

DEVELOPMENT

GS EARNING

EMPLOYEES

**HUGO BOSS**

**INTERIM FINANCIAL REPORT  
JANUARY - SEPTEMBER 2008**

ES SALES S

GY STRATEG

FORECAST

**Dear Shareholders,  
Ladies and Gentlemen,**

The current financial crisis is having an ever-greater impact on the real economy, and with it the global luxury goods market. This means that HUGO BOSS is faced with a challenging market environment. As such, the continued sales growth recorded by the Group in the first nine months of fiscal 2008 is an encouraging sign.

HUGO BOSS has adopted the right course, allowing it to reap the rewards of the Group's global positioning – particularly in light of our focus on the dynamic fashion markets of Asia and Eastern Europe in recent years, where we have participated in the growth trend to a significant extent. We also see the American continent as offering further growth potential. Despite the general trend of consumer restraint, sales in the US after adjustment for currency effects rose by 16% in the first nine months of 2008. Our stated target for the coming years remains to generate sustained positive development in our international markets, and particularly to increase our share as a percentage of total sales in the dynamic regions of Asia, Eastern Europe and North America, while ensuring that this global growth is accompanied by a continued strong presence in our traditional sales markets.

A significant proportion of the growth potential for HUGO BOSS' high-quality brands is concentrated in an equally exclusive sales environment. Accordingly, our growth strategy is focused on the expansion of our successful directly operated store system. In the first nine months of fiscal 2008, HUGO BOSS has increased the number of directly operated stores around the world to 314. Over the coming months, we intend to press ahead with our own-brand retail activities.

All HUGO BOSS brands stand for top quality, excellent workmanship and outstanding design. This objective is reflected in our relationship with suppliers and sales partners. HUGO BOSS has intensively controlled the quality of the materials used for a number of years, and cooperates with its suppliers on an

ongoing basis with a view to further optimization of the production process. Excellence is also a vital factor in the market and in our contacts with retail partners. To this end, reliability of supply and a continuous exchange of information with our wholesale partners around the world are core elements of HUGO BOSS' business approach.

Despite a challenging market environment we could increase sales in the first nine months of fiscal 2008 thanks to a sustainable and responsible business policy. Consolidated sales after adjustments for currency effects increased by 6% to EUR 1,364 million. On the basis of the weaker sales growth, EBIT adjusted for extraordinary effects declined by 1%.

By maintaining our proven growth strategy and rounding it out with new initiatives, HUGO BOSS AG will continue to offer solid key figures to its investors. Over the coming months, we intend to focus on further emphasizing this fundamental strength in order to ensure that we are well positioned even in challenging times, thereby ensuring that we retain the confidence of our investors for the future.

Metzingen, October 2008

The Managing Board

## Key figures

in million €	Jan. - Sept. 2008	Jan. - Sept. 2007	Change in %	3 <sup>rd</sup> Quarter 2008	3 <sup>rd</sup> Quarter 2007	Change in %
Sales	1,363.6	1,327.7	3	533.0	534.0	0
Gross margin (in %) <sup>1</sup>	58.5	57.3	1	57.9	57.2	1
EBIT	199.4	217.7	(8)	111.1	124.7	(11)
EBIT margin (in %) <sup>2</sup>	14.6	16.4	(2)	20.8	23.4	(3)
Net Income	127.6	153.2	(17)	68.5	89.2	(23)
Earnings per ordinary share in €	1.85	2.20	(16)	0.99	1.28	(23)
Earnings per preference share in €	1.86	2.24	(17)	0.99	1.31	(24)

in million €	September 30, 2008	December 31, 2007	Change in %
Total assets	1,172.3	1,039.3	13
Net Working Capital <sup>3</sup>	473.5	397.4	19
Net debt <sup>4</sup>	-619.5	-173.7	>100
Equity	226.5	546.4	(59)
Operating Cash Flow	92.1	117.6	(22)
Investments	76.6	84.7	(10)
Return on Investment (ROI) (in %) <sup>5</sup>	25.5	31.8	(20)
Employees	9,728	9,123	7

HUGO BOSS shares	Jan. - Sept. 2008	Jan. - Sept. 2007	Change in %
Number of ordinary shares	35,860,000	35,860,000	0
Quarter-end quotation in €	17.1	49.0	(65)
High in €	40.4	55.4	(27)
Low in €	15.6	38.3	(59)
Number of preference shares	34,540,000	34,540,000	0
Quarter-end quotation in €	17.0	47.6	(64)
High in €	42.6	49.7	(14)
Low in €	16.1	34.2	(53)
Market capitalization (in million €)	1,200.3	3,399.8	(65)

<sup>1</sup> Gross Profit/Sales<sup>2</sup> EBIT/Sales<sup>3</sup> Net Current Assets<sup>4</sup> Without negative market values of financial deriv Without negative market values of financial derivatives<sup>5</sup> EBIT/Average Net Assets

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## **The HUGO BOSS Group**

The overall economic development, the outlook for the fashion industry, and the management of the Company with regard to financial and non-financial performance indicators are the success factors for HUGO BOSS. These key figures which sustainably and actively determine the success of the Company are presented on pages 31 et seq.

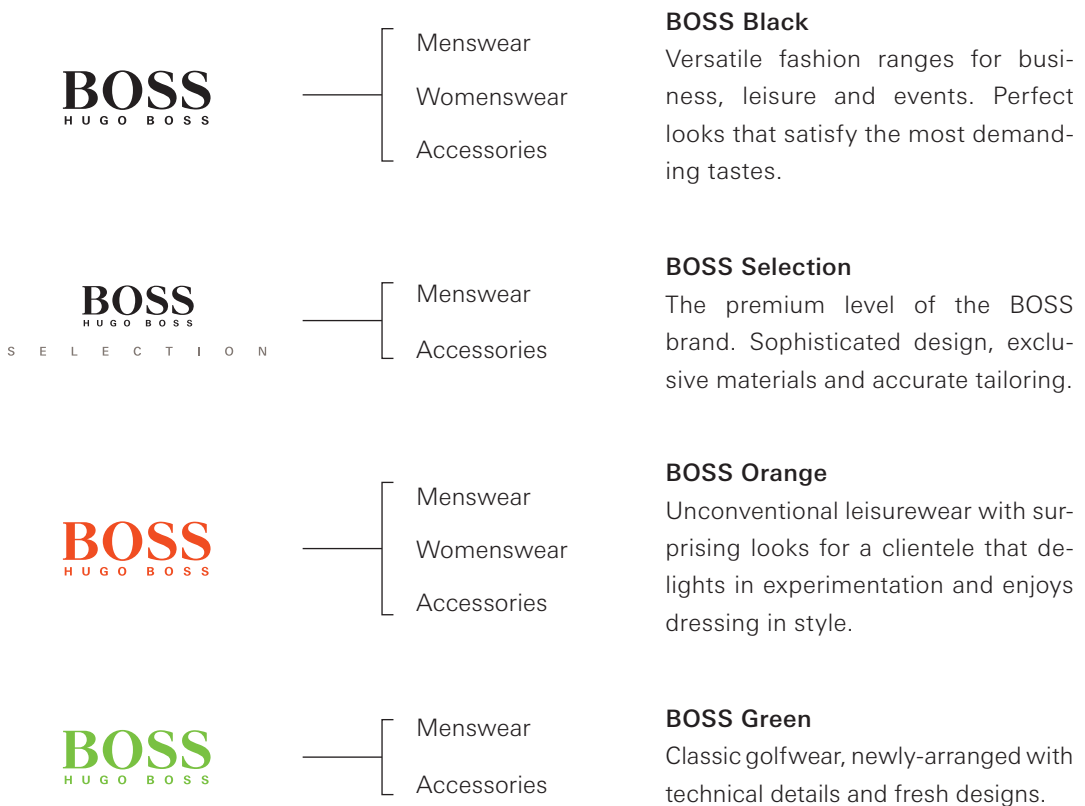
## **Business Activities**

The fashion business of HUGO BOSS consists of various collections under two independent brands. The core BOSS brand and the trendy HUGO brand constitute two brand worlds, offering extraordinary fashion diversity with a consistently high level of quality. The menswear collection is represented by the BOSS Black, BOSS Selection, BOSS Orange, and BOSS Green lines, as well as the HUGO brand; the womenswear group includes the BOSS Black and BOSS Orange lines and the HUGO brand. These textile collections are rounded out by shoes and leather accessories. Licensed products such as fragrances, cosmetics, watches, and eyewear complete the HUGO BOSS product range.

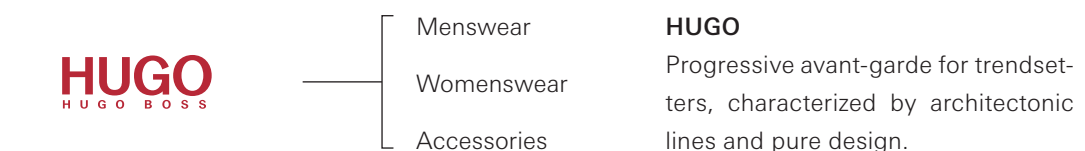
The success of the HUGO BOSS Group is based upon the perfectly coordinated integration of its divisions. A global sales network with excellent market knowledge, automated logistics processes, outstanding product expertise, and top-quality fashion make HUGO BOSS an ideal business partner for its international customers. Intensive marketing activities, such as the involvement in the sponsorship of athletic and cultural events, are leading to worldwide recognition and enhance the image of the HUGO BOSS brands and our Company. HUGO BOSS products can be found today in 105 countries and at some 5,900 points of sale.

## BRAND OVERVIEW OF THE HUGO BOSS GROUP

### THE BOSS BRAND WITH ITS LINES



### THE HUGO BRAND



## General Economic Conditions

### Development of the overall economy

The growth prospects for the global economy have deteriorated significantly as a result of the uncertainty on the financial markets that was triggered by the US real estate crisis. The intensification of the general downward trend on the international capital markets and the unpredictable effects on the global economy have prompted the leading economic research institutes to further adjust their forecasts. In its latest report, which was published in October, the International Monetary Fund (IMF) forecasts overall growth in the global economy of 3.9% for fiscal 2008.

According to the report, several industrial nations are already on a recessionary path, with others on the brink of such a development. This global trend also reflects the negative prospects for the US economy, where growth has slowed significantly on the back of a negligible increase in private consumption, falling capital expenditure and the strained situation in the real estate sector. The IMF has also drastically scaled back its growth forecast for Western Europe. Although Germany performed comparatively strongly in the first half of the year, the domestic economic situation has deteriorated tangibly in the meantime, with stagnation now forecast for the coming year.

By contrast, the emerging economies of Southeast Asia and Eastern Europe remained robust. Although Eastern Europe – and Russia in particular – is feeling the effects of the global financial crisis, the losses on the Russian stock markets continue to be offset by high oil revenue and sustained growth in domestic demand. According to the IMF, the emerging economies of East Asia will be affected by the financial crisis to a far lesser extent, with China expected to record stable economic growth of 9.7%.

## Sector Performance

Growth in the global market for fashion, accessories and luxury goods are decisive factors for the performance of HUGO BOSS. However, it is difficult to reliably estimate the effects of the worsening credit crunch on the real economy for luxury goods at present. Negative signals, such as the deterioration in consumer sentiment and the threat of a general reluctance to spend on the part of customers, could be offset by the traditionally lower level of fluctuation in the luxury goods segment. In the past, luxury goods have not been affected as strongly by economic downturns as other cyclical consumer goods, meaning that consumer behavior can be expected to be significantly less sensitive to prices and economic fluctuations. The segment is also benefiting to a large extent from the sharp rise in disposable income and the large backlog of consumer demand in the emerging markets of Asia and Eastern Europe, as well as the Middle East. In addition to the growing number of millionaires around the world, the development of these countries is highly likely to further increase the level of demand for premium consumer goods – and hence sales in the luxury goods industry. However, the global market for luxury goods will be unable to fully escape the consequences of the financial crisis, and there is a risk that fiscal 2009 could be a bad year for the industry.

## Sales Performance

### Sales by Brand

in € million	Jan. - Sep. 2008	Jan. - Sep. 2007	Change in %	Change in % Currency-adjusted
BOSS	1,238.3	1,212.9	2	6
Menswear	1,065.2	1,046.5	2	5
Womenswear	173.1	166.4	4	6
HUGO	124.5	112.4	11	13
Others	0.8	2.4	(65)	(64)
<b>Total</b>	<b>1,363.6</b>	<b>1,327.7</b>	<b>3</b>	<b>6</b>

in € million	3. Quarter 2008	3. Quarter 2007	Change in %	Change in % Currency-adjusted
BOSS	484.1	488.6	(1)	2
Menswear	420.7	422.3	0	3
Womenswear	63.4	66.3	(4)	(3)
HUGO	48.7	45.0	8	10
Others	0.2	0.4	(49)	(41)
<b>Total</b>	<b>533.0</b>	<b>534.0</b>	<b>0</b>	<b>3</b>

### Sales by Region

in € million	Jan. - Sep. 2008	Jan. - Sep. 2007	Change in %	Change in % Currency-adjusted
Germany	278.7	287.5	(3)	(3)
Other European countries	671.1	657.0	2	4
Americas	229.1	225.0	2	13
Asia/other regions	153.2	126.1	22	29
Royalties	31.5	32.1	(2)	(2)
<b>Total</b>	<b>1,363.6</b>	<b>1,327.7</b>	<b>3</b>	<b>6</b>

in € million	3. Quarter 2008	3. Quarter 2007	Change in %	Change in % Currency-adjusted
Germany	105.1	110.7	(5)	(5)
Other European countries	272.3	275.1	(1)	1
Americas	85.1	83.5	2	11
Asia/other regions	60.0	51.7	16	22
Royalties	10.5	13.0	(19)	(19)
<b>Total</b>	<b>533.0</b>	<b>534.0</b>	<b>0</b>	<b>3</b>

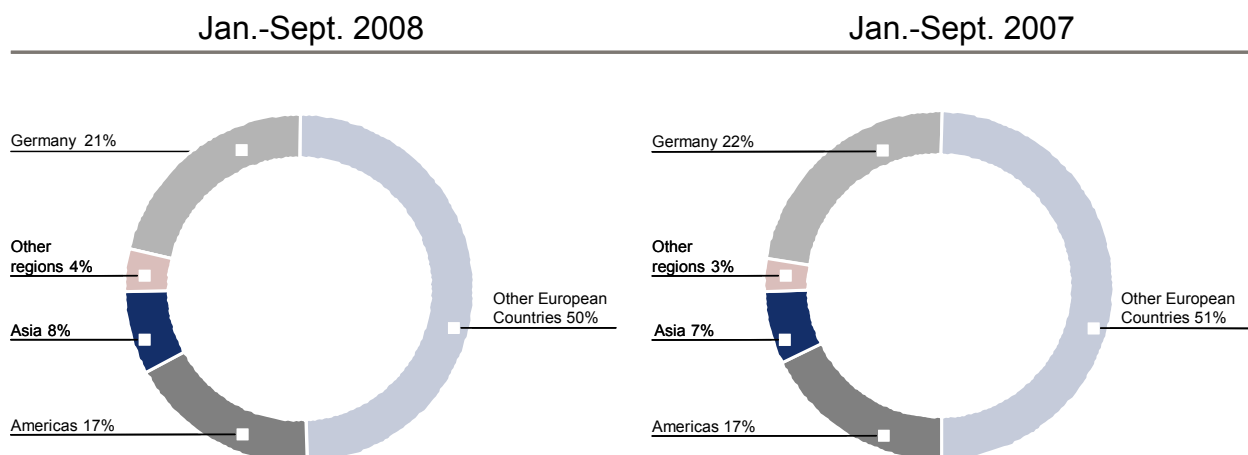
## Consolidated Sales

Despite the uncertain market environment and variations in global economic development, HUGO BOSS successfully reinforced its position and further expanded its business activities as an international fashion group in the first nine months of the current fiscal year. However, the intensification of the credit crunch in the third quarter and the resulting impact on consumer sentiment meant that the Group was unable to repeat the dynamic sales growth it enjoyed in the previous quarter, with sales remaining essentially unchanged in the reporting currency. Despite the challenging market environment, HUGO BOSS increased its consolidated sales after adjustment for currency effects by more than 6% in the first nine months of fiscal 2008. This meant that the Group's sales performance at the end of the third quarter was at the lower end of the expectations.

Despite the steady appreciation of the US dollar from August onwards, HUGO BOSS recorded negative currency effects in the third quarter. The euro exchange rate with the US dollar, pound sterling and the Hong Kong dollar had a particularly negative impact on sales in the reporting currency, which increased by just under 3% to EUR 1,364 million in the first nine months of the year (Q1 – Q3 2007: EUR 1,328 million).

The positive overall sales performance of HUGO BOSS in the first nine months was driven by a number of factors. In particular, the Group benefited from the dynamic development in the growth regions of Asia and Eastern Europe, which remain fundamentally consumer-friendly with respect to luxury goods. In other, more difficult markets, wholesale customers responded to the uncertainty affecting the fashion market by demonstrating their confidence in the continued acceptance and attractiveness of prominent brands such as HUGO BOSS. The Group's own retail business also contributed to the overall improvement in its economic performance, with sales growth of 17% in the first nine months of the year whereas retail sales have been slowing down in the course of the second half of 2008.

## Sales by Region



## Europe

Sales in Europe rose currency adjusted by 2% in the first nine months of fiscal 2008. In reporting currency, total sales increased by 1% to EUR 950 million (Q1 – Q3 2007: EUR 945 million). In the third quarter sales in local currencies declined slightly by 1%.

Development in the key European markets was heterogeneous.

## Germany

Following a weak spring season, the summer months also failed to meet expectations in terms of sales. In the third quarter, both July and August saw negative development in fashion sales at department stores in Germany. After a brief improvement in consumer spending in early September, the last weeks of the month were affected by the initial impact of the dramatic events in the financial sector. As a result, in the first nine months of fiscal 2008, HUGO BOSS also recorded declining sales in Germany, the Group's largest single market. However, the high level of brand acceptance enjoyed by HUGO BOSS collections meant that the Group was able to outperform the market as a whole. The difficult consumer environment in Germany also impacted the Group's own retail activities, which recorded virtually flat sales growth. All in all, sales in

Germany decreased slightly compared with the previous year to EUR 279 million (Q1 – Q3 2007: EUR 287 million). Regarding the third quarter, sales declined by 5%.

### **Other European Countries**

Sales in the rest of Europe improved to EUR 671 million (Q1 – Q3 2007: EUR 657 million), representing an increase of 4% after adjustment for currency effects. The Group's retail activities again proved to be a growth driver, with sales figures remaining strong despite a pronounced slowdown in the third quarter.

Sales in France, HUGO BOSS' second-largest European market, increased by 5% year-on-year to EUR 122 million (Q1 – Q3 2007: EUR 116 million). Both the Group's own retail activities and the wholesale business continued to develop positively.

Despite the difficult economic conditions and general consumer reluctance, HUGO BOSS again recorded robust sales development in the United Kingdom, with currency-adjusted growth of 9%. This can be attributed to the strong brand performance of HUGO BOSS and the solid sell-through rates. This development was supported by the roll-out of the fall/winter collection, which resulted in growth in pre-orders and stock business alike. The Company's directly operated stores in the British market also performed well. However, due to the deterioration of the pound sterling against the euro sales in the reporting currency, declined by 5% year-on-year to EUR 84 million (Q1 – Q3 2007: EUR 89 million).

In the comparatively stable economic environment of the Benelux countries, HUGO BOSS again recorded extremely positive sales performance. Compared with the same period of the previous year, sales in this market increased by 12% to EUR 115 million (Q1 – Q3 2007: EUR 102 million). The expansion of the Company's own retail business, which was intensified in the previous year, made a decisive contribution to this development.

With a large number of local competitors and a highly fragmented retail environment, the Italian fashion market has long been one of the most challenging in Europe. HUGO BOSS is currently investing in the optimization of its customer and sales network in Italy with a view to strengthening its market position. This will inevitably have a negative impact on sales development in the short term. As a result, sales in this market declined by just under EUR 8 million compared with the first nine months of 2007 to EUR 42 million.

In Spain, the difficult market environment led to comparatively moderate sales of EUR 60 million (Q1 – Q3 2007: EUR 65 million).

Development in the growth region of Central and Eastern Europe remained dynamic, with sales in the reporting currency improving by 6% to EUR 78 million in the first nine months of fiscal 2008 (Q1 – Q3 2007: EUR 74 million). This strong performance was due to increased distribution in the department stores of HUGO BOSS' wholesale partners in recent years, as well as the expansion of the franchise network.

### **Americas**

On the American continent, the HUGO BOSS Group increased sales after adjustment for currency effects by 13% in the first nine months of fiscal 2008. The sustained weakness of the US dollar against the euro, which lasted until August, meant that sales in the reporting currency amounted to EUR 229 million in the first nine months, 2% higher than in the same period of the previous year (Q1 – Q3 2007: EUR 225 million).

Despite uncertain consumer behavior, sales in the USA significantly outperformed expectations in the first nine months of fiscal 2008. Sales in local currency grew by 16%, with the Group's own retail activities and the wholesale business benefiting from the high level of acceptance and quality of the HUGO BOSS brands and the attractive price positioning of its collections, particularly compared with other European luxury brands.

In Canada, the significant economic downturn had a negative impact on wholesale orders. In addition, the weakness of the US dollar against the strong Canadian dollar resulted in a shift in purchasing power to the USA. In the first nine months of 2008, sales in Group currency therefore declined by 5% year-on-year to EUR 44 million (Q1 – Q3 2007: EUR 47 million).

The markets of Central and South America continued to show a clear upward trend. Driven by the expansion of the Company's own retail network, sales in local currencies rose by 22%. In Group currency, sales increased by 15% to EUR 19 million (Q1 – Q3 2007: EUR 17 million).

### **Asia/Other Regions**

The HUGO BOSS Group again achieved double-digit sales growth in this region, with sales increasing by 29% in local currencies. Negative currency effects meant that sales in the reporting currency rose by 22% to EUR 153 million (Q1 – Q3 2007: EUR 126 million).

Sales performance in the People's Republic of China was again extremely positive. At the end of the third quarter, sales in the reporting currency increased by 20%, from EUR 34 million to EUR 40 million. Adjusted for currency effects, sales increased by an impressive 35%, thereby further highlighting the significance of the People's Republic of China as a growth market for the HUGO BOSS Group.

The downturn in Japan continued in the third quarter on the back of economic stagnation and the resulting low level of consumer confidence. However, sales increased due to a change in revenue recognition: in order to ensure consistency with HUGO BOSS' other distribution companies, sales in Japan are no longer reduced by the concessions paid to retail partners. Instead, these concessions have been reported in other operating expenses since the start of fiscal 2008. Sales in the reporting currency totaled EUR 31 million, up 22% on the same

period of the previous year (Q1 – Q3 2007: EUR 25 million) although HUGO BOSS faced a declining operating performance.

In the remaining countries of Asia/other regions, sales in local currencies were up 28% at the end of the third quarter, while sales in the reporting currency increased by 22% year-on-year to EUR 82 million (Q1 – Q3 2007: EUR 67 million). Countries in the Asia-Pacific region such as Hong Kong, Singapore, South Korea and Australia are distinguishing themselves as key growth markets that will become increasingly important in future.

### **Royalties**

The royalties business continued to develop in line with expectations in the first nine months of fiscal 2008. Due to the strong prior-year figure, which benefited exceptionally from several launches of new products, sales were slightly down on the previous year by 2% to EUR 31 million (Q1 – Q3 2007: EUR 32 million). For the future, HUGO BOSS expects further positive impetus in the royalties area, namely from fragrances, watches, jewelry and eyewear. The royalties business will continue to support the development of the HUGO BOSS Group into a lifestyle company with a wide range of fashion accessories that supplement the textile collections and increase their acceptance on the market.

### **Sales Development by Brand**

In the first nine months of fiscal 2008, sales of the core brand BOSS rose by 6% with adjustment for currency effects and by 2% in the reporting currency to EUR 1,238 million (Q1 – Q3 2007: EUR 1,213 million). Among the individual lines, BOSS Selection continued its highly dynamic performance. In addition, BOSS Green was perceived very well on the market following a realignment of the collection statement and thus recorded encouraging growth rates.

The fashion brand HUGO, for which the Belgian designer Bruno Pieters has been responsible as art director since 2007, recorded currency-adjusted sales growth of 13% in the first nine months of fiscal 2008 and just under 11% in euros

to EUR 124 million (Q1 – Q3 2007: EUR 112 million). Consequently, also this collection under the responsibility of the new design team has found favor with customers. Overall, their collections have been received very well on the market, whis is why the HUGO brand is anticipating a positive overall performance for the year as a whole.

## Earnings Position

### Income Statement

Despite the current deterioration of general market conditions, HUGO BOSS increased its consolidated sales by 6% after adjustment for currency effects in the first nine months. However, the intensification of the credit crunch and the resulting impact on consumer sentiment meant that sales growth in the third quarter was slightly lower than in the previous quarter. Due to negative currency effects, sales in reporting currency rose by 3% year-on-year to EUR 1,364 million in the first nine months (Q1 – Q3 2007: EUR 1,328 million).

In the first nine months, gross profit rose by 5% to EUR 798 million (Q1 – Q3 2007: EUR 761 million), thus again increasing more strongly than sales. The gross profit margin increased by 1.2 percentage points to 58.5% (Q1 – Q3 2007: 57.3%). The third quarter is generally strongly dominated by the wholesale business, so the positive margin development is particularly attributable to the continued optimization of global production and sourcing. In addition, a higher share of sales generated by the Group's own retail business was also a factor in the margin increase. Finally, the weakening of the US dollar in the case of goods purchased or produced in Asia also had a slight positive impact on the gross profit margin in the first nine months.

At the end of the third quarter of 2008, other net operating income and expenses were around 17% above the figure for the previous year's period (Q1 – Q3 2007: EUR 258 million) at EUR 302 million. In addition to a positive nonrecurring gain due to the early termination of the lease agreement of the store on 5<sup>th</sup> Avenue in New York and the expansion of the general business volume, the increase of expenses was attributable to the rise in the number of directly operated stores around the world. 37 new stores were opened in the first nine months. Adjusted for closings, the number of stores owned by the Group rose by 27 to 314. Expenditure for logistics and warehouse operations increased slightly as a result of the higher business volume and, in particular, the expansion of the Group's

own retail business. In addition, the share of marketing expenses as well as expenses for research and development for creating the fashion collections as a percentage of total sales remained unchanged year-on-year. Also, the change in recognition of the concessions paid to retail partners in Japan had a minor impact.

Personnel expenses in the first three quarters of fiscal 2008 were up 11% to EUR 255 million compared with the same period of the previous year (Q1 – Q3 2007: EUR 230 million). In particular, the rise in headcount due to the expansion of the Group's own retail business as well as the development in the area of manufacturing and logistics is reflected here. At the end of September 2008, the HUGO BOSS Group employed 9,728 people, a 9% increase compared with the end of the third quarter of 2007. The nonrecurring extraordinary expenses arising from the change in the Managing Board of HUGO BOSS AG, most of which were incurred in the first half year, had an unchanged impact of around EUR 14 million on personnel expenses in the first nine months of the current fiscal year.

Special write-offs relating to the relocation of the 5<sup>th</sup> Avenue store as well as shortened depreciation periods due to early refurbishment increased this position in the past fiscal year. Hence, depreciation and amortization after the first nine months was 27% down on the prior-year figure at EUR 40 million (Q1 – Q3 2007: EUR 55 million). Adjusted for this prior-year effect, depreciation and amortization increased due to the investments in the global network of own stores and showrooms as well as operating and office equipment made in previous periods.

At the end of the third quarter, the operating result (EBIT) was down 8% to EUR 199 million year-on-year (Q1 – Q3 2007: EUR 218 million), negatively impacted by one-off extraordinary expenses resulting from changes in the HUGO BOSS Managing Board and one-off consulting expenses. Due to the slowdown in sales growth in the third quarter and related base costs, HUGO BOSS was unable to repeat the sound operating performance of the first half-year in the third quarter. Thus, EBIT adjusted for extraordinary effects declined by 1%. To give capital market participants a sound and reliable forecast in a more challenging

environment, and considering the fact that a short-term improvement in the market is unlikely, the management of HUGO BOSS has adjusted its earnings forecast for the year 2008. Further details on the outlook can be found on page 28.

in € million	Jan. - Sep. 2008	Jan. - Sep. 2007	Change in %
<b>EBIT</b>	<b>199.4</b>	<b>217.7</b>	<b>(8)</b>
Special items	(16.2)	0	
<b>EBIT before special items</b>	<b>215.6</b>	<b>217.7</b>	<b>(1)</b>

In line with expectations, the net financial result amounted to EUR -27 million (Q1 – Q3 2007: EUR -6 million) at the end of the third quarter of 2008. This change is due to the increased interest expenses resulting from higher net financial debt after the payment of the special dividend in May this year. In addition, the general rise in interest rates partially led to higher financial expenses. However, expenses in connection with the stock appreciation rights program declined by EUR 6 million year-on-year due to hedging transactions.

Earnings before taxes declined by 19% to EUR 172 million in the first nine months (Q1 – Q3 2007: EUR 212 million). At 26.0%, the tax rate was below the rate of the previous year (Q1 – Q3 2007: 27.7%). The increasing internationalization of HUGO BOSS and the consequently higher shares of earnings contributed by foreign subsidiaries located in countries where tax rates are low, continued to have a positive effect on the Group's tax rate.

Net income for the first nine months of the fiscal year amounted to EUR 128 million (Q1 – Q3 2007: EUR 153 million), which was around 17% below the previous year as a result of the aforementioned extraordinary expenses as well as higher interest expenses. Earnings per share declined correspondingly from EUR 2.20 to EUR 1.85 for the common shares, and from EUR 2.24 to EUR 1.86 for the preferred shares.

## Net Assets and Financial Position

### Analysis of Financial Requirements

in € million	September 30, 2008	September 30, 2007	December 31, 2007	Change in % vs December 31, 2007
Trade receivables, other assets <sup>1</sup>	378.4	376.5	262.9	44
Inventories	339.2	287.9	351.4	(3)
Trade payables and other liabilities <sup>1</sup>	(199.2)	(179.2)	(173.8)	(15)
Current provisions	(44.9)	(44.5)	(43.1)	(4)
<b>Net current assets<sup>2</sup></b>	<b>473.5</b>	<b>440.7</b>	<b>397.4</b>	<b>19</b>
Fixed assets	382.6	324.5	346.0	11
Other non-current assets <sup>3</sup>	15.0	29.9	20.9	(28)
Non-current provisions <sup>3</sup>	(30.9)	(61.0)	(40.0)	23
Other non-current liabilities	(24.8)	(30.9)	(28.2)	12
Net deferred taxes	30.6	31.9	24.0	28
<b>Medium- and long-term net assets</b>	<b>372.5</b>	<b>294.4</b>	<b>322.7</b>	<b>15</b>
<b>Net assets</b>	<b>846.0</b>	<b>735.1</b>	<b>720.1</b>	<b>17</b>
Balance of cash at banks and due to banks <sup>4</sup>	619.5	188.8	173.7	>100
Shareholder's equity	226.5	546.3	546.4	(59)
<b>Net asset coverage</b>	<b>846.0</b>	<b>735.1</b>	<b>720.1</b>	<b>17</b>

<sup>1</sup> Payable within one year.

<sup>2</sup> Net working capital.

<sup>3</sup> Adjustment of other non-current assets and pension provisions in 2007 due to correction in accordance with IAS 8.42.

<sup>4</sup> Without negative market values of financial instruments.

### Balance Sheet

As of September 30, 2008, HUGO BOSS continued to have a stable balance sheet structure. At the end of the third quarter, total assets were up 10% to EUR 1,172 million (September 30, 2007: EUR 1,069 million), with the structure of financial liabilities changing considerably compared with the previous year after payment of the special dividend and take-up of the credit line in May this year.

The share of current assets fell slightly to 63% (September 30, 2007: 64%). By contrast, the share of non-current assets increased slightly from 36% in the prior year to 37% as of September 30, 2008.

The liabilities side of the balance sheet reflects the change of the capital structure. For instance, related to the distributing the special dividend, HUGO BOSS concluded a syndicated loan amounting to EUR 750 million, which consists of a fixed and a revolving credit line. The financing agreement has a term of 5 years and was concluded on attractive financing terms. In the

meantime, there is no refinancing requirement for this facility. With regard to the company's financial situation, HUGO BOSS thus adopted the right course for securing sufficient long term liquidity at an early stage. Consequently, the liabilities increased against the previous year, while equity declined after the dividend distribution.

Net working capital rose compared with the same period of the previous year by 7% to EUR 474 million (September 30, 2007: EUR 441 million).

Receivables and other assets remained stable as against the previous year's reporting date at EUR 378 million (September 30, 2007: EUR 377 million) as a result of improved receivables management and slowing sales growth. On the other hand, inventories increased again compared with September 30, 2007. At EUR 339 million (September 30, 2007: EUR 288 million), the position was up by 18%. Following a general recovery stemming from the continued expansion of the Group's own retail business and an overall increase in business volume, a certain portion of the increase in inventories was also due to the weaker retail and stock business sales.

Trade payables and other liabilities rose by around 11% to EUR 199 million year-on-year (September 30, 2007: EUR 179 million). Besides, current provisions remained unchanged compared with the prior year at EUR 45 million (September 30, 2007: EUR 45 million).

At EUR 373 million, net non-current assets were 27% above the prior-year figure at the end of the third quarter of 2008 (September 30, 2007: EUR 294 million). Non-current assets rose by 18% to EUR 383 million (September 30, 2007: EUR 325 million). The increase in non-current assets is largely based on the investments in the context of the expansion of logistics capacity as well as the expansion of the network of own retail stores.

The HUGO BOSS Group used off-balance sheet financial instruments to a limited extent. These instruments primarily concern leases related to logistic and administration buildings as well as to own retail stores and shops.

### Cash flow

The cash flow statement is reported in accordance to IFRS 7. In comparison to December 31, 2007, the position cash and cash equivalents changed only marginally. Cash flow from operations generated a cash inflow, while investing activities naturally led to cash outflows. The cash in –and outflow resulting from financing activities was almost balanced.

With EUR 92 million, the operating cash flow was significantly above the value of the previous year (September 30, 2007: EUR 67 million). Net income declined to EUR 128 million (September 30, 2007: EUR 153 million), due to the extraordinary expenses and a lower operating performance. At EUR 40 million, depreciation and amortization was down 27% on the previous year, when high special write-offs were recorded (September 30, 2007: EUR 55 million). Other changes in this position resulted from an increase in net working capital. As compared to the end of 2007, inventories decreased by EUR 12 million. This decline is due to seasonal fluctuations caused by the fact that the delivery of the spring/summer collection falls into the third quarter. Also, receivables and other assets were influenced by this seasonality, leading to an increase in this position of EUR 96 million since the end of fiscal 2007. An additional cash outflow was caused by the decrease of trade payables by EUR 12 million. This value cannot be derived directly from the balance sheet, since the cash flow statement was adjusted for currencies.

Net payments for investments in property, plant and equipment, intangible assets and disposals resulted in cash outflows from investing activities of EUR 75 million (September 30, 2007: EUR 40 million). The dividend payment of EUR 446 million for fiscal 2007 resulted in a corresponding increase of financial liabilities.

The cash outflow from financing activities amounted to EUR 1 million by September 30, 2008.

### **Capital Expenditure**

During the first nine months of the fiscal year, investments in property, plant and equipment and intangible assets amounted to EUR 77 million (Q1 – Q3 2007: EUR 48 million). The total capital expenditure for the current fiscal year 2008 will be slightly lower than the originally planned EUR 120 million.

Mainly investments as part of the consolidation of the logistics locations and the expansion of logistics capacity were driving the increase of this position. The Group's business development made it necessary to expand the capacity for logistics. Furthermore, significant investments were made in the construction of administrative buildings, purchasing of machinery for a technology and service center as well as the disposal of office equipment.

The strategy to press ahead with the expansion of the Group's own retail network was again one of the factors reflected in this position. For this reason, capital expenditure for the expansion and modernization of the retail network was up year-on-year.

## Segment Reporting

### Menswear Segment

Adjusted for negative currency effects, sales in the menswear segment increased by 6% in the first nine months of fiscal 2008. In Group currency, sales rose by 3% to EUR 1,191 million (Q1 – Q3 2007: EUR 1,161 million). Especially Boss Selection and Boss Green performed extraordinarily well.

In order to present segment reporting in an informative manner, the one-time expense arising from the extraordinary expenses resulting was distributed across the segments in proportion to their sales. Thus at EUR 179 million, EBIT generated by the menswear segment was 9% lower year-on-year (Q1 – Q3 2007: EUR 197 million).

### Womenswear Segment

Sales of the womenswear segment rose by 4% in the first nine months of fiscal 2008 to EUR 173 million (Q1 – Q3 2007: EUR 166 million). Adjusted for negative currency effects, sales increased by 6%. Most countries in Europe, such as the UK, the Benelux states, France, Central and Eastern Europe, developed in a dynamic way. In addition, the performance on the Chinese and US markets exceeded expectations.

The aforementioned one-time effects impacted EBIT in the womenswear segment, leaving EBIT mainly unchanged at EUR 21 million. However, thanks to both the higher gross profit margin and the economies of scale, the womenswear segment improved its overall operating performance in the first nine months of fiscal 2008.

## Outlook

As a result of the general economic situation, characterized by ongoing numerous and unclarified business uncertainties, the HUGO BOSS management has adjusted its earnings and income outlook for fiscal year 2008.

In the context of a considerable decline of retail sales in important regions during the second half of 2008, the HUGO BOSS Managing Board expects that the currency-adjusted sales growth for the whole of fiscal 2008 will be at the lower edge of the previous 6-8% guidance range.

The uncertain sales development in the own retail operations and a cautious valuation of inventories might affect the results negatively. Based on the current market assessment, EBIT before one-time effects is expected to be slightly below the level of the previous year, thus achieving a value between EUR 210 and 220 million.

The presence of the Group's own retail operations is supposed to be strengthened by the opening of around 45 new stores until the end of 2008.

## **HUGO BOSS in the Capital Markets**

The fall on the international stock markets that started a year ago accelerated massively in September, as the financial crisis intensified. The tottering financial system and the high daily fluctuations on the stock markets resulted in extreme uncertainty and led to high outflows from shares and equity funds across all sectors. Consequently, the DAX, lost 28% in the first nine months of fiscal 2008. Second- and third-tier stocks tumbled even more sharply than standard shares. These lower-tier stocks are mostly hit harder by the darkening economic sentiment, as investors have less confidence in these less stable stocks than in the DAX-listed heavyweights. The MDAX, where HUGO BOSS shares are listed, posted a fall of more than 29% in the first nine months. In the same period, the SDAX lost almost 35%.

Key international indices were also impacted by the general downward trend. The Dow Jones declined by 18% and the Nikkei by 26%. The Euro Stoxx 50 lost as much as 31% and was close to its annual low after the first nine months of the year.

In general, the performance of the HUGO BOSS shares was impacted by the overall market trend and the negative price trend of the entire sector. Turbulences on international capital markets stopped the upward trend for HUGO BOSS shares which has lasted several years. In the first nine months, HUGO BOSS' common shares lost 56% and preference shares declined by 56%. However, the declining share prices contrasted to the good operating performance of HUGO BOSS. Firstly, the decline in the share price is due to general investor restraint with regard to shares in the retail and consumer goods segments, which was also reflected by considerable price falls of similar companies. Secondly, payment of the special dividend in May of this year and the subsequent customary ex-dividend markdown impacted on the share price of HUGO BOSS.

## Key Share Data

in € million	Jan. - Sep. 2008	Jan. - Sep. 2007	Change in %
<b>Shares</b>			
Number of shares	70,400,000	70,400,000	
Earnings per share in € <sup>1</sup>			
common stock	1.85	2.20	(16)
preferred stock	1.86	2.24	(17)
<b>Common stock</b> <sup>2</sup>			
highest price in €	40.39	55.40	(27)
lowest price in €	15.57	38.26	(59)
<b>Preferred stock</b> <sup>2</sup>			
highest price in €	42.60	49.69	(14)
lowest price in €	16.07	34.20	(53)

## Investor Relations and Public Relations

In order to present its good operating performance and potential in an open and ongoing exchange with institutional and private investors in this challenging market environment, HUGO BOSS further intensified its financial communication activities in the first nine months of the fiscal year. During the numerous roadshows and conferences, the management made itself available to a broad forum of German and international shareholders in the first nine months. In the course of that event, the development and strategy of the company were explained, as well as the special market conditions of the countries in which HUGO BOSS subsidiaries operate. Moreover, contact with private investors was further cultivated. In addition to the Annual Shareholders' Meeting as the most important event for private investors, HUGO BOSS presented itself at private investor events such as a conference held in cooperation with Stuttgart Stock Exchange, BW Bank and Schutzgemeinschaft DSW (an investor association).

In addition, public relations activities are also an important part of the communication concept at HUGO BOSS. Public relations focuses on achieving an open dialogue with the national and international business community and daily press aiming at maintaining and reinforcing the good public image of HUGO BOSS. It further includes initiating cultural, sport and fashion events in order to

strengthen market awareness on an ongoing basis. For instance, in addition to the usual marketing activities in print media, we stage fashion events, which have been triggering strongly positive feedback in the national and international press landscape, thus making an important contribution to fostering the image of the HUGO BOSS brands.

The contact details of the Investor Relations and Public Relations departments as well as current company information such as financial reports, press releases, the financial calendar and the latest company profile can be downloaded from the HUGO BOSS website at [www.group.hugoboss.com](http://www.group.hugoboss.com). The new conceptual design of the Internet presence assures simpler and clearer navigation for the user.

## **Company Management**

### **Internal Control System**

The self set target of securing sustainable long-term success for the company and of continuously expanding operations, is actively supported by HUGO BOSS' internal control systems. The information systems of the HUGO BOSS Group use actual and projected figures to link strategic and operational elements in real time, accompanied by regular communications that include directions for action where necessary. This management control system ensures customer orientation, efficiency, and high levels of transparency. It further helps to coordinate the activities of the subsidiaries and supports local responsibility.

The internal control system involves strategic planning for the Group, a Group reporting system, and investment controlling. The detailed KPI reports support Group management in managing the business segments, subsidiaries, and operational processes. The data warehouse provides managers throughout the Group with direct access to management information, parts of which are updated daily. The internal control system is optimized continuously and adapted to developments within the Group as well as increasing requirements.

The following table shows the most important indicators, which are subject to continuous monitoring and provide the focus for group-wide optimization.

## Key Performance Indicators and Key Figures

		<b>September 30, 2008</b>	<b>September 30, 2007</b>
Net sales	in € million	1,363.6	1,327.7
Gross margin ratio	in %	58.5	57.3
EBITDA	in € million	239.8	273.0
EBIT	in € million	199.4	217.7
EBIT margin <sup>1</sup>	in %	14.6	16.4
Net income	in € million	127.6	153.2
Total assets	in € million	1,172.3	1,068.7
Net Working Capital <sup>4</sup>	in € million	473.5	440.7
Capital expenditure	in € million	76.6	47.5
Return on Investment <sup>5</sup>	in %	25.5	31.7

<sup>1</sup> EBIT margin as EBIT in % of sales.

<sup>2</sup> EBITDA adj. / Net interest expenses

<sup>3</sup> Net debt/EBITDA adj.

<sup>4</sup> Net current assets.

<sup>5</sup> EBIT/Net capital invested (average).

The Group's internal control system is especially significant given the fact that the variable component of compensation for members of top management is linked to the indicators mentioned above.

## Non-Financial Performance Indicators

To secure and expand the sustained success of the HUGO BOSS Group, both financial and non-financial performance indicators are regularly reported, analyzed, and acted upon in the event of deviation from targets.

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

## **Events after the Balance Sheet Date, Opportunities and Risks**

### **Events after the Balance Sheet Date**

Between the quarterly reporting date of September 30, 2008 and the approval for publication on October 30, 2008, no material operational changes, structural modifications, or business events occurred in the HUGO BOSS Group that might serve to significantly alter the net assets, financial position and results of operations as compared with September 30, 2008.

### **Opportunities and Risks**

For many years HUGO BOSS has been one of the most successful international fashion companies in the high-end fashion segment, which continues to offer additional growth and profit potential. All divisions within the organization are focused on identifying and analyzing opportunities and risks and to consider them in order to secure the market position of the HUGO BOSS Group. For these purposes, the Group treasury department provides the strategic framework and secures the financing and liquidity of the entire Company.

In order to identify risks as well as opportunities at an early stage, HUGO BOSS regularly reviews internal and external risk factors that could influence the Company's success as part of its risk management. The risk catalogue is the central element for risk management. It is used both to control risk analysis and risk management processes, and to centrally summarize all risks.

For a detailed account of the risks and opportunities facing HUGO BOSS, please refer to the Risk Report and the Report on Opportunities in the 2007 consolidated financial statements. The statements on risks and opportunities made in these reports still apply.

## **Summary of Net Assets, Financial Position and Results of Operations**

In summary, the Group's net assets, financial position and results of operations indicate that the HUGO BOSS Group was in a sound economic position at the time this Half Year 2008 Report was prepared.

Metzingen, October 30, 2008

HUGO BOSS AG  
The Managing Board

Claus-Dietrich Lahrs  
Hans Fluri  
André Maeder

## Consolidated Financial Statements

### Consolidated Income Statement

in € million	Jan. - Sep. 2008	Jan. - Sep. 2007	Change in %
<b>Sales</b>	<b>1,363.6</b>	<b>1,327.7</b>	<b>3</b>
Cost of materials including changes in inventories	(566.0)	(566.9)	0
<b>Gross margin</b>	<b>797.6</b>	<b>760.8</b>	<b>5</b>
in % of sales	58.5	57.3	
Other operating income and expenses	(302.4)	(257.5)	(17)
Personnel expenses	(255.4)	(230.3)	(11)
Depreciation/amortization	(40.4)	(55.3)	27
<b>EBIT</b>	<b>199.4</b>	<b>217.7</b>	<b>(8)</b>
Net financial result	(27.0)	(5.7)	< (100)
<b>Earnings before taxes</b>	<b>172.4</b>	<b>212.0</b>	<b>(19)</b>
Income taxes	(44.8)	(58.8)	24
<b>Net income</b>	<b>127.6</b>	<b>153.2</b>	<b>(17)</b>
<b>Earnings per share (€)<sup>1</sup></b>			
common stock	1.85	2.20	(16)
preferred stock	1.86	2.24	(17)

<sup>1</sup> Stock option program: This is limited to stock appreciation rights (SAR) which do not cause any dilution of EPS.

in € million	3. Quarter 2008	3. Quarter 2007	Change in %
<b>Sales</b>	<b>533.0</b>	<b>534.0</b>	<b>0</b>
Cost of materials including changes in inventories	(224.2)	(228.3)	2
<b>Gross margin</b>	<b>308.8</b>	<b>305.7</b>	<b>1</b>
in % of sales	57.9	57.2	
Other operating income and expenses	(105.6)	(91.2)	(16)
Personnel expenses	(78.1)	(77.2)	(1)
Depreciation/amortization	(14.0)	(12.6)	(11)
<b>EBIT</b>	<b>111.1</b>	<b>124.7</b>	<b>(11)</b>
Net financial result	(18.5)	(2.5)	<(100)
<b>Earnings before taxes</b>	<b>92.6</b>	<b>122.2</b>	<b>(24)</b>
Income taxes	(24.1)	(33.0)	27
<b>Net income</b>	<b>68.5</b>	<b>89.2</b>	<b>(23)</b>
<b>Earnings per share (€)<sup>1</sup></b>			
common stock	0.99	1.28	(23)
preferred stock	0.99	1.31	(24)

## Consolidated Balance Sheet

<b>Assets</b>	<b>September 30,</b>	<b>September 30,</b>	<b>December 31,</b>
<b>in € million</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
Intangible assets	103.0	90.7	97.0
Property, plant and equipment	279.6	233.8	249.0
Deferred tax assets	39.7	37.0	33.6
Non-current financial assets	8.1	4.3	7.3
Other non-current assets <sup>1</sup>	6.9	15.6	13.6
<b>Non-current assets</b>	<b>437.3</b>	<b>381.4</b>	<b>400.5</b>
Inventories	339.2	287.9	351.4
Trade receivables	297.5	308.1	171.3
Current tax receivables	25.3	5.8	7.3
Current financial assets	7.9	3.8	6.7
Other current assets	47.7	58.8	77.6
Cash and cash equivalents	17.4	22.9	24.5
<b>Current assets</b>	<b>735.0</b>	<b>687.3</b>	<b>638.8</b>
<b>Total assets</b>	<b>1,172.3</b>	<b>1,068.7</b>	<b>1,039.3</b>

<b>Equity and Liabilities</b>	<b>September 30,</b>	<b>September 30,</b>	<b>December 31,</b>
<b>in € million</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
Subscribed capital	70.4	70.4	70.4
Own shares	(42.3)	(42.3)	(42.4)
Capital reserve	0.4	0.4	0.4
Retained earnings	102.4	393.5	393.9
Accumulated other comprehensive income	(31.6)	(28.5)	(29.6)
Profit attributable to equity holders of the parent	127.6	153.2	154.1
<b>Equity attributable to equity holders of the parent</b>	<b>226.9</b>	<b>546.7</b>	<b>546.8</b>
Minority interests	(0.4)	(0.4)	(0.4)
<b>Group equity</b>	<b>226.5</b>	<b>546.3</b>	<b>546.4</b>
Non-current provisions <sup>1</sup>	30.9	51.0	40.0
Non-current financial liabilities	477.6	45.2	46.1
Deferred tax liabilities	9.1	5.1	9.6
Other non-current liabilities	25.5	30.9	27.4
<b>Non-current liabilities</b>	<b>543.1</b>	<b>132.2</b>	<b>123.1</b>
Current provisions	44.9	44.5	43.1
Current financial liabilities	161.7	166.5	153.2
Current tax payables	67.1	47.9	35.4
Trade payables	85.5	80.2	101.0
Other current liabilities	43.5	51.1	37.1
<b>Current liabilities</b>	<b>402.7</b>	<b>390.2</b>	<b>369.8</b>
<b>Total equity and liabilities</b>	<b>1,172.3</b>	<b>1,068.7</b>	<b>1,039.3</b>

<sup>1</sup> Adjustment of other non-current assets and pension provisions in 2007 due to correction in accordance with IAS 8.42.

## Statement of Changes in Equity

in € million	Subscribed Capital	Own Shares	Capital Reserve	Retained Earnings	
				Legal Reserve	Other Reserves
<b>January 1, 2007</b>	<b>70.4</b>	<b>(31.1)</b>	<b>0.4</b>	<b>6.6</b>	<b>340.7</b>
Net income					
Allocated to retained earnings					128.7
Dividend payment					(82.5)
Share repurchase		(11.2)			
Income and expense recognized directly in equity					
<b>September 30, 2007</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>386.9</b>
<b>January 1, 2008</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>387.2</b>
Net income					
Allocated to retained earnings					154.1
Dividend payment					(445.5)
Share repurchase					
Income and expense recognized directly in equity					
<b>September 30, 2008</b>	<b>70.4</b>	<b>(42.3)</b>	<b>0.4</b>	<b>6.6</b>	<b>95.8</b>

<b>Accumulated other comprehensive income</b>					
Difference arising from currency translation	Market valuation of hedges	<b>Profit attributable to equity holders of the parent</b>	<b>Equity attributable to equity holders of the parent</b>	<b>Minority Interests</b>	<b>Group Equity</b>
<b>(20.8)</b>	<b>(0.1)</b>	<b>128.7</b>	<b>494.8</b>	<b>(0.4)</b>	<b>494.4</b>
		153.2	<b>153.2</b>	<b>0.0</b>	<b>153.2</b>
		(128.7)			
			<b>(82.5)</b>		<b>(82.5)</b>
			<b>(11.2)</b>		<b>(11.2)</b>
(9.0)	1.4		<b>(7.6)</b>		<b>(7.6)</b>
<b>(29.8)</b>	<b>1.3</b>	<b>153.2</b>	<b>546.7</b>	<b>(0.4)</b>	<b>546.3</b>
<b>(32.8)</b>	<b>3.2</b>	<b>154.1</b>	<b>546.8</b>	<b>(0.4)</b>	<b>546.4</b>
		127.6	<b>127.6</b>	<b>0.0</b>	<b>127.6</b>
		(154.1)			
			<b>(445.5)</b>		<b>(445.5)</b>
0.5	(2.5)		<b>(2.0)</b>		<b>(2.0)</b>
<b>(32.3)</b>	<b>0.7</b>	<b>127.6</b>	<b>226.9</b>	<b>(0.4)</b>	<b>226.5</b>

## Statement of Recognized Income and Expense

in € million	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Market valuation of hedges	(2.5)	1.4
Currency translation effects	0.5	(9.0)
<b>Income and expense recognized directly in equity</b>	<b>(2.0)</b>	<b>(7.6)</b>
Net income	127.6	153.2
<b>Recognized income and expense</b>	<b>125.6</b>	<b>145.6</b>
Attributable to:		
Equity holders of the parent	125.6	145.6
Minority interests	0.0	0.0

## Consolidated Statement of Cash Flows

in € million	September 30, 2008	September 30, 2007
Net income	127.6	153.2
Depreciation/amortization	40.4	55.3
Income tax expense/refund	44.8	58.8
Interest income and expenses	18.6	5.6
Change in inventories	13.5	(1.0)
Changes in receivables and other assets	(95.7)	(164.8)
Changes in trade payables and other liabilities	(12.2)	(6.8)
Result from disposal of non-current assets	(0.9)	0.4
Change in provisions for pensions	2.4	6.6
Change in other provisions	(9.8)	13.0
Income taxes paid	(36.6)	(53.5)
<b>Cash flow from operations</b>	<b>92.1</b>	<b>66.8</b>
Interest paid	(26.2)	(6.8)
Interest received	1.0	1.1
<b>Cash flow from operating activities</b>	<b>66.9</b>	<b>61.1</b>
Investments in PPE <sup>1</sup> and intangible assets	(76.6)	(47.5)
Payment for changes in the scope of consolidation	0.0	0.0
Cash receipts from sales of PPE <sup>1</sup> and intangible assets	1.8	7.5
<b>Cash flow from investing activities</b>	<b>(74.8)</b>	<b>(40.0)</b>
Dividend payment	(445.5)	(82.5)
Share repurchase	0.0	(11.2)
Change in current financial liabilities	14.3	83.3
Repayment of non-current financial liabilities	(11.3)	(26.9)
Cash receipts from non-current financial liabilities	443.5	0.1
<b>Cash flow from financing activities</b>	<b>1.0</b>	<b>(37.2)</b>
Exchange rate-related changes in cash and cash equivalents	(0.2)	(1.0)
<b>Change in cash and cash equivalents</b>	<b>(7.1)</b>	<b>(17.1)</b>
Cash and cash equivalents at the beginning of the period	24.5	40.0
<b>Cash and cash equivalents at the end of the period</b>	<b>17.4</b>	<b>22.9</b>

1 Property, plant and equipment.

## Segment Reporting

### Segment Information by Product Area

in € million	Menswear segment <sup>1</sup>		Womenswear segment		HUGO BOSS Group	
	Jan. - Sep. 2008	Jan. - Sep. 2007	Jan. - Sep. 2008	Jan. - Sep. 2007	Jan. - Sep. 2008	Jan. - Sep. 2007
<b>Sales</b>	1,190.5	1,161.3	173.1	166.4	1,363.6	1,327.7
Depreciation/amortization	(35.2)	(50.6)	(5.2)	(4.7)	(40.4)	(55.3)
EBIT	178.6	196.5	20.8	21.2	199.4	217.7
in % of sales	15.0	16.9	12.0	12.7	14.6	16.4
<b>Net income</b>	115.0	140.6	12.6	12.6	127.6	153.2
in % of sales	9.7	12.1	7.3	7.6	9.4	11.5
	<b>September 30, 2008</b>	<b>December 31, 2007</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Assets	1,044.8	907.5	127.5	131.8	1,172.3	1,039.3
Liabilities	791.9	324.0	153.9	168.9	945.8	492.9
Equity	251.0	583.5	(24.5)	(37.1)	226.5	546.4
<b>Capital expenditure</b>	<b>66.9</b>	<b>78.4</b>	<b>9.7</b>	<b>6.3</b>	<b>76.6</b>	<b>84.7</b>
<b>Number of employees (Full-time equivalents)</b>	<b>9,093</b>	<b>8,484</b>	<b>635</b>	<b>639</b>	<b>9,728</b>	<b>9,123</b>

in € million	Menswear segment <sup>1</sup>		Womenswear segment		HUGO BOSS Group	
	3. Quarter 2008	3. Quarter 2007	3. Quarter 2008	3. Quarter 2007	3. Quarter 2008	3. Quarter 2007
<b>Sales</b>	469.6	467.7	63.4	66.3	533.0	534.0
Depreciation/amortization	(12.8)	(11.8)	(1.2)	(0.8)	(14.0)	(12.6)
EBIT	100.2	113.3	10.9	11.4	111.1	124.7
in % of sales	21.3	24.2	17.2	17.2	20.8	23.4
<b>Net income</b>	61.4	82.3	7.1	6.9	68.5	89.2
in % of sales	13.1	17.6	11.2	10.4	12.9	16.7

<sup>1</sup> Existing men's collections business. Amounts attributable to the HUGO Womenswear product line have been included to simplify the presentation.

## Segment Information by Region

	Jan. - Sep. 2008		Jan. - Sep. 2007	
	in € million	in %	in € million	in %
<b>Sales</b>				
Germany	278.7	21	287.5	22
Other European countries	671.1	49	657.0	49
Americas	229.1	17	225.0	17
Asia/other regions	153.2	11	126.1	9
Royalties	31.5	2	32.1	3
<b>Total sales</b>	<b>1,363.6</b>	<b>100</b>	<b>1,327.7</b>	<b>100</b>
	September 30, 2008		September 30, 2007	
	in € million	in %	in € million	in %
<b>Assets</b>				
Germany	325.7	28	343.0	33
Other European countries	565.0	48	451.8	43
Americas	195.4	17	169.0	16
Asia/other regions	75.9	6	59.0	6
Royalties	10.3	1	16.5	2
<b>Total assets</b>	<b>1,172.3</b>	<b>100</b>	<b>1,039.3</b>	<b>100</b>
<b>Capital expenditure</b>				
Germany	28.2	37	34.2	40
Other European countries	29.6	39	28.0	33
Americas	14.9	19	18.6	22
Asia/other regions	3.9	5	3.9	5
<b>Total capital expenditure</b>	<b>76.6</b>	<b>100</b>	<b>84.7</b>	<b>100</b>

	3. Quarter 2008		3. Quarter 2007	
	in € million	in %	in € million	in %
<b>Sales</b>				
Germany	105.1	20	110.7	21
Other European countries	272.3	51	275.1	51
Americas	85.1	16	83.5	16
Asia/other regions	60.0	11	51.7	10
Royalties	10.5	2	13.0	2
<b>Total sales</b>	<b>533.0</b>	<b>100</b>	<b>534.0</b>	<b>100</b>

## Notes to the Consolidated Financial Statements

### Accounting Policies

The interim financial statements of HUGO BOSS AG as of September 30, 2008 were prepared in line with Section 37w of the Securities Trading Act, in accordance with the International Financial Reporting Standards (IFRS) and their interpretations applicable at the reporting date. In particular, the provisions of IAS 34 for interim reporting were applied.

All the interim financial statements of the companies included in the consolidated financial statements were prepared in accordance with the uniform accounting policies that were also used for the consolidated financial statements as of December 31, 2007. A detailed description of the accounting policies and consolidation methods applied is presented in the notes to the consolidated financial statements for fiscal year 2007.

In order to limit the risk arising from share price fluctuations in connection with the stock appreciation rights (SAR) program, and hence the potential impact on the cash flow and earnings of HUGO BOSS AG, a corresponding hedging program was resolved in late 2007 to come into force from fiscal 2008. Under the terms of this program, HUGO BOSS AG acquired term-equivalent US purchase options for HUGO BOSS preferred shares from independent banks in the first quarter of the current fiscal year with a 1:1 subscription right, i.e. each option corresponds to one preferred share. The total investment volume was just under EUR 33 million.

When SARs are exercised by employees, the corresponding purchase options are sold back to the issuing bank in order to offset the resulting cash flow effects.

The obligations arising from the SARs for HUGO BOSS AG, which are recognized in the form of corresponding provisions, and the purchase options used for hedging are regularly recognized as income at their fair value at the

respective reporting date. The measurement of the purchase options and SAR obligations is based on the market values provided by the issuing banks. As the values of the purchase options and the corresponding SARs are identical at the respective reporting date, the resulting earnings effects largely offset each other. Deviations result from the pro rata structure of the corresponding provision for SARs in the lock-up period, i.e. the first two years after their issue.

Expenses for SARs in the lock-up period are reported in personnel expenses as defined. Changes in the value of the SARs already in the exercise period and the corresponding hedging transactions are offset against personnel expenses. Where provisions have not yet been recognized for the acquired purchase options due to the pro rata structure of SAR provisions, this valuation effect is reported in the financial result.

At September 30, 2008, the earnings effect of additions to and revaluations of SAR provisions and the valuation effect of the corresponding hedging transactions reported in personnel expenses amounted to EUR 4,510 thousand.

The expenses reported in the financial result for the valuation of hedging transactions for which SAR provisions have not yet been recognized amounted to EUR 6,095 thousand.

The preparation of the interim report in EUR million may cause rounding differences when adding individual items or indicating percentages, since the calculations of the individual items is based on figures stated in euros.

These interim financial statements as of September 30, 2008 have not been reviewed by an auditor.

## Currency Translation

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

Country	Currency	Average Rate		Closing Rate	
		1 EUR = Jan. - Sep. 2008	1 EUR = Jan. - Sep. 2007	September 30, 2008	December 31, 2007
Australia	AUD	1.6681	1.6374	1.7615	1.6731
Brazil	BRL	2.5621	2.6908	2.7654	2.5858
Canada	CAD	1.5482	1.4856	1.4929	1.4389
Denmark	DKK	7.4575	7.4491	7.4603	7.4566
Great Britain	GBP	0.7815	0.6764	0.7959	0.7348
Hong Kong	HKD	11.8644	10.4985	11.1412	11.4620
Japan	JPY	161.0218	160.3927	152.3000	166.1300
Mexico	MXN	15.9956	14.7181	15.4853	15.9646
P. R. China	CNY	10.6306	10.3026	9.8269	10.7312
Sweden	SEK	9.4060	9.2351	9.7009	9.4483
Switzerland	CHF	1.6081	1.6369	1.5845	1.6604
USA	USD	1.5214	1.3438	1.4349	1.4692

## Economic and Seasonal Effects

As a globally active company, the HUGO BOSS Group is exposed to different economic trends. In the “General Economic Conditions” section on pages 8 et seq., the general economic effects and industry trend during the period under review were addressed in detail. Sales of the HUGO BOSS Group are subject to seasonal fluctuations. However, the HUGO BOSS Group’s business has fundamentally changed over the past few years. While the business used to be dominated by two pre-order seasons (spring/summer and fall/winter) with orders being placed accordingly early, it has now become increasingly complex. For example, pre-order business now consists of four seasonal sales every year. In addition, the share of the Group’s own retail business has increased. Besides, HUGO BOSS also makes every effort to increase efficiency through greater use of stock business to service less fashion-oriented items. The number of monthly theme-oriented deliveries is also climbing continuously. These effects are steadily reducing the seasonality over the course of HUGO BOSS’ business.

### **Scope of Consolidation**

As of September 30, 2008, the Group including the HUGO BOSS AG consists of 51 consolidated companies. The figure thus remained unchanged as compared to December 31, 2007.

### **Minority Interests**

The consolidated financial statements include companies in which HUGO BOSS AG holds less than 100% of the equity. In accordance with IAS 27, these minority interests are reported in equity on a consolidated balance sheet separately from the equity attributable to shareholders of the HUGO BOSS AG.

### **Related Parties**

After Red & Black S. r. l., Milan, acquired the majority of shares in the Valentino Fashion Group, the group of related parties changed. Related parties are now considered to be all companies and persons that meet the definition set forth in IAS 24.9 with respect to Red & Black Lux S. à r. l.

During the reporting period of January 1 to September 30, 2008, no business transactions with related parties occurred.

### **Share Buyback Program**

In the first six months of fiscal 2008, HUGO BOSS AG did not buy back any own shares. HUGO BOSS AG thus held a total of 528,555 common shares and 855,278 preferred shares as of the end of the first six months of fiscal 2008. This corresponds to a share of 1.97% or EUR 1,383,833 in the share capital.

## Appropriation of Net Profit

The Annual Shareholders' Meeting on May 8, 2008 approved the recommendation of the Managing and Supervisory Boards to pay a dividend from net retained earnings from 2007 of EUR 1.45 per common share and EUR 1.46 per preferred share. In addition, the Annual Shareholders' Meeting approved the recommendation of the Supervisory and Managing Boards to pay a special dividend of EUR 5.00 per share. Thus a total of EUR 446 million was distributed to shareholders

## Earnings per Share

Pursuant to IAS 33, earnings per share (EPS) are calculated by dividing the net income or loss for the period by the weighted average number of shares outstanding during the reporting period. Neither on September 30, 2008 nor on September 30, 2007 were shares outstanding that diluted earnings per share.

	<b>Jan. - Sep. 2008</b>	<b>Jan. - Sep. 2007</b>
Net income in € million	127.6	153.2
Average number of shares outstanding <sup>1</sup>		
Common shares	35,331,445	35,331,828
Preferred shares	33,684,722	33,716,557
EPS common shares in € <sup>2</sup>	1.85	2.20
EPS preferred shares in € <sup>2</sup>	1.86	2.24

<sup>1</sup> Includes effect of share buyback program.

<sup>2</sup> Stock option program: This is limited to stock appreciation rights (SAR) which do not cause any dilution of EPS.

## Contingent Liabilities and Contingent Assets

Against December 31, 2007, there were no material changes in contingent liabilities. As of September 30, 2008 there were no contingent assets.

## **Income Statement, Balance Sheet**

The earnings performance and the net assets and financial position of the HUGO BOSS Group are presented in detail on pages 18 et seq.

## **Consolidated Statement of Cash Flows**

The consolidated cash flow statement shows the changes that occurred in the balance of cash at banks and due to banks in the HUGO BOSS Group during the period under review in the form of cash inflows and outflows. The cash flow statement was prepared using the indirect method.

The consolidated statement of cash flows is commented on pages 23 et seq. and tables are shown on page 39.

## **Statement of Changes in Equity**

In the first nine months, net income of EUR 128 million impacted equity positively, while it was reduced by the dividend distribution. For the development of the changes in equity, refer to the table on pages 36 et seq.

## **Segment Reporting**

There was no change in the determination of the segments compared with December 31, 2007. For further details on the development of business, refer to the Segment Reporting chapter on page 25 et seq. For of the presentation of the Segment Reporting, refer to the table on pages 40 et seq.

In the segment reporting, the activities of the Group are differentiated by business segments as the primary reporting format and by geographic segments as the secondary reporting format in accordance with IAS 14. The segments of HUGO BOSS are based on the internal organization and reporting structure.

For purposes of product segment reporting, the menswear collections of the BOSS and HUGO brands and the income from the fragrance licenses of the BALDESSARINI brand are combined under the Menswear segment. To simplify presentation, amounts attributable to the HUGO Womenswear product line are also reported under the Menswear segment.

For purposes of geographical segment reporting, external sales are assigned on the basis of the registered office of the customer.

Segment information is based on essentially the same accounting policies as those applied in the consolidated financial statements.

## **Further information**

### **Forward-Looking Statements**

This document contains forward-looking statements that reflect the Management's current views with respect to future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statements, which speak only as of the date on which they are made.

## Financial Calendar and Contacts

### Financial Calendar

March 26, 2009	Balance Sheet Press Conference
April 30, 2009	Report on First Quarter of 2009
May 14, 2009	Shareholders Meeting
July 30, 2009	Report on First Half of 2009
November 2, 2009	Report on Third Quarter 2009

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