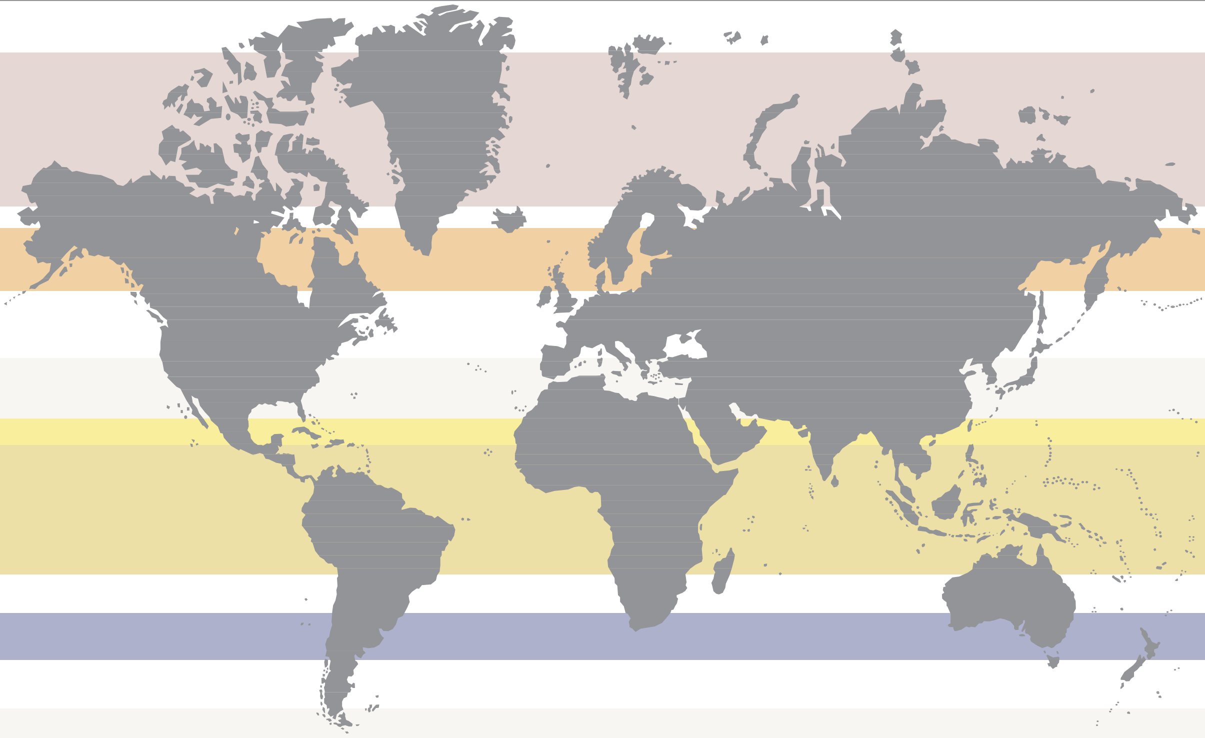
HUGO BOSS

Annual Report 2002



5,000

Points of Sale

581

mono-brand shops

108

countries

Own showrooms in

17

countries

HUGO BOSS

Annual Report 2002

HUGO BOSS Ten–Year Summary

EUR mill.	2002 IAS[1]	2001 IAS[1]	2001 HGB[2]	2000 HGB[2]
Earnings Position				
Sales	1,093.4	1,094.7	1,094.7	923.4
Operating income	118.6	167.4	162.0	163.5
Consolidated net income	74.7	117.6	106.6	109.0
adjusted[3]	–	107.7	–	99.1
Personnel expenses[4]	158.2	149.3	149.7	123.1
Employees[5]	4,754	4,240	4,240	3,394
Financial Status and Dividend				
Cash flow	105.1	150.6	141.9	125.7
adjusted[3]	–	140.7	–	115.8
Free cash flow before dividend	61.0	(46.8)	(26.3)	17.8
Additions to fixed assets	68.4	95.6	73.7	36.6
Depreciation[6]	32.2	29.4	30.6	22.8
Dividend	53.1	53.1	53.1	49.5
Special dividend	–	–	–	43.9
Asset and Liability Structure				
Balance sheet total	766.0	756.8	661.7	501.2
Shareholders' equity[7]	390.7	375.3	320.9	305.4
Fixed assets	219.5	199.8	159.5	115.8
Current assets	509.4	528.5	485.1	370.2
Key Figures				
Foreign sales in %[8]	74.8	72.9	71.6	69.5
EBIT margin in %	10.8	15.3	14.8	17.7
Return on sales after taxes in %	6.8	10.7	9.7	11.8
adjusted[3]	–	9.8	–	10.7
Return on equity in %[9]	18.9	30.9	33.2	41.3
adjusted[3]	–	28.3	–	37.5
Equity ratio in %	51.0	49.6	48.5	60.9
Shares (in EUR)				
Dividend per share				
Common stock	0.75	0.75	0.75	0.70
Preferred stock	0.76	0.76	0.76	0.71
Special dividend per share				
Common stock	–	–	–	0.62
Preferred stock	–	–	–	0.62
Earnings per share[10]	1.06	1.53[3]	1.52	1.33
Cash flow per share	1.49	2.14	2.02	1.79
adjusted[3]	–	2.00	–	1.65
Common stock				
highest price	26.10	33.80	33.80	29.50
lowest price	7.60	13.70	13.70	10.20
Preferred stock				
highest price	29.45	39.20	39.20	38.50
lowest price	8.20	15.10	15.10	10.56

[1] International Accounting Standards.
[2] German GAAP (Handelsgesetzbuch).
[3] Figures adjusted for the tax effect of the special dividend.
[4] Adjusted for non-recurring and extraordinary items.
[5] Average for the year.
[6] Including write-offs of financial assets.
[7] Incl. 50% of special untaxed reserves.
[8] Export share incl. foreign royalties income.

1999 HGB[2]	1998 HGB[2]	1997 HGB[2]	1996 HGB[2]	1995 HGB[2]	1994 HGB[2]	1993 HGB[2]
752.9	683.6	581.0	508.9	460.6	438.2	432.7
109.8	96.1	89.7	66.4	58.5	56.1	55.6
56.5	49.7	42.1	38.9	29.7	26.8	39.1
–	–	–	33.2	–	–	24.8
100.5	91.7	80.4	76.3	71.3	74.6	72.6
2,581	2,195	2,055	2,147	2,104	2,027	2,132
73.0	63.8	57.6	49.6	36.6	38.3	53.2
–	–	–	43.9	–	–	38.9
33.5	(2.6)	18.8	22.5	46.5	18.7	60.9
46.9	29.8	43.9	17.7	11.6	8.1	6.9
19.4	13.3	12.0	8.9	6.5	6.7	8.7
28.4	24.8	20.9	15.0	13.7	11.4	7.8
–	–	–	18.7	–	–	38.4
369.5	333.5	297.2	248.6	215.9	189.0	202.6
223.0	185.7	160.1	146.7	121.6	104.2	125.6
100.6	81.3	68.0	37.8	32.9	33.5	33.9
260.4	248.8	225.5	207.4	180.8	151.0	164.4
63.6	61.7	63.5	64.0	62.1	61.1	58.4
14.6	14.1	15.4	13.1	12.7	12.8	12.8
7.5	7.3	7.2	7.6	6.4	6.1	9.0
–	–	–	6.5	–	–	5.7
27.6	28.8	27.4	29.0	26.3	23.3	35.8
–	–	–	25.3	–	–	24.3
60.4	55.7	53.9	59.0	56.3	55.1	62.0
0.40	0.35	0.29	0.21	0.19	0.16	0.11
0.41	0.36	0.30	0.22	0.20	0.17	0.11
–	–	–	0.27	–	–	0.55
–	–	–	0.27	–	–	0.55
0.85	0.71	0.66	0.50	0.45	0.40	0.33
1.04	0.91	0.82	0.71	0.52	0.54	0.76
–	–	–	0.62	–	–	0.55
12.70	18.45	11.16	9.18	6.02	5.52	4.65
9.26	10.23	8.13	5.58	4.60	4.09	2.17
14.30	19.99	11.95	9.30	5.72	5.02	4.37
9.53	10.97	8.37	5.59	4.29	3.49	1.81

[9] Consolidated net income in relation to the average shareholders' equity.
[10] 2001–2002 based on IAS; prior to 2001 based on DVFA/SG
("Deutsche Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbachgesellschaft").

Dear Stakeholders,

A mood of general uncertainty underlies today's zeitgeist. People are practicing caution and self-restraint.

Times like these demonstrate how important powerful brands are. How they restore a sense of security, embodying value and continuity.

HUGO BOSS too has gained from its strength and international reputation, and from the widespread respect it enjoys among retailers and customers alike.

Despite a shrinking global market, our 2002 sales have remained stable, enabling us to extend our shares of almost all of our major markets. People are now buying HUGO BOSS products in 108 countries around the world.

Given the backdrop of anxiety in the financial and business worlds, this represents an impressive accomplishment, one that fills us with fresh hope for the future.

2003 will remain a challenge. Nevertheless, we are fully expecting to outperform the market this year as well. BOSS Woman will be given high priority: following a transitional year in 2002, we are aiming to reach profitability in the second half of this year. And with that, we will be adding a new dimension to HUGO BOSS and cementing a platform for future growth.

Systematic brandbuilding, uncompromising quality and innovative thinking have rendered HUGO BOSS one of the world's most successful fashion companies.

The current management team feels duty bound to uphold this brand philosophy. We remain confident of emerging stronger than ever from the current market vacillations.

Our company's exceptional standing has been achieved by people who are utterly dedicated to their work. They bring creativity to design, excellence to production and logistics, professionalism to marketing and sales, and efficiency to management.

On behalf of the Management Board I wish to express my appreciation to all our employees for their exemplary commitment.
The success of HUGO BOSS is their success.

Bruno Sälzer
Chair of the Management Board

Supervisory Board

Dr. Giuseppe Vita
Berlin
– Chairman –

Jean F. de Jaegher
Brussels
Deputy Chair of the Board of Directors
Marzotto S.p.A., Valdagno (Italy)
– Deputy Chairman –

Werner Baldessarini
Riederich
(member since May 28, 2002)

Innocenzo Cipolletta
Rome
Chair of the Board of Directors
Marzotto S.p.A, Valdagno (Italy)
(member until May 28, 2002)

Antonio Favrin
Portogruaro, Venezia
Deputy Chair of the Board of Directors
and Chief Executive Officer,
Marzotto S.p.A., Valdagno (Italy)
(member since May 28, 2002)

Peter Haupt
Metzingen
Administrative staff member
– Staff Representative –

Dr. Norbert Käsbeck
Bad Soden
Former member of the Management
Board at Commerzbank AG
(member until May 28, 2002)

Roland Klett
Metzingen
Administrative staff member
– Staff Representative –

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

Michele Norsa
Milan
General Manager of Fashion Division
Marzotto S.p.A., Valdagno (Italy)
(member since May 28, 2002)

Antonio Simina
Metzingen
Tailor
– Staff Representative –

Management Board

Dr. Bruno E. Sälzer
Reutlingen
Chair of the Management Board
since May 28, 2002
Responsible for Sales and Trade Marketing
Member of the Management Board
since November 1, 1995

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

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

Werner Baldessarini
Riederich
Chair of the Management Board
until May 28, 2002
Responsible for Creation and Marketing

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


Dr. Werner Lackas, Dr. Bruno E. Sälzer, Lothar Reiff, Jörg-Viggo Müller (l. to r.)

Parameters of the HUGO BOSS Shares

	2002	2001
Number of shares	**70,400,000**	**70,400,000**
common shares	35,860,000	35,860,000
preferred shares	34,540,000	34,540,000
Earnings per share	**1.06**	**1.53**[3]
Dividend per share		
common share	0.75	0.75
preferred share	0.76	0.76
Year-end share price		
common share	9.25	21.75
preferred share	9.61	23.40
Share price		
common share		
high	26.10	33.80
low	7.60	13.70
preferred share		
high	29.45	39.20
low	8.20	15.10
Market capitalization (in EUR mill.)		
high	1,953.1	2,566.0
low	555.8	1,012.8
Price-earnings ratio[1]		
high	28	26
low	8	10
Dividend yield[2]		
high	2.6%	1.9%
low	9.3%	5.0%

[1] Reporting date 12/31/02 closing price preferred share.
[2] Based on maximum/minimum prices of preferred shares.
[3] Adjusted for the fiscal effect of the special dividend.

Type of share: no-par-value share certificates

Security Code Numbers
– common share: 524550
– preferred share: 524553

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

Stock Exchanges
Xetra, Frankfurt, Stuttgart, Hanover, Düsseldorf, Hamburg, Munich, Bremen (preferred shares only)

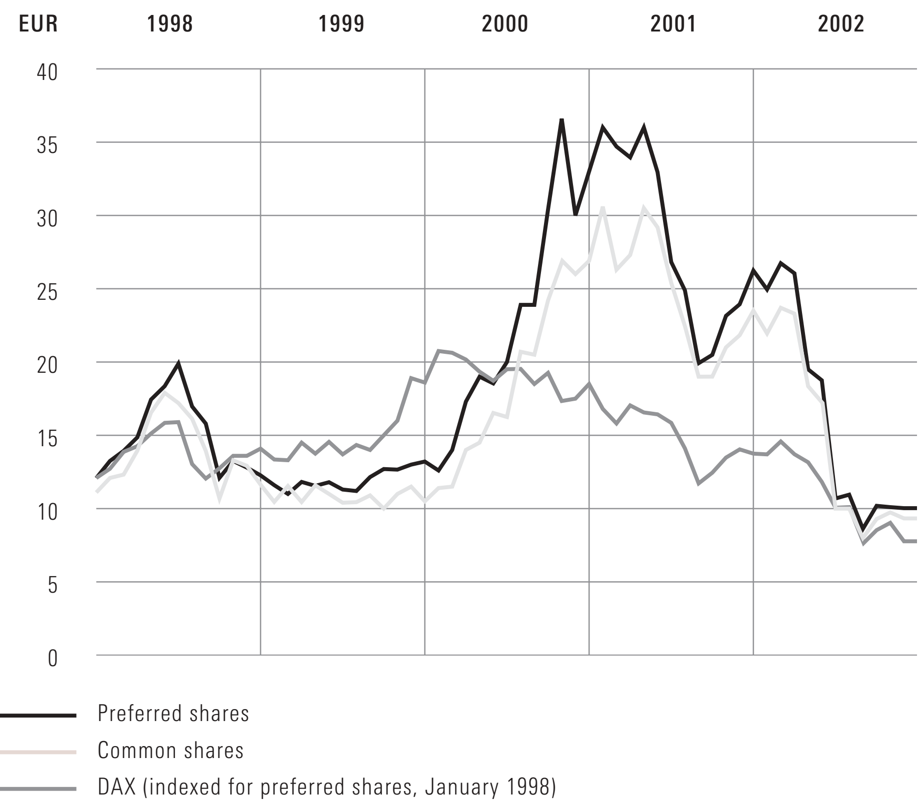
The HUGO BOSS Shares

2002 a difficult year for stock exchanges

The 2002 financial year will be remembered as one of the poorest in the history of the stock market. A global economy that deteriorated rapidly during the course of the year, accounting scandals that rocked investor confidence and terrorism-related anxieties prompted declines in share prices across the board. As a result the DAX, Germany's primary share index, lost approximately 44% of its value during the year. The MDAX fell by 30%, while the European STOXX 50 (–35%) and the U.S. indexes Dow Jones (–17%) and NASDAQ (–31%) also closed with losses.

In this environment, HUGO BOSS AG shares experienced the perhaps most difficult year in their history. Despite this, preferred shares grew in value by some 12%, peaking at over EUR 26.00 in the period leading up to the Balance Sheet Press Conference at the end of March 2002. However, at the end of May and in mid-June, the Management Board was compelled to lower its earnings forecast for the current financial year on two occasions. This proved necessary given the weak economic parameters and unforeseen extraordinary adjustments to projected earnings in the U.S. Not least, the development of BOSS Woman continued to disappoint market expectations.

Share Price Development



Intensive communication with investors and analysts underscoring the company's fundamental good health helped to stabilize its share prices. At the end of the year, HUGO BOSS shares were priced at approximately EUR 9.61.

However, on a year-by-year comparison, this represented a decline of 59% in preferred shares. The price of the common shares followed a similar pattern (–57%).

At the end of the financial year, the market capitalization of HUGO BOSS AG totaled EUR 664 million (2001: EUR 1,588 million). With a market capitalization of some EUR 270 million, the preferred stock placed sixty-third on the DAX 100, the index of the 100 largest listed stock corporations as published by Deutsche Börse AG. Based on trading turnover, the preferred shares ranked forty-eighth. Comparisons with the previous year are impeded by the equal treatment of preferred and common stock practiced by the Deutsche Börse in 2001.

In light of the strength of HUGO BOSS, the marked decline in share prices appears exaggerated. Given the low valuation and positive prospects for the future, the share prices offer considerable potential for improvement, and any investment is effectively secured by a high dividend yield.

Major improvement in free cash flow

In a value-oriented corporation like HUGO BOSS AG, dividends are determined by commercial success and liquidity. Given the EUR 108 million rise in free cash flow and the third best result in corporate history, the Management and Supervisory Boards will be proposing another high dividend payment to the Shareholders' Meeting (EUR 0.75 per common share and EUR 0.76 per preferred share). This would translate into a rise in the dividend yield to 8.1% for common shares (preferred shares: 7.9%).

Financial statements drawn up according to IAS

The global capital markets are demanding increasing transparency and international comparability. HUGO BOSS has responded by adopting the International Accounting Standards (IAS) as its reporting system. For the first time, all the figures for 2002 and the previous year are based on IAS.

Inclusion in Deutsche Börse's premium segment

The adoption of IAS is a precondition for inclusion in the new premium segment of the Deutsche Börse. HUGO BOSS AG applied for the new Prime Standard listing, and was admitted to the segment at the start of 2003. As part of the new Deutsche Börse index orientation implemented at the end of March 2003, the MDAX was reduced from 70 to 50 equities. Given their market capitalization and compliance with other stringent stipulations, HUGO BOSS AG preferred shares have been retained within the MDAX.

Investor relations work intensified

Management Board members and the Investor Relations department maintained regular contacts with analysts and investors, providing information on business developments in fiscal 2002.

Participation in numerous investment and luxury goods conferences inside and outside Germany, over 20 roadshows at all the key international financial centers, plus over 150 individual meetings represent a marked intensification of investor relations activities.

At the present time, HUGO BOSS AG shares are actively monitored and analyzed by some 20 German and international banks.

In regular telephone conferences and numerous in-depth interviews, the international financial markets were given direct access to the Group’s top executives. Sustaining this dialog is a key component of investor relations work at HUGO BOSS AG. The company’s shares were recommended by many analysts even during the phase when prices were falling.

Stock appreciation rights program for executives and Management Board members

During 2001, HUGO BOSS AG introduced a stock appreciation rights program; its goal is to facilitate company executives’ participating in the long-term increase in company value and thereby cement their links with the company.

As part of this program, members of the Management Board and other executives within the Group and its subsidiaries are accorded participation rights. These entitle participants to financial benefits, but not to HUGO BOSS AG shares.

Every tranche in the program has a two-year waiting period and a further two years in which the option can be exercised. The return is keyed to the difference between the striking price and the market capitalization reflecting the average prices of the two HUGO BOSS AG classes of stock during the five trading days preceding the date of exercise. The striking price represents the market capitalization based on the average of the two share prices during the 20 trading days preceding the date of issue.

More information on the Internet

Detailed information on the company, its shares and products is available on the Internet. To provide even more comprehensive and up-to-date information for private and institutional investors, we are continuously expanding our online services.

In the future we will be broadcasting events for analysts on the corporate website and posting them for download in the Investor Relations section.

Share Ownership (December 31, 2002)

	Number	in %
Majority shareholder: Marzotto S.p.A.		
Total shareholding	**35,854,128**	**50.9**
common shares	28,242,128	78.8
preferred shares	7,612,000	22.0

Stable shareholder structure

The Marzotto Group's share of HUGO BOSS stock is 50.9% (35,854,128 units). The Marzotto Group holds 78.8% of common shares (28,242,128 units) and 22.0% of the preferred stock (7,612,000 units). We are not otherwise aware of any single investor holding voting rights exceeding five percent. Accordingly, some 78% of preferred shares and 21% of common shares are distributed broadly among investors. Major share packages are held by institutional investors around the globe.

Although the number of small, private investors dominates in the total number of shareholders, they hold only a fraction of the total share capital.

Corporate Governance at HUGO BOSS AG

Background

On February 26, 2002, the Government Commission on German Corporate Governance introduced a code containing standards for the responsible management and supervision of publicly listed companies. Its purpose is to increase the transparency of the German Corporate Governance system and promote investors' trust in the governance of listed German stock corporations.

The legislators also recognized a need for reform in this context. The (German) Law on Transparency and Disclosure (Transparenz- und Publizitätsgesetz, TransPubG) was enacted on July 26, 2002, establishing a statutory framework for the German Corporate Governance Code.

Basis

This legislation has led to the incorporation of a new Section 161 in the (German) Stock Corporation Law (Aktiengesetz), which mandates that members of the management and supervisory boards at listed stock corporations must report each year on their enterprise's present and future compliance with the Code, thereby specifying which if any of its recommendations are not being implemented.

In respect to this requirement, which applies for the first time to 2002, the report can be confined to stating that the recommendations will be complied with (in the future) or citing recommendations which are not being put into practice.

The German Corporate Governance Code regulates the following areas:

– Shareholders and the General Meeting
– Cooperation between Management Board and Supervisory Board
– Management Board
– Supervisory Board
– Transparency
– Reporting and Audit of the Annual Financial Statements

Application of the Corporate Governance Code at HUGO BOSS AG

The Management and Supervisory Boards at HUGO BOSS AG view the recommendations and suggestions of the German Corporate Governance Code as making an important contribution toward promoting international confidence in the management and supervision of publicly listed companies and the dual board system. We therefore embrace the German Corporate Governance Code, whose provisions are appropriate, practice-oriented and balanced. The Code details globally recognized standards for good and responsible corporate management and therefore deserves strong, sustained support.

HUGO BOSS Aktiengesellschaft has carefully assessed its compliance with the recommendations of the German Corporate Governance Code. This review has revealed that, in addition to the relevant existing statutory requirements, HUGO BOSS has been in compliance with the overwhelming majority of the Code's recommendations and suggestions for some time. In the case of recommendations which had not yet been implemented, we have – with very few exceptions – instituted corresponding measures. Following are the only recommendations which have not been put into practice:

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

At December 31, 2002, the share capital of HUGO BOSS AG was divided into 35,860,000 voting common shares and 34,540,000 nonvoting preferred shares. This division exists for historical reasons. In 1985 the former owners of the company initially issued preferred shares. In order to do better justice to the various needs of the market participants, common shares were listed in 1987; the nominal capital remained unchanged.

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

This recommendation has not been implemented. HUGO BOSS AG covers the D&O risk in its own interest by taking out appropriate property and liability insurance for the members of its executive bodies, which also encompasses coverage for the Supervisory Board members; the costs are borne by the company.

A substantial deductible, which would perforce be standardized due to the dictates of equality, would lead to marked discrepancies for the Management and Supervisory Board members in question, depending on their own private incomes and financial circumstances; in light of equal obligations, this cannot be regarded as fair and just.

– "Compensation of the members of the Supervisory Board ... takes into account the responsibilities and scope of tasks of the members of the Supervisory Board as well as the economic situation and performance of the enterprise." (5.4.5 Para. 1 of the Code). "Members of the Supervisory Board shall receive fixed as well as performance-related compensation." (5.4.5 Para. 2 of the Code).

It is the task of the Supervisory Board to regularly advise and supervise the Management Board in the management of the enterprise. It is consulted on decisions of fundamental importance to the enterprise. The compensation of the Supervisory Board members at HUGO BOSS AG as set forth in the Statutes takes into account the responsibilities and scope of tasks of the members of the Supervisory Board. The chair and deputy chair positions in the Supervisory Board are considered, as are chairmanship and membership in the committees. In further fulfillment of the requirements of the German Corporate Governance Code, the Management and Supervisory Boards will request that the upcoming

Shareholders' Meeting of May 27, 2003, approve the introduction of performance-related compensation for the Supervisory Board which also contains components keyed to the long-term success of the enterprise.

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

HUGO BOSS AG takes advantage of the opportunity to draw on the expertise of its Supervisory Board members on specific subjects. This cooperation is performed at conditions which are customary in the industry and which would also apply to comparable transactions with third parties. We have disclosed the total sum of the compensation paid to members of the Supervisory Board in the notes to the consolidated statements in accordance with IAS 24. We see no need for a more extensive, individualized presentation.

At the next Shareholders' Meeting on May 27, 2003, the Management and Supervisory Boards will propose that a series of amendments to the Statutes be resolved to establish compliance with the recommendations of the Corporate Governance Code.

Declaration of Compliance pursuant to Section 161 of the (German) Stock Corporation Law (Aktiengesetz)

The Management Board and the Supervisory Board of HUGO BOSS AG have submitted the following declaration, which shall be made permanently accessible to the shareholders on the company's homepage:

Update of the declaration of Managing Board and Supervisory Board of HUGO BOSS AG in accordance with Sec. 161 AktG in conjunction with Sec. 15 EG AktG:

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

The Managing Board and Supervisory Board of HUGO BOSS AG declare in accordance with Sec. 161 AktG:

"HUGO BOSS AG complies with the performance recommendations for the stock management and supervision of the Government Commission appointed by the German Government "German Corporate Government Kodex" as published in the electronic Federal Bulletin of 26.11.2002 with exception to its Sec. 2.1.2, 3.8 subclause 2, 5.4.5 subclause 1 (partial), subclause 2 and 3.

The Managing Board and Supervisory Board will apply for amendments of the following articles in the articles of association at the next Annual Shareholders' Meeting on May 27, 2003: A para. 3, C para. 6 (3), D para. 8 (2), (3), para. 12 (3), E para. 13 (2) and F para. 18 (2)."

Metzingen, January 2003

The HUGO BOSS Group

HUGO BOSS transforms zeitgeist into fashion, setting trends in the process.
HUGO BOSS embodies creativity and innovation.
HUGO BOSS is the leader among international fashion groups.
Our goal is to further consolidate this market position and grow with our brands – brands that stand for complete lifestyle collections with a strong, unmistakable character.

BOSS Man

Black, Orange and Green – these labels present three independent collections tailored to various needs and wants.

Black Label

The Black Label Collection offers genuine value for money: fine materials, meticulous workmanship in every detail, and the confidence of always being perfectly dressed, above and beyond short-lived trends. For every occasion – whether in the office, out and about, or at formal events.

Orange Label

This is “urban sportswear” at its best, far removed from the office: fresh, casual and unconventional. Fashion for individualists in dependable, hallmark BOSS quality.

Green Label

Featuring intelligent details and perfect cuts, each and every collection piece optimally fulfills its function Hard-wearing quality for dynamic, achievement-oriented athletes and active outdoor performance.

BOSS Woman

A perfect parallel to Black Label from BOSS Man: contemporary clothing in outstanding quality that always fits the occasion. Anytime, anywhere. The BOSS Woman customer has her own, personal philosophy of life: she is self-assured, emotive and open-minded. The collection itself is multi-facetted, offering sophisticated business looks, feminine eveningwear and casual leisure outfits – a depth and breadth designed to answer modern woman’s diversified needs.

HUGO

HUGO is more than an avant-garde collection. HUGO is a feeling: cosmopolitan, success-oriented and body-conscious. Business and leisure wear for women and men, with every collection brimming with fresh innovation: unseen looks, unconventional details, hot new materials.

BALDESSARINI

“I have the simplest tastes. I’m always satisfied with the best.” – This Oscar Wilde quotation captures the essence of the BALDESSARINI collection. Exquisite fabrics and superb craftsmanship for the most discerning dressers. The luxurious Collection has now been supplemented by selected lavish home accessories.

Royalties

Textile and non-textile accessories enhance the collections of all the brands. They round out the world of HUGO BOSS as a lifestyle group. During the year ended, they contributed substantially to the positive development of brand sales.

One highlight of 2002 was the international launch of the BOSS women’s watches, which were very well received. In addition, the highly successful introduction of the two fragrances “BOSS in Motion” and “BALDESSARINI” has made HUGO BOSS the worldwide leader in fragrances.

Creation and production

The HUGO BOSS creative team distills prevailing trends and translates these into new fashion statements and collection themes for each new season. It then collaborates with the model team to produce prototypes of each collection piece. Cutting-edge CAD technology is used to create the first collection, which is then reproduced in the various HUGO BOSS production plants. This way faithful samples can be presented to buyers in the Group’s showrooms around the world.

In addition, HUGO BOSS is actively engaged in developing innovative face fabrics of its own – thus ensuring exclusivity of color, design and finish.

To guarantee optimum production quality, the production equipment is customized, and layout planning and technical outfitting for production facilities are specified. HUGO BOSS quality control ensures excellent and internationally consistent quality – from the initial idea through to the finished product.

Communication

The HUGO BOSS communication and marketing strategy is keyed to a globally consistent corporate and brand presentation. Coordinated by Group headquarters in Metzingen, seven PR agencies and thirteen PR units within the subsidiaries provide local communication support in the core markets.

Corporate communication leverages reports, interviews, press releases and press conferences to publicize the HUGO BOSS Group's corporate activities and strategic decisions on a global scale. Complementing the mandatory stock corporation disclosures, the balance sheet press conferences, shareholders' meetings, and regular publication of business results form further key components of corporate communication.

Brand communication focuses on supporting and promoting the images of the BOSS, HUGO and BALDESSARINI brands. Brand awareness is heightened by interviews with designers, as well as photo spreads and editorials in international fashion and lifestyle media. For this purpose, several press collections are compiled which best present the collection theme. In addition, film and VIP wardrobing is particularly instrumental in bringing the brands to life.

The website at www.hugoboss.com covers all areas of corporate communication, serving as a source of both general information and current reports on the Group's activities. Moreover, each of the brands – with their various product groups – is showcased individually on the site.

Advertising campaigns and media planning

To visualize the HUGO BOSS brands and the current campaign themes, advertising campaigns are developed for each season to be used in print media around the world.

International media planning is coordinated centrally by HUGO BOSS headquarters in cooperation with professional media agencies. This ensures a globally consistent advertising presentation in the key lifestyle and fashion magazines. TV commercials are additionally leveraged to promote the successful HUGO BOSS fragrances.

Sponsorship

The HUGO BOSS commitment to culture focuses on contemporary visual arts. The juxtaposition with our understanding of fashion creates an exciting, inspiring synergy between the twin worlds of art and fashion. This interaction underscores our aesthetic message, making a strong contribution to the positive image of the HUGO BOSS brands.

In the past eight years, the Group has organized numerous notable exhibitions. In conjunction with the Guggenheim Foundation, we have also established the HUGO BOSS PRIZE, which has come to enjoy considerable international renown. The prize is now featured at the new site www.hugobossprize.com, which has already garnered several design awards.

Our sports sponsorship activities also gain from the mutual image transfer. The company is active in Formula One and Champ Car racing, tennis, skiing, golf and boxing. All of these sports epitomize and graphically communicate the values of our core brand BOSS, which embodies internationalism, perfection and success. The many years of cooperation with the West McLaren Mercedes Team have led to the creation of a special Formula One Collection – exclusive outfits for all the members of the team.

Events

Fascinating events sensualize the HUGO BOSS brand world and appeal directly to our target groups. With fashion shows, Shop openings and special sponsorship events in global capitals, we provide unforgettable experiences that promote sustained emotional brand loyalty.

Trade marketing

Trade marketing activities dramatize HUGO BOSS brands at the POS and support retailers with a diverse range of promotional activities.

In addition to decorating retail areas for the individual brands around the world, we develop seasonal window-decoration concepts and the promotional and advertising tools required at the consumer interface. Dealer events and a professional seminar program for Shop managers and salespeople round out the trade marketing services provided.

This strategy testifies to the HUGO BOSS commitment to innovation and secures a consistent brand presentation, while simultaneously assisting retailers in their efforts to differentiate and distinguish HUGO BOSS products from competing brands.

Distribution policy

The HUGO BOSS Group has succeeded in further consolidating its international market presence. In Australia the remaining 50% of the joint venture shares were purchased. New subsidiaries were established in Belgium, Denmark and Sweden. In smaller markets, HUGO BOSS either serves its customers directly from the Metzingen headquarters or relies on its successful cooperation with experienced trade representatives. The uniquely close connection to both customers and markets ensures a competent alignment to local conditions.

The distribution policy we pursue with our retail partners is keyed to long-term cooperation and the sustained enhancement of our brand profile and reputation. Beyond the sophisticated presentation of our brands, service and comprehensive customer care number among the main tasks entrusted to our retail partners. Our distribution strategy focuses on supplying selected specialty stores and mono-brand Shops that are designed and managed according to a standardized concept.

HUGO BOSS Shops

We want our customers to do more than wear our clothes; they should experience them. This begins the moment they enter the Shop. That's why distinctive Shop concepts have been developed for the brands BOSS, HUGO and BALDESSARINI, ensuring optimum merchandise display and hence promoting sales.

Generally operated on a long-term franchise basis, the mono-brand Shops play a pivotal role in product presentation. Sharing a consistent design worldwide, they offer the ideal showcase for our brands – and provide incalculable benefits in marketing terms.

e-Business

Following the initiation of B2B activities in 2001, HUGO BOSS moved forward with full implementation during the year under review. Direct intranet access enables our trading partners to place and trace warehouse orders directly and to retrieve current information on stocks and availability. Moreover, the e-sales activities serve to optimize processes and increase flexibility in the long term. This in turn reduces distribution costs and, most importantly, promotes customer loyalty and customer satisfaction.

Strategy

HUGO BOSS is currently represented in 108 countries and therefore offers its collections in all the world's key markets. These collections successfully combine widespread availability with exclusivity and sophistication. This nexus forms the foundations on which the Group's market position and profitable growth will be sustained and enhanced.

Shops

There are currently 511 Shops run on a franchise basis and 70 operated directly by HUGO BOSS. Consequently, we are planning to continue the expansion of this distribution channel in the future. The objective is to open 20 to 30 new franchise Shops and 10 to 20 directly operated mono-brand stores (DOS) every year around the globe. These DOS venues will enable us to react more swiftly and more specifically to new market trends and therefore refine our retail concept for maximum efficiency.

Product ranges extended

BOSS Woman

BOSS Woman activities were successfully relocated to Metzingen during the 2002 financial year. This established the platform for profitable growth in the attractive women's fashions market, where sales are nearly double the figure for the menswear segment. With an optimized women's collection and improved fit, we expect to achieve the break-even mark in the second half of 2003. BOSS Woman ranks as a core factor within the HUGO BOSS growth strategy.

Four seasons concept

The fashion market has come to demand new collections at ever shorter intervals. In response, HUGO BOSS is enhancing its existing two-season system by adding two interim season collections – a concept that has already proven successful for the HUGO brand in the 2001 financial year. This enables trade to present a more up-to-date selection of merchandise to end customers.

Textile product groups integrated

With the goal of sustaining further growth, HUGO BOSS is in the process of leveraging and extending its core textile competence. The product groups bodywear, socks and knitwear – which were previously managed by licensing partners – are being integrated into the company's own organization in 2003/2004. These steps will not only bolster our strategy of sustained growth, but also improve our flexibility in reacting to market and customer demands and increase profitability.

In the non-textile sector, we will continue to cooperate with licensing partners to expand product groups such as fragrances, watches and eyewear.

Ongoing improvements to infrastructure

A market-oriented enterprise like HUGO BOSS stands out by virtue of its heightened flexibility. It is equipped to respond both rapidly and reliably to changing market requirements. Efficient logistics and state-of-the-art, integrated IT systems are crucial to mastering these challenges. In this sense, HUGO BOSS will continue to improve its infrastructure on an ongoing basis.

BOSS Woman

fashion event

Düsseldorf

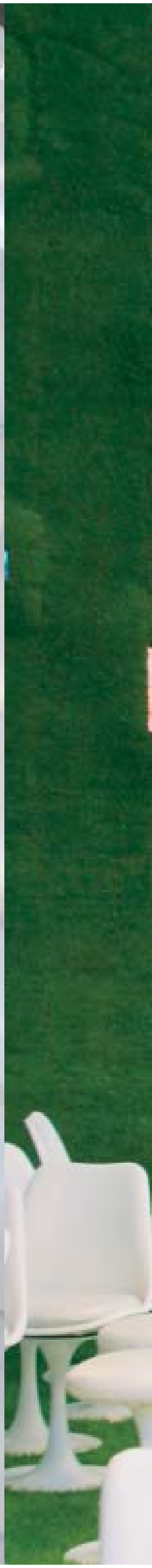
August 3, 2002

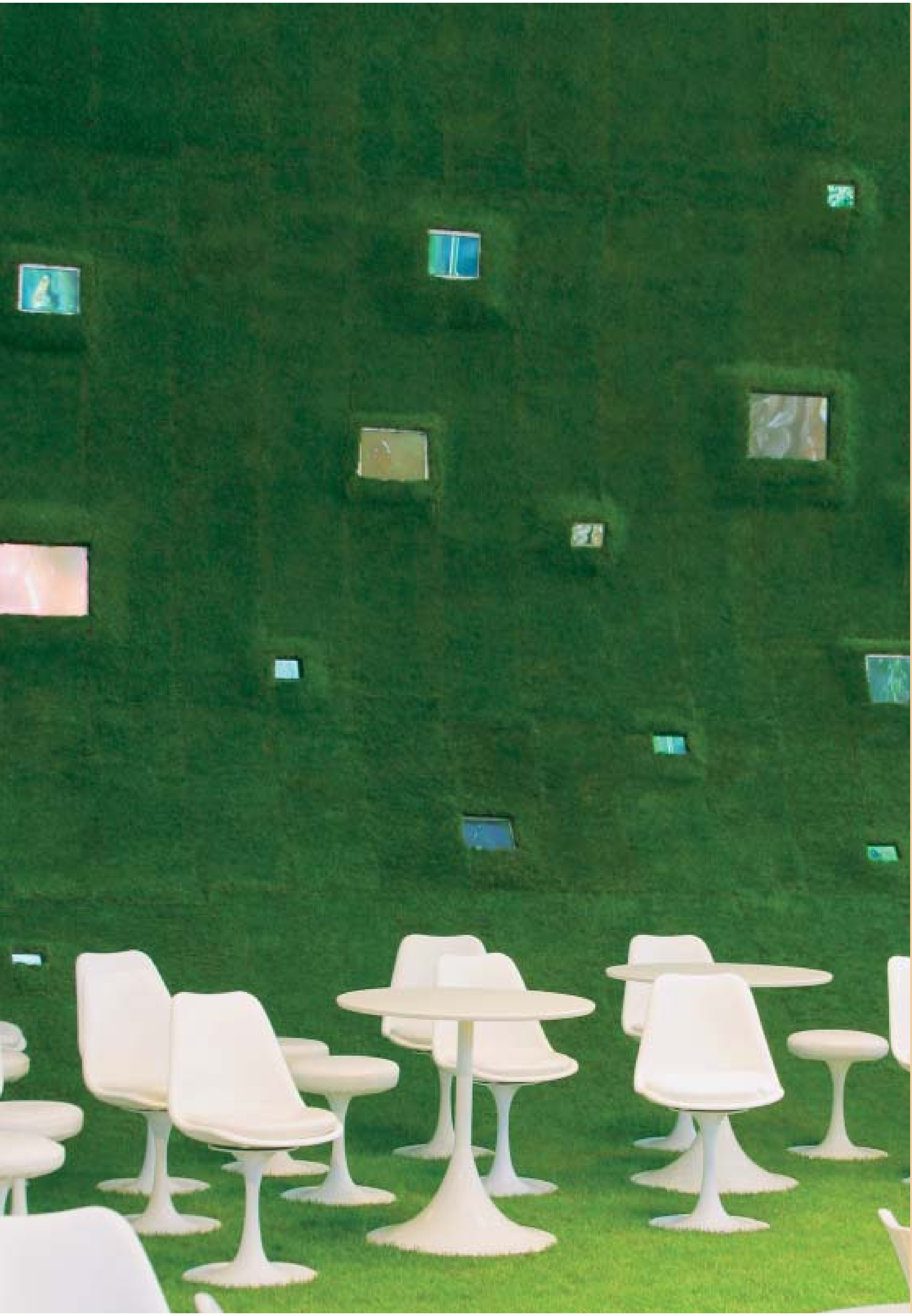
1,500

guests

62

BOSS Woman looks





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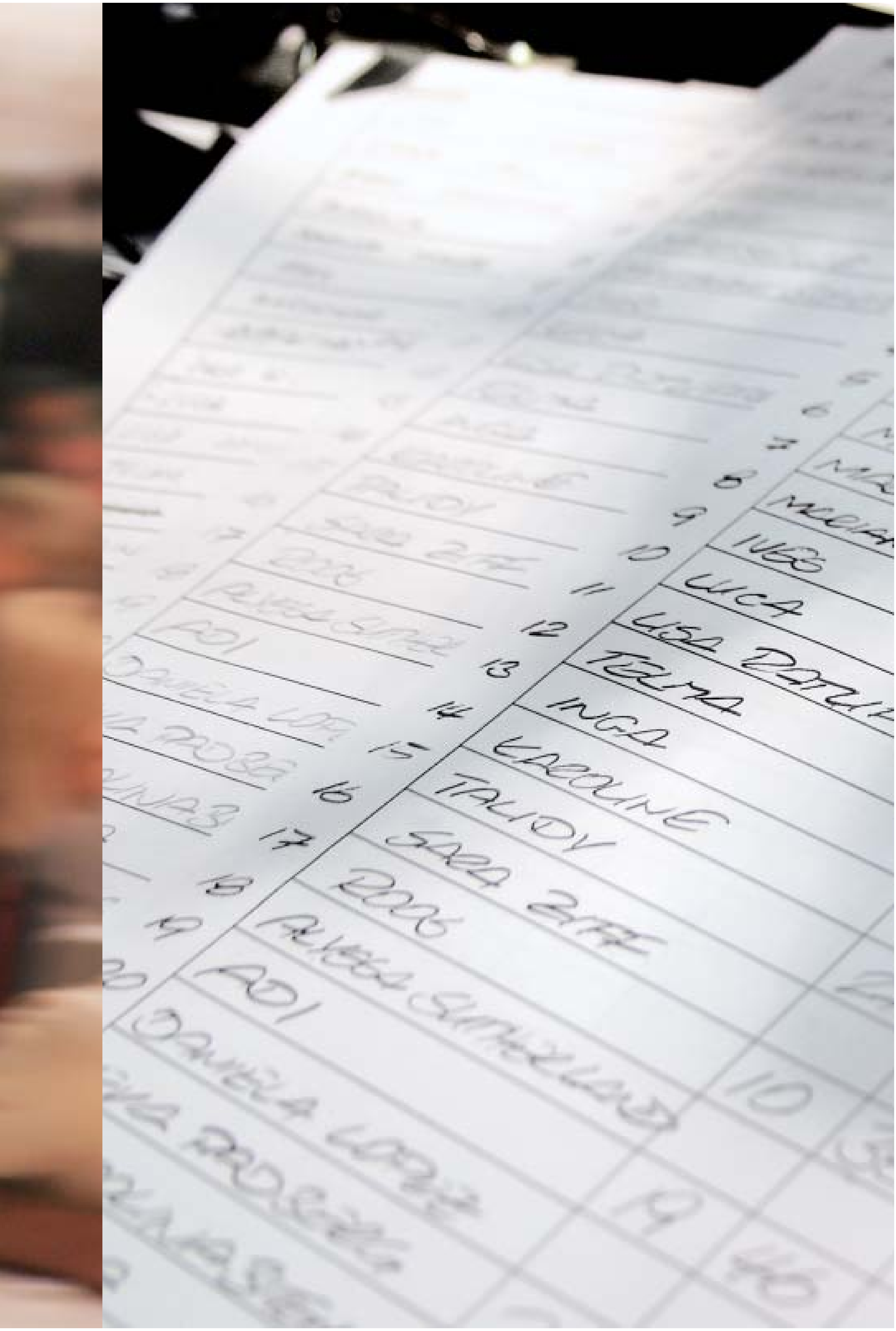
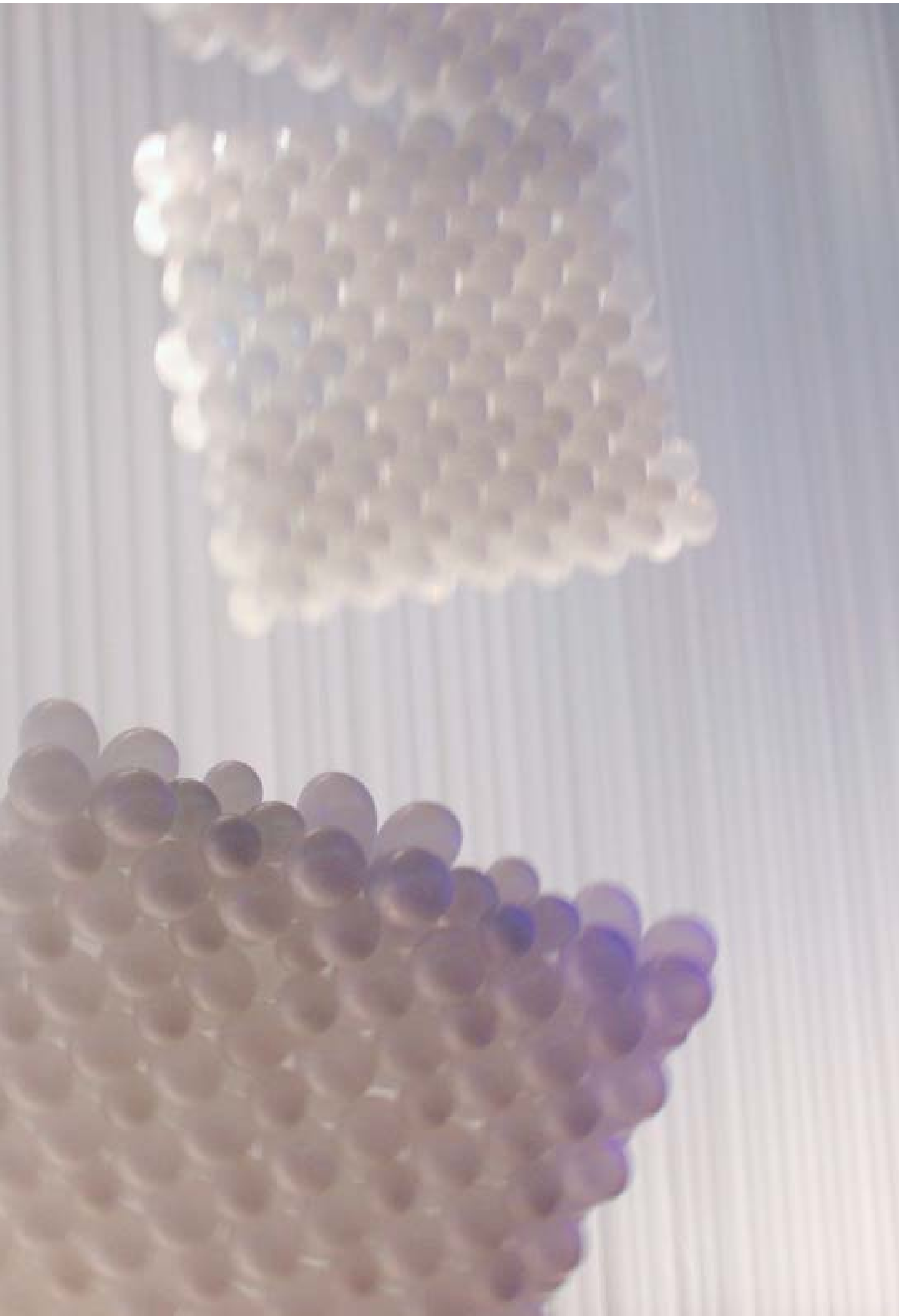
BOSS



Report of the Management Board on the 2002 Financial Year and Outlook for the Year 2003

Currency-adjusted sales up 1.3%

As anticipated, sales in 2002 were only slightly below the previous year's figure, falling by just 0.1% to EUR 1,093 million (2001: EUR 1,095 million). Currency-adjusted, the figure was actually 1.3% up.

Net profit at EUR 74.7 million

Despite the adverse economic climate prevailing in 2002, the HUGO BOSS Group managed to post net income of EUR 74.7 million, the third-highest result in its history (2001: EUR 117.6 million).

The main factors behind this decline were a slightly lower gross margin percentage, significantly higher coverage for receivables, the ongoing expansion of the Group's DOS activities, and post-period charges in the U.S. from 2001.

Net income was 31% (EUR 33 million) below the result adjusted for the tax effects of the special dividend in 2001 (EUR 108 million).

Major improvement in free cash flow

The development of the free cash flow was particularly encouraging. Although the traditional free cash flow was 30% below the previous year's figure, successful inventory management and reduced receivables still enabled the Group to finance investments totaling EUR 68 million and even scale back borrowing by EUR 8 million.

Dividend at previous year's level

Given this overall context and the positive assessment of the company's future development, the Management Board and the Working Committee of the Supervisory Board are proposing a dividend at the previous year's level: EUR 0.75 on common shares and EUR 0.76 on preferred shares.

Sales by Brand

	2002 EUR mill.	2001 EUR mill.	Change in %
BOSS	974.8	989.5	(1)
Man	937.8	941.0	0
Woman	37.0	48.5	(24)
HUGO	98.2	84.8	16
BALDESSARINI	20.4	20.4	0
Total	**1,093.4**	**1,094.7**	**0**

Sales by Region

	2002 EUR mill.	2001 EUR mill.	Change in %
Germany	275.0	296.6	(7)
Other European countries	445.4	426.4	4
Americas	221.0	251.9	(12)
Other regions	87.9	68.5	28
Royalties	64.1	51.3	25
Total	**1,093.4**	**1,094.7**	**0**

Sales by Quarter

	2002 EUR mill.	2001 EUR mill.	Change in %
First quarter	359.1	342.5	5
Second quarter	175.5	178.9	(2)
Third quarter	376.5	389.3	(3)
Fourth quarter	182.3	184.0	(1)
Total	**1,093.4**	**1,094.7**	**0**

Sales

Commercial parameters

Fiscal 2002 proved a difficult year. Although its initial months were infused with confidence in a rapid and sustained economic recovery, political risks, corporate governance infringements on a grand scale, and regional structural problems were already slowing the economy by the second quarter. As the year wore on, these negative influences sparked a growing reticence among investors and consumers around the world. This affected nearly every industry.

As a consequence, the global economy grew by only 1.5% during the year.

While the U.S.A. managed to post growth of 2.3%, growth in the Eurozone was far lower at 0.8%. Despite increased exports, Germany recorded the poorest performance with a gross domestic product of 0.2%. The recession continued in Japan and Latin America. Eastern Europe and Asia alone experienced positive economic impulses; China at 8% and Russia with 4% growth were foremost among them. Private consumer spending lagged well behind overall economic growth, particularly in Germany and the U.S. Fashion spending in Germany plummeted to its lowest level in twenty years. In general terms, the market segment for superior menswear – which accounts for almost 95% of HUGO BOSS sales – fell by a nominal 4–5%.

IAS Adoption

In fiscal 2002 HUGO BOSS AG based its consolidated financial reporting on the International Accounting Standards (IAS) for the first time.

In the past, the accounts for the HUGO BOSS Group had been drawn up in accordance with the (German) Commercial Code (HGB). By adopting the new standards, HUGO BOSS has responded to capital market calls for heightened transparency and improved international comparability.

Germany: moderate drop in sales

Private spending declined by 0.5%. The German retail clothing industry was particularly hard hit, with sales down nearly 10%. The premium womens- and menswear segment relevant to HUGO BOSS was unable to escape the trend.

Nor are we anticipating positive impulses from the German market in 2003. There are no indications of a revival in consumer spending in the near future.

Following years of consistent growth, market leader HUGO BOSS reported a drop in sales for the first time in the year under review – by 7% to EUR 275 million (2001: EUR 297 million).

HUGO BOSS with solid growth in Europe

Sales Other European Countries

	2002 EUR mill.	2001 EUR mill.	Change in %
France	101.2	92.8	9
Great Britain	71.9	68.8	5
Netherlands	41.7	39.2	6
Italy	42.7	38.4	11
Switzerland	25.5	26.3	(3)
Spain	20.6	17.4	18
Rest of Europe	141.8	143.5	(1)
Other European countries	**445.4**	**426.4**	**4**
in % of total sales	41	39	2

The market relevant for HUGO BOSS fared better in other European countries than in Germany, yet still exhibited a downward trend of 3%. Notwithstanding promising developments in the first six months, the economy faltered in the second half of the year.

On the whole, HUGO BOSS was able to defy the market trend in this region and post additional sales, increasing its 2001 figure of EUR 426 million by 4% to EUR 445 million at the close of the 2002 year. The main engines behind this gratifying finish were first and foremost Spain, where HUGO BOSS sales climbed by 18% to EUR 21 million (2001: EUR 17 million), flanked by France (+9%), Italy (+11%), the Netherlands (+6%), and Great Britain (+5%).

Sales Americas

	2002 EUR mill.	2001 EUR mill.	Change in %
U.S.A.	156.6	178.6	(12)
Canada	38.6	40.4	(4)
Mexico	14.8	18.4	(20)
Brazil	6.6	9.3	(29)
Other Americas	4.4	5.2	(15)
Americas	**221.0**	**251.9**	**(12)**
in % of total sales	20	23	(3)

The Americas

Influenced by falling share prices and rising unemployment, private spending in the U.S. was down sharply (–7%).

In its core market in the Americas, HUGO BOSS succeeded in consolidating its U.S. market share, posting sales based on local currency that were just 7% lower than the previous year (2002: USD 147 million; 2001: USD 157 million). The strategic expansion of our own distribution network effectively countered the declining sales through retail partners. Due to the significantly lower value of the U.S. dollar, sales as expressed in the reporting currency were down 12% to EUR 157 million (2001: EUR 179 million).

At EUR 39 million, sales in Canada were just 4% under the previous year's level (2001: EUR 40 million). Computed in local currency, HUGO BOSS posted a substantial increase of 2% to CAD 57 million. As such, the solid Canadian market once again underscored its importance for HUGO BOSS on the North American continent.

Latin America's gross national product sank by 2% (2001: 1%). The recession also clearly affected the apparel segment relevant for HUGO BOSS.

As a consequence, we were able to post total sales of only EUR 26 million (–21%) in fiscal 2002, partly impacted by currency translation, following EUR 33 million in fiscal 2001.

Sales Other Regions

	2002 EUR mill.	2001 EUR mill.	Change in %
Japan	24.8	22.8	9
Australia	14.3	4.4	225
Other countries	48.8	41.3	18
Other regions	**87.9**	**68.5**	**28**
in % of total sales	8	6	2

Asia/Pacific Region

Economic developments in the Asia/Pacific Region were varied in 2002. The negative current persisted in Japan, whereas a notably positive trend crystallized in China and Southeast Asia. This was most clearly evidenced in Southeast Asia, where there is a rising demand for clothing in the higher-priced segments.

Sales in Asia (excluding Japan) were up 8% to EUR 40 million in 2002 compared to EUR 37 million in 2001. In China – the Asian market of the future – HUGO BOSS was able to boost business volumes to EUR 10 million following EUR 7 million in 2001.

Following the full consolidation of HUGO BOSS Australia Pty. Ltd., sales in Australia climbed steeply to over EUR 14 million (2001: EUR 4 million).

The power of the HUGO BOSS brands was demonstrated by satisfying sales figures in Japan, our largest single Asian market. Notwithstanding the prevailing negative economic climate, we posted an increase to EUR 25 million (2001: EUR 23 million).

Royalties

	2002 EUR mill.	2001 EUR mill.	Change in %
Royalties textile	12.8	13.5	(5)
Royalties cosmetics	36.8	23.2	59
Royalties non-textile	14.5	14.6	(1)
Royalties	**64.1**	**51.3**	**25**

Royalties

The outstanding success of licensing operations in the year under review was mirrored in double-digit growth. Licensing income rose from EUR 51 million to EUR 64 million (+25%).

Posting an increase of 59%, the fragrance division performed exceptionally well. The product launches of our new fragrance lines "BOSS in Motion" and "BALDESSARINI" proved key factors in this success.

The knitwear product group continued to make a strong contribution (+8%). Additionally, the launch of the women's watches proved highly successful, upping licensing revenues for this product group.

Brand sales at EUR 1,800 million

Adding Group sales without licensing income to our licensing partners' sales during fiscal 2002 produces the total sales generated worldwide with HUGO BOSS products. These brand sales rose by 10% in 2002 to EUR 1,791 million (2001: EUR 1,634 million).

BOSS Man

Contributing 86% of overall sales, BOSS Man is the HUGO BOSS Group's core brand. Having generated sales of EUR 941 million in fiscal 2001, we posted sales of EUR 938 million in 2002, all but matching the previous year's figure despite the slack fashion market. While sales in the sportswear segment were up 3%, businesswear reported a slight decline at –3%. As in previous years, the share of sportswear rose consistently during the reporting period, totaling 41% in fiscal 2002 (2001: 39%).

BOSS Woman

For BOSS Woman, fiscal 2002 was the transitional year during which we laid the foundations for sustained success in the future. The fruits of our measures will not be reaped until later years. Sales of BOSS Woman fell by 24% from EUR 49 million to EUR 37 million in 2002, not least as a result of the numbers of returns and comparatively low order volumes.

HUGO

With its innovative and fashionable collection themes, HUGO was able to write the next chapter in its success story despite the adverse conditions on the apparel market – and once again post a double-digit gain in sales. These rose from EUR 85 million in 2001 to top EUR 98 million in the year under review. With a plus of 21%, HUGO Woman outperformed HUGO MAN (+14%).

BALDESSARINI

Our luxury brand BALDESSARINI confirmed its strong market position, closing 2002 with stable sales of EUR 20 million.

Having already established successful cosmetics lines for our two brands BOSS and HUGO, our new “BALDESSARINI” fragrance presented in September surpassed even our expectations.

Sales up in the DOS channel

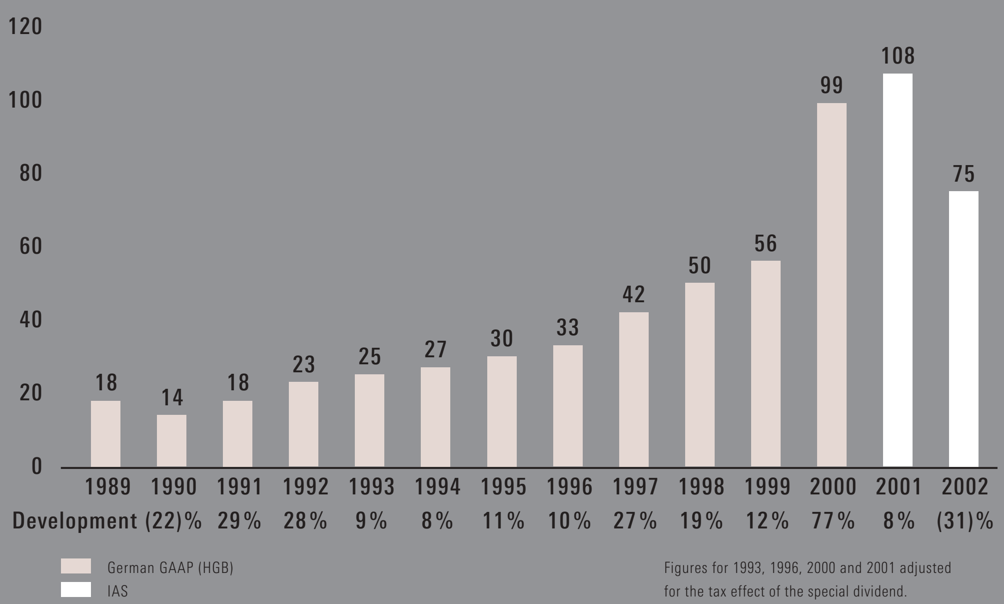
Despite the considerable increase in directly operated stores (DOS), their contribution to retail sales is still comparatively low at 7% of total turnover. Their share increased by 63% to EUR 74 million in the year under review. Licensing revenues rose by 25% to EUR 64 million in 2002. Sales generated through retailers and other sales were down slightly (–7%).

Statement of Income

	2002 EUR mill.	2001 EUR mill.	Change in %
Sales	**1,093.4**	**1,094.7**	**0**
Cost of materials incl. changes in inventories	(528.5)	(517.5)	(2)
Gross margin	**564.9**	**577.2**	**(2)**
in % of sales	51.7	52.7	–
Other operating income and expenses[1]	(258.5)	(232.6)	(11)
Personnel expenses[1]	(158.2)	(149.3)	(6)
Depreciation[1]	(29.6)	(27.9)	(6)
Operating income	**118.6**	**167.4**	**(29)**
Net financial result	(4.3)	(3.4)	(27)
Non-recurring and extraordinary items	(17.0)	(14.4)	**(18)**
Earning before taxes	**97.3**	**149.6**	**(35)**
Taxes on income and other taxes	(22.6)	(41.9)	46
Net income	**74.7**	**107.7**	**(31)**
Tax effect due to special dividend	–	9.9	–
Net income incl. tax effect due to special dividend	**74.7**	**117.6**	**(37)**

[1] Exclusive of non-recurring and extraordinary items.

Chronology of Consolidated Net Income



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

Earnings Position

Despite the adverse economic climate, the HUGO BOSS Group posted a result of EUR 75 million in 2002, the third best net result in corporate history, and a net return of 7%. Net income was down 31% in 2002 from the previous year's adjusted figure of EUR 108 million.

Development of Result

		EUR mill.
Consolidated net income 2001[1]		**107.7**
Change in gross margin		(12.3)
Increase in royalties	12.8	
Effect of sales volume on gross margin	(7.1)	
Effect from changes in the gross margin percentage	(18.0)	
Increase in operating expenses and depreciation		(36.5)
from other operating expenses	(25.9)	
from personnel expenses	(8.9)	
from depreciation	(1.7)	
Change in financial result		(0.9)
Deviation of non-recurring and extraordinary items		(2.6)
Deviation taxes		19.3
Change in earnings before tax	14.7	
Other tax effects	4.6	
Consolidated net income 2002		**74.7**

[1] Adjusted for the tax effect of the EUR 9.9 million special dividend.

Gross margin percentage

At 52% (2001: 53%), the gross margin percentage was slightly below the previous year's level. The disproportionately high increase in licensing income compared to fiscal 2001 and the growing proportion of company-manufactured products both acted to up this figure.

The creation of reserves for returns and reversals – most notably in the U.S. – had a negative impact, as did writedowns on inventories. To optimize our inventory structure, steps were also taken to reorganize the warehouses.

As a result of hedging contracts and the relatively stable parities during the year under review, exchange-related effects were only of minor significance.

Operating expenses

Fiscal 2002 saw the rise of operating expenses, personnel costs and depreciations by 9% to EUR 446 million (2001: EUR 410 million). Most notably, higher risk coverage of EUR 17 million (2001: EUR 5 million) for doubtful receivables in the year under review caused an increase. Escalated retail activities generated further additional expenditure of EUR 20 million. The costs of expanding the company's own production operations rose by EUR 2 million or 5%. Moreover, initial investments were made to prepare for the integration of the Group's bodywear activities.

The integration of the BOSS Woman organization into the company headquarters generated savings of EUR 10 million compared to the previous year, principally in the areas of product development and logistics.

Heightened efficiency produced a decrease in marketing expenses from EUR 85 million to EUR 79 million in the year under review. Marketing spending thus made up 7.2% of turnover in fiscal 2002 (2001: 7.8%).

The remaining additional expenditures of EUR 18 million were divided predominantly between the strategic expansion of the Group's logistics, sales and marketing organizations, and a number of other projects designed to optimize the corporate structure.

Ratios

		2002	2001
Operating margin	in %	10.8	15.3
Return on sales	in %	6.8	10.7
Return on capital employed (average)	in %	22.2	33.7
Gross margin percentage	in %	51.7	52.7
Net current assets	in EUR	329.4	349.0

Operating result

The lower gross margin and higher operating expenses caused the operating result of EUR 119 million to fall 29% below the previous year's figure (2001: EUR 167 million).

Non-recurring items

Non-recurring expenses of USD 13 million were posted in 2002 at HUGO BOSS USA which were attributable to fiscal 2001. These were mainly due to inadequate downward valuations of current and fixed assets, contingency reserves and, to a lesser extent, inventory discrepancies. In July 2002 a German national brought a shareholders' class action against the former CEO of HUGO BOSS USA, Inc., the former CFO of HUGO BOSS USA, Inc. and HUGO BOSS AG. The plaintiffs allege having suffered damages from a devaluation of their HUGO BOSS shares due to HUGO BOSS AG's non-disclosure of losses at the U.S. subsidiary. Adequate reserves have been created to cover court costs and attorneys' fees. The Management Board takes the opinion that the suit is unfounded.

The extraordinary items also contain reserves for other litigation costs and severance payments.

Tax load ratio down

The 2002 tax load ratio of 23% was significantly lower than the 2001 figure adjusted for the effect of the special dividend (28%). The negative U.S. result was primarily responsible for this. Due to losses carried forward in the U.S., the comparatively high U.S. tax rate of 37% produces a lower tax load ratio for the Group.

The transition from the German Commercial Code (HGB) to the International Accounting Standards has resulted in a shift in the prescribed reporting periods for tax credits on dividends. Under the German standards, the tax reduction from dividends is posted in the year for which the dividend is paid, and does not impact the year's net income in the actual year of payout. According to IAS, tax reductions do not impact net income until the year when the dividend is paid.

This effect resulted in lower taxes of EUR 3 million being carried in the year under review. In fiscal 2001, the special dividend had led to a tax credit that impacted net earnings with EUR 10 million; this is shown separately as a special effect in the statement of income.

Analysis of Financial Requirements

	2002 EUR mill.	2001 EUR mill.	Change in %
Accounts receivable, other assets, balances with factoring companies[1]	226.9	253.9	(11)
Inventories	218.1	228.7	(5)
Balance of prepaid expenses and deferred income	37.0	28.4	30
Trade payables and other liabilities[1]	(51.6)	(58.3)	11
Tax and other accruals	(101.0)	(103.7)	3
Net current assets	**329.4**	**349.0**	**(6)**
Accounts receivable[2]	14.9	9.4	59
Trade payables and other liabilities[2]	(3.0)	(3.1)	3
Fixed assets	219.5	199.8	10
Pension accruals	(23.1)	(24.9)	7
Medium- and long-term net assets	**208.3**	**181.2**	**15**
Net capital invested	**537.7**	**530.2**	**1**
Balance of cash at banks and due to banks	147.0	154.9	(5)
Shareholders' equity	390.7	375.3	4
Coverage of net capital invested	**537.7**	**530.2**	**1**

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

Free Cash Flow

	2002 EUR mill.	2001 EUR mill.	Change in %
Consolidated net income	74.7	117.6	(36)
Depreciation[1]	32.2	29.4	10
Change of pension accruals	(1.8)	3.6	
Cash flow	**105.1**	**150.6**	**(30)**
Net additions to fixed assets	(51.9)	(91.6)	
Change in remaining net capital invested	14.0	(105.7)	
Currency exchange and other equity changes	(6.2)	(0.1)	
Free cash flow – before dividend	**61.0**	**(46.8)**	
Dividend payment	(53.1)	(93.5)	
Free cash flow	**7.9**	**(140.3)**	

[1] Including non-recurring write-offs and write-offs of other investments.

Financial Position

Equity ratio up to 51%

After the consolidated financial statements had been drawn up in accordance with IAS for the first time, the equity ratio of the HUGO BOSS Group remained a solid 51% (2001 adjusted: 50%).

An analysis of the coverage for the net capital invested also attests to a healthy balance sheet structure. HUGO BOSS covers 73% of its necessary business assets (EUR 538 million) with shareholders' equity (EUR 391 million), relying on interest-bearing borrowed capital to meet just 27% of its requirements (EUR 147 million).

Ratios

			2002	2001
Equity ratio in %	=	Shareholders' equity / Total capital	51.0	49.6
Debt to total capital ratio in %	=	Liabilities / Total capital	49.0	50.4
Return on equity in %	=	Net income / Ø Shareholders' equity	18.9	30.9
Additions to fixed assets (in EUR mill.)			**68.4**	**95.6**
Balance sheet total (in EUR mill.)			**766.0**	**756.8**

Current assets successfully reduced

Given the previous year's marked rise in receivables and inventories as a result of the weakening economic parameters, successful management of these two categories in the year under review produced a significant decrease in current assets. At the end of 2002, inventories totaled EUR 218 million, 5% down on the previous year's figure. Beyond this, the age structure of inventories was improved. Even more progress was made with receivables, credit balances with factoring companies and other assets. They decreased by 11%, from EUR 254 million to EUR 227 million.

The balance of prepaid expenses and deferred income rose by EUR 9 million in fiscal 2002. One main reason for this was the rise in deferred taxes resulting from the losses in the U.S. These losses carried forward will be utilized over the next few years.

IAS vs. HGB: Main Differences

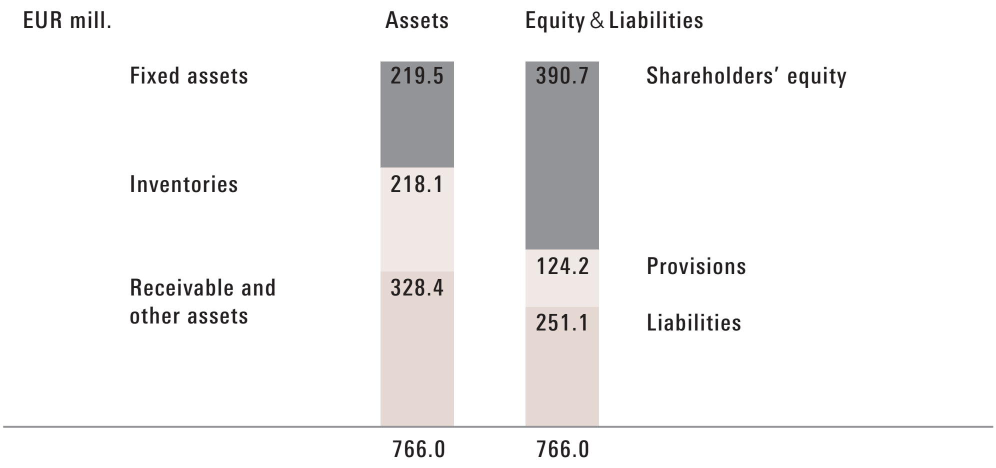
	IAS	HGB
Inventories	Valuation at full cost; requirement to reinstate original values	Evaluation at original cost; prudence concept
Receivables	Individual value adjustments only	Lump-sum valuation adjustments admissible
Reserves	Reserves only if use is probable: true and fair view	Prudence concept is overriding principle
Deferred taxes	Must be capitalized or carried as a liability; deferred taxes on deviations from tax balance sheet	Carried as a liability; tax deferrals not reported in individual accounts; losses carried forward not relevant
Self-generated intangible assets	Capitalization mandatory	Capitalization prohibited
Pre-operating and business expansion expenses	Capitalization prohibited	Capitalization optional

Fixed assets rise according to plan

Net fixed assets increased in fiscal 2002 by EUR 20 million or 10% compared to fiscal 2001, due to investments of EUR 68 million exceeding depreciation and retired assets.

By virtue of the transition from the HGB reporting standards to the IAS, leasing items valued at EUR 43 million (2001: EUR 31 million) were capitalized by HUGO BOSS in the 2002 balance sheet which had previously been reported pursuant to HGB only by the lessor. As a consequence, the balance sheet total increased by the above-mentioned amounts. There was no appreciable effect on the earnings position.

Balance Sheet Structure



Free cash flow improved by EUR 108 million

In fiscal 2002 HUGO BOSS posted a substantially improved pre-dividend free cash flow of EUR 61 million; this was primarily due to the funds released as a result of intensified receivables management initiated in the previous year, along with steps taken to reduce inventories.

Lower investments further accelerated the positive development of the free cash flow. At EUR 68 million, the investment volume was down approximately 29% or some EUR 28 million (2001: EUR 96 million). A reduction in the funds tied up in current assets and less investment during the year under review obscure the fact that the traditional cash flow figure for 2002 – EUR 105 million – was lower than the preceding year's figure (2001: EUR 151 million).

The free cash flow improved from EUR –47 million in 2001 by EUR 108 million to EUR 61 million in 2002.

Purchasing

Approximately 90% of all the fabrics required to produce the exclusive and fashionable HUGO BOSS collections are purchased in Italy. Given the high standards of quality and reliability demanded of its suppliers, HUGO BOSS has maintained long-standing business relationships with weavers who manufacture premium products. The significant purchasing volumes involved and HUGO BOSS' status as a leading provider of fine apparel for men and women enable the Group to secure attractive prices.

R & D spending

Given the nature of the HUGO BOSS Group corporate structure and activities, spendings on research and development are of marginal significance only. The Group does not maintain any research and development budgets. One of HUGO BOSS' strengths is its highly talented creative team, which is flanked by model development and sewing departments.

Environmental contribution

As a matter of course, we at HUGO BOSS subscribe to a responsible attitude towards the environment. In this context, various recycling and energy-saving measures have been implemented within the Group.

Investments at EUR 68 million

At EUR 68 million, investments in fixed and intangible assets were lower than in the previous year (2001: EUR 96 million). As in 2001, sales and marketing formed the main investment focus at approximately EUR 25 million.

A total of EUR 8 million went toward expanding the existing showroom in Düsseldorf, opening showrooms for the newly-established sales organizations in Belgium and Scandinavia, and setting up the new HUGO showroom in Metzingen.

The expansion of the company-owned Shop network was another priority. Five directly operated Shops were opened in the U.S., and another nine taken over by licensees. In addition, retail operations were further augmented in the growth markets Spain (Madrid), France (Paris), Japan (Tokyo) and Italy (Forte dei Marmi). The cumulative outlay for self-operated Shops reached EUR 11 million. An additional EUR 2 million was spent on new outlet stores and existing Shops.

During fiscal 2002, EUR 13 million were invested in building a raw goods warehouse. Moreover, the construction of our finished goods warehouse in Savannah, GA (U.S.A.) was completed, as was the takeover of a new storage facility in Markgröningen (Germany). A total of EUR 3 million was allocated to these projects.

With effect at March 1, 2002, the HUGO BOSS Group acquired the remaining 50% of the joint venture HUGO BOSS Australia Pty. Ltd. for a sum of EUR 8 million.

Some EUR 5 million were invested in expanding the strategically crucial area of information technology.

Segment Information by Product Area

	Menswear segment[1]		Womenswear segment	
	2002 EUR mill.	2001 EUR mill.	2002 EUR mill.	2001 EUR mill.
Sales	**1,056.4**	**1,046.2**	**37.0**	**48.5**
Depreciation	(28.0)	(26.3)	(1.6)	(1.6)
Operating income	138.1	189.7	(19.5)	(22.3)
in % of sales	13.1	18.1	–	–
Non-recurring and extraordinary items	(15.4)	(1.5)	(1.6)	(12.9)
Net income	**92.8**	**131.9**	**(18.1)**	**(24.2)**
in % of sales	8.8	12.6	–	–
Assets	712.7	702.8	53.3	54.0
Liabilities	265.7	285.9	109.6	95.5
Net equity	447.0	416.9	(56.3)	(41.5)
Additions to fixed assets	**67.0**	**92.6**	**1.4**	**3.0**
Number of employees (on the annual average)	**4,656**	**4,112**	**98**	**128**

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

Segment Information by Region

	2002		2001	
	EUR mill.	in %	EUR mill.	in %
Sales				
Germany	275.0	25	296.6	27
Other European countries	445.4	41	426.4	39
Americas	221.0	20	251.9	23
Other regions	87.9	8	68.5	6
Royalties	64.1	6	51.3	5
Total	**1,093.4**	**100**	**1,094.7**	**100**
Assets				
Germany	292.3	38	288.7	38
Other European countries	263.5	34	235.2	31
Americas	154.1	20	203.6	27
Other regions	42.0	6	19.4	3
Royalties	14.1	2	9.9	1
Total	**766.0**	**100**	**756.8**	**100**
Additions to fixed assets				
Germany	36.2	53	39.8	42
Other European countries	10.9	16	7.6	8
Americas	8.9	13	43.2	45
Other regions	12.4	18	5.0	5
Total	**68.4**	**100**	**95.6**	**100**

Segmental Reporting

Menswear segment impacted by U.S. earnings

In the problematic year under review, Group sales with the brands BOSS Man, HUGO und BALDESSARINI rose anew despite the general abatement of consumer confidence, up EUR 10 million to EUR 1,056 million (+1%).

At 1%, the gross margin percentage was slightly lower than the previous year's figure. The positive effects from higher licensing income and the increased share of company-manufactured products were more than offset by reserves for returns and reversals, particularly in the U.S., and higher depreciation of inventories.

Operating expenses were EUR 46 million up on the previous year (+12%). The additional expenditure was incurred through the extension of the Group's retail activities, the creation of provisions for doubtful receivables, and the expansion of internal production facilities. Marketing expenses were down by EUR 66 million for the reporting period.

The lower gross margin combined with the rise in operating expenses produced an operating result of EUR 138 million. Compared to the previous year (2001: EUR 190 million), this represents a decline of EUR 52 million.

The extraordinary items climbed by EUR 13 million USD, partly as a result of non-recurring expenses at the U.S. subsidiary which were attributable to fiscal 2001.

Influenced by the above factors, net income for the year declined by 30% from EUR 132 million to EUR 93 million.

BOSS Woman earnings up

The 2002 business year was a period of transition during which the platform was created for profitable, long-term growth. The relocation to Metzingen was successfully completed and a new creative team established. The fruits of the measures initiated now will only be reaped in subsequent years. During this transitional phase sales fell from EUR 49 million to EUR 37 million (–24%). Due to the fact that substantial inventory reductions proved necessary, the gross margin percentage remained at the previous year's level. Initial synergistic effects have already cut costs by EUR 10 million. Above all thanks to the cost-cutting measures, the operating result improved by EUR 3 million compared to the 2001 business year. There were no extraordinary charges, facilitating a significant reduction in the previous year's deficit: the 2001 net loss of EUR –24 million was pared down to EUR –18 million in fiscal 2002.

Human Resources

Average Employee Numbers	2002	2001	Change in %
– by region			
Germany	1,681	1,514	11
Other European countries	1,913	1,699	13
Americas	988	887	11
Other regions	172	140	23
Total	**4,754**	**4,240**	**12**
– by function			
Production/Logistics	2,867	2,639	9
Sales/Creation	1,407	1,161	21
Administration	480	440	9
Total	**4,754**	**4,240**	**12**

Key Personnel Figures

	2002	2001	Change in %
Personnel expenses[1] (total in EUR mill.)	158.2	149.3	6
Personnel expenses per employee[1] (EUR thous.)	33.3	35.2	(5)
Sales per employee (EUR thous.)	230.0	258.2	(11)

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

Human Resources

Marked rise in employee numbers

During the year ended, the average number of employees grew by 12% (+514) to 4,754. By contrast, personnel costs rose by only 6%.

Expansion of Group-owned production facilities

The expansion of manufacturing capacities at the Turkish plant in Izmir also progressed as planned during the 2002 financial year. The institution of a second shift doubled the capacity for shirt production. Overall, this location employed an average workforce of 1,366 (2001: 1,169) during the year.

Logistics

A total of 88 new employees were hired to reinforce the Group's logistics division. Additional posts were also created at the new finished goods warehouse in Markgröningen.

Improved efficiency at BOSS Woman

As a result of restructuring the womenswear operations, personnel in this section declined by 40 to the current figure of 70.

Further expansion of retail activities

With the ongoing expansion of retail operations, the average number of personnel in this area also rose. As a result, 687 people were employed on the average in Group Shops during fiscal 2002, an increase of 183 over the previous year.

Licensing operations integrated

The 2002 financial year saw initial steps being taken towards integrating the licensed bodywear and socks activities into the Group. To this end, there were 20 new hires. During 2003 HUGO BOSS will continue to integrate further parts of the licensing business – such as the knitwear product group – creating additional jobs in the process.

The new hires assumed positions in the following areas:

– Internal Production, Logistics and Production Management:	+ 228
– Retail, Sales/Distribution and Marketing:	+ 207
– Administration and IT:	+ 40
– Creation:	+ 39

Further Education and Training Programs at HUGO BOSS AG

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

Appreciation and thanks

Capable and motivated employees are the vital factor in guaranteeing commercial success, above all when difficult economic conditions prevail. Fiscal 2002 again testified to this fact.

The Management Board wishes to express its gratitude to all the employees for their commitment and dedication.

Consolidated Group

	Dec. 31, 2002	Dec. 31, 2001
Number of fully consolidated companies	39	35
Investments accounted for at equity	0	1
Total	**39**	**36**

With the HUGO BOSS Group accounts being drawn up according to the International Accounting Standards (IAS) for the first time, the constitution of the consolidated Group has changed in contrast to the HGB reporting of fiscal 2001. The adoption of IAS has resulted in the companies leasing our new administrative and storage buildings being included.

The HUGO BOSS Group acquired the remaining 50% of the joint venture HUGO BOSS Australia Pty. Ltd. with effect at March 1, 2002. Consolidated at equity in 2001, it was included as a fully-consolidated company in the consolidated Group from such date.

In the past HUGO BOSS had been represented by agents in Denmark, Sweden and Belgium. In 2002, new sales companies were established in each of these countries. As a consequence, the total number of fully consolidated enterprises rose from 35 in 2001 to 39 at the end of the 2002 financial year.

Sales Trends

	2003 EUR mill.	2002 EUR mill.
Germany	↘	275.0
Other European countries	→	445.4
Americas	↘	221.0
Other regions	↗	87.9
Royalties	↗	64.1
Total	→	**1,093.4**

Earnings Forecast

	2003 EUR mill.	2002 EUR mill.
Sales	→	1,093.4
Gross margin	↗	564.9
in % of sales	↗	51.7
Operating income	↗	118.6
Earnings before taxes	↗	97.3
Consolidated net income	↗	**74.7**
Earnings per share (EUR)	↗	1.06

Other Developments

	2003	2002
Number of employees	↗	4,754
Net current assets (EUR mill.)	→	329.4
Investments (EUR mill.)	↘	68.4

Outlook

Post fiscal-year developments

Until February 20, 2003 there were no significant operational changes, structural adjustments or business transactions affecting the HUGO BOSS Group which would render changes necessary to the financial report for fiscal 2002.

Economic trends in 2003

Although the business index published by the German Institute for Economic Research (ifo) rose at the start of the year – having previously declined seven times in succession – no sustained economic revival is being projected in Germany for fiscal 2003. The fashion industry will not be immune to these developments. We are also anticipating similar trends for the other European countries.

The economy in the U.S. is expected to pick up during the course of 2003 and grow by approximately 2.7%. Here too, however, rising unemployment and the relatively high private debt mean that any consumer confidence forecasts are subject to risks.

The Japanese economy is likely to stabilize, with growth projected at 0.8%. Continued dynamic growth is anticipated for China and the emerging countries of Southeast Asia.

The Organization for Economic Cooperation and Development (OECD) is currently forecasting 2.2% economic growth during 2003 for the world's thirty largest industrial countries. Given the surge in value of the euro compared to the U.S. dollar, and the potential implications for exports, a significantly lower figure is expected for the Eurozone.

Sales forecast

Assuming that exchange rates remain generally stable, the HUGO BOSS AG Management Board anticipates sales in fiscal 2003 to match those of the previous year (2002: EUR 1,093 million).

The integration of bodywear and sock operations into the HUGO BOSS Group during the course of fiscal 2003 will generate additional sales and slow the negative trend in wholesale orders.

Given the absence of licensing revenues from these product groups and the anticipated additional increase in income from other licensing operations, royalties should remain stable overall.

During the past financial year, HUGO BOSS has further augmented the number of franchise Shops and directly operated stores. Fiscal 2003 will be the first year when DOS sales will contribute to the entire reporting period. Additional Shops are due to be opened in 2003, in line with the Group’s retail strategy. As a consequence, corresponding sales are expected to rise in double digits, which will more than compensate for the lower wholesale turnover.

The sales forecast shown assumes a slight rise in the value of the euro against other major currencies like the U.S. dollar. However, given the current volatility of exchange rates, some deviation is possible.

Projected earnings in 2003

For the 2003 financial year, the Management Board anticipates that the following effects will impact net income:

– The continued expansion of the Group’s own production operations and the integration of the bodywear and socks product groups – which have been manufactured under license to date – will boost the gross income percentage. Simultaneously, inventory devaluation levels should return to normal, partly as a result of lower BOSS Woman returns. Influences from changes to purchasing or selling prices will be of minor significance.

– Operating expenses will rise only marginally in 2003. The increase in human resources from the previous year will lead to higher personnel costs in the current financial year. The expansion of retail activities will continue as planned.

– Over the course of the year, a rising gross margin and falling costs will significantly reduce the loss incurred in BOSS Woman operations. The break-even point should be reached in the second half of 2003.

– The high risk coverage for doubtful receivables required in fiscal 2002 will be normalized in 2003. The absence of non-recurring charges at the U.S. subsidiary will also be a factor.

– The earnings situation at the U.S. subsidiary will improve considerably, as a result of which the Group’s tax load ratio will climb to normal levels in 2003.

Given the effects described above, the HUGO BOSS AG Management Board is expecting net income to rise by a low double-digit percentage rate in fiscal 2003.

Additional jobs in 2003

New jobs will be created by the extension of the Group's own retailing activities. New employees will also be needed for the bodywear, socks and knitwear operations which had been managed by licensing partners in the past.

Investments down in 2003

In 2003 HUGO BOSS is planning investments in the further expansion of its own retail channels, its bodywear, socks and knitwear activities, and the ongoing development of its IT systems.

Following the completion of numerous major projects in fiscal 2002, the investment volume will drop in 2003 to approximately EUR 40 million (2002: EUR 68 million).

Free cash flow

The improved earnings situation, the significance still attached to conservative inventory management, and the reduced investment volumes will cause free cash flow to increase again in 2003. This will enable HUGO BOSS to scale back its liabilities still further.

Dividend

HUGO BOSS is an organization oriented towards long-term, profitable growth, enabling shareholders to participate in its success by way of dividend payments. HUGO BOSS will continue to justify investor confidence in its shares by paying high dividends.

Risks involved in future development

Risk Management System

The risk catalog forms the core of the risk management system installed at HUGO BOSS. It details the risks posing the greatest threat to the organization and assesses these in terms of their magnitude and potential for occurrence. In addition, it describes activities designed to monitor risks and identify discrepancies in good time. Should a risk occur, it defines the applicable reporting chains and the counter-measures to be adopted. Furthermore, to underscore the local responsibilities in risk management, individual risk catalogs also exist for each of the subsidiaries.

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

Risks relating to inventories and receivables

With the persistence of a depressed economic climate in the majority of countries, the year 2002 slowed consumer spending and hence also put a brake on retail sales in the fashion segment.

By virtue of its strong position, HUGO BOSS succeeded in defying the market forces to perform well above the market average and significantly reduce the inventory and receivables levels that had increased the previous year. Higher losses of outstanding receivables were incurred as a result of the adverse economic conditions.

At the end of the year the inventories were balanced and clear of structural problems.

Group-wide credit insurance limits the risk on receivables to the deductible. The policy guarantees a cover ratio that is applicable around the world. In addition, HUGO BOSS has established its own debtor management systems in all the Group companies, with uniform control guidelines. These units are dedicated to the extension of and compliance with customer lines of credit, the monitoring of the age rankings of receivables, and the management of doubtful accounts receivable. The globally standardized debtor management system is secured by a group-wide IT platform.

Collection risks

As a fashion and lifestyle provider, HUGO BOSS is always exposed to the risk that a season's collection receives a less positive reception on the market than anticipated. Should this occur more than once, the company’s image may even suffer lasting damage. This risk – which is all but impossible to quantify – is reduced by the centralized creation of the collection and a globally consistent corporate image. The diversity of the collections reduces the risk still further. At the same time, close observation of the market along with a presence at fashion fairs and numerous events around the world ensure that international trends are identified in good time and reflected in the latest collections.

Trademark protection

For a brand-name producer like HUGO BOSS, there is a heightened risk of trademark infringements that have the potential to curb the Group's range of activities and generate substantial legal costs. The protection of all trademarks worldwide is controlled centrally by the Metzingen headquarters.

Insurance

Insurance constitutes an essential aspect of risk management, providing central coverage for significant risks such as interruptions to business, receivables, loss of goods and buildings, and claims for damages.

Legal risks

In a globally operative organization like HUGO BOSS, legal disputes cannot be avoided, and there is a need for legal advice. Sufficiently funded reserves have been set up to cover the costs of litigation and attorneys' fees.

Risks related to Corporate Governance

The HUGO BOSS Group operates on all the world's significant markets. Business is usually conducted via subsidiaries in which the managing directors are vested with the authority to make decisions at their own discretion, enabling them to respond adequately to local market conditions. For this reason, the HUGO BOSS Group has a holding structure to secure that the strategic units are managed by entrepreneurs within the organization. Notwithstanding extended and multi-staged monitoring and control mechanisms, the considerable entrepreneurial responsibility this entails holds the risk of power being abused.

Acquisition, production, logistics

The principle of centralized control also applies to production and buying, where it is an important component in risk limitation. Suppliers and producers are chosen by the central acquisition and production planning divisions at the Metzingen headquarters. Attention is paid in this process to avoiding mutual dependencies as well as bottlenecks in deliveries and production. The central divisions coordinate the producers' capacity utilization and their deliveries of raw materials. At every stage of production, the products undergo centrally controlled quality assurance to review compliance with group-wide standards; these are enforced by so-called traveling technicians who inspect the production sites on an ongoing basis. The final control of the end product takes place in Metzingen, where the shipping is also coordinated. Direct deliveries from the production site to the sales market are the exception. The focused central control ensures that the high quality standards are not diluted and capacities are fully exploited. This basic principle also underlies the relocation of the BOSS Woman collection from Milan to Metzingen; the reintegration process was concluded during the year under review.

In the distribution area, the focus is on a balanced customer structure. This is designed to rule out both a dependence on individual customers and any cannibalization between them. Special emphasis is also placed on monitoring gray market activities.

Moreover, a detailed reporting system promotes a continuous and timely overview of order volumes, sales and relevant indices.

Funding and interest risks

Due to the fact that financing needs are predominantly covered by the Group's own funds, the impact of changes in interest rates on HUGO BOSS is very limited. However, long-term loans are additionally secured by interest derivatives. To rule out a liquidity risk, the Group has credit lines at its disposal that cover the financing needs for 2003 and 2004 many times over.

Currency risks

As a globally operative organization, HUGO BOSS is exposed to the risk of exchange rate fluctuation due to the flow of deliveries and payments in a variety of currencies. The difference between in- and outgoing payments defines the net currency exposure. Within the system of central currency management, our Group Treasury safeguards the planned mainstay business activities for a period of 18 months by way of hedging contracts and options. Foreign exchange risks exist predominantly for HUGO BOSS in respect to the currencies shown below. The table also reveals that the majority of the foreign exchange movements anticipated for 2003 are already hedged and the residual risk from fluctuations is marginal.

Sensitive Currencies 2003

EUR mill.	Gross currency exposure	Netting	Net currency exposure	Negative impact of a EUR upvaluation by 10%[1]
USD	103.9	(79.5)	**24.4**	0.4
GBP	54.7	(5.3)	**49.4**	1.4
CHF	42.1	(34.2)	**7.9**	(0.3)
CAD	20.4	(0.2)	**20.2**	0.4
Others	27.0	(6.4)	**20.6**	0.4
Total	248.1	(125.6)	**122.5**	2.3

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

Overall risk

The main planning risks for 2003 revolve around the evaluation of the brand image – and with it the sales forecast, the estimated depreciation on inventories, the possibility – as opposed to probability – of non-recoverable receivables and, to a limited extent, currency exposure. However, all of these risks apply solely to the turnover, result and balance sheet structure. Risks with the potential to actually jeopardize the continued operation of the company are not discernible.

Further Information on the Financial Statements and the Majority Shareholder

Proposal for the appropriation of net profits

The consolidated financial statements as of December 31, 2002, and the Group Management Report have been drawn up by HUGO BOSS AG in compliance with the statutory requirements. The financial statements of HUGO BOSS AG as of December 31, 2002, show unappropriated income of EUR 53,145 thousand. The Management Board and Supervisory Board will recommend to the Shareholders' Meeting that this income be appropriated as follows:

	2002 EUR thous.
1. Distribution of a dividend of 0.75 EUR per common share 35,860,000 common shares	26,895
2. Distribution of a dividend of 0.76 EUR per preferred share 34,540,000 preferred shares	26,250
Unappropriated income	**53,145**

Information concerning the majority shareholder

HUGO BOSS AG was notified in writing according to Section 20 (4) of the (German) Stock Corporation Law (AktG) and Section 21 (1) of the (German) Securities Trading Act (WpHG) by Marzotto GmbH, Frankfurt/Main, a company controlled by Marzotto S.p.A., Valdagno, Italy, that it (Marzotto GmbH) owns the majority of the voting shares.

At December 31, 2002, Marzotto GmbH, Frankfurt/Main, held 28,242,128 common shares (78.8% of the common stock) and 7,612,000 preferred shares (22.0% of the preferred stock). This corresponds to a share of 50.9% of the total share capital.

Report on relations with affiliated companies

As no control agreement has been signed with the majority shareholder, the Management Board of HUGO BOSS AG was required by law to submit a report concerning its relationships with affiliated companies pursuant to Section 312 of the (German) Stock Corporation Law (AktG). This report detailed the relationships with the Marzotto Group and the companies belonging to the HUGO BOSS Group. In accordance with Section 312 (3) of such law, the Management Board declares that, considering all facts known at the time the legal transactions took place, our corporation received appropriate compensation in each instance. There were no transactions involving reporting obligations in the 2002 financial year.

Auditors' Report

We have audited the consolidated financial statements of HUGO BOSS AG, Metzingen, consisting of the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from January 1, 2002, to December 31, 2002. The preparation and the content of the consolidated financial statements according to the International Accounting Standards of the IASB (IAS) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with IAS.

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

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

Our audit, which according to German auditing regulations also extends to the Group Management Report prepared by the Management Board for the business year from January 1, 2002, to December 31, 2002, has not led to any reservations. In our opinion, on the whole the Group Management Report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the Group Management Report for the business year from January 1, 2002, to December 31, 2002, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the Group Management Report in accordance with German accounting law.

Stuttgart, February 20, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

F. Wagner
Wirtschaftsprüfer

H. Weiser
Wirtschaftsprüfer

Report of the Supervisory Board

Report of the Supervisory Board

During fiscal 2002 the HUGO BOSS AG Supervisory Board kept abreast of the company's strategic and operational development at the four meetings in March, May, September and December, and at a further seven Working Committee meetings. The Supervisory Board also assisted the Management Board by providing advice on an ongoing basis. As a general rule, the respective members all attended the total of eleven meetings of the Supervisory Board and its Working Committee. As shown in the minutes, Supervisory Board members were unable to attend meetings on just three occasions.

During the Supervisory Board meetings, the Management Board presented complete details of sales, results and risks, and notified the Supervisory Board of business occurrences as specified in the Statutes; all these issues were discussed in full. To this end, the Supervisory Board was provided with regular and comprehensive reports on the course of business. On this basis the Supervisory Board satisfied itself that the Management Board was managing business in an orderly and proper manner in accordance with the Statutes. The Supervisory Board was kept abreast of all key decisions on human resources and investments. Furthermore, wherever a transaction required Supervisory Board approval by law, such approval was obtained.

Outside the scope of the Supervisory Board meetings, the HUGO BOSS AG Management Board provided the Chair of the Supervisory Board with written and oral reports on current issues as they arose.

During the reporting period the Supervisory Board's activities focused intensively on the flagging global economy and its impact on HUGO BOSS. The further expansion of the company's own sales channels and the restructuring of the BOSS Woman operations numbered among the other salient issues. Aspects of corporate management and risk detection were discussed regularly at the Supervisory Board meetings. The Supervisory Board concluded that the Management Board had taken all necessary action to identify risks involving assets, finances and earnings in good time and to avert any detrimental effect on the organization.

At its meeting in December 2002, the HUGO BOSS AG Supervisory Board discussed the implementation of the German Corporate Governance Code at HUGO BOSS. The Supervisory Board approved the implementation of the Corporate Governance Code in principle; it also approved the new Supervisory and Management Board Terms of Reference, which were modified to comply with Code recommendations, and the amendments to the Statutes ensuing from the Code, which will be presented at the ordinary 2003 Shareholders' Meeting for resolution. Furthermore, the Audit Committee required by the Code was established. By virtue of these steps, the organization is meeting the demanding requirements for strong and responsible management as laid down by the government commission. Any divergences from the Corporate Governance recommendations are fully explained and justified in the chapter of the same name.

The Supervisory Board commissioned PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft – the firm of auditors selected at the Shareholders' Meeting – to examine the financial statements, the consolidated financial statements, and the management reports for the AG and the Group. In accordance with this, the auditors examined the financial statements, the consolidated financial statements, and the management report for the company and the Group management report. The auditors ascertained no inaccuracies or violations of applicable law and issued an unreserved audit certificate. Moreover, PwC Deutsche Revision AG was asked to review whether the Management Board had taken the steps required by law to detect developments in good time which might endanger the company's existence in the future. It was confirmed that the Management Board has established an appropriate risk detection system and that the Group's position and the risks to future development shown have been described plausibly and in accordance with the facts.

The Supervisory Board was given the general documentation on the annual financial statements and the proposal for the appropriation of profits by the company, prior to which these had been discussed by the Board's Audit Committee. The auditors were present at the Supervisory Board's deliberations on the financial statements, and were available to answer any questions on the audit and the statements.

After examining and reviewing the documentation, the Supervisory Board concurred with the result of the auditors' report. The financial statements as prepared by the Management Board were accepted at the Supervisory Board meeting of March 10, 2003, and the consolidated accounts deemed approved.

The Management Board has further drawn up its report on relations with affiliated companies and submitted this, along with the auditors' report, to the Supervisory Board and Working Committee of the Supervisory Board. The auditors have issued the following certificate:

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

1. the information in the report is stated correctly,

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

The Supervisory Board examined the report and raised no objections. As a consequence, the Supervisory Board concurred with the results contained in the auditors' report. Accordingly it raised no objections about the Management Board's statement on relations with affiliated companies.

Mr. Innocenzo Cipolletta and Dr. Norbert Käsbeck have chosen to retire from the Supervisory Board at the Shareholders' Meeting of May 28, 2002. Mr. Silvano Storer had already relinquished his seat on November 11, 2001. Messrs. Werner Baldessarini, Antonio Favrin and Michele Norsa were elected to succeed them on the Supervisory Board at the 2002 Shareholders' Meeting. The appointments will apply for the remaining term of office of the retired members Mr. Innocenzo Cipolletta, Dr. Norbert Käsbeck and Mr. Silvano Storer, i.e. until the 2005 Shareholders' Meeting.

The Supervisory Board would like to express its gratitude for the former members' committed and constructive work.

Following Mr. Baldessarini's resignation, Dr. Bruno Sälzer was appointed Chair of the HUGO BOSS AG Management Board. Dr. Sälzer has already been a member of the Management Board for six years.

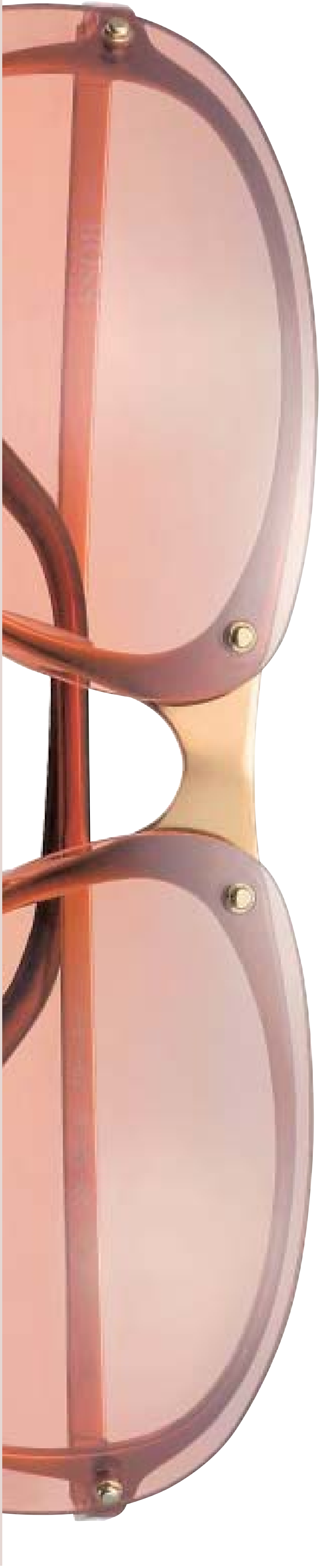
The Supervisory Board wishes to thank the Management Board, the employee representatives and the entire staff of the HUGO BOSS Group for their hard work and dedication, and is vesting its hopes in sustaining this loyal and fruitful partnership.

Metzingen, March 10, 2003

The Supervisory Board

Dr. Giuseppe Vita
(Chair)


HUGO BOSS



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Baldessarini
HUGO BOSS
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COLOGNE

Consolidated Financial Statements
as of December 31, 2002

Consolidated Statement of Income

of HUGO BOSS Aktiengesellschaft, Metzingen for the period January 1 to December 31, 2002

	Notes No.	2002 EUR thous.	2002 EUR thous.	2001 EUR thous.
Sales	[1]	**1,093,386**		1,094,716
Changes in inventories and other own costs capitalized		(36,653)		40,962
Other operating income	[2]	72,486		68,433
Cost of materials	[3]	(491,855)		(558,457)
Personnel expenses	[4]	(161,017)		(150,194)
Depreciation	[5]	(32,186)		(27,920)
Other operating expenses	[6]	(342,538)		(312,984)
Operating result			**101,623**	**154,556**
Income from financial assets valued at equity		61		749
Net interest income		(4,366)		(4,197)
Other financial items		0		(1,496)
Financial result	[7]		**(4,305)**	**(4,944)**
Income from ordinary activities			**97,318**	**149,612**
Other taxes	[8]		(2,213)	(1,799)
Result before taxes on income			**95,105**	**147,813**
Taxes on income	[8]		(20,419)	(30,234)
Consolidated earnings			**74,686**	**117,579**
Other shareholders'contibution to result	[9]		0	0
Earnings excluding minority interests			**74.686**	**117,579**
Earnings per share (EUR) [1]	**[10]**		**1.06**	**1.67**
Adjusted earnings per share (EUR) [2]			**1.06**	**1.53**

[1] Diluted and undiluted earnings per share.
[2] Adjusted for the fiscal effect of the special dividend for 2000.

Consolidated Balance Sheet

of HUGO BOSS Aktiengesellschaft, Metzingen as of December 31, 2002

Assets	Notes No.	2002 EUR thous.	2002 EUR thous.	2001 EUR thous.
Intangible assets	[11]	36,107		31,133
Tangible assets	[12]	183,383		164,864
Financial assets	[13]	25		3,817
Fixed assets			**219,515**	**199,814**
Inventories	[14]	218,147		228,665
Trade receivables	[15]	153,626		132,741
Other receivables and assets	[15]	80,403		72,841
Liquid assets	[16]	57,272		94,273
Current assets			**509,448**	**528,520**
Deferred taxes	[8]		**32,532**	**24,088**
Prepaid expenses	[17]		**4,459**	**4,358**
Balance sheet total			**765,954**	**756,780**

Equity and Liabilities	Notes No.	2002 EUR thous.	2002 EUR thous.	2001 EUR thous.
Subscribed capital	[18]	70,400		70,400
Capital surplus	[19]	399		399
Retained earnings	[20]	243,182		178,748
Consolidated net income		74,686		117,579
Accumulated other equity	[21]	2,009		8,221
Equity			**390,676**	**375,347**
Shares of other shareholders	**[9]**		**0**	**0**
Accruals for pensions	[22]	23,127		24,878
Other accruals	[23]	87,099		95,862
Accruals			**110,226**	**120,740**
Financial liabilities	[24]	196,505		191,520
Trade payables	[25]	34,690		41,778
Other liabilities	[26]	19,907		19,576
Liabilities			**251,102**	**252,874**
Deferred taxes	[8]		**13,950**	**7,819**
Balance sheet total			**765,954**	**756,780**

Analysis of Group Equity

EUR thous.	Subscribed Capital	Capital Surplus	Retained Earnings: Legal reserve	Retained Earnings: Other revenue reserves
January 1, 2001	**35,200**	**399**	**3,121**	**200,435**
Consolidated net income				
Allocated to revenue reserves			2,513	101,330
Dividend payment				(93,451)
Capital increase out of retained earnings	35,200			(35,200)
Market valuation of hedges				
Currency translation effects				
December 31, 2001	**70,400**	**399**	**5,634**	**173,114**
Consolidated net income				
Allocated to revenue reserves			1,007	116,572
Dividend payment				(53,145)
Market valuation of hedges				
Currency translation effects				
December 31, 2002	**70,400**	**399**	**6,641**	**236,541**

Accumulated Other Equity				
Difference arising from currency translation	Market valuation of hedges	Consolidated Net Income	Group Equity	Shares of Other Shareholders
4,538	**3,765**	**103,843**	**351,301**	0
		117,579	**117,579**	0
		(103,843)		
			(93,451)	
	(5,022)		**(5,022)**	
4,940			**4,940**	
9,478	**(1,257)**	**117,579**	**375,347**	0
		74,686	**74,686**	0
		(117,579)		
			(53,145)	
	4,422		**4,422**	
(10,634)			**(10,634)**	
(1,156)	**3,165**	**74,686**	**390,676**	**0**

Consolidated Funds Flow Statement

	2002 EUR thous.	2001 EUR thous.
Net income for the year	74,686	117,579
Depreciation	32,186	29,417
Change in pension accruals	(1,751)	3,612
Cash flow	**105,121**	**150,608**
Change in inventories	12,719	(53,680)
Change in receivables and other assets	(34,796)	(45,412)
Change in trade payables and other liabilities	(9,718)	(6,551)
Result from the sale of fixed assets	2,496	(99)
Change in other accruals	(2,631)	34,586
Cash flow from operating activities	**73,191**	**79,452**
Investments in tangible and intangible assets	(59,991)	(94,819)
Proceeds from retirements of tangible and intangible assets	4,407	4,437
Investments HUGO BOSS Australia Pty. Ltd.	(7,980)	
Currency adjustments	9,712	(1,128)
Cash flow from investment activities	**(53,852)**	**(91,510)**
Dividend preceding year	(53,145)	(93,451)
Currency translation and other equity changes	(6,212)	(82)
Change in financial liabilities	3,017	147,328
Cash inflow/outflow from external financial activities	**(56,340)**	**53,795**
Change in liquid funds	**(37,001)**	**41,737**
Liquid funds at the beginning of the period	94,273	52,536
Liquid funds at the end of the period	**57,272**	**94,273**

Segment Information by Product Area

	Menswear segment[1]		Womenswear segment	
	2002 EUR mill.	2001 EUR mill.	2002 EUR mill.	2001 EUR mill.
Sales	**1,056.4**	**1,046.2**	**37.0**	**48.5**
Depreciation	(28.0)	(26.3)	(1.6)	(1.6)
Operating income	138.1	189.7	(19.5)	(22.3)
in % of sales	13.1	18.1	–	–
Non-recurring and extraordinary items	(15.4)	(1.5)	(1.6)	(12.9)
Net income	**92.8**	**131.9**	**(18.1)**	**(24.2)**
in % of sales	8.8	12.6	–	–
Assets	712.7	702.8	53.3	54.0
Liabilities	265.7	285.9	109.6	95.5
Net equity	447.0	416.9	(56.3)	(41.5)
Additions to fixed assets	**67.0**	**92.6**	**1.4**	**3.0**
Number of employees (on the annual average)	**4,656**	**4,112**	**98**	**128**

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

Segment Information by Region

	2002		2001	
	EUR mill.	in %	EUR mill.	in %
Sales				
Germany	275.0	25	296.6	27
Other European countries	445.4	41	426.4	39
Americas	221.0	20	251.9	23
Other regions	87.9	8	68.5	6
Royalties	64.1	6	51.3	5
Total	**1,093.4**	**100**	**1,094.7**	**100**
Assets				
Germany	292.3	38	288.7	38
Other European countries	263.5	34	235.2	31
Americas	154.1	20	203.6	27
Other regions	42.0	6	19.4	3
Royalties	14.1	2	9.9	1
Total	**766.0**	**100**	**756.8**	**100**
Additions to fixed assets				
Germany	36.2	53	39.8	42
Other European countries	10.9	16	7.6	8
Americas	8.9	13	43.2	45
Other regions	12.4	18	5.0	5
Total	**68.4**	**100**	**95.6**	**100**

Notes to the 2002 Consolidated Financial Statements

of HUGO BOSS Aktiengesellschaft, Metzingen

Reporting

The consolidated financial statements of HUGO BOSS Aktiengesellschaft at December 31, 2002 have been prepared in accordance with the rules and regulations of the International Accounting Standards Board (IASB) for the first time.

All the prescriptions of the International Accounting Standards (IAS) and the interpretations of the Standing Interpretations Committee (SIC) which were binding for fiscal 2002 were applied.

The requirements of Section 292a of the (German) Commercial Code (HGB) governing exemptions from the obligation to produce consolidated financial statements in accordance with German commercial law have been met. The assessment of such requirements is based on Standard No. 1 (DRS 1) "Exempted Consolidated Statements according to Section 292a HGB" of the German Accounting Standards Committee (DRSC). Based on the interpretation of the DRSC, the consolidated financial statements are in compliance with the Seventh EC Company Law Directive. All information and notes which exceed the scope of the IASB rules yet are requisite to achieve comparability with consolidated statements prepared in accordance with the Commercial Code have been provided.

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

The consolidated financial statements of HUGO BOSS AG were drawn up in compliance with SIC 8 as though IAS and the SIC interpretations had always been applied.

The transition to IAS at January 1, 2001, caused the valuation of various items to change. The adjustments were made in a way that did not impact the operating result, and shown as debits or credits in the revenue reserves under shareholders' equity.

	EUR mill.
Equity capital at 12/31/00 based on HGB	**305.4**
Capitalization of internally generated intangible assets	4.7
Reversal of capitalized pre-operating and business expansion expenses	(10.2)
Inventory valuation	25.3
Receivables valuation	7.4
Discontinuation or reclassification of accruals	16.5
Effect of corporate tax reduction in year of distribution[1]	(14.7)
Deferred taxation	14.5
Other differences in reporting and valuation	2.4
Equity capital at 1/1/01 based on IAS	**351.3**

[1] Including the effect of the reduced corporate tax rate due to the special dividend for 2000.

The benchmark figures at December 31, 2001 were impacted as follows by the adoption of IAS for the consolidated reporting:

Assets **EUR thous.**	**IAS**	**HGB**	**Change**
Pre-operating expenses	0	8,348	(8,348)
Intangible assets	31,133	26,931	4,202
Tangible assets	164,864	129,809	35,055
Financial assets	3,817	2,773	1,044
Fixed assets	**199,814**	**167,861**	**31,953**
Inventories	228,665	195,186	33,479
Trade receivables	132,741	126,326	6,415
Other current assets	167,114	163,670	3,444
Current assets	**528,520**	**485,182**	**43,338**
Deferred taxes	24,088	3,932	20,156
Prepaid expenses	4,358	4,765	(407)
Balance sheet total	**756,780**	**661,740**	**95,040**

Equity and liabilities **EUR million**	**IAS**	**HGB**	**Change**
Shareholders' equity	375,347	320,912	54,435
Accruals	120,740	126,382	(5,642)
Liabilities and deferred charges	252,874	214,446	38,428
Deferred taxes	7,819	0	7,819
Balance sheet total	**756,780**	**661,740**	**95,040**

In specific terms, this has resulted in the following salient changes as compared to the balancing and valuation methods applied to date:

– Accounting for internally generated intangible assets

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

– No capitalization of pre-operating and business expansion expenses

– Refraining from setting up other reserves if the probability they will be used is less than 50%

– Valuation of pension reserves based on the projected unit credit method under consideration of future salary developments in accordance with IAS 19

– Inclusion as fully consolidated companies in the consolidated statements of those companies which are deemed controlled entities by SIC 12

– Valuation of inventories at full cost

– No consideration taken of lump-sum valuation adjustments on trade receivables

– No tax effects on earning distributions until actual date of dividend payout according to IAS 12

– General valuation of financial instruments at the assumed current market value pursuant to IAS 39.

Consolidated Group

The consolidated Group includes HUGO BOSS AG and subsidiaries in which HUGO BOSS AG directly or indirectly holds the majority of the shareholders' votes.

These are:

HUGO BOSS Canada, Inc.
HUGO BOSS España S.A.
HUGO BOSS France SARL
HUGO BOSS RETAIL SARL
HUGO BOSS Hong Kong Ltd.
HUGO BOSS Italia S.p.A.
HUGO BOSS Japan K.K.
HUGO BOSS (Schweiz) AG
Holy's GmbH
HUGO BOSS do Brasil Ltda.
HUGO BOSS Holdings Pty. Ltd.
HUGO BOSS International B.V.
HUGO BOSS UK Limited
HUGO BOSS Benelux B.V.
HUGO BOSS USA, Inc.
HUGO BOSS Fashions, Inc.
HUGO BOSS Retail, Inc.
HUGO BOSS Licensing, Inc.
The Joseph & Feiss Company
HUGO BOSS Cleveland, Inc.
AMBRA, Inc.
HUGO BOSS, Inc.
Bentex Holding S.A.
HUGO BOSS Industries S.A.
Eura 2000 S.A.
Della Croce Italia SRL
HUGO BOSS Textile Industry Ltd.
HUGO BOSS Outlet Magazacilik Limited Sirketi
HUGO BOSS S.p.A.
HUGO BOSS Mexico S.A. de C.V.
HUGO BOSS Mexico Management Services S.A. de C.V.
HUGO BOSS Australia Pty. Ltd.
HUGO BOSS Belgium BVBA
HUGO BOSS Denmark APS
HUGO BOSS Scandinavia AB
BIL Leasing Verwaltungs-GmbH & Co. 869 KG
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG

The number of subsidiaries including the parent company shown in the 2002 consolidated statements changed as follows in the year under review:

	2002	2001
Number of fully-consolidated companies	39	35
Number of companies consolidated at equity	0	1
Total	**39**	**36**

Werner Baldessarini Design GmbH was not included due to the fact that it has no material impact on the Group's assets, finances or earnings situation: the balance sheet total of said company comprises less than 1% of that of the Group.

Changes in consolidation

At the beginning of fiscal 2002, the remaining 50% of HUGO BOSS Australia Pty. Ltd. was acquired. The company was deemed fully consolidated with effect from March 1, 2002. The goodwill resulting from the share purchase will be amortized over a period of twenty years.

In addition, the distribution companies established in 2002 – to-wit: HUGO BOSS Belgium BVBA, HUGO BOSS Denmark APS and HUGO BOSS Scandinavia AB – were included for the first time as fully consolidated companies in the year under review.

The impact of the changes in consolidation on the fixed assets are reflected in an analysis of the Group's fixed assets shown in the notes to the balance sheet (pp. 142 ff.).

The change in consolidation has affected other significant items in the balance sheet at 12/31/02 as shown below. The effects from the investment itself are not shown, but rather the contributions of the companies consolidated for the first time to the relevant Group items.

Balance sheet

	Due to changes in consolidation EUR thous.
Inventories	6,491
Receivables and other assets	9,308
Liabilities	2,266

HUGO BOSS Australia Pty. Ltd., which was fully consolidated for the first time, posted sales of EUR 14,262 thousand in fiscal 2002. In regards to the sales companies established and fully consolidated in 2002, it should be noted that the sales generated by these companies correspond to comparable sales of HUGO BOSS AG in 2001 generated on the basis of agent activities.

Information concerning the majority shareholder

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

HUGO BOSS AG has received the following communication from Marzotto S.p.A. of Valdagno, Italy, pursuant to sections 21 I, 22 I no. 1 and 41 II sentence 1 of the German Securities Trading Act:

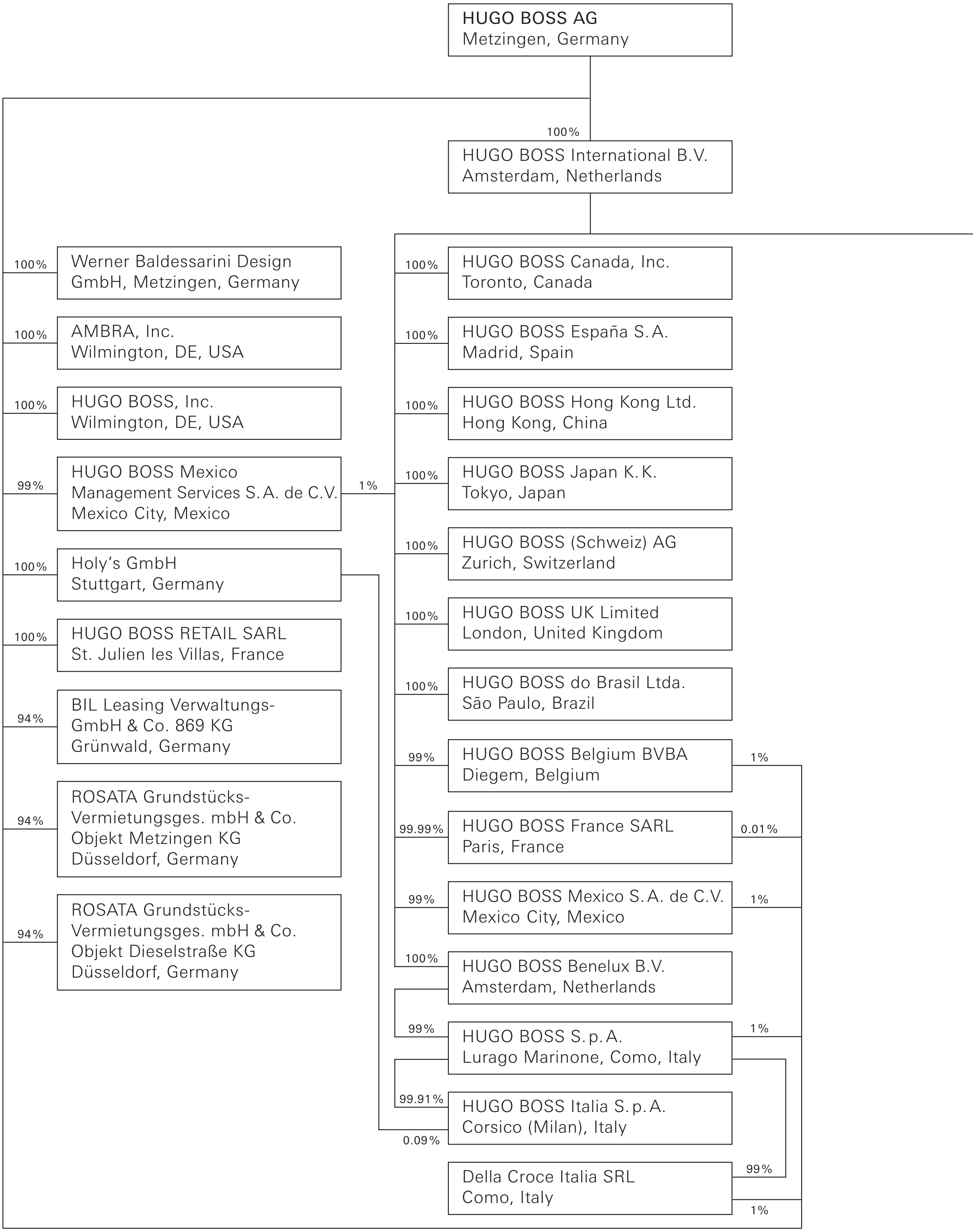
“We hereby state pursuant to section 41 para. 2 sentence 1 of the German Securities Trading Act that, on April 1, 2002, we hold 78.25% of the voting rights at HUGO BOSS AG. Said voting rights are accorded to us pursuant to section 22 para. 1 sentence 1 no. 1 of the German Securities Trading Act.

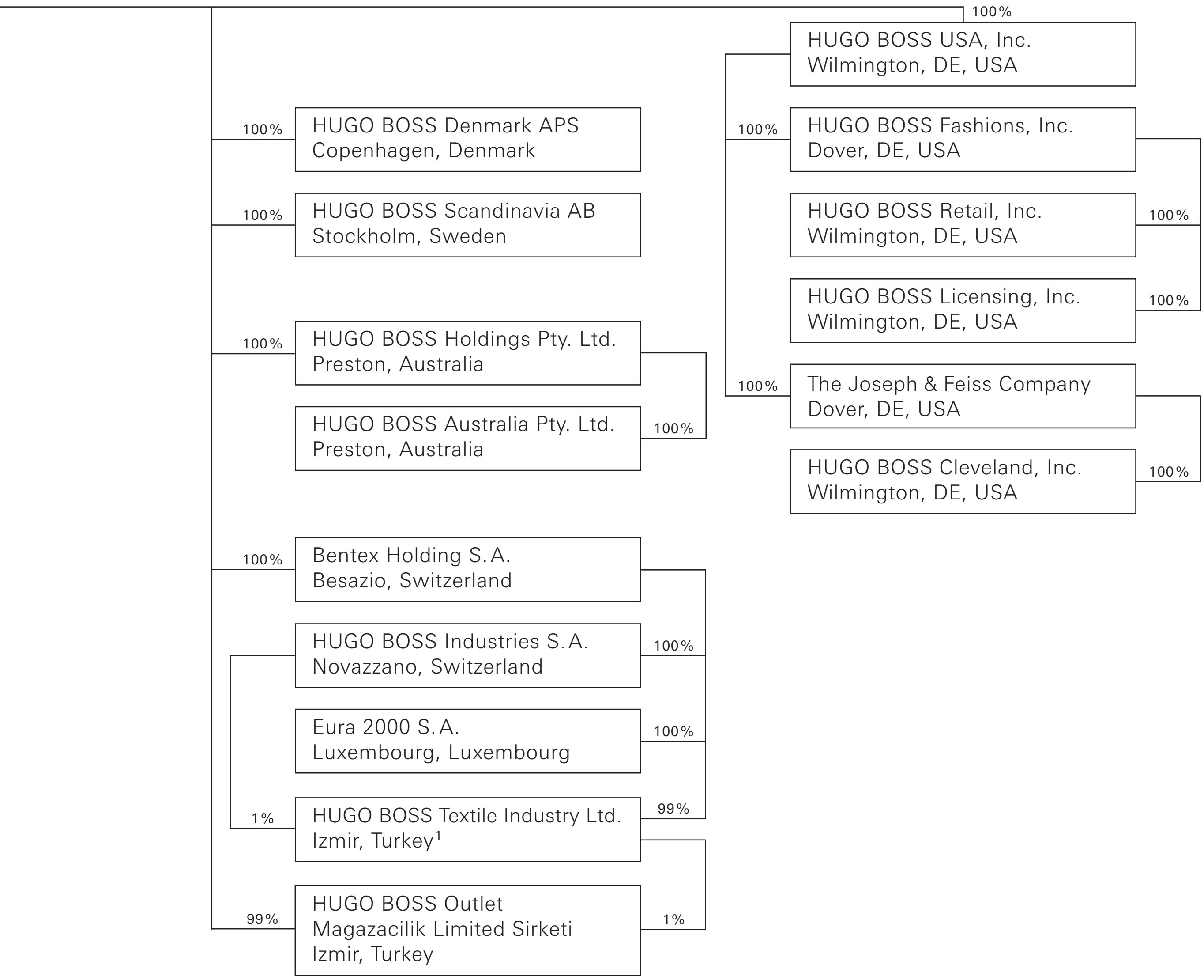
On behalf of our subsidiary Marzotto International N.V. of the Netherlands we further state that, pursuant to section 41 para. 2 sentence 1 in conjunction with section 24 of the German Securities Trading Act, its share of the voting rights at HUGO BOSS AG is 78.25% on April 1, 2002. Said rights are accorded to Marzotto International N.V. pursuant to section 22 para. 1 sentence 1 no. 1 of the German Securities Trading Act.

On behalf of our subsidiary Marzotto GmbH of Germany we further state that, pursuant to section 41 para. 2 sentence 1 in conjunction with section 24 of the German Securities Trading Act, its share of the voting rights at HUGO BOSS AG is 78.25% on April 1, 2002.”

Metzingen, January 2003

Investment Holdings





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

Principles of consolidation

At the initial consolidation of a subsidiary, the cost of acquiring the shareholding was shown together with the corresponding Group share of equity at book value. As a general rule, the difference between the cost of acquisition and the share of equity (where such difference was based on undisclosed reserves or charges) was assigned to the assets and liabilities of the subsidiary in question. Any remaining positive balance is capitalized as goodwill and amortized over a maximum period of twenty years commensurate with the future commercial benefit.

For shareholdings included according to the equity method, the cost of acquisition will be increased or decreased annually to reflect changes in the Group's equity share in the associated company.

The effects of internal Group business transactions were eliminated. Receivables and liabilities between the consolidated companies were offset; intercompany profits and losses in the fixed assets and inventories were eliminated and internal income offset against the corresponding costs. Taxes were accrued or deferred as required by IAS 12 to accommodate for any temporary differences resulting from the consolidation.

Currency conversion

The year-end results of the Group's foreign subsidiaries were converted to euro based on the functional currency concept specified in IAS 21. As a general rule, the functional currency is deemed the local currency. In deviation, the reporting currency of HUGO BOSS Textile Industry, Ltd. and HUGO BOSS Outlet Magazacilik Limited is the euro, because their main business transactions are negotiated in this currency. Hence there was no necessity for conversion in these financial statements.

Assets and liabilities were shown at the average rate on the date of the balance sheet; the items in the statement of income at mean rates for the year. Shareholders' equity was converted at historical rates.

The difference from the conversion of the statement of income at current rates and the balance sheet at average rates was shown under other accumulated equity without impacting earnings. The currency difference resulting from the conversion of shareholders' equity at historical rates was similarly offset against other accumulated equity.

The exchange rates of the currencies most relevant to the consolidated financial statements have developed as follows in relation to the euro:

Country	Currency	Average Rate		Rate at Reporting Date	
	1 EUR =	2002	2001	2002	2001
Australia	AUD	1.7376	1.7325	1.8556	1.7350
Brazil	BRL	2.7677	2.1059	3.6972	2.0418
Great Britain	GBP	0.6292	0.6219	0.6509	0.6091
Hong Kong	HKD	7.3678	6.9862	8.1781	6.8810
Japan	JPY	117.89	108.73	124.49	115.69
Canada	CAD	1.4820	1.3866	1.6536	1.4101
Mexico	MXN	9.0996	8.3758	10.94	8.0598
Switzerland	CHF	1.4671	1.5104	1.4549	1.4804
U.S.A.	USD	0.9447	0.8957	1.0494	0.8823

Key Figures of the Consolidated Companies of the HUGO BOSS Group

Company	Sales[2]		Result		Equity	
thous.	2002 EUR	2001 EUR	2002 EUR	2001 EUR	2002 EUR	2001 EUR
HUGO BOSS AG	451,184	452,792	53,247[4]	64,722[4]	205,972	198,785
HUGO BOSS USA, Inc.[1]	155,789	177,482	(29,748)	893	61,112	47,868
HUGO BOSS France SARL	91,313	88,680	5,282	9,105	37,595	32,314
HUGO BOSS UK Limited	72,456	68,723	10,510	10,118	14,625	11,339
HUGO BOSS Benelux B.V.	41,676	39,099	5,691	4,640	29,434	2,012
Bentex Holding S.A.[1]	39,337	41,552	14,252	16,018	44,003	46,401
HUGO BOSS Canada, Inc.	38,543	40,431	1,802	1,865	8,627	7,991
HUGO BOSS Italia S.p.A.	43,716	36,789	329	798	1,810	6,161
HUGO BOSS Japan K.K.	24,822	22,786	(596)	173	4,550	2,911
HUGO BOSS (Schweiz) AG	24,882	25,930	3,408	3,495	3,802	4,000
HUGO BOSS Australia Pty. Ltd.	14,262	17,900[3]	818	1,499	7,895	5,434
HUGO BOSS Hong Kong Ltd.	30,228	28,941	4,882	4,101	2,586	3,176
HUGO BOSS España S.A.	20,600	17,368	58	463	3,113	3,055
HUGO BOSS do Brasil Ltda.	6,632	9,299	(2,295)	(241)	(758)	1,203
Holy's GmbH	8,748	9,597	(1,198)[5]	156[5]	583	583
AMBRA, Inc.	741	887	1,471	302	2,889	3,733
HUGO BOSS Mexico S.A. de C.V.	14,827	18,461	2,426	2,432	4,539	3,251
HUGO BOSS S.p.A.	(124)	11,090	3,341[7]	1,547	31,211	26,501
HUGO BOSS Mexico Management Services S.A. de C.V.	0	0	16	28	39	36

Company	Sales[2]		Result		Equity	
thous.	2002 EUR	2001 EUR	2002 EUR	2001 EUR	2002 EUR	2001 EUR
HUGO BOSS Outlet Magazacilik Limited Sirketi	911	660	(44)	(434)	52	96
HUGO BOSS RETAIL SARL	9,837	4,149	563	257	834	272
HUGO BOSS International B.V.	–	–	32,617[6]	26,052[6]	156,463	123,430
HUGO BOSS Textile Industry Ltd.	–	–	2,435	1,905	5,256	2,821
HUGO BOSS Holdings Pty. Ltd.	–	–	61	749	2,874	2,717
HUGO BOSS Inc.	–	–	0	0	243	288
HUGO BOSS Belgium BVBA	–	–	(216)	0	284	0
HUGO BOSS Denmark APS	–	–	(31)	0	676	0
HUGO BOSS Scandinavia AB	3,005	–	(822)	0	1,177	0
BIL Leasing Verwaltungs-GmbH & Co. 869 KG[8]	–	–	(440)	(800)	(1,723)	(1,285)
ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Metzingen KG[8]	–	–	(588)	(3)	(581)	7
ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Dieselstrasse KG[8]	–	–	(240)	1	(229)	11

1 Subconsolidated financial statement.
2 External sales; sales with Group companies are eliminated.
3 Sales not included in consolidated financial statements due to equity balancing.
4 Net income before income transfer from Holy's GmbH (profit and loss transfer agreement).
5 Net income before profit transfer from (to) HUGO BOSS AG (profit and loss transfer agreement).
6 Net income includes dividend income of EUR 29,130 thousand (2002) and EUR 35,372 thousand (2001) and devaluation of holdings in consolidated companies totaling 0 (2001: EUR 13,279 thous.).
7 Net income includes dividend income of EUR 4,680 thousand (2002).
8 Participation with a capital share of 94%.

Accounting and Valuation Principles

The financial statements of HUGO BOSS AG and those of its subsidiaries at home and abroad have been prepared in accordance with consistent accounting and valuation principles as mandated by IAS 27.

Realization of income and expenses

Proceeds from sales or other operating income are deemed realized upon performance of the obligation or passage of risk to the customer.

Based on the matching principle, operating expenses impact the result at the date of performance or when they are generated. Interest earned and paid will be reported by period.

Intangible assets

Intangible assets which are acquired or internally generated are carried as assets according to IAS 38 if it can be reasonably assumed that the use of the asset will entail a future economic benefit and the cost of the asset can be reliably measured. Acquired intangible assets are carried at cost, and the straight-line method applied for scheduled depreciation over three to four years. Internally generated intangible assets which the Group can reasonably assume to bring future benefit and which can be reliably measured are carried as assets at the cost of production and systematically depreciated using the straight-line method over a period of four years. The production costs include all expenditures that are directly attributable to generating the asset and the share of overhead relevant to production.

Finance charges were not capitalized. Trademarks acquired for consideration were capitalized and depreciated using the straight-line method over a 15-year period. Goodwill from consolidation will be systematically amortized based on anticipated useful life, i.e. over a period not exceeding twenty years.

Fixed assets

Tangible assets used in business operations for more than one year are valued at their cost of acquisition or production minus straight-line depreciation. The production costs include all expenditures that are directly attributable to generating the asset and the share of overhead relevant to production. Finance charges were not shown. The useful lives are the anticipated useful lives within the Group. Depreciation based solely on tax regulations was not shown.

The depreciation of buildings was generally based on a useful life of 30 years; the depreciation of buildings and improvements on third-party property corresponded to the term of the lease or, as applicable, a shorter useful life. As a general rule, movable assets were depreciated using the straight-line method. For technical equipment and machines, the useful lives are 5 to 15 years; for other equipment and factory and office equipment, 2 to 15 years.

Finance leases

In leases in which the Group is the lessee, the commercial title to the leased asset is accorded to the lessee pursuant to IAS 17 if said party essentially bears all the chances and risks connected to the leased asset (finance lease). The depreciation methods and useful lives correspond to those of comparable acquired assets. Capitalization generally takes place when the contract is signed and at the cost of acquisition. The corresponding lease obligations are shown under other liabilities. The interest portion of the lease payments is carried in the statement of income for the term of the lease.

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

Non-scheduled depreciation

For intangible assets and tangible fixed assets, the value of the capitalized book value carried is regularly reviewed in accordance with IAS 36 with reference to cash generating units.

To the extent that the value of the intangible assets or tangible fixed assets ascertained as above exceeds the amount recoverable at the date of the balance sheet, this is reflected in non-scheduled depreciation. The recoverable amount can be taken as the net selling price or, if greater, the cash value of the projected future cash flow from the use of the asset. As soon as the grounds for the non-scheduled depreciation are no longer given, original values must be reinstated for the amortized cost of acquisition or production.

Financial assets

Associated companies are included with their share of equity based on the equity method. For fiscal 2002, the equity method was not applied due to the fact that HUGO BOSS Australia Pty. Ltd. was included in the consolidated report as a fully-consolidated company following the purchase of its remaining parts.

Other financial assets held until final maturity are valuated at the date of the balance sheet at amortized cost. Should the recoverable amount fall under the book value at the balance sheet date, valuation adjustments are made that impact earnings.

Inventories

Raw materials and supplies as well as merchandise are generally valued at cost as determined on the basis of average cost. Unfinished and finished goods were valued at production cost, or either the market or current price, whichever is lower. The production costs include all expenditures that are directly attributable to the production process and the share of overhead relevant to production. Financing charges were not included.

Where the inventories' cost of acquisition or production exceeds the value of the obtainable sales price minus costs incurred prior to the sale, the lower of the two values was used.

Receivables and other assets

Receivables and other assets were reported at their nominal value or, as applicable, at cost. All apparent risks were taken into account by suitable write-downs. Non-interest-bearing and low-interest receivables with terms of more than one year were discounted.

Prepaid expenses

Prepaid expenses encompass payments made before the year-end closing date for a determinable period thereafter.

Derivative financial instruments

Derivative financial instruments are implemented in the HUGO BOSS Group solely for the purpose of safeguarding interest rate risks and currency exposure in its operative business.

The requirements of IAS 39 outlining the qualification of hedging are met.

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

Changes in the fair value of derivative financial instruments which classify as trading instruments according to IAS 39 are shown with an impact on earnings.

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 are not to affect the period results during the term of the derivative. Changes in the market value are to be shown in equity in the corresponding reserves without affecting the operating results. The cumulative value is recognized directly in equity as profit or loss for the period.

It is Group policy to use only effective derivatives to hedge interest risks and currency exposure. The material and formal requirements of IAS 39 for qualification as hedging were met both when the hedge was initiated and at the balance sheet date.

Pension reserves

The valuation of pension reserves is based on the projected unit credit method prescribed in IAS 19 for defined benefit plans; this method takes into account future benefit and pension adjustments. The plan assets spun off as benefit funds are shown with the projected unit credit at the current market value at the end of the year. Actuarial gains and losses are shown with an immediate effect on earnings.

Other accruals

Provisions for taxes and other reserves have been set up wherever, as a result of a past event, a legal or de facto obligation currently exists towards third parties which will probably result in a future decrease in assets, and the amount involved can be reliably estimated.

Long-term reserves with a remaining term exceeding one year are shown at their discounted settlement value on the balance sheet date.

The provisions for part-time work for the aging contained in other accruals have been valued in accordance with IAS 19.

Liabilities

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

Deferred income

Deferred income includes receipts prior to the balance sheet date which represent earnings for a specific period thereafter.

Tax accruals and deferrals

Tax accruals and deferrals have been recognized in accordance with IAS 12 for all taxable temporary differences between the amounts carried in the individual companies' tax balance sheets and the amounts carried in the consolidated financial statement according to IAS, as well as for specific consolidation processes. The tax accruals also include claims for tax reductions resulting from the anticipated use of loss carryovers in subsequent years and whose realization is deemed reasonably certain.

Notes to the Statement of Income

(1) Sales

Classified by brand and region

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

2001	BOSS Man EUR thous.	BOSS Woman EUR thous.	HUGO EUR thous.	BALDESSARINI EUR thous.	Total EUR thous.
Germany	242,746	15,501	31,003	7,351	**296,601**
Other European countries	368,051	22,432	27,744	8,143	**426,370**
Americas	230,770	5,429	11,549	4,142	**251,890**
Other regions	65,340	1,618	1,161	443	**68,562**
Royalties	34,227	3,498	13,295	273	**51,293**
Total	941,134	48,478	84,752	20,352	**1,094,716**

(2) Other Operating Income

	2002 EUR thous.	2001 EUR thous.
Income on marketing expenses charged	22,368	27,045
Income on other expenses charged	7,113	8,620
Gains on currency translation	27,466	20,091
Other operating income	2,456	704
Non-recurring income	13,083	11,973
	72,486	**68,433**

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

Gains on currency translation are comprised chiefly of changes in exchange rates between the date of origin and the date of payment (spot rate) and of exchange profits resulting from the valuation at market price on the reporting date. Corresponding exchange losses are shown under other operating expenses.

The non-recurring income is predominantly comprised of reversed accruals and the sale of shareholdings in the financial assets which have already been largely depreciated.

(3) Cost of Materials

	2002 EUR thous.	2001 EUR thous.
Raw materials and supplies	169,631	210,747
Purchased merchandise	250,844	255,604
Purchased services	71,380	92,106
Total cost of materials	**491,855**	**558,457**

(4) Personnel Expenses

	2002 EUR thous.	2001 EUR thous.
Wages and salaries	137,291	125,626
Social security	21,702	19,206
Expenditure for retirement benefits and aid	2,024	5,362
	161,017	**150,194**

The expenses for retirement benefits consist predominantly of provisions for pension reserves.

The average employee numbers changed as follows:

	2002	2001
Industrial employees	2,544	2,332
Commercial and administrative employees	2,210	1,908
	4,754	**4,240**

At the reporting date, there were two employees at HUGO BOSS Australia Pty. Ltd., which was fully consolidated for the first time.

(5) Depreciation

A breakdown of the depreciation of intangible and tangible fixed assets is evidenced in the notes on each position. Total depreciation amounts to EUR 32,186 thousand (2001: EUR 27,920 thous.).

The pro rata goodwill amortization for the new Group company HUGO BOSS Australia Pty. Ltd. of EUR 8,085 thousand resulted in total depreciation of EUR 334 thousand.

(6) Other Operating Expenses

	2002 EUR thous.	2001 EUR thous.
Marketing expenses	101,227	112,363
Other sales expenses	92,311	79,946
General and administrative costs	32,348	28,382
Operating expenses	29,834	35,920
Losses on currency translation	25,835	15,921
Other operating expenses	31,896	16,391
Non-recurring expenses	29,087	24,061
	342,538	**312,984**

Marketing expenses are comprised mainly of costs incurred for advertising, fairs, sponsorship activities and HUGO BOSS Shops.

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

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

Losses on currency translation are traceable largely to losses due to changes in exchange rates between the date of origin and the date of payment (spot rate) and of losses resulting from the valuation at market price on the reporting date.

The other operating expenses are largely allowances for doubtful accounts, other personnel costs, POS and credit card fees, and hedging transaction fees.

The non-recurring expenses are comprised chiefly of special effects at HUGO BOSS USA, Inc. and transfers to reserves.

(7) Financial Result

	2002 EUR thous.	2001 EUR thous.
Investment income		
Income from associated companies	61	749
	61	749
Net interest income		
Other interest and similar income	3,462	2,735
Interest and similar expenses	(7,828)	(6,932)
	(4,366)	(4,197)
Other financial results		
Depreciation on financial assets	0	(1,496)
	(4,305)	**(4,944)**

The previous year's income from associated companies includes the proportional profit from the participating interest in HUGO BOSS Australia Pty. Ltd.

(8) Taxes

	2002 EUR thous.	2001 EUR thous.
Other taxes	**2,213**	**1,799**
Taxes on income		
Current taxes	30,703	34,123
Deferred taxes	(10,284)	(3,889)
	20,419	**30,234**

Deferred taxes were ascertained on the basis of taxation rates which are expected to or will be applicable in the relevant countries upon their realization. For HUGO BOSS AG, this results in a domestic income tax rate of 38.6% (to date: 37.2%). This took the increase in the corporate tax rate from 25% to 26.5% into consideration. The tax rates abroad range between 0 and 44 percent.

The following table illustrates a transitional equation contrasting the anticipated income tax expenditure which would theoretically result on the Group level given the application of the current domestic income tax rate of 37.2 % (2001: also 37.2 %) with the Group's actual income tax expenditure shown.

	2002 EUR thous.	2001 EUR thous.
Pre-tax result	95,105	147,813
Anticipated income tax	35,379	54,986
Tax refund on prior year's dividend	(9,345)	(21,127)
Tax effect of non-deductible expenses and tax-exempt income	2,652	1,811
Tax rate-related deviation	(8,232)	(7,519)
Tax refunds/back taxes	(330)	2,092
Other deviation	295	(9)
Income tax expenditure carried	20,419	30,234
Income tax load	21.5 %	20.5 %

Based on IAS 12, the tax credit due on the dividend payout is not to be recognized until the date of payout. There are deferred tax claims of EUR 6,631 thousand for the 2002 dividend.

The tax accruals and deferrals for 2002 and 2001 refer to the following:

	2002		2001	
	Accruals EUR thous.	Deferrals EUR thous.	Accruals EUR thous.	Deferrals EUR thous.
Reserves	13,145	(189)	11,182	(292)
Losses carried forward	14,544	–	4,405	–
Inventory valuation	859	(3,121)	4,550	(5,052)
Reporting and valuation of fixed assets	417	(7,414)	2,587	(1,502)
Receivable valuation	2,834	(653)	549	(699)
Market value financial instruments	210	(2,131)	690	0
Other differences in reporting and valuation	1,083	(442)	125	(274)
	33,092	(13,950)	24,088	(7,819)
Valuation adjustments	(560)		0	
Total	**32,532**	**(13,950)**	**24,088**	**(7,819)**

Valuation adjustments were made for tax deferrals if there are doubts as to their realization. To determine these discounts, all the positive and negative factors that might impact the achievement of an adequate future income level were taken into consideration.

(9) Other shareholders' contribution to result

The consolidated report also includes companies in which HUGO BOSS AG holds less than 100% of the shares. In line with IAS 27, the negative capital share relating to the minority interest and the loss attributable to the minority interest have been offset against the majority interest in Group equity.

(10) Earnings per Share

According to IAS 33, the earnings per share (EPS) figure is calculated by dividing the consolidated net profit or loss for the period by the weighted average number of ordinary shares outstanding during the fiscal year. Neither at December 31, 2002 nor at December 31, 2001 were shares outstanding which could have diluted the earnings per share.

	2002	2001
Consolidated net income in EUR mill.	74.7	117.6
Number of shares	70,400,000	70,400,000
EPS in EUR	1.06	1.67
EPS in EUR – adjusted[1]	–	1.53

[1] Adjusted for the tax effect (EUR 9.9 mill.) of the special dividend for fiscal 2000.

Notes to the Balance Sheet

Fixed Assets

EUR thous.	Intangible assets	Tangible assets	Financial assets	Total fixed assets
Cost of acquisition				
Status at 1/1/02	51,790	269,288	7,603	328,681
Currency conversion effects	(615)	(13,364)	0	(13,979)
Changes in consolidation	7	1,169	0	1,176
Additions	11,848	55,405	75	67,328
Disposals	(1,011)	(8,100)	(7,653)	(16,764)
Transfers	(990)	990	0	0
Status at 12/31/02	61,029	305,388	25	366,442
Depreciation				
Status at 1/1/02	20,657	104,424	3,786	128,867
Currency conversion effects	(540)	(3,727)	0	(4,267)
Changes in consolidation	1	169	0	170
Additions	5,454	26,732	0	32,186
Disposals	(441)	(5,802)	(3,786)	(10,029)
Transfers	(209)	209	0	0
Status at 12/31/02	24,922	122,005	0	146,927
Book value at 12/31/02	**36,107**	**183,383**	**25**	**219,515**
Book value at 12/31/01	**31,133**	**164,864**	**3,817**	**199,814**

There are land charges in conjunction with land and buildings totaling EUR 4.6 million (2001: EUR 2.9 mill.).

(11) Intangible Assets

EUR thous.	Franchises, trademarks, patents, licenses[1]	Company-written software	Goodwill	Total
Cost of acquisition				
Status at 1/1/02	46,126	5,603	61	51,790
Currency conversion effects	(587)	0	(28)	(615)
Changes in consolidation	7	0	0	7
Additions	3,763	0	8,085	11,848
Disposals	(1,011)	0	0	(1,011)
Transfers	(990)	0	0	(990)
Status at 12/31/02	47,308	5,603	8,118	61,029
Depreciation				
Status at 1/1/02	19,244	1,401	12	20,657
Currency conversion effects	(534)	0	(6)	(540)
Changes in consolidation	1	0	0	1
Additions	5,070	0	384	5,454
Disposals	(441)	0	0	(441)
Transfers	(209)	0	0	(209)
Status at 12/31/02	23,131	1,401	390	24,922
Book value at 12/31/02	**24,177**	**4,202**	**7,728**	**36,107**
Book value at 12/31/01	**26,882**	**4,202**	**49**	**31,133**

[1] And similar rights, including licenses.

The addition to goodwill results from the purchase of the remaining 50% of the shares in HUGO BOSS Australia Pty. Ltd. To determine the goodwill value, the exchange rate valid at the date of initial consolidation was applied.

(12) Tangible Assets

EUR thous.	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Prepayments made and construction in progress	Total
Cost of acquisition					
Status at 1/1/02	83,220	24,463	153,960	7,645	269,288
Currency conversion effects	(3,292)	(1,638)	(8,434)	0	(13,364)
Changes in consolidation	0	0	1,139	30	1,169
Additions	3,633	2,670	33,683	15,419	55,405
Disposals	(356)	(1,530)	(5,975)	(239)	(8,100)
Transfers	3,884	401	3,691	(6,986)	990
Status at 12/31/02	87,089	24,366	178,064	15,869	305,388
Depreciation					
Status at 1/1/02	19,476	17,648	67,300	0	104,424
Currency conversion effects	(978)	(1,002)	(1,747)	0	(3,727)
Changes in consolidation	0	0	169	0	169
Additions	2,210	2,514	22,008	0	26,732
Disposals	(344)	(1,193)	(4,265)	0	(5,802)
Transfers	192	(483)	500	0	209
Status at 12/31/02	20,556	17,484	83,965	0	122,005
Book value at 12/31/02	**66,533**	**6,882**	**94,099**	**15,869**	**183,383**
Book value at 12/31/01	**63,744**	**6,815**	**86,660**	**7,645**	**164,864**

Value adjustments totaling EUR 2,578 thousand were made in the tangible assets particularly to accommodate for loss of value in Shop fittings.

Finance leases

The total of leased assets which are to be recognized as the commercial property of the Group in accordance with IAS 17 is EUR 6,955 thousand (2001: EUR 8.462 thous.). Of this amount, the sum of EUR 5,248 thousand (2001: EUR 7,155 thous.) is traceable to the capitalization of a distribution center for which a twelve-year lease was taken out, combined with a purchase option at the close of the initial basic rent term.

According to the finance leases, the following lease payments shall become due in future periods:

	Payable 2003 EUR thous.	Payable 2004–2007 EUR thous.	Payable after 2007 EUR thous.
Lease payments	847	3,369	7,786
Present value	591	2,034	4,802

Operating leases

In addition to finance leases, there are a substantial number of leases whose commercial content indicates that they qualify as operating leases, with the consequence that the leased property is recognized as belonging to the lessor.

The payments falling due in future periods based on the operating leases existing at the reporting date are shown in the other notes (27).

(13) Financial Assets

EUR thous.	Shares in affiliated companies	Participating interests in associated companies	Other investments	Other loans	Total
Cost of acquisition					
Status at 1/1/02	13	2,717	4,873	–	7,603
Additions	12	63	0	–	75
Disposals	0	(2,780)	(4,873)	–	(7,653)
Status at 12/31/02	25	0	0	–	25
Depreciation					
Status at 1/1/02	0	0	3,786	–	3,786
Disposals	0	0	(3,786)	–	(3,786)
Status at 12/31/02	0	0	0	–	0
Book value at 12/31/02	**25**	**0**	**0**	**–**	**25**
Book value at 12/31/01	**13**	**2,717**	**1,087**	**–**	**3,817**

Following the takeover of its remaining shares, HUGO BOSS Australia Pty. Ltd. was included as a fully consolidated company from March 1, 2002. At December 31, 2001, the shareholding in HUGO BOSS Australia Pty. Ltd. was shown under participating interests in associated companies.

(14) Inventories

The inventories break down as follows:

EUR thous.	2002	2001
Raw materials and supplies	48,222	43,639
Work in process	9,425	10,637
Finished goods and merchandise	158,409	171,511
Payments on account	2,091	2,878
	218,147	**228,665**

The book value of inventories shown at the lower net resale value is EUR 26,513 thousand (2001: EUR 25,346 thous.).

(15) Receivables and Other Assets

	2002 EUR thous.	Remaining term up to 1 year EUR thous.	2001 EUR thous.	Remaining term more than 1 year EUR thous.
Trade receivables	**153,626**	**5,989**	**132,741**	**1,820**
Other receivables and assets				
Receivables from associated companies	–	–	727	–
Tax claims and prepayments	55,297	1,554	44,081	1,548
Other assets	25,106	7,382	28,033	6,093
	80,403	8,936	72,841	7,641
	234,029	**14,925**	**205,582**	**9,461**

Trade receivables at the reporting date are only partly comparable to the corresponding value from the previous year due to the integration of receivables management in the regional sales companies. Trade receivables in 2001 included only items which were not covered by factoring companies and therefore were unsecured. Secured trade receivables were thus shown as credit balances with factoring companies under liquid assets.

At December 31, 2002, allowances for doubtful accounts were EUR 23,579 thousand (12/31/01: EUR 13,086 thous.).

The other assets are comprised chiefly of trade receivables and rent deposits, along with value gains in financial derivatives totaling EUR 6,951 thousand (2001: EUR 1,370 thous.). The other assets also contain advance payments totaling EUR 5,376 thousand (2001: EUR 10,484 thous.).

(16) Liquid Assets

	2002 EUR thous.	2001 EUR thous.
Checks/ec-Cash	1,083	538
Cash in hand	905	1,609
Balances with banks and factoring companies	55,284	92,126
	57,272	**94,273**

In addition to checks and cash in hand, the liquid assets are comprised of credit balances with factoring companies from secured receivables for delivered merchandise, and credit with banks. Due above all to the integration of receivables management in the regional sales companies, the credit balance with the factoring companies was decreased.

(17) Prepaid Expenses

Prepaid expenses encompass all the prepaid amounts whose expenditure is attributable to subsequent years.

Shareholders' equity

The changes in equity are shown in the analysis on pp. 114–5.

(18) Subscribed Capital

At December 31, 2002, the subscribed capital of HUGO BOSS AG totaled EUR 70,400,000, which is divided as follows:

	2002 EUR thous.
Common stock issued to bearer 35,860,000 shares	35,860
Non-voting preferred stock issued to bearer 34,540,000 shares	34,540
	70,400

The Management Board of HUGO BOSS AG is entitled, given the approval of the Supervisory Board, to increase the subscribed capital of the company by authorized capital of EUR 3,520,000 until May 17, 2004. The authorized capital can be used to issue common and preferred shares on one or more occasions.

(19) Capital Surplus

The capital surplus contains the surcharge from the share issue.

(20) Retained Earnings

The retained earnings are comprised of profit from the companies included in the consolidated statements to the extent that same was not distributed, as well as additions from adjustments ensuing from the initial application of the International Accounting Standards comprising EUR 45.9 million, which did not impact results.

(21) Accumulated Other Equity

Accumulated other equity shows the difference from the currency conversion of financial accounts from foreign subsidiaries of EUR –1,156 thousand (2001: EUR +9,478 thous.), and the effects of the valuation of financial instruments after taxes, in both cases without affecting the result. Deferred taxes totaled EUR –1,951 thousand (2001: EUR 677 thous.), with a neutral effect on the result.

Miscellaneous

Based on the (German) Stock Corporation Law (Aktiengesetz), the dividend to be paid out to the shareholders is determined according to the net profit for the year as shown in the annual financial statement of HUGO BOSS AG. The net profit for 2002 at HUGO BOSS proposed to the Shareholders' Meeting for distribution is EUR 53.1 million. This corresponds to EUR 0.75 for common shares and EUR 0.76 for preferred shares. The reduction in taxes resulting from the proposed dividend payout, which will act to lighten the tax burden in fiscal 2003, is EUR 6.6 million. This amount reflects the remaining corporate tax credit of HUGO BOSS AG as defined by Section 37 of the (German) Corporate Income Tax Law (Körperschaftsteuergesetz) including the solidarity surcharge.

(22) Pension Accruals

	2002 EUR thous.	2001 EUR thous.
Accruals for pensions	22,167	24,237
Accruals for similar obligations	960	641
	23,127	**24,878**

Pension accruals were made for obligations based on pension rights and ongoing payments to eligible current and former employees of the HUGO BOSS Group. The promised benefits based on the retirement plans are determined largely by the period of service of the employees in question.

In addition to pension commitments in Germany, there are obligations relating to a retirement fund which originated in the course of restructuring the U.S. operations in 1996.

The funding of the company retirement plan is covered by plan assets of HUGO BOSS Unterstützungskasse e.V., as well as reinsurance and the Group's pension accruals.

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

	2002 EUR thous.	2001 EUR thous.
Change in plan assets		
Plan asset value at January 1	27,784	23,953
Service cost	1,024	1,559
Interest paid	983	1,336
Actuarial gains/losses	(44)	1,049
Pension payments	(926)	(867)
Currency translation	(3,047)	754
Plan asset value at December 31	25,774	27,784
Change in fund assets		
Current value of fund assets at January 1	3,789	3,718
Return on fund assets	277	186
Pension payments	(209)	(115)
Current value of fund assets at December 31	3,857	3,789
Funding status of the benefits funded by plan assets	**21,917**	**23,995**
Pensions funded by accruals	250	242
Pension accruals	**22,167**	**24,237**

Pension expenses are comprised of the service cost plus interest paid and were added to personnel costs.

The pension obligations were determined based on the following assumptions:

Parameter	2002	2001
Assumed interest rate	4–5.75%	4–5.9%
Pension trend	1.75%	2%

The pension obligations for Germany were ascertained using the biometric principles according to the comparative tables drawn up by Prof. Dr. Klaus Heubeck from 1998.

(23) Other Accruals

Other accruals are comprised mainly of:

	2002 EUR thous.	2001 EUR thous.
Tax accruals	26,788	25,263
Other provisions	60,311	70,599
	87,099	**95,862**

The tax accruals contain current income tax obligations. The explanation of deferred taxes can be found in the notes to the statement of income under "(8) Taxes."

During fiscal 2002, the individual classes of accruals developed as follows:

	Status 1/1/02	Currency conversion	Addition	Use	Dissolved	Status 12/31/02
Outstanding invoices for goods and services	19,469	38	18,882	(14,969)	(989)	22,431
Accruals for human resources	15,029	(485)	8,559	(8,919)	(777)	13,407
Sales agents' commissions and settlement payments	9,990	0	395	(5,390)	(19)	4,976
Costs of litigation, pending and impending legal disputes	3,843	0	8,633	(3,555)	(1,187)	7,734
Other accruals	22,268	(366)	11,559	(14,295)	(7,403)	11,763
	70,599	**(813)**	**48,028**	**(47,128)**	**(10,375)**	**60,311**

Accruals for human resources refer mainly to profit sharing and bonuses, severance pay, outstanding vacation entitlements, wages and salaries. The reduction in accruals for agents' claims is attributable to the establishment of the Group's own sales companies in Scandinavia and Belgium, and the corresponding settlements made with the agents working in these markets.

The accruals for the costs of litigation and pending and impending legal disputes are made up largely of litigation costs for trademark protection. The increase over the prior period is due to the shareholders' class action pending in the U.S.

The other accruals are comprised chiefly of provisions for returned merchandise. The accruals set up in 2001 for the restructuring of BOSS Woman were reduced as scheduled during the year under review.

(24) Financial Liabilities

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

	2002 EUR thous.	With a remaining term up to 1 year EUR thous.	2001 EUR thous.	With a remaining term up to 1 year EUR thous.
Due to banks	185,173	103,623	177,576	160,576
Other financial liabilities	11,332	379	13,944	1,694
	196,505	**104,002**	**191,520**	**162,270**

The other financial liabilities include liabilities from finance leases totaling EUR 7,428 thousand (2001: EUR 8,462 thous.).

The follow charts show the terms and conditions of the financial liabilities:

Due to Banks

Remaining term	Weighted average interest rate	Book value 2002 EUR thous.	Weighted average interest rate	Book value 2001 EUR thous.
up to 1 year	2.74%	103,623	3.61%	160,576
1 to 5 years	2.11%	47,223	6.20%	1,363
more than 5 years	5.99%	34,327	6.28%	15,637

Other Financial Liabilities

Remaining term	Weighted average interest rate	Book value 2002 EUR thous.	Weighted average interest rate	Book value 2001 EUR thous.
up to 1 year	5.00%	379	8.34%	1,694
1 to 5 years	5.00%	1,690	5.00%	1,588
more than 5 years	5.27%	9,263	5.26%	10,662

(25) Trade Payables

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

	With a remaining term			
2001	**up to 1 year EUR thous.**	**from 1 to 5 years EUR thous.**	**of more than 5 years EUR thous.**	**Total EUR thous.**
Trade payables	41,778	0	0	41,778
	41,778	**0**	**0**	**41,778**

(26) Other Liabilities

2002	With a remaining term up to 1 year EUR thous.	from 1 to 5 years EUR thous.	of more than 5 years EUR thous.	Total EUR thous.
Liabilities to affiliated companies	2,244	0	0	2,244
Other liabilities	14,671	1,520	1,472	17,663
from taxes	[5,431]	[24]	[25]	[5,480]
for social security	[3,982]	[0]	[0]	[3,982]
	16,915	**1,520**	**1,472**	**19,907**

2001	With a remaining term up to 1 year EUR thous.	from 1 to 5 years EUR thous.	of more than 5 years EUR thous.	Total EUR thous.
Liabilities to affiliated companies	2,003	0	0	2,003
Other liabilities	14,369	1,547	1,657	17,573
from taxes	[3,688]	[16]	[0]	[3,704]
for social security	[3,276]	[0]	[0]	[3,276]
	16,372	**1,547**	**1,657**	**19,576**

Liabilities to affiliated companies are comprised exclusively of trade payables.

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

Other liabilities also include the loss of value of financial derivatives totaling EUR 2,103 thousand (2001: EUR 3,246 thous.).

Other Notes

(27) Contingent Liabilities

The following contingent liabilities are shown at nominal value; no corresponding reserves have been created because the attendant risks are considered unlikely to occur.

	12/31/02 EUR thous.	12/31/01 EUR thous.
Liabilities from the negotiation and transfer of bills	845	1,426
Contingent liabilities from the provision of collateral for third-party liabilities	7,907	4,028
secured by mortgages	[703]	[831]
	8,752	5,454

(28) Other Financial Obligations

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

2001	Due 2002 EUR thous.	Due 2003–2006 EUR thous.	Due after 2006 EUR thous.	Total EUR thous.
Sum of future minimum leasing payments (operating leases)	29,067	107,418	124,609	261,094
Other obligations	593	456	0	1,049
	29,660	**107,874**	**124,609**	**262,143**
Purchase commitment for investments in fixed tangible and intangible assets	5,980			

(29) Hedging Policy and Financial Derivatives

As an internationally active company, HUGO BOSS is subject to risks from changes to exchange and interest rates during its normal business operations. Derivative financial instruments are employed to reduce these risks. Only regular market instruments with adequate market liquidity are used. The utilization of financial derivatives is subject to internal guidelines and control mechanisms at HUGO BOSS.

When using derivative financial instruments, HUGO BOSS is subject to the risk that the contracting party may fail to perform. This risk is countered by confining agreements exclusively to banks with unimpeachable creditworthiness.

In its main markets, HUGO BOSS is represented by its own subsidiaries. These market and sell products within a specific area to local customers. The subsidiaries place the orders for the goods required exclusively within the Group. Within this process, the internal Group orders are generally invoiced in the subsidiary's local currency, so as to largely limit exchange rate risks to HUGO BOSS AG in Germany and HUGO BOSS Industries S.A. in Switzerland. The currency exposure risk is the product of the ingoing payments in the subsidiaries' local currencies on the one hand, and the euro as the HUGO BOSS AG's functional currency together with the Swiss franc, the functional currency of HUGO BOSS Industries S.A., on the other.

In order to safeguard part or all of the subsidiaries' anticipated payments against the above-mentioned currency exposure, HUGO BOSS uses derivative financial instruments.

This principally entails future exchange transactions and options. In particular, cover is provided for incoming payments from countries in which HUGO BOSS maintains extensive operations.

These countries include the U.S.A., the United Kingdom, Switzerland, Canada and Australia. The terms for the future exchange transactions and options are no longer than 24 months, and generally 18 months or less. Depending on the transactions involved, they may be extended to provide continuous coverage until payment is received. For the most part, these anticipated incoming payments arise from internal Group sales where realization is expected within 18 months of the financial derivative being purchased.

HUGO BOSS upholds the view that the use of derivative financial instruments for foreign currencies reduces the above-mentioned risks, and therefore limits their use exclusively to risk coverage.

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

EUR thous.	2002 Nominal amount	2002 Market value	2001 Nominal amount	2001 Market value
Currency hedging contracts	118,408	4,955	233,984	(1,876)
Interest hedging contracts	28,284	(107)	0	0
	146,692	**4,848**	**233,984**	**(1,876)**

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

The market values of the financial derivatives have been carried as other assets or other liabilities. They do not reflect counter-developments in the value of the hedged item. Nor do they necessarily reflect the amounts that will be achieved in the future under the then existing market conditions.

In addition to financial derivatives to hedge future sales, the currency hedging contracts also hedge current fair market values with a market value of EUR 2 thousand (2001: 0).

At December 31, 2002, after deducting deferred taxes, positive effects from the market valuation of financial derivatives totaling EUR 3,165 thousand (2001: negative effects of EUR 1,257 thous.) were charged to equity without impacting earnings.

The development of financial derivatives that do not qualify as effective hedges under IAS 39 are shown in the notes to the statement of income.

(30) Notes to the Funds Flow Statement

The funds flow statement shows how the HUGO BOSS Group's cash resources have changed during the year under review as a result of the inflow and outflow of cash. In line with IAS 7, the distinction is made between payments from operating activities and those from investment and financing activities. The indirect method was adopted when drawing up the funds flow statement.

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

(31) Notes on Segmental Reporting

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

The segmental distinctions at HUGO BOSS derive from the internal organization and reporting structure and are chiefly based on the twin product areas menswear and womenswear. The secondary segmentation division is based on geographic segments.

In a segmentation by product category, the menswear segment encompasses the brands BOSS Man, HUGO and BALDESSARINI. In terms of organization, most of the operational functions are performed jointly for all three brands, which renders this amalgamation appropriate.

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

Segmental information is generally based on the same accounting and valuation principles as the consolidated financial statements.

(32) Information on Relations to Related Parties

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

During fiscal 2002, related companies in the Marzotto Group performed services (specifically: fabrics) with a volume of EUR 22,369 thousand (2001: EUR 26,718 thous.).

Members of the Supervisory Board received compensation for services (specifically: consulting) in fiscal 2002 totaling EUR 781 thousand (2001: EUR 17 thous.).

(33) Supervisory Board and Management Board

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

The remuneration paid to the Management Board in fiscal 2002 totaled to EUR 3,270 thousand (2001: EUR 4,058 thous.). Of this sum, EUR 2,101 thousand (2001: EUR 1,759 thous.) was fixed and EUR 1,169 thousand (2001: EUR 2,299 thous.) variable.

Within the scope of the HUGO BOSS AG stock appreciation rights program, the members of the Management Board received 112,500 rights; in 2001 a total of 90,000 were granted.

The Supervisory Board received total remuneration of EUR 409 thousand for its services (2001: EUR 359 thous.).

Pension obligations towards former members of the Management Board increased by EUR 1,063 thousand to EUR 3,855 thousand.

The members of the Supervisory Board own a total of 1.14% of the shares issued by HUGO BOSS AG. One member, Dr. Pietro Marzotto, holds 1.07%. The members of the Management Board own 0.01% of the company's shares.

Information according to Section 15a of the (German) Securities Trading Law (Wertpapierhandelsgesetz)

During the 2002 financial year, the following statements were published by HUGO BOSS AG under Section 15a of the (German) Securities Trading Law:

July 27, 2002:
Dr. Pietro Marzotto, I-36078 Valdagno, Italy, Member of the Supervisory Board of HUGO BOSS AG (WKN 524553/ISIN DE0005245534), acquired 8,000 HUGO BOSS AG preferred shares at a unit price of EUR 16.15 on July 19, 2002 and 3,275 HUGO BOSS AG preferred shares at a unit price of EUR 13.24 on July 22, 2002.

July 27, 2002:
Dr. Pietro Marzotto, I-36078 Valdagno, Italy, Member of the Supervisory Board of HUGO BOSS AG (WKN 524553/ISIN DE0005245534), acquired 8,725 HUGO BOSS AG preferred shares at a unit price of EUR 13.21 and 10,000 HUGO BOSS AG preferred shares at a unit price of EUR 12.81 on July 23, 2002.

(34) Stock Appreciation Rights Program

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

As part of this program, members of the HUGO BOSS AG Management Board and specific other executives within the Group and its subsidiaries are accorded a certain number of participation rights. These rights enable them to benefit from any increase in the price of the company's shares. The participation rights constitute an entitlement only to financial benefits and not to HUGO BOSS AG shares.

The stock appreciation rights program has a term of four years. The two-year period of exercise commences at the close of a two-year qualifying period. The rights can be exercised if the market capitalization at HUGO BOSS AG outperforms the MDAX by five percentage points (exercise hurdle) at the expiration of the waiting period or during the subsequent period of exercise.

The return is keyed to the difference between the striking price and the market capitalization reflecting the average prices of the two HUGO BOSS AG classes of stock during the five trading days preceding the date of exercise. The striking price represents the market capitalization based on the average of the two share prices, divided by the total number of HUGO BOSS AG shares, during the 20 trading days preceding the date of issue.

The stock appreciation rights program has developed as follows during the years 2002 and 2001:

	2001	2002
Number of option rights at Jan. 1	0	206,600
Newly granted	227,300	257,700
Expired option rights	(20,700)	(10,050)
Number of option rights at Dec. 31	206,600	454,250

Reserves have been created to cover anticipated future claims from the stock appreciation rights program. Based on the Black & Scholes option model, the value of the stock appreciation rights issued is calculated based on current market parameters and then allocated to the reserves on a pro rata basis until the period of exercise has commenced. For fiscal 2002, this reduced reserves and impacted the result with EUR 170 thousand (2001: increase by EUR 531 thous.).

Further Information on Supervisory Board Members

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

Dr. Giuseppe Vita	Continental AG	Hanover, Germany (until 06/30/02)
	Allianz Lebensversicherungs AG	Stuttgart, Germany
	BEWAG AG	Berlin, Germany
	Deutsche Bank S.p.A.[2]	Milan, Italy (until 04/30/02)
	Riunione Adriatica di Sicurtà (RAS) S.p.A.[2]	Milan, Italy
	Dussmann AG & Co. KGaA	Berlin, Germany (until 06/30/02)
	Axel Springer Verlag AG[2]	Berlin, Germany (Chair since 07/01/02)
	Degussa AG	Düsseldorf, Germany
	Schering AG[2]	Berlin, Germany
	Techosp S.p.A.	Milan, Italy
	Vattenfall Europe AG	Berlin, Germany (since 08/21/02)
Jean F. de Jaegher	Marzotto GmbH	Frankfurt/Main, Germany
	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy
	Bremer Woll-Kämmerei AG[3]	Bremen, Germany
Innocenzo Cipolletta	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy
	Marzotto GmbH	Frankfurt/Main, Germany
	Ericsson Italia S.p.A	Rome, Italy
	Merloni Progetti Energia S.p.A	Milan, Italy
	Musica per Roma S.p.A	Rome, Italy
	Polo Tecnologico Romano S.p.A	Rome, Italy
	UBS Warburg (Italia) S.p.A.	Milan, Italy
	UBS Warburg (Italia) Finanziaria S.p.A.	Milan, Italy
Antonio Favrin	Valentino S.p.A.[2]	Rome, Italy
	Marzotto GmbH	Frankfurt/Main, Germany
	Vincenzo Zucchi S.p.A.	Milan, Italy
	Mascioni S.p.A.	Milan, Italy
	Industrie Zignago Santa Margherita S.p.A.[3]	Fossalta di Portogruaro, Italy
	Zignago Tessile S.p.A.[2]	Fossalta di Portogruaro, Italy
	Zignago Vetro S.p.A.[2]	Fossalta di Portogruaro, Italy
	A.I.F. – Attività Industriali Friuli S.r.l.[2]	San Vito al Tagliamento, Italy
	Vetri Speciali S.r.l.	Trento, Italy
	Santa Margherita S.p.A.[3]	Fossalta di Portogruaro, Italy

	Ca'del Bosco S.p.A.	Erbusco, Italy
	S.M. Tenimenti Pile e Lamole e Vistarenni S.r.l.[3]	Gaiole in Chianti, Italy
	Cantine Torresella S.r.l.[3]	Fossalta di Portogruaro, Italy
	Kettmeir S.p.A.[3]	Caldaro, Italy
	Multitecno S.r.l.[2]	Fossalta di Portogruaro, Italy
	Prind S.p.A.[2]	Fossalta di Portogruaro, Italy
	Finanziaria Canova S.p.A.	Milan, Italy
Dr. Norbert Käsbeck	Friatec AG[3]	Mannheim, Germany
	MAN AG	Munich, Germany
	SÜBA BAU AG	Mannheim, Germany
	HAWESKO Holding AG	Hamburg, Germany
	Salamander AG	Kornwestheim, Germany
	T-Online International AG	Darmstadt, Germany
Dr. Pietro Marzotto	FIN.I.INVEST S.p.A.[2]	Concordia Sagittaria, Italy
	Industrie Zignago Santa Margherita S.p.A.	Fossalta di Portogruaro, Italy
	Vincenzo Zucchi S.p.A.	Milan, Italy
	Mascioni S.p.A.	Milan, Italy
	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy
	Intrapresa S.r.l.[2]	Concordia Sagittaria, Italy
	Valle Zignago S.p.A.[2]	Concordia Sagittaria, Italy
Michele Norsa	Marzotto Distribuzione S.p.A.[2]	Valdagno, Italy
	Valentino S.p.A.	Rome, Italy
	Marzotto France S.a.s.[2]	Paris, France
	Marzotto (USA) Corp.[2]	New York, NY, U.S.A.
	Italfashion S.A.[2]	Mendrisio, Switzerland
	Italfashion U.K. Ltd.	London, United Kingdom
	Marzotto Madrid S.L.[2]	Madrid, Spain
	Italfashion GmbH	Munich, Germany
	Marzotto Trading Hong Kong Ltd.	Hong Kong, China
	Givo Limited	Gurgaon, India
	Valentino Couture S.a.s.[2]	Paris, France
	Valentino U.S.A. Inc.[2]	Wilmington, DE, U.S.A.
	Valentino Spagna S.L.[2]	Madrid, Spain
	VB Fashion PTE Ltd.	Singapore, Singapore
	V.S. Limited	Hong Kong, China

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

General Information

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

HUGO BOSS AG
Dieselstrasse 12
72555 Metzingen, Germany
Phone: +49 (0) 7123/94-23 75

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

Metzingen, February 21, 2003

HUGO BOSS Aktiengesellschaft
The Management Board

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


West

1,726,000

visitors

578

team members

22

drivers

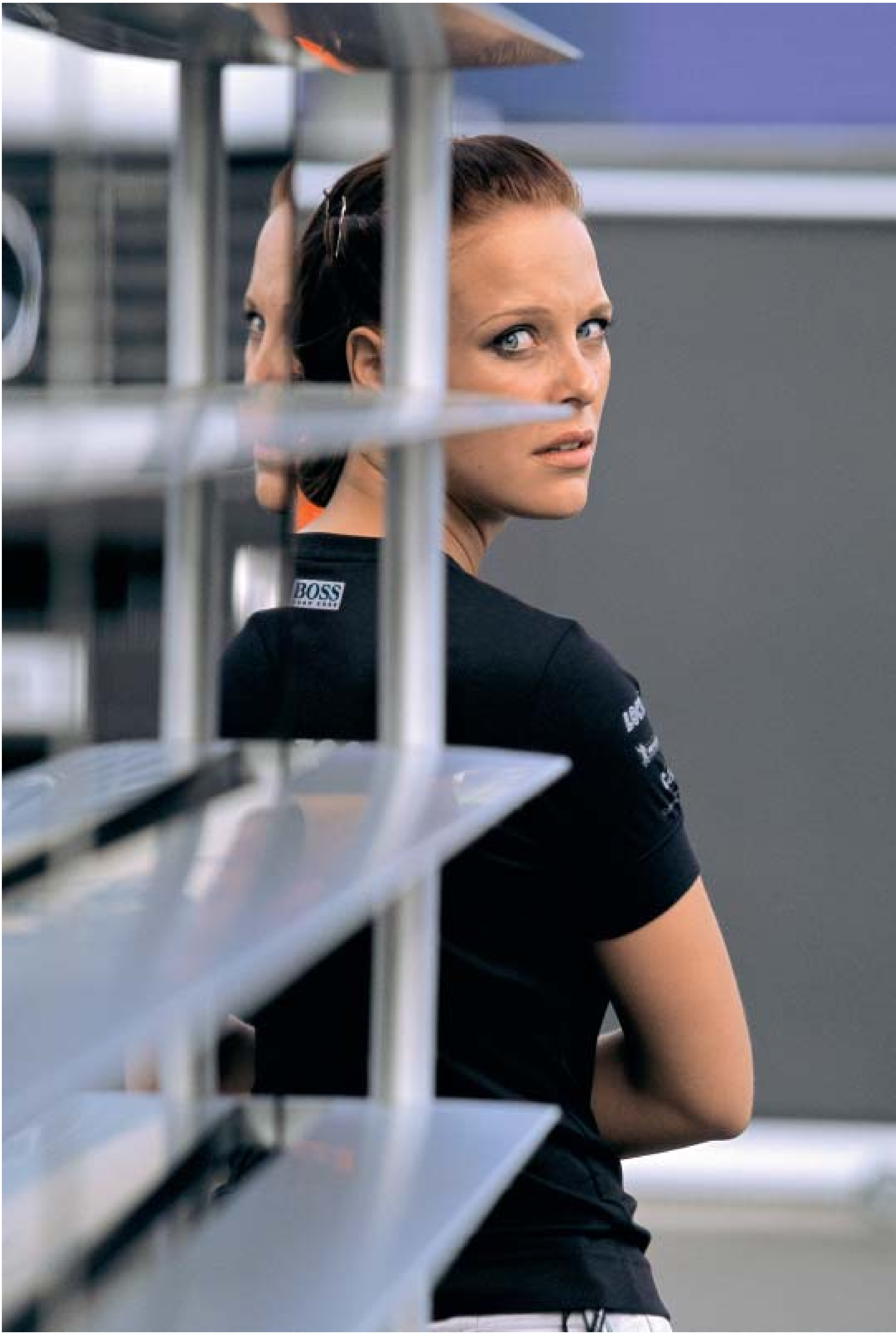
1

winner


Computer Associates
West
Coulthard
BOSS
HUGO BOSS
Mobil
BOSS


SCHOCO
LOCTITE
West
SIEMENS
Mobil
West
Mobil

HUGO BOSS has been sponsoring the West McLaren Mercedes Formula One racing team since 1981. One perennial highlight of this partnership is a new collection that HUGO BOSS creates for the team every season. Consisting of 35 different items and some 14,000 individual parts, the collection provides complete outfitting – from bodywear through to the mechanics' overalls. Entitled "Speed Soldiers," the 2002 collection set new design standards on the grand prix circuit.


BOSS


LOCTITE
MICHELIN
ca
Computer Associates
BOSS
Mercedes-Benz
RIGHT


HE HUGO BOSS PRIZE 20

1,200,000

visitors

60

nominated artists

6

jurors

1

winner


THE HUGO BO
THE SOLO

On October 16, 2002, the HUGO BOSS PRIZE 2002 was presented at a ceremony in New York's Solomon R. Guggenheim Museum. Awarded to young and upcoming artists, the prize now ranks among the leading accolades in contemporary art. In addition to receiving a stipend of 50,000 USD the winner Pierre Huyghe was also featured in a solo exhibition at the Guggenheim Museum in New York.


THE HUGO BOSS PRIZE 2002

Forward-looking statements contain risks

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

Contacts

Financial Calendar

Feb. 20, 2003	Publication of the provisional figures for the 2002 business year
April 3, 2003	Balance Sheet Press Conference and Analysts Conference
April 30, 2003	Publication of the First Quarter Report 2003
May 27, 2003	Shareholders' Meeting in Stuttgart
July 30, 2003	Publication of the Interim Report 2003
Nov. 5, 2003	Publication of the Third Quarter Report 2003

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