positions or their close relatives.

In 2008, HUGO BOSS AG also introduced the management participation program (MPP), a form of share-based compensation for members of the Managing Board and second-tier executives. As part of the MPP, managers can invest indirectly in Red & Black TopCo S.à r.l., Luxembourg, which is a related party within the meaning of IAS 24.9. For information on the general conditions of the MPP please see note 36.

35| SHARE-BASED REMUNERATION

STOCK APPRECIATION RIGHTS PROGRAM

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

Under the stock appreciation rights program, executives of HUGO BOSS AG and its subsidiaries are granted a certain number of participation rights, through which they can benefit from any increase in the value of the company's shares. The participation rights grant a claim to cash settlement only, not to HUGO BOSS AG shares.

1) 2009 program change

In December 2009, the management of HUGO BOSS AG resolved to revise the conditions of the stock appreciation rights program in order to avoid additional expenditure for hedging instruments. Effective December 14, 2009, all eligible executives were therefore offered the following change in the program:

1 / Waiver of participation rights and all rights to tranches issued in the years from 2005 to 2008 against a remuneration payment
2 / Adjustment of the exercise conditions of the tranche issued in 2009

The remuneration payment for the waiver of the rights to tranches 5 to 8 corresponded to the sum of the option value of each tranche multiplied by the number of participation rights. The relevant option values were determined by external banks on behalf of HUGO BOSS AG using a standard valuation model on December 14, 2009. The reference value used for the share price was the unweighted average of the closing price of preferred shares of HUGO BOSS AG in Xetra trading on the Frankfurt Stock Exchange on the five trading days immediately preceding December 14, 2009.

To limit the effects arising from extraordinary, unforeseen share price movements in either direction, both the minimum and the maximum gain possible per option exercised for the participation rights of tranche 9 were defined in the program change. This called for the remuneration to be granted to be at least equal to the difference between the price calculated for a preferred share on the basis of HUGO BOSS AG's market capitalization in the last five trading days immediately preceding December 14, 2009 and the strike price of preferred shares upon issue, but not more than EUR 33.20. In addition, the program change allowed eligible parties to exercise up to a third of the participation rights of tranche 9 early before the end of the vesting period, effective December 14, 2009. The first time this was possible was December 14, 2009. In this case, the exercise gain corresponded to the minimum remuneration defined above of EUR 11.77.

The program change permitted the extension of the holding period to three years, ending on December 31, 2011 (two years before the program change), with the exercise period being reduced correspondingly to two years, ending on December 14, 2013 (three-year exercise period before the program change). The overall term of tranche 9 issued in fiscal 2009 remained unchanged at five years.

Following a continuous increase in the share price, the maximum gain possible per option exercised for the participation rights of tranche 9 was already exceeded in October 2010. Under the program modified in 2009, tranche 9 could be exercised in full for the first time starting from the beginning of 2012.

2) Early termination of tranche 9
As the stock appreciation rights program causes considerable administrative expense in both the HR department and the Finance department of the HUGO BOSS Group, the management of HUGO BOSS AG resolved to terminate tranche 9 early and offered all holders of participation rights in tranche 9 a payout of the maximum gain possible per share exercised as of December 15, 2010. The early termination of the program does not result in any additional expenses provided the share price is also EUR 45.00 or higher at the end of 2011. The expenses from the pro rata additions to the provision for tranche 9 from 2011 were merely brought forward to 2010.

As of December 31, 2010, the price for preferred shares was EUR 56.50, significantly higher than the share price required for the maximum gain on exercise (EUR 45.00).

Participation rights for tranche 8 that are still held can still be exercised after the program change in 2010 under the regulations governing the original option conditions.

3) Framework of stock appreciation rights program
With the exception of the terminated tranche 9, the remaining tranches of the stock appreciation rights program have six-year terms. The four-year exercise period begins after the initial lock-up period of two years. Participation rights for tranches 5 to 8 that were still held could still be exercised after the program change in 2009 under the regulations governing the original option conditions.

If growth in HUGO BOSS AG market capitalization exceeds MDAX growth by five percentage points (exercise hurdle) at the end of the lock-up period or during the subsequent exercise period, participation rights in tranche 8 can be exercised. The remuneration to be paid corresponds to the difference between the market capitalization as reflected in the average price of a HUGO BOSS AG preferred share on the five trading days preceding the date of exercise and the strike price of the preferred share in line with the conditions. The strike price corresponds to the average price of HUGO BOSS AG preferred shares on the 20 trading days preceding the date of issue.

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

If the corresponding call options are sold back to the issuing bank when the stock option rights are exercised by employees, the outflow of funds from the exercise of stock option rights is offset by an inflow of funds from the sale of the call options.

The obligations arising from the SARs for HUGO BOSS AG, which are recognized in the form of corresponding provisions, and the call options used for hedging are regularly recognized as income at their fair value at the respective reporting date. The measurement of the call options and SAR obligations is based on the market values provided by the issuing banks. As the values of the call options and the corresponding SARs are identical at the respective reporting date, the resulting earnings effects largely offset each other.

Changes in the value of SARs already in the exercise period and the corresponding hedging transactions are offset against staff costs in functional area administrative cost and other operating expenses/income.

In fiscal year 2012, the stock appreciation rights did not result in any earnings effects in staff costs as the hedging transactions offset the expense from the remeasurement of the SAR provision.

The income recognized in financial result from the valuation and disposal of hedging transactions for which there are no longer any SAR provisions amounted to EUR 73 thousand (2011: EUR 3,378 thousand).

For fiscal year 2012, this resulted in total expenses of EUR 86 thousand (2011 income: EUR 3,378 thousand) in connection with the stock appreciation rights program. The provision for the participation rights amounted to EUR 2,967 thousand as of December 31, 2012 (2011: EUR 2,885 thousand). The intrinsic value of the participation rights amounted to EUR 2,961 thousand (2011: EUR 2,511 thousand), the fair value was EUR 6 thousand (2011: EUR 374 thousand). As in the previous year, all remaining stock appreciation rights were exercisable as of the end of the reporting period. The derivatives serving as hedges had a fair value of EUR 2,920 thousand (2011: EUR 2,757 thousand) as of the end of the reporting period.

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

	Tranche 7	**Tranche 8**
Date of Issue	January 2007	January 2008
Strike Price (EUR) pre special dividend	39.08	42.11
Strike Price (EUR) post special dividend	34.09	36.74

The stock appreciation rights program developed as follows in 2012 and 2011:

	2012	**WASP 2012[1] (EUR)**	2011	WASP 2011 1 (EUR)
Number of SARs on Jan. 1	118,093	35.63	118,093	35.63
Newly granted SARs	0	0.00	0	0.00
Forfeited SARs	0	0.00	0	0.00
Exercised SARs	(48,760)	34.09	0	0.00
Expired SARs	(573)	34.09	0	0.00
Replaced SARs	0	0.00	0	0.00
Number of SARs on Dec. 31	68,760	36.74	118,093	35.63
Number of SARs exercisable on Dec. 31	68,760	36.74	118,093	35.63

[1] WASP = Weighted Average Strike Price.

The weighted average share price of the SAR options on the exercise date was EUR 83.24 in fiscal 2012 (previous year: no SARs exercised).

The weighted average contract term for the outstanding share options as of December 31, 2012 was 1.01 years (2011: 1.59 years).

The strike price for the stock appreciation rights outstanding as of the end of the reporting period was EUR 36.74 (previous year: between EUR 34.09 and EUR 36.74).

In fiscal 2012, payments of EUR 2,397 thousand were made to eligible executives in connection with the stock appreciation rights program (previous year: no payouts).

MANAGEMENT PARTICIPATION PROGRAM

As part of the management participation program (MPP) introduced in 2008, members of the Managing Board and second-tier executives were given the opportunity to invest indirectly in Red & Black TopCo S.à r.l. by way of a payment. Since the restructuring at the end of 2009, through Red & Black Lux S.à r.l., Red & Black TopCo S.à r.l. directly holds 100% of shares in Valentino Fashion Group S.p.A. In addition to the indirect investment in HUGO BOSS, the management of HUGO BOSS AG holds interests not just in the HUGO BOSS Group, but also in other companies of the Valentino Fashion Group not controlled or influenced by HUGO BOSS.

The indirect investment in Red & Black TopCo S.à r.l. is carried out via a German limited partnership with Red & Black Management Beteiligungs GmbH & Co. KG (MPP KG). MPP KG has an interest of 0.07% in the voting capital of Red & Black TopCo S.à r.l. and therefore holds class D shares. The company agreement was signed for an indefinite period of time, but at least until the end of 2024. The legal status of MPP KG managers is regulated in the company agreement. The maximum investment in MPP KG is determined individually. The managers are entered in the commercial register as limited partners of MPP KG.

At the end of 2010, the MPP for managers already participating (old managers) was modified and managers who were not yet participating “new managers” were again offered an investment in MPP KG.

The new managers acquired shares in the MPP KG limited partnership in December 2010 at the current market value. The old managers continue to hold the shares in MPP KG that they acquired already in 2008. Shares in MPP KG held by the old managers are neither exchanged nor sold.

Following the restructuring of the MPP in the event of an IPO or sale of the HUGO BOSS Group (exit), the management of HUGO BOSS is to participate only in the exit profits attributable to HUGO BOSS (HB AG profits) via MPP KG. All profits and costs attributable to the Valentino Fashion Group S.p.A. are neutralized when calculating the HB AG profits. The participation right in these HB AG profits arises pro rata over a multi-year vesting period ending on December 31, 2014.

As part of the modification of the MPP, the subordination to individual financing instruments and the ratchet of these class D shares no longer apply. The restructuring with regard to the Articles of Association created liquidation preferences. These give priority for certain capital before distribution of the HB AG profits to the limited partners and create financial remuneration for the investors for the decline in value of the class D shares as against the current market value which has since occurred.

If MPP shares attributable to a manager are sold as part of an exit, the manager is entitled to a propotionate amount of the HB AG profits generated after deduction of liabilities and liquidation preferences. The manager’s entitlement to the payout of his portion of the remaining sales proceeds is linked to the manager in question not having left the HUGO BOSS Group at the time of the exit. Limits on the entitlement to payouts of the pro rata portion of sales proceeds only exist for managers who leave the company before an exit. If a manager leaves the Company before the exit, Red & Black TopCo S.à.r.l. has the right to acquire the shares held by the manager in question. The manager leaving is qualified as a “good leaver” or “bad leaver” when determining the acquisition price.

As shareholders of the Red & Black TopCo S.à.r.l., the members of the Managing Board and executives are entitled to receive future sales proceeds from exit events and profit distributions. Under the circumstances described, HUGO BOSS will not incur any staff costs in profit or loss.

As in the previous year, the MPP did not influence the profit or loss for the period of the HUGO BOSS Group in fiscal year 2012, as no transactions that would have needed to be measured at fair value have been carried out since the MPP was established. No financial assets or liabilities were recognized as a result of the MPP on December 31, 2010 or at the end of the reporting period.

36| EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 18, 2013, the HUGO BOSS Group launched a Level 1 American Depositary Receipt (ADR) program in the U.S.

The program is intended to increase the Group's visibility on the U.S. capital markets and broaden its investor base there. The securities are traded under the CUSIP number 444560106 and the ticker symbol BOSSY on the over-the-counter market in the U.S. an ADR represents one-fifth of the HUGO BOSS AG ordinary share. The custodian bank for the ADRs is The Bank of New York Mellon.

HUGO BOSS ordinary shares are also still traded via the electronic trading system XETRA, on the Frankfurt Stock Exchange and on all regional stock exchanges in Germany under the ticker symbol BOSS.

It is not expected that it has a financial impact on HUGO BOSS.

With effective date of January 23, 2013 all shares of H.Boss East Asia Pte Ltd., Singapore were transferred to HUGO BOSS International B.V.

Between the end of fiscal 2012 and the approval of publication of this report on February 22, 2013, there were no further significant macroeconomic, socio-political, sector-related or company-specific changes that the management expects will have a material influence on the net assets, financial position and results of operations of the Company.

37| THE GERMAN CORPORATE GOVERNANCE CODE

The Managing and Supervisory Board of HUGO BOSS AG submitted the declaration of compliance prescribed by section 161 of the Aktiengesetzbuch (AktG -- German Stock Corporating Act) in December 2012. It is permanently available to shareholders on the Company’s website.

38| AUDITOR FEES

(in EUR thousand)

	2012	2011
Audit services	328	348
Other services	176	106
Other audit services	23	17
Tax advisory services	76	0
TOTAL	**603**	**471**

The auditor’s fee for fiscal 2012 was EUR 603 thousand (2011: EUR 471 thousand), EUR 328 thousand of which related to audit services (2011: EUR 348 thousand), EUR 176 thousand (2011: EUR 106 thousand) to other services, EUR 23 thousand (2011: EUR 17 thousand) to other advisory services and EUR 76 thousand (2011: EUR 0 thousand) to tax advisory services.

INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

- On October 17, 2005, HUGO BOSS AG received the following notification from V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 21 of the German Securities Trading Act (WpHG) of March 12, 2003:

- "Referring to our notification of March 12, 2003, we hereby inform you that on September 28, 2005 the Company changed its name from Marzotto International N.V. to V.F.G. International N.V.

  We continue to hold 78.76% of the voting share capital."

  Metzingen, October 2005
  The Managing Board

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

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

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

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

S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V., pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

10. PERMIRA IV L.P.1

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

11. PERMIRA IV MANAGERS L.P.

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

12. PERMIRA IV MANAGERS LIMITED

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

13. PERMIRA IV L.P.2

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

78.76% (28,242,128 voting rights) is attributable to Permira IV L.P.2 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV L.P. 2 indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L.P.2 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

14. P4 CO-INVESTMENTS L.P.

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

15. PERMIRA INVESTMENTS LIMITED

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

16. PERMIRA IV GP L.P.

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

17. PERMIRA IV GP LIMITED

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

18. PERMIRA NOMINEES LIMITED

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

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

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

  As legal successor of Red & Black S.r.l. 2, Milan (address: via San Paolo 10, 20121 Milan, Italy): The proportion of voting rights of Red & Black S.r.l. 2, Milan (address: via San Paolo 10, 20121 Milan, Italy), held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on March 11, 2008 and has stood at 0.00% since this day (no voting rights).

  For the company itself:
  The proportion of voting rights of Red & Black S.r.l., Milan (address: via San Paolo 10, 20121 Milan, Italy), held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, continues to amount to more than 75% of the voting rights as of March 11, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black S.r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled indirectly by Red & Black S.r.l. via Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be

attributable to Red & Black S.r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act)."

Metzingen, March 14, 2008
The Managing Board

- On March 25, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black S.p.A.:

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

  Metzingen, March 26, 2008
  The Managing Board

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

1. Red & Black TopCo S.à r.l., as legal successor of Red & Black TopCo 2 S.à r.l., Luxembourg:
The proportion of voting rights of Red & Black TopCo 2 S.à r.l., Luxembourg held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on April 21, 2008 and has stood at 0.00% since this day (no voting rights).

For the company itself:
The proportion of voting rights of Red & Black TopCo S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount to more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black TopCo S.à r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is controlled by Red & Black TopCo S.à r.l. indirectly via Red & Black Lux S.à r.l., Luxembourg, Red & Black S.p.A., Milan, Italy, and Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black TopCo S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

2. Red & Black Lux S.à r.l., as legal successor of Red & Black Lux 2 S.à r.l., Luxembourg:
The proportion of voting rights of Red & Black Lux 2 S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on April 21, 2008 and has stood at 0.00% since this day (no voting rights).

For the company itself:
The proportion of voting rights of Red & Black Lux S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount to more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02%

(31,563,471 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is controlled by Red & Black Lux S.à r.l. indirectly via Red & Black S.p.A., Milan, Italy, and Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, April 24, 2008
The Managing Board

- On May 2, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to sec- tion 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Valentino Fashion Group S.p.A., Milan, Italy (until May 1, 2008 trading under the name of Red & Black S.p.A., Milan, Italy), registered in the company register Milan on June 26, 2007 under the number 05786030964:

  1. On May 1, 2008 Valentino Fashion Group S.p.A., Milan, Italy registered in the company register on February 15, 2005 under the number 047403870962 (hereinafter referred to as "Valentino Old") was merged into Red & Black S.p.A., Milan, Italy. Thereby Valentino Old has lapsed. Legal successor is Red & Black S.p.A., Milan, Italy.

  2. In the course of the above mentioned merger the company Red & Black S.p.A. was renamed Valentino Fashion Group S.p.A. (hereinafter referred to as "Valentino New") on May 1, 2008.

  3. Against the background of the above mentioned merger and renaming, Valentino New pursuant to section 21 paragraph 1 and section 22 WpHG makes the following notification:

  As the legal successor of Valentino Old:
  The proportion of voting rights of Valentino Old held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on May 1, 2008 and has stood at 0.00% since this day (no voting rights).

  For the company itself:
  The proportion of voting rights of Valentino New held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, continues to amount to more than 75% of the voting rights as of May 1, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Valentino New from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Valentino New. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Valentino New from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

  Metzingen, May 2, 2008
  The Managing Board

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

  The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, exceeded the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% on August 04, 2008 and has stood at 89.49% of the voting rights since this day (32,092,026 shares). A proportion of voting rights of 88.02% (31,563,471 voting rights) of the shares held by V.F.G. International N.V. is attributable to Permira Holdings LLP, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Permira Holdings LLP indirectly via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l. and Valentino Fashion Group SpA. A further proportion of voting rights of 1.47% (528,555 shares) is attributable to Permira Holdings LLP of the own shares held by HUGO BOSS AG via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira ominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l., Valentino Fashion Group S.p.A and V.F.G. International N.V. pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, August 7, 2008
The Managing Board

- On September 24, 2009, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):

The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on September 21, 2009 and now stands at 0.00% (no voting rights).
For clarification, please note that the proportion of voting rights of all other companies for which their current proportion of voting rights subject to reporting requirements that have up to now been attributable to HUGO BOSS AG remain unaffected by the fact that the party obligated to report has gone below the limits as reported above. Permira Holdings Limited, and not Permira Holdings LLP, is now the controlling company in the existing structure.

Metzingen, September 25, 2009
The Managing Board

- On December 23, 2009, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):

1. Valentino Fashion Group S.p.A.
Valentino Fashion Group S.p.A., Milan, Italy, notified us of the following: We, the Valentino Fashion Group S.p.A., hereby inform you pursuant to section 21 paragraph 1 WpHG (German Securities Trading Act) that on December 23, 2009 our proportion of voting rights held in HUGO BOSS AG went below the limits of 75%, 50%, 30%, 25%, 20%, 15%, ,10%, 5% and 3% and now amounts to 0.00% (0 voting rights). For clarification, please note that the proportion of voting rights of all other companies to which their current proportion of Valentino Fashion Group S.p.A. voting rights attributable to HUGO BOSS AG shares remain unaffected by the fact that the Valentino Fashion Group S.p.A. has gone below the limits as reported above. Permira Holdings Limited remains the controlling company in the existing structure.

2. Blitz F09-vier-sechs GmbH
Blitz F09-vier-sechs GmbH, Frankfurt/Main, Germany, notified us of the following:
We, Blitz F09-vier-sechs GmbH, hereby inform you pursuant to section 21 paragraph 1 WpHG (German Securities Trading Act) that on December 23, 2009 our proportion of voting rights held in HUGO BOSS AG exceeded the limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and now stands at 89.49% (32,092,026 voting rights).

A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Blitz F09-vier-sechs GmbH from the shares held by V.F.G. INTERNATIONAL N.V., Rotterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 WpHG (German Securities Trading Act).

A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Blitz F09-viersechs GmbH from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in WpHG (German Securities Trading Act). For clarification: The above voting rights limits were exceeded because of an internal Group restructuring. Permira Holdings Limited remains the controlling company in the existing structure.

Metzingen, December 28, 2009
The Managing Board

- On March 24, 2010, HUGO BOSS AG was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of the entities mentioned in the following:

1. V.F.G. International N.V., Amersfoort, Netherlands:
On March 23, 2010 the proportion of voting rights of V.F.G. International N.V., Amersfoort, Netherlands held in HUGO BOSS AG has gone below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% and amounts to 0,00% (no shares) on this day.

2. Red & Black Holding GmbH (formerly Blitz F09-vier-sechs GmbH), München, Germany:
On March 23, 2010 the proportion of voting rights of (formerly Blitz F09-vier-sechs GmbH), München, Germany held in HUGO BOSS AG, Metzingen, Deutschland, amounts still to more than 75% of the voting rights, namely 89,49% of the voting rights (32.092.026 shares). Thereof a proportion of voting rights of 88,02% (31.563.471 shares) of Red & Black Holding GmbH pursuant to § 21 Abs. 1 WpHG are held directly.

A further proportion of voting rights of 1,47% (528,555 shares), own shares held by HUGO BOSS AG, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, shall be attributable to Red & Black Holding GmbH.

For clarification it is mentioned that the proportions of voting rights of all other companies, of which their former proportion of voting rights with HUGO BOSS AG has been attributed to V.F.G. International N.V., are unaffected by the shortfall of the above mentioned limits of V.F.G. International N.V.. The controlling company in the existing structure remains Permira Holdings Limited.

Metzingen, March 26, 2010
The Managing Board

- On March 15, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 25a and section 41 paragraph 4d WpHG (German Securities Trading Act) of UniCredit Bank AG:

UniCredit Bank AG, as at 1 February 2012 directly held financial and other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables us to acquire up to 88.02% of the voting rights (31,563,471 out of 35,860,000 common shares) in Hugo Boss AG, Dieselstraße 12, 72555 Metzingen, Germany. The instruments com-prise loan collaterals that were granted to us in connection with our lending business in 2009, i.e. a call option which enables us to acquire up to 44.01% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event enable us to acquire up to 88.02% of the voting rights. Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above.

Metzingen, March 20, 2012
The Managing Board

- On March 15, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 25a and section 41 paragraph 4d WpHG (German Securities Trading Act) of UniCredit S.p.A.:

UniCredit S.p.A., via our German subsidiary UniCredit Bank AG, as at 1 February 2012 indirectly held fi-nancial and other instruments pursuant to section 25a para. 1 WpHG which are struc-tured in a manner that enables UniCredit Bank AG to acquire up to 88.02% of the voting rights (31,563,471 out of 35,860,000 common shares) in Hugo Boss AG, Dieselstraße 12, 72555 Metzingen, Germany. The instruments comprise loan collaterals that were granted in connection with its lending business in 2009, i.e. a call option which enables UniCredit Bank AG to acquire up to 44.01% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event enable UniCredit Bank AG to acquire up to 88.02% of the voting rights.
The instruments are held via the following controlled undertaking: UniCredit Bank AG.
Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above.

Metzingen, March 20, 2012
The Managing Board

- On March 15, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 25a and section 41 paragraph 4d WpHG (German Securities Trading Act) of Mediobanca – Banca di Credito Finanziario S.p.A.:

  Mediobanca – Banca di Credito Finanziario S.p.A., as at 1 February 2012 directly held a financial instrument pursuant to section 25a para. 1 WpHG which is structured in a manner that enables us to acquire up to 44.01% of the voting rights (15,781,735 out of 35,860,000 common shares) in Hugo Boss AG, Dieselstraße 12, 72555 Metzingen, Germany. The instrument is a call option granted to us in connection with our lending business in 2009 that enables us to acquire up to 44.01% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions.
  Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above.

  Metzingen, March 20, 2012
  The Managing Board

On April 12, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 41 paragraph 4d WpHG (German Securities Trading Act) of PFC Srl, Vicenza, Italy:

PFC Srl held/would have held on 1st February 2012 by aggregating

- voting rights from common shares, we are enabled under certain circumstances to indirectly acquire on the basis of a directly held instrument pursuant to sec. 25a para. 1 sentence 1 WpHG, and

- voting rights held by us pursuant to sec. 21 WpHG

a voting rights proportion of 88.34% (equals: 31,680,229 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 35,860,000.

In detail,

- our voting rights proportion pursuant to sec. 21 WpHG amounts to 0.33% (equals: 116,758 voting rights), and

- our voting rights proportion indirectly acquirable on the basis of a directly held instru-ment pursuant to sec. 25a para. 1 sentence 1 WpHG amounts to 88.02% (equals: 31,563,471 voting rights).

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and ZETA FINANCE S.A. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. (“Topco”).

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG.

Metzingen, April 13, 2012
The Managing Board

On April 12, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 41 paragraph 4d WpHG (German Securities Trading Act) of Zeta Finance S.A., Luxemburg, Luxemburg:

Zeta Finance S.A. held on 1st February 2012 an instrument pursuant to sec. 25a para. 1 sen-tence 1 WpHG enabling us under certain circumstances to indirectly acquire voting rights in the proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 35,860,000.

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and PFC S.r.l. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding com-pany Red & Black Topco S.à r.l. ("Topco").

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG.

Metzingen, April 13, 2012
The Managing Board

On April 12, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 41 paragraph 4d WpHG (German Securities Trading Act) of Zignago Holding S.p.A., Fossalta di Portogruaro (VE), Italy:

Zignago Holding S.p.A. held on 1st February 2012 indirectly an instrument pursuant to sec. 25a para. 1 sentence 1 WpHG under which ZETA FINANCE S.A. is enabled to indirectly acquire voting rights in the proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 35,860,000.

The instrument indirectly held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between ZETA FINANCE S.A. and PFC S.r.l. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco"). The instrument indirectly held by us is directly held by ZETA FINANCE S.A. which is directly controlled by us.

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable ZETA FINANCE S.A. – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG.

Metzingen, April13, 2012
The Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

On June 18, 2012, HUGO BOSS AG received the following voting rights notifications in accordance with Sections 21 (1) and 22 WpHG from the companies specified below:

1. Red & Black Holding GmbH
On June 15, 2012, the share of voting rights held by Red & Black Holding GmbH, Oberursel, Germany, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is held by Red & Black Holding GmbH directly in accordance with Section 21 (1) WpHG. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

2. Red & Black Lux S.à r.l.
On June 15, 2012, the share of voting rights held by Red & Black Lux S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Lux S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled by Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Lux S.à r.l. via Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

3. Red & Black Topco S.à r.l.

On June 15, 2012, the share of voting rights held by Red & Black Topco S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Topco S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Red & Black Topco S.à r.l. via Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Topco S.à r.l. via Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

4. Red & Black Holdco S.à r.l.

On June 15, 2012, the share of voting rights held by Red & Black Holdco S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Holdco S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Red & Black Holdco S. à r.l. via Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Holdco S.à r.l. via Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

5. Red & Black Holdco 2 S.à r.l.

On June 15, 2012, the share of voting rights held by Red & Black Holdco 2 S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Holdco 2 S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Red & Black Holdco 2 S.à r.l. via Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Holdco 2 S.à r.l. via Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

6. P4 Sub L.P.1

On June 15, 2012, the share of voting rights held by P4 Sub L.P.1, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to P4 Sub L.P.1 from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by P4 Sub L.P.1 via Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to P4 Sub L.P.1 via Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

7. Permira IV L.P.1

On June 15, 2012, the share of voting rights held by Permira IV L.P.1, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV L.P.1 from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV L.P.1 via P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV L.P.1 via P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l., Red &

Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

8. Permira IV Managers L.P.

On June 15, 2012, the share of voting rights held by Permira IV Managers L.P., St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV Managers L.P. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV Managers L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV Managers L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

9. Permira IV Managers Limited

On June 15, 2012, the share of voting rights held by Permira IV Managers Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV Managers Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV Managers Limited via Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV Managers Limited via Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

10. Permira IV L.P.2

On June 15, 2012, the share of voting rights held by Permira IV L.P.2, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV L.P.2 from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV L.P.2 via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV L.P.2 via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

11. P4 Co-Investment L.P.

On June 15, 2012, the share of voting rights held by P4 Co-Investment L.P., St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to P4 Co-Investment L.P. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by P4 Co-Investment L.P. via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to P4 Co-Investment L.P. via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

12. Permira Investments Limited

On June 15, 2012, the share of voting rights held by Permira Investments Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira Investments Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira Investments Limited via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira Investments Limited via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

13. Permira IV GP L.P.

On June 15, 2012, the share of voting rights held by Permira IV GP L.P., St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV GP L.P. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV GP L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV GP L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

14. Permira IV GP Limited

On June 15, 2012, the share of voting rights held by Permira IV GP Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV GP Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV GP Limited via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV GP Limited via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

15. Permira Nominees Limited

On June 15, 2012, the share of voting rights held by Permira Nominees Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira Nominees Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira Nominees Limited via Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira Nominees Limited via Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

16. Permira Holdings Limited
On June 15, 2012, the share of voting rights held by Permira Holdings Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira Holdings Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira Holdings Limited via Permira IV GP Limited, Permira IV GP L.P., Permira IV Managers Limited, Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Permira Nominees Limited, Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira Holdings Limited via Permira IV GP Limited, Permira IV GP L.P., Permira IV Managers Limited, Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Permira Nominees Limited, Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

Metzingen, June 21, 2012
The Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by PFC S.r.l., Vicenza, Italy, on June 18, 2012:

"We herewith notify pursuant to sec. 25a para. 1 WpHG that on 15 June 2012 by aggregating

- voting rights from common shares, we are enabled under certain circumstances to indirectly acquire on the basis of a directly held instrument pursuant to sec. 25a para. 1 sentence 1 WpHG, and
- voting rights held by us pursuant to sec. 21 WpHG we held/would have held a voting rights proportion of 65.93% (equals: 46,413,470 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 70,400,000. As per this date we would have fallen below the threshold of 75% of voting rights.

In detail,

- our voting rights proportion pursuant to sec. 21 WpHG amounts to 0.37% (equals: 257,158 voting rights), and
- our voting rights proportion indirectly acquirable on the basis of a directly held in-strument pursuant to sec. 25a para. 1 sentence 1 WpHG amounts to 65.56% (equals: 46,156,312 voting rights).

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten An-gebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and ZETA FINANCE S.A. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco").

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 65.56% (equals: 46,156,312 voting rights)."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by UniCredit Bank AG on June 19, 2012:

„We hereby notify you pursuant to section 25a para. 1 WpHG that on 15 June 2012 we, UniCredit Bank AG, have fallen below the threshold of 75% of the voting rights in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. We directly hold financial and other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables us to acquire up to 65,56% of the voting rights (46,156,312 out of 70,400,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. Falling below the threshold is a consequence of the change of number of voting rights. The instruments comprise loan collaterals that were granted to us in connection with our lending business in 2009, i.e. a call option which enables us to acquire up to 32,78% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event anable us to acquire up to 65,56% of the voting rights.

Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by UniCredit S.p.A. on June 19, 2012:

„We hereby notify you pursuant to section 25a para. 1 WpHG that on 15 June 2012 we, UniCredit S.p.A., have fallen below the threshold of 75% of the voting rights in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. Via our German subsidiary UniCredit Bank AG we indirectly hold financial and other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables UniCredit Bank AG to acquire up to 65,56% of the voting rights (46,156,312 out of 70,400,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. Falling below the threshold is a consequence of the change of number of voting rights. The instruments comprise loan collaterals that were granted in connection with its lending business in 2009, i.e. a call option which enables UniCredit Bank AG to acquire up to 32,78% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event enable UniCredit Bank AG to acquire up to 65,56% of the voting rights.

The instruments are held via the following controlled undertaking: UniCredit Bank AG.

Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by Zeta Finance S.A., Luxembourg, Luxembourg on June 18, 2012:

"We herewith notify pursuant to sec. 25 para. 1 sentence 1 WpHG that on 15 June 2012 we held an instrument pursuant to sec. 25a para. 1 sentence 1 WpHG enabling us under certain circumstances to indirectly acquire voting rights in the proportion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 70,400,000. As per this date we would have fallen below the threshold of 75% of voting rights.

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten An-gebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and PFC S.r.l. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco").

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by Zignago Holding S.p.A., Fossalta, Italy, on June 18, 2012:

"We herewith notify pursuant to sec. 25a para. 1 WpHG that on 15 June 2012 we indirectly held an instrument pursuant to sec. 25a para. 1 sentence 1 WpHG under which ZETA FINANCE S.A. is enabled to indirectly acquire voting rights in the proportion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 70,400,000. As per this date we would have fallen below the threshold of 75% of voting rights.

The instrument indirectly held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between ZETA FINANCE S.A. and PFC S.r.l. as minority sharehold-ers and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority sharehold-ers of the holding company Red & Black Topco S.à r.l. ("Topco"). The instrument indirectly held by us is directly held by ZETA FINANCE S.A. which is directly controlled by us.

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable ZETA FINANCE S.A. – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsid-iary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such sub-sidiary which in turn – among other assets – currently indirectly holds a voting rights pro-portion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG."

Metzingen, June 21, 2012
Managing Board

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

MANAGING BOARD

CLAUS-DIETRICH LAHRS
Stuttgart, Germany

Chairman of the Managing Board
Responsible for Distribution,
Retail,
Licenses,
Communication and
Global Replenishment

MARK LANGER
Stuttgart, Germany

Responsible for
Controlling,
Investor Relations,
Finance,
Legal and Compliance,
Human Resources,
Logistics,
IT and Central Services
Director for Labor Relations

CHRISTOPH AUHAGEN
Stuttgart, Germany

Responsible for
Brand Management,
Creative Management,
Sourcing and
Manufacturing

SUPERVISORY BOARD

DR. HELLMUT ALBRECHT
Munich, Germany
Management Consultant
Chairman of the Supervisory Board

ANTONIO SIMINA
Metzingen, Germany
Tailor/Chairman of the Works Council
HUGO BOSS AG,
Metzingen, Germany
Deputy Chairman of the Supervisory Board
Employee representative

GERT BAUER
Reutlingen, Germany
First Authorized Representative of the German Metal-workers' Union (IG Metall), Reutlingen/Tübingen, Germany
Employee representative

HELMUT BRUST
Bad Urach, Germany
Director Social Affairs
HUGO BOSS AG,
Metzingen, Germany
Employee representative

BERND SIMBECK
Metzingen, Germany
Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

SINAN PISKIN
Metzingen, Germany
Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

DR. MARTIN WECKWERTH
Frankfurt/Main, Germany
Partner
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany

MONIKA LERSMACHER
Kornwestheim, Germany
Secretary of the German Metalworkers' Union IG Metall
Area Headquarters, Baden-Württemberg,
Stuttgart, Germany
Employee representative

DAMON MARCUS BUFFINI
Surrey, Great Britain
Managing Director
Permira Advisers LLP,
London, Great Britain

LUCA MARZOTTO
Venice, Italy
Chief Executive Officer
Zignago Holding S.p.A.,
Fossalta di Portogruaro, Italy

GAETANO MARZOTTO
Milan, Italy
Chairman of the Supervisory Board
Gruppo Santa Margherita S.p.A.,
Fossalta di Portogruaro, Italy

DR. KLAUS MAIER
Stuttgart, Germany
Management Consultant

ADDITIONAL DISCLOSURES ON THE MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGING BOARD

The members of HUGO BOSS' Supervisory Board are also members of an executive body at the following companies:[1]

Dr. Hellmut Albrecht	MME Moviement AG[2] pro-beam Verwaltungs AG[2]	Berlin, Germany Planegg, Germany
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Monika Lersmacher	Berthold Leibinger GmbH	Ditzingen, Germany
Dr. Klaus Maier	Diehl Stiftung & Co. KG Titan X Holding AB[2] GALERIA Kaufhof GmbH	Nuremberg, Germany Mjällby, Sweden Cologne, Germany
Gaetano Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A.[2] Zignago Vetro S.p.A. Alpitour S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Turin, Italy
Luca Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A. H. Farm Ventures SpA,[2] New High Glass Inc. Federvini[2] Vetri Speciali S.p.A. Zignago Vetro S.p.A. Banca Popolare Friul Adria S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Roncade, Italy Miami, FL, USA Rome, Italy Trento, Italy Fossalta di Portogruaro, Italy Pordenone, Italy
Dr. Martin Weckwerth	Valentino Fashion Group S.p.A.	Milan, Italy

[1] The members not named have no seats on executive or advisory bodies at other companies.
[2] Member holds position of Chairman.

PUBLICATION

The annual and consolidated financial statements of HUGO BOSS AG are published in the electronic German Federal Gazette and on the website of HUGO BOSS.

Metzingen, February 22, 2013

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of HUGO BOSS AG, and the management report includes a fair review of the development and performance of the business and the position of HUGO BOSS AG, together with a description of the principal opportunities and risks associated with the expected development of HUGO BOSS AG.

Metzingen, February 22, 2013

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by HUGO BOSS AG, Metzingen, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 22 February 2013
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok
Wirtschaftsprüfer
[German Public Auditor]

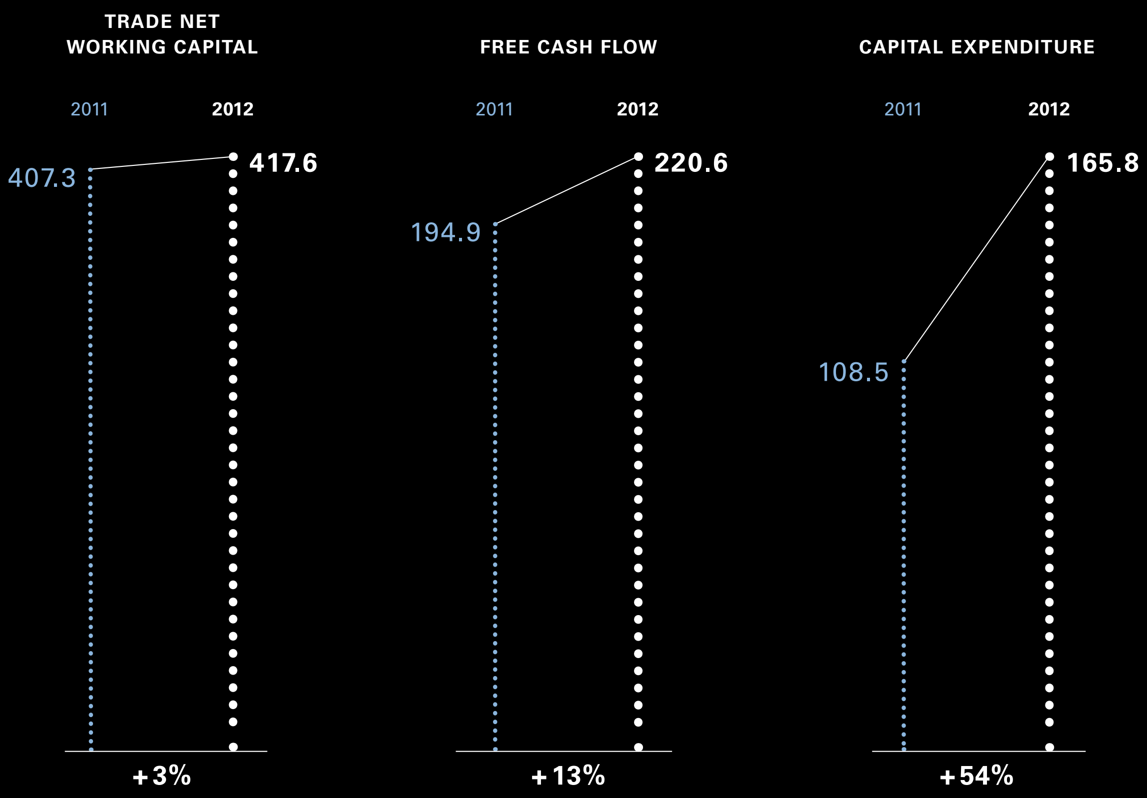
Koch
Wirtschaftsprüfer
[German Public Auditor]

ADDITIONAL

5

KEY FIGURES 2012

(in EUR million)



GENERAL INFORMATION

Our Company's performance is best reflected in the consolidated financial statements. Like many other organizations, we have refrained from including the figures from the separate financial statements of the parent company HUGO BOSS AG in this report for the sake of clarity of presentation. To receive a copy of these statements, which continue to be prepared in accordance with the German Commercial Code (HGB), please contact:

HUGO BOSS AG
Investor Relations

Dieselstrasse 12
72555 Metzingen

Phone +49 (0) 7123 94-80903
Email investor-relations@hugoboss.com

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

HUGO BOSS TEN-YEAR-OVERVIEW

	2012
Sales (in EUR million)	2,345.9
Sales by segments[1]	
Europe incl. Middle East and Africa	1,378.0
Americas	558.7
Asia/Pacific	352.7
Royalties	56.5
Sales by distribution channel	
Wholesale	1,139.7
Group's own retail business	1,149.7
Royalties	56.5
Results of operations (in EUR million)	
Gross profit[2]	1,453.2
Gross profit margin in %[2]	61.9
EBITDA[3,4]	525.1
EBITDA before special items[3]	529.3
Adjusted EBITDA margin in %[3,5]	22.6
EBIT[3,4]	433.2
Net income attributable to shareholders[3]	307.4
Net assets and liability structure as of December 31 (in EUR million)	
Trade net working capital	417.6
Non-current assets[3]	585.9
Equity	637.9
Equity ratio in %[3]	40.3
Total assets[3]	1,584.5
Financial position and dividend (in EUR million)	
Free cash flow[3]	220.6
Net financial liabilities (as of December 31)[6]	130.4
Capital expenditure	165.8
Depreciation/amortization	91.9
Total leverage (as of December 31)[7]	0.2
Dividend payment	215.3[8]
Additional factors for success	
Employees (as of December 31)	11,852
Personnel expenses (in EUR million)[3]	450.3
Number of Group's own retail stores	840
Shares (in EUR)	
Earnings per share	
Ordinary share[3]	4.45
Preferred share[3]	-
Dividend per share	
Ordinary share	3.12[8]
Preferred share	-
Last share price (as of December 31)	
Ordinary share	79.80
Preferred share	-
Number of shares (as of December 31)	70,400,000
Ordinary shares	70,400,000
Preferred shares	0

[1] Figures until 2008 were adjusted due to changes in presentation of segment reporting in 2008.

[2] Figures until 2009 were adjusted due to changes in presentation of the consolidated income statement from using nature of costs method to using the cost of sales method.

[3] Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made (as detailed in Notes to the Consolidated Financial Statements, Changes in accounting policy / Changes in presentation, p. 147).

[4] Since 2004: including non-recurring positions.

	2011	2010	2009	2008	2007	2006	2005	2004	2003
	2,058.8	1,729.4	1,561.9	1,686.1	1,632.0	1,495.5	1,309.4	1,168.4	1,054.1
	1,245.4	1,073.2	1,041.3	1,170.0	1,151.1	1,056.8	925.8	-	-
	454.8	380.7	312.2	307.0	298.0	273.1	233.2	-	-
	309.3	230.4	164.7	162.1	134.0	122.5	109.0	-	-
	49.3	45.1	43.7	47.0	48.9	43.1	41.4	40.4	53.2
	1,085.3	993.2	1,007.9	1,183.3	1,167.0	1,094.3	982.1	894.3	792.2
	924.2	691.1	510.3	455.8	416.1	358.2	285.9	233.7	208.7
	49.3	45.1	43.7	47.0	48.9	43.1	41.4	40.4	53.2
	1,264.8	1,027.2	847.1	891.0	845.0	759.8	644.5	551.3	-
	61.4	59.4	54.2	52.8	51.8	50.8	49.2	47.2	-
	468.0	340.1	226.5	235.8	284.2	235.3	207.9	173.8	152.1
	469.5	353.7	269.2	272.2	271.8	235.3	207.9	173.8	152.1
	22.8	20.5	17.2	16.1	16.7	15.7	15.9	14.9	14.4
	394.6	267.9	157.4	174.8	216.8	186.3	166.6	136.4	119.2
	284.9	188.9	105.5	112.0	152.0	130.3	110.8	88.9	-
	407.3	322.7	295.6	458.3	421.7	339.6	329.6	311.7	353.8
	501.8	454.5	435.0	463.0	400.5	397.9	360.6	331.9	257.9
	523.2	361.2	205.5	202.9	550.7	499.9	467.8	415.6	399.5
	36.7	26.9	19.3	17.5	53.0	53.0	54.8	51.3	52.9
	1,425.9	1,342.8	1,065.4	1,161.6	1,039.3	943.1	854.0	810.4	754.5
	194.9	246.3	299.5	48.1	33.0	76.1	115.0	62.3	48.3
	149.1	201.1	379.1	583.2	168.2	112.1	102.5	149.8	142.3
	108.5	55.6	48.3	118.8	84.7	98.5	76.6	57.3	46.3
	73.4	72.2	69.1	61.0	67.4	49.0	41.3	37.4	32.9
	0.3	0.6	1.4	2.1	0.6	0.5	0.5	0.9	0.9
	199.1	139.7	66.6	94.9	100.4[9]	82.5	70.2	59.2	55.2
	11,004	9,944	9,027	9,593	9,123	8,441	7,584	6,942	5,110
	373.7	364.5	329.4	353.0	302.6	275.5	234.5	197.2	170.5
	622	537	438	390	333	249	183	129	110
	4.12	2.73	1.52	1.62	2.20	1.88	1.59	1.26	-
	4.13	2.74	1.53	1.63	2.21	1.89	1.60	1.27	-
	2.88	2.02	0.96	1.37	1.45[9]	1.19	1.00	0.84	-
	2.89	2.03	0.97	1.38	1.46[9]	1.20	1.01	0.85	-
	55.19	49.23	20.22	17.30	39.60	41.00	30.50	23.45	15.90
	56.90	56.50	24.55	14.40	39.00	38.92	29.70	24.50	15.95
	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000
	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000
	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000

5 EBITDA before special items/Sales.
6 Figures until 2008 were adjusted by liabilities from finance lease.
7 Net financial liabilities/EBITDA before special items and expenses for the stock appreciation rights program.
8 2012: Dividend proposal.
9 Special dividend payment of EUR 345.1 million and EUR 5.00 per ordinary and preferred share.

GLOSSARY

A

AMERICAN DEPOSITARY RECEIPTS (ADRS)
American Depositary Receipts are share certificates issued by American banks and traded instead of shares. ADRs enable non-US stock corporations to access the US stock market.

B

BRAND
With its brand world including the core brand BOSS, the brand BOSS Green, the brand BOSS Orange and the brand HUGO, HUGO BOSS targets different, clearly differentiated groups.

C

CASH FLOW STATEMENT
The aim of the cash flow statement is to create transparency regarding changes in a company's liquidity funds. It describes in detail the type, amount and sources of the cash flows.

CASH POOLING
Cash pooling describes a cash management technique to concentrate the groups liquidity in master accounts. This has a positive effect on the net interest income/expense. You can differ between the so called real and unreal cash pooling.

The unreal cash pooling is only used to optimize the interest. This is achieved by a fictitious compensation of the valued accounting balance of the involved accounts. There is no amount brought forward to the main account.

In contrast, the real cash pooling transfers the groups liquidity to a parents company's or a for a finance company controlled master account. The subsidiary involved in the cash pooling and the parent company or the finance company agree, that the bank account balances of the subsidiary are transferred every working day to the master account. In this case, the original account is set to zero.

COMPLEXITY OF THE COLLECTION
Describes the number of color, shape, theme and fabric concepts that a collection comprises.

COMPLIANCE
Compliance means to undertake all reasonable measures in order to ensure adherence to the laws, statutory regulations and the Company's internal policies and their observance by Group companies.

CORE RANGE
The core range is a pre-defined range developed in line with the requirements of each collection. The core range is at the heart of every collection and largely defines its statement.

CORPORATE GOVERNANCE
Corporate Governance defines the principles and legal framework for management and monitoring at the Company. In Germany, these principles are set out in the Corporate Governance Code.

COVENANTS
Covenants are clauses in a loan agreement or contractual obligations given by a borrower for the term of a loan agreement. They generally relate to the observation of upper an/or lower limits for cetain key financial performance indicators.

D

DAYS INVENTORY OUTSTANDING (DIO)
The time between receiving goods as inventory and the sale of the finished product.

DAYS PAYABLES OUTSTANDING (DPO)
Time between receiving an invoice and making payment on trade payables.

DAYS SALES OUTSTANDING (DSO)
Time between issuing an invoice and receiving payment on trade receivables.

DERIVATIVES
A derivative is a financial instrument, whose change in value is linked to an underlying asset such as shares, bonds, currencies or commodities or to market indexes and which is settles at a future date. It does not require an initial net investment or a comparatively low initial net investment.

DIRECTLY OPERATED STORES (DOS)
Directly operated stores are monobrand stores (cf. monobrand sales format) and shops operated directly by HUGO BOSS.

DIVERSITY
Diversity refers to heterogeneity and differences among employees, executives and mebers of the Supervisory Boad of HUGO BOSS AG. For example, diversity can relate to the nationality, gender or age of specific groups of people.

E

EBIT
Earnings **b**efore **i**nterest and **t**axes. EBIT is a key business performance indicator which shows a company´s operating profit in a certrain period not including taxes and interest.

EBITDA BEFORE SPECIAL ITEMS
EBITDA before special items refers to **E**arnings **b**efore **i**nterest, **t**axes, **d**epreciation and **a**mortization not including special items. EBITDA is a key performance indicator which measures operating profitability depreciation effects from investment activity. EBITDA before special itrems is the most important performance indicator for the HUGO BOSS Group.

(ADJUSTED) EBITDA MARGIN
The (adjusted) EBITDA margin descripes the ratio of EBITDA (before special items) (cf. EBITDA before special items).

F

FRANCHISE
Franchise is a distribution system of providing goods and services according to a business model. Franchise is based upon a close and ongoing collaboration between legally and financially independent undertakings. As franchisor, HUGO BOSS supplies its trading partners, which operate franchise stores, with the HUGO BOSS store concept as well as the corresponding marketing know how for selling the HUGO BOSS products.

FREE CASHFLOW
Free cash flow is calculated by adding up the operating cash flow and the cash flow from investing activities. To increase its enterprise value, HUGO BOSS focuses on maximizing free cash flow.

FREEFLOAT
Shares of the HUGO BOSS AG in free float are continuously available for trading on the equity market. They are not held by institutional investors, i.e. they are not held in order to pursue long-term strategic objections.

G

GOODWILL
Goodwill resulting from a business combination represents the difference between the consideration transferred plus the amount of the shares wothout a controlling influence, and the assets acquired and liabilities assumed.

GLOBAL REPORTING INITIATIVE (GRI)
The Global Reporting Initiative (GRI) supports organizations' and companies' sustainability reporting. Companies can measure their economic, environmental and social performance on the basis of the principles published by the GRI.

GROUP’S OWN RETAIL BUSINESS
In the Group’s own retail business, sales of HUGO BOSS products are made directly to the end customer via directly operated stores (cf. directly operated stores), outlet stores and the HUGO BOSS online store, in contrast to sales in wholesale business (cf. wholesale).

I

INTERNATIONAL ACCOUNTING STANDARDS (IAS)
IAS are international financial reporting standards which were issued from the predeecessor institute of the International Accounting Standard Board (IASB), the International Accounting Standards Committee (IASC).They are still valid and will be expanded by IFRS (see IFRS).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
IFRS are international financial reporting standards for companies that are issued by the International Accounting Standards Board (IASB). The porvide worldwide transparent and comparable accounting of consolidated financial statements, and make it easier to compare publicly traded companies.

ISO 9001
ISO 9001 determines the criteria for a quality management system. It can be employed by any organization, regardless of size and sector.

ISO 50001
ISO 50001 is an international standard to support organizations in establishing systematic energy management. Organizations can decide freely whether to implement this standard.

L

LIKE-FOR-LIKE SALES DEVELOPMENT
Sals trend within the Group´s own retail business (cf. Group´s own retail business) for comparable areas, i.e. not including newly opened or recently closed points of sale.

M

MADE TO MEASURE
As part of the core brand BOSS, the Made to Measure line offers particularly high-quality bespoke suits. The Made to Measure line emphasizes the exclusivity of the core brand BOSS while focusing on the desire for individual style.

MULTI-BRAND SALES FORMAT
Multi-brand sales formats are used to offer different brands at one point of sale.

MONO-BRAND SALES FORMAT
Mono-brand sales formats are used to sell the products of only one brand at one particular point of sale

N

NET FINANCIAL LIABILITIES
Net financial liabilities comprise all interest-bearing financial and other liabilities less non-operating cash and cash equivalents and short-term investments.

O

OUT-OF-HOME MEDIA
Out-of-home media refers to forms of advertising which reach customers outside their homes and offices. This includes traditionally for example advertising pillars and billboards, but also advertisement on busses, telephone boxes or at airports.

P

PLAIN VANILLA CURRENCY OPTIONS
A plain vanilla option is defined as a standard option in securities business without special features or product design.

POINT OF SALE (POS)
All businesses where HUGO BOSS products are sold - i.e. stores, shops and the online store (cf. stores) - are points of sale. They can be operated directly by the Group (cf. Group's own retail business) or by wholesale partners (cf. wholesale).

PREORDER
Preorders are orders received for future deliveries. Wholesale partners place orders on a seasonal basis in the HUGO BOSS showrooms (cf. showroom) for the goods presented there (collection). In addition, the goods can be reordered irrespective of season using the HUGO BOSS replenishment (cf. replenishment).

R

REPLENISHMENT
Replenishment of goods which allows HUGO BOSS to react to short-time surges in demand from trading partners.

RESTRICTED SUBSTANCES LIST (RSL)
The RSL is valid worldwide and lists chemicals and other substances that a product may not contain or may contain only to a restricted degree.

ROYALTIES
A royalty is the permission to use another's trademark for commercial purposes in exchange for the payment of a sum of money (royalty fee). Granting of royalties enables HUGO BOSS to benefit from the expertise and potentially different distribution structure of the licensee. Products manufactured for HUGO BOSS by licensees include fragrances, eyewear, watches, children's fashion, motorcycle helmets, mobile phones, mobile accessories and home textiles.

S

SEASON
A collection is delivered and sold over a particulat period of time (season).

SEGMENTS
Under IFRS 8 (cf. IFRS), a segment is a component of an entity that engages in non-derivative business activities from which it may earn revenues. The operating segment results (cfl. EBITDA before special items) are regularly reviewed by a company's responsible governing body. The HUGO BOSS Group has defined the following segments: Europe, Americas, Asia/Pacific and Royalties (cf. royalty).

SHOP-IN-SHOP
As shop-in-shop is sales space in department stores designed according to the shop concept of the Group's own retail stores and in which only HUGO BOSS products are offered.

SHOWROOM
The showroom is where the collection is presented to wholesale customers (cf. wholesale) who can then place their orders (cf. preorder).

SPECIAL ITEMS
HUGO BOSS defines special items as expenses with no direct connection to the business activity. This includes for example expenses relating to strategic realignment or reorganization of individual business segments.

STOCK APPRECIATION RIGHTS PROGRAM (SAR-PROGRAM)
The SAR-program was createdby HUGO BOSS for Managing Board members and executives. As part of this program, executives of HUGO BOSS AG and its subsidiaries were granted a certain number of participation rights. These rights enable them to benefit from any increase in the value of Company´s shares. The participation rights solely grant a claim to cash settlement, not a claim to HUGO BOSS AG shares.

STORES
A Store is a sale area with its own entrance, selling exclusively HUGO BOSS products via appropriate shop concept. Stores can be operated directly by the Group (cf. directly operated stores) or a franchises (cf. franchise)

T

TRADE NET WORKING CAPITAL
Trade net working capital is calculated as the total of inventories and trade receivables less trade payables.

V

PUBLICATIONS PERSUANT TO SECTION § 15A GERMAN TRADING ACT WPHG
Publications pursuant to Section 15a WpHG are notifiable securities transactions, so called directors' dealings. Directors' dealings are own-account transactions entered into by members of the management with HUGO BOSS AG securities. Pursuant to Section 15a WpHG, members of the management are required to disclose such transactions.

W

WHOLESALE
In contrast to the direct sale of goods via the Group's own retail business (cf. Group's own retail business), sales in wholesale business are made indirectly via retails partners' sales space. Wholesale purchases HUGO BOSS goods either through traditional preorder (cf. preorder) business or via replenishment (cf. replenishment) and sells them on to the end customer.

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FINANCIAL CALENDAR 2013

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Press and Analysts' Conference

MAY 2
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MAY 16
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