HUGO BOSS

ANNUAL REPORT **2009**

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CONTENTS

01 TRUSTED BRANDS

"Clothes make the man", so the saying goes. The fascinating brands at HUGO BOSS do more than that: they emphasize people's personality. And create reliable values – for our customers and our business.

Discover the unique world of brand distinction, our modern, varied and individual collections as well as the real quality and professionalism that the HUGO BOSS Group stands for.

BOSS
HUGO BOSS

BOSS
HUGO BOSS
SELECTION

BOSS
HUGO BOSS

BOSS ORANGE

HUGO
HUGO BOSS

BOSS **BLACK**

Menswear
Womenswear
Accessories
Kidswear

BOSS Black is the premium line for business, leisure and events and forms the heart of the HUGO BOSS brand world. With clean cuts and exceptionally fine detailing, the women's and men's collections offer the perfect look and meet superior quality requirements.

High-end accessories and sophisticated licensed products such as watches, eyewear and fragrances round off the range. This modern elegance can be experienced up close in the BOSS Black Flagship Stores such as the one in New York's trendy Meatpacking District.


BOSS

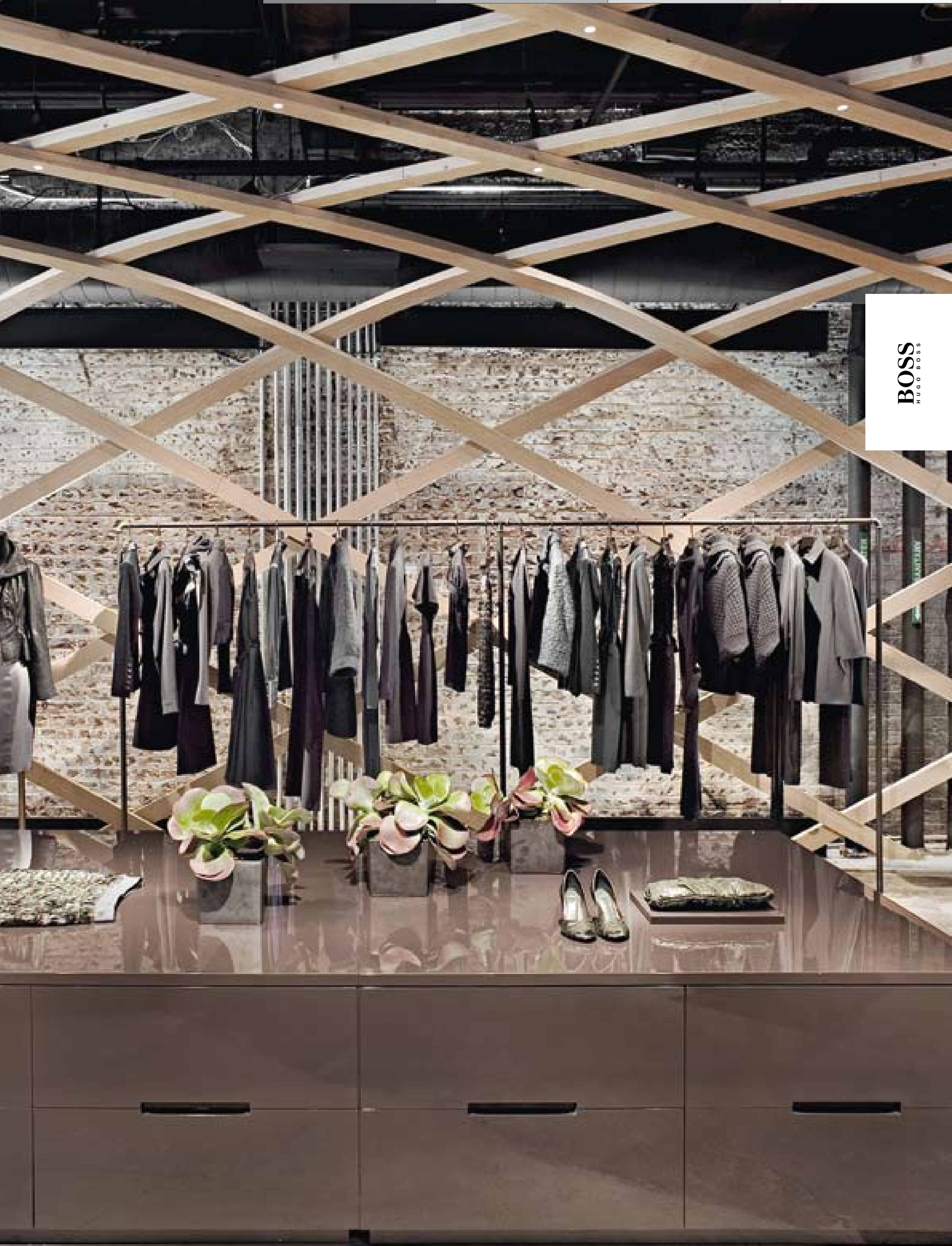




BOSS
HUGO BOSS


BOSS


minutes
BOSS
WATER RESISTANT



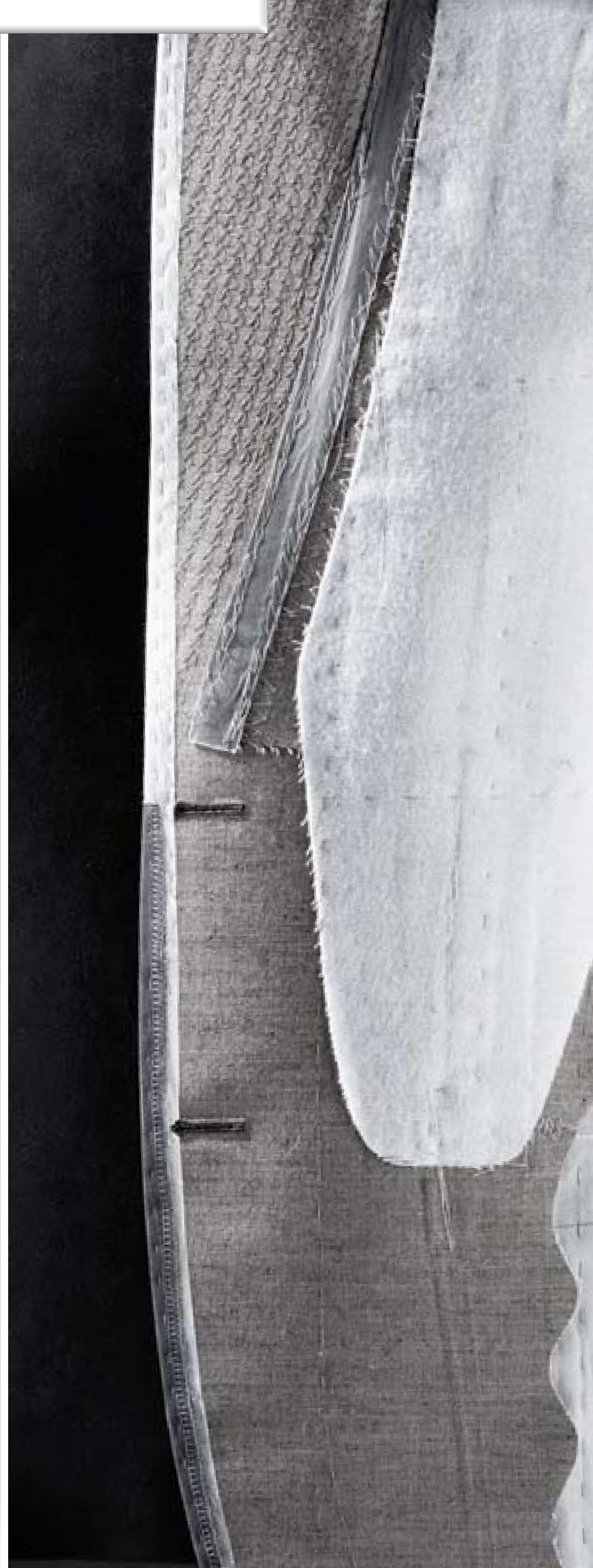
BOSS **SELECTION**

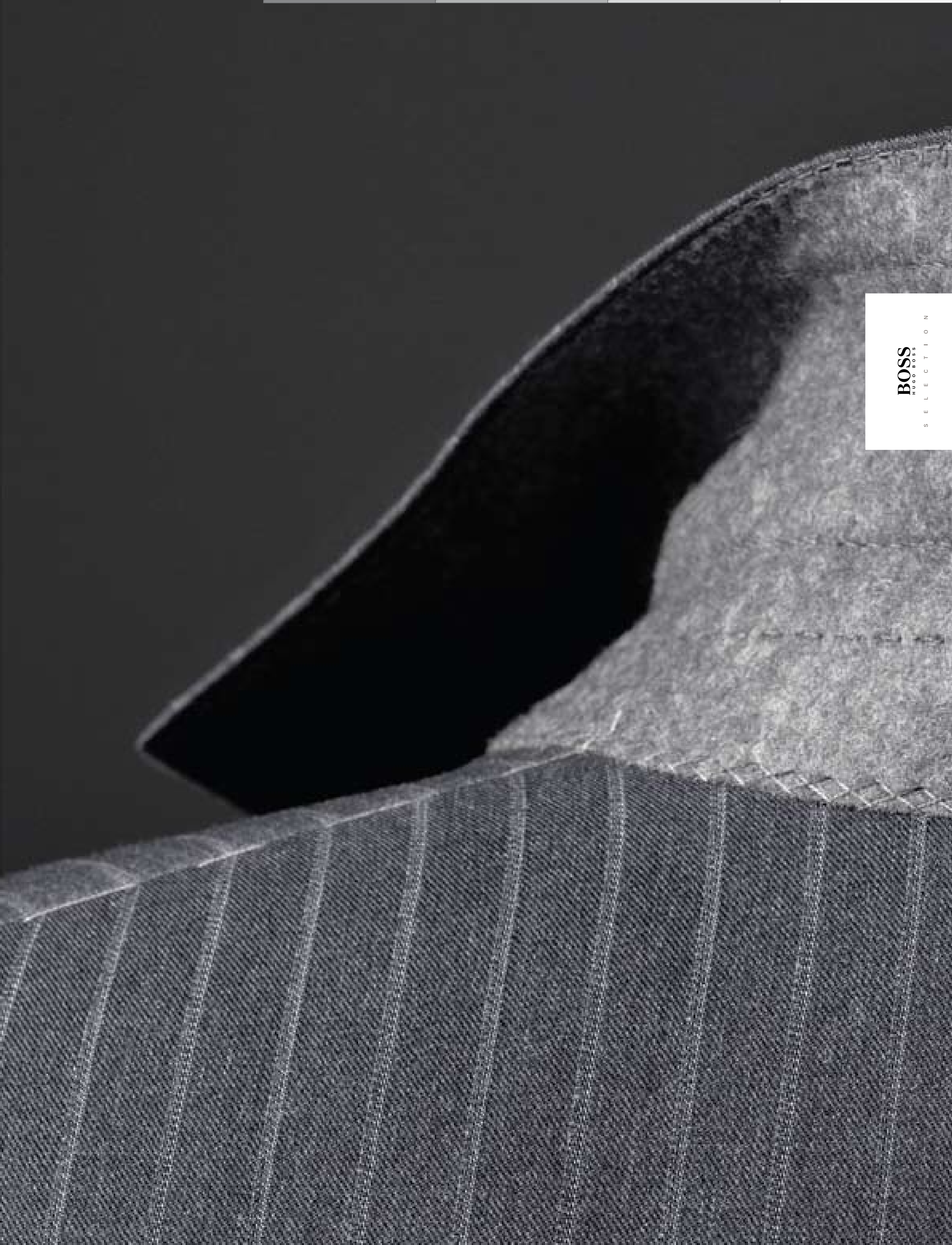
Menswear
Accessories

The luxurious BOSS Selection menswear line is positioned at the top of the market. Sophisticated design, exclusive materials and traditional tailoring characterize this high-class collection, which stands for uncompromising craftsmanship and timeless elegance.

Watches, accessories and luxury shoes complement the classic suits and outfits. The new Tailored Line, introduced in 2009, forms the pinnacle of BOSS Selection and is manufactured exclusively in Germany and Italy.

BOSS HUGO BOSS SELECTION




BOSS
HUGO BOSS
SELECTION


BOSS
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SELECTION
BOSS
HUGO BOSS
SELECTION

BOSS **GREEN**

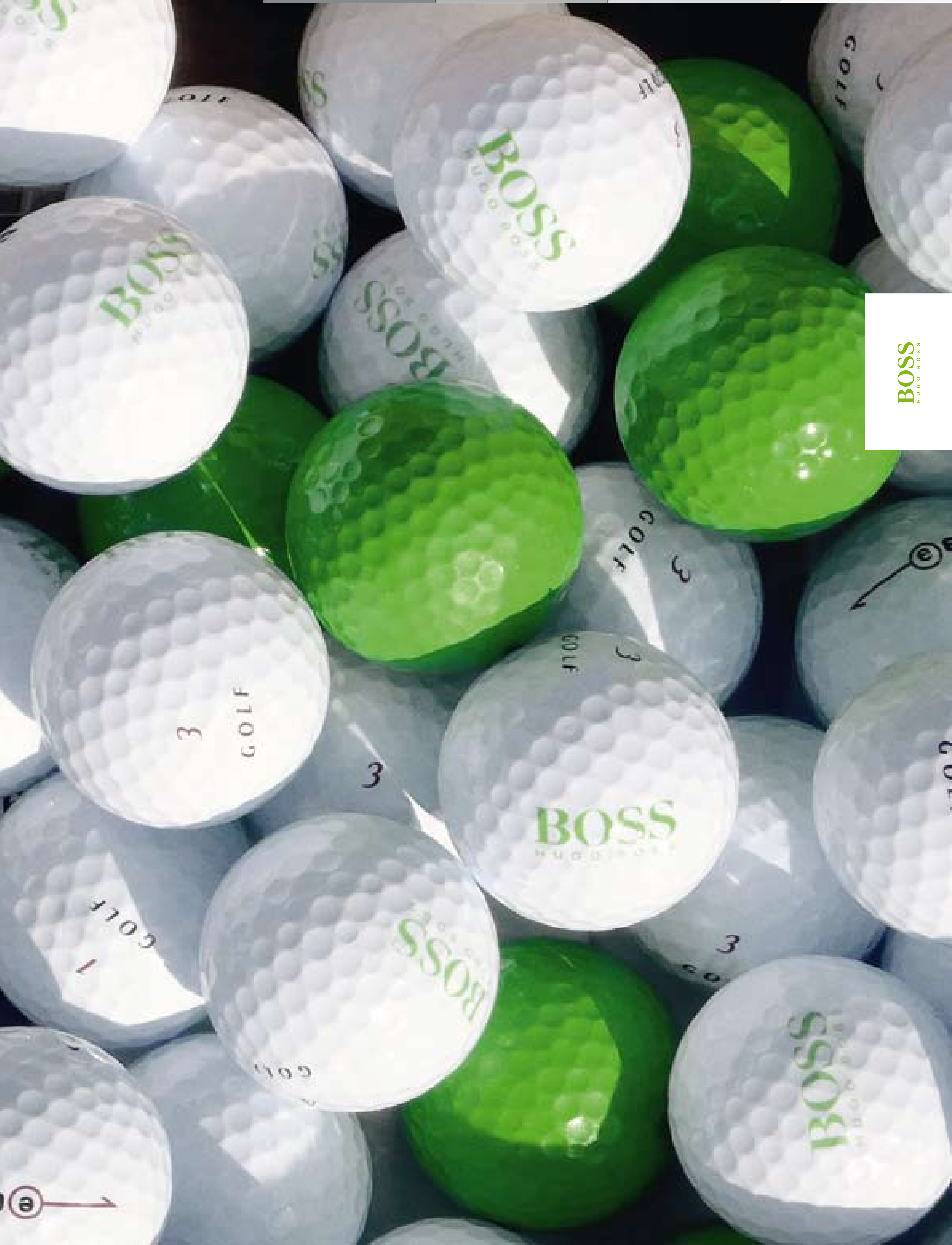
Menswear
Accessories

The modern BOSS Green collection combines golf, fashion and lifestyle into a single look and does away with the boundaries between casual wear and functional clothing.

Dynamic colors underline the brand's powerful, optimistic look, targeting both trend-conscious younger clientele and the classic sporting man who likes playing a round of golf. A separate womenswear collection will be added to BOSS Green in 2010.


BOSS


BOSS
HUGO BOSS
BOSS
HUGO BOSS


BOSS
HUGO BOSS
GOLF
3

BOSS **ORANGE**

Menswear
Womenswear
Accessories

The easygoing casualwear line BOSS Orange represents the urban lifestyle in the international metropolis. Specially-treated fabrics with an extraordinary feel and coloring reflect BOSS Orange's rough, unpolished and totally individual fashion style.

Bags, shoes, as well as eyewear, watches and fragrances manufactured under license complete the brand's product range and are advertised with testimonials like actress Sienna Miller and others.





MIAMI


OSS ORANGE

BOSS ORANGE

BOSS ORANGE

HUGO

Menswear
Womenswear
Accessories

The progressive HUGO brand is aimed at trendsetters. It features clear lines and strikes a confidently individual stylistic note with its innovative look.

The avant-garde women's and men's collections are completed by shoes and accessories together with license products such as eyewear, watches and fragrances.


HUGO
HUGO BOSS


HUGO
HUGO BOSS

HUGO HUGO BOSS

HUGO BOSS

02
TO OUR STAKEHOLDERS

This section contains all the information of particular interest to you as a stakeholder in HUGO BOSS AG. In his letter as Chairman of the Managing Board, Claus-Dietrich Lahrs looks back at the past fiscal year and examines important issues for 2010. He tells you about the measures HUGO BOSS is taking to counter the world economic crisis and maintain its market position as a leading company in the high-end fashion segment in the future.

In this section, you can also read about HUGO BOSS shares' solid performance as they have increased significantly in value and have proven a good investment in 2009.

As one of the largest German companies in our industry, HUGO BOSS has an obligation to act responsibly. We meet this obligation every day not just in our stringent business management, but as part of our commitment to our employees, society and various social projects.

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LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Readers.

In times of crisis a company shows its true mettle. And in the past financial year HUGO BOSS AG clearly demonstrated its strength and resolve: In the most momentous economic and financial crisis within living memory, we have confidently adhered to our course and invested in our future. And not only have we succeeded in securing our market position; we have also laid the foundations for renewed growth. Despite the recession, 2009 was anything but a lost year for HUGO BOSS.

The sharp drop in demand for premium and luxury consumer goods naturally left its mark on our balance sheet as well. At EUR 1,562 million, consolidated sales at HUGO BOSS AG dipped below the previous year's figure, this represents a 7% decline in sales. The shortfall might have proven smaller had we only sought short-term success. However, we firmly believe that the name HUGO BOSS should continue to stand for unqualified, premium quality. And this, in turn, demands a non-compromising price strategy. We therefore deliberately refrained from participating in the price-cutting contagion afflicting the fashion segment.

Instead we have underscored our ability to react rapidly to extreme market turbulence. By keeping a firm grip on costs and successfully managing its liquidity, the Group sustained its earning power. At EUR 270 million, EBITDA before special items slipped only marginally below the previous year's mark. We therefore succeeded in upholding our operating profit margin.

What does 2010 hold? The global economy is slated to recover slightly, but consumer spending is likely to remain subdued in many parts of the world. Nevertheless, we intend to go on the offensive and have set ourselves new goals. We want to grow again.
And we will continue to work toward our vision of establishing HUGO BOSS as the world's leading brand in the premium fashion segment.

To this end we will need to further intensify the international orientation of our company. In five years time we want to be posting up to 45% of our total sales outside Europe. Above all, we anticipate above-average growth in the Americas and in Asia. China alone has the potential to become one of the largest single HUGO BOSS markets within this period.

Another strategic focus will be the ongoing diversification of our brand portfolio. Today, the name HUGO BOSS already stands for an extended family of brands. These range from our luxury line BOSS Selection to the classic and contemporary BOSS Black, casual BOSS Orange and sporting BOSS Green lines – all the way to our trend-conscious brand HUGO. Anyone familiar with our products knows that every single line and brand is synonymous with premium materials, impeccable finishing and outstanding design. What is more, each collection can boast its own unique identity, something we plan to highlight even more strongly in the future. This strategy allows us to create finely-honed profiles for our brands on the market, enabling customers to distinguish HUGO BOSS products from other merchandise.

At the same time, we are optimizing the structure of our product ranges. The complexity of our collections was reduced by 50% during the past two years. In concrete terms, this means that we can deliver collections with a stronger focus on market needs, while simultaneously presenting the product diversity and clearly-positioned brands that appeal to both retailers and end consumers.

The past year has also seen progress in our efforts to realign the Group's own retail operations. The growth potential, competitiveness and profitability of HUGO BOSS stores worldwide were reviewed. The results showed that – against the backdrop of our target groups' changing behavior patterns – a comprehensive consolidation of our network was needed to further boost the profitability of our retail business. And as we open more and more of our own directly operated shops, we are learning more and more about the needs of our customers – something that we care about deeply.

We have set ourselves ambitious targets in the field of online sales. After a good year in operation, we can claim a positive overall performance. In the future, increasing numbers of premium-segment customers will be buying their clothes on the Internet. For this reason we have forged plans to drive and expand this sales channel during 2010 – both in Germany and beyond.

Despite the most severe economic crisis for 80 years, we succeeded in maintaining our charted course. This year we will again be working hard to further cement the traditional strengths of HUGO BOSS AG.
And this we will achieve. With their willingness to embrace change and their exceptional commitment, our 9,027 employees secure the success of HUGO BOSS. They are the brand ambassadors who actively embody the lifestyle of our products. We owe them – as we do our business partners and shareholders – our gratitude for the trust they have placed in us. We will be doing our utmost to add many more chapters to the long success story entitled HUGO BOSS.

Sincerely yours,

Claus-Dietrich Lahrs
CEO and Chairman of the Managing Board
Metzingen, March 2010

CLAUS–DIETRICH LAHRS
Stuttgart, Germany

Chairman of the Managing Board (CEO)

Responsible for Sales, Retail, Licenses and Communications

CHRISTOPH AUHAGEN
Ratingen, Germany

Chief Brand Officer (CBO)

Responsible for Brand and Creative Management

Member of the Managing Board since December 1, 2009

MARK LANGER
Stuttgart, Germany

Chief Financial Officer (CFO)/Director for Labor Relations

Responsible for Controlling, Finance, Legal Affairs, HR and IT

Member of the Managing Board since January 15, 2010

DR. ANDREAS STOCKERT
Stuttgart, Germany

Chief Operating Officer (COO)

Responsible for Purchasing, Production and Logistics

Member of the Managing Board since June 1, 2009

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
Gianluca Andena Lodi, Italy	Managing Director Permira Associati S.p.A., Milan, Italy until February 20, 2010
Gert Bauer Reutlingen, Germany	First Authorized Representative of the German Metalworkers' Union (IG Metall), Reutlingen/Tübingen, Germany Employee representative
Helmut Brust Bad Urach, Germany	Director of Outlet Germany HUGO BOSS AG, Metzingen, Germany Employee representative
Fabrizio Carretti Milan, Italy	Principal Permira Associati S.p.A., Milan, Italy until February 20, 2010
Olaf Koch Ingersheim, Deutschland	Chief Financial Officer Metro AG, Düsseldorf, Germany until February 20, 2010
Ulrich Gasse Bad Soden, Germany	Attorney at law, Principal Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany until February 20, 2010
Susanne Gregor Reutlingen, Germany	Head of OPR Clothing Man HUGO BOSS AG, Metzingen, Germany Employee representative since January 20, 2009

Rainer Otto Langen, Germany	Secretary of the German Metalworkers' Union (IG Metall), Frankfurt/Main, Germany Employee representative until July 1, 2009
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 since July 24, 2009
Damon Buffini Surrey, England	Managing Director Permira Advisers LLP, London, England since February 21, 2010
Luca Marzotto Venice, Italy	Chief Executive Officer Zignago Holding S.p.A., Fossalta di Portogruaro, Italy since February 21, 2010
Gaetano Marzotto Milan, Italy	Chairman of the Supervisory Board Gruppo Santa Margherita S.p.A., Milan, Italy since February 21, 2010
Dr. Klaus Maier Stuttgart, Germany	Management Consultant since February 21, 2010

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

Once again, the Supervisory Board continued to take great care in fiscal year 2009 in fulfilling its monitoring and advisory duties as established under the law, the Company's Articles of Association and its Bylaws.

COOPERATION BETWEEN MANAGING AND SUPERVISORY BOARDS

The Supervisory Board provided counsel to the Managing Board and monitored its management of the Company. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance for the Company. The Managing Board reported regularly in a prompt and comprehensive fashion to the Supervisory Board, verbally and in writing, both in respect of HUGO BOSS AG as well as Group companies, on proposed business policy and fundamental aspects of corporate planning, in particular on financial, investment and HR planning; it also reported on strategic development, business progress, in particular on sales and the Company's situation, as well as on changes in key financial figures, including its profitability and, above all, its equity. This was achieved with the aid of monthly reports and presentations on the risk situation, risk management and compliance. Any deviations from forecasts and targets were explained individually to the Supervisory Board and reviewed by means of the documentation presented. The Managing Board discusses and agrees on the Company's strategic orientation with the Supervisory Board. In addition, all business requiring authorization was submitted in a timely manner. The Supervisory Board issued its authorizations after review of the documentation and, if necessary, asking for clarification from the Managing Board and extensively discussing the matter with the members of the Managing Board. In urgent cases, the Supervisory Board also created written resolutions. Moreover, the Chairman of the Managing Board and the Chairman of the Supervisory Board held regular discussions on key developments and upcoming decisions.

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

Dr. Hellmut Albrecht, who had been a judicially appointed member of the Supervisory Board and its Chairman since June 30, 2008, was elected by the Annual Shareholders' Meeting held on May 14, 2009, and reelected as Chairman in the meeting of the Supervisory Board that followed. Due to the withdrawal of employee representative Roland Klett owing to illness in January 2009, Ms. Susanne Gregor took his place until the end of his current term as the alternate already chosen. Mr. Rainer Otto also resigned owing to illness in July 2009. Ms. Monika Lersmacher was judicially appointed to take his place until the end of his current term. Mr. Ulrich Gasse, Mr. Olaf Koch, Mr. Gianluca Andena and Mr. Fabrizio Carretti resigned from their function as shareholder representatives with effective date as of February 20, 2010. Until the end of the current term of the Supervisory Board, Mr. Dr. Klaus Mayer, Mr. Damon Buffini, Mr. Luca Marzotto and Mr. Gaetano Marzotto were judicially appointed as shareholder representatives. The committees were reconstituted as required due to the changes in the Supervisory Board. The Supervisory Board would like to take this opportunity to thank Mr. Klett and Mr. Otto for their consistently constructive and knowledgeable input and for their contributions to the excellent working atmosphere. Mr. Klett died on February 6, 2009. We share with his family in their grief and will honor his memory.

TOPICS DEALT WITH BY THE SUPERVISORY BOARD AND THE COMMITTEES IN 2009

In fiscal year 2009, four regular and five special Supervisory Board meetings were held in the months of January, February, March, April, May, September, and December. Between scheduled meetings, the Supervisory Board was also kept informed in writing of projects and strategic decisions of high priority for the Company. All Supervisory Board members attended most of its meetings. No member of the Supervisory Board attended less than half of its meetings held in the fiscal year.

Items of regular discussion by the Supervisory Board included sales and earnings trends, investment planning, continuing internationalization of the business, and the Company's current risk exposure. In addition, the initiatives of the Managing Board regarding the realignment of HUGO BOSS AG were also part of the discussion, as well as details of brand strategy, product portfolio, wholesale growth strategy, expanding the Company's own retail business, supply chain, purchasing and production, fixed-cost analysis, and other topics in the year under review. The Supervisory Board discussed in detail the resulting realignment as well as appointments to and personnel matters in respect of the Managing Board. In its strategy meeting held on September 25 and 26, the Supervisory Board also discussed current changes to the law, insofar as these affected the Company respectively the work of the Supervisory Board (in particular the Accounting Law Modernization Act, the Act on the Appropriateness of Management Board Remuneration and the Act Implementing the Shareholders' Rights Directive).

The Supervisory Board created a total of five committees in order to perform its duties efficiently. These committees prepared the Supervisory Board's upcoming resolutions in advance as well as topics to be discussed in the plenary session of the Supervisory Board. In addition, the Supervisory Board's decision-making power is transferred to committees where legally permitted. Each of the various committees comprehensively addressed the corporate management topics assigned to them. During fiscal year 2009, the Audit Committee met four times. Its chief topics involved the audit of the annual financial statements and the consolidated financial statements, financial management strategy, as well as risk management, the system of compliance, and the budgets for future fiscal years. The Personnel Committee met five times. It primarily dealt with the changes in the Managing Board and the corresponding contractual regulations. The other main topic of discussion was the remuneration structure, especially the criteria for the Managing Board's variable compensation. The Working Committee met four times in the reporting year to discuss the annual financial statements as well as corporate and investment planning and prepared the corresponding Supervisory Board resolutions. The Nomination Committee dealt in the reporting year and at the beginning of 2010 with the proposals for new elections of shareholder representatives to the Supervisory Board, particularly in view of the new rules on inclusion of at least one independent member with professional knowledge of accounting and auditing, and on diversity. To this end, it held two meetings, once in fiscal year 2009 and once at the beginning of fiscal year 2010. The Mediation Committee pursuant to Section 27 Paragraph 3 of the German Co-Determination Act (MitbestG) did not need to convene in the past fiscal year. The Chairs of the respective committees reported in detail to the Supervisory Board on all results of the committee meetings.

CORPORATE GOVERNANCE

The Supervisory Board discussed in detail the content of the German Corporate Governance Code. In December 2009, the Supervisory Board and the Managing Board resolved on the declaration of compliance pursuant to Section 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG) on adherence to the recommendations of the Corporate Governance Code at HUGO BOSS AG. The joint report on adherence to German corporate governance standards pursuant to Section 3.10 of the Corporate Governance Code can be found on page 63 et seq. As in past years, a review of the efficiency of the Supervisory Board's activities – as recommended by the Corporate Governance Code – was conducted by means of a standardized, comprehensive questionnaire. The results were discussed in detail and analyzed at the Supervisory Board Meeting on December 9, 2009. On the whole, the Supervisory Board arrived at a positive conclusion.

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

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, reviewed the annual financial statements of HUGO BOSS AG and the management report for fiscal year 2009 along with the consolidated financial statements and the Group management report for fiscal year 2009 prepared by the Managing Board including the accounting records. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting held on May 14, 2009. This included an agreement by 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 Auditors also had to inform the Supervisory Board or make a 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 of the Stock Corporation Act (AktG) not being correct. There was, however, no occasion for any such report by the auditor. In addition, the Supervisory Board obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code and is convinced of the auditor's independence. Commissioning non-audit related services to the auditors was also discussed.

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

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

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

The Supervisory Board had at its disposal the audit records and the Managing Board 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 pursuant to Section 312 of the German Stock Corporation Act (AktG). These documents were initially reviewed and discussed in detail by the Audit Committee, the Working Committee, and the Supervisory Board in the presence of the external auditors, who reported on their audit findings. The auditors reported on their main audit findings and commented on the financial performance and financial position of the Company and the Group in detail. The auditors further reported that there were no substantial 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 bias on their part or 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 audit records were examined in detail with the auditors and discussed and reviewed by the Supervisory Board and its committees. The audit reports were discussed with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After a final review, the Supervisory Board raised no objections.
At its financial review meeting on March 29, 2010, the Supervisory Board therefore approved the annual financial statements, the consolidated financial statements, and the corresponding management reports for fiscal year 2009 as prepared by the Managing Board. The annual financial statements of HUGO BOSS AG are thus deemed approved in accordance with Section 172 of the Stock Corporation Act (AktG).

The report on relations with affiliated companies reviewed by the Working Committee, 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, the Supervisory Board approved in its meeting on March 29, 2010 the proposal of the Managing Board for the appropriation of profits. In this context the Supervisory Board held intensive discussions on the liquidity situation of the Company, the financing of planned investments and the impact on the capital market. In the course of the discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of the Company and its shareholders.

CHANGES IN THE MANAGING BOARD

There were a number of changes in the Managing Board of HUGO BOSS AG in fiscal year 2009 and the beginning of 2010. The Supervisory Board had already reported on the withdrawal of former Managing Board members Hans Fluri and André Maeder in its report to the Annual Shareholders' Meeting in March 2009. As of June 1, 2009, Dr. Andreas Stockert was appointed a member of the Managing Board and at the same time to the post of Chief Operating Officer (COO). He is responsible for Purchasing, Production and Logistics. As of December 1, 2009, Christoph Auhagen was appointed a member of the Managing Board and at the same time to the post of Chief Brand Officer (CBO). He is responsible for Brand and Creative Management. Finally, Mr. Unterharnscheidt resigned from the Managing Board as of January 15, 2010 and Mark Langer was appointed a member of the Managing Board and at the same time as Chief Financial Officer (CFO) and Director for Labor Relations.

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

The Supervisory Board wishes to express its thanks and recognition to all employees for their high level of personal commitment and their achievements in fiscal year 2009.

Metzingen, March 29, 2010
The Supervisory Board

Dr. Hellmut Albrecht
(Chairman of the Supervisory Board)

CORPORATE GOVERNANCE REPORT

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

Corporate governance has always counted highly at HUGO BOSS AG. The Managing and Supervisory Boards 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. We are convinced that good and transparent corporate governance in compliance with national and international standards is a significant factor contributing to the Company's success. Corporate governance is accordingly part of our identity and we extend these standards to all areas of the Company and the Group. We want to justify the confidence of our investors, the financial markets, business partners, employees and the public on a lasting basis and continue to develop corporate governance within the Group.

In 2009, HUGO BOSS AG continued to follow recognized standards for good, responsible corporate governance. We view good corporate governance as one of the most important principles for the long-term success of the Company and we extend this principle to all areas of the Company. We comply with all of the Code's recommendations with few exceptions. Some of the Code was last revised by the Government Commission on the German Corporate Governance Code on June 18, 2009 and announced on August 5, 2009. You will find details on this in the following report by the Managing Board and Supervisory Board.

TRANSPARENT COMMUNICATION WITH OUR SHAREHOLDERS

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

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

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

Pursuant to Section 15a of the Securities Trading Act, members of the Managing and Supervisory Boards as well as employees with management responsibilities as defined in the Securities Trading Act are required to disclose the purchase or sale of HUGO BOSS AG securities – called directors' dealings. Directors' dealings are published on the HUGO BOSS website under "WpHGReleases". During the reporting period from January 1 to December 31, 2009, no securities transactions were reported to the Company pursuant to Section 15a of the Securities Trading Act.

As of December 31, 2009 the total shares held in HUGO BOSS AG by all Managing and Supervisory Board members amounted to less than 1% of the shares issued by the Company. Thus as of this date, there were no shareholdings subject to the reporting requirements of Section 6.6 of the German Corporate Governance Code.

CLOSE COOPERATION BETWEEN MANAGING AND SUPERVISORY BOARDS

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

When **selecting the Supervisory Board members**, care was taken to ensure that the Supervisory Board committees are composed of members who possess the requisite knowledge, skills and professional experience. HUGO BOSS has long applied the requirement for the members of its Supervisory Board to be independent, as is now stressed more forcefully in the latest amendments to the German Corporate Governance Code. None of the current Supervisory Board members has previously occupied a management position within the Company. Likewise, no consulting agreements or other contracts for work and services were entered into between Supervisory Board members and the Company in the year under review. The Company also complies with the new requirement under the German Corporate Governance Code for consideration to be given to diversity in the composition of its Managing and Supervisory Boards.

The members of the Managing and Supervisory Boards may not pursue any personal interests or grant any unfair advantages to other persons in connection with their activities or when making decisions. No conflicts of interest occurred between Managing or Supervisory Board members during the reporting year. The persons holding seats on the Managing and Supervisory Boards are listed in the notes under "Supervisory Board and Managing Board". The positions held by Managing and Supervisory Board members in supervisory boards required by law or comparable domestic or foreign monitoring bodies at commercial enterprises may be found on pages 236 to 237. No member of the Managing Board may take up more than three supervisory board positions at non-Group listed companies. The relationships with related parties (companies and individuals) are listed in the notes to the consolidated financial statements on page 213.

RESPONSIBLE HANDLING OF ENTREPRENEURIAL RISKS

Good corporate governance also involves handling entrepreneurial risks responsibly. The Managing Board provides for appropriate risk management and risk control in the Company. Our value-based Group management involves a systematic risk management process that ensures that risks are identified and measured at an early stage and risk exposure is optimized. The Audit Committee set up by the Supervisory Board is regularly involved in monitoring the effectiveness of internal control, risk management and auditing systems. The internal control, risk management and auditing systems are being continuously developed and adjusted to changing overall conditions. Details on this topic may be found in the "Risk Report" on page 125.

ACCOUNTING AND THE FINANCIAL STATEMENTS

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

COMPLIANCE AS A MAJOR RESPONSIBILITY OF THE MANAGING BOARD

Compliance, meaning measures to which we have committed ourselves to ensure adherence to the law, statutory regulations and the Company's internal guidelines, and their observance by Group companies, is seen as a major responsibility of the Managing Board at HUGO BOSS. This covers not only antitrust legislation and corruption regulations but also provisions under capital markets law.

COMPENSATION OF THE MANAGING BOARD

Remuneration for members of the Managing Board in the fiscal year 2009 totaled EUR 4,927 thousand (2008: EUR 5,479 thousand). Of this amount, EUR 2,642 thousand (2008: EUR 2,919 thousand) reflects fixed components and EUR 2,285 thousand (2008: EUR 2,560 thousand) variable components. The fixed salary components paid to members of the Managing Board comprise, besides a salary, benefits such as company cars and benefits in kind as well as other equipment and services necessary for Managing Board members to fulfill their duties. The variable components consist of bonuses paid on the basis of the achievement of personal targets as agreed with the Supervisory Board for each Managing Board member and on the achievement of predefined corporate earnings targets.

Since fiscal year 2001, HUGO BOSS AG has offered a "Stock Appreciation Rights Program" to Managing Board members and executives. As part of this program, executives of HUGO BOSS AG and its subsidiaries are granted a certain number of participation rights. These rights enable them to benefit from any increase in the value of the Company's shares. The participation rights solely grant a claim to cash settlement, not a claim to HUGO BOSS AG shares.

Managing Board members holding office as of the reporting date are not eligible to participate in the "Stock Appreciation Rights Program".

Due to additional expenses of hedging instruments and the possibility of external influences on the share price, the management at HUGO BOSS AG has resolved to revise the general conditions applying to the "Stock Appreciation Rights Program". Effective December 14, 2009, all entitled executives were accordingly offered an amended program. More details may be found in the notes to the consolidated financial statements on notes no. 35 under "Other disclosures".

Tranches 4 to 8 of the "Stock Appreciation Rights Program" have terms of six years. After the initial holding period of two years, the four-year exercise period commences. Tranche 9, however, issued in the past fiscal year, has a term of five years. After the initial holding period of three years (two years prior to the amended program), the two-year exercise period commences (three-year exercise period prior to the amended program).

Participation rights under tranche 5 may be exercised if the increase in the price of preferred shares of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the holding period or during the exercise period. There is no “exercise hurdle” when participation rights are exercised under tranche 9.

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

in EUR thousand	**Tranche 4**	**Tranche 5**	**Tranche 6**	**Tranche 7**	**Tranche 8**	**Tranche 9**	**Total**
Date of Issue	February 2004	February 2005	February 2006	January 2007	January 2008	February 2009	
Number of SARs Outstanding on December 31, 2009[1]	–	–	–	–	–	–	–
Strike Price (EUR) Pre special dividend	17.00	25.38	32.59	39.08	42.11	–	–
Strike price (EUR) Post special dividend[2]	14.83	22.14	28.43	34.09	36.74	11.80	–
Values of SARs held By Managing Board							
December 31, 2008	–	33	107	88	44	–	272
December 31, 2009	–	–	–	–	–	–	–

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

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

In addition, the Company 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. In 2009, pension provisions for Managing Board members (excluding sacrificed compensation) amounted to EUR 1,015 thousand (2008: EUR 402 thousand).

COMPENSATION FOR THE SUPERVISORY BOARD

According to the German Corporate Governance Code, the remuneration of Supervisory Board members is divided into a fixed and a variable component. The variable compensation part is determined on the basis of group earnings per share. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation. The Supervisory Board received total remuneration of EUR 1,427 thousand for its services (2008: EUR 1,154 thousand). This includes a variable component of EUR 695 thousand (2008: EUR 389 thousand) calculated on the basis of earnings per share.

DECLARATION OF COMPLIANCE

Pursuant to Section 161 Paragraph 1 Sentence 1 of the Stock Corporation Act, the Managing Board and Supervisory Board of HUGO BOSS AG must submit an annual Declaration of Compliance stating whether the recommendations published by the Government Commission on the German Corporate Governance Code in the official section of the electronic Federal Gazette have been and are being complied with and, if applicable, which of the recommendations the Company did not comply with and the grounds for the non-compliance. The latest amendments to the German Corporate Governance Code in the version dated June 18, 2009 were published in the electronic Federal Gazette on August 5, 2009. In 2003, the Annual Shareholders' Meeting of HUGO BOSS AG resolved on changes to the Articles of Association that created the framework necessary for following the recommendations of the German Corporate Governance Code to a great extent. The Managing Board and Supervisory Board accordingly submitted the following Declaration of Compliance in December 2009:

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

The Managing Board and Supervisory Board of HUGO BOSS AG hereby declare pursuant to Section 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG) that since the Declaration of Compliance made in March 2009, the recommendations of the Government Commission on the German Corporate Governance Code – initially as amended on June 6, 2008 and published in the electronic Federal Gazette on August 8, 2008 and subsequently as amended on June 18, 2009 and published in the electronic Federal Gazette on August 5, 2009 – have been and are being adhered to with the following exceptions:

- Section 2.1.2 Sentence 1: at HUGO BOSS AG there are both voting common shares and non-voting preferred shares. This division exists for historical reasons.

- In derogation of the recommendation in Clause 3.8 sentence 4 (old version) and the inclusion of the statutory provision in Clause 3.8 Sentence 4 (new version), there is no deductible in the D&O insurance for Managing Board members. Nor, in derogation of Clause 3.8 sentence 4 (old version) and Clause 3.8 Sentence 5 (new version), does the D&O insurance for Supervisory Board members have any deductible. HUGO BOSS AG covers the D&O risk by taking out appropriate property and liability insurance for the members of its executive bodies, which also encompasses coverage for the Supervisory Board members. The Managing and Supervisory Boards of HUGO BOSS AG perform their duties responsibly and in the interest of the Company. HUGO BOSS AG does not believe that a deductible is an appropriate means to further improve the sense of responsibility of the individuals concerned. Moreover, no significant savings in premiums would be achieved by introducing a deductible. Nevertheless, HUGO BOSS AG will take account of the change in legislation for Managing Board members no later than the expiration date of the statutory transitional periods.

- In derogation of the recommendation in Clause 4.2.3 Sentence 10 (old version)/Sentence 11 (new version), some contracts of Managing Board members provide for the calculation of the severance cap to be based on the last full fiscal year or – after the member of the Managing Board has already been in office for two full fiscal years – the average of the last two full fiscal years.

- In derogation of Clause 5.4.6 Paragraph 3, the remuneration of Supervisory Board members is not reported individually in the Corporate Governance Report. Similarly, there is no individual reporting of the amounts of remuneration paid by companies to members of the Supervisory Board or of advantages extended to them for services provided individually, in particular, advisory or agency services. Total payments made to members of the Supervisory Board are disclosed in the notes to the consolidated financial Statements. HUGO BOSS AG holds the view that reporting in the Corporate Governance Report of individual amounts paid does not provide any additional information of relevance to the capital markets.

Metzingen, December 2009

HUGO BOSS – KEY SHARE DATA

	2009	2008
Number of shares	**70,400,000**	**70,400,000**
common stock	35,860,000	35,860,000
preferred stock	34,540,000	35,540,000
Year-end share price in EUR (12/31)[1]		
common share	20.22	17.30
preferred share	24.55	14.40
Share price in EUR[1]		
common share		
high	23.28	40.39
low	8.57	7.32
preferred share		
high	29.12	42.60
low	8.46	9.04
Market capitalization in EUR million (12/31)	**1,573**	**1,118**
Earnings per share in EUR		
common share	1.50	1.62
preferred share	1.51	1.63
Price-earnings ratio[2]		
high	19	26
low	6	6
Amount distributed in EUR million	**67[3]**	**95**
Distribution rate in %[4]	**64[3]**	**85**
Dividend per share in EUR		
common share	0.96[3]	1.37
preferred share	0.97[3]	1.38
Dividend yield in %[5]		
high	3.3[3]	3.2
low	11.5[3]	15.3

1 Xetra.
2 Based on maximum/minimum prices of preferred share.
3 2009: Recommendation for dividend payment.
4 Based on consolidated net profit.
5 Based on preferred shares.

TYPE OF SHARE: NO-PAR-VALUE SHARES

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

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

HUGO BOSS ON THE CAPITAL MARKET

- International leading share indexes achieve profits despite weak market environment
- Shares of HUGO BOSS AG end trading year with gains
- Investor Relations activities further in the center of attentions

THE TRADING YEAR 2009

In the trading year 2009, a trend on the capital markets could be observed that was uncoupled by the real economy. Despite bad news and uncertainty regarding the solvency of the banking system and the increasing national debt in many countries, the international leading share indexes were able to make gains during the year. State economic stimulus packages introduced by governments to revitalize credit markets and the economy as well as the interest rate policy adopted by the European and American central banks heralded the end of a slump that had persisted since the announcement of the US property crisis in the summer of 2007 and precipitated a trend reversal at the end of the second quarter of 2009.

The **German share index (DAX)** ended the trading year at 5,957, which, with a gain of around 25% since the start of the year, corresponds to the biggest annual increase for decades. Compared to its year-low in March, the DAX gained over 60% in value. In December, the DAX reached its highest level for 15 months at over 6,000 points. The DAX last topped the 6,000 point mark in September 2008. This attests to the rapid upturn experienced by the DAX this year.

The upward trend also intensified in the case of **second-line stocks** at the year-end. Thus, the **MDAX** even achieved a gain of 30% during the year. This index consists of 50 companies that rank below the shares listed in the DAX in terms of trading volume and market capitalization. Decisions regarding the retention of this listing in the MDAX are taken by the Executive Board of Deutsche Börse AG based on these parameters. The MDAX therefore reflects the trend of medium-sized stocks, so-called "mid caps". The preferred shares of HUGO BOSS AG have been listed in the MDAX for ten years.

In the Deutsche Börse share ranking, HUGO BOSS preferred shares were on **place 50 in terms of market capitalization** at the end of December 2009 (2008: place 57) and, in terms of **trading volume**, **place 46** (2008: place 43). These rankings allowed the preferred shares to stay in the MDAX. The Company had an average daily volume of 98,000 preferred shares (2008: 184,000) in 2009 and in terms of common shares, which were traded in significantly less numbers due to the lower free float, an average of approximately 9,000 (2008: 13,500).

01 — SHARE PRICE PERFORMANCE (in EUR)

The major international stock markets also followed the general upward trend. For example, the **Dow Jones** achieved a year-on-year plus of just under 19% after ending the previous year with a drop of almost 34%, the biggest loss since the world economic crisis of 1931.

Rising demand and the first signs of an economic recovery helped the **Nikkei 225** index to climb to a price around 19% higher than the previous year's level when the index slumped by approximately 42%.

HUGO BOSS shares also benefited from the positive mood on the capital markets and were able to make gains last year. The upward trend was supported by the continued strength of analysts' recommendations and the initial successes of a package of measures introduced at the end of 2008. On December 30, 2009 the preferred shares closed at a price of EUR 24.55 and the common shares at EUR 20.22. In percentage terms, this corresponds to a gain of approximately 65% since the start of the year. The common shares gained 16% compared to the first trading day of 2009. Since the low in March 2009, both categories of shares have even gained more than 100% in value.

MARKET CAPITALIZATION

Due to the increase in share price in fiscal year 2009, the HUGO BOSS market capitalization as of December 31, 2009 was EUR 1,573 million and therefore considerably higher than the previous year's level (2008: EUR 1,118 million).

SHAREHOLDER STRUCTURE

The shareholder structure changed as follows in the past fiscal year. According to the voting rights announcement of September 24, Permira Holdings LLP, London, UK no longer holds any voting rights. Since September 21, Permira Holdings Limited, Guernsey, has held 88.02% of the 35.86 million common shares and 55.28% of the 34.54 million preferred shares via its subsidiary V.F.G. International N.V. This corresponds to roundly 71.95% of HUGO BOSS' share capital.

In accordance with Section 21 of the Securities Trading Act, shareholders are required to report the level of their shareholdings if they exceed or fall below certain thresholds. The thresholds for reporting are 3%, 5%, 10%, 20%, 25%, 30%, 50%, and 75%. Besides the voting right announcements listed on pages 221 et seq., there are no reports of shareholdings of 3% or more of the voting rights in HUGO BOSS AG.

The remaining shares are in free float or are owned by HUGO BOSS AG.

SHARE BUYBACK PROGRAM

The Annual Shareholders' Meeting on May 14, 2009 authorized the Managing Board of HUGO BOSS AG to continue the share buyback program in fiscal year 2009. In accordance with this, the Managing Board is authorized until November 13, 2010 to purchase bearer common and/or non-voting bearer preferred shares of HUGO BOSS AG up to an overall maximum of 10% of its outstanding capital. The resolutions by the Annual Shareholders' Meeting have not yet been entered in the commercial register of HUGO BOSS AG. No use was made of the authorization granted in the past fiscal year.

HUGO BOSS AG thus held a total of **528,555 common shares** and **855,278 preferred shares** as of the end of the fiscal year 2009 (unchanged since the last fiscal year). This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital.

02/1 — EARNINGS PER COMMON SHARE (in EUR)

02/2 — EARNINGS PER PREFERRED SHARE (in EUR)

EARNINGS PER SHARE

Pursuant to IAS 33, earnings per share are calculated by dividing net profit or loss for the period by the weighted average number of shares outstanding. Earnings per share amounted to EUR 1.50 for common shares and EUR 1.51 for preferred shares in fiscal year 2009.

RECOMMENDATION FOR DIVIDEND PAYMENT

Dividends allow all HUGO BOSS shareholders to take part in the Company's growth. Therefore, HUGO BOSS applies a profit-oriented distribution policy. Against the backdrop of the earnings development in the previous reporting year and the continuing economic uncertainty, the Managing and Supervisory Boards will make a proposal to this year's Annual Shareholders' Meeting to pay a dividend of EUR 0.96 per common share and EUR 0.97 per preferred share for fiscal year 2009.

INVESTOR RELATIONS AND PUBLIC RELATIONS

Last year was marked by a difficult global market environment from which HUGO BOSS was unable to escape unscathed. Especially against this backdrop, a reliable and timely supply of information is particularly important. Therefore, the management also attended numerous roadshows in Germany and abroad last year to explain how HUGO BOSS was dealing with the challenging business climate as well as its strategy and measures and to make itself available to a broad forum of German and international shareholders. The potential of HUGO BOSS was also emphasized last year in the course of numerous discussions in an open and continuous dialog with institutional and private investors.

The Annual Shareholders' Meeting is one the most important investor relations events of the year, particularly for private investors. As in the previous year, 82% of the capital was represented at the Annual Shareholders' Meeting on May 14, 2009.

The **Internet is becoming increasingly important for communication** with investors, shareholders, and interested parties, as it allows all shareholders access to key Company announcements at the same time. Current financial reports, presentations, press releases as well as the financial calendar and contact details plus further information on the Company can be found on our website.

Public Relations activities are of key importance at HUGO BOSS and serve to inform the public about the Company, its brands, and products as well as to ensure a uniform global presence. This also serves to increase the popularity of HUGO BOSS and to strengthen its image. A broad range of target groups, such as the press, investors, business partners, suppliers, consumers and, not least, our own staff, as HUGO BOSS stakeholders, must be regularly informed about the development of the business and the Group's activities through corporate communications. To strengthen the identity of the individual brands, fashion events are staged on a regular basis, in addition to the usual marketing measures in print media, thus generating a significant media response worldwide. Sponsorship of sporting and cultural events strengthens brand awareness and therefore also makes a significant contribution towards emotionalizing and enhancing the image of the HUGO BOSS Group as well as its brands and lines.

WWW —
More information
can be found under
www.hugoboss.com

CORPORATE RESPONSIBILITY AT HUGO BOSS

As an international Group with over 1,400 locations, HUGO BOSS is aware of its corporate responsibility to its **employees, society, and the environment**. Handling the core business responsibly is an important prerequisite for ensuring competitiveness and long-term success. In other words: Our employees not only apply the very highest quality standards to our products and brands, but also consider social and ecological factors at every point along the value chain. Our corporate responsibility is divided into four key areas: products, employees, environment and society.

The **quality of our production facilities** is a key factor in the premium standard for which HUGO BOSS products are known throughout the world. In order to maintain this consistently high standard, our own production sites and our suppliers are committed to adhering to HUGO BOSS' quality and social standards. In addition, we endeavor to **make our suppliers our long-term partners** by working closely with them in their development processes. We support them with our strategic expertise in the development and implementation of actions to meet social and ecological obligations. At the same time, we also increase awareness of the fact that developing ever-higher standards is a sensible investment in the future. For example, order volume from one of our shoe producers has tripled since 2007. Both partners demonstrated their willingness to make substantial capital expenditures in order to support this impressive business development. In 2009, the manufacturer updated its machinery and tools, while HUGO BOSS gave the staff on-site training in craftsmanship and manufacturing expertise in order to further develop the supplier's quality standard.

Our **employees** are our most valuable asset, because it is their passion and their understanding of creativity, aesthetics and perfection that enables us to create products of superlative quality and to provide excellent service. The Group demonstrates its responsibility to its staff by providing regular employee training and development. The focus is always on the individual's needs and potential. A wide variety of measures are taken to encourage and support the work-life-balance and the health and well-being of our employees. HUGO BOSS has received several awards confirming that it is a "Great Place to Work". Last year, the Group's management also signed the "Diversity Charter", thus demonstrating our commitment to values such as diversity, fairness and respect, which have long played a key role at HUGO BOSS.

At HUGO BOSS, the **earth's natural resources** are treated with respect as a matter of course. As an international Group, the greatest ecological challenges we face are, of course, in **production and logistics**. In order to minimize the consumption of resources and the resulting air pollution, the Company avoids unnecessary transportation and prefers to use transportation methods that leave the smallest possible carbon footprint. At its sites in Germany and Switzerland, intelligent architecture and building technology have dramatically reduced energy consumption, further contributing to the ecological optimization of our business operations.

An innovation in logistics at the Company in 2009 provided an important breakthrough. We no longer have to unpack and re-pack goods before supplying them to the customer as they are now ready for dispatch when they are received from the manufacturing companies. This has enabled the Company to drastically **reduce transportation packaging** – which also benefits the environment.

Children are the future – not only of our Company, but also of our society. Which is why they are the focus of HUGO BOSS' social commitment. The Group has supported a variety of children's charities for many years. We work in partnership with a number of children's aid organizations to fund education in the world's poorest countries. However, we not only provide support in the form of funding and goods for the next generation, but our employees also constantly prove their willingness to help in smaller charitable projects. HUGO BOSS also supports budding talent in the fashion industry. Last year, students of various subjects presented the Talent Pool for the HUGO brand. The Talent Pool is a regular interdisciplinary project that gives students the opportunity to develop, manufacture, and promote a small collection. This project does even more than stimulate the students' curiosity and passion – whenever possible, we also award contracts to particularly talented participants.

A WORD OF THANKS TO THE STAKEHOLDERS

EMPLOYEES

The most important factor in the success of HUGO BOSS is the commitment and professionalism of our employees. Last year, 2009, was in every respect challenging for the HUGO BOSS Group. The Managing Board thanks all employees, executive staff and employee representatives for their flexibility in a time of change, their commitment, and their service, which helped HUGO BOSS to continue its success and to develop its brand expertise.

SUPPLIERS

The purchase of materials was marked in 2009 by a consolidation of the supplier portfolio and the standardization of purchasing processes. Accordingly, we built relationships with new suppliers and developed strategic partnerships with our "preferred suppliers". Particular mention must be made of the successful cooperation with our "production materials" suppliers, who consistently achieved very good results in the 2009 vendor reviews, and whose services made a substantial contribution to the Company's success. We would like to take this opportunity to thank all our suppliers for their flexibility and readiness to accept changes.

INVESTORS AND ANALYSTS

Also in an unsure embossed market environment, HUGO BOSS was able to maintain open and continuous contact with investors and analysts throughout 2009 and thus reinforce trust in the Company. This was reflected in the solid upward trend of HUGO BOSS shares in this fiscal year. We would like to take this opportunity to thank our investors and analysts for their trust in HUGO BOSS and their constructive and successful cooperation.

CUSTOMERS

Our thanks also go to our wholesale partners who supported the company throughout a difficult year and thus enabled the HUGO BOSS brands to emerge from the crisis even stronger. We will continue to work closely with our customers in the future to ensure that HUGO BOSS is positioned as one of the most appealing brand portfolios in all the areas in which we are active.

CONSUMERS

And finally, our thanks go to the consumers, whose loyalty is the basis of our success. Last year they proved to us once again that, particularly in difficult times, strong brands such as those in the HUGO BOSS portfolio enjoy the loyalty of the consumer. We will continue to do our utmost in 2010 to further strengthen the desirability and appeal of our brands and quality of our products.

03 FACTS

This section provides you detailed insights into the HUGO BOSS Group.

It starts with a look at our business model. Our strong brands and independent collections are the key to our success: the collections are represented world-wide by the BOSS core brand along with the BOSS Black, BOSS Selection, BOSS Orange, and BOSS Green lines as well as the HUGO brand.

As an internationally successful fashion and lifestyle group and German corporation, HUGO BOSS is obliged to disclose its key business performance indicators. The indicators are shown in detail in the "Company Management" section.

The Group's earnings, net assets and financial position are discussed in the following section, as are the good results regarding the key performance indicators.

Last but not least, we describe the internal and external influences that might affect the Company's position and the future opportunities opening up to the Group.

CONTENTS

03 **FACTS /** GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES AND GROUP STRUCTURE

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

GROUP PROFILE

— **WWW**
www.hugoboss.com/company

For years, the HUGO BOSS Group has been one of the market leaders in the premium fashion and luxury goods segment and is continuously expanding this position. Along with its outstanding product expertise, a global and exclusive sales network, excellent market and customer knowledge, automated logistics processes, and reliable purchasing structures form the basis for its successful business development. In addition, the brand portfolio, which covers all the key fashion segments ranging from classic tailored fashions, evening and casual fashion to shoes and leather accessories as well as licensed perfumes, watches, eyewear and children's fashion, forms a supporting pillar for the Group's success.

Intensive marketing activities, as well as the involvement in the sponsorship of athletic and cultural events, or the uniform design of the retail stores enhance the worldwide recognition and image of the HUGO BOSS brands and the Company. Events such as sailing, golf or Formula 1 form an integral part of the sports sponsorship. While sport is an ideal vehicle for conveying brand values such as dynamics, perfection and precision, art, like fashion, thrives on trends, aesthetics and creativity. The Company also sets a course with high profile fashion events in the world's fashion capitals, further highlighting the appeal and acceptance of the Group's brands for key target groups and charging the HUGO BOSS brand world with emotion.

— **WWW**
www.hugoboss.com/stores

— **MARKET PRESENCE**
Further information about market presence can be found on p. 95 et seq.

HUGO BOSS reacted to the high demand for luxury goods at an early stage with a global growth strategy. Thus, the Company's strength is demonstrated worldwide by the large number of HUGO BOSS stores and retail stores acting as retail partners. As a result, **HUGO BOSS products can now be purchased in more than 110 countries and at some 6,100 points of sale**. Rounding off global expansion and strengthening sales and distribution of HUGO BOSS products also further drives forward retail activities in particular. In the last fiscal year, the number of own retail stores amounted to 364. The number of stores operated via franchisees amounts to approximately 1,050. This brings the total number of monobrand stores in the HUGO BOSS Group to more than 1,400 in over 80 countries.

03/1 — BRAND OVERVIEW

BOSS **BLACK**	BOSS **SELECTION**	BOSS **GREEN**	BOSS **ORANGE**	HUGO
Menswear	Menswear	Menswear	Menswear	Menswear
Womenswear	Accessories	Accessories	Womenswear	Womenswear
Accessories			Accessories	Accessories
Kidswear				

BRAND ARCHITECTURE

The brand world of HUGO BOSS presently consists of various independent collections of the **core brand BOSS and the trendy HUGO brand** that cover several different areas of focus.

WWW —
www.hugoboss.com/brands

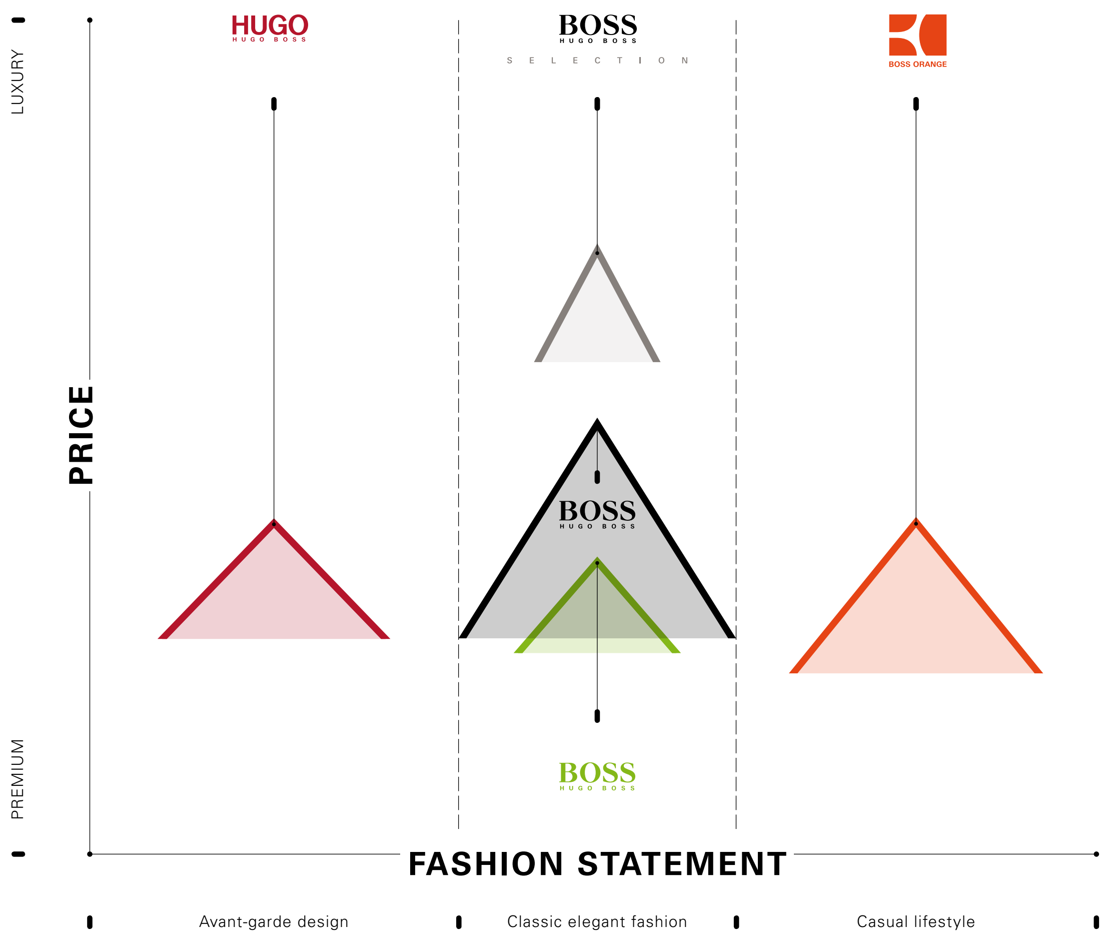
The menswear collections are represented by the core brand BOSS with the lines BOSS Black, BOSS Selection, BOSS Orange, and BOSS Green as well as by the HUGO brand. The main BOSS Black line offers men classic and modern business and evening wear. The relaxed casual fashion of BOSS Orange and the stylish golf-oriented sport collection of BOSS Green round off the selection. The luxury label BOSS selection offers a combination of sophisticated design, exclusive materials, and careful tailoring of the highest quality. The top end of the successful luxury men's line BOSS Selection is embodied by the Tailored Line. Lastly the avant-garde HUGO collection appeals to the trendsetter.

The Group also offers stylish clothing for women under BOSS Black, casual-insipred fashion under BOSS Orange, and accentuated strict avant-garde fashion under HUGO. The product range for women will be complemented with a BOSS Green collection starting from 2010.

With BOSS and HUGO, the Group covers all the key fashion segments for men and women. The HUGO BOSS children's collection, which is offered under the BOSS brand and produced and distributed by the license partner C.W.F. Children Worldwide Fashion SAS, has been available in retail stores since 2009.

The HUGO BOSS collections are complemented by product lines such as shoes and accessories, perfumes, eyewear and watches. In addition, as a result of a cooperative agreement with Samsung Electronics in 2008 and 2009, HUGO BOSS cell phones and matching accessories are also available.

03/2 – BRAND POSITIONING



03/3 – THE HUGO BOSS BRANDS

BOSS **BLACK**

Menswear
Womenswear
Accessories
Kidswear

Premium range for business, leisure and formalwear. Perfect looks that meet the most demanding requirements.

BOSS **SELECTION**

Menswear
Accessories

BOSS brand luxury line, exclusive materials combined with beautiful tailoring.

BOSS **GREEN**

Menswear
Accessories

Modern sportswear fashion with functional, technical details and attractive designs for golf.

BOSS **ORANGE**

Menswear
Womenswear
Accessories

Urban casual wear, globally focused and stylishly interpreted.

HUGO

Menswear
Womenswear
Accessories

Progressive avant-garde for trendsetters, characterized by clear lines and sophisticated, minimalist design.

CEO	CBO	CFO	COO
Claus-Dietrich Lahrs	Christoph Auhagen	Mark Langer	Dr. Andreas Stockert

ORGANIZATIONAL STRUCTURE

— **WWW**
www.hugoboss.com/company

The Group is managed by HUGO BOSS AG as the parent company where all of the central management functions are bundled. The most important tasks of HUGO BOSS AG are establishing a corporate strategy (especially the brand and sales strategy), financing and risk management as well as making collection decisions and managing the sales network. Besides internal communication, HUGO BOSS AG is also especially responsible for external communication, including contact with the capital markets and shareholders.

In addition to HUGO BOSS AG, the Group consists of 51 consolidated subsidiaries, which run local business operations. 33 subsidiaries are organized as distribution companies. Propelled by global expansion, the growing importance of establishing a distribution management adapted to regional conditions is accounted for through subdivision into the regions Europe including Africa/Middle East, America and Asia/Pacific.

Working in close coordination with the Managing Board, the regional directors ensure the implementation of the Group's targets in their respective market environment, while at the same time facilitating a sales strategy in which some aspects are adapted to the local requirements of these individual markets. The **regionalization of the sales structures** also guarantees better integration of the national companies and therefore improved monitoring of sales and profitability.

The Company's own production sites are in Izmir (Turkey), the most important production site of HUGO BOSS, Radom (Poland), Morrovalle (Italy), and Metzingen (Germany). A decision was made at the end of the year to close the production site in Cleveland (USA) in the first six months of 2010.

— **GROUP STRUCTURE**
A detailed overview of HUGO BOSS Group shareholdings as of December 31, 2009 as well as further details of the Group's legal structure are presented on page 167 et seq. in the appendix to the Group's annual report.

All the subsidiaries are run as independent profit centers. Management of the subsidiaries' activities as well as central analysis of the group-wide business development are supported by a uniform IT infrastructure, which standardizes the key workflows.

The **management structure** of HUGO BOSS is primarily based on the framework of corporate law. As a German stock corporation (Aktiengesellschaft), the HUGO BOSS AG has a dual management and control structure. The Group is managed by the Managing Board as a whole. The Supervisory Board advises the Managing Board and oversees its management of the Company. Essential information on the remuneration of the Managing Board and Supervisory Board is given in the management report on page 147 et seq. The share-based remuneration for executives is given in the notes to the consolidated financial statements on page 214 et seq.

04/2 — STRATEGY BOARD

OPERATIONS / SOURCING / MANUFACTURING	**REGIONAL DIRECTOR** Europe incl. Middle East/Africa **REGIONAL DIRECTOR** Americas **REGIONAL DIRECTOR** Asia/Pacific	**BRAND / CREATIVE / COMMUNICATION**

The members of the Managing Board of HUGO BOSS AG, which manages the Group, have equal standing. They and the Chairman of the Managing Board are represented on the Board with areas of responsibility that include their individual central functions. The areas of responsibility for the central functions are divided among the members of the Managing Board as follows:

Claus-Dietrich Lahrs
Chairman of the Managing Board
Responsible for Distribution,
Retail, Licenses and Communication

Christoph Auhagen
Responsible for Brand and Creative Management
Member of the Managing Board since December 1, 2009

Mark Langer
Responsible for Controlling, Finance,
Legal Affairs, Human Resources and IT
Director for Labor Relations
Member of the Managing Board since January 15, 2010

Dr. Andreas Stockert
Responsible for Purchasing,
Production and Logistics
Member of the Managing Board since June 1, 2009

The directors of the regions Europe, Americas and Asia/Pacific as well as the directors of central functions belong to an extended executive committee newly established in 2008 that supports the Managing Board's activities.

COMPANY MANAGEMENT

The HUGO BOSS Group is actively managed by the members of the Group's Managing Board. The Managing Board and the regional sales directors as well as the heads of the brand and product divisions jointly agree on the implementation of the strategic objectives.

The framework is defined by the Group and management structure. It controls the internal responsibilities, administrative processes and reporting channels. The internal management system serves as an instrument.

CORPORATE GOVERNANCE STATEMENT (PURSUANT TO SECTION 289a OF THE GERMAN COMMERCIAL CODE (HGB))

— **WWW**
www.hugoboss.com/investor-relations

The corporate governance report (pursuant to Section 289a of the German Commercial Code (HGB)) contains the declaration of compliance, information on corporate management practices as well as the description of the functions of the Managing and Supervisory Boards. This statement is published on the HUGO BOSS website at "Investor Relations/Corporate Governance".

INTERNAL MANAGEMENT SYSTEM

The sustainably positive development of the HUGO BOSS Group is actively supported by the internal management system. The core elements of this system are:

- the Group-wide IT-supported reporting,
- Group planning,
- investment controlling.

The key components of Group-wide IT-supported reporting include the subsidiaries' financial statements, individual reports mapping the subsidiaries' business units, and standardized key figure reports.

The subsidiaries prepare IFRS statements on a monthly basis, which are consolidated into the management reporting and are incorporated into the Group's published financial reports. In addition to this, the decision makers at HUGO BOSS, who are derived from the Group and management structure, are sent standardized and individually prepared reports which are used to manage the business segments, subsidiaries and operational processes.

MOST IMPORTANT KEY PERFORMANCE INDICATORS

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

The **most important key performance indicators** which are subject to continuous monitoring and provide the basis of the variable component of compensation for members of top management are **net sales, EBITDA before special items and net working capital**.

Group Planning is based on a time scale of three business periods and is reviewed annually within the scope of the company-wide budget process and adjusted to the current business situation.

The companies to be consolidated in the Group prepare a detailed business plan for the sales markets or business units they are responsible for, which includes a comprehensive schedule relating to the sales, costs, investments, net working capital and gross profit margin to be expected.

HUGO BOSS is divided into sales and brand units, as well as development and procurement units.

- The distribution companies plan sales, costs, and profits based on a time horizon of three years. In addition, special attention is paid to managing financial assets and inventories as well as the planned replacement and new investments.

- The brand units are responsible for strategic brand management and operational development of the fashion collections. The product range is divided into two preliminary and main collections for summer and winter.

- The three-year plan also primarily assists development and purchasing companies with medium-term capacity planning in which the distribution output of the sales markets is incorporated. In addition, the economic efficiency of the producing companies amongst each other is measured and used as a basis for making operationally required adjustments.

The planning for the subsidiaries is updated at regular intervals over the fiscal year, where an assessment of the current business developments and the anticipated results are submitted for the current fiscal year as a preview.

As a consolidated plan for the HUGO BOSS Group, the group planning is based on the subsidiaries' individual planning and the assessments of the economic conditions of the Group's Managing Board.

- Deviations from targets are detected early by the Internal Control System and necessary countermeasures are then initiated
- Continuous monitoring of earnings performance and profitability improvement is based on both monetary and non-monetary performance indicators

— **CAPITAL EXPENDITURE**
Further information on capital expenditure made is given in the section on earnings, net assets an the financial position.

Investment controlling assesses planned and implemented investment projects in respect of their contribution to achieving the Group's profit targets. This means that only projects that are expected to make a positive contribution by increasing the Group's economic efficiency are initiated.

SECURING TARGET ACHIEVEMENT

The information systems of the HUGO BOSS Group support the internal target attainment process. Actual and projected figures containing operative and also strategic performance indicators are referred to and linked in real time. The information process is carried out within the framework of reporting lines accompanied by regular communications that include directions for action if necessary. IT-supported information systems normally undergo a daily updating process and therefore always ensure the latest access to activity data, which is available in differing levels of detail for analysis purposes and further processing.

Early indicators which can be derived from the customer-related incoming orders, the sell-through rates of the Group's own retail stores as well as the product ranges offered as a stock list are also continuously taken into account in the ongoing planning verification.

The Group's controlling system is subject to an ongoing optimization process, which takes into account the Group's continuous development as an adjustment to changes in the business environment.

05 – STRATEGIC ORIENTATION

SUSTAINED BRAND MANAGEMENT/ DIFFERENTIATION	1
DEVELOPMENT OF NEW PRODUCT SEGMENTS	2
RETAIL-FOCUSED ORIENTATION OF THE COLLECTIONS	3
INTERNATIONALIZATION OF DISTRIBUTION	4
INCREASING PROFITABILITY	5

STRATEGIC BUSINESS AREAS
- Womenswear and menswear
- Shoes and leather accessories
- Licensed products

STRATEGIC COMPETITIVE ADVANTAGES
- Outstanding product expertise
- Excellent value chain management
- Worldwide distribution network

STRATEGIC ORIENTATION

The HUGO BOSS Group is one of the world market leaders in the premium fashion and luxury goods segment. Besides the portfolio of strong brands, which with classic-modern tailored fashion, evening and casual fashion to shoes and leather accessories as well as licensed perfumes, watches, eyewear and children's clothing covers all the key fashion segments, the outstanding product expertise, excellent value chain management and worldwide distribution network constitute the strategic competitive advantages and guarantee for successful business development.

The comprehensive strategic realignment of the HUGO BOSS Group took place in 2009 under the leadership of the Group's new Managing Board.

Core elements of the strategic orientation
- Sustained brand management and differentiation
- Development of new product segments
- Retail-focused orientation of the collections
- Internationalization of distribution
- Increasing profitability

SUSTAINED BRAND MANAGEMENT AND DIFFERENTIATION

As an internationally operating company selling branded goods, the HUGO BOSS Group is committed to sustained brand management. The high-quality brand portfolio is the crucial criterion for success and is the result of a clearly focused brand philosophy on the part of the Group's new Managing Board.

The continuous brand development pursues the goal of systematically developing and extending the existing profit potential.

The five HUGO BOSS brands can be differentiated by fashion statement and price segment.

Different consumer groups are selectively targeted with this diversified brand portfolio by applying a separate communication strategy for each brand world.

End-consumers associate high-quality materials, excellent workmanship and outstanding design with HUGO BOSS products. These product attributes are a key part of the brand philosophy.

RETAIL-FOCUS

- Market data about sales areas and for sales areas with strongly selling lines for better sales space utilization

STRATEGIC GROWTH MARKETS

- Asia, especially the Chinese domestic market
- North, Central and South America
- Eastern Europe

DEVELOPMENT OF NEW PRODUCT SEGMENTS

In addition to focused brand management, the HUGO BOSS Group has excellent growth prospects due to the development of new product segments.

Besides the success of the menswear segment, the womenswear and casual fashion segment as well as shoes and leather accessories are a key part of the growth strategy of the Group's Managing Board.

In the past fiscal year, measures were introduced and implemented to ensure that the growth segments' contribution to earnings would remain high. As part of this plan, the functional areas of brand and creative management were merged to speed up the product development process.

In addition, the creative output in the womenswear segment was strengthened, an independent sphere of responsibility was introduced for casual fashion of BOSS Black Menswear and the responsibilities in the shoes and leather accessories segment were bundled.

RETAIL-FOCUSED ORIENTATION OF THE COLLECTIONS

The goal of retail-focused orientation pursued by the HUGO BOSS Group is the development of product ranges for modularized, but nevertheless flexible retail spaces to increase space efficiency.

The development of product assortments will continue to be carried out on a sales-oriented basis and is geared to the different space formats. Intelligent bestseller management is also aimed at increasing the sales productivity.

The existing processes and structures within the different value-added steps should not only be fast and flexible, but must also go hand in hand and be stable and error-free.

STRATEGIC GROWTH MARKETS

Additional growth potential is defined from the clearly extended operation radius outside Europe. in addition to emerging countries in the economically dynamic regions of Asia, especially China, and also Central and South America and Eastern Europe, the focus is on expanding distribution activities in North America.

STRATEGIC SALES CHANNELS

- Group-owned retail business
- E-commerce
- Wholesaling
- Licenses

INCREASING PROFITABILITY

- Operational excellence as the core element in sustained profitability growth

The introduced regional structure with Europe, America and Asia/Pacific facilitates the central bundling of local market requirements as well as the selective development of market presence and market handling strategies. the company's declared goal is to defend and further expand the high level of existing market shares.

STRATEGIC SALES CHANNELS

The central component of the growth strategy is the expansion of the Group's own retail business.

This sales channel is attractive because of the additional sales margin generated by the Group's own retail stores. Direct contact is also made with the end customer to recognize constantly-changing fashion trends sooner and incorporate them in the coming collections.

Having the Group's own retail stores also ensures control of HUGO BOSS' brand identy and safeguards the high quality standard of the presentation of goods at points of sale.

This strategy has paid off in the face of the global economic crisis. The development of the Group's own retail stores has been much more positive compared to the wholesale business and has strengthened the management board's resolve to continue with the expansion.

— **WWW**
www.hugoboss-store.com

International online retail activities form a further key element. After having been introduced in Great Britain in autumn 2008, this strategy was successfully put into operation in 2009 in other key European markets. These markets include Germany, France and the Benelux states. In 2010, the activities will focus on developing the US online market.

INCREASING PROFITABILITY

As one of the leading fashion and lifestyle groups, it is essential for HUGO BOSS to constantly increase profitability so that it can continue to increase market share versus the competition in the global market.

The emphasis is on rigorous cost management and the optimization of processes throughout the Group.

At the same time, by applying lean management, we are improving the existing process flows and our management culture. The creation and safeguarding of operative excellence is a key factor in continuously increasing the Group's profitability.

06 – GLOBAL MARKET PRESENCE
2009

EUROPE [1]

~	4,480	Points of Sale
	189	Directly Operated Stores
	19	Showrooms
~	750	Franchise Stores

AMERICA

~	1,170	Points of Sale
	75	Directly Operated Stores
	2	Showrooms
~	100	Franchise Stores

ASIA/PACIFIC

~	460	Points of Sale
	100	Directly Operated Stores
	2	Showrooms
~	200	Franchise Stores

1 Including Middle East/Africa.

INNOVATION, RESEARCH AND DEVELOPMENT

The continued development of HUGO BOSS products is based on the experience and expertise of all its employees, particularly of its specialists working at several Competence Centers. In addition to the creative department, innovations regarding all aspects of HUGO BOSS products are created in technical development, Operation Technical Development (OTD), and the Technology & Service Center (TSC).

— **EMPLOYEES**
Further information on employees can be found in the "Additional Factors for Success" section.

In the Technology & Service Center at the Company's headquarters in Metzingen, the Group uses its years of experience in industrial textile production to develop pioneering products in the core area of classic clothing for men and women. At the same time, the Competence Centers in Coldrerio (Switzerland), Morrovalle (Italy) and Scandicci (Italy) are home to development departments for additional textile product groups, shoes as well as leather accessories. Training in industrial production is provided in order to retain and rigorously expand this valuable expertise within the Company.

These development locations create prototypes for new clothing collections that were previously designed in the Pattern Design department using technical development. At the same time, all the necessary data is collected for possible later use in series production through extensive tests.

This intensive product development in collaboration with suppliers and technology partners not only ensures that the future production process at the production sites runs smoothly, but also secures HUGO BOSS its competitive advantage in manufacturing technology and quality. Expenses for Research and Development for the collection development process in the creative departments amounted to EUR 44 million in the past fiscal year (2008: EUR 49 million).

PREMIUM AND LUXURY MARKET 2009 ↘

EUROZONE ECONOMIC PERFORMANCE 2009 ↘

EUROZONE ECONOMIC PERFORMANCE 2010 ↗

OVERALL ECONOMIC CONDITIONS

For HUGO BOSS, as a fashion group that is active internationally, strategic positioning and Group management as well as global economic trends and the sector-specific outlook all play a role in the Group's profitable growth.

DEVELOPMENT OF THE OVERALL ECONOMY

The general downward trend on the international capital markets and the dramatic fall in world economic activity in 2008 continued in the first few months of 2009. Significant economic downturns were still recognizable in **industrialized countries** and in most of the **emerging countries**. In the first quarter of 2009 real gross domestic product (GDP) in the G7 countries fell even more than in the last quarter of 2008. The sharp drop in production was mainly driven by the drastic reduction in capital expenditure and exports which recorded double-digit decreases virtually everywhere.

Following the initial sharp economic downturn, the decline in the global economy has slowed considerably since spring 2009 and, according to a report by the Kiel Institute for the World Economy (IfW), changed course in summer 2009 towards economic recovery.

Swift and comprehensive economic policy measures to support the banking sector, a highly expansive monetary and fiscal policy in the form of extensive debt-financed economic packages prevented a collapse of the world banking system in 2009 and laid the foundations for a recovery in production and trade. Although global production in the third quarter was still below the previous year's level, the decline was not as extreme as at the beginning of the year due to the strong boost provided by economic policies and a slowing of the sharp reduction in inventories.

Production began to expand again early on, particularly in the **emerging countries of Asia**. Here, governments managed to stimulate the economy in the first few months of the year and therefore create momentum for the world economy. By the end of the third quarter, there were few countries whose economy was not back on the path of growth.

As a result of an upturn in private consumption, increased investment in residential real estate and reduced inventory clearance in the retail sector, economic indicators for **Central and Eastern European countries** pointed to a smaller drop in GDP than in the preceding quarters. In the **U.S.**, the GDP returned to a growth course again after nearly two years of recession. **Japan** benefited from rising public investment and exports. In **China**, government economic stimulus packages to strengthen domestic demand compensated for the persisting weakness in exports.

07/2 — AMERICAS
Overall economic conditions

PREMIUM AND LUXURY MARKET 2009 ↘
US ECONOMIC PERFORMANCE 2009 ↘
US ECONOMIC PERFORMANCE 2010 ↗

SECTOR PERFORMANCE

Both overall economic conditions and the sales trend in the global market for fashion, accessories and luxury goods are key factors for the operations of HUGO BOSS. After regularly posting high growth rates over the last decade, this market saw the first signs of a general drop in sales in 2008; this decline increased in intensity during the reporting year.

The past fiscal year was characterized by an unprecedented **global reduction in consumer spending**, which made it necessary for companies to ensure liquidity, reduce capital expenditure, postpone the introduction of new products and increase cost consciousness. Along with numerous other factors, this was caused primarily by increasing uncertainty on the part of consumers due to the difficult economic conditions.

According to estimates by management consultancy firms, sales of luxury goods worldwide fell by 8% to EUR 153 billion in the past fiscal year. In particular, the second and third quarters were marked by sharp falls, whereas the first signs of a recovery appeared towards the end of the year. With estimated drops in sales of 16% in **America**, 10% in **Japan** and 8% in **Europe**, sales of luxury goods were especially weak in sophisticated markets characterized by starkly recessive trends. In many places, the sudden fall in demand and the resulting high inventories could only be counteracted by additional price cuts. In contrast, a sales increase of 10% is assumed for **Asia as a whole**, with aspiring consumers of luxury goods in Asia and other emerging countries largely responsible for industry sales.

Of all the **distribution channels**, the industry's wholesale segment, with an estimated drop in sales of 11%, was most severely hit by extremely restrained consumer spending. Industry's own retail business, in contrast, posted a minus of 4%. Online retailing represented the fastest growing distribution channel, albeit the weakest in terms of the share of total volume. In addition, outlet businesses were a particular beneficiary of the increasing price sensitivity on the part of consumers.

07/3 — ASIA/PACIFIC
Overall economic conditions

ASIA / PREMIUM & LUXURY MARKET 2009 ↗

JAPAN / PREMIUM & LUXURY MARKET 2009 ↘

JAPAN ECONOMIC PERFORMANCE 2009 ↘

JAPAN ECONOMIC PERFORMANCE 2010 ↗

In the clothing sector, postponement of expensive new purchases or the preferred purchase of long-lasting and classic items as well as a trading down tendency on the part of consumers were particularly apparent. The segment for watches, jewelry and similar goods was also severely affected. In addition to the postponement of purchasing decisions, an increased reluctance to flaunt wealth and affluence played a crucial role in this segment's decline. Therefore, estimates for the clothing sector forecast a drop in sales of 11% and a fall of up to 18% in sales of watches, jewelry and similar goods. In contrast, sales of leather goods, shoes and accessories remained stable for the most part in the past fiscal year. These lower priced products, in comparison with clothing or watches, can be more easily combined with the existing wardrobe.

RESULTS OF OPERATIONS IN FISCAL YEAR 2009

OVERALL STATEMENT ON SALES DEVELOPMENT

The dramatic economic downturn in the global economy and associated decline in demand for premium and luxury goods did not leave HUGO BOSS as an international fashion company unaffected. In addition to the generally challenging market environment, developments in sales also reflect changes in customer structure and demand. Adopting the appropriate measures at an early stage enabled HUGO BOSS to respond very quickly to changing market conditions and to maintain sales at a high level.

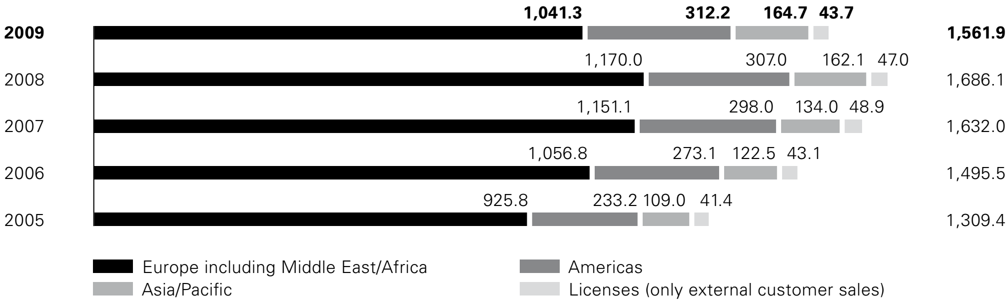
SALES PERFORMANCE

HUGO BOSS' **Group sales** amounted to EUR 1,562 million in the fiscal year 2009, which meant that sales in the Group currency were down 7% versus the previous year (2008: EUR 1,686 million).

The effects of currency fluctuations in 2009 generally had a slightly positive effect on sales performance. Developments in the U.S. and Chinese currencies in particular had a positive effect on sales in the reporting currency. In local currencies, sales declined 8% compared with the previous year.

The drop in sales was due to the difficult market environment and the associated downturn in consumer spending. But HUGO BOSS responded quickly to the changing overall economic conditions by adjusting the customer portfolio, structurally realigning the Group's own retail business and putting a hold on deliveries to risky wholesale customers. Further sales that could only have been realized with above-average discounts were not accepted in order to guarante the continued appeal and acceptance of HUGO BOSS' brands. With this in mind, sales in the wholesale channel in particular recorded a decline of 15% compared to the previous year. However, the performance of the Group's own retail business was decidedly positive in what was otherwise a generally difficult year. With moderate expansion resulting from the closure of unprofitable stores and the targeted opening of new locations, HUGO BOSS was able to achieve a 13% increase in sales (11% after adjustments for currency effects), and thus make a positive contribution to the overall performance of the business. Overall, HUGO BOSS has coped better with the sales performance in the difficult year of 2009 in regions having a high share of the Group's own retail business than in regions with high dependancy on wholesalers.

08 — SALES DEVELOPMENT (in EUR million)



SALES BY REGION

Sales in the **European region** including Middle East/Africa were down by 11% to EUR 1,041 million in fiscal year 2009 (2008: EUR 1,170 million). Sales in local currencies also declined by 11%.

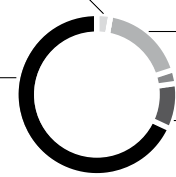
The first three quarters of the year in **Germany** were characterized by a very cautious wholesale order behavior, followed by a slight improvement in the fourth quarter. However, overall sales for the year were lower than the previous year's level.

With regard to the main **European markets**, the overall picture is mixed. Sales in France and the Benelux countries continued to develop satisfactorily, with only moderate declines of 5% and 1% respectively. In the UK, there was a 4% increase in sales on the previous year after adjustments for currency effects. However, sales declined everywhere else in Europe. The most significant sales decline of 32% after adjustments for currency effects was recorded by HUGO BOSS in Eastern Europe. The reasons for this were the serious financing problems suffered by wholesale customers and the resulting delivery holds placed on them. Sales on the Spanish and Italian fashion markets also remained well below expectations in the last fiscal year. These markets were affected particularly early and most severely by the financial and real estate crisis.

On the **American continent**, the sales decline in fiscal year 2009 after adjustments for currency effects was 1%. However, because of an overall positive currency effect, sales in the Americas region in the reporting currency rose by 2% over the previous year to EUR 312 million (2008: EUR 307 million). Currency fluctuations between the US dollar and the euro had a positive impact on the sales performance in the USA, with sales being up by 4% in the reporting currency to EUR 233 million (2008: EUR 224 million). However, currency effects from the strong US dollar were partly offset by currency effects from the Canadian dollar and the Mexican peso. Particular mention must be made of the continued positive trend in the countries of **Central and South America**. As a consequence of the continued development of the Group's own retail business, and despite the government-decreed closures in Mexico in May 2009, sales there increased by 21% in local currencies. In the Group currency, sales were up by 4% to EUR 27 million (2008: EUR 26 million).

In local currencies, HUGO BOSS' Group sales were down 5% in the **Asia/Pacific region**, whereas at EUR 165 million in the reporting currency they were 2% above previous year's sales (2008: EUR 162 million). After adjusting for currency effects, sales in the **People's Republic of China** increased by 2%, and in the reporting currency they were also higher than in the previous year at EUR 61 million (2008: EUR 56 million). This development further highlights the significance of the People's Republic of China as a growth market for the HUGO BOSS Group.

09 — SALES SHARES OF HUGO BOSS FASHION LINES



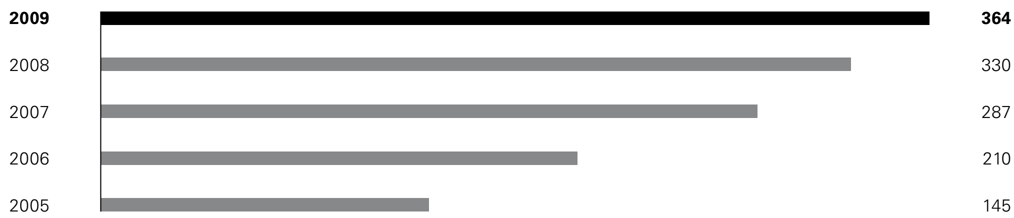
As expected, the performance of the **royalty business** was modest in the fiscal year 2009. **Royalty sales** include license income from third-party as well as intercompany sales. Products manufactured by partners include children's fashions, fragrances, watches, jewelry, eyewear, and cell phones. Intercompany sales show the sales by HUGO BOSS Trade Mark Management GmbH & Co. KG as the owner of the Group's trademarks with Group companies. External sales with outside licensees were down 6% on last year at EUR 44 million (2008: EUR 47 million). The fact that this decrease was only moderate resulted primarily from the successful introduction of new products and also from minimum license fees.

SALES BY BRAND AND LINE

— **SALES**
The sales shares of the individual fashion lines can be seen in chart 09.

In the fiscal year 2009, HUGO BOSS recorded declines in the sales of both the **core brand BOSS** and of the **trendy brand HUGO** of 7% and 9% respectively. Overall, sales declined in three of the four BOSS fashion lines over the reporting year. However, sales in the **BOSS Black** line were down 7% from the previous year. The difficult market environment also resulted in a 15% drop in the sales of the **BOSS Selection** line and a drop of 12% in the **BOSS Orange** line. This illustrates how necessary the 2009 realignment of these two lines was. By contrast, sales of the premium sportswear line **BOSS Green**, which was extremely well received by the market in the fiscal year 2009, were up an impressive 40%.

10 — NUMBER OF DIRECTLY OPERATED STORES (DOS)



SALES BY DISTRIBUTION CHANNEL

A sales decline of 15% (also 15% after adjustments for currency effects) was recorded in the **wholesale channel**. This drop is partly due to adjustments made to the customer portfolio. Holds were placed on deliveries to risky customers in Eastern Europe in particular to prevent further potential losses from debt default. This step was taken to ensure sustainable wholesale performance improvement and thus to secure the profitability of the HUGO BOSS Group.

The development of **sales through the Group's directly operated stores (DOS)** remained positive, and benefited in particular from the continued structural realignment of this important area. Moderate expansion helped HUGO BOSS to achieve a 13% increase in sales (11% after adjustments for currency effects), and thus make a positive contribution to the overall performance of the business. Sales based on comparable floor space dropped by 6% in group currency from the 2008 fiscal year. The global DOS presence was expanded by the net addition of 34 new stores, following the opening of 79 new stores and the closing of 45 unprofitable stores, bringing it to a total of 364. As in previous years, there were significant investments in shop-in-shop concepts. Another 21 units were added to existing shop-in-shop units in 2009, bringing the total to 235 units. The number of the Group's own freestanding stores increased by 13 to a total of 129. As a result, the Group was able to acquire a number of attractive locations in the Asia/Pacific region such as in China, Hong Kong and Australia. The retail network was also further strengthened on the American continent. A number of additional stores were opened, especially in the USA and Mexico. The continuous development of the global retail network will remain at the focus of the HUGO Boss Group's expansion strategy in the future. The growth market of China offers particularly promising opportunities to further strengthen this sales channel.

WWW —
www.hugoboss.com/stores

DOS —
The change in the number of retail stores operated directly by the Group is shown in chart 10.

Sales in directly operated stores (DOS) increased to EUR 303 million in 2009 (2008: EUR 269 million). Sales via directly operated stores in percent of total sales were therefore approximately 19% (2008: 16%).

Taking into account the more than 1,050 franchise stores and shops, the HUGO BOSS Group currently has a total of approximately 1,400 monobrand stores and shops in over 80 countries.

MARKET PRESENCE —
Further information on market presence can be found on p. 97.

Total **brand sales** of HUGO BOSS products worldwide in fiscal year 2009 amounted to EUR 1,981 million (2008: EUR 2,158 million). This figure is based upon HUGO BOSS Group sales minus royalty income and plus sales by HUGO BOSS license partners.

DEVELOPMENT OF ORDER SITUATION

HUGO BOSS' system of doing business has changed significantly in recent years. Instead of the pre-order business that dominated in the past, business is increasingly driven by share of sales achieved either through the Group's own stores and shops or from stock business. And not least as a consequence of the general global economic development, a gradual shift in our retail partners' purchasing budgets from pre-order to distribution-driven delivery becomes apparent. Ongoing verticalization processes along the entire value chain, the gradual reduction in complexity and the continuous development of the brand and collection portfolio based on sales markets are necessary in order to meet the changing requirements of our customers.

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 theme-oriented deliveries. The share of the **classic pre-order business** – the sale of goods ordered in advance for retail partners – decreased to 54% of sales in the last fiscal year (2008: 60%). In contrast, classic HUGO BOSS products in particular can now be delivered to customers from the warehouses with maximum flexibility. In order to continue ensuring planable production conditions in the light of this new sales situation, HUGO BOSS does not purely depend on order figures, but also includes information from the sales companies and the Group's own retail stores in its target planning.

PROFIT DEVELOPMENT

At the beginning of fiscal year 2009, the presentation of the income statement was changed from the nature of expense method to the cost of sales method, and thereby adjusted to HUGO BOSS' internal management system. The cost of sales includes all the manufacturing costs involved in generating sales. Other operating income and expenses were allocated according to the various functions in the entity. The figures for the comparable period of the previous year were adjusted accordingly.

INCOME STATEMENT (in EUR million)

	2009	2008	Change in %
Sales	**1,561.9**	**1,686.1**	**(7)**
Cost of Sales	(677.9)	(742.4)	9
Direct selling expenses	(33.9)	(36.9)	8
Gross profit	**850.1**	**906.8**	**(6)**
in % of sales	54.4	53.8	
Selling and distribution expenses	(487.9)	(518.4)	6
Administrative costs and other operating expenses / income	(203.8)	(197.6)	(3)
EBIT	**158.4**	**190.8**	**(17)**
Net financial result[1]	(21.8)	(42.4)	49
Earnings before taxes	**136.6**	**148.4**	**(8)**
Income taxes	(32.6)	(36.4)	10
Net income			
Total	**104.0**	**112.0**	**(7)**
Per share (EUR)[2]			
Common stock	1.50	1.62	(7)
Preferred stock	1.51	1.63	(7)

1 The previous year's figure has been adjusted. Please also refer to the accompanying information on the consolidated financial statements.
2 No dilution: Only stock appreciation rights issued.

After adjustments for currency effects, **Group sales** declined by 8%, and by 7% in the Group currency, to EUR 1,562 million (2008: EUR 1,686 million).

Gross profit was down by 6% to EUR 850 million (2008: EUR 907 million). The **gross profit margin** increased by 0.6 percentage points to 54.4% (2008: 53.8%). This development is due in particular to the rising share of sales generated in the Group's own retail business. In addition, the continued optimization of global production and sourcing activities also contributed to the margin improvement. These effects more than compensated for the increased write-downs on inventories and the negative exchange rate effects for goods purchased or manufactured in Asia.

At EUR 488 million, the **selling and distribution expenses** for 2009 were down around 6% from the previous year's figure (2008: EUR 518 million). Further savings were made in almost all selling and marketing-relevant divisions. In particular, logistics expenses were reduced by EUR 9 million. Despite the continued expansion of Group's own retail business, marketing and retail costs were reduced by EUR 27 million net. These costs include the additional expenses for 34 net new locations which were opened in 2009 in line with the global expansion of this distribution channel. These savings contrast with increases in allowances for doubtful accounts and debt defaults of EUR 6 million.

There is a higher default risk for wholesale customers in Eastern Europe and France. In addition, income was generated by recharging marketing expenses and other costs and services amounting to EUR 29 million (2008: EUR 50 million).

At EUR 204 million, **administrative costs and other operating income and expenses** in 2009 were around 3% higher than in the previous year (2008: EUR 198 million). This is due solely to the increase of EUR 12 million in the one-off expenses resulting from the structural realignment, which brought the total to EUR 48 million (2008: EUR 36 million). In contrast, savings of around EUR 5 million were achieved on the current general administration costs and research and development costs compared with the previous year. In total, the measures implemented for the optimization of the cost structure contributed positively to the results. These items include income generated from recharging other costs and expenditures, and income from the release of provisions totalling EUR 19 million (2008: EUR 23 million).

HUGO BOSS defines costs associated with the strategic realignment of the Group and the associated reorganization of the Group's own retail businesses, the global consolidation of production sites and showroom areas as special items. The EBIT-relevant **special items** included in other operating expenses totaled EUR 48 million at the end of fiscal 2009 (2008: EUR 36 million) and are divided among the business segments as follows:

in EUR million	**2009**	**2008**
Europe [1]	18.3	3.2
Americas	9.6	0.7
Asia/Pacific	5.6	0.5
Licenses	0.4	0.0
Corporate Center [2]	14.0	32.0
HUGO BOSS Group	**47.9**	**36.4**

1 Including Middle East and Africa.
2 Summary of Group-wide central functions.

This was due to the closure of 45 of the Group's directly operated stores (DOS) that were unprofitable, specifically in Spain, Japan and Italy, as well as to the global consolidation of showroom space and the planned closure of the production facility in Cleveland, USA, for the first half of 2010. In particular, the measures implemented in the regional markets of Spain and the USA benefit the sustainable performance improvement of these difficult markets. Special items in the Corporate Center segment primarily are due to the realignment of the Group's organizational structure.

11 — EBITDA BEFORE SPECIAL ITEMS

EUR 270 million

The internal performance indicator **EBITDA before special** items declined by 6% to EUR 270 million versus the previous year (2008: EUR 288 million). The adjusted EBITDA margin increased slightly over the previous-year period to 17.3% (2008: 17.1%); this figure reflects the successful implementation of the structural and efficiency performance measures that were adopted at an early stage.

in EUR million	2009	2008
EBITDA	**227.5**	**251.8**
EBITDA related special items	42.7	36.4
EBITDA before special items	**270.2**	**288.2**

Operating income (EBIT) decreased from EUR 191 million in 2008 to EUR 158 million in fiscal 2009. After adjustment for special items, the EBIT in fiscal year 2009 was down 9% from the previous year's figure at EUR 206 million (2008: EUR 227 million).

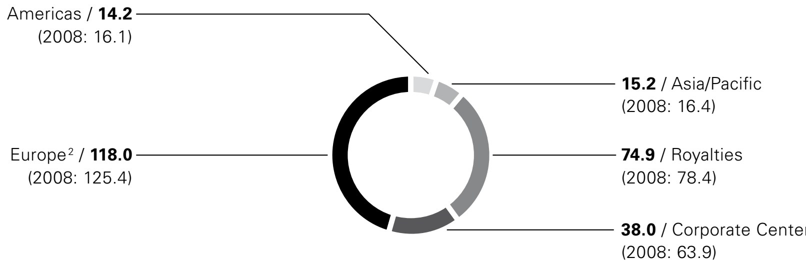
in EUR million	2009	2008
EBIT	**158.4**	**190.8**
EBIT related special items	47.9	36.4
EBIT before special items	**206.3**	**227.2**

The **net financial result** amounted to EUR –22 million at the end of the year (2008: EUR –42 million). At EUR –22 million, net interest income is EUR 4 million lower than last year (2008: EUR –26 million). Especially, the reduced utilization of the syndicated credit line had a positive impact on the interest expenses. Additionally, the net financial result improved due to positive effects from hedging transactions in connection with the "Stock Appreciation Rights Program" in the amount of EUR 3 million (2008: expenses of EUR 6 million).

Earnings before taxes decreased to EUR 137 million (2008: EUR 148 million). At 24%, the tax rate was below the rate of the previous year (2008: 25%). The increasing internationalization of the HUGO BOSS business and corresponding higher profit shares from foreign companies with lower tax rates had a positive effect on the Group's tax rate.

As the result of the aforementioned special items, **net income** for the past fiscal year amounted to EUR 104 million (2008: EUR 112 million), approx. 7% below the previous year's figure. **Earnings per share** declined accordingly from EUR 1.62 to EUR 1.50 for **common shares**, and from EUR 1.63 to EUR 1.51 for **preferred shares** in comparison with the previous year.

12 — EARNINGS BY REGION[1] (in EUR million)
Total segment profit 2009: EUR 270.2 million (2008: EUR 288.2 million)
(including consolidation amounting to EUR 9.9 million (2008: EUR –12.0 million)



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

EARNINGS BY REGION

Earnings by region correspond to the segment profit and thus the EBITDA before special items from the regional business units including the profit share from services received from or rendered with units from other operating segments. Thus the segment profit is to be considered in association with total segment sales.

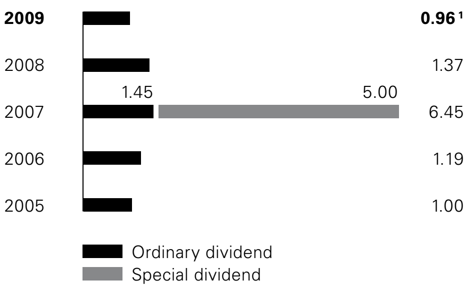
The global distribution functions of the HUGO BOSS Group are divided into the three regions of Europe, Americas, Asia/Pacific as well as the royalties segment. The Group-wide central structures are bundled under Corporate Center. Companies are allocated to the regions according to their domiciles.

At EUR 118 million, segment profit in the **European region** was down from previous year's figure (2008: EUR 125 million) mainly due to declining sales. Strongly increased allowances for doubtful accounts in the markets of Eastern Europe and France also negatively affected the segment profit. Especially in the European region the additional expenses related to the increased default risk could almost be offset by the implemented measures for optimzing the cost structure. This had a positive effect on the development of the European companies' adjusted EBITDA margin, especially in the second half of the year. Compared to the previous year, this figure was up 0.6 percentage points to 11.3%.

Segment profit in the **American region** amounted to EUR 14 million (2008: EUR 16 million), with sales down slightly in local currencies. In addition to increased allowances for doubtful accounts, the main reason for this decline included expenses for the expansion of the Group's own retail business. For the existing stores, these costs were not reduced to the same extent that sales dropped. However, savings in current administrative costs did partially offset this drop. In this region, the adjusted EBITDA margin dropped by 0.7 percent points in 2009 to a total of 4.5%.

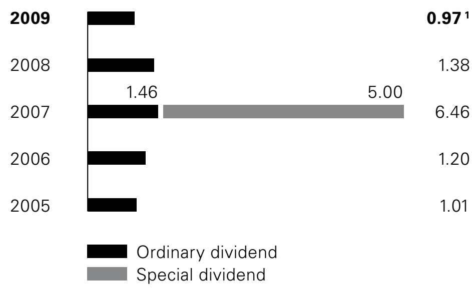
With sales down in local currencies, segment profit in the **Asia/Pacific region** in the amount of EUR 15 million was only slightly lower than in the previous year (2008: EUR 16 million). The expenses for the retail network also had a slightly negative impact in the Asia/Pacific region. Particularly in Japan, expenses were not reduced sufficiently to compensate the decline in sales for existing retail locations. The adjusted EBITDA margin in this region thus dropped by 0.9 percentage points, though at 9.2%, it remains at a comparatively high level.

13/1 — DIVIDEND PER COMMON SHARE (in EUR)



1 2009: Proposed dividend.

13/2 — DIVIDEND PER PREFERRED SHARE (in EUR)



1 2009: Proposed dividend.

In the **royalties segment,** the difficult market environment for fashion accessories and fragrances resulted in a drop in segment profit to EUR 75 million (2008: EUR 78 million). The royalty business incurs expenses for license management and for marketing the products as part of license sales with affiliated companies and external partners.

The result of the Group-wide bundling of central purchasing, production, research and development activities as well as other central functions is recorded in the **segment Corporate Center**. Segment profit was down in 2009 to EUR 38 million (2008: EUR 63 million). The improvement in earnings as a result of the optimization of the global purchasing and production processes as well as the streamlining of staff structures by reducing existing organizational overlaps is overcompensated by the significant drop in sales and increased inventory write-downs.

DIVIDEND PAYOUT AND APPROPRIATION OF PROFITS

HUGO BOSS AG closed the fiscal year 2009 with net income of EUR 71.4 million (2008: EUR 319.4 million). The distributable profit after allocation to reserves for own shares, accumulated income from the previous year and drawing from retained earnings amounted to EUR 67.9 million. In view of a **profit-oriented distribution policy**, the Managing and Supervisory Board will recommend to the Annual Shareholders' Meeting that a **dividend of EUR 0.96** will be paid **per common share**, **and EUR 0.97 per preferred share** for the fiscal year 2009. This corresponds to an amount of EUR 66.6 million (2008: EUR 94.9 million). A recommendation will also be made to the Annual Shareholders' Meeting for the dividend amount attributable to own shares of EUR 1.3 million to be carried forward.

DIVIDENDS — The dividend development per common share and per preferred share can be found in charts 13/1 and 13/2.

NET ASSETS AND FINANCIAL POSITION

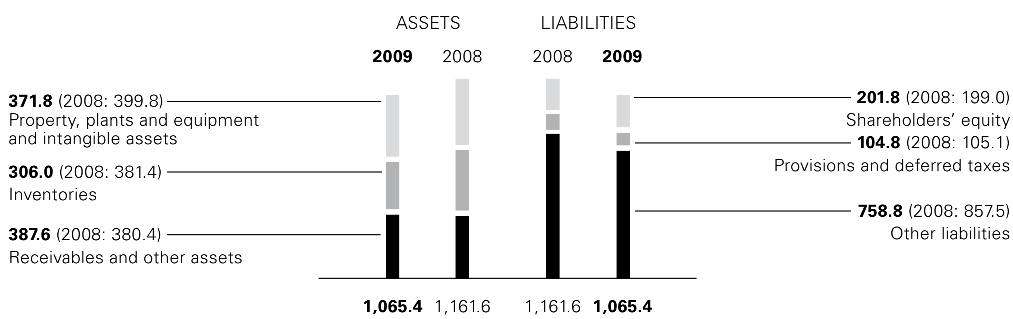
BALANCE SHEET STRUCTURE AND KEY BALANCE SHEET RATIOS

At the end of the 2009, **total assets** were down 8% to EUR 1,065 million (December 31, 2008: EUR 1,162 million). Compared to previous year, the equity ratio increased to 19% (December 31, 2008: 17%).

BALANCE SHEET STRUCTURE

The **share of non-current assets** increased slightly from 40% in the previous year to 41% as of December 31, 2009. The **share of current assets** decreased slightly to 59% (December 31, 2008: 60%).

14 — BALANCE SHEET STRUCTURE (in EUR million)



— **FINANCIAL MANAGEMENT**
Further information on financial management can be found on p. 115 et seq.

The liabilities side of the balance sheet reflects the changed capital structure following the borrowing of a syndicated loan and the payment of the special dividend in 2008. To finance the special dividend, among other things, HUGO BOSS concluded a syndicated loan in the amount of EUR 750 million, which consists of a fixed and a revolving credit line with a term of five years. Thus, just before the financial crisis, sufficient financial funds were secured at attractive conditions. In 2009, the funds drawn on the revolving credit line amounting to EUR 110 million were fully repaid. This positive development is reflected in the reduction of non-current financial liabilities.

ASSET POSITION

Given the positive development of operating cash flow, the **net financial position** as of December 31, 2009 improved by EUR 204 million to EUR 379 million (December 31, 2008: EUR 583 million). This position contains the total of all financial liabilities minus cash and cash equivalents.

Net working capital also improved significantly. It was reduced by EUR 169 million to EUR 223 million compared to the previous year (December 31, 2008: EUR 392 million). Focused and consistently sustained measures for reducing net working capital led to this positive trend and are explained below in more detail.

ANALYSIS OF FINANCIAL REQUIREMENTS (in EUR million)

	2009	2008	Change in %
Trade receivables, other assets[1]	210.3	292.7	(28)
Inventories	306.0	381.4	(20)
Trade payables and other liabilities[1]	(237.5)	(222.9)	(7)
Current provisions	(55.8)	(59.3)	6
Net working capital	**223.0**	**391.9**	**(43)**
Fixed assets	371.8	399.8	(7)
Other sundry assets	18.1	19.5	(7)
Non-current provisions	(32.5)	(27.9)	(17)
Other non-current liabilities	(28.1)	(26.7)	(5)
Net deferred taxes	28.6	25.7	11
Medium and long-term net assets	**357.9**	**390.4**	**(8)**
Net assets	**580.9**	**782.3**	**(26)**
Net financial position[2]	379.1	583.3	(35)
Shareholders' Equity	201.8	199.0	1
Net asset coverage	**580.9**	**782.3**	**(26)**

1 Payable within one year.
2 Not including negative market values of financial instruments.

At EUR 210 million (December 31, 2008: EUR 293 million), **receivables and other assets** were about 28% below the prior-year level. With a decline of 30% versus the previous year, trade receivables decreased above average. Besides the sales decline in the wholesale channel, this was particularly due to a consequent trade receivables management. Despite the challenging economic environment, past due accounts and the average days sales outstanding for receivables were kept at virtually the same level as the prior year.

In addition, **inventories** declined by 20% compared to the previous year. This position amounted to EUR 306 million at the end of the fiscal year (December 31, 2008: EUR 381 million). Initiatives for optimizing inventory management more than compensated for the general increase in inventories arising from the continued expansion of the Group's own retail business. In particular, the adaption of the raw material purchasing to the current business development as well as the disposed stock for the wholesale business had a positive effect on inventory development. The measures for

EUR 350 million

optimizing the inventory management were successfully implemented in the last fiscal year and hence the amount of capital tied up was reduced. In the coming fiscal years, HUGO BOSS will still pursue focused inventory optimization initiatives.

Trade payables and other liabilities increased by around 7% to EUR 238 million (December 31, 2008: EUR 223 million) due to the successful negotiation of longer payment terms. Current provisions, however, declined to EUR 56 million (December 31, 2008: EUR 59 million).

— **CAPITAL EXPENDITURE**
Capital expenditure during fiscal year 2009 are set out in full on p. 117 et seq.

At EUR 358 million, **net non-current assets** were 8% below the prior-year figure at the end of fiscal year 2009 (December 31, 2008: EUR 390 million). The key line item in net non-current assets is fixed assets. Fixed assets declined by 7% to EUR 372 million (December 31, 2008: EUR 400 million). This decrease is largely based on the generally lower investment volume in the past fiscal year as well as the closure of unprofitable Group's own retail stores. An increase in investment volume is again expected in 2010, due among other things to the further expansion of the Group's own retail business in China.

FINANCIAL POSITION

The **cash flow statement** is reported in accordance with IAS 7. The level of cash and cash equivalents has increased significantly compared to December 31, 2008. The individual effects are explained in more detail below.

CASH FLOW (in EUR million)

	2009	2008
Cash flow from operating activities	**349.5**	**164.8**
Cash flow from investing activities	**(44.2)**	**(116.8)**
Cash flow from financing activities	**(216.5)**	**(47.3)**
Change in cash and cash equivalents in the course of the fiscal year	89.5	0.1

At EUR 350 million, the **operating cash flow** was significantly above the value of the previous year (2008: EUR 165 million). Net income declined to EUR 104 million (2008: EUR 112 million) due to special items. The increase in depreciation and amortization is mainly attributable to extraordinary depreciation resulting from the closure of unprofitable own retail stores. Depreciation and amortization increased 13% compared to the previous year to EUR 69 million (2008: EUR 61 million). Further changes in this position resulted from a decrease in net working capital. In particular, the decrease in inventories compared to the previous year led to an increase in cash flow from operating activities

16 — FREE CASH FLOW BEFORE DIVIDEND PAYMENT – 5-YEAR-COMPARISON (in EUR million)

of EUR 81 million. Cash inflows in the amount of EUR 77 million were generated from receivables and other assets. The aforementioned values cannot be derived from the balance sheet since the cash flow statement was adjusted for currency effects.

As a result of the decrease in capital expenditure and the increase in proceeds from fixed assets, the **cash outflow from investing activities** amounted to just EUR 44 million. A more detailed account of the capital expenditure can be found in the chapter entitled "Capital Expenditure".

In fiscal year 2009 the **cash outflow from financing activities** of EUR 217 million (2008: EUR 47 million) was mainly affected by the dividend payment for fiscal year 2008 and the repayment of EUR 110 million drawn on the revolving credit line from the syndicated loan.

The **cash and cash equivalents** therefore increased as of December 31, 2009 to EUR 114 million (2008: EUR 25 million).

FREE CHASH FLOW — Chart 16 gives a multi-year summary of free cashflow before dividend payments.

FINANCIAL AND CAPITAL MANAGEMENT

Principles of financial management

The general goal of the financial management of the HUGO BOSS Group is to provide sufficient liquidity and manage it efficiently across the Group. Additionally, it aims to increase the Group's financial strength and reduce financial risks using financial instruments. The most important objective of financial management at HUGO BOSS is to provide at all times sufficient liquidity reserves for industry-specific seasonal fluctuations and for the Company's continued growth.

LIQUIDITY RISK — Full information on liquidity risks can be found in the Risk Report under "Financing and Liquidity Risks".

The most important sources of liquidity for the Group are the operating business activities of the individual Group companies and the resulting cash inflows. With the aid of cash management systems, liquidity surpluses from individual Group companies are utilized to cover the financial requirements of other Group companies (cash pooling). This internal financing mechanism serves to ensure an optimal allocation of liquidity funds and reduce the debt financing volume of the HUGO BOSS Group. The advantages of this procedure are the reduction of chargeable bank transactions as well as lower external financing requirements, having a positive impact on the net interest result.

The **Group's liquidity management and the monitoring of financial risks** are bundled centrally in the Treasury Department of HUGO BOSS AG. This means that global financial management is carried out centrally in accordance with Group-wide principles and guidelines for all Group companies. At subsidary level, the Finance Managers are responsible for compliance with Treasury principles.

On a daily basis, a **centralized financial reporting system** supplies all the HUGO BOSS Group companies with information on their financial status and the expected cash flows for the following 12 months. Liquidity management is based on a three-year financial plan as well as an additional monthly liquidity plan for the Group as a whole.

The external financing volume of the HUGO BOSS Group is primarily borrowed by HUGO BOSS International B.V. 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 the request.

Internal audit ensures that the transactions of the individual companies are in compliance with the principles of the Group Treasury.

Financial flexibility

— **FINANCIAL INSTRUMENTS**
Key financing instruments and future financial obligations are described in the notes to the consolidated financial statements under "Financial liabilities", "Other financial obligations" and "Additional Disclosures on Financial Instruments".

For the assessment of financing instruments market capacity, financing costs, investor diversification, flexibility, credit terms and maturities are taken into account.
The Group's long-term flexibility was already guaranteed in fiscal year 2008 by means of **a syndicated loan in the amount of EUR 750 million** and a term of five years. This syndicated loan consists of a fixed credit line of EUR 450 million and a revolving credit line of EUR 300 million. As of the balance sheet date, only the fixed credit line of EUR 450 million had been used. The syndicate of participating banks is headed by Landesbank Baden-Württemberg, Royal Bank of Scotland, WestLB AG, Bayerische Hypo- Vereinsbank AG, Bayern LB and Commerzbank AG. The syndicated loan agreement includes standard agreements (covenants) requiring the level of certain key figures to be maintained. In addition to a minimum capital, these figures include the interest cover ratio, as well as the leverage ratio on financing strength, meaning the ratio of net debt to operating profit (EBITDA before special items) before SAR expenses. HUGO BOSS complied with these contractual obligations as of December 31, 2009, as well as in the preceding quarters.

In addition to the syndicated loan, the Group disposes of **bilateral credit lines** as of the reporting date with a total volume amounting to EUR 80 million, of which EUR 48 million had been used as of December 31, 2009. In addition to the unutilized credit lines amounting to EUR 331 million, the Group had liquidity funds of EUR 114 million as of the reporting date, of which around EUR 70 million were invested in a savings account with daily availability and a monthly fixed rate.

17 — CAPITAL EXPENDITURE – 5-YEAR-COMPARISON (in EUR million)

The financing is supplemented by **off-balance sheet operating leasing agreements** on logistics and administration buildings as well as own retail stores and shops.

FINANCIAL RISKS — Further information on financial risk is listed in the risk report on pages 128.

Principles of capital management
The main objectives of the Group's capital management are supporting the Group's operating business activities, maximizing the shareholder value and ensuring a solid capital structure.
The Group manages its capital structure and adjusts it to account for changes in economic conditions. To maintain or adjust the capital structure, the Group may make adjustments to dividend payments to shareholders, repay capital to its shareholders or issue new shares.

As of December 31, 2009 and December 31, 2008, respectively, no changes were made to the objectives, guidelines or processes.

The Group monitors its capital through the aforementioned leverage ratio. In accordance with the Company's own guidelines, this ratio must be maintained below 2.75.

CAPITAL EXPENDITURE

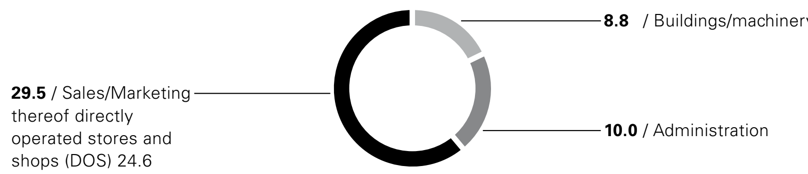
The investment volume of the HUGO BOSS Group in the last fiscal year was significantly below previous year's level. While investments in the logistics infrastructure have been high in the previous years, the focus in 2009 was on the expansion of the Group's own retail business. At EUR 48 million, total volume of capital expenditure in property, plant and equipment and intangible assets was around 60% lower than the previous year's level (2008: EUR 119 million).

CAPITAL EXPENDITURE — Chart 17 gives a 5-year overview of capital expenditures.

In 2009, new capital expenditures were focused in particular on the worldwide expansion of the Group's own retail network. In the past fiscal year, around EUR 22 million (2008: EUR 27 million) were invested in this distribution channel. The total number of retail stores increased by a net figure of 34 to 364 in the last fiscal year. In addition to the expenditure for new locations, EUR 2 million were spent on the modernization and renovation of existing stores (2008: EUR 7 million). Besides this, an amount of EUR 6 million (2008: EUR 18 million) was spent on the opening and expansion of existing showrooms and outlets, plus a number of smaller retail projects.

With a total volume of EUR 9 million (2008: EUR 30 million), the second largest line item in capital expenditures were the **expenses for expanding the company's logistics infrastructure and warehousing capacity**. In May of the past fiscal year, Europe's most modern distribution center for hanging goods went into operation at the headquarters in Metzingen. Additional capital expenditures of about EUR 5 million were incurred for this project. Worldwide, other smaller projects to expand

18 — CAPITAL EXPENDITURE BY INVESTMENT AREAS (in EUR million)



the logistics capacity have been completed at a cost of EUR 4 million. The capital expenditure incurred for the expansion of the logistics infrastructure serves to support the increase in HUGO BOSS' international business operations. The "Columbus" project introduced a new logistics system in central locations, allowing HUGO BOSS to optimize the global flow of goods. This also allows the timely delivery of goods from the increasingly important stock business to the points of sale, the monthly supply of the directly operated stores with the latest theme-oriented merchandise as well as their distribution driven delivery to be carried out more easily and efficiently.

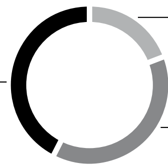
The "Columbus" IT project started in fiscal 2003 and resulted in the purchase of new software for the entire enterprise management. This affected the purchasing, production control, logistics, distribution and financial systems of the HUGO BOSS Group (worldwide). In fiscal 2009, EUR 7 million (2008: EUR 17 million) were invested in follow-up projects, such as connecting additional Group stores to the Group-wide **software** SAP Retail. Various other investments such as the construction of administrative buildings and replacement of office equipment added up to approximately EUR 3 million (2008: EUR 6 million).

Capital expenditure in DOS by region

The strategic realignment of the Group and the clear decision to **expand the Group's own retail business** resulted in additional investments in **Europe** for selective openings of new stores and the consequent expansion of the retail network. The capital expenditure of around EUR 11 million resulted from the opening of 38 primarily shop-in-shop units and the modernization and renovation of existing locations. As of December 31, the number of the directly operated stores and shops in Europe totaled 189 (2008: 184).

The investment volume in **Asia/Pacific** amounted to EUR 5 million for this distribution channel. In the last fiscal year this resulted in the opening of 27 new locations in the Asia/Pacific region, including 17 attractive locations in the People's Republic of China. As of the end of fiscal 2009, the HUGO BOSS retail network in this region consists of 100 directly operated stores (2008: 80). Numerous new locations are planned in this key growth region in the next several years.

19 — DOS CAPITAL EXPENDITURE BY REGION (in EUR million)



1 including Middle East/Africa.

The expansion of the Group's own retail business on the **American continent** in 2009 was driven by 14 new store openings and capital investments totaling EUR 9 million. Particularly in the U.S., attractive locations were added to the DOS network through the selective takeover of franchise stores, e.g. in the luxury hotel "Caesars Palace" in Las Vegas. This brought the total number of stores on the American continent in 2009 to 75 (2008: 66).

Cumulated depreciation on fixed assets after consideration for capitalized development costs amounted to EUR 387 million (2008: EUR 343 million).

Existing obligations arising from investment projects that have already been started are listed in the notes to the consolidated financial statements under "Other financial obligations" and amounted to EUR 3 million as of December 31, 2009 (December 31, 2008: EUR 8 million).

ADDITIONAL FACTORS FOR SUCCESS

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

EMPLOYEES

In the first quarter of 2009 a reorganization of the Group's structure was implemented to control international growth more precisely and speed up decision-making processes. Key measures were the optimization of existing work processes, the recognition and use of synergies as well as streamlining the staff structure.

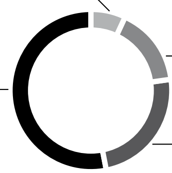
The **reorganization** was necessary to allow HUGO BOSS to continue to operate efficiently in the future and to maintain and build on its position in the market. This makes it possible for HUGO BOSS to successfully compete internationally and to continue to offer long-term prospects. The measures outlined above have had a positive effect on the Company's cost structure and results, although the terms of the workplace agreement sealed in March 2008 between the Managing Board and the Works Council for five years have not been affected by the reorganization. Approximately 150 jobs in Germany were affected.

The staff cuts were made within the framework of an existing social plan and reconciliation of interests in order to alleviate the economic disadvantages for affected employees to the greatest degree possible. The employees who were let go were offered retraining support (outplacement), which was accepted by approximately 50% of those affected. Feedback on this measure was very positive and many of the staff taking part found employment quickly thanks to this external support, in some cases before the outplacement process was even completed.

Owing to the declining sales of HUGO BOSS AG in the first quarter of 2009, the work schedule model was adjusted accordingly. Given this trend, a company agreement on an extraordinary reduction of working hours was resolved on April 1, 2009 with the Works Council, which temporarily suspended all existing rules on working hours until September 30, 2011.

Employees were set the target of reducing their working hours by 20% in line with their respective employment grade and building up a work time balance of a maximum of 200 missing hours. With the aid of this measure, short-time work along with salary cuts were successfully avoided.

20 — EMPLOYEES BY REGION



To help employees cope with these major changes, the **training focus** in 2009 was on improving management quality. Managers extended their knowledge to team development and management, increasing team efficiency and the professional implementation of changes. 150 managers participated in leadership training in total.

The area of **Talent Supply** covers trainees, students of the University of Corporate Education, interns and students, Bachelor and Masters candidates and therefore the junior staff at HUGO BOSS AG.

WWW —
www.hugoboss.com/careers

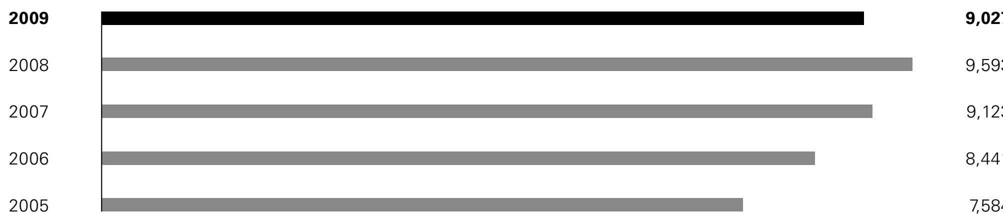
In September 2009, **25 new trainees and students** of the University of Corporate Education started their training at HUGO BOSS AG with a joint induction week. Training is available for industrial office workers, retail salesmen/women, warehouse logistics specialists, apparel sewers and tailors and textile laboratory assistants. HUGO BOSS also offers courses in business information systems and international business in cooperation with the University of Corporate Education Baden-Württemberg Stuttgart as well as courses in freight forwarding, transportation and logistics in cooperation with the University of Corporate Education Baden-Württemberg Lörrach.

Each new trainee is assigned a mentor to ease their entry into working life. Over 30 training officers are engaged in looking after trainees in the specialist departments and competently imparting practical training to trainees and students of the University of Corporate Education. In 2009, 23 trainees and students of the University of Corporate Education successfully completed their training. 14 of them have found jobs within the company (a 61% placement rate).

In 2009 HUGO BOSS AG offered around **160 interns** the chance to gain practical experience in virtually all the Company's departments. As a "Fair Company" (an initiative by the job and business magazine "Junge Karriere"), HUGO BOSS AG offers internships primarily to provide professional orientation; the Company also pays the interns an adequate living allowance. At the end of the internship HUGO BOSS offers very promising interns the opportunity to round off their studies by doing their thesis within the Company. In 2009 **25 theses** were prepared at HUGO BOSS. This gives students the chance to discuss a practical issue relating to the Company and make a large contribution to the Company.

As a means of improving employee communication and therefore continuously improving employee service, the existing intranet was replaced with an SAP-based portal. This information medium supports Group-wide and local communication. Business and work processes are optimized and supported through Employee Self Services.

21 — EMPLOYEES – 5-YEAR-COMPARISON



VALUE CHAIN

In the last fiscal year a further important step was taken in the expansion and modernization of the warehousing infrastructure with the opening of the **most state-of-the-art textiles distribution center in Europe** at the headquarters in Metzingen. This building, which is 285 meters long and 100 meters wide, was built on a surface of 25,000 m². The building height of 20 meters allowed a steel structure system specially for hanging textiles to be erected over 4 stories in the building shell. This planning approach has placed over 110,000 m² of useful floor space and 37 kilometers of materials handling technology at the Group's disposal.

The logistics center has been working at full capacity with the full span of HUGO BOSS brands since the end of 2009 and processes a goods turnover of over 100,000 hanging articles on peak days. There may be scope to increase productivity even more in the future through shift work. The first phase came in May 2009 with HUGO, which was followed in September 2009 by BOSS Black Womenswear, BOSS Orange and BOSS Green. The last phase was completed with BOSS Black Menswear in October 2009. The existing production sites in Metzingen, Markgröningen and Viernheim were also integrated into the new distribution center in three phases in the course of the reporting year.

In addition to the high-grade outer façade, the building's flat roof covering around 22,000 m² is fitted with an innovative photovoltaic system, one of the largest of its kind in Germany. The efficient structure of the building has reduced the cost burden per square meter of useful space to a minimum, thus securing low-cost usable space for HUGO BOSS AG in the long term.

The **global purchasing network** of HUGO BOSS allows the Group to flexibly control material procurement. In this respect the past fiscal year was especially characterized by the consolidation of the supplier network and the strengthening of long-term partnerships. As a result, the supplier network was decreased by up to 40% for all areas of goods procurement.

The ready availability of goods, which ensures on-time and complete delivery of goods, once again reached an excellent figure of 93% in fiscal year 2009.

By continuously optimizing processes throughout the entire value chain HUGO BOSS will continue to maintain its competitive cost structure and its **outstanding quality level** in the future.

SUSTAINABILITY

Sustainability is an important requirement at HUGO BOSS for a corporate policy that is successful in the long term. For this reason, sustainability is taken into account in all strategic decisions, investments and developments in the Group.

Two areas in which the sustainability naturally plays an important role in manufacturing companies are the responsible use of natural resources and cooperation with suppliers.

It is essential in today's world that **natural resources are used responsibly**. Therefore, the Group places importance on the use of environmentally friendly technologies and the increased use of renewable energies in all administrative and production sites. In addition, the bundling of transportation to create more efficient transport routes has helped to steadily reduce the CO_2 output of the Company.

The Group pursues the strategy of **working closely with its suppliers** to ensure long-term partnership. Because only the joint development of production expertise and the improvement of social and environmental standards in manufacturing plants can ensure the high quality for which HUGO BOSS products are known around the world.

More information on the Company's approach to sustainability can be found in the chapter entitled "Corporate responsibility".

INVESTORS AND RELATIONS WITH THE CAPITAL MARKETS

Good **capital market and corporate communication** help to increase the shareholder value over the long term. For this reason, the Investor Relations department and Corporate Communications continued to have a regular exchange with capital market players and the press. Providing transparent information on the current situation and developments at HUGO BOSS aims to strengthen the confidence of market players and the public in the Group. More information about the Investor and Public Relations Department can be found on page 74.

WWW —
www.hugoboss.com/
investor-relations

OVERALL STATEMENT ON THE ECONOMIC SITUATION

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

EARNINGS PERFORMANCE (in EUR million)

	2009	2008	Change in %
Net sales	**1,561.9**	**1,686.1**	**(7)**
Gross profit	**850.1**	**906.8**	**(6)**
in % of sales	54.4	53.8	
EBITDA before special items	**270.2**	**288.2**	**(6)**
in % of sales	17.3	17.1	
EBITDA	**227.5**	**251.8**	**(10)**
in % of sales	14.6	14.9	
EBIT before special items	**206.3**	**227.2**	**(9)**
in % of sales	13.2	13.5	
EBIT	**158.4**	**190.8**	**(17)**
in % of sales	10.1	11.3	
Earnings before taxes	**136.6**	**148.4**	**(8)**
in % of sales	8.7	8.8	
Net income	**104.0**	**112.0**	**(7)**
in % of sales	6.7	6.6	

KEY FINANCIAL INDICATORS

			2009	2008
Equity ratio in %	=	Shareholders' equity / Total assets	18.9	17.1
Leverage ratio	=	Net debt / EBITDA before special items and SAR[1]	1.4	2.0
Return on equity in %	=	Net income / ø Shareholders' equity[2]	51.4	33.7
Capital expenditure (in EUR million)			48.3	118.8
Total assets (in EUR million)			1,065.4	1,161.6

1 SAR = Expenses for the "Stock Appreciation Rights Program".

2 Average shareholders' equity of the single months of fiscal year 2009.

RISK REPORT

The aim of the risk policy of the HUGO BOSS Group is to sustainably increase the Company's value and to achieve its financial and strategic objectives. Effective risk management ensures that risks are detected early and matched to corresponding opportunities. A proper balance of opportunities and risks serves to minimize negative effects on the Company's performance. The focus of the Company's medium- and long-term strategy is on ensuring opportunities.

REPORT ON — OPPORTUNITIES
Details are listed in the Report on Opportunities on pages 140 et seq.

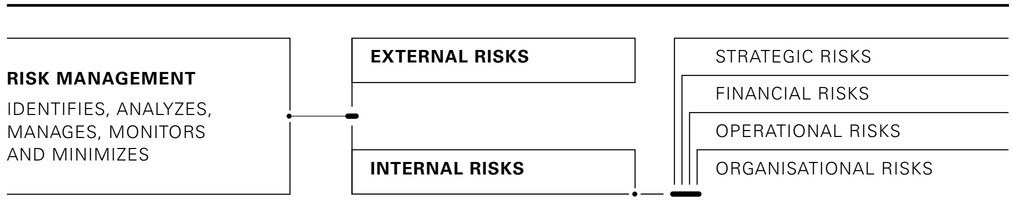
The basis for successful risk management is set out in uniform Group-wide standards. These are laid down for the HUGO BOSS Group by the Managing Board and communicated in a Risk Manual together with corresponding risk limits. Regular reporting ensures early identification, analysis and monitoring of risks which enables full transparency of the risk positions in the respective divisions. Furthermore, all HUGO BOSS Group employees are committed to acting with awareness of risks and to avoiding risks that could threaten the Company's continued existence.

RISK MANAGEMENT

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 ensures that risks and opportunities are regularly recognized Company-wide using a uniform method. In addition to defining the risk management process, limits are established which describe the risk-bearing capacity of the HUGO BOSS Group and classify all risks in categories from "low" to "significant". The Managing Board and Supervisory Board are regularly informed of the risk situation, the development of the most important risks and any significant new risks. Risks relevant to HUGO BOSS can be broken down into external and internal risks, and the latter can be further subdivided into strategic, financial, operational, and organizational risks.

RISK MANAGEMENT —
Chart 22 gives an overview of risk management.

Risks are handled in four ways: avoidance, reduction, transfer and acceptance. Consequently, **transferring risks to insurance companies** is part of risk management. This neutralizes the financial consequences of insurable risks to the furthest extent possible. Risk quantification and appropriate handling is decentralized to the individual divisions where the risks arise. Risk owners are defined for each division.



All risks are, regarding their magnitude but at least once anually, reviewed by the responsible managers to ensure that they reflect the current situation. Individual risk entries are revised or supplemented as necessary. Risk quantification generally takes place in two steps: the probability of occurrence is estimated first, after which the potential effects of the risks on company performance are quantified. Different risk scenarios for the best, average and worst cases are considered in order to obtain a comprehensive picture of risks. 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 leading indicators. Should a risk materialize, reporting chains are also 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 monitored at regular intervals by the Internal Audit department to ensure its proper functioning. As part of the year-end audit of financial statements, the independent auditor verifies that the Managing Board has undertaken the steps necessary according to Section 176, Paragraph 1, Sentence 1 of the German Stock Corporation Act (AktG) in appropriate manner.

EXTERNAL RISKS

— **FORECAST REPORT**
More detailed information on the expected economic situation can be found in the Forecast Report.

The **general economic risks** facing the HUGO BOSS Group are to be seen in the context of the general global economic situation. The effects of the financial crisis on the real economy during 2008 and the associated drop in growth and consumption throughout the year 2009 affected the demand for textile goods and accessories in the premium fashion and luxury goods market equally. The market is not expected to recover onto its 2008 level before 2011 – 2012.

Various initiatives to counter the financial effects of reduced demand have been taken throughout HUGO BOSS to optimize processes and costs, a large part of which have already been successfully concluded. At the same time, HUGO BOSS has been pursuing a strategy of strong brand profiling as a way of increasing market share in a highly competitive environment.

The Company 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.

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

As a fashion group that is active internationally, HUGO BOSS is also exposed to **country risks**. In order to minimize these risks, HUGO BOSS products are mainly sold in countries with stable economic and political environments.

As it is the case for all companies, terrorist acts and environmental disasters constitute a possible risk to the Company's net assets, financial position and earnings. Environmental disasters have to be taken into account, e.g. 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.

INTERNAL RISKS

Strategic risks

Financial success at HUGO BOSS rests on its **brand image** and its long-term positioning of the BOSS core brand and the HUGO trend-setting brand in the premium and luxury goods market. Protecting and maintaining the brand image is therefore a correspondingly high priority at HUGO BOSS. This is implemented partly in the form of strategic measures such as clearly defined brand positioning supported by targeted brand communication involving marketing, events and sponsoring. The brand's trademark protection and the prosecution of counterfeiters are a key part of securing the brand image. HUGO BOSS counteracts this risk with a worldwide uniform brand image as well as an ongoing monitoring and analyses of the markets. **Product quality** also plays a key role in brand image. Products are subject to uniform Group quality control checks at all stages of production. Traveling quality consultants regularly visit production sites and review compliance with the strict design and production specifications of HUGO BOSS. The headquarters in Metzingen

STRATEGY —
Additional information on strategic measures can be found in the "Strategic Orientation" chapter.

coordinates worldwide shipping. This centralized management system ensures that HUGO BOSS' high quality standards are consistently adhered to and customers receive their deliveries in good shape and on schedule.

— **INVESTMENT CONTROLLING**
Additional information on investment controlling can be found in the "Company Management" chapter.

One of HUGO BOSS' main strategic objectives, as in previous fiscal years, is the continued expansion of the Group's own retail business. Retail activities are associated with **investment and cost risks** due to the capital expenditures involved in business development, long-term leases and increased fixed costs. In order to minimize the risk of failed investments and unprofitable Group retail activities, decisions regarding new store openings and store closures are made centrally in Metzingen in consultation with the responsible regional directors. Subsidiaries are required to submit monthly reports on the performance of their retail activities. This ensures that the onset of any negative trends at individual stores can be recognized early and countermeasures taken, such as possible restructuring. Similarly, the opening of any new store is always preceded by extensive examinations of the location and by intensive sales and development planning in order to minimize risks.

The investment risk is also minimized by implementing a globally uniform store concept at the points of sale, so that in the event of a store closure the furniture can partly be used at other locations.

Financial risks

As a global corporation, HUGO BOSS is confronted with risks related to changes in interest rates, liquidity, currency exchange rates and counterparty default in the course of its normal business operations. These risks may influence the Group's earnings, net assets and financial position. Derivative financial instruments are used to limit the risks incurred by business operations and the resulting financing requirements.

Conditions for use, responsibilities, processes and monitoring mechanisms for the use of financial instruments are contained in binding Treasury guidelines approved by the Managing Board. These guidelines govern Company banking policy including the issuance of powers of attorney and payment processing, world-wide liquidity management, management of currency and interest risks, and general financing principles. Hedging transactions are always performed centrally. The Managing Board always has comprehensive information on existing hedging transactions and key risks. In order to minimize the risks from derivatives, these are firstly only entered into with banks with at least a "BBB" or comparable long-term credit rating. Secondly financial transactions are distributed among several banks to reduce the default risk. Counterparties are reviewed for creditworthiness on a regular basis. The Internal Audit department regularly reviews the compliance of these Group guidelines.

Details on the individual risks in connection with financial instruments and their management are described in the following.

Financing and liquidity risks

Managing liquidity risk is one of the main responsibilities of the HUGO BOSS AG Treasury Department. Existing or future payment obligations may not be met due to insufficient available cash and may therefore represent a liquidity risk. To guarantee the Group's solvency and financial flexibility at all times, financial requirements are calculated by means of a three-year financial plan. Additionally a currency-differentiated liquidity planning is being prepared on a monthly basis and then covered by credit lines and cash.

Despite the current financial crisis and its effects on the real economy, financial conditions generally have not changed for the HUGO BOSS Group. Financial flexibility had already been secured before the financial crisis in fiscal year 2008. The syndicated loan in the amount of EUR 750 million had been agreed offering attractive conditions and a term of five years. The syndicated loan agreement includes covenants requiring to comply with certain key figures. These standard covenant criteria are calculated and reviewed on a quarterly basis. HUGO BOSS has complied with these contractual obligations as of the reporting date of December 31, 2009.

In addition to the syndicated loan, HUGO BOSS also has short-term bilateral credit lines available amounting to EUR 80 million. The liquidity and financing risks are further reduced by an internal financing mechanism and by cash pooling.

In addition to the credit lines in place on December 31, 2009 amounting to EUR 830 million, the Group has liquidity funds of EUR 114 million as of the reporting date. Consequently, HUGO BOSS regards the occurance probability of financing and liquidity risks as very low.

Interest rate risks

Interest rate risks exist mainly in relation to financial liabilities at floating interest rates. Significant increases in interest rates could therefore negatively affect the profitability, liquidity and financial position of the Group. The major part of the financial liabilities of the HUGO BOSS Group is subject to a short-term interest fixing, exposing it to an increased interest rate risk. To minimize the effects of future interest rate volatility on financing costs, derivative financial instruments are used on a case by case basis in the form of interest rate swaps and caps. As of December 31, 2009 about EUR 314 million of financial liabilities were hedged against an interest rate increase with swaps.

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 interest rate derivatives amounting to EUR 314 million and floating-interest rate financial liabilities of EUR 463 million (December 31, 2009). The interest rate sensitivity analysis assumes a parallel shift in the yield curve of 100 basis points for all currencies. In the event of an interest rate increase of 100 basis points on December 31, 2009, the equity would have increased by EUR 8 million and earnings by EUR 1 million. An interest rate decrease of 100 basis points on December 31, 2009 would have led to a decrease in equity of EUR 8 million. Earnings would have dropped in this case by EUR 1 million.

Currency risk

The global scope of the Group's activities results in both business operations and financial transactions being exposed to **currency fluctuations**. Currency risks occur primarily when sales revenue is realized in a currency different from the associated costs, or when costs do not correspond to the sales revenue (transaction risk).

— **CURRENCY TRANSLATION**
Currency conversion details are explained in the notes to the consolidated financial statements on pages 170 et seq.

The HUGO BOSS Group is represented by local subsidiaries in the most important core markets. These subsidiaries sell products to local customers within a certain geographic area. The subsidiaries place the orders arising from this business exclusively within the Group. Intercompany orders are generally denominated in the local currency in order to manage the currency risk centrally. The currency risk therefore arises from cash flows denominated in the local currencies of subsidiaries and in euros as the functional currency of HUGO BOSS AG and in Swiss francs as the functional currency of HUGO BOSS Ticino S.A., Switzerland.

Currency risks of the HUGO BOSS Group arising from business operations are incurred mainly from activities in the United Kingdom, the U.S., Canada, Australia, Japan and Switzerland, and from its own production plant in Turkey. The U.S. dollar related currency risk has increased significantly compared to previous years. Cash inflows in U.S. dollar are no longer completely offset by cash outflows for goods purchased in Asia with U.S. dollars.

Furthermore, the conversion of the net assets of foreign subsidiaries located outside the eurozone and their income and expenses (translation risk) also entail currency risks, against which the Group does not take hedging measures.

Currency management for transaction risks is carried out centrally for all Group companies. The primary goal is to reduce the overall currency exposure by natural hedges. These hedges consist of partially balancing the currency exposure from business operations across the Group. For these positions no further hedging measures are necessary. In order to reduce the remaining transaction risk with additonal natural hedges, HUGO BOSS always aims to increase cash outflows in currencies with an existing net cash surplus.

The remaining exposure is hedged by forward exchange contracts, swaps and plain vanilla currency options. The term of the derivatives entered into is generally up to 12 months or longer in individual instances.

The purpose of the derivatives entered into is purely to hedge underlying transactions traded in the OTC market. In order to obtain the best possible deal, quotes are obtained from a number of banks and a transaction contracted with the bank quoting best.

Group-wide guidelines ensure a strict separation of functions between trading, processing and control. These guidelines also constitute the basis for hedging activities. The net requirements or surplus of the corresponding currencies are usually hedged to an extent of 50% in order to participate in positive exchange rate developments. The goal of currency hedging is to meet the annual fixed budget rates.

The **exposure at the end of the fiscal year 2009** shows the following values for firm commitments and projected transactions for the next 12 months in business operations.

GROUP CURRENCY RISKS

EXPOSURE AT THE REPORTING DATE DEC. 31, 2009

in EUR million	USD	GBP	AUD	CAD	TRY	CHF	JPY
Gross currency exposure	**59**	**54**	**20**	**29**	**(12)**	**(16)**	**6**
Hedging	11	28	16	13	(9)	0	5
Net currency exposure	**48**	**26**	**4**	**16**	**(3)**	**(16)**	**1**
achieved hedging exchange rate	1,426	0,882	1,747	1,553	2,314	n.a.	132,071
Budget rate 2010	1.430	0.870	1.770	1.646	2.270	1.520	135.000
Exchange rate on Dec. 31, 2009	1.441	0.888	1.601	1.513	2.143	1.484	133.160

Based on the requirements of IFRS 7, the HUGO BOSS Group has estimated the effects of changes in the most important exchange rates on income and equity. The following sensitivity analysis shows the impact on earnings and equity in case of different price risk variables compared to the reporting date. The effects shown arise from the change in the fair value of the hedging instrument used and the forecasted foreign exchange rate exposures. Effects due to the translation of financial statements from foreign subsidiaries outside the eurozone have not been taken into account. The sensitivity analysis is based on the net foreign currency risks shown above and a change in the exchange rates on December 31, 2009 by –10% and +10%, respectively.

SENSITIVITY ANALYSIS in EUR million	**USD**	**GBP**	**AUD**	**CAD**	**TRY**	**CHF**	**JPY**
Appreciation of the euro by 10%							
Shareholders' equity	(3.2)	(1.5)	(1.5)	(1.4)	0.8	1.1	0.0
Net income	(4.2)	(2.5)	(1.6)	(1.9)	0.9	1.1	(0.2)
Depreciation of the euro by 10%							
Shareholders' equity	4.1	2.2	(0.6)	1.1	0.3	(1.4)	0.1
Net income	5.1	3.3	1.0	2.2	(1.1)	(1.4)	0.3

Credit risks

— **CREDIT RISK**
Further information is available in the notes to the consolidated financial statements on pages 203 et seq.

The credit risk connected with financial institutions arises primarily from the investment of liquidity funds as part of liquidity management 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. The default risk has become more significant against the background of the financial crisis. 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. As a further risk minimization measure, transactions are only realized within specified counterparty limits. Customer outstanding accounts and default risks related to the operating business are continuously monitored. The credit risk in connection with customers therefore arises from granting payment terms. In the export business, credit guarantees are required for customers without adequate credit ratings. This might include first-class bank guarantees, bad debt insurance or letters of credit.

Share price risk

— **SAR**
Details on the "Stock Appreciation Rights Program" are given under notes no. 35 of the notes to the consolidated financial statements.

The HUGO BOSS Group employs derivatives to hedge against future expenditure associated with the share-based payment program "Stock Appreciation Rights Program". However, the costs incurred for hedging the stock appreciation rights may exceed the benefits of hedging the program. Furthermore, the decision not to engage in any hedging might turn out to be disadvantageous. In this context, the management of HUGO BOSS AG has resolved to revise the general conditions applying to the "Stock Appreciation Rights Program" in 2009. Therefore, the risk of a negative impact on earnings, net assets and the financial position is regarded as low by the HUGO BOSS Group.

Operational risks

The high quality requirements for HUGO BOSS products and thus the purchasing and production processes require close partnerships with suppliers. This close cooperation with partners can entail **purchasing, production and logistical risks**. 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, utilization of manufacturers' capacity and deliveries of raw materials to them are coordinated centrally. The implementation of a "preferred supplier" policy in the last fiscal year resulted in even closer cooperation with selected suppliers. The associated potential risk of an excessive concentration on individual suppliers and purchasing markets is countered by an appropriate amount of in-house production. In addition, suppliers must not only meet high demands with regard to quality and stock availability; they must also adhere to the required environmental and social standards.

Raw materials and finished goods are stored at a small number of selected locations. This consolidation trend will increase due to the establishment of a central distribution center for hanging goods at the Group headquarters at Metzingen. To counteract the risk of loss of raw materials or finished goods, which equals a loss of sales by disability to supply, 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.

DISTRIBUTION — Additional information on the distribution centers is given in the "Net Assets and Financial Position" chapter under "Capital Expenditure".

Bad debt loss risk

The risk of losses due to bad debts has increased compared to last year due to general economic developments and a simultaneously reduced ability to transfer risk to insurers. The Group-wide debtor 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 granting and adhering to customer credit limits, monitoring the receivables aging, and managing doubtful accounts. In some cases this resulted in trading being discontinued with customers regarded as not creditworthy. The Internal Audit department regularly reviews adherence to these Group guidelines. There was no concentration of default risks due to essential receivables against single customers as of the reporting date. Receivables are also secured across the Group with credit insurance. The default risk of insured receivables is limited to the deductible. Higher bad debt risk combined with lower insurance cover must be expected in the light of the current macroeconomic situation.

RECEIVABLES — The notes to the balance sheet under notes no. 14 in the notes to the consolidated financial statements give additional details on receivables and their due dates.

— **NET WORKING CAPITAL**
Additional information on Net Working Capital can be found in the "Net Assets and Financial Position" section.

Inventory risk

Inventory management, which became much more significant as part of net working capital management, will continue to occupy a central position. The challenge is to be able to respond to orders from customers at short notice while still optimizing inventories. Inventory management is coordinated by a central department to reduce inventory risk and to optimize the inventory in general.

Selling risks

The Company strives to maintain a balanced customer structure to avoid sales risks. The expansion of group-owned retail operations reduces the reliance on the retail trade. Key figures such as order levels, sales revenues, and delivery rates are monitored on an ongoing basis in real time by the selling monitoring system.

Organizational risks

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

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 in Metzingen. The 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 created in the past fiscal year for court costs and costs for legal counsel.

— **EMPLOYEES**
Further information can be found in the "Further Success Factors" section.

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

HUGO BOSS enjoys a corporate culture that is based on trust and utilizes flat hierarchies. Independent thinking and individual 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 harbors the risk of abuse. HUGO BOSS has therefore included appropriate regulations in its employment contracts with all employees in line with good corporate governance. Individuals who are considered insiders as defined by securities legislation are listed in an insider register and are required to comply with the pertinent regulations. The chains of authority are also reviewed and updated on a regular basis.

CORPORATE GOVERNANCE — The Corporate Governance Report can be found on pages 63 et seq.

EVALUATION OF THE OVERALL RISK POSITION

Both the parent company and all the subsidiaries operate with the same kind of risk analysis and 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 Company's continued existence according to current information.

REPORT ON THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM (ICS) AND THE RISK MANAGEMENT SYSTEM (RMS)

Under Section 289, Paragraph 5 and Section 315, Paragraph 2, Number 5 introduced into the German Commercial Code (HGB) by the German Accounting Law Modernization Act (BilMoG), capital market oriented companies are required to describe the Internal Control and Risk Management Systems in place for the (Group) accounting processes in their (Group) report. The annual report should make clear the main features of the Control and Risk Management System in relation to the (Group) accounting process.

Since HUGO BOSS deems the Internal Control System as an integral part of the risk management system, the two systems are summarized below.

Concept outline

The Risk Management System (RMS) has to ensure that there is a sufficient probability of the company achieving the objectives it has set itself, and risks that might adversely affect this are kept within accepted limits. In establishing what RMS and Internal Control System (ICS) mean, HUGO BOSS has drawn on internationally acknowledged definitions and procedures.

The components of the RMS such as the internal environment, setting of objectives, risk identification, assessment and measures, control activities, information, communication and monitoring must be assessed here at both the strategic and the operational level. In addition, they must be supported by an appropriate reporting system and be based on adherence to legal and internal rules. This must be done by HUGO BOSS AG and all the companies and business units within the Group.

Strategy and business activities

— **STRATEGY**
Further information can be found under "Strategic Orientation".

HUGO BOSS has clearly defined its strategic objectives for the next year and communicated them throughout the Group. These include in particular sustainable and profitable growth, greater emphasis on growth regions such as Asia, America and Eastern Europe, expansion of the Group's own retail business, clear distinctiveness of brands and concentration on core competences.

In order to achieve these objectives, in 2009 a substantial organizational restructuring of the Group was undertaken, the incentive systems were amended and numerous initiatives were started and then implemented at operational level.

These initiatives affect all HUGO BOSS business divisions and companies. Individual departments and regional business units are responsible for achieving these objectives, with the centrally-managed finance division of HUGO BOSS AG assuming all control and coordination functions to provide active support to all business areas and Group companies.

Furthermore, all companies and business divisions are required to identify any risks within their areas of responsibility that are not yet covered or are inadequately covered by existing planning. These risks are to be quantified in terms of their probability of occurrence and the extent of losses. Countermeasures are to be defined in the event of these risks occurring. All the affected divisions and companies must submit regular reports on these activities to the Risk and Insurance Management Department, which gathers and prepares data for the Managing and Supervisory Boards.

Accounting-related Internal Control System at HUGO BOSS

Corporate culture

The HUGO BOSS corporate culture is characterized by an atmosphere of trust. Employees and managers do not simply assume responsibilities, but are given freedom and flexibility within the existing controls and guidelines.

As part of the strategic realignment and associated initiatives, however, the approval processes were tightened up. Decisions to stop deliveries to customers, and terms and conditions of payment, now require approval by the Managing Board. Cost control also is now subject to direct Managing Board participation.

The need for binding rules and guidelines arose in areas such as IT security, Treasury, Purchasing, capital expenditures, Accounting and travel costs. Events are held to disseminate this information to specific target groups. All guidelines affecting employees are published in the Intranet. The e-mail system is used to give notice of any changes.

Accounting-related IT systems

Management controls in all business divisions require the availability of correct and up-to-date information. This means that business information and reporting systems are extremely important. The quality of control operations has been greatly improved by the introduction of SAP AFS, SAP Retail and the Business Intelligence System (BIS). BIS contains numerous reports and KPIs that can be called up daily for both the finance division and all operations divisions.

In the finance division, the comprehensive monthly reporting package is one of the most important reporting instruments. As part of 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 statements. These documents are called up by the central finance division, analyzed, consolidated and passed on to the Managing and Supervisory Board of HUGO BOSS AG in the form of management reporting. The Chief Financial Officer also receives a monthly status report from the Treasury Department to enable continuous monitoring and control of the liquidity situation as well as currency hedging. In addition, a large number of reports can be generated directly from the SAP system at any time or drawn up by Controlling.

The SAP Security Policy (part of the IT Security Guideline) contains stipulations and controls to ensure the confidentiality, integrity, availability and authenticity of the data. In addition, these Guidelines include requirements associated with compliance in the finance division.

The IT authorization required by employees are defined by their roles, which reflect jobs or positions within the company. This can prevent old rights from continuing to be available to employees who change positions. The Group-wide authorization management and role definition is also located in the central IT department of HUGO BOSS AG at Metzingen.
In order to ensure a proper separation of functions in the SAP systems, HUGO BOSS began using 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.

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 division 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 finance division.
The Finance Managers are directly subordinate and subject to the directions of the Chief Financial Officer of HUGO BOSS AG, who is responsible for world-wide 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 exercising of management controls. These controls are partially integrated in the SAP Schedule Manager system. Reports are also submitted on the appropriateness of the control over data integrity security and data access protection, and on cases of fraud or major violations of the ICS.

In addition to providing active support for all business divisions and Group companies, the central finance division in Metzingen is also responsible for preparing as well as updating uniform guidelines and establish and monitor instructions for accounting-related processes. This covers mainly master data maintenance for the uniform Group accounts structure in SAP AFS, preparation and updating of a guideline on allowances for doubtful accounts, investment guidelines, 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". Professional development events are also organized, and updates on accounting-related topics are disseminated in the "Accounting Newsletter" and listed on the Group Intranet in the "Finance Forum". Training is given in financial colleges for junior employees in the finance division. The responsible Finance Managers meet once a year at the Finance Managers' Meeting.

The rules referred to above are in many cases implemented by means of system-supported controls and workflow-based processes that demand the four-eyes-principle and appropriate separation of functions and approval processes. These include for example invoice auditing and authorization, purchasing processes and SAP rights management. Issuing rights is a multi-stage process incorporating appropriate authorizations and random checks (for example by comparison with the user application).

The Internal Audit department is part of the ICS and reviews the specified controls for observance 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. Ad-hoc audits may be carried out at any time. All audit reports are discussed directly with the Chief Financial Officer and with other Managing Board members as appropriate. In addition, the Internal Audit department submits regular reports to the Audit Committee.
The Company Bylaws passed in 2009 increased the importance of this monitoring function by strengthening its control and compliance activities.

Overall statement
The goal of the Internal Control and Risk Management System as it applies to the accounting process and the preparation of the balance sheet of the HUGO BOSS Group, the main characteristics of which have been described above, is to record, present and value all business events correctly on the balance sheet. The clear definition of areas of responsibility in the finance division 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 duly, efficient and consistent accounting process. This ensures that the assets and liabilities in the Group financial statements are recognized, valued and shown correctly so that they represent a reliable statement about the Group's earnings, net assets, financial position and cash flow.

SUBSEQUENT EVENTS, OPPORTUNITIES AND OUTLOOK

HUGO BOSS' medium-term prospects are a result of the Group's stated strategic positioning intended to create significant growth as well as of the overall economic conditions and the development of the luxury goods sector. Leading economic research institutes predict that, following the major economic downturn of 2009, a slight recovery in the overall economic situation during the course of 2010 is likely. However, the exceptional circumstances of the economic crisis make it difficult to deliver reliable forecasts. Therefore it is also difficult to reliably forecast the development of the luxury goods sector. For this reason, it is essential to strengthen HUGO BOSS' excellent market position and to complement it with new growth areas in order to allow the Company to participate significantly in the resumption of market growth.

EVENTS AFTER THE BALANCE SHEET DATE

As of March 8, 2010, there had been no material operational changes, structural modifications, or business events in the HUGO BOSS Group that might have served to significantly alter earnings, net assets and the financial position as compared with December 31, 2009.

REPORT ON OPPORTUNITIES

— **RISK REPORT**
Further information about the Internal Control System and risk management at HUGO BOSS can be found on pages 125 et seq.

HUGO BOSS has been one of the most successful international fashion companies in the high-end fashion market for many years. This positioning also opens up new potential for sales and profits in the future. Reliable **opportunity management** is important in order to exploit this potential. The Group's divisions are all set up to identify relevant opportunities and exploit them systematically with perfectly coordinated strategies. In addition, continued systematic monitoring of business policies supports risk management efforts. The Company headquarters in Metzingen not only coordinate the tools for identifying opportunities, but its centrally organized financial planning also secures the necessary liquidity for the entire Group to realize opportunities.

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

There appears to be great potential for the continued improvement of HUGO BOSS' brand positioning in the **strategic growth fields** of womenswear and sportswear, shoes and leather accessories as well as the Group's own retail business. For example, retail expansion not only leads to a potentially higher gross profit margin due to increased vertical diversification, but closer contact with end customers also permits a targeted and proactive presentation of the Company's fashion collections and the flexibility to respond to changes in the markets. The continuous development of online retailing also promises above-average growth rates.

The **strength of the BOSS and HUGO brands** allows to expect a positive development, especially since the clear differentiation of the individual lines reveals which customer groups should be targeted even more precisely. The alignment of the high-quality BOSS Selection line towards the luxury segment, and the successful relaunch of the BOSS Orange line in particular, create the base for further profitable growth. Transferring the successful BOSS Green concept to womenswear, which will be available for the first time for the 2010/2011 winter season, will add new customer groups and provide further growth potentials.

BRANDS —
A summary of brand positioning is on p. 86.

From a regional point of view, there will be opportunities throughout the Asian region in particular, as further growth can be expected there in the coming years. The expansion of distribution on the American continent also offers additional sales and earning potential, as do expanding activities in the Asia/Pacific region. This is why HUGO BOSS is aiming to **increase its share of sales outside Europe** in the coming years. The Group's Managing Board has appointed regional directors for the European, American, and Asia/Pacific regions for its operating business in order to better address the differences of the regional markets and support them more intensively. The Managing Board also expects better integration of the national companies, and thus better monitoring of sales and profits from this stronger regionalization of the sales structures.

STRATEGY —
Additional information on the strategic growth areas is presented on pages 94 et seq.

The optimization of business processes and of the Group's fixed cost structure was introduced at an early stage in anticipation of the general economic disruptions, and showed significant successes in the past year. The improved cost structure is having a positive effect on the Company's results and its cash flow. For this reason, HUGO BOSS believes that it has secured the necessary financial leeway to bridge this difficult period and benefit from existing growth potentials.
Besides this, further optimization of Group internal processes along the entire value chain is an opportunity to increase efficiency. The development, purchasing and production processes are also optimized on an ongoing basis, which will have a positive impact on the gross margin.

FORECAST FOR 2010 AND 2011

The massive economic downturn following the international financial crisis significantly impacted the **global economic outlook**. The economic downturn began to significantly pick up speed beginning in mid-2008. Despite the best efforts of governments and central banks to stabilize banks and stimulate the economy, economic performance was down at the beginning of 2009, and only returned to growth in the second half of the year. The International Monetary Fund (IMF) predicted a 0.8% downturn in global economic output for 2009, although it will vary significantly between regions. There may well be moderate growth in 2010, although modest development is expected in private consumption, and the risk of an economic downturn remains.

Economic research institutes are expecting recovery in **industrial countries** to be particularly slow. Consumers in the **USA** have dramatically reduced their spending levels and the industrial sector has cut capital expenditure and jobs. US GDP is expected to grow by 2.7% in 2010. Predicted growth for the **European Union** in 2010 is very modest at just 1.0%. The IMF expects moderate growth of 2.0% for **Central and Eastern Europe**, where economies turned in particularly poor performances in 2009 (–4.3%).

The **emerging Asian markets** are also suffering from the effects of the financial crisis. According to the IMF, the increase in the gross domestic product of the region Developing Asia will decline to 6.5% in 2009, whereas growth in 2008 still amounted to 7.9%. However, the growth rate is expected to make a strong recovery in 2010 to 8.4%.

Economic experts predict that the effects of the banking and financial crisis will wane in 2010 thanks to the agreed economic stimulus packages, and believe that the global economy could grow again in 2010. Significant market growth is expected only in the emerging economies of Asia. However, due to the extremely difficult economic environment, future forecasts are far from certain. The assumptions regarding overall economic development on which the forecast report is based were taken from the World Economic Outlook for October 2009 by the International Monetary Fund, and have not been verified by HUGO BOSS.

It is difficult to estimate what the effect of economic developments on the luxury goods sector in the next two years and on global consumer spending in this market will be. As a result, it is difficult to predict growth on the luxury goods markets in 2010 and 2011. Forecasts for the luxury goods market are based on a moderate sales recovery of 1% in 2010. A return to 2008 sales levels is not expected until 2011/2012. In view of the general economic situation, 2010 will remain challenging.

Despite the extremely weak economic situation on its core markets, HUGO BOSS is expecting annual sales in the fiscal year 2010 to be slightly higher than those of 2009. The still remaining backlog of demand for luxury items in Asian countries and other emerging countries could contribute. This is likely to hold true in particular in view of the fact that HUGO BOSS has not yet reached noticeable market saturation in the growth regions and further economic growth is expected in these countries. The management expects positive business development with sales increases in fiscal year 2011 when the economic situation improves.
HUGO BOSS' strategy of international growth, and above all of increasing sales outside Europe, is not only the right one in the short term, but also promising in the long term. In the medium term, new consumption potential should arise in a large number of growth markets. The burgeoning middle and upper classes in these markets will use their greater financial freedom to buy high-quality fashion, among other things. After all, global democratization processes create more stable systems, and thus additional lucrative sales markets.

Overall, the **Group's strategy is based on organic growth that is driven by the Company's own innovative strength**. Thus over the coming years, the focus will be on fully utilizing all sales and income potential from current business.

STRATEGY — Further information about Group strategy is in the "Strategic Orientation" section.

Against the background of a moderate sales and growth forecast, the improvement in earnings and cost management is extremely important. Strict monitoring of the cost structure is the only way to identify potential savings at an early stage and improve the profit margin by realizing them. Key elements of further profit improvement include:

- implementing optimization processes along the Company's entire value chain, from margin-based collection planning to the use of a global purchasing network to continuous improvement in the use of materials,
- central management of the stock business to optimize inventory,
- optimizing and better integrating work processes,
- the key figure based management of sales and close support for key accounts.

The gross margin is also expected to improve further in the coming years due to the **expansion of the Group's own retail business**. In this connection, the portfolio of the Group's own retail business is reviewed constantly and unprofitable locations are optimized or closed down. Volume growth, especially in the womenswear, shoes and leather accessories, ultimately achieves economies of scale that allow HUGO BOSS to expect a significant contribution to earnings.

The successful implementation of these measures had a positive effect on the Group's cost structure and results already in fiscal year 2009. HUGO BOSS is therefore expecting an increase in the adjusted operating income (EBITDA before special items) with a slight increase in sales in 2010. HUGO BOSS expects profitable growth in 2011.

Capital expenditure in the past fiscal year was significantly lower than in the previous year as the result of the general economic environment and high capital expenditure in logistics capacities in 2008, but planned capital expenditure will increase again in the fiscal year 2010. The focus will remain on optimizing Group-wide processes and developing the Group's own retail business.

— **PERFORMANCE INDICATORS**
A summary of other financial performance indicators can be found in the "Additional Factors for Success" section on p. 124.

In an economically challenging environment, HUGO BOSS is keeping an eye on its **liquidity and creditworthiness** to maintain the flexibility necessary for the expansion of business. The weighted capital costs of debt and equity have fallen since 2008 due to the borrowing of a syndicated loan. HUGO BOSS plans to maintain its financing strength as measured by its ratio of net debt to operating profit (EBITDA before special items) before SAR expenses at below 2.75. This figure was 1.4 as of December 31, 2009, which was due in particular to timely cost management and the positive performance of the net working capital. Given the expected profit opportunities, the HUGO BOSS Group assumes that it will continue to have good liquidity and cash flow generation in coming years. This should provide sufficient funds to finance all investment projects necessary for operations.

In order to manage international growth more efficiently in the future, the management has implemented a reorganization of the corporate structure with the aim of accelerating decision-making processes, optimizing work flow, and making better use of existing structures and synergies. This reorganization also ensures an efficient organization in the future and the further development of the Group's market position.

Overall statement on future business development in 2010 and 2011
HUGO BOSS is in a good strategic position for further profit-oriented growth. Yet, the actual results may differ significantly from the expectations of future developments, should the assumptions about the overall economy on which the above forecasts are made prove to be incorrect. Should the actual economic development differ significantly from the above assumptions, negative effects have to be expected on Group sales and EBITDA before special items. A marked increase in unemployment in particular could dampen buyer confidence. Despite extensive measures to protect against fluctuations in currency exchange rates, strong currency fluctuations can have noticeable effects. As before, HUGO BOSS will continue to observe the risk of insolvency affecting some of its wholesale partners over the coming years. It is also referred to the "Risk Report" section in this Management Report.

SALES TRENDS (in EUR million)

	2010/2011	2009
Europe	→	1,041.3
Americas	↗	312.2
Asia/Pacific	↗	164.7
Licenses	→	43.7
Total	↗	**1,561.9**

EARNINGS TRENDS (in EUR million)

	2010/2011	2009
Sales	↗	1,561.9
Gross profit	↗	850.1
in % of sales	↗	54.4
EBITDA before special items	↗	270.2
Earnings before taxes	↗	136.6
Net income	↗	**104.0**
Earnings per share (EUR)		
Common share	↗	1.50
Preferred share	↗	1.51

OTHER DEVELOPMENTS

	2010/2011	2009
Number of employees	↗	9,027
Net working capital (EUR million)	→	223.0
Capital expenditure (EUR million)	↗	48.3

COMPENSATION FOR THE MANAGING AND SUPERVISORY BOARD

COMPENSATION FOR THE MANAGING BOARD

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

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

Since the fiscal year 2001, HUGO BOSS AG has offered a "Stock Appreciation Rights Program" to Managing Board members and executives. As part of this program, managers are accorded a defined number of participation rights. These rights enable them to benefit from any increase in the value of HUGO BOSS' shares. The participation rights solely confer a claim to payment in cash, not a claim to HUGO BOSS AG shares. Managing Board members who are holding office as of the reporting date are not eligible for the "Stock Appreciation Rights Program".

Owing to additional expenditures for hedging instruments and the possibility of external influences on share prices, the management of HUGO BOSS AG has resolved to revise the general conditions applying to the "Stock Appreciation Rights Program". Effective December 14, 2009, all executives entitled to the program were therefore offered an amended program. More details can be found in the notes to the consolidated financial statements on pages 208 et seq. under "Other disclosures".

Tranches 5 to 8 of the "Stock Appreciation Rights Program" have six year terms. After the initial lock up period of two years, the four-year exercise period shall commence.

However, tranche 9, which was issued in the past fiscal year 2009, has a five year term. After expiry of the three-year lock-up period (two years prior to the program amendment) the two-year exercise period begins (three-year exercise period prior to program amendments).

If growth in HUGO BOSS AG market capitalization exceeds MDAX growth by 5 percentage points (exercise hurdle) at the expiry of the lock-up period or during the subsequent exercise period, participation rights in tranches 5 to 8 may be exercised. The exercise hurdle shall not apply when exercising participation rights in tranche 9.

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

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

COMPENSATION FOR THE SUPERVISORY BOARD

According to the German Corporate Governance Code, the remuneration of Supervisory Board members is divided into a fixed and a variable component. The variable compensation part is determined on the basis of group earnings per share. The level of compensation is decided at the Annual Shareholders' Meeting. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation.

SPECIAL LEGAL DISCLOSURES

REPORT ON RELATIONS WITH AFFILIATED COMPANIES

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

DISCLOSURES PURSUANT TO SECTION 289 PARAGRAPH 4 AND SECTION 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

The requirements pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the HGB are listed and explained in the following. The Managing Board sees no need for further explanation as set forth in Section 175, Paragraph 2, Sentence 1 and Section 176, Paragraph 1, Sentence 1 of the German Stock Corporation Act (AktG).

The **share capital** of HUGO BOSS AG continues to consist of 35,860,000 common shares (50.9%) and 34,540,000 non-voting preferred shares (49.1%), equivalent to a share in the issued share capital of EUR 1.00 per common or preferred share. Holders of preferred shares are entitled to a preferred dividend of EUR 0.01 per share upon distribution of the retained earnings. This means that the dividends paid to bearers of preferred shares from net retained earnings are EUR 0.01 higher per preferred share than the dividends paid to bearers of common shares. The dividend for preferred shares amounts to no less than EUR 0.01 per share.

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

Equity shares exceeding 10% of the voting rights exist. In fiscal year 2009 HUGO BOSS AG was notified of two voting rights announcements pursuant to Section 21 Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG). These are listed in the notes "Information Concerning the Majority Shareholder" on pages 222 et seq.

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

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

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

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

Pursuant to a decision of the Annual Shareholders' Meeting held on May 14, 2009, the Managing Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the company until May 13, 2014 by a total of no more than EUR 35,200,000 through the issuance of new bearer common shares and/or non-voting bearer preferred shares, which correspond to the non-voting bearer preferred shares already issued, in return for cash and/or deposits in kind. Increases in capital can be made in return for cash while maintaining the relationship of the two categories of shares to one another. If authorized capital is used, the shareholders have a subscription right. However, the Managing Board is authorized to prevent shareholders from transferring their subscription rights from one class of shares to the other, to exempt fractional amounts of the shareholders' subscription rights, and to participate in the shareholders' subscription rights with the consent of the

Supervisory Board, if a capital increase against deposits in kind is issued for the purpose of acquiring a company or an equity interest in a company.

The **Managing Board's authorization to repurchase shares** was renewed at the Annual Shareholders' Meeting on May 14, 2009. In accordance with this, the Managing Board is authorized until November 13, 2010 to purchase bearer common and/or non-voting bearer preferred shares of HUGO BOSS AG up to an overall maximum of 10% of its current capital outstanding on May 14, 2009. HUGO BOSS AG may avail itself in whole or in part of its authorization to purchase treasury shares but only for bearer common or bearer preferred shares, thereby partially excluding any put options relating to those classes of shares, and do so once or several times in pursuance of one or more objectives.The shares may be purchased via the stock market or by means of a public purchase offer to holders of the respective category of shares. Any Company shares repurchased in accordance with this authorization may be resold via the stock market or by means of an offer to all shareholders. They may also be used as counter-performance for a possible acquisition of enterprises or shareholdings in enterprises, or may be sold at a price that is not substantially lower than the current stock market price, or for listing of the stock on foreign stock markets.

Due to a legal challenge, these resolutions by the Annual Shareholders' Meeting held on May 14, 2009 have not yet been entered in the commercial register of HUGO BOSS AG.

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

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

Metzingen, March 8, 2010

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer
Dr. Andreas Stockert

04
FIGURES

This section is the core of the annual report and consolidated financial statement, and is dedicated purely to the Group’s financials.

You will find a detailed look at the performance of HUGO BOSS in the past fiscal year in this section.

The section starts with the background in the form of the consolidated financial statement for the Group. Individual items included in the statement are explained in more detail below.

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04 **FIGURES /**
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of the HUGO BOSS Group for the period from January 1 to December 31, 2009

in EUR thousand	Notes no.	2009		2008	
Net sales	(1)	**1,561,863**		**1,686,058**	
Cost of sales	(2)	(677,846)		(742,348)	
Direct selling expenses	(2)	(33,882)		(36,862)	
Gross profit			**850,135**		**906,848**
in % of sales			54.4		53.8
Selling and distribution expenses	(3)		(487,883)		(518,407)
Administration costs and other operating expenses/ income	(4)		(203,807)		(197,619)
Operating result			**158,445**		**190,822**
Net interest income/expense			**(22,373)**		**(26,297)**
Other interest and similar income		1,680		1,776	
Interest and similar expenses		(24,053)		(28,073)	
Other financial items			**576**		**(16,129)**
Financial result [1]	(5)		**(21,797)**		**(42,426)**
Earnings before taxes [1]			**136,648**		**148,396**
Income taxes	(6)		(32,659)		(36,351)
Net income			**103,989**		**112,045**
Attributable to:					
Equity holders of the parent company			104,003		112,119
Minority interests	(7)		(14)		(74)
Net income			**103,989**		**112,045**
Earnings per share (EUR) [2]	(8)				
Common share			1.50		1.62
Preferred share			1.51		1.63
Dividend per share (EUR)	(21)				
Common share			0.96		1.37
Preferred share			0.97		1.38

1 The previous year's figure has been adjusted. Please also refer to the enclosed Notes on the Group Interim Results.

2 Basic and diluted earnings per share.

STATEMENT OF COMPREHENSIVE INCOME

of the HUGO BOSS Group for the period from January 1 to December 31, 2009

in EUR thousand	2009	2008
Net income	**103,989**	**112,045**
Market valuation of hedges	(11,620)	(11,087)
Currency differences	5,285	(3,178)
Income and expense recognized directly in equity	**(6,335)**	**(14,265)**
Total comprehensive income	**97,654**	**97,780**
Attributable to:		
Equity holders of the parent company	97,668	97,854
Minority interests	(14)	(74)
Total comprehensive income	**97,654**	**97,780**

CONSOLIDATED BALANCE SHEET

of the HUGO BOSS Group as of December 31, 2009

ASSETS

in EUR thousand	Notes no.	2009		2008	
Intangible assets	(10)	101,387		105,018	
Property, plant and equipment	(11)	270,440		294,807	
Deferred tax assets	(6)	45,085		43,629	
Non-current financial assets	(12) (27)	10,421		9,370	
Non-current tax receivables [1]		3,325		3,731	
Other non-current assets	(12)	4,364		6,425	
Non-current assets			**435,022**		**462,980**
Inventories	(13)	305,978		381,354	
Trade receivables	(14)	140,074		201,035	
Current tax receivables [1]	(6)	14,583		18,625	
Current financial assets	(12) (27)	5,725		13,488	
Other current assets [1]	(12)	49,921		59,527	
Cash and cash equivalents	(15)	114,082		24,612	
Current assets			**630,363**		**698,641**
Total assets			**1,065,385**		**1,161,621**

1 Regroup of non-current tax receivablles for fiscal 2008. Please also refer to the enclosed notes for the consolidated balance sheet, notes-no. 12.

EQUITY AND LIABILITIES

in EUR thousand	Notes no.	2009		2008	
Subscribed capital	(16)	70,400		70,400	
Own shares	(17)	(42,363)		(42,363)	
Capital reserve	(18)	399		399	
Retained earnings	(19)	120,118		102,888	
Accumulated other comprehensive income	(20)	(50,228)		(43,893)	
Profit attributable to equity holders of the parent		104,003		112,119	
Equity attributable to equity holders of the parent company			**202,329**		**199,550**
Minority interests	(7)		(519)		(505)
Group equity			**201,810**		**199,045**
Non-current provisions	(22) (23)	32,568		27,884	
Non-current financial liabilities	(24) (27)	478,516		588,506	
Deferred tax liabilities	(6)	16,449		17,926	
Other non-current liabilities	(25)	28,102		26,706	
Non-current liabilities			**555,635**		**661,022**
Current provisions	(22)	55,763		59,252	
Current financial liabilities	(24) (27)	43,916		40,169	
Current tax payables	(6)	16,709		36,768	
Trade payables	(26)	150,454		124,105	
Other current liabilities	(25)	41,098		41,260	
Current liabilities			**307,940**		**301,554**
Total equity and liabilities			**1,065,385**		**1,161,621**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

of the HUGO BOSS Group for the period from January 1 to December 31, 2009

in EUR thousand	Subscribed capital	Own shares	Capital reserve	Retained earnings: Legal reserves	Retained earnings: Other retained earnings
Notes no.	(16)	(17)	(18)	(19)	(19)
January 1, 2008	**70,400**	**(42,363)**	**399**	**6,641**	**387,241**
Net income					
Allocated to retained earnings					154,159
Dividend payment					(445,153) [1]
Share repurchase					
Income and expense recognized directly in equity					
December 31, 2008	**70,400**	**(42,363)**	**399**	**6,641**	**96,247**
Net income					
Allocated to retained earnings					112,119
Dividend payment					(94,889) [1]
Share repurchase					
Income and expense recognized directly in equity					
December 31, 2009	**70,400**	**(42,363)**	**399**	**6,641**	**113,477**

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

Accumulated other comprehensive income					
Differences arising from currency translation	**Market valuation of hedges**	**Profit attributable to equity holders of the parent**	**Equity attributable to equity holders of the parent**	**Minority interests**	**Group equity**
(20)	(20)			(7)	
(32,798)	**3,170**	**154,159**	**546,849**	**(431)**	**546,418**
		112,119	**112,119**	**(74)**	**112,045**
		(154,159)			
			(445,153)		**(445,153)**
(3,178)	(11,087)		**(14,265)**		**(14,265)**
(35,976)	**(7,917)**	**112,119**	**199,550**	**(505)**	**199,045**
		104,003	**104,003**	**(14)**	**103,989**
		(112,119)			
			(94,889)		**(94,889)**
5,285	(11,620)		**(6,335)**		**(6,335)**
(30,691)	**(19,537)**	**104,003**	**202,329**	**(519)**	**201,810**

CONSOLIDATED STATEMENT OF CASH FLOWS

of the HUGO BOSS Group for the period from January 1 to December 31, 2009

in EUR thousand	Notes no.	2009	2008
	(31)		
Net income		103,989	112,045
Depreciation/amortization	(10) (11)	69,135	60,975
Income tax expense/refund	(6)	32,659	36,351
Interest income/expenses	(5)	22,373	26,297
Change in inventory		81,204	(27,929)
Changes in receivables and other assets		77,258	(36,348)
Change in trade payables and other liabilities		26,361	47,116
Result from disposal of non-current assets		4,054	2,466
Change in provisions for pensions	(23)	(255)	770
Change in other provisions		1,017	3,064
Income taxes paid		(47,426)	(27,080)
Cash flow from operations		**370,369**	**197,727**
Interest paid	(5)	(22,538)	(34,678)
Interest received	(5)	1,680	1,776
Cash flow from operating activities		**349,511**	**164,825**
Investments in PPE[1] and intangible assets	(10) (11)	(48,337)	(118,781)
Cash receipts from sales of PPE[1] and intangible assets		4,138	2,008
Cash flow from investing activities		**(44,199)**	**(116,773)**
Dividend payment	(21)	(94,889)	(445,491)
Change in current financial liabilities		(11,831)	(123,758)
Repayment of non-current financial liabilities		(109,811)	(9,656)
Cash receipts from non-current financial liabilities		21	531,631
Cash flow from financing activities		**(216,510)**	**(47,274)**
Exchange rate-related changes in cash and cash equivalents		668	(668)
Changes in cash and cash equivalents		**89,470**	**110**
Cash and cash equivalents at the beginning of the period		24,612	24,502
Cash and cash equivalents at the end of the period	(15)	**114,082**	**24,612**

1 Property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2009

GENERAL INFORMATION

The consolidated financial statements and Group management report of HUGO BOSS AG, Metzingen, were authorized for issue to the Supervisory Board by the Managing Board on March 8, 2010.

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

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

CHANGE IN PRESENTATION, CONSOLIDATED INCOME STATEMENT

Until December 31, 2008, HUGO BOSS AG broke down the Group's consolidated income statement by the cost of production method. The Company published its consolidated income statement based on the more usual international cost of sales method for the first time with the interim report for the first quarter of 2009. Sales costs include all production costs involved in achieving the sales revenue. Other operating expenses and earnings were allocated by functional area. The previous year's figures were adjusted accordingly.

BASIS OF PRESENTATION

The consolidated financial statements of HUGO BOSS AG for the year ending December 31, 2009 were prepared in accordance with the accounting principles of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable to the fiscal year 2009 have been taken into account.

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

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

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

APPLICATION OF NEW IFRS AND AMENDED IAS

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

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 concern information on the calculation of fair value and on the liquidity risk. The information on the establishment of fair value specifies that a three-step fair value hierarchy is to be introduced. There were no significant changes to the data on the liquidity risk as a result of the new regulations; this data is presented in the risk report. Information on the determination of fair value is provided in note (27).

IFRS 2 Share-based Payment, Vesting Conditions and Cancellations

The amendments mainly affect the definition of vesting conditions and the regulations on cancellation of a plan by a party other than the Company. The amendments make clear that vesting conditions are service conditions and performance conditions only. The service conditions relate to specific periods of time. The performance conditions, which include certain performance targets as well as the service conditions, may also include market conditions.

IAS 39 Financial Instruments: Recognition and Measurement

The IASB published a supplement to IAS 39 Financial Instruments: Recognition and Measurement in July 2008. The modifications are summarized in a document entitled "Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement". The starting point is the existing regulations under which a company can include all, some, or specific risks of an underlying transaction in a hedging instrument.

In order to simplify the application of the unchanged principles, principles for application in the areas of the designation of inflation risks as an underlying transaction and designation of a unilateral risk in an underlying transaction (for example an option as a hedge) were added.
In this context, the interpretation IFRIC 19: Extinguishing financial liabilities with equity instruments, was published. This interpretation explains the requirements of the International Financial Standards (IFRS) when a company issues shares or other equity instruments to extinguish all or part of a financial liability.

IAS 1 Presentation of the Financial Statements

The main amendments to IAS 1 involve the presentation of non-share based changes in equity. The amendments also include the compulsory reporting of three balance sheet dates when an accounting method has been applied retrospectively, when the recognition, the valuation or the presentation of items in the financial statements have been retrospectively corrected, as well as the reclassification of an item at the reporting date. In addition, the standard introduces a statement of comprehensive income in which all income and expense items presented in the profit and loss statement and all components of earnings recorded directly in equity are presented either in a single statement or in two linked statements. The Group has decided to present two separate statements.

The following financial reporting standards, interpretations and amendments have been issued, but are not required to be applied for fiscal year 2009:

IFRS 9 Financial Instruments

The publication of IFRS 9 on November 12, 2009 marked the conclusion of the first part of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. Proposals for impairment methodology for financial instruments had been published in the second phase of the project in early November. Proposals for hedge accounting, the third phase, are still being developed.
IFRS 9 introduces new rules for the classification and valuation of financial assets. These rules must be applied from January 1, 2013.

Amendment to IFRS 3 Business Combinations as well as modifications to IAS 27 Consolidated and Separate Financial Statements in accordance with IFRS

Key changes to the revised/modified standards are the application of the full goodwill method, the recognition of acquisition costs in profit or loss, the revaluation of existing investments in profit and loss after control is obtained, the revaluation of the remaining investments in profit and loss after control is lost, the recognition in equity of changes in the investment in a subsidiary without loss of control, and the unlimited allocation of losses to minority shareholders. Both standards are effective for annual periods beginning on or after July 1, 2009.

Amendment to IFRS 2 Cash-settled share-based payment transactions

The IASB has published amendments to IFRS 2 that detail the accounting of group cash-settled share-based payment transactions. It specifies more precisely how a group's subsidiaries are to present certain share-based payment agreements in their own annual accounts. Under these agreements, the subsidiary receives goods or services from employees or suppliers, but the parent company or other group in the company is required to pay these employees or suppliers. The published amendments specify the applicability of IFRS 2 and the interaction between IFRS 2 and other standards. The amendments to IFRS 2 incorporate guidelines in the standards that were formerly contained in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions". The IASB has therefore withdrawn IFRIC 8 and IFRIC 11. The amendments are to be applied for the first time to fiscal years beginning on or after January 1, 2010.

IAS 32 Financial Instruments: Presentation

The amendments govern the accounts of the issuers of subscription rights, options and warrants for the acquisition of a fixed number of equity instruments that are denominated in another issuer currency. To date, such cases have been accounted as derivative liabilities. Subscription rights that are issued at a proportion of a set currency contribution to the existing shareholders in a company are to be classified as equity in the future. The currency of the strike price is irrelevant. The amendments are to be applied for the first time to fiscal years beginning on or after February 1, 2010.

IAS 24 Related party disclosures

As a result of the amendment to IAS 24, detailed information now only needs to given for significant individual transactions. Furthermore, quantitative indicators are also to be given on the effects of transactions that are not significant individually, but are so collectively.

In addition, the amendments to IAS 24 clarify the definition of a related party. The amendments are to be applied for the first time to fiscal years beginning on or after January 1, 2011.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

This interpretation concerns the hedge accounting of net investments in a foreign operation. IFRIC 16 is to be used for the first time for fiscal years beginning on or after June 30, 2009.

The new financial reporting standards have not been applied to the consolidated financial statements for the fiscal year 2009. Their application is not expected to have a significant effect on the financial position, financial performance, or cash flows of the HUGO BOSS Group.

IFRIC 12 Service Concession Arrangements

The interpretation governs the accounting treatment of obligations assumed and contractual rights received in the financial statements of the service concession operator.

IFRIC 12 is to be used for fiscal years beginning on or after March 29, 2009.

SCOPE OF CONSOLIDATION

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

BIL Leasing Verwaltungs-GmbH & Co. 869 KG, Pullach, Germany
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH, Grünwald, Germany
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. CIA, S.C., Madrid, Spain
(formerly: HUGO BOSS España S.A., Madrid, Spain)
HUGO BOSS Benelux B.V., Amsterdam, Netherlands
HUGO BOSS Benelux Retail B.V., Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH, Metzingen, Germany
HUGO BOSS Canada, Inc., Toronto, Canada
HUGO BOSS China Retail Co. Ltd., Shanghai, P.R. China
HUGO BOSS Cleveland, Inc., Wilmington, DE, USA
HUGO BOSS Dienstleistungs GmbH, Metzingen, Germany[2]
HUGO BOSS do Brasil Ltda., São Paulo, Brazil
HUGO BOSS Fashions, Inc., Wilmington, DE, USA
HUGO BOSS France SAS, Paris, France
HUGO BOSS Guangdong Trading Co. Ltd., Guangzhou, P.R. China
HUGO BOSS Holding Netherlands B.V., Amsterdam, Netherlands
HUGO BOSS Holdings Pty. Ltd., Preston, Australia
HUGO BOSS Holding Sourcing S.A., Coldrerio, Switzerland
HUGO BOSS Hong Kong Ltd., Hong Kong
HUGO BOSS International B.V., Amsterdam, Netherlands
HUGO BOSS International Markets AG, Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH, Metzingen, Germany[2]
HUGO BOSS Italia S.p.A., Milan, Italy
HUGO BOSS Japan K.K., Tokyo, Japan
HUGO BOSS Licensing, Inc., Wilmington, DE, USA
HUGO BOSS Magazacilik Ltd. Sti., Izmir, Turkey
(formerly: HUGO BOSS Outlet Magazacilik Limited Sirketi, Izmir, Turkey)
HUGO BOSS Merchandise Management GmbH, Metzingen, Germany
HUGO BOSS Mexico Management Services S.A. de C.V., Mexico City, Mexico
HUGO BOSS Mexico S.A. de C.V., Mexico City, Mexico
HUGO BOSS Nordic ApS, Copenhagen, Denmark

HUGO BOSS Portugal & Companhia , Lisbon, Portugal
(formerly: HUGO BOSS Portugal, Unipessoal, Lda., Lisbon, Portugal)
HUGO BOSS Retail, Inc., Wilmington, DE, USA
HUGO BOSS S.p.A., Como, Italy
HUGO BOSS Scandinavia AB, Stockholm, Sweden
HUGO BOSS Shoes & Accessories Italia S.p.A., Morrovalle, Italy
HUGO BOSS shoes & accessories, Inc., Wilmington, DE, USA
HUGO BOSS Switzerland Retail AG, Zurich, Switzerland
HUGO BOSS Textile Industry Ltd., Izmir, Turkey
HUGO BOSS Ticino S.A., Coldrerio, Switzerland
HUGO BOSS Trade Mark Management GmbH & Co. KG, Metzingen, Germany[3]
HUGO BOSS Trade Mark Management Verwaltungs-GmbH, Metzingen, Germany[2]
HUGO BOSS UK Limited, London, Great Britain
HUGO BOSS USA, Inc., Wilmington, DE, USA
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG, Metzingen, Germany[2]
MSC Poland Sp.z.o.o., Radom, Poland
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG, Grünwald, Germany[1]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG, Grünwald, Germany[1]
The Joseph & Feiss Company, Wilmington, DE, USA

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

The following property companies headquartered in Grünwald, Germany were founded in the previous fiscal year:
GRETANA Vermietungsgesellschaft mbH & Co. Objekt Lagerimmobilie KG
GRETANA Vermietungsgesellschaft mbH & Co. Objekt Lagerlogistik KG

These companies are special purpose entities that are expected to manufacture the planned logistics property including movables and then rent them to HUGO BOSS AG in an operate lease. Because of changes within the HUGO BOSS Group, the leasing agreements were not concluded in the fiscal year 2009. HUGO BOSS AG has committed to reimburse the property companies all expenses incurred in the event of the leasing agreement not being signed. HUGO BOSS AG paid these reimbursements in the past fiscal year. Therefore it is not necessary to include these companies in the scope of consolidation.

The full list of shareholdings is disclosed as part of the notes to the financial statements (see note (39)).

CHANGES IN THE SCOPE OF CONSOLIDATION

In the reporting period January 1 to December 31, 2009, the number of consolidated companies remained at 52 and was thus unchanged from the consolidated financial statements as of December 31, 2008. However, the following changes were undertaken in the scope of consolidation:

In Germany, as part of the optimization of the corporate structure, the fully consolidated HUGO BOSS Germany Retail GmbH was merged with HUGO BOSS AG via a merger agreement dated August 31, 2009.

In the second quarter, the property company GRAMOLERA Grundstücks-Vermietungsges. Objekt Ticino mbH acquired the building of HUGO BOSS Ticino S.A. at the site of the competence center in Coldrerio (Switzerland) through a "sale and lease back" transaction. As part of this transaction, HUGO BOSS AG accepted the offer in the form of a put option to acquire all shares of the above-mentioned property company from a non-Group company with a notarized contract dated June 29, 2009. The put option was exercised effective December 31, 2009. Cash inflows and reductions in carrying amounts totaling EUR 22,183 thousand generated in connection with the sale of the building were reversed from the Group perspective as a result of the exercise of the put option to acquire the shares of GRAMOLERA Vermietungsges. Objekt Ticino mbH. The sale and lease back transaction therefore no longer had any effect on the Group's financial performance and financial position as of the balance sheet date of December 31, 2009.

An overview of the number of companies included in the consolidated financial statements for fiscal year 2009 is shown below:

NUMBER OF FULLY CONSOLIDATED COMPANIES

	2009	2008
January 1	**52**	**51**
Newly founded/consolidated companies	1	1
Merged companies	(1)	–
December 31	**52**	**52**

INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

Red & Black Holding GmbH, Frankfurt/Main, Germany holds the majority of voting rights in HUGO BOSS AG due to its control of V.F.G. International N.V., Amsterdam, Netherlands. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Red & Black Holding GmbH, Frankfurt/Main, Germany as the largest scope of consolidation.

PRINCIPLES OF CONSOLIDATION

All business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

The effects of intra-group transactions have been eliminated. Doubtful accounts 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 the consolidation.

CURRENCY TRANSLATION

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

The financial statements of foreign Group companies, which are economically independent units, are translated into euros based on the modified closing rate method in accordance with IAS 21. In principle, the functional currency is the local currency of the respective country. However, the functional currency of HUGO BOSS Textile Industry Ltd., Turkey and HUGO BOSS International Markets AG, Switzerland is the euro, since the majority of business transactions of this company are negotiated in euros.

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

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

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

	Currency	Average Rate		Closing Rate	
Country	**1 EUR =**	**2009**	**2008**	**2009**	**2008**
Australia	AUD	1.7766	1.7409	1.6008	2.0435
Brazil	BRL	2.7721	2.6701	2.5113	3.2862
Canada	CAD	1.5858	1.5585	1.5128	1.7331
Denmark	DKK	7.4463	7.4559	7.4418	7.4506
Great Britain	GBP	0.8911	0.7952	0.8881	0.9742
Hong Kong	HKD	10.7937	11.4477	11.1709	10.9261
Japan	JPY	130.1831	152.4061	133.1600	127.4000
Mexico	MXN	18.7858	16.1768	18.7908	19.0863
Norway	NOK	8.7324	8.2153	8.3000	9.8400
P.R. China	CNY	9.5143	10.2224	9.8350	9.6364
Sweden	SEK	10.6276	9.6084	10.2520	10.9500
Switzerland	CHF	1.5099	1.5879	1.4836	1.4963
USA	USD	1.3925	1.4699	1.4406	1.4098

KEY PERFORMANCE INDICATORS OF SIGNIFICANT INVESTMENTS OF THE HUGO BOSS GROUP

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

1 Earnings include income from profit transfer agreements amounting to EUR 34 thousand and income from long-term equity investments amounting to EUR 72,884 thousand.

2 Due to the merger of HUGO BOSS Germany Retail GmbH to HUGO BOSS AG in 2009 previous year figures were adjusted.

3 Earnings include dividends receipts amounting to EUR 91,093 thousand (2009) and EUR 191,149 thousand (2008).

4 Subgroup financial statements.

	Earnings		Equity	
Head Office	**2009**	**2008**	**2009**	**2008**
Metzingen, Germany	56,875	329,376	494,417	547,268
Amsterdam, Netherlands	75,261	176,926	174,622	105,225
Coldrerio, Switzerland	33,791	38,897	60,894	66,364
Wilmington, DE, USA	(5,365)	762	39,504	45,666
Amsterdam, Netherlands	16,452	15,902	38,463	37,911
Metzingen, Germany	74,162	79,196	24,120	22,842
Hong Kong	7,676	12,525	21,852	17,787
Zug, Switzerland	12,760	17,405	17,586	20,977
Izmir, Turkey	(453)	5,711	12,997	13,450
London, Great Britain	8,998	11,123	12,751	6,986
Toronto, Canada	(2,277)	(2,369)	12,459	7,190
Paris, France	(120)	1,940	12,435	14,055
Preston, Australia	1,385	1,736	10,022	7,871
Milan, Italy	(5,488)	(1,447)	8,144	13,633
Morrovalle, Italy	(3,252)	1,076	4,965	8,217
Zug, Switzerland	4,118	4,078	4,328	4,959
São Paulo, Brazil	102	113	3,340	2,466
Mexico City, Mexico	427	966	2,053	2,387
Lisbon, Portugal	(5,619)	(1,368)	(4,833)	(4,213)
Tokyo, Japan	(11,671)	(4,035)	(22,021)	(11,090)
Madrid, Spain	(12,705)	(22,294)	(33,177)	(20,472)

ACCOUNTING POLICIES

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

RECOGNITION OF INCOME AND EXPENSES

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

Sale of goods

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

Interest income

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

Royalties and other income

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

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

INVENTORIES

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

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

TANGIBLE ASSETS

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

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

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

LEASE AGREEMENTS

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

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

INTANGIBLE ASSETS

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

So-called "key money" is also included in intangible assets. These are one-time payments made when lease agreements for retail operations in a prime location to the previous tenant or to the lessor. Differentiation between definite and indefinite useful life is based on the actual circumstances in the countries in which the retail operations are located. This currently affects France and Brazil.

Intangible assets with an indefinite useful life are tested for impairment annually. When indicated, an impairment is recorded.

RESEARCH AND DEVELOPMENT COSTS

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

FINANCIAL INSTRUMENTS

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

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

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

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

a / Financial assets at fair value through profit or loss (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 (FALC)

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

FINANCIAL ASSETS

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

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

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

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the HUGO BOSS Group 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 linked to specific hedged items. The requirements of IAS 39 related to the designation of such transactions as hedging transactions are complied with.

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

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

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

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

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

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

Impairment losses are recognized if the carrying amount of the intangible assets or items of property, plant and equipment exceeds the recoverable amount determined in accordance with the principles above as of the balance sheet date. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset (value in use). The present value of the estimated future cash flows from continuing use of the asset is calculated on the basis of the medium-term projections for 2010 to 2012. For the six subsequent years, the calculation is based on country- and CGU-specific sales and cost trends; for perpetuity, a growth rate of 2% p.a. is assumed. The ten-year planning horizon on which the forecast of future cash flows is based takes into account the long-term growth rates for the respective products, sector, and countries. As the funding of HUGO BOSS' regional business units is centralized, a (pre-tax) Group-wide discount rate of 11% was applied to the cash flow forecast. This rate was calculated for the HUGO BOSS Group using a WACC model.

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

INCOME TAXES

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

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

LIABILITIES FROM FINANCE LEASES

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

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

PROVISIONS

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

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

RESTRUCTURING EXPENSES

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

PROVISIONS FOR PENSIONS

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

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

a / Measurement of the Group's own retail stores (Directly Operated Stores; DOS)

When testing intangible assets and property, plant and equipment related to directly operated stores (DOS) for impairment, the following assumptions have been made:

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

b / Specific valuation allowances for receivables

The recoverability of trade receivables is determined on the basis of the estimated probability of default. Accordingly, specific valuation allowances are recognized for trade receivables due from customers in their full amount when insolvency proceedings against such customers' assets have been initiated (to the extent that existing collateral is not recoverable). Specific valuation allowances for past due receivables are based on individually determined percentages. All HUGO BOSS Group subsidiaries are obligated to maintain an aging structure of their trade receivables. This insures that a risk-adjusted write-down is possible. External expert opinions have been obtained to determine the value of collateral during such impairment reviews.

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

c / Inventory measurement

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

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

d / Intercompany profit elimination

The HUGO BOSS distribution companies normally buy finished goods and merchandise exclusively from the Group's own production and purchasing units. For the merchandise still in inventory delivered internally within the Group, gains on intragroup deliveries are eliminated during consolidation.

Intercompany profit are not eliminated if the balance sheet value of the distribution company has fallen below Group cost because 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 distribution company (after local write-downs) and Group cost. In addition, merchandise valued at Group cost is reviewed for impairment from the perspective of the HUGO BOSS Group.

Additional write-downs must be recorded 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, in particular the warehouse and outlet capacities. Since November 2008, these have been bundled in HUGO BOSS AG's newly created area of Global Replenishment in Germany. In the last fiscal year, merchandise was tested for impairment at the Group level for the first time using the impairment criteria of warehouse and outlet stocks that are held primarily in Germany, whose timeliness and coverage are influenced by Group-wide movement of goods.
This definition of calculation methods resulted in a positive effect on earnings in fiscal 2009 of EUR 6,401 thousand.

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

f / Fair value of financial instruments
If the fair value of the financial assets and financial liabilities recorded on the balance sheet cannot be determined using data from an active market, it is calculated using valuation procedures, including the discounted cash flow method. The input parameters used in the model are, when possible, based on observable market data. If this is not possible, a measure of judgment is used to determine fair value. Judgment affects such input parameters as liquidity risk, credit risk and volatility. Changes in assumptions with regard to these factors may have an effect on the fair value recorded for the financial instruments.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1 // SALES

in EUR thousand	2009	2008
Sale of goods	1,518,161	1,639,061
Royalties	43,702	46,997
	1,561,863	**1,686,058**

2 // COST OF SALES AND DIRECT SELLING EXPENSES

in EUR thousand	2009	2008
Purchased goods and own costs capitalized	524,291	548,610
Purchased services	94,385	126,881
Own production	59,170	66,857
Direct selling expenses	33,882	36,862
	711,728	**779,210**

The cost of sales includes foreign exchange gains (after netting against exchange losses) arising from sales activities in the amount of EUR 3,019 thousand (2008: foreign exchange gains EUR 15,814 thousand).

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

Furthermore, the cost of sales for fiscal year 2009 include inventory impairment losses totaling EUR 13,732 thousand (2008: EUR 23,513 thousand). The impairment losses were attributable in particular to finished goods and raw materials, which had to be written down due to its limited recoverability.

The direct selling expenses include primarily sales commissions, freight and duties charges as well as credit card fees.

3 // SELLING AND DISTRIBUTION EXPENSES

in EUR thousand	2009	2008
Expenses for own retail business, indirect sales and marketing organizsation	298,236	288,230
Marketing spendings	74,000	111,560
Logistics and sourcing expenses	103,231	112,228
Bad Debts/Losses	12,416	6,389
	487,883	**518,407**

After personnel expenses, the biggest item in the expenses for the Group's own retail business, indirect sales and marketing organization, are rental costs.

In addition to wholesale, personnel, and marketing expenses; the expenditures for the indirect marketing and distribution organization also cover brand management, retail services and regional sales management expenses.

Marketing spendings consist of a gross marketing spendings of EUR 89,257 thousand (2008: EUR 142,505 thousand), and income from marketing spendings of EUR 15,257 thousand (2008: EUR 30,946 thousand). Income from marketing spendings charged is largely composed of charges for shop fittings, marketing materials, advertising, and sponsorship activities.

The total other taxes on sales and marketing expenses are EUR 1,833 thousand (2008: EUR 0 thousand).

4 // ADMINISTRATIVE COSTS AND OTHER OPERATING INCOME AND EXPENSES

in EUR thousand	**2009**	**2008**
General administration costs	112,146	112,523
Research and development costs	43,739	48,651
Special items	47,922	36,445
	203,807	**197,619**

General and administrative expenses consist largely of rent for premises, maintenance costs, IT operating costs, and legal and consulting fees as well as personnel expenses for the functional areas.

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

The total research and development costs of EUR 43,739 thousand (2008: EUR 48,651 thousand), breaks down as follows: EUR 27,104 thousand (2008: EUR 28,391 thousand) for personnel expenses, EUR 1,145 thousand (2008: EUR 1,150 thousand) for depreciations and amortizations, and EUR 15,490 thousand (2008: EUR 19,110 thousand) for other operating expenses.

The special items resulted mainly from expenses connected with the strategic realignment of the Group and the associated reorganization of the Group's own retail stores, the global consolidation of production facilities and showroom spaces.

Significant income was created in administration expenses by charging other costs and services totaling EUR 17,860 thousand (2008: EUR 16,223 thousand), and the termination of provisions EUR 3,430 thousand (2008: EUR 5,595 thousand), thereof EUR 2,166 thousand (2008: EUR 5,595 thousand) is accountable to special items.

The total other taxes on administration expenses amount to EUR 1,286 thousand (2008: EUR 1,636 thousand).

5 // FINANCIAL RESULT

in EUR thousand	2009	2008
Net interest income/expense		
Other interest and similar income	1,680	1,776
Interest and similar expenses	(24,053)	(28,073)
	(22,373)	**(26,297)**
Other financial items [1]	576	(16,129)
	(21,797)	**(42,426)**

1 Previous year value was adjusted. See also detailed explanations concerning Financial Group Statement.

Other interest and similar income include interest rate ceiling in the amount of EUR 10,529 thousand (2008: EUR 354 thousand).

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

6 // INCOME TAXES

in EUR thousand	2009	2008
Current taxes	31,122	34,473
Deferred taxes	1,537	1,878
	32,659	**36,351**

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

HUGO BOSS AG is subject to a domestic income tax rate of 28.0% (2008: 28.0%). As in the previous year, tax rates abroad range between 0% and 41%.

In the fiscal year 2009, current income taxes included expenses relating to other reporting periods in the amount of EUR 1,086 thousand (2008: EUR 3,716 thousand). Income relating to other reporting periods totaled EUR 1,328 thousand (2008: EUR 1,779 thousand).

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

The following table shows a reconciliation of the anticipated income tax expense that would theoretically result given the application at Group level of the current domestic income tax rate of 28.0% (2008: 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 unification solidarity surcharge) of 15.8% (2008: 15.8%) and the trade tax rate of 12.2% (2008: 12.2%).

in EUR thousand	2009	2008
Earnings before taxes	136,648	148,396
Anticipated income tax	38,262	41,548
Tax effects from permanent items	(8,186)	(846)
Tax rate-related deviation	(12,325)	(17,169)
Tax refunds/back taxes	(242)	1,937
Valuation allowance on deferred tax assets	15,150	11,363
Other deviations	–	(482)
Income tax expenditure reported	**32,659**	**36,351**
Income tax load	23.9%	24.5 %

The income tax burden was reduced by tax-free earnings and other permanent effects totaling EUR 16,464 thousand (2008: EUR 10,109 thousand). The tax effect from non-deductible operating expenses amounted to EUR 8,278 thousand (2008: EUR 9,263 thousand).

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

	2009		2008	
in EUR thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Provisions	9,408	(84)	6,677	(272)
Tax loss carryforwards	23,473	–	12,925	–
Tax on interest expense carryforwards	–	–	3,601	–
Inventory measurement	12,966	(5,586)	18,022	(6,655)
Recognition and measurement of non-current assets	3,223	(5,740)	6,429	(4,971)
Receivables measurement	7,976	(292)	7,666	(218)
Market valuation of financial instruments	4,187	(3)	12	(419)
Other differences in recognition and measurement	6,891	(4,744)	5,265	(5,391)
	68,124	**(16,449)**	**60,597**	**(17,926)**
Impairments [1]	(23,039)	–	(16,968)	–
	45,085	**(16,449)**	**43,629**	**(17,926)**

1 Including unrecognized tax loss carryforwards.

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

EUR 19,306 thousand (2008: EUR 11,706 thousand) of the deferred tax assets are long-term. Deferred liabilities EUR 8,061 thousand (2008: EUR 10,362 thousand) are long-term.

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 changes in the tax rates amounting to EUR 519 thousand (2008: EUR 244 thousand) expenses from the correction of deferred taxes from the previous year amounted to zero (2008: EUR 468 thousand).

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

The impairments of deferred taxes relate to temporary differences in the amount of EUR 1,145 thousand (2008: EUR 5,357 thousand) and in the amount of EUR 21,854 thousand (2008: EUR 11,611 thousand) from non-utilized tax loss carryforwards. Unused interest expense carryforwards totaling EUR 3,505 thousand (2008: EUR 0) are irrecoverable due to a change in shareholders' equity.

Deferred tax income in the amount of EUR 6,712 thousand (2008: EUR 2,466 thousand) were recognized directly in equity in 2009 in connection with accounting for changes in the fair values of derivatives that are part of an effective hedging relationship with no gain or loss recognized.

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

in EUR thousand	2009	2008
Expiry within		
1 year	544	138
2 years	620	1,273
3 years	1,954	3,341
4 years	3,477	2,681
5 years	1,748	7,428
after 5 years	71,626	20,548
unlimited carryforward	4,659	4,458
Total tax loss carryforwards	**84,628**	**39,867**

7 // MINORITY INTEREST

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

8 // EARNINGS PER SHARE

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

Neither on December 31, 2009 nor on December 31, 2008 were any shares outstanding that could have diluted earnings per share.

in EUR thousand	2009	2008
Net income	103,989	112,045
Average number of shares outstanding [1]		
Common shares	35,331,445	35,331,445
Preferred shares	33,684,722	33,684,722
EPS common shares in EUR [2]	1.50	1.62
EPS preferred shares in EUR [2]	1.51	1.63

1 Includes effect of share buyback program.

2 No dilution: Stock options program based on Stock Appreciation Rights.

9 // ADDITIONAL INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Personnel expenses

in EUR thousand	2009	2008
Own production	47,133	50,258
Logistics and sourcing expenses	62,481	65,849
Research and development costs	27,104	28,390
Expenses for own retail business, indirect sales and marketing	122,561	120,858
General administration costs [1]	57,558	59,405
Special items	14,561	28,044
	331,398	**352,804**

1 The previous year's figure has been adjusted. Please also refer to the accompanying information on the consolidated financial statements.

Special items include expenses arising from the previous fiscal year's measures for the reorganization of the Group structure and associated streamlining of the personnel structure totaling EUR 14,561 thousand (2008: EUR 28,044 thousand).

in EUR thousand	2009	2008
Wages and salaries	277,700	304,548
Social security	46,329	47,311
Expenses and income for retirement benefits and aid [1]	7,369	945
	331,398	**352,804**

1 The previous year's figure has been adjusted. Please also refer to the accompanying information on the consolidated financial statements.

The employer contribution to defined contribution pension plans amounted to approx. 7% (2008: approx. 6%) of personnel expenses.

Employees as of December 31, 2009:

	2009	2008
Industrial employees	4,062	4,477
Commercial and administrative employees	4,965	5,116
	9,027	**9,593**

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.

Annual average of employees

	2009	2008
Industrial employees	4,186	4,605
Commercial and administrative employees	4,900	4,895
	9,086	**9,500**

Depreciation/amortization

in EUR thousand	2009	2008
Own production	5,994	6,613
Logistics and sourcing expenses	6,650	7,748
Research and development costs	1,146	1,150
Expenses for own retail business, indirect sales and marketing	33,263	32,893
General administration costs	16,761	12,571
Special items	5,321	0
	69,135	**60,975**

The depreciation attributable to special items concerns the depreciation of property, plant and equipment in association with the realignment in the Group's own retail business.

The depreciation on intangible assets and property, plant and equipment totals EUR 69,135 thousand (2008: EUR 60,975 thousand). The breakdown of depreciation into the corresponding balance sheet items is given in the following information on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

in EUR thousand	Property, plant and equipment	Intangible assets	Total Non-current assets
Cost of acquisition			
December 31, 2007	**504,089**	**137,863**	**641,952**
Currency translation effects	3,438	100	3,538
Additions	100,045	18,736	118,781
Disposals	(20,994)	(140)	(21,134)
Transfers	216	(216)	0
December 31, 2008	**586,794**	**156,343**	**743,137**
Currency translation effects	2,085	(32)	2,053
Additions	36,271	12,066	48,337
Disposals	(31,097)	(3,944)	(35,041)
Transfers	483	(483)	0
December 31, 2009	**594,536**	**163,950**	**758,486**
Depreciation/amortization			
December 31, 2007	**255,129**	**40,825**	**295,954**
Currency translation effects	2,592	132	2,724
Additions	50,467[1]	10,508	60,975
Disposals	(16,201[1])	(140)	(16,341)
December 31, 2008	**291,987**	**51,325**	**343,312**
Currency translation effects	557	(303)	254
Additions	55,096	14,039	69,135
Disposals	(23,544)	(2,498)	(26,042)
December 31, 2009	**324,096**	**62,563**	**386,659**
Carrying amount December 31, 2009	**270,440**	**101,387**	**371,827**
Carrying amount December 31, 2008	**294,807**	**105,018**	**399,825**

1 Previous year value was adjusted. Reclassification of EUR 68 thousand within depreciation from disposals to additions without effect on asset value.

Land charges in conjunction with land and buildings amounted to EUR 35,013 thousand (2008: EUR 36,973 thousand).

10 // INTANGIBLE ASSETS

in EUR thousand	Franchises, industrial property rights[1]	Internally produced software	Goodwill	Total
Cost of acquisition				
December 31, 2007	**104,445**	**5,603**	**27,815**	**137,863**
Currency translation effects	100	0	0	100
Additions	18,736	0	0	18,736
Disposals	(140)	0	0	(140)
Transfers	(216)	0	0	(216)
December 31, 2008	**122,925**	**5,603**	**27,815**	**156,343**
Currency translation effects	(32)	0	0	(32)
Additions	12,066	0	0	12,066
Disposals	(3,944)	0	0	(3,944)
Transfers	(483)	0	0	(483)
December 31, 2009	**130,532**	**5,603**	**27,815**	**163,950**
Depreciation/amortization				
December 31, 2007	**32,991**	**5,603**	**2,231**	**40,825**
Currency translation effects	132	0	0	132
Additions	10,508	0	0	10,508
Disposals	(140)	0	0	(140)
December 31, 2008	**43,491**	**5,603**	**2,231**	**51,325**
Currency translation effects	(303)	0	0	(303)
Additions	14,039	0	0	14,039
Disposals	(2,498)	0	0	(2,498)
December 31, 2009	**54,729**	**5,603**	**2,231**	**62,563**
Carrying amount December 31, 2009	**75,803**	**0**	**25,584**	**101,387**
Carrying amount December 31, 2008	**79,434**	**0**	**25,584**	**105,018**

1 And similar rights, including licenses.

In addition to trademark rights (EUR 14,992 thousand) and key money (EUR 11,483 thousand), the items Franchises and industrial property rights include software from the "Columbus" IT-project (EUR 37,487 thousand) and other software licenses (EUR 11,841 thousand).

The "Columbus" IT-project begun in fiscal year 2003 resulted in the purchase of new software for the entire company management. This affected the purchasing, production control, logistics, distribution and financial systems (worldwide). Over the lifetime of the "Columbus" project, intangible assets with an acquisition cost of EUR 53,084 thousand (2008: EUR 50,555 thousand) were recognized on the balance sheet for the ERP system, consisting of the industry solution SAP AFS as well as SAP Retail for the Group's own retail stores. Of this amount, EUR 15,597 thousand (2008: EUR 10,467 thousand) had been amortized as of the balance sheet date.

As of the balance sheet date, key money in the amount of EUR 11,483 thousand (2008: EUR 11,509 thousand) had been recognized. Of this, EUR 4,415 thousand (2008: EUR 4,895 thousand) are allocated to key money with an indefinite useful life and EUR 7,068 thousand (2008: EUR 6,614 thousand) to key money with a definite useful life.

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

The trademark rights presented in the items Franchises and industrial property rights in the amount of EUR 14,992 thousand, which are primarily related to the menswear segment in the USA, are also classified as assets with indefinite useful lives.

In fiscal years 2008 and 2009, no impairment loss for goodwill or for trademark rights was incurred.

Impairment losses on intangible assets, in contrast, totaled EUR 2,990 thousand (2008: EUR 1,465 thousand). These losses were mainly due to key money amounts with an indefinite useful life attributed to individual stores. Impairment losses were calculated using impairment tests and are allocated to depreciation/amortization in the relevant functional areas.

11 // PROPERTY, PLANT AND EQUIPMENT

in EUR thousand	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Total
Cost of acquisition					
December 31, 2007	**120,221**	**37,068**	**338,803**	**7,997**	**504,089**
Currency translation effects	2,541	416	514	(33	3,438
Additions	2,128	3,697	59,309	34,911	100,045
Disposals	(4,872)	(411)	(15,065)	(646)	(20,994)
Transfers	1,787	3,927	787	(6,285)	216
December 31, 2008	**121,805**	**44,697**	**384,348**	**35,944**	**586,794**
Currency translation effects	(328)	(110)	2,521	2	2,085
Disposals	840	2,114	32,552	765	36,271
Abgänge	(3,562)	(5,050)	(22,330)	(155)	(31,097)
Transfers	16,093	(222)	19,712	(35,100)	483
December 31, 2009	**134,848**	**41,429**	**416,803**	**1,456**	**594,536**
Depreciation/amortization					
December 31, 2007	**34,752**	**25,542**	**194,434**	**401**	**255,129**
Currency translation effects	362	308	1,935	(13)	2,592
Disposals	3,843	4,879	41,675	70	50,467
Abgänge	(1,566)	(287)	(14,348)	0	(16,201)
December 31, 2008	**37,391**	**30,442**	**223,696**	**458**	**291,987**
Currency translation effects	(128)	(78)	757	6	557
Additions	7,137	4,088	43,871	0	55,096
Disposals	(3,483)	(4,597)	(15,464)	0	(23,544)
December 31, 2009	**40,917**	**29,855**	**252,860**	**464**	**324,096**
Carrying amount December 31, 2009	**93,931**	**11,574**	**163,943**	**992**	**270,440**
Carrying amount December 31, 2008	**84,414**	**14,255**	**160,652**	**35,486**	**294,807**

Impairment losses on property, plant and equipment totaled EUR 4,445 thousand (2008: EUR 3,007 thousand) and are allocated to depreciation/amortization in the relevant functional areas in the consolidated income statement. Impairment losses were mainly also attributable to property, plant and equipment of certain stores. They were taken after conducting impairment tests.

FINANCE LEASES

Property, plant and equipment includes land amounting to EUR 78 thousand (2008: EUR 147 thousand), which is attributed to the Group's beneficial ownership as per IAS 17. Operating and office equipment is no longer included this year (2008: EUR 6 thousand).

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

in EUR thousand	Payable 2010	Payable 2011 to 2014	Payable after 2014
Minimum lease payments	97	13	0
Discounts	28	4	0
Present value	69	9	0

OPERATING LEASES

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

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

In fiscal 2009, rental expenses in the amount of EUR 114,548 thousand (2008: EUR 104,023 thousand) were recognized for operating leases. Contingent rental expenses totaled EUR 7,546 thousand (2008: EUR 13,424 thousand).

Operating lease payments falling due in subsequent periods and already contractually agreed as of the reporting date are shown under Other disclosures (note (29)).

As in the previous year, the Group did not generate substantial revenues from subleases in the 2009 fiscal year.

12 // OTHER ASSETS

	2009			2008		
in EUR thousand		thereof: current	thereof: non-current		thereof: current	thereof: non-current
Financial assets	16,146	5,725	10,421	22,858	13,488	9,370
Tax refund claims and prepayments	14,621	14,517	104	15,563	15,499	64
Other assets	39,664	35,404	4,260	50,389	44,028	6,361
	70,431	**55,646**	**14,785**	**88,810**	**73,015**	**15,795**

The financial assets include positive fair values from financial derivatives totaling EUR 5,630 thousand (2008: EUR 14,764 thousand).

Impairment losses on other assets in the fiscal year 2009 amounted to EUR 4,585 thousand (2008: EUR 2,403 thousand).

Non-current reimbursement claims from a corporate income tax moratorium were presented under the item non-current tax receivables for the first time on the balance sheet date of December 31, 2009. In the years 2008 and 2007, the corresponding amounts were presented under Other assets. The non-current reimbursement claims stood at EUR 3,731 thousand as of December 31, 2008, and EUR 4,127 thousand as of December 31, 2007. The figures for the prior years have been reclassified for the purposes of comparability.

13 // INVENTORIES

in EUR thousand	2009	2008
Finished goods and merchandise	252,647	300,593
Raw materials and supplies	50,562	77,041
Work in progress	2,769	3,720
	305,978	**381,354**

The carrying amount of inventories recognized at the lower net realizable amount is EUR 100,991 thousand (2008: EUR 109,490 thousand).

14 // TRADE RECEIVABLES

in EUR thousand	2009	2008
Trade receivables	140,074	201,035

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

All recognizable risks are carried by appropriate impairment losses. Specific shortfalls will result in the claims in question being written off.

At December 31, 2009, trade receivables were impaired to EUR 68,364 thousand (2008: EUR 56,180 thousand).

The development of impairment losses on doubtful accounts is as follows:

in EUR thousand	2009	2008
Allowances for doubtful accounts as of January 1	**29,261**	**28,220**
Additions	8,591	8,944
Use	(387)	(2,182)
Release	(6,168)	(5,461)
Currency differences	307	(260)
Allowances for doubtful accounts as of December 31	**31,604**	**29,261**

Any income or expense from allowances on trade receivables is shown under sales and marketing spendings.

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

in EUR thousand	2009	2008
Carrying amount	**140,074**	**201,035**
thereof: neither due, nor impaired	**75,393**	**109,260**
thereof: overdue, but not impaired	**27,920**	**64,857**
≤ 30 days	8,724	26,905
> 30 to 60 days	12,587	22,272
> 60 to 90 days	3,901	11,167
> 90 to 120 days	655	2,645
> 120 to 180 days	209	750
> 180 to 360 days	1,705	1,047
> 360 days	139	71

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

15 // CASH AND CASH EQUIVALENTS

in EUR thousand	2009	2008
Balances with banks and other cash items	112,093	22,656
Checks/ec-cash	14	1
Cash in hand	1,975	1,955
	114,082	**24,612**

16 // SUBSCRIBED CAPITAL

The fully paid-up share capital in HUGO BOSS AG at December 31, 2009, totaled EUR 70,400,000. It is divided into 70,400,000 no-par value bearer shares, and can be broken down as follows:

in EUR thousand	2009	2008
Common shares 35,860,000 shares	35,860	35,860
Non-voting preferred shares 34,540,000 shares	34,540	34,540
	70,400	**70,400**

The Managing Board of HUGO BOSS AG has authorized capital of EUR 35,200,000 at its disposal until May 13, 2014, subject to the consent of the Supervisory Board. Authorized capital allows the Company to increase its share capital on one or more occasions by issuing new common or preferred shares.

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

17 // OWN SHARES

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

	2009	2008
Common shares	528,555	528,555
Share of subscribed capital in %	0.8	0.8
Preferred shares	855,278	855,278
Share of subscribed capital in %	1.2	1.2

A resolution was passed at the Annual Shareholders' Meeting of May 14, 2009 to extend the authorization to acquire own shares through November 13, 2010. This decision of the Annual Shareholders' Meeting has not yet been entered in the commercial register of HUGO BOSS AG.

18 // CAPITAL SURPLUS

The capital reserve contains premiums on the issuance of shares.

19 // RETAINED EARNINGS

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

20 // ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income reflects differences arising from the currency translation of foreign subsidiaries' financial statements with a negative impact on equity of EUR –30,691 thousand (2008: EUR –35,976 thousand) and the effects of the measurement of financial instruments after taxes, neither of which is recognized in income. Deferred tax income not recognized in the income statement amount to EUR 6,712 thousand (2008: EUR 2,466 thousand).

With respect to income and expenses recognized in equity, please refer to the Statement of Comprehensive Income.

21 // DIVIDENDS

In accordance with the German Stock Corporation Act (AktG), the dividend payout to shareholders is based on net retained earnings for the year amounting to EUR 67.9 million as reported in the HUGO BOSS AG financial statements. The dividend proposed to the Annual Shareholders' Meeting for distribution from the net retained earnings of HUGO BOSS AG in 2009 amounts to EUR 66.6 million. This corresponds to EUR 0.96 per common share and EUR 0.97 per preferred share. A proposal will also be made to the Annual Shareholders' Meeting for the dividend amount attributable to own shares of EUR 1.3 million to be carried forward.

In 2009, dividends totaling EUR 94.9 million were paid out for outstanding shares for the fiscal year 2008 (in 2008 for the fiscal year 2007: EUR 445.5 million). This equates to EUR 1.37 (2008: EUR 6.45) per common share, and EUR 1.38 (2008: EUR 6.46) per preferred share.

22 // PROVISIONS

in EUR thousand	**2009**	**2008**
Provisions for pensions	12,433	12,688
Other non-current provisions	20,135	15,196
Non-current provisions	**32,568**	**27,884**
Current provisions	**55,763**	**59,252**
	88,331	**87,136**

Other provisions amounting to EUR 75,898 thousand (2008: EUR 74,448 thousand) comprise current provisions of EUR 55,763 thousand (2008: EUR 59,252 thousand) and other non-current provisions of EUR 20,135 thousand (2008: EUR 15,196 thousand).

Other provisions changed as follows during the fiscal year 2009:

in EUR thousand	**Balance on Jan. 1, 2009**	**Currency differences**	**Addition**	**Use**	**Release**	**Balance on Dec. 1, 2009**
Provisions for personnel expenses	33,497	(13)	22,379	(14,966)	(2,952)	37,945
Costs of litigation, pending legal disputes	5,561	(5)	2,613	(2,326)	(22)	5,821
Miscellaneous provisions	35,390	216	27,571	(28,363)	(2,682)	32,132
	74,448	**198**	**52,563**	**(45,655)**	**(5,656)**	**75,898**

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

Overall, the Company expects that EUR 20,135 thousand (2008: EUR 15,196 thousand) of the provisions for personnel expenses will become due for payment after more than twelve months.

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

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

23 // PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

in EUR thousand	**2009**	**2008**
Provisions for pensions	9,270	9,099
Provisions for similar obligations	3,163	3,589
	12,433	**12,688**

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

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

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

in EUR thousand	2009	2008
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	40,126	33,954
Currency differences	111	1,010
Service cost	6,390	6,598
Interest cost	2,113	1,759
Actuarial losses/gains	2,558	(4,267)
Benefits paid	(2,183)	(2,591)
Past service cost	0	3,515
Other changes in benefit obligation	84	271
Present value of benefit obligation on December 31	**49,199**	**40,249**
Change in plan assets		
Fair value of plan assets on January 1	31,440	24,469
Currency differences	76	784
Netting with plan assets	0	0
Expected return on plan assets	1,372	1,055
Benefits paid	(1,684)	(2,525)
Actuarial gains/losses	795	(150)
Asset Ceiling IAS 19.58	(199)	(3,904)
Other changes in plan assets	8,129	11,712
Fair value of plan assets on December 31	**39,929**	**31,441**
Funding status of the benefits funded by plan assets	**9,270**	**8,808**
Pensions funded by provisions	0	291
Provisions for pensions	**9,270**	**9,099**

Pension expenses consist of service costs for the period, interest expense, expected return on plan assets, actuarial gains and losses, expense based on the asset ceiling pursuant to IAS 19.58, and any other changes in the present value of the benefit obligation and the plan assets.

Since the beginning of fiscal year 2009, HUGO BOSS AG has decided on a different reporting option for the interest expense of claims already acquired, and is allocating it to other financial results. The reporting of the other components in pension expenses remains unchanged and is allocated to the personnel costs of the respective functions in the entity.

The reporting of the comparative figures in the Group's income statement has been adjusted accordingly.

In the years 2008 and 2007, the corresponding amounts were presented under Personnel costs. The net amount of interest expense and the expected income from fund assets was EUR 704 thousand in 2008 and EUR 549 thousand in 2007. The figures for the prior years have been reclassified for the purposes of comparability.

in EUR thousand	2009	2008
Current service costs	6,390	6,598
Interest costs	2,113	1,759
Expected return on plan assets	(1,372)	(1,055)
Actuarial gains/losses recognized	1,763	(4,117)
Asset Ceiling	199	3,904
Past service cost	0	3,515
Pensions expenses for the period	**9,093**	**10,604**

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

in EUR thousand	2009	2008	2007	2006	2005
Present value of benefit obligation	49,199	40,249	33,954	33,955	19,756
Fair value of plan assets	39,929	31,441	24,469	21,305	9,790
Funding status of the benefits funded by plan assets	**9,270**	**8,808**	**9,485**	**12,650**	**9,966**

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

Actuarial assumptions	2009	2008
Discount rate		
Germany	5.30%	6.00%
Mexico [1]	9.00%	–
Switzerland	3.50%	3.50%
Rate of compensation increase		
Germany	1.75%	1.75%
Mexico [1]	0.00%	–
Switzerland	0.00%	0.00%
Expected salary increase		
Germany	0.00%	0.00%
Mexico [1]	4.75%	–
Switzerland	4.00%	4.00%
Expected rate of return on plan assets		
Germany	4.50%	4.50%
Mexico [1]	0.00%	–
Switzerland	3.50%	3.50%

1 Reorganization of pension-like obligations on pension provisions as per IAS 19.

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 year 2009 totaled EUR 1,471 thousand (2008: EUR 1,519 thousand). For fiscal year 2010, the Group expects employee contributions to defined benefit plans to total EUR 1,062 thousand.

Employer contributions to plan assets in the past fiscal year totaled EUR 4,737 thousand (2008: EUR 3,503 thousand), employee contributions EUR 3,671 thousand (2008: EUR 8,136 thousand). For fiscal year 2010, the Group expects employer contributions to plan assets to amount to EUR 3,110 thousand and employee contributions to EUR 2,906 thousand.

Pension obligations for Germany were calculated using biometric principles in accordance with the 2005 G mortality tables compiled by Prof. Dr. Klaus Heubeck. In addition, the assumptions upon which the calculation of pension provisions are based are subject to economic fluctuations, such as interest rate changes. Deviations in the corresponding parameters could have an influence on the present value and fund assets reported on the balance sheet in future periods.

24 // FINANCIAL LIABILITIES

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

in EUR thousand	2009	2008
Non-current financial liabilities	478,516	588,506
Current financial liabilities	43,916	40,169
	522,432	**628,675**

in EUR thousand	2009	With a remaining term up to 1 year	2008	With a remaining term up to 1 year
Financial liabilities due to banks	493,091	14,584	607,729	19,226
Other financial liabilities	29,341	29,332	20,946	20,943
	522,432	**43,916**	**628,675**	**40,169**

Other financial liabilities include liabilities from finance leases in the amount of EUR 78 thousand (2008: EUR 147 thousand) and liabilities from financial instruments with negative fair values totaling EUR 29,263 thousand (2008: EUR 20,799 thousand).

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

FINANCIAL LIABILITIES DUE TO BANKS

	2009		2008	
Remaining term	Weighted average interest rate	Carrying amount (in EUR thousand)	Weighted average interest rate	Carrying amount (in EUR thousand)
up to 1 year	1.69%	14,584	2.70%	19,226
1 to 5 years	1.38%	451,165	3.86%	559,320
more than 5 years	5.67%	27,342	5.67%	29,183

OTHER FINANCIAL LIABILITIES

	2009		2008	
Remaining term	Weighted average interest rate	Carrying amount (in EUR thousand)	Weighted average interest rate	Carrying amount (in EUR thousand)
up to 1 year [1]	6.70%	29,332	6.60%	20,943
1 to 5 years [1]	6.70%	9	6.25%	3
more than 5 years	–	0	5.11%	0

1 Interest rate refers only to finance lease by HUGO BOSS France SAS. The balance of 99.8% consists of non-interest bearing security derivatives.

More information on the objectives, methods and processes of capital management is available in the Management Report in the chapter "Net assets and financial position".

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

			Expected cash flows		
2009 in EUR thousand	**Carrying amount**	**Total cash flows**	**< 1 year**	**1– 5 years**	**> 5 years**
Non-derivative financial liabilities					
Financial liabilities due to banks	493,091	546,980	32,717	498,775	15,488
Liabilities from finance leases	78	78	69	9	0
Derivative financial liabilities					
Freestanding derivatives	2,782	2,782	1,053	1,086	643
Derivatives subject to hedge accounting	26,481	26,481	13,285	13,196	0
Other financial liabilities	0	0	0	0	0
Financial liabilities	**522,432**	**576,321**	**47,124**	**513,066**	**16,131**

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

All financial instruments held as of December 31, 2009 and for which payments were already contractually agreed were included. Forecast figures for new liabilities incurred in the future are not taken into account in this table.

25 // OTHER LIABILITIES

	2009			2008		
in EUR thousand		thereof: current	thereof: non-current		thereof: current	thereof: non-current
Other liabilities	69,200	41,098	28,102	67,966	41,260	26,706
from taxes	[14,981]	[14,981]	0	[15,697]	[15,697]	0
from social security	[4,296]	[4,296]	0	[4,598]	[4,598]	0
	69,200	**41,098**	**28,102**	**67,966**	**41,260**	**26,706**

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

26 // TRADE PAYABLES

in EUR thousand	2009	2008
Trade payables	150,454	124,105

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

27 // ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

Carrying amounts and fair values by class of financial instruments:

in EUR thousand	IAS 39 category	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
Assets					
Cash and cash equivalents	LaR	114,082	114,082	24,612	24,612
Trade receivables	LaR	140,074	140,074	201,035	201,035
Other financial assets		16,146	16,146	22,858	22,858
thereof:					
Freestanding derivatives	FAHfT	5,398	5,398	4,271	4,271
Derivatives subject to hedge accounting	n.a.	232	232	10,493	10,493
Other financial assets	LaR	10,516	10,516	8,095	8,095
Liabilities					
Financial liabilities due to banks	FLAC	493,091	496,724	607,729	611,642
Trade payables	FLAC	150,454	150,454	124,105	124,105
Other financial liabilities		29,341	29,341	20,946	20,946
thereof:					
Liabilities from finance leases	n.a.	78	78	147	147
Freestanding derivatives	FLHfT	2,782	2,782	2,680	2,680
Derivatives subject to hedge accounting	n.a.	26,481	26,481	18,119	18,119
Other financial assets	FLAC	0	0	0	0
Totals for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	264,672	264,672	233,742	233,742
Financial Assets Held for Trading	FAHfT	5,398	5,398	4,271	4,271
Financial Liabilities Measured at Amortised Cost	FLAC	643,545	647,178	731,834	735,747
Financial Liabilities Held for Trading	FLHfT	2,782	2,782	2,680	2,680

The fair value of financial assets and financial liabilities is indicated with the amount for which the relevant instrument could be exchanged in a current transaction between willing parties. The methods and assumptions used in determining fair value are as follows:

Cash and cash equivalents, trade receivables, trade payables and other current liabilities come very close to their carrying value, primarily due to the short maturities of these instruments.

The fair value of bank loans and other financial liabilities, liabilities from financial leases and other non-current financial liabilities is estimated by discounting the future cash flows using similar conditions, credit risks and maturities, and available interest rates currently available for borrowing.

The fair value of financial assets available for sale will be determined, if available, on the basis of market prices in active markets.

The Group enters into derivative financial instruments with various parties, particularly with financial institutions with good credit quality (investment grade). Derivatives valued using an evaluation process with input parameters observable on the market evaluated primarily include interest rate swaps and currency forward contracts. The most frequently used assessment procedures include the forward price and swap models using present value calculations. These models take account of different measures, such as the creditworthiness of counterparties, foreign exchange spot and forward rates, yield curves and forward rates of the underlying commodities.

As of December 31, 2009, the derivative positions are valued at market prices (marked-to-market) minus the allowance for creditworthiness, which is based on the default risk of the counterparty of the derivative. For a derivative from a hedging relationship and other financial instruments recorded at fair value, the changes in credit risk of the counterparty had no significant impact on the assessment of the effectiveness of the hedging relationship.

HIERARCHY OF FAIR VALUES

The Group uses the following hierarchy to determine and report the fair value of financial instruments by valuation method:

Step 1: listed (non-adjusted) prices in active markets for similar assets or liabilities
Step 2: method in which all the input parameters that have a significant impact on the determination of fair value are either directly or indirectly observable
Step 3: method in which the input parameters that have a significant impact on the determination of fair value are not based on observable market data

As of December 31, 2009, step 2 applies to all financial instruments of categories FAHfT and FLHfT and to derivatives with hedging relationships that are valued at fair value.

NET GAINS OR LOSSES BY CATEGORY OF FINANCIAL INSTRUMENTS

in EUR thousand	Interest income ans expenses	Changes in fair value	curreny translations	Bad debt losses	Disposals	2009	2008
Derivatives (FAHfT und FLHfT)	0	5,642	0	0	0	5,642	(18,697)
Loans and receivables (LaR)	1,680	0	2,827	(12,416)	0	(7,909)	241
Financial Liabilities Measured at Amortised Cost (FLAC)	(24,053)	0	(344)	0	0	(24,397)	(32,717)

Interest from financial instruments is reported under net interest income/expense (see note (5) to the consolidated income statement).

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

Gains and losses from the translation of trade receivables and trade payables denominated in foreign currencies and changes in fair value due to exchange rate hedges in operations are reported under sales and variable distribution expenses (see note (2) to the consolidated income statement).

The effects from the change in fair value of the call options to hedge the SAR positions are recognized in personnel expenses and in other financial items (also see note (35) Share-based payments).
The other components of net gains or losses from financial instruments are recognized as other financial items.

OTHER DISCLOSURES

28 // CONTINGENT LIABILITIES

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

in EUR thousand	2009	2008
Contingent liabilities from the provision of collateral for third-party liabilities	3,150	3,459
Other contingent liabilities	0	0
	3,150	**3,459**

29 // OTHER FINANCIAL OBLIGATIONS

2009 in EUR thousand	**Due 2010**	**Due 2011 to 2014**	**Due after 2014**	**Total**
Sum of future minimum lease payments (operating leases)	99,809	254,192	161,378	515,379
Other obligations	7,450	20,951	6	28,407
	107,259	**275,143**	**161,384**	**543,786**
Purchase commitment for investments				
Property, plant and equipment	2,572	0	0	2,572
Intangible assets	645	0	0	645
	3,217	**0**	**0**	**3,217**

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

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

30 // HEDGING POLICIES AND FINANCIAL DERIVATIVES

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

	2009		2008	
in EUR thousand	Nominal amounts	Fair values	Nominal amounts	Fair values
Assets				
Currency hedging contracts	44,676	722	80,739	11,265
Interest hedging contracts	0	0	0	0
Call options (SAR-Hedges)	26,611	4,908	29,987	3,499
Liabilities				
Currency hedging contracts	19,504	(1,756)	13,617	(1,162)
Interest hedging contracts	(313,482)	(27,507)	(286,094)	(19,637)
Call options (SAR-Hedges)	0	0	0	0
	(222,691)	**(23,633)**	**(161,751)**	**(6,035)**

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

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

In addition, financial assets include the fair values of call options to hedge the SAR provisions in the amount of EUR 4,908 thousand (2008: EUR 3,499 thousand).

The fair value of derivative financial instruments recognized includes a fair value of EUR 2,616 thousand (2008: EUR 1,590 thousand) from assets classified as financial assets held for trading.

As of December 31, 2009, expenses totaling EUR –19,537 thousand (2008: income of EUR –7,917 thousand) resulting from the change in fair value of derivative financial instruments were recognized directly in equity in the item accumulated other comprehensive income after deducting deferred taxes. Gains totaling EUR 3,350 thousand (2008: gains of EUR 3,208 thousand) were transferred from accumulated other comprehensive income to profit and loss in the fiscal year 2009.

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

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

Curreny risks

The information required under IFRS 7 on currency risks as well as a corresponding sensitivity analysis are presented in detail in the chapter entitled Risk Report in the Management Report.

Interest risks

The information required under IFRS 7 on interest-rate risks as well as a corresponding sensitivity analysis are presented in detail in the chapter entitled Risk Report in the Management Report.

Risks arising from Sock Appreciation Rights are presented in detail in note (35).

31 // NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

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

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

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

32 // SEGMENT REPORTING

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

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

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

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

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

2009 in EUR thousand	**Europe**[1]	**Americas**	**Asia/ Pacific**	**Royalties**	**Corporate Center**	**Recon- ciliation**	**HUGO BOSS Group**
Total sales	**1,041,260**	**312,710**	**164,690**	**114,633**	**936,456**	**(1,007,886)**	**1,561,863**
Inter-segment sales	6	482	39	70,903	936,456	(1,007,886)	0
External customer sales	1,041,254	312,228	164,651	43,730	0	0	1,561,863
Segment profit	**118,040**	**14,168**	**15,234**	**74,868**	**38,016**	**9,855**	**270,181**
Other interest and similar income	1,919	86	50	393	13,404	(14,172)	1,680
Interest and similar expenses	(7,196)	(3,718)	(2,162)	(315)	(24,860)	14,198	(24,053)
Assets	282,269	162,741	78,357	126,350	1,036,931	(680,931)	1,005,717
Liabilities	(216,461)	(119,471)	(68,969)	(28,341)	(897,943)	502,510	(828,675)
Capital expenditure	**15,288**	**11,567**	**6,234**	**11**	**15,237**	**0**	**48,337**
Depreciation/ amortization	(21,480)	(10,999)	(3,758)	(225)	(25,238)	0	(61,700)
Impairments	(4,160)	(1,060)	(491)	0	(1,724)	0	(7,435)
thereof tangible assets	(1,170)	(1,060)	(491)	0	(1,724)	0	(4,445)
thereof intangible assets	(2,990)	0	0	0	0	0	(2,990)
SAR expenses and hedging	(1,198)	(600)	(101)	(61)	662	0	(1,298)

1 Including Middle East/Africa.

The profit in the respective segments corresponds to EBITDA before special items and therefore does not include the financial result (EUR –21.797 thousand), income taxes (EUR –32.659 thousand), and expenses due to special items (EUR 42.600 thousand), and the impairment losses and depreciation/amortization (EUR 69.135 thousand).

Segment assets do not include deferred tax assets (EUR 45.085 thousand) and current tax receivables (EUR 14.583 million), as these assets are managed at Group level.

Segment liabilities do not include deferred tax liabilities (EUR –16.449 thousand) and current tax payables (EUR –16.709 thousand), as these liabilities are managed at Group level.

2008 in EUR thousand	Europe [1]	Americas	Asia/ Pacific	Royalties	Corporate Center	Recon- ciliation	HUGO BOSS Group
Total sales	**1,170,155**	**306,970**	**162,136**	**132,099**	**1,118,062**	**(1,203,364)**	**1,686,058**
Inter-segment sales	193	0	0	85,109	1,118,062	(1,203,364)	0
External customer sales	1,169,962	306,970	162,136	46,990	0	0	1,686,058
Segment profit [2]	**126,134**	**16,084**	**16,393**	**78,430**	**63,167**	**(11,967)**	**288,241**
Other interest and similar income	757	232	44	1,309	8,271	(8,837)	1,776
Interest and similar expenses	(5,118)	(2,859)	(1,352)	(32)	(27,637)	8,925	(28,073)
Assets	317,486	185,591	74,477	38,421	1,071,423	(571,707)	1,115,691
Liabilities	(226,097)	(135,440)	(62,782)	(13,093)	(862,901)	392,430	(907,883)
Capital expenditure	**38,176**	**21,949**	**6,386**	**59**	**52,211**	**0**	**118,781**
Depreciation/ amortization	(19,290)	(10,133)	(2,086)	(257)	(24,687)	0	(56,453)
Impairments	(3,079)	(1,443)	0	0	0	0	(4,522)
thereof tangible assets	(1,564)	(1,443)	0	0	0	0	(3,007)
thereof intangible assets	(1,515)	0	0	0	0	0	(1,515)
SAR expenses and hedging	791	667	137	27	(12,695)	0	(11,073)

1 Including Middle East/Africa.

2 Previous year value was adjusted. See also detailed explanations concerning Financial Group Statement.

The profit in the respective segments corresponds to EBITDA before special items and therefore does not include the financial result (EUR –42.426 thousand), income taxes (EUR –36.351 thousand), and expenses due to special items (EUR –36.744 thousand), and the impairment losses and depreciation/amortization (EUR –60.975 thousand).

Segment assets do not include deferred tax assets (EUR 43.629 thousand) and current tax receivables (EUR 2.301 thousand), as these assets are managed at Group level.

Segment liabilities do not include deferred tax liabilities (EUR –17.926 thousand) and current tax payables (EUR –36.768 thousand), as these liabilities are managed at Group level.

Because of the homogeneity of the rest of the production range in the distribution segments Europe, America and Asia/Pacific, information on revenues is meaningful only in connection with the brands (as a "Group of similar products" within the meaning of IFRS 8.32). The brands and lines of the HUGO BOSS Group are BOSS Black, BOSS Selection, BOSS Orange, BOSS Green and HUGO. All of these distributed products are summarized under the term clothing/accessories. The brands serve to differentiate the product range. The share of sales of the individual brands and lines can be found in the Management Report in the chapter "Results of Operations in the Fiscal Year 2009".

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

33 // DISCLOSURE OF RELATED PARTY TRANSACTIONS

After Red & Black S.r.l., Milan, acquired the majority of shares in the Valentino Fashion Group, the group of related parties changed. Related parties now include all companies and persons that meet the definition of a related party as set forth in IAS 24.9 with respect to Permira Holdings Limited, Guernsey (until September 21, 2009, Permira LLP, London).

During the reporting period from January 1 to December 31, 2009, there were no transactions with related parties that were subject to reporting requirements.

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

In 2008, HUGO BOSS AG also introduced the "Management Participation Program" (MPP for short), an additional form of share-based compensation for members of the top management. In the context of the MPP, managers can invest indirectly in Red & Black TopCo S.àr.l., which represents a related party as set forth in IAS 24.9.

For further information please refer to note (35).

34 // SUPERVISORY AND MANAGING BOARD

Members of the Supervisory and Managing Board are listed on pages 232 to 235.

On the basis of a resolution passed by the Annual Shareholders' Meeting on May 4, 2006, information on individual compensation is not provided.

The Supervisory Board received total remuneration of EUR 1,427 thousand for its services (2008: EUR 1.154 thousand). This includes a variable component of EUR 695 thousand (2008: EUR 389 thousand) calculated on the basis of earnings per share.

Remuneration for members of the Managing Board in the fiscal year 2009 totaled EUR 4,927 thousand (2008: EUR 5,479 thousand). Of this amount, EUR 2,642 thousand (2008: EUR 2,919 thousand) reflects fixed components and EUR 2,285 thousand (2008: EUR 2,560 thousand) variable components. As in the previous year, this does not include remuneration components with a long-term incentive effect (2008: EUR 0). The fixed salary components paid to members of the Managing Board comprise benefits such as company cars and benefits in kind as well as other equipment and services necessary for Managing Board members to fulfill their duties.
The variable components consist partly of bonuses paid on the basis of the achievement of personal targets as agreed with the Supervisory Board for each Managing Board member and on the achievement of predefined corporate earnings targets.

The current Managing Board members are not eligible to participate in the "Stock Appreciation Rights Program".

Total compensation of EUR 66 thousand (2008: EUR 13,362 thousand) was paid out when Managing Board members left the Company.

In addition, the company also provides pension benefits to some Managing Board members.

The amount of future pension benefits is based on each member's base salary and years of service. In 2009, pension provisions for Managing Board members (excluding sacrificed compensation) were EUR 1,015 thousand (2008: EUR 402 thousand). For active members of the Managing Board, provisions for pension obligations were recognized in the amount of EUR 1,358 thousand (2008: EUR 1,141 thousand). The corresponding plan assets in the form of reinsurance policies amounts to EUR 1,845 thousand (2008: EUR 999 thousand).

The pension obligations for the former members of the Managing Board and their survivors amounted to EUR 835 thousand (2008: EUR 902 thousand). These people received total remuneration during 2009 amounting to EUR 191 thousand (2008: EUR 158 thousand).

In total, members of the Managing Board and the Supervisory Board hold less than 1% (2008: less than 1%) of the shares issued by HUGO BOSS AG.

35 // SHARE-BASED PAYMENTS

"Stock Appreciation Rights Program"

During fiscal year 2001, HUGO BOSS AG introduced a "Stock Appreciation Rights Program" (SAR) for Managing Board members and executives.

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

Due to the additional expenditure for hedging instruments and the possibility of external influences on the share price, the management of HUGO BOSS AG has decided to create new regulations for the "Stock Appreciation Rights Program". For this reason, effective December 14, 2009, all eligible executives were offered the following program changes:

1 / Waiver of participation rights and all rights to tranches issued in the years from 2005 to 2008 against a compensation payment
2 / Adjustment of the exercise conditions of the tranche issued in 2009

The compensation payment for the waiver of the rights to tranches 5 to 8 corresponds 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 during the five trading days immediately preceding December 14, 2009.

To limit the effects arising from extraordinary, unforeseen upward and downward movements in the share price, 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 calls for the compensation 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 at the most EUR 33.20. In addition, after the end of the vesting period the program change allows eligible parties to exercise up to one third of the participation rights of tranche 9 early, effective December 14 of each fiscal year. The first time this was possible was December 14, 2009. In this case, the exercise gain corresponds to the minimum compensation defined above.

The program change permits the extension of the holding period to three years and ends after December 31, 2011. The exercise period is accordingly reduced to two years and ends after December 14, 2013.

Participation rights for tranches 5 to 8 and those of the previous version of tranche 9 that are still held may continue to be exercised after the program change under the regulations governing the original option conditions.

Tranches 5 to 8 of the "Stock Appreciation Rights Program" each have a contractual life of six years. After the initial lock-up period of two years, the four-year exercise period commences.

However, tranche 9, which was issued in the past fiscal year 2009, has a term of five years. The two-year exercise period (three-year exercise period before the program change) begins at the end of the vesting period of three years (two years before the program change).

Participation rights in tranches 5 to 8 may be exercised if growth in the market capitalization of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the lock-up period or during the exercise period. The so-called exercise hurdle does not apply to participation rights in tranche 9.

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

In order to limit the risk arising from share price fluctuations in connection with the “Stock Appreciation Rights 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 year 2008.
Under the terms of this program, HUGO BOSS AG acquired term-equivalent US call options for HUGO BOSS preferred shares from independent banks in the first quarter of fiscal year 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.

When SARs are exercised by employees, the corresponding call options are sold back to the issuing bank. This balances the outflow of funds from the exercise of SARs with the inflow of funds from the sale of call options, and thus offsets the effects on cash flow. The revocation or renunciation of SARs also leads to a sale of the corresponding 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. Deviations result from the pro rata structure of the corresponding provision for SARs in the lock-up period (first two or three years) pursuant to IFRS 2.

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

As of December 31, 2009, the earnings effect of additions to and revaluations of SAR provisions and the valuation effect of the corresponding hedging transactions reported in personnel expenses amounted to EUR 4,565 thousand.

The earnings reported in the financial result for the valuation and sale of hedging transactions for which SAR provisions have not yet been or are no longer recognized amounted to EUR 3,267 thousand.

For fiscal year 2009, this resulted in total expenses of EUR 1,298 thousand (2008: EUR 11,073 thousand) for the “Stock Appreciation Rights Program”. The provision recognized for the participation rights amounted to EUR 4,322 thousand as of December 31, 2009 (2008: EUR 2,583 thousand). The provision for exercisable option rights amounted to EUR 1,655 thousand as of December 31, 2009 (2008: EUR 656 thousand). The derivatives that function as hedges recorded a fair value of EUR 4,908 thousand (2008 EUR 3,499 thousand) as of the reporting date.

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

	Tranche 5	**Tranche 6**	**Tranche 7**	**Tranche 8**
Date of Issue	February 2005	February 2006	January 2007	January 2008
Strike Price (EUR) pre special dividend	25.38	32.59	39.08	42.11
Strike Price (EUR) post special dividend	22.14	28.43	34.09	36.74

The "Stock Appreciation Rights Program" showed the following changes during 2009 and 2008:

	2009	**WASP 2009** [1] (EUR)	**2008**	**WASP 2008** [1] (EUR)
Number of SARs on Jan. 1	2,602,910	32.80	2,222,100	33.54
Newly granted SARs	490,900	11.80	1,040,000	36.74
Forfeited SARs			(226,800)	33.68
Ausgeübte Optionsrechte	(42,173)	17.02	(482,800)	25.19
Exercised SARs	(808,244)	30.32		
Expired SARs	(1,073,728)	31.67		
Number of SARs on May 8, 2008 (pre special dividend)			2,552,500	32.69
Number of SARs on May 9, 2008 (post special dividend)			2,925,165	32.69
Forfeited SARs			(290,167)	32.54
Exercised SARs			(32,088)	24.81
Number of SARs on Dec. 31	1,169,665	27.31	2,602,910	32.80
Number of SARs exercisable on Dec. 31	552,945	31.12	633,738	24.93

1 WASP= Weighted Average Strike Price.

The weighted average stock price at the time the options were exercised was EUR 21.76 (2008: EUR 35.45).

The weighted average contract term for the outstanding share options as of December 31, 2009 amounted to 3.33 years (2008: 4.01 years).

The strike prices for the stock appreciation rights outstanding as of the end of the reporting period ranged between EUR 11.80 and EUR 36.74 (2008: EUR 14.83 and EUR 36.74).

Management Participation Program

In the context of the "Management Participation Program" (for short: MPP), which was introduced in 2008, members of the Managing Board and second-tier executives can invest indirectly in Red & Black TopCo S.à r.l. by making a payment. Because Red & Black TopCo S.à r.l. holds 100% of the shares of Valentino Fashion Group S.p.A. directly. In addition to the indirect investment in HUGO BOSS, the management at HUGO BOSS AG would invest not only 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 (for short: MPP KG). The company agreement was signed for an indefinite period of time, but at least until the end of 2024. MPP KG has a 1.516% stake in the profits of Red & Black TopCo S.à.r.l. In the event of an initial public offering or the sale of Valentino Fashion Group S.p.A. and HUGO BOSS Group (hereinafter "exit"), MPP KG may also participate strongly in the exit profits if certain conditions are met ("ratchet"). The participation right in these profits is a result of a pro-rata rated 5-year vesting period.

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

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

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

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

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

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

The MPP did not influence the profit or loss for the period of the HUGO BOSS Group in fiscal year 2009, as no transactions that would have needed to be measured at fair value have been carried out since MPP was established.

As a result of the MPP, no financial assets or liabilities were recognized as of the reporting date of December 31, 2009.

36 // EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date (December 31, 2009), no events have occurred that have had a material impact on the Group's financial performance or financial position.

37 // GERMAN CORPORATE GOVERNANCE CODE

The Managing and Supervisory Board of HUGO BOSS AG submitted the declaration of compliance prescribed by Section 161 of the German Stock Corporation Act (AktG) in December 2009. The declaration is available to shareholders on the Company's website.

38 // AUDITOR'S FEE

The auditor's fee for fiscal year 2009 amounted to EUR 636 thousand (2008: EUR 655 thousand), of which EUR 512 thousand (2008: EUR 572 thousand) related to audit services, EUR 37 thousand (2008: EUR 21 thousand) to tax advisory services, and EUR 87 thousand (2008: EUR 62 thousand) to other certification or assessment services.

This information on the auditor's fee refers to the auditors of the consolidated financial statements and the KPMG companies in Germany and abroad associated with them via KPMG Europe LLP. The group of KPMG Europe LLP companies expanded in 2009.

39 // LIST OF SHAREHOLDINGS

(in EUR thousand) Company	Head Office	Earnings 2009	Earnings 2008	Equity 2009	Equity 2008
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands	50	305,420	651,709	651,659
HUGO BOSS Internationale Beteiligungs-GmbH	Metzingen, Germany	0	0	524,800	524,800
HUGO BOSS AG [1,2]	Metzingen, Germany	56,875	329,376	494,417	547,268
HUGO BOSS International B.V. [3]	Amsterdam, Netherlands	75,261	176,926	174,622	105,225
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland	33,791	38,897	60,894	66,364
HUGO BOSS USA, Inc. [4]	Wilmington, DE, USA	(5,365)	762	39,504	45,666
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands	16,452	15,902	38,463	37,911
HUGO BOSS S.p.A.	Como, Italy	8,691	989	27,124	18,433
HUGO BOSS Trade Mark Management GmbH & Co. KG	Metzingen, Germany	74,162	79,196	24,120	22,842
HUGO BOSS Hong Kong Ltd.	Hong Kong	7,676	12,525	21,852	17,787
HUGO BOSS International Markets AG	Zug, Switzerland	12,760	17,405	17,586	20,977
HUGO BOSS Textile Industry Ltd.	Izmir, Turkey	(453)	5,711	12,997	13,450
HUGO BOSS UK Limited	London, Great Britan	8,998	11,123	12,751	6,986
HUGO BOSS Canada, Inc.	Toronto, Canada	(2,277)	(2,369)	12,459	7,190
HUGO BOSS France SAS	Paris, France	(120)	1,940	12,435	14,055
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia	0	0	12,363	12,363
HUGO BOSS Australia Pty. Ltd.	Preston, Australia	1,385	1,736	10,022	7,871
HUGO BOSS Italia S.p.A.	Milan, Italy	(5,488)	(1,447)	8,144	13,633
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy	(3,252)	1,076	4,965	8,217
HUGO BOSS (Schweiz) AG	Zug, Switzerland	4,118	4,078	4,328	4,959
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil	102	113	3,340	2,466
HUGO BOSS Belgium BVBA	Diegem, Belgium	870	908	2,292	2,422
HUGO BOSS Mexico S.A. de C.V.	Mexico City, Mexico	427	966	2,053	2,387
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium	732	(536)	1,962	1,230
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands	790	(309)	1,674	884
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, P.R. China	268	240	1,650	1,424
HUGO BOSS Switzerland Retail AG	Zurich, Switzerland	129	263	1,466	1,324
HUGO BOSS Dienstleistungs GmbH	Metzingen, Germany	(44)	(31)	1,382	1,415
HUGO BOSS China Retail Co. Ltd.	Shanghai, P.R. China	(212)	(1,139)	1,261	(925)
MSC Poland Sp.z.o.o.	Radom, Poland	(192)	(58)	1,231	1,418
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland	(10)	(3)	1,219	1,228
HUGO BOSS Nordic ApS	Copenhagen, Denmark	1,648	(1,710)	1,016	(632)
HUGO BOSS Scandinavia AB	Stockholm, Sweden	305	4,595	2,896	5,046
HUGO BOSS Mexico Management Services S.A. de C.V.	Mexico City, Mexico	123	88	357	231

(in EUR thousand)		Earnings		Equity	
Company	**Head Office**	**2009**	**2008**	**2009**	**2008**
HUGO BOSS Magazacilik Ltd. Sti. (formerly: HUGO BOSS Outlet Magazacilik Limited Sirketi)	Izmir, Turkey	(176)	(67)	345	521
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany	1	10	31	30
HUGO BOSS Merchandise Management GmbH	Metzingen, Germany	0	(1)	24	24
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG	Metzingen, Germany	(2)	(2)	4	6
HUGO BOSS Beteiligungsgesellschaft mbH	Metzingen, Germany	0	0	(116)	(116)
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG	Grünwald, Germany	33	21	(238)	(271)
GRAMOLERA Grundstücks-Vermietungs-gesellschaft Objekt Ticino mbH	Grünwald, Germany	(769)	0	(744)	0
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG	Grünwald, Germany	24	(54)	(2,823)	(2,847)
HUGO BOSS Portugal & Companhia (formerly: HUGO BOSS Portugal, Unipessoal, Lda.)	Lisbon, Portugal	(5,619)	(1,368)	(4,833)	(4,213)
BIL Leasing Verwaltungs-GmbH & Co. 869 KG	Pullach, Germany	(276)	(1,182)	(5,479)	(5,203)
HUGO BOSS Japan K.K.	Tokyo, Japan	(11,671)	(4,035)	(22,021)	(11,090)
HUGO BOSS Benelux B.V. CIA, S.C (formerly:HUGO BOSS España S.A.)	Madrid, Spain	(12,705)	(22,294)	(33,177)	(20,472)

1 Earnings include income from profit transfer agreements amounting to EUR 34 thousand and income from long-term equity investments amounting to EUR 72,884 thousand.
2 Due to the merger of HUGO BOSS Germany Retail GmbH to HUGO BOSS AG in 2009 previous year figures were adjusted.
3 Earnings include dividends receipts amounting to EUR 91,093 thousand (2009) and EUR 191,149 thousand (2008).
4 Subgroup financial statements.

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 to 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 section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Valentino Fashion Group S.p.A., Milan, Italy (until May 1, 2008 trading under the name of Red & Black S.p.A., Milan, Italy), registered in the company register Milan on June 26, 2007 under the number 05786030964:

  1. On May 1, 2008 Valentino Fashion Group S.p.A., Milan, Italy registered in the company register on February 15, 2005 under the number 047403870962 (hereinafter 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% and 3% on August 4, 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 Nominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l., Valentino Fashion Group S.p.A and V.F.G. International N.V. pursuant to section 22 paragraph 1 sentence 1 no. 1 in 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-vier-sechs 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

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

MANAGING BOARD

Claus-Dietrich Lahrs Stuttgart, Germany	Chairman of the Managing Board Responsible for Sales, Retail, Licenses and Communications
Christoph Auhagen Ratingen, Germany	Responsible for Brand and Creative Management Member of the Managing Board since December 1, 2009
Mark Langer Stuttgart, Germany	Responsible for Controlling, Finance, Legal Affairs, HR and IT Director for Labor Relations Member of the Managing Board since January 15, 2010
Dr. Andreas Stockert Stuttgart, Germany	Responsible for Purchasing, Production and Logistics Member of the Managing Board since June 1, 2009

André Maeder Stuttgart, Germany	Responsible for Retail, Sales and Marketing Member of the Managing Board until January 31, 2009
Hans Fluri Pfaeffikon, Switzerland	Responsible for Purchasing, Production, Logistics and IT Member of the Managing Board until February 28, 2009
Norbert Unterharnscheidt Ulm, Germany	Responsible for Controlling, Finance, Legal Affairs, HR and IT Director for Labor Relations Member of the Managing Board until January 15, 2010

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
Gianluca Andena Lodi, Italy	Managing Director Permira Associati S.p.A., Milan, Italy until February 20, 2010
Gert Bauer Reutlingen, Germany	First Authorized Representative of the German Metalworkers' Union (IG Metall), Reutlingen/Tübingen, Germany Employee representative
Helmut Brust Bad Urach, Germany	Director of Outlet Germany HUGO BOSS AG, Metzingen, Germany Employee representative
Fabrizio Carretti Milan, Italy	Principal Permira Associati S.p.A., Milan, Italy until February 20, 2010
Olaf Koch Ingersheim, Deutschland	Chief Financial Officer Metro AG, Düsseldorf, Germany until February 20, 2010
Ulrich Gasse Bad Soden, Germany	Attorney at law, Principal Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany until February 20, 2010
Susanne Gregor Reutlingen, Germany	Head of OPR Clothing Man HUGO BOSS AG, Metzingen, Germany Employee representative since January 20, 2009

Rainer Otto Langen, Germany	Secretary of the German Metalworkers' Union (IG Metall), Frankfurt/Main, Germany Employee representative until July 1, 2009
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 since July 24, 2009
Damon Buffini Surrey, England	Managing Director Permira Advisers LLP, London, England since February 21, 2010
Luca Marzotto Venice, Italy	Chief Executive Officer Zignago Holding S.p.A., Fossalta di Portogruaro, Italy since February 21, 2010
Gaetano Marzotto Milan, Italy	Chairman of the Supervisory Board Gruppo Santa Margherita S.p.A., Milan, Italy since February 21, 2010
Dr. Klaus Maier Stuttgart, Germany	Management Consultant since February 21, 2010

ADDITIONAL INFORMATION ON THE DUTIES OF SUPERVISORY BOARD AND MANAGING BOARD MEMBERS

The following members of HUGO BOSS' Supervisory Board also hold positions on bodies at the companies specified below:[1]

Dr. Hellmut Albrecht	MME Moviement AG[2]	Munich, Germany
	Pro-Beam AG & Co. KGaA[2]	Planegg, Germany
Gianluca Andena	CMA S.àr.l.	Luxembourg, Luxembourg
	Dinosol Supermercados SL	Madrid, Spain
	Permira Asesores SL[2]	Madrid, Spain
	Permira SGR S.p.A.	Milan, Itay
	Valentino Fashion Group S.p.A.	Milan, Italy
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Fabrizio Carretti	Valentino Fashion Group S.p.A.	Milan, Italy
	Valentino S.p.A.	Milan, Italy
Olaf Koch	Metro Finance B.V.	Venlo, Netherlands
	Metro Reinsurance N.V.	Diemen, Netherlands
	Metro Euro Finance B.V.	Venlo, Netherlands
	Assevermag[2]	Baar, Switzerland
	MGP (Metro Group Account Processing International AG)[2]	Baar, Switzerland
	MIAG (Metro International AG)[2]	Baar, Switzerland
Monika Lersmacher	Berthold Leibinger GmbH	Ditzingen, Germany
Dr. Klaus Maier	Diehl Stiftung & Co. KG	Nuremberg, Germany
Gaetano Marzotto	Zignago Holding S.p.A.	Fossalta di Portogruaro, Italy
	Santa Margherita S.p.A.[2]	Fossalta di Portogruaro, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
	CFI (Comitato Fiere Industria)	Florence, Italy
	Valentino Fashion Group S.p.A.	Milan, Italy
Luca Marzotto	Zignago Holding S.p.A.	Fossalta di Portogruaro, Italy
	Santa Margherita S.p.A.	Fossalta di Portogruaro, Italy
	New High Glass Inc.	Miami, FL, USA
	Federvini - Sindacato A[2]	Rome, Italy
	Verti Speciali S.p.A.	Trento, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
	Banca Popolare Friuladria S.p.A.	Pordenone, Italy
Dr. Martin Weckwerth	Valentino Fashion Group S.p.A.	Milan, Italy

1 The members not mentioned have no seats on executive or adivsory bodies at any other companies.

2 Holding the post of Chairman.

The financial statements of HUGO BOSS AG are published in the electronic German Federal Gazette (eBundesanzeiger), filed with the Commercial Registry at the Stuttgart Local Court and published on the HUGO BOSS webpage.

Metzingen, March 8, 2010

HUGO BOSS AG
The Managing Board

RESPONSIBILITY STATEMENT – CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Metzingen, March 8, 2010

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer
Dr. Andreas Stockert

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the HUGO BOSS AG, Metzingen, comprising the balance sheet, the income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to § 315a sec. 1 of the German Commerical Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related Internal Control System and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 9, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Göttgens	**Gloß**
Wirtschaftsprüfer	Wirtschaftsprüferin

05
ADDITIONAL

The following pages contain a glossary explaining the main business and company terminology used in the annual report and consolidated financial statement.

The index will help you to find the most important figures.

We will naturally keep you informed in future about further Group developments by using appropriate events and publications to do so, the dates of which can be found in the financial calendar.

CONTENTS

GENERAL INFORMATION

Our Company's performance is best refl ected 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, Germany

Phone +49 (0) 7123 94 - 1326
E-mail 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.

FINANCIAL CALENDAR AND CONTACTS

APRIL 12, 2010	ANNUAL PRESS AND ANALYST CONFERENCE IN METZINGEN
APRIL 29, 2010	REPORT ON THE FIRST QUARTER OF 2010
JUNE 21, 2010	ANNUAL SHAREHOLDERS' MEETING IN NÜRTINGEN
JULY 29, 2010	REPORT ON THE FIRST HALF OF 2010
NOVEMBER 2, 2010	REPORT ON THE FIRST NINE MONTHS OF 2010

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REQUEST FOR ANNUAL AND INTERIMS REPORTS	FAX.	+49 (0) 7123 94 - 2051
	WWW.	WWW.HUGOBOSS.COM/ANNUALREPORT

GLOSSARY

A – L

B

BRAND

Both BOSS and HUGO are brands of the HUGO BOSS Group (cf. Line)

C

COLLECTION

A collection is a group of products offered to the customer for sale at the same time. HUGO BOSS develops, produces and distributes two main collections (abbreviated to MC) annually, one in summer and one winter, and two pre collections (abbreviated to PC).

CORPORATE CENTER

Company-wide grouping of central procurement, production, research and development activities, and other central functions.

CORPORATE GOVERNANCE

Corporate Governance refers to the values and principles of responsible business management and control that are designed to achieve long-term added value. In Germany, corporate governance principles are set down in the "German Corporate Governance Code". The set of rules constitutes the main legal provisions relating to the management and control of quoted German companies and includes recognized international and national standards for good and responsible business management.

COVENANTS

Clauses in a loan agreement or (subsidiary) agreements. They are contractually-binding confirmations given by a borrower for the term of a loan agreement. They generally relate to the observation of upper and/or lower limits for certain key financial performance indicators. As a condition of its syndicated loan, the HUGO BOSS Group must meet certain key performance indicators such as minimum capital, a certain interest coverage ratio and a key financing strength ratio of net debt to operating profit (EBITDA before special items) every quarter.

D

DIRECTLY OPERATED STORES AND SHOPS (DOS)

Group's own retail business in the form of stores (cf. stores) or shops (cf. shops). In these outlets the Group acts as tenant, owner, employer and retailer of HUGO BOSS products.

E

EBITDA ADJUSTED

Earnings before Interest, Taxes, Depreciation and Amortization. Special items are not included.

EBITDA MARGIN

This is the ratio of EBITDA to sales revenue.

F

FRANCHISE

Form of cooperation with the retail trade. The franchisor (HUGO BOSS) supplies goods to the franchisee for the latter to sell on their own account, employing their own capital. The franchisor determines marketing policy to a large extent himself and retains the right to issue instructions and exercise control.

G

GROUP'S OWN RETAIL BUSINESS

The sale of HUGO BOSS products directly to consumers through directly-operated stores and shops (DOS), in contrast to distribution via wholesalers.

L

LINE

Four separate lines have been established within the BOSS core brand, namely the BOSS Black, BOSS Orange, BOSS Green and BOSS Selection lines, aimed at different target groups (cf. Brand).

GLOSSARY

M – Z

N

NET WORKING CAPITAL

Net working capital is calculated using total assets less debt, provisions and deferred income.

P

POINTS OF SALE (POS)

All businesses where HUGO BOSS products are sold (Store, Shop, Online Store) are Points of Sale.

PREORDER

Orders received for future delivery. Every season, retailers order goods to be displayed in HUGO BOSS showrooms (Collection) some 3 to 7 months in advance of delivery. In addition, goods can be re-ordered irrespective of season using the HUGO BOSS stock list.

R

ROYALTIES

Permission to use somebody else's trademark for commercial purposes, against payment of a sum of money (license fee). Licensing enables the licensor to benefit from the expertise and distribution-structure of the licensee. HUGO BOSS distributes watches and jewellery, perfumes, cosmetics and children's clothing under license.

S

SEASON

A collection is developed, sold, produced and delivered over a particular period of time (season).

SEGMENTS

Under IFRS 8, 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 (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, licenses and the Corporate Center.

SHOP/SHOP IN SHOP

Shops are areas within a retail business (department store, etc.) operated by a trading partner. HUGO BOSS Shop-in-Shops exclusively sell HUGO BOSS products with the matching Shop concept. Shops can be operated as HUGO BOSS' own DOS or as franchise shops.

SHOWROOM

Space in which the collection is presented. The customer comes to the showroom to view a collection and places his order.

SPECIAL ITEMS

HUGO BOSS defines costs associated with the strategic realignment of the Group and the associated reorganization of the Group's own retail businesses, the global consolidation of production sites and showroom areas as special items.

STORES (ALSO FREESTANDING STORES)

A store is a POS with its own entrance, selling exclusively HUGO BOSS products with the appropriate shop concept. Stores can be operated directly by the Group (cf. DOS) or as franchises (cf. Franchise).

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← **HUGO BOSS 5-YEAR-OVERVIEW**
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HUGO BOSS 5-YEAR-OVERVIEW

in EUR million
Results of operations
Sales
EBITDA[1]
EBITDA before special items[1]
EBIT[1]
EBIT before special items[1]
Net income
Personnel expenses
Employees[2]
Financial Position and Dividend
Cash flow
Free cash flow before dividend
Capital expenditure
Depreciation/amortization
Dividends[3]
Special dividends
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Total assets
Shareholders' equity[4]
Net working capital[5, 6]
Non-current assets[6]
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Adjusted EBITDA margin (in %)[1, 8]
EBIT margin in %
Return on sales after taxes in %
Return on equity in %[9]
Equity ratio in %
Shares (in EUR)
Dividend per share[3]
common stock
preferred stock
Special dividend per share
common stock
preferred stock
Earnings per share
common stock
preferred stock
Cash flow per share
Common stock[10]
highest price
lowest price
Preferred stock[10]
highest price
lowest price

1 2008: Value was adjusted. See also detailed explanations concerning Financial Group Statement.
2 Average for the year acc. to HGB/capacities on the reporting date acc. to IFRS.
3 2009: Recommendation for dividend payment.
4 Incl. 50% of special untaxed reserves.
5 Inventories and receivables less trade payables.
6 2008: Value was adjusted. Non-current corporate income tax regrouped from other current assets to non-current assets.
7 Export share including foreign royalties income.
8 EBITDA before special items/Sales.
9 Group incoome related to average equity.
10 Frankfurt/Main floor.

2009	2008	2007	2006	2005
1,561.9	1,686.1	1,632.0	1,495.5	1,309.4
227.5	251.8	287.7	233.4	204.2
270.2	288.2	275.3	–	–
158.4	190.8	220.3	184.4	162.9
206.3	227.2	207.9	–	–
104.0	112.0	154.1	128.7	108.2
331.4	352.8	299.7	277.8	238.2
9,027	9,593	9,123	8,441	7,584
172.8	172.2	218.6	175.5	153.9
299.1	35.9	25.8	60.3	106.9
48.3	118.8	84.7	98.5	76.6
69.1	61.0	67.4	49.0	41.3
66.6	94.9	100.4	82.5	70.2
–	–	345.1	–	–
1,065.4	1,161.6	1,039.3	943.1	854.0
201.8	199.0	546.4	494.4	467.8
223.0	391.9	397.4	298.7	279.5
435.0	463.0	400.5	397.9	360.6
80.2	78.9	77.9	76.8	75.7
17.3	17.1	16.9	–	–
10.1	11.3	13.5	12.3	12.4
6.7	6.6	9.4	8.6	8.3
51.4	33.7	29.2	26.2	23.8
18.9	17.1	52.6	52.4	54.8
0.96	1.37	1.45	1.19	1.00
0.97	1.38	1.46	1.20	1.01
–	–	5.00	–	–
–	–	5.00	–	–
1.50	1.62	2.22	1.84	1.54
1.51	1.63	2.24	1.86	1.55
2.45	2.45	3.11	2.49	2.19
23.28	40.39	55.40	41.70	32.60
8.57	7.32	38.26	28.60	21.00
29.12	42.60	49.69	40.40	31.50
8.46	9.04	38.65	28.84	21.10