# HUGO BOSS

MANAGEMENT REPORT AND FINANCIAL STATEMENTS
OF HUGO BOSS AG FOR FISCAL YEAR **2011**

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01

# TO OUR SHAREHOLDERS

# REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

Once again, the Supervisory Board continued to take great care in fiscal year 2011 in fulfilling its monitoring and advisory duties as established under the law, the Company's Articles of Association and its Bylaws.

The Managing Board issued detailed verbal and written reports to the Supervisory Board in a timely manner and in a comprehensive fashion on the intended business policy and other fundamental aspects of corporate planning, in particular financial, investment and human resource planning. On the basis of these reports by the Managing Board, the Supervisory Board supported the work of the Managing Board in an advisory capacity in fiscal year 2011 and monitored its management of the Company. Moreover, the Chairman of the Managing Board and the Chairman of the Supervisory Board held regular discussions on key developments and upcoming decisions. In this context the Supervisory Board was always kept informed with regard to both HUGO BOSS AG and the Group companies. The same applies to the strategic development, business progress – in particular sales and the Company's position – and the development of the key financial figures, particularly the profitability of the Company and, above all, its equity. Any deviations from forecasts and targets were explained individually to the Supervisory Board and reviewed by means of the documentation presented. The Managing Board and Supervisory Board jointly agreed on the Company's strategic orientation.

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

## MAIN TOPICS OF THE SUPERVISORY BOARD MEETINGS IN 2011

In fiscal year 2011, a total of four Supervisory Board meetings were held in the months of March, May, October and December. The meeting in October was a two-day meeting. The Supervisory Board was complete in most of the meetings. No member of the Supervisory Board attended less than half of its meetings held in fiscal year 2011.

The Supervisory Board meeting in March 2011 focused on the annual financial statements of HUGO BOSS AG and of the HUGO BOSS Group as of December 31, 2010, the audit report prepared by the auditors, and the audit of the dependent company report. At this meeting, the annual financial statements of HUGO BOSS AG as of December 31, 2010 were approved and adopted and the consolidated financial statements of the HUGO BOSS Group were also approved. In addition, the Supervisory Board's report to the Annual Shareholders' Meeting was discussed and adopted, as were – after reviewing the independence of the auditor for the fiscal year 2011 – the proposals for the adoption of resolutions at the Annual Shareholders' Meeting of HUGO BOSS AG on May 10, 2011. The two-day meeting of the Supervisory Board in October 2011 was used for in-depth discussion of the organization of the Managing Board, the focal points of the Supervisory Board's activities for 2012, various investment projects, a number of retail projects and employee training and development. At the Supervisory Board meeting in December 2011, the review of the efficiency of the Supervisory Board was conducted, the declaration of compliance with the German Corporate Governance Code for 2011 was discussed and approved, the reports by the committees of the Supervisory Board were discussed in detail, and both the budget and the internal audit planning for 2012 were discussed and resolved.

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

## COMMITTEES OF THE SUPERVISORY BOARD AND THEIR WORK IN 2010

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

The Audit Committee met six times in fiscal year 2011. The main subjects of its meetings were the Company and Group accounting for the annual, half-year and quarterly financial statements and reports, the audit of the annual financial statements and the consolidated financial statements, the risk monitoring system and risk management, the internal control systems, and compliance issues. In this context, the Supervisory Board and the Managing Board mandated a consulting firm to review the effectiveness of the Internal Control System (ICS). The Audit Committee oversaw and monitored this project and reported regularly to the Supervisory Board on its findings. It was concluded that the ICS is effective and efficacious. The Personnel Committee held three meetings, in which it focused on target agreements for the Managing Board, target achievement and the remuneration of the Managing Board, particularly the variable remuneration system. The Working Committee held three meetings in the year under review, in which it dealt with various investments and divestments, the strategy, including in particular preparation for the strategy meeting of the Supervisory Board, the development of the Supervisory Board members, and preparation of the Supervisory Board meetings and resolutions. The Nomination Committee and the Mediation Committee pursuant to Section 27 Paragraph 3 of the German Co-Determination Act (MitbestG) did not need to convene in the past fiscal year.

## CORPORATE GOVERNANCE

The Supervisory Board discussed the further development of corporate governance regulations at the Company in the past fiscal year, too, although no changes to the German Corporate Governance Code (GCGC) needed to be taken into account. In December 2011, the Managing Board and Supervisory Board issued a new declaration of compliance pursuant to Section 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG) on adherence to the recommendations of the Corporate Governance Code at HUGO BOSS AG.

The joint report on corporate governance at the Company pursuant to Section 3.10 of the German Corporate Governance Code can be found on page 10. As in the previous years, a review of the efficiency of the Supervisory Board's activities – as recommended by the Corporate Governance Code – was conducted by means of a standardized, comprehensive questionnaire. The results were discussed in detail and analyzed at the Supervisory Board meeting on December 12, 2011, and the Supervisory Board arrived at a positive conclusion.

Conflicts of interest relating to Managing Board or Supervisory Board members, which are to be immediately disclosed to the Supervisory Board and about which the Annual Shareholders' Meeting must be informed in accordance with the Corporate Governance Code, did not occur in fiscal year 2011.

## AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, reviewed the annual financial statements of HUGO BOSS AG and the management report for fiscal year 2011 along with the consolidated financial statements and the Group management report for fiscal year 2011 prepared by the Managing Board including the accounting records. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting held on May 10, 2011. This included an agreement by the auditor to inform the Chairman of the Audit Committee immediately during the audit of any grounds for disqualification or partiality that could not be immediately rectified. There was also an agreement with the auditor to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. The auditor also had to inform the Supervisory Board or make a note in the audit report if any facts were ascertained during the audit that would result in the declaration submitted by the Managing Board and the Supervisory Board in accordance with Section 161 Paragraph 1 Sentence 1 of the Stock Corporation Act (AktG) not being correct. There was, however, no cause for any such report by the auditor. In addition, the Supervisory Board obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code and assured itself of the auditor's independence. Commissioning non-audit related services to the auditor was also discussed.

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

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

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

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

At its financial review meeting on March 13, 2012, the Supervisory Board therefore approved the annual financial statements, the consolidated financial statements, and the corresponding management reports for fiscal year 2011 as prepared by the Managing Board. The annual financial statements of HUGO BOSS AG for fiscal year 2011 are thus deemed approved in accordance with Section 172 of the Stock Corporation Act (AktG).

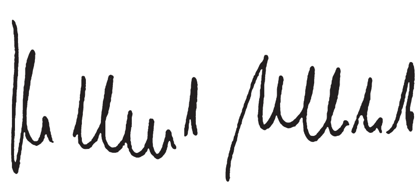
The report on relations with affiliated companies reviewed by the Audit Committee and the Supervisory Board, and the audit report prepared by the auditors on this report were approved by the Supervisory Board. After a final review, no objections were raised to the Managing Board's statement at the end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

Finally, in its meeting on March 13, 2012 the Supervisory Board approved the proposal of the Managing Board for the appropriation of profits. In this context the Supervisory Board held intensive discussions on the liquidity situation of the Company, the financing of planned investments and the impact on the capital market. In the course of the discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of both the Company and its shareholders.

The Supervisory Board would like to thank all employees for their high level of personal commitment and the work they performed, without which HUGO BOSS AG's success in fiscal year 2011 would not have been possible.

Metzingen, March 13, 2012

The Supervisory Board



**DR. HELLMUT ALBRECHT**
Chairman of the Supervisory Board

# CORPORATE GOVERNANCE REPORT

pursuant to Section 3.10 of the German Corporate Governance Code

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

In the fiscal year 2011, the Managing Board and Supervisory Board discussed in detail fulfilling the requirements of the German Corporate Governance Code (GCGC). As a result, the Declaration of Compliance was submitted in December 2011. It is included at the end of this report and published on the HUGO BOSS AG website, as are previous Declarations of Compliance. HUGO BOSS complies with all of the Code's recommendations with few exceptions. The Code was last amended by the Government Commission on the German Corporate Governance Code on May 26, 2010 and announced on July 2, 2010. Details on this can be found in the following report by the Managing Board and Supervisory Board.

## COOPERATION, COMPOSITION (INCLUDING DIVERSITY) AND ACTIVITIES OF THE MANAGING BOARD AND SUPERVISORY BOARD

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

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

Furthermore, in accordance with the recommendation of the German Corporate Governance Code the Supervisory Board has established specific targets for its composition and for the composition of the Managing Board, which it already set out in detail in last year's Corporate Governance Report. These targets have not changed.

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

The members of the Managing and Supervisory Boards may not pursue any personal interests or grant any unfair advantages to other persons in connection with their activities or when making decisions. In the fiscal year 2011 there were no conflicts of interest of Managing or Supervisory Board members. The persons holding seats on the Managing and Supervisory Boards are listed in the notes under "Supervisory Board and Managing Board". The positions held by Managing and Supervisory Board members in supervisory boards required by law or comparable domestic or foreign monitoring bodies at commercial enterprises may be found on page 113 – 115. No member of the Managing Board takes up more than three supervisory board positions at non-Group listed companies. The relationships with related parties (companies and individuals) are listed in the notes to the consolidated financial statements on page 168.

## RISK MANGEMENT AND RISK CONTROL

Responsible handling of risks by the Company is a key element of good corporate governance. The value-based Group management involves a systematic risk management process that allows the Company to identify and measure risks at an early stage and to optimize risk exposure using appropriate measures. One key responsibility is to provide for appropriate risk management and risk control in the Company. The Audit Committee set up by the Supervisory Board is regularly involved in monitoring the effectiveness of internal control, risk management and auditing systems, including with the involvement of the auditors. The systems are continuously developed and adjusted to changing overall conditions. However, by their nature they cannot provide absolute protection against losses from business transactions or even fraudulent activities.

Details on the topic of the internal control, risk management and auditing system can be found in the Risk Report on pages 56 et seq.

## ACCOUNTING AND AUDITING

Since fiscal year 2001, HUGO BOSS AG has been reporting in accordance with the International Financial Reporting Standards (IFRS). The Audit Committee set up by the Supervisory Board is regularly involved in monitoring the accounting process and the audit. With respect to the year under review, the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, agreed to inform the Chairman of the Audit Committee immediately during the audit of any grounds for disqualification or partiality that are not immediately rectified. The auditor was also required to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. Moreover, it was agreed that the auditor must inform the Supervisory Board or make a note in the audit report if any facts are ascertained during the audit that do not correspond with the Declaration of Compliance submitted by the Managing Board and the Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG). The Supervisory Board also obtained a declaration of independence from the auditor pursuant to Section 7.2.1 of the German Corporate Governance Code and satisfied itself of the auditor's independence, with the declaration also relating to commissioning non-audit related services to the auditor.

## CORPORATE COMPLIANCE

HUGO BOSS AG and the Group companies operate in many different countries and regions and therefore in different legal systems. Corporate compliance, meaning measures to which HUGO BOSS has committed itself to ensure adherence to legal and official regulations, the Company's internal guidelines as well as codes, and their observance by Group companies, is seen as a major responsibility of the Managing Board at HUGO BOSS. This includes – amongst others – antitrust and corruption regulations as well as provisions under capital markets law.

To support the Managing Board in introducing and monitoring an effective compliance management system, a Compliance department was established in 2010 which is responsible for Group-wide coordination of corporate compliance.

HUGO BOSS AG expects all employees to act in a legally unobjectionable way in day-to-day business operations. To facilitate this and to form a relevant basis, in 2010 HUGO BOSS compiled the Group-wide integrity principles in a Code of Conduct and in guidelines which were implemented gradually throughout the Group over the course of 2011. The Code of Conduct and the guidelines focus in particular on regulations on competitive conduct, on avoiding corruption and conflicts of interest, on dealing correctly with Company information and on ensuring fair and respectful working conditions. The employees are familiarized with the relevant regulations on an ongoing basis in training sessions.

For support and advice on questions regarding legally correct behavior, employees can turn to their superiors or the Compliance Officer.

## CAPITAL MARKET COMMUNICATION

In order to ensure the highest possible degree of transparency and thus to reinforce the trust placed in the Group by shareholders and investors as well as the interested public, the Company reports regularly and promptly on the situation of the Company and any major operational changes. The investor relations activities involve a regular exchange with institutional investors and financial analysts. In addition to the yearly analyst conference on the annual financial statements, telephone conferences are held for financial analysts upon publication of the interim reports on the first and third quarters as well as the half-year results. In addition, an Investor Day was held in 2011 to provide in-depth information on the Group strategy and the medium-term growth plans. The presentations prepared for these events or for investor conferences may be viewed on the Internet at www.group.hugoboss.com.

For private shareholders, the Annual Shareholders' Meeting is the most important investor relations event of the year. The Annual Shareholders' Meeting serves to provide all shareholders with current and comprehensive information in an efficient manner. If shareholders are not able to attend the Annual Shareholders' Meeting in person, they have the opportunity to follow the transmission of the speech of the Chairman of the Managing Board on the Internet. They may either cast their vote themselves at the meeting or by proxy via an authorized person of their choice or a representative of the Company acting as per their instructions.

All key information and publications can be viewed on the Company website at www.group.hugoboss.com. The site includes a financial calendar, which shows the most important dates, is updated on an ongoing basis and is a fixed component of the annual report and the interim reports. All press releases and ad-hoc announcements as well as information on current developments are also published on the website. Ad-hoc announcements pursuant to Section 15 of the German Securities Trading Act (WpHG) that directly relate to the Company are published immediately by HUGO BOSS in accordance with the statutory provisions and can be viewed in "News and Releases" under the "Investor Relations" heading on the Company's website. The same is possible for voting rights notifications.

In line with the principle of fair disclosure, it is hence ensured that all shareholders and major target groups are treated equally and that new information is provided to all shareholders and the interested public at the same time. Lastly, those who are interested can find information on new developments in the Group in an electronic newsletter.

## DISCLOSURE OF SECURITIES TRANSACTIONS

Pursuant to Section 15a of the Securities Trading Act (WpHG), members of the Managing and Supervisory Boards as well as employees with management responsibilities as defined in the Securities Trading Act (WpHG) are required to disclose the purchase or sale of HUGO BOSS AG securities – called directors' dealings. Directors' dealings are published on the Company website under "Directors' Dealings".

During the reporting period from January 1 to December 31, 2011, two securities transactions were reported to the Company pursuant to Section 15a of the Securities Trading Act (WpHG).

On November 15, 2011 in Frankfurt/Main, Dr. Hellmut Albrecht, Chairman of the Supervisory Board, purchased 750 preferred shares (ISIN number DE0005245534) of HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen at a price of EUR 67.55 per share, corresponding to a total price of EUR 50,668.27.

Furthermore, on December 15, 2011 in Frankfurt/Main, Dr. Hellmut Albrecht purchased 895 preferred shares (ISIN number DE0005245534) of HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen at a price of EUR 55.79 per share, corresponding to a total price of EUR 49,933.66.

Dr. Hellmut Albrecht is the Chairman of the Supervisory Board of HUGO BOSS AG.

## SHAREHOLDINGS OF THE MANAGING BOARD AND SUPERVISORY BOARD

As of December 31, 2011, the total holding in HUGO BOSS AG shares by all Managing and Supervisory Board members amounted to less than 1% of the shares issued by the Company. Thus as of this date, there were no shareholdings subject to the reporting requirements of Section 6.6 of the German Corporate Governance Code.

## COMPENSATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

The total fixed salary components for members of the Managing Board in the fiscal year 2011 amounted to EUR 2,873 thousand (2010: EUR 3,248 thousand). The fixed salary components paid to members of the Managing Board comprise, besides the salary, benefits such as company cars and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

The variable compensation components with a long-term incentive effect consist of a multi-year bonus granted in line with the achievement of personal targets agreed with the Supervisory Board and the fulfillment of the pre-defined key figures EBITDA before special items and trade net working capital. The bonus for one year is based predominantly on target achievement measured over a period of three years. After the end of the third fiscal year, the bonus is calculated conclusively and paid out. For a transition period during the introduction of the multi-year bonus agreements, the Managing Board members receive advance payments of the expected bonus. If the amount of the outstanding payment is negative, this must be repaid to HUGO BOSS AG by the Managing Board member. Additions to the provision for the multi-year bonus are made proportionally. As of December 31, 2011, there was a provision totaling EUR 4,050 thousand (2010: EUR 3,025 thousand).

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

For the event of early termination, the employment contracts include regulations which – except for the deviation stated in the Declaration of Compliance from December 2011 – comply with the requirements of the German Corporate Governance Code. For the event of regular termination, the employment contracts do not include any regulations other than pension regulations. No compensation was paid out to Managing Board members leaving the Company in fiscal year 2011 (2010: EUR 2,934 thousand).

In addition, the Company has provided pension benefits for Managing Board members. The amount of future pension benefits is based on each member's base salary and years of service. Additions to pension provisions for Managing Board members (excluding deferred compensation) amounted to EUR 1,209 thousand in fiscal year 2011 (2010: EUR 1,964 thousand).

According to the German Corporate Governance Code, the compensation of Supervisory Board members is divided into a fixed and a variable component. The variable component is determined on the basis of earnings per share in the consolidated financial statements. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation. The Supervisory Board received total compensation of EUR 1,534 thousand for its services in 2010. For fiscal year 2011, total com-pensation is expected to be EUR 1,911 thousand, including a provision for the variable component of EUR 1,156 thousand (2010: EUR 738 thousand).

## DECLARATION OF COMPLIANCE

Pursuant to Section 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG), the Managing Board and Supervisory Board of HUGO BOSS AG must submit an annual Declaration of Compliance stating whether the recommendations published by the Government Commission on the German Corporate Governance Code in the official section of the electronic Federal Gazette have been and are being complied with. The Declaration must also state which recommendations were not or are not complied with and the reasons for this. The latest amendments to the German Corporate Governance Code in the version dated May 26, 2010 were published in the electronic Federal Gazette on July 2, 2010. The Managing Board and Supervisory Board accordingly submitted the following Declaration of Compliance in December 2011:

"Declaration of Compliance

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

HUGO BOSS AG, Metzingen, Securities ID Nos. 524 550, 524 553

The Managing Board and Supervisory Board of HUGO BOSS AG herewith declare pursuant to Section 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG) that since the Compliance Declaration of December 2010 the recommendations of the Government Commission on the German Corporate Governance Code initially as amended on June 18, 2009 – officially published in the electronic Federal Gazette on August 5, 2009 – and since its effectiveness in the version as amended on May 26, 2010 – officially published in the electronic Federal Gazette on July 2, 2010 – have been and are complied with except for:

- Section 2.1.2 Sentence 1 of the German Corporate Governance Code (GCGC): In addition to ordinary shares with voting rights at HUGO BOSS AG there are also preference shares without voting rights. This division has historic reasons.

- Deviating from the recommendation in Section 3.8 Sentence 5 GCGC, the D&O (Directors & Officers) insurance for members of the Supervisory Board does not contain a deductible. HUGO BOSS AG covers the D&O risk via an appropriate pecuniary loss liability insurance in which members of the Supervisory Board are also included. The members of the Supervisory Board hold their offices responsibly and in the interest of the Company. HUGO BOSS AG is of the opinion that a deductible is not an appropriate means for further improving the sense of responsibility. Furthermore, the introduction of a deductible would not lead to a significant reduction of premium payments.

- Deviating from the recommendation in Section 4.2.3 Paragraph 4 Sentence 2 GCGC, the calculation of the severance pay cap is based on the total compensation for the past full fiscal year or, if the member of the Managing Board has already served on the board for two full fiscal years, on the average of the past two full fiscal years because the Supervisory Board is of the opinion that this constitutes a broader and therefore better basis for assessment.

- Deviating from Section 5.4.6 Paragraph 3 GCGC, the compensation of the members of the Supervisory Board is not reported individually in the Corporate Governance Report. Also, payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services, are not listed on an individual basis in the Corporate Governance Report. The compensation paid to the members of the Supervisory Board is presented in total in the notes. In the view of HUGO BOSS AG, individual reporting of compensation in the Corporate Governance Report does not provide information relevant to the capital market.

Metzingen, December 2011"

02

# MANAGEMENT REPORT

# BUSINESS ACTIVITIES AND GROUP STRUCTURE

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

Intensive marketing activities and involvement in sponsorship of sport and cultural events enhance the worldwide recognition of HUGO BOSS and the image of its brands. Alongside traditional forms of advertising such as print and out-of-home, the relevant consumer groups are increasingly targeted through new marketing instruments such as social networks. Sport sponsorship activities focus on premium sports such as sailing, golf and Formula 1 and are an ideal vehicle for conveying brand values such as dynamics, perfection and precision. In its cultural sponsorship activities, the Company stresses the similarities between art and fashion in terms of design, aesthetics and creativity. The Company also sets a course with high profile fashion events in the world's fashion capitals, further highlighting the appeal and acceptance of the brands for key target groups and charging the HUGO BOSS brand world with emotion.

HUGO BOSS sells its products in 124 countries worldwide. The most important sales region is Europe. Today customers can purchase HUGO BOSS products at more than 6,300 points of sale. In addition to multi-brand points of sale operated by wholesale partners, the importance of monobrand points of sale is growing significantly. HUGO BOSS stores are operated either by franchise partners or by the Company itself.

## ORGANIZATIONAL STRUCTURE

HUGO BOSS AG headquartered in Metzingen, Germany is the parent company of the HUGO BOSS Group. All Group central management functions are located here. The most important tasks of HUGO BOSS AG are establishing a corporate strategy (especially the brand and sales strategy), financing and risk management as well as making collection decisions and managing the sales network. Besides internal communication, HUGO BOSS AG is also especially responsible for external communication, including contact with the capital market and shareholders.

In addition to HUGO BOSS AG, the Group consists of 53 consolidated subsidiaries, which run local business operations. HUGO BOSS AG had a direct interest in 12 companies in the past fiscal year. A detailed overview of the direct and indirect interests of HUGO BOSS AG can be found on page 82 et seq.

The management structure of HUGO BOSS is primarily based on the framework of corporate law. As a German stock corporation (Aktiengesellschaft), HUGO BOSS has a dual management and control structure. The Company is managed by the Managing Board as a whole. The Supervisory Board advises the Managing Board and oversees its management of the Company. Essential information on the remuneration of the Managing Board and Supervisory Board is given in the management report on page 53. The share-based compensation for executives is in the notes on page 99 et seq.

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

**CLAUS-DIETRICH LAHRS**
Chairman of the Managing Board
Responsible for Distribution, Retail,
Licenses, Communication and Global Replenishment

**CHRISTOPH AUHAGEN**
Responsible for Brand Management,
Creative Management, Sourcing and Manufacturing

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

The directors of the regions Europe incl. Middle East/Africa, Americas and Asia/Pacific as well as the directors of central functions belong to an extended executive committee established in 2008 to support the Managing Board's activities.

# GROUP MANAGEMENT

## CORPORATE GOVERNANCE REPORT (PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB))

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

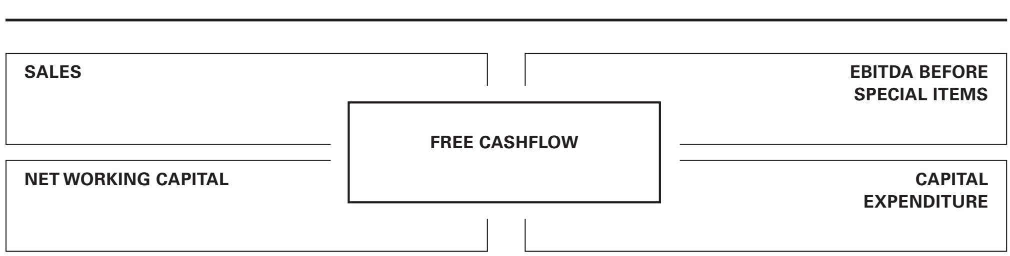
## MANAGING BOARD AS A WHOLE RESPONSIBLE FOR GROUP MANAGEMENT

HUGO BOSS is managed by the Managing Board as a whole, which in particular determines the Group's strategic orientation. Operational implementation of the Group strategy takes place in close cooperation with the regional and brand directors and the heads of the central functions. The organizational and management structure clearly allocates authorizations and responsibilities within the Group and defines the reporting lines. It thus directs all Group resources towards sustainably increasing enterprise value. The strategy is equally advantageous for HUGO BOSS AG, which directly benefits from the increases in the company value through the intercompany exchange of goods and services, with its performance being monitored on the same basis of corporate key performance indicators.

## KEY PERFORMANCE INDICATORS
## FOCUS ON INCREASING FREE CASH FLOW

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

**KEY PREFORMANCE INDICATORS OF THE HUGO BOSS GROUP**




**DEFINITION FREE CASHFLOW**

| | | |
|---|---|---|
| **FREE CASH FLOW** | | Cash flow from operating activities |
| | + | Cash flow from investing activities |

## SALES AND EBITDA

As a growth-oriented company, HUGO BOSS attaches particular importance to profitably increasing sales. All activities for increasing sales are measured by their potential to increase EBITDA adjusted for special items and the adjusted EBITDA margin (ratio of income to sales) in the long term. As a key driver of free cash flow, EBITDA was identified as the most important key performance indicator. Improving the gross margin is seen as the main lever for increasing the EBITDA margin. Efficiency improvements in own retail and sourcing as well as optimization of the discount policy constitute the most important measures in this context. In addition, operating expenses are monitored strictly with the aim of limiting their increase in relation to sales to a lower than proportional level.

The management of the Group companies is directly responsible for profitable growth. Therefore, a portion of the total remuneration of distribution company managers is variable and tied to the achievement of sales and EBITDA targets as well as other key cash flow relevant metrics.

## TRADE NET WORKING CAPITAL

Due to HUGO BOSS' relatively non-capital-intensive business model, trade net working capital constitutes the key figure for maximizing efficiency in the use of capital.

Until September 30, 2011, the use of capital was managed on the basis of net working capital. The basis for management was then changed to trade net working capital starting from October 2011. The reason for this change is the broader definition of net working capital which, in contrast to trade net working capital, also includes other current liabilities and receivables and current provisions. However, these balance sheet items are in some cases influenced by decisions that do not come under the responsibility of the operational distribution units. The switch to trade net working capital serves the purpose of minimizing the influence of exogenous factors on achievement of the operating units' targets and therefore not diluting the incentive for operational improvements.

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

**DEFINITION NET WORKING CAPITAL**

| | | |
|---|---|---|
| **NET WORKING CAPITAL** | | Inventories |
| | + | Trade receivables |
| | − | Trade payables |

## CAPITAL EXPENDITURES

The value creation potential of proposed investment projects is assessed considering the relevant capital costs. The focus of the Company's investment activity is currently on the expansion of own retail activities. For this reason, a specific approval process has been established for projects in this area. In addition to qualitative analysis of potential locations, this process also involves in particular assessing the net present value of each project.

## INTERNAL COMPANY MANAGEMENT SYSTEM

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

- Group planning,
- Group-wide, IT-supported reporting and
- Investment controlling.

Planning relates to a rolling three-year period. It is prepared annually as part of the Company-wide budget process, taking into account the current business situation.

Based on central targets set by the Managing Board, the distribution companies draw up comprehensive earnings, balance sheet and investment planning for the sales markets or business areas for which they are responsible. From this, the development and sourcing units derive their medium-term capacity planning and translate this into cost planning. The bottom-up planning of the business units is checked centrally for plausibility and aggregated into overall Group planning.
The annual planning is revised at regular intervals with regard to the actual business development and existing risks and opportunities to arrive at an extrapolation of the expected consolidated net income in the current year. On the basis of the anticipated cash flow development, the Group Treasury Department also prepares monthly liquidity projections. This allows for early identification of financial risks and timely implementation of measures with regard to financing and investment needs. In addition, the currency-differentiated liquidity planning represents the basis, among other things, for initiating potential currency hedging measures.

## REPORTING

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

## INVESTMENT CONTROLLING

Investment controlling assesses planned and implemented investment projects in respect of their contribution to achieving the Company's profitability targets. In doing so, only those projects that are expected to contribute to improving the Company's economic performance are initiated. At regular intervals, the profitability of projects already realized is reviewed by means of subsequent analyses. In the event of deviations from the profitability targets originally set, countermeasures are implemented.

# STRATEGY

## PROVEN BUSINESS MODEL AS BASIS FOR FUTURE GROWTH

HUGO BOSS has a successful business model that forms the basis for achieving its ambitious growth targets. The Group aims to generate sales of EUR 3 billion and an operating result (EBITDA before special items) of EUR 750 million in 2015.

Further optimization of the business model's established strengths will contribute to achieving these targets. These strengths include in particular extensive product expertise, strong brands, a global presence, efficient business processes, highly qualified and motivated employees, and distribution activities that are tailored to the end consumer.

The core competency of HUGO BOSS is the development and marketing of high-end womenswear and menswear, shoes and leather accessories in the premium and luxury segment. High-quality materials, excellent workmanship and outstanding design are an integral part of the philosophy of all brands. Today more than ever, HUGO BOSS benefits from the product expertise it has acquired over many decades. The Company's traditional strength in classic menswear has been systematically expanded into related areas such as casual wear and womenswear over the past two decades. This knowledge will also be preserved and advanced in future through continuous enhancement of the development processes, which are organized almost entirely internally within the Group, and ongoing optimization of internal production activities. The Company accordingly plans to generate future growth entirely in its traditional areas of expertise and business.

## MULTI-BRAND STRATEGY FOR TARGETING INDIVIDUAL COSTUMER SEGMENTS

HUGO BOSS targets consumers with an extensive brand portfolio. The brands BOSS Black, BOSS Selection, BOSS Green, BOSS Orange and HUGO are aimed at demanding consumers with a variety of attitudes and requirements. Accordingly, each brand is geared towards a clearly defined target group in terms of its positioning, product range, communication and presentation at the point of sale. While BOSS Selection is positioned in the luxury segment, the other brands address the premium section of their respective market segments. Overall, they complement one another to form a portfolio that ensures wide-reaching coverage of the relevant market for the HUGO BOSS Group. The planned growth of the Company is thus to be achieved entirely with the existing brand portfolio.

## GLOBAL PRESENCE

The appeal of its brands has brought HUGO BOSS a high level of global recognition. In all of its markets, HUGO BOSS stands for attractive European design, superior quality and an appropriate price-quality ratio. The Company sees considerable potential for commercializing this brand image even more extensively than before in the coming years.

Supported by expansion of the distribution network, particularly in Asia, the proportion of sales generated outside Europe is therefore expected to increase steadily in the next few years.

## EFFICIENT BUSINESS PROCESS

HUGO BOSS has excellent operational processes in production, sourcing, logistics and sales that create significant competitive advantages for the Group. Selective use of its own production sites secures critical expertise for HUGO BOSS and allows development activities to be systematically geared towards subsequent industrial production. The knowledge gained from internal production also allows for profitable management of the external supplier network, which ensures a consistently high product quality on the basis of long-standing partnerships. A homogeneous IT landscape provides effective support for the operational processes for all functions and creates the necessary transparency for business decisions. Finally, an efficient logistics infrastructure ensures on-schedule delivery of the correct quantities to the distribution partners.

## HIGHLY QUALIFIED AND MOTIVATED EMPLOYEES

A key element of HUGO BOSS market success is the performance and creativity of its employees. HUGO BOSS therefore continuously strives to create a working environment that encourages creativity among the employees, promotes cooperation and enables employees to act efficiently and on their own initiative. A large number of measures and development programs are in place to continuously improve the employees' professional and social skills. At the same time, the compensation system is organized such that it helps to create a performance-oriented corporate culture and thus gears the employees' individual goals towards the Group's goals.

## DISTRIBUTION ACTIVITIES TAILORED TO THE END COSTUMER

HUGO BOSS maintains business relationships that have been established for decades with the key wholesale partners in its market segment and thus has almost complete market coverage in this distribution channel. In its wholesale activities, the Company sells its products to multi-brand distributors that offer HUGO BOSS products either in category business in a multibrand environment or exclusively in shop-in-shop sales formats. Another model in wholesale business is distribution via franchise partners that operate HUGO BOSS stores based on contractual specifications. In own retail activities, products are sold to the end consumers in directly operated stores or in outlets. In the past three years, the online business has also been established as a third distribution channel. As part of its growth strategy, the Group plans to generate further sales increases in all channels.

## MEDIUM-TERM GROWTH STRATEGY DEFINED

HUGO BOSS has identified four main growth areas for which strategic initiatives have been defined to sustainably increase sales and earnings. These four areas are further expansion of own retail activities, strengthening of the individual brand identities, exploitation of growth potential, particularly in Asia and America, in order to strengthen the global presence, and further improvement of operational processes. The Group-wide D.R.I.V.E. project supports implementation of these initiatives with a variety of measures.

## OWN RETAIL TO BECOME MOST IMPORTANT DISTRIBUTION CHANNEL IN THE MEDIUM TERM

HUGO BOSS is increasingly gearing its distribution activities towards own retail, without neglecting the wholesale business. In doing so, HUGO BOSS is taking account of the growing consumer demand for monobrand sales formats, particularly in emerging markets such as China, and the attractive return profile of this distribution channel. The Group expects own retail to account for approximately 55% of sales in 2015 (2011: 45%).

## CONTINUED GROWTH ANTICIPATED IN WHOLESALE BUSINESS

HUGO BOSS also anticipates continued growth in its wholesale business on the basis of established customer relationships with the leading retailers in the premium and luxury apparel segment. These retailers benefit from the strength of the brands, which should continue to be reflected in an above-average sell-through performance as compared to the competition. HUGO BOSS dominant market position in the menswear segment offers the Company excellent opportunities to gain sales space in other market segments, too. The Company can also rely on its uniquely dense global showroom network compared to the competition and on its high delivery reliability, which make it an attractive business partner. Supported by its growing retail expertise, HUGO BOSS expects to play an increasingly active role in managing the sales space of its wholesale partners in future. Depending on individual agreements, responsibility in this regard may be very far-reaching. In addition to providing store concepts and assuming independent responsibility for replenishment, HUGO BOSS also increasingly supports its wholesale partners with sales floor merchandising. This often results in noticeable improvements in sales productivity that benefit both partners.

HUGO BOSS therefore expects to see continued profitable growth in its wholesale business despite ongoing market consolidation and the associated increasing focus on fewer but bigger customers.

## OWN RETAIL IS IMPORTANT GROWTH DRIVER

Own retail is extremely important for future development. Due to the opportunities arising and with regard to the sales and earnings development as well as consumers' perception of the brands, the Company is investing in further expanding its store network and strengthening its retail expertise.

## CONTINUOUS DEVELOPMENT OF RETAIL EXPERTISE

In addition to the expansion of its store network, HUGO BOSS also focuses on further development of its retail expertise in order to optimize the sales performance in existing sales space and thereby increases the earnings contribution of this distribution channel.

Improvements are specified as early as the product development phase, which is governed to a large extent by the planned presentation of the collection on the sales floor. For instance, even before the development process begins, the collection structure is defined in terms of product types, price levels and fashion degree. Products with high sales potential and major importance to the collection statement are combined in a 'core range'. The Group expects this to result in increased sales productivity in own retail and a sharper brand image.

At the same time, HUGO BOSS is improving its IT infrastructure for optimized planning and management of its retail activities. In addition to the improved performance measurement at store and product level, the Company is better able to manage flows of goods more transparently and therefore more effectively and to react quickly to divergent developments in demand in different sales markets by means of flexible product allocations.

### EFFORTS STEPPED UP CUSTOMER RELATIONSHIP MANAGEMENT

The Company is also intensifying its focus on management of end consumer relationships. Systematic recording, combining and updating of consumer data – while observing strict data protection regulations – is intended initially to improve understanding within the Group of the HUGO BOSS end consumers, their buying behavior and the target groups relevant to HUGO BOSS. Building on this, consumers will in future be targeted more closely across all channels according to their preferences with information and offers that are relevant and interesting for them.

### EXPANSION OF ONLINE ACTIVITIES

HUGO BOSS expects online sales to become increasingly important, and is taking account of this by strengthening its online business. In addition to the planned opening of new online stores, for example in the growth market China in the coming year, there will also be a focus on ongoing optimization of the existing stores in the U.S., the UK, Germany, France, the Netherlands and Austria in terms of user friendliness, product range and presentation, and services.

### CLEAR DIFFERENTIATION OF BRAND IDENTITIES

Strong brands form the basis for the Company's future success. Each of the brands fills a closely defined role within the entire HUGO BOSS brand portfolio and is targeted at a clearly differentiated consumer segment. The Company continuously strives to sharpen the positioning of its brands in order to set itself apart from the competition. In addition to developing an unmistakable signature design for the collections, the focus here is on individually tailored communication for the different brands and optimal presentation at the point of sale.

### ALL BRANDS OFFER SIGNIFICANT GROWTH OPPORTUNITIES

HUGO BOSS sees considerable potential for further growth in all brands. In the businesswear segment, where the Company already has a leading market position, BOSS Selection will be expanded as a major concept in the luxury segment. BOSS Black, which sets itself apart from the competition with its contemporary elegance and perfection, enjoys a high level of confidence among consumers and wholesale partners thanks to its classic-modern orientation combined with the highest standards of quality, design, fit and workmanship. Finally, HUGO targets an extremely fashion-conscious consumer segment with its progressive orientation and avantgarde design. In the sportswear segment, HUGO BOSS primarily scores with BOSS Black and BOSS Orange, which stands for casual collections, and BOSS Green, which does away with the boundaries between fashionable leisurewear and functional golf-wear.

Within the brand portfolio, the Company anticipates above-average growth rates from BOSS Selection in particular, but also from the womenswear and shoes and accessories segments.

## BOSS SELECTION TARGETS LUXURY CONSUMERS

BOSS Selection stands for exquisite design, exclusive quality and perfect workmanship. The brand's modern fashion statement and its outstanding price-quality ratio set it apart from the competitors. The brand's acceptance among consumers has been further strengthened by the introduction of a clearly distinguishable logo together with an individual corporate design, the expansion of the product portfolio to include high-quality sportswear, and the prominent presentation of the brand at major fashion fairs such as the Pitti Uomo in Florence last year. HUGO BOSS is focusing on further strengthening this brand and expects this to bring not only strong sales growth but also a positive image effect for the rest of the brand portfolio.

## INTENSIFIED FOCUS ON WOMENSWEAR

HUGO BOSS has set itself the goal of significantly expanding its market position in the womenswear segment. The Company has therefore separated this segment from menswear and placed it under independent management as a standalone organizational unit. With a focused brand image, a more feminine signature design, the expansion of the luxury sportswear segment and targeted marketing support, this segment is set to grow faster than the Group as a whole in the medium term.

## EXPLOITING GROWTH POTENTAIL IN THE SHOES AND ACCESSOIRES SEGMENT

Particularly in the growing womenswear segment, a product range in which the apparel collections are supplemented with accessories to form complete outfits is strategically important. The Group has therefore set itself the goal of expanding the product area of shoes and accessories. For this purpose, the Group has significantly boosted the design team responsible and made organizational changes to ensure closer cooperation between the relevant development teams.

## STRENGTHENING THE GLOBAL PRESENCE

HUGO BOSS plans to further increase its sales in all regions in the medium term. The proportion of sales generated outside of the European market will rise in the process, due in particular to strong growth in Asia.

## EUROPE REMAINS CORE REGION FOR HUGO BOSS

In Europe, HUGO BOSS can count on its strong portfolio of wholesale partners and the appeal that its brands enjoy in this distribution channel. HUGO BOSS aims at further strengthening its consumer relationships by means of a good sell-through performance, high delivery reliability and dependable replenishment. HUGO BOSS sees good opportunities in the medium term to use its dominant market position in menswear clothing to its advantage in other areas of the brand portfolio, such as womenswear. Own retail will play an increasingly important role here. In addition to stepping up openings of new stores in Eastern Europe and selectively expanding the retail network in Western Europe, active management of wholesale floor space and significant growth in the online business will also contribute to this.

## FURTHER IMPROVEMENT OF OPERATIONAL PROCESSES

The growing commercial importance of own retail increases the need to gear the business model even more strongly than before towards the needs of end consumers. By optimizing its operational processes, the Group strives to better meet the specific requirements of own retail and react faster to market changes than it has done in the past. The central measures for achieving this goal form part of the Group-wide D.R.I.V.E. project, whose continued implementation in 2012 represents an important element of HUGO BOSS' medium-term growth strategy.

## D.R.I.V.E PROJECT SYSTEMATICALLY GEARS ORGANIZATION TOWARDS THE NEEDS OF END COSTUMERS

The D.R.I.V.E. project centers on reducing lead times, i.e. the period between the start of collection development and delivery to the customers. By streamlining and standardizing operational processes in product development, sales and production, lead times were shortened from 50 weeks to 38 weeks. Stronger interconnection of the different elements of the value chain is a key element here. For example, technical production considerations are now incorporated in the development process at a much earlier stage. The considerable reduction in the collections' complexity also made a significant contribution to reducing the time to market. In addition, the product development process was geared more strongly towards the presentation of the collections in own retail through the systematic definition of the collection structure and the definition of a "core range".

## SHORTER TIME TO MARKET ALLOWS FOR ORIENTATION TOWARDS THE MIRROR-SEASON

As a result of the reduced lead times, the creative management of the brands is now able to apply knowledge gained from sales in one season directly in the development of the following collection. A shorter time to market also allows for the collection cycle to be changed to four almost equally sized collections per year. HUGO BOSS will thus be able to better gear the product range at the point of sale towards seasonal differences in consumer demand and to offer new incentives to buy on a continuous basis. The Company expects this to have a positive impact on consumer traffic in own retail, resulting in an increase in sales and floor productivity. The continuous offer of attractive collections should also reduce discounts and improve the inventory turnover in own retail. The implementation of the new collection cycle also supports efficiency improvements in the production and sourcing activities.

## GLOBAL LAUNCH OF THE D.R.I.V.E PROJECT WILL BE MAJOR FOCUS IN 2012

In 2012, the global introduction of central D.R.I.V.E. initiatives also in America and Asia will represent an important milestone in the Company's development. An additional focus will be the ongoing implementation of the defined measures in the operational business processes and in own retail. Based on the first indications gained in own retail regarding the sales and earnings effects of D.R.I.V.E., the Group is confident that wholesale will also take on central D.R.I.V.E. concepts, enabling HUGO BOSS to further increase its appeal as a partner.

# EMPLOYEES

The work of the around 2,600 employees of HUGO BOSS AG worldwide forms the basis of the Company's success. Every day they contribute their skills and enthusiasm for fashion to the Company, thereby contributing to the uniqueness of the products. The goal of Human Resources work at HUGO BOSS is to promote team spirit and motivation among the employees in an international environment and to create a working atmosphere in which creativity and perfection can develop freely yet in an organized way as well.

## TARGETED PROMOTION OF THE CORPORATE CULTURE

HUGO BOSS AG offers its employees a working atmosphere in an international environment that is based on team spirit, creativity and openness. Human Resources management at HUGO BOSS aims to fill the corporate culture with life so that each individual employee can bring his or her personal skills, commitment and enthusiasm to the Company and make his or her own contribution to the success of the entire Group.

## HUMAN RESOURCE STRATEGY SUPPORTS GROWTH STRATEGY

The goal of Human Resources work at HUGO BOSS is to gain suitable employees for the Company, to systematically promote their development and to retain them in the long term. Only in this way can the implementation of the Group strategy and the Company's success be guaranteed. Last year, Human Resources management focused primarily on the personnel-related organization of the expansion in the Group's own retail activities and the increasing internationalization of business operations. Particular emphasis was placed on ensuring standardized and transparent processes for the future and using training to prepare all employees in the Group for the new challenges.

## NUMBER OF EMPLOYEES INCREASES IN 2011

The economic success of HUGO BOSS AG in 2011 was reflected in an extended workforce. The average number of HUGO BOSS AG staff amounted to 2,557. In comparison to the previous year (2010: 2,431 employees), this number thus increased by 126 employees, respectively 5%.

Of the average number of employees, 31% (2010: 33%) were employed in industrial activities and 69% (2010: 67%) in commercial and administrative activities.

## TRAINING HAS A FIRM PLACE IN THE COMPANY

It is highly important to HUGO BOSS to develop and systematically promote young talent within the Company. Each year, the Company therefore supervises a large number of apprentices and students at the Stuttgart and Ravensburg Cooperative State Universities and at the Nagold Specialist Academy for Textiles and Shoes (LDT). Training for skilled occupations is offered in both commercial and industrial/technical areas. In particular by providing training for highly specialized occupation profiles, such as textile laboratory assistants, apparel tailors and textiles business administrators, the Company can maintain and expand valuable knowledge internally. As of December 31, 2011, there were 74 apprentices at the Company (2010: 77). In 2011, 34 apprentices and students at Cooperative State Universities started their training at HUGO BOSS AG. 36 apprentices and students at Cooperative State Universities successfully completed their apprenticeship in 2011.

In 2011 HUGO BOSS AG also offered around 200 interns the chance to gain practical experience in virtually all the Company's departments. To find the best-suited internship candidates for the various departments, the Company has joined a cooperation program that allows it to target more than 3,000 students at over 350 German-speaking colleges and universities in Europe. As a "Fair Company" (an initiative by the job and business magazine "Junge Karriere" under the aegis of the newspaper Handelsblatt and the magazine Wirtschafts-Woche), HUGO BOSS AG offers internships primarily alongside the interns' studies and to provide professional orientation; the Company also pays the interns an adequate expense allowance. At the end of the internship, very promising interns can round off their studies by writing a thesis at the Company. In 2011, 45 such theses were supervised at HUGO BOSS.

### HUGO BOSS TARGETS TALENTS AT EARLY STAGE

HUGO BOSS pursues the goal of positioning itself clearly on the market as an interesting and attractive employer for young people. In order to discover young talent at an early stage and gain it for the Company, the Group collaborates closely with national and international colleges and universities and the organizers of creative competitions. HUGO BOSS maintains close contact with the students, both in a large number of company presentations and tours at the Company's headquarters in Metzingen and also with regular lectures by employees from different departments at the colleges and universities themselves. In addition, company-specific project work is increasingly given to the students at the colleges and universities involved in the cooperation. The Company continuously makes use of the contacts formed in this way when recruiting junior staff. In addition, since 1987 the Group has awarded the "HUGO BOSS Fashion Award" to talented young students in exclusive cooperation with the Stuttgart State Fashion School. As well as a cash prize, winners of the award are offered an internship at HUGO BOSS.

The success of HR marketing activities in the past year is reflected, for instance, in the fact that the Company has moved further up in various rankings of Germany's most popular employers.

### COMPANY PREPARES ITSELF FOR THE FUTURE WITH INDIVIDUAL EMPLOYEE TRAINING AND DEVELOPMENT

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

Targeted measures help employees to improve their performance in their day-to-day work and to extend their knowledge beyond the requirements of their current position. In addition to an extensive range of on-site training sessions, HUGO BOSS also offers an increasing number of online-based training courses. One key advantage of this type of training is that it can be used throughout the Group in different language versions, thereby facilitating standardized training and development of all employees. Particularly in own retail business, a large number of online-based courses are used in employee training with regard to individual products or overarching topics such as customer service and sales. The online training on 'Textile Basics' was awarded the 'red dot award communication design 2011', reinforcing the Group in its intention to continue on the path taken with regard to online training. In total, the online-based training courses available were completed almost 6,000 times throughout the HUGO BOSS Group in the past fiscal year.

Individual development within the Company is also supported in a variety of ways: through transfers to other departments or roles either within the Group headquarters or at an international subsidiary, through promotion to management positions or through expansion of the employee's own area of responsibility. Two programs were launched in 2011 to enable particularly talented and committed employees either to embark on a career as a manager via clearly defined development stages or to deepen their specialist knowledge via a specialist career path.

To evaluate the performance, skills and development potential of each individual and document this transparently, all supervisors hold feedback discussions with their employees on an annual basis. In these discussions, the tasks and personal goals for the coming year are documented and the training requirements for achieving the employee's individual learning objectives are determined.

## EMPLOYEE'S PAY IS BASED ON A TRANSPARENT COMPENSATION SYSTEM

In HUGO BOSS, compensation is designed so that individual performance is rewarded fairly and transparently, promoting a culture of motivation and commitment. Clearly documented job descriptions and evaluations are used as a basis for compensation. The compensation of employees in Germany covered by a collective agreement is based on the collective agreement of the Südwestdeutsche Bekleidungsindustrie (Southwest German Textile Industry). The compensation of staff employed in retail is based on the German retail collective agreement. The employees working in retail and sales are entitled to a fixed salary and variable compensation tied to quantitative targets. For example, the compensation of employees in directly operated stores may be linked to the fulfillment of service standards defined uniformly for the entire Group and of guidelines for own retail. Joint incentives are also created for the employees at individual stores for the achievement of specific retail-related key performance indicators. Employees who are not covered by a collective agreement receive – in addition to their base salary – a bonus that is tied to both corporate targets and qualitative and quantitative personal targets. The targets and their achievement are defined and documented once a year in an appraisal interview with the employee's supervisor.

In addition to the contractually stipulated salary components, the employees are also entitled to the following benefits, among others: Depending on the distance in kilometers, each employee receives a travel allowance and has the opportunity to shop in the HUGO BOSS VIP store at a discount or to take advantage of art and cultural events in the context of the Company's sponsorship activities. Furthermore, all employees have the opportunity to train at the in-house fitness studio all year long and free of charge. In addition, employees have the option to convert part of their gross salary into pension contributions.

# INNOVATION, RESEARCH AN DEVELOPMENT

## INNOVATION MEETS CONSISTENCY AT HUGO BOSS

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

## SPECIALIZED BRAND AND CREATIVE MANAGEMENT

HUGO BOSS has divided the organization of its brand and creative management, which is operated from the Company's headquarters in Metzingen, into the segments of menswear and womenswear. In the menswear segment, responsibility is subdivided into the various brands. The menswear segment is thus organized into the areas of BOSS Black Clothing and BOSS Selection, BOSS Black Sportswear, BOSS Green, BOSS Orange and HUGO, each of which is headed by a responsible creative director. In contrast, creative management of the womenswear segment is combined for all brands (BOSS Black, BOSS Orange and HUGO) under the management of a single creative director.

## DEVELOPMENT WORK DISTRIBUTED ACROSS FOUR LOCATIONS

Innovation and development work is organized at the four development centers in Metzingen (Germany), Coldrerio (Switzerland), Morrovalle (Italy) and Scandicci (Italy). The Group's development departments are usually staffed by skilled fashion designers, tailors, shoe and clothing technicians and engineers.

## MANAGEMENT OF THE PRODUCT CATEGORIES AT DIFFERENT LOCATIONS

Under the leadership of the creative directors responsible, the design and development teams manage the individual product categories of the different brands at the Company's four development locations. At the Group headquarters in Metzingen, for instance, the Company uses its years of experience in industrial textile production to develop pioneering products in the core area of classic menswear and womenswear clothing. The competence center in Coldrerio (Switzerland) is responsible for both the creative development of the textile product groups of shirts, ties and knitwear and also the overarching management of shoes, leather accessories and bodywear. At the Italian locations in Morrovalle and Scandicci, creative work focuses on the development of shoes and leather accessories.

## CLOSE INTERACTION BETWEEN CREATIVE DEPARTMENT AND TECHNICAL DEVELOPMENT

The innovation and development process stands at the beginning of the value chain and therefore plays a decisive role in the subsequent success of the collection.

In the collection development phase, the creative management defines the current collection statement, draws up the color, theme, form and fabric concepts, and establishes target prices. To best meet consumers' requirements, feedback on the previous collection is systematically gathered and analyzed in own retail business and from its wholesale partners before creative development begins. In searching for new ideas, the creative teams also take inspiration from impressions that they gain from areas such as architecture, design and art, as well as from new technologies and social and economic developments.

In the second step, the Creative department hands over its sketches to the Pattern Design department, where the implementation of the creative ideas is verified in technical tailoring terms. The models are then developed into prototypes in technical development. In order to guarantee the high quality standard of the products, work here focuses on the development of innovative and high-quality manufacturing techniques and the selection of appropriate fabrics. The prototypes undergo extensive tests which, among other things, provide the information on the materials' physical properties that is required for subsequent series production. The suppliers are already involved in the process in this product development phase, for instance in the selection of raw materials and outer fabrics.

To further simplify and speed up technical development, last year the Company launched a project to facilitate computer-based, virtual development of selected product categories. The virtual prototypes can be discussed and adjusted flexibly directly at the PC, not only with the internal contact persons involved in the process but also with the suppliers worldwide. The close cooperation between the development teams and the manufacturers means that the products can be developed not only more quickly and with a higher quality, but also at a lower cost due to the reduced need for physical prototypes.

Following the prototyping phase is the so called sampling, i.e. the production of a sample collection and its presentation and sale to international wholesale customers. Afterwards the ordered pieces are produced and sold to the end consumer, either through a wholesale partner or own retail.

## QUALITY ASSURANCE BEGINS IN THE PRODUCT CREATION PHASE

End consumers expect an extremely high quality from HUGO BOSS products. The development phase is vital in ensuring this. Close cooperation from an early stage between the Brand and Creative departments, the Pattern Designers and the technical developers is essential. At the development center in Metzingen, the Pattern Designers, who draw the product cuts, and the product developers, who realize it technically and commercially, work together in a very early phase of product creation. As such, they have the opportunity to identify not only potential for improvement but also shortcomings in the designs at an early stage, allowing for them to be counteracted before production begins. Product development at HUGO BOSS is also characterized by intensive collaboration between the internal Creative and Development teams on the one hand and the external suppliers and technology partners on the other hand. This not only ensures a smooth subsequent production process, but also secures HUGO BOSS its competitive advantage in manufacturing technology and product quality.

**COMPANY PROJECT D.R.I.V.E. OPTIMIZES THE PRODUCT DEVELOPMENT PROCESS**

Efficiency improvements in the development process play an important role in reducing lead times, which represents a key part of the D.R.I.V.E. project. Considerable progress was made in the past year with regard to simplifying and standardizing core processes. For instance, the Company succeeded in establishing the raw material requirements per product at a much earlier stage than previously. Faster production of prototypes and samples by a development center based directly in Metzingen also allowed substantial time-savings.

# SOURCING AND PRODUCTION

## MAJORITY OF PRODUCTION BY INDEPENDENT SUPPLIERS

As a company that manufactures and operates internationally, standardized, system-supported and well-coordinated purchasing and production processes are an important success factor for HUGO BOSS. Roughly 21% (2011: 24%) of the full product line is produced in HUGO BOSS' own factories; around 79% (2010: 76%) is manufactured by independent suppliers in commissioned production or purchased as merchandise. Self-producing a significant portion of its traditional clothing product range allows the Group to gain considerable expertise and optimizes quality and product availability.

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

## STRATEGIC MANAGMENT OF THE SUPPLIER NETWORK AS A SUCCESS FACTOR

In 2011, the HUGO BOSS Group worked with around 320 suppliers for contract manufacturing and merchandise. The sourcing volume is distributed across a global network of suppliers so as to spread the risk and make the Group as independent as possible of single sourcing locations and manufacturing companies. As such, the largest manufacturer of merchandise accounted for only around 8% of the total sourcing volume of the HUGO BOSS Group.

## FORMS OF SOURCING VARY DEPENDING ON THE PRODUCT GROUPS

Sourcing activities relate to raw materials, contract manufacturing and merchandise. The sourcing of raw materials includes predominantly fabrics but also components such as linings, buttons, thread and zippers. The majority of raw materials used internally and in contract manufacturing are sourced in Europe. Fabrics are predominantly purchased from longtime suppliers in Italy. Contract manufacturing is used chiefly for the production of suits, jackets and trousers. In these product groups, HUGO BOSS primarily works with companies in Eastern Europe. For products created in contract manufacturing, the supplier receives the fabrics and other components to be used as well as the patterns. In contrast, sourcing for casual wear and sportswear is largely based on purchased merchandise. With this type of sourcing, the merchandise suppliers of the HUGO BOSS Group are in most cases provided the necessary patterns but source the raw materials themselves. Merchandise in the area of casual wear and sportswear is primarily sourced from Asia, Eastern Europe and North Africa. With the exception of the classic shoe collection, which is produced at the Company's own plants in Italy and Poland, the shoe and leather accessory product categories are primarily sourced from partners in Asia and Europe.

## GLOBAL DISTRIBUTION OF SOURCING ACTIVITIES

Measured in terms of their value, half (50%, 2010: 51%) of all HUGO BOSS products (goods produced in own factories, merchandise and goods sourced in commissioned production) are produced in Eastern Europe and Turkey. The Group's own factory in Turkey plays an important role in this context, accounting for 16% of the production value in total (2010: 17%). 30% of all products come from Asia (2010: 27%). In this region China is the most important single sourcing country for HUGO BOSS. The rest of the goods come from Western Europe (11%, 2010: 11%), North Africa (6%, 2010: 9%) and the Americas (3%, 2010: 2%).

## SOURCING ORGANIZATION IN ASIA STRENTHENED

In order to further optimize the sourcing processes for casual wear and sportswear in Asia, last year a new office was opened in Hong Kong to coordinate the sourcing activities for both raw materials and merchandise in Asia. The close supervision locally creates advantages with regard to the quality and speed of workflows.

## OBJECTIVE CRITERIAS AS BASIS FOR SELECTING SUPPLIERS

The selection of suppliers is based on objective technical production criteria. Most important here is ensuring the highest product quality, which requires precise production techniques at the manufacturing company. In addition to the quality of the goods produced, the supplier's financial strength, cost structure, productivity, available technologies and innovations as well as production expertise are considered when making the selection. Strict adherence to social and environmental standards at the production sites is an indispensable prerequisite for entering into a business relationship. It is also very important to HUGO BOSS that suppliers have an understanding of the products and their design that meets the high requirements of the premium and luxury goods segment.

## CLOSE SUPPLIER RELATIONSHIPS ARE STRATEGICALLY IMPORTANT

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

## D.R.I.V.E. PROJECT SUPPORTS EFFICIENCY IMPROVEMENTS IN PRODUCTION AND SOURCING

Continuous efficiency improvements in cooperation with the suppliers are required in order to effectively counteract cost increases in the sourcing processes, especially due to higher labor costs. One important lever here is ensuring that capacity utilization is kept as steady as possible over the course of the year. The change to a collection cycle with four main collections that was initiated with the D.R.I.V.E. project and the resulting more balanced seasonal sourcing activities play an important role in this context. The core range introduced as part of D.R.I.V.E. also encourages more efficient production processes as a result of higher lot sizes.

In addition, HUGO BOSS is continuing to work on optimizing its planning and sourcing processes so as to reserve production capacity for the required volumes at an early stage and at low costs. For this purpose, the electronic connection between the suppliers and the Company was expanded further in the past year. For instance, going forward orders will be assigned largely automatically to the supplier that can fulfill the order most efficiently based on the data it has reported.

## QUALITY ASSURANCE ENCOMPASSES ENTIRE PRODUCTION PROCESS

HUGO BOSS makes very high demands on the quality of its products. In order to fulfill these, quality checks focus on where the product is created – at the supplier itself. For instance, the manufacturing companies are provided with standardized quality and processing handbooks that document the requirements. The most important processes relevant to quality are also described in a process handbook and are subject to a continual optimization process with the ISO 9001 certification.

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

# SUSTAINABILITY

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

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

## COMPLIANCE WITH INTERNATIONAL SOCIAL STANDARDS

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

The social standards are a fixed component of the contractual regulations with all suppliers and a prerequisite for accepting new business partners. The following aspects are regulated in the social standards: compliance with national laws, prohibition of child labor, prohibition of forced labor, maximum working hours, humane working conditions, prohibition of discrimination, payment of adequate wages, healthy and safe working conditions, entitlement to freedom of association and collective bargaining, and responsible handling of environmental issues.

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

## REGULAR EXAMINATION OF COMPLIANCE WITH SOCIAL STANDARDS

Social compliance audits are performed globally, both with the Group's own auditors and also in cooperation with experienced external service providers. The audits firstly ensure compliance with the social standards and secondly help the suppliers to develop their social management.

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

## NO USE OF SANDBLASTINGS

Sandblasting refers to the use of sand jets as a refining method for denim products to achieve a "used" effect. If this method is carried out using quartz sand without sufficient protective measures, these can lead to serious damage to the employees' health.

As a responsible company, HUGO BOSS previously worked in dialog with the relevant suppliers with alternative blasting agents or refining methods that do not pose a health risk. Although this constitutes a non-hazardous alternative to sandblasting with quartz, the Group resolved last year to discontinue the use of any type of blasting technology in 2012. As such, it is not only blasting agents containing quartz that the Group avoids, but also alternative blasting agents.

## TARGETING PRODUCT SAFETY REQUIREMENTS

As a leading company in the global high-end fashion industry, it is a matter of course for the Group to meet its responsibilities towards the consumers. HUGO BOSS products must not pose health risks. To fulfill this obli-gation, each supplier is required to sign a written guarantee confirming its compliance with the Restricted Substances List (RSL). The RSL includes stipulations that ensure that the materials used comply with national legislation and HUGO BOSS' internal guidelines and are not harmful to health in either the production process (e.g. due to emissions) or when used. Compliance is ensured through corresponding audit processes implemented along the supply chain.

## EMPLOYEES

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

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

In addition, all employees have the opportunity to train at the Company's fitness studio and to participate in subsidized courses such as back training, aerobics or pilates. Many employees in Metzingen also enjoy the soccer field, the beach volleyball field and the HUGO BOSS Run. More than 700 runners took part in this event at the Company's headquarters in 2011.

As an international company, HUGO BOSS operates in 124 markets worldwide for customers with a wide range of cultural backgrounds. For the Company, diversity means unconditional recognition of social diversity and equal opportunities for all employees in the Group, irrespective of their nationality, gender, religious and political convictions, sexual orientation, age and any disability they may have.

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

## ENVIRONMENT

HUGO BOSS respects the conservation of species and therefore supports the preservation of biodiversity. Animal breeding and rearing methods that are not appropriate for the species in question are consequently rejected. Furthermore, for several years the Group has been reducing the use of fur products in the collections. At present, less than 0.09% of the collection includes fur finishing. This is mostly used for appliqués and trimming on collars, hoods and sleeves.

The Company has also maintained an ongoing exchange with individual animal welfare and consumer organizations for many years. Particularly with regard to mulesing, HUGO BOSS has developed through these open dialogs and distances itself from this procedure. Mulesing refers to a painful surgical procedure chiefly used in Australia on Merino sheep to protect them from attack by aggressive species of fly. Although more animal friendly alternatives to this procedure do exist, they are currently still in the development stage. The Company has therefore resolved that wherever possible it will restrict its purchases of Merino wool to sources that can prove they do not use the procedure. With regard to knitwear, this is the case for over 70% of sources.

## CONTINOUS IMPROVEMENTS IN CLIMATE PROTECTION

Since 2008, environmental data such as greenhouse gases, waste and water consumption have been collected and analyzed in accordance with the guidelines of the internationally recognized Global Reporting Initiative (GRI). The results are used as a basis for optimizing overall logistics in order to increasingly rely on more environmentally friendly ferry services or ocean freight. The idea of “eco-efficiency” – defined by the World Business Council for Sustainable Development (WBCSD) as ”creating more value with less impact” – represents the foundation for new logistics concepts.

Through continuous improvements in the Company’s own operating sites, energy efficiency has been steadily improved over recent years. In the HUGO BOSS plant in Izmir, Turkey, the average energy requirement per item of clothing produced has been cut by more than 32% as against 2004, thereby sustainably reducing greenhouse gas emissions.

Another example of the integration of environmental considerations is the most recent office buildings in Metzingen and in Switzerland. By means of “intelligent” architecture and building technology, energy consumption can be kept as low as possible here. Furthermore, part of the electricity used for the office buildings and warehouses is certified environmentally friendly electricity. This electricity is taken from neither nuclear power stations nor coal or oil-fired power stations and is obtained entirely from ecological energy sources.

## SOCIAL COMMITMENT

UNICEF and HUGO BOSS are united by a longtime partnership. The Company has successfully supported UNICEF's "Schools for Africa" initiative for many years. This year the BOSS Orange campaign "Today. To help. Together." made an additional contribution.

HUGO BOSS is likewise dedicated to taking action for children and young people in India together with the children's rights organization Save the Children e.V., giving them the opportunity to have an education.

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

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

# OVERALL ECONOMIC CONDITIONS

## GENERAL ECONOMIC SITUATION

The recovery of the global economy that began in the previous year continued at the beginning of 2011, although political turbulence in the Middle East and the severe earthquake in Japan in the first quarter of 2011 created uncertainty throughout the world. Global economic growth then slowed towards the end of the first half of 2011 due to high levels of sovereign debt in Europe and the U.S. The situation intensified in the second half of the year, primarily due to the debt crisis in the euro zone spreading to larger countries on the periphery such as Italy and Spain.

After moderate growth in the first half of the year, business climate indicators for the Euro zone continued to deteriorate in the second half because of increasing uncertainty concerning the financial stability of Greece, Spain, Portugal and Italy in particular. Bond purchases by the European Central Bank (ECB) and cuts in the key interest rate were unable to sustainably reduce the refinancing costs of the countries concerned. In addition to the programs to consolidate government budgets, the economy was burdened by a decline in consumer confidence and restrained corporate investments. In Germany, the economy developed better than average due to companies' robust investment and export activities and increasing private consumption. However, here too the pace of growth slowed over the course of the year.

The economy in the U.S. could not be revived sustainably last year. In the second half of the year in particular, the mood deteriorated as a result of the European debt crisis and the disagreement in U.S. politics concerning possible austerity measures to reduce U.S. sovereign debt. The announcement of a zero interest rate policy by the Federal Reserve was unable to achieve the desired revival in the economy. Economic activity was slowed down most notably by continued high unemployment, the persistently weak real estate sector and high levels of debt among private households. Only towards the end of the year could signs of an upturn in the U.S. economy be observed. Economic growth in the central and latin America region cooled in the past months due to decreasing export activities in the U.S. and the euro zone. The fact that the region nonetheless reported growth was due to increasing domestic demand and capital expenditure.

The economy in ASIA continued to develop much more strongly than in the rest of the world. In the second half of the year, however, growth moderated in some national economies in the region as a result of decreasing export activities, restrained investment and more restrictive lending by banks. A decline in domestic and international consumer demand, falling property prices and restrictive lending led to fears of a slowdown of the Chinese economy in particular. Following the severe earthquake, the Japanese economy stabilized over the rest of the year but also suffered from the decline in demand for exports from the western industrialized countries and the weak rise in domestic demand.

## SECTOR PERFORMANCE

In the premium and luxury goods industry, the positive development in 2010 continued in the past fiscal year. Growth rates in the sector were considerably higher than those for the economy as a whole. The luxury goods industry was thus able to elude the negative effects of the global decline in consumer confidence and rising sourcing and labor costs. Assuming constant exchange rates, industry experts expect global sales of high-end textiles, accessories, leather goods, shoes, jewelry, watches, perfume and cosmetics to increase by approximately 13% in 2011.

The development of the premium and luxury goods market differed depending on the individual product category. Watches, jewelry and accessories reported the strongest sales growth with double-digit growth rates. The apparel segment relevant to the HUGO BOS Group as a basis for comparison saw high single-digit growth, with both menswear and womenswear seeing increases.

In Europe, increased sales in the premium and luxury goods industry benefited, in particular, from positive momentum in Russia and Eastern Europe, where growing consumer confidence boosted retail sales. The situation also stabilized as compared to the previous years in Southern European markets. By contrast, the industry's performance was mixed in Western European core markets. Although increasing demand from tourists supported the sales development, the euro crisis and the turbulence on the financial markets impaired consumer confidence. Whereas German retail developed positively, consumer confidence in the UK deteriorated further in the course of the year as a result of public sector austerity measures and continued high inflation. Overall, the European market for luxury goods grew by around 10% in 2011.

In America, the premium and luxury segment in retail recorded a stronger-than-average performance, thus decoupling from the general economic development. Private consumption in the U.S. increased slightly in the past months, with growth in the sector also being boosted by tourism. In Latin America, growth was supported most notably by a positive development in Brazil. As a result, more and more luxury goods suppliers expanded their presence in this market. The increase in sales in the premium and luxury goods sector in the Americas amounted to around 12% in 2011.

In the Asia/Pacific region, sales in the premium and luxury goods sector rose by just under 30%. The Chinese luxury goods market continued to demonstrate strong organic growth, with sales here posting a higher-than-average increase. In China, the sector is benefiting from the constantly growing middle class with increasing disposable income and from the strong appeal of European premium and luxury brands in particular. The supply of retail space in this market increased further because of sustained strong demand. The Japanese market – one of the world's most important single markets for the luxury goods industry – declined significantly in the immediate aftermath of the severe earthquake in March 2011, but recovered more substantially than expected over the remaining course of the reporting period.

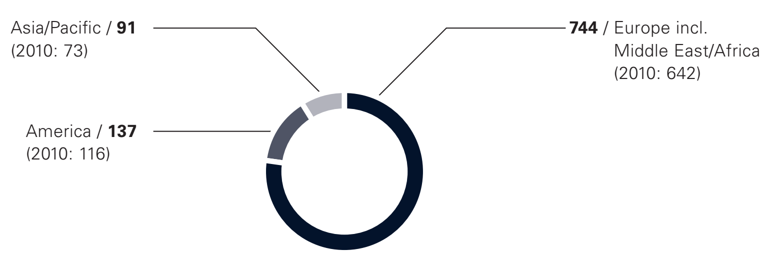
# SALES AND RESULTS OF OPERATIONS

HUGO BOSS AG achieved new records in sales and earnings in fiscal year 2011 and considerably outstripped the growth rates for the general economy and the sector. HUGO BOSS succeeded in generating growth in all regions and distribution channels and with all brands in 2011. This development was driven in particular by the strong growth in the Group's own retail business worldwide, a consistent pricing strategy, and efficiency improvements in key business processes.

## SALES PERFORMANCE

Sales at HUGO BOSS AG increased by approximately 17% to EUR 972 million in fiscal year 2011 (2010: EUR 832 million). This development is due in particular to the rising share of sales generated in the Group's own retail business at the subsidiaries. The regional sales performance with subsidiaries and external trading partners is shown below:

**REGIONAL SALES PERFORMANCE** (in EUR million)
of subsidiaries and external trading partners




Sales outside Germany and Austria were generated with subsidiaries.

In Europe including the Middle East/Africa, sales with subsidiaries of HUGO BOSS AG climbed by a total of 12% to EUR 392 million in fiscal year 2011 (2010: EUR 349 million). Sales with third parties amounted to EUR 352 million (2010: EUR 293 million).

In the Americas, sales at HUGO BOSS AG improved by 18% to EUR 137 million (2010: EUR 116 million). HUGO BOSS AG also recorded a sales increase in Asia, where sales were up 25% to EUR 91 million (2010: EUR 73 million).

Sales by brand also developed positively in the past fiscal year. Sales of the core brand BOSS increased by 15% to EUR 868 million (2010: EUR 754 million), while the trendy brand HUGO achieved a 33% sales increase to EUR 104 million in fiscal year 2011 (2010: EUR 78 million).

## EARNINGS PERFORMANCE

At EUR 88 million, net income increased by 80% in fiscal year 2011 as compared to the previous year's level (2010: EUR 49 million). The changes are described in detail below.

The gross profit on sales increased by 19% year-on-year to EUR 317 million (2010: EUR 267 million). The ratio of cost of conversion to sales improved slightly by one percentage point to 67% (2010: 68%).

Selling expenses rose by 21% to EUR 226 million in the fiscal year (2010: EUR 187 million). The increased expenses chiefly result from higher marketing expenses charged by HUGO BOSS Trademark Management GmbH & Co. KG, higher personnel expenses in retail, logistics and central distribution, and increased trade marketing costs.

General administrative costs, which mainly consisted of personnel expenses, rent for premises, leasing costs, depreciation and amortization and various IT expenses, decreased by 22% to EUR 76 million (2010: EUR 98 million). The decline is due primarily to appropriate allocation of secondary costs to selling expenses and research and development costs for the first time.

Other operating expenses chiefly consist of write-downs on receivables, foreign currency effects, research and development costs and other non-recurring effects. They decreased by 23% year-on-year to EUR 63 million (2010: EUR 82 million), mainly as a result of reduced expenses for foreign currency valuations, forward exchange contracts and obligations arising from the Stock Appreciation Rights Program (SAR). The change to four collections as part of the D.R.I.V.E. project led to an increase in research and development costs.

The substantial decrease in other operating expenses was offset by stable other operating income of EUR 102 million (2010: EUR 103 million). Other operating income mainly consists of marketing and administrative costs passed on to affiliated companies. There were decreases particularly in aperiodic income from the reversal of provisions, valuation effects from the Stock Appreciation Rights Program, and low income from forward exchange contracts.

Income from equity investments primarily relates to the net income at HUGO BOSS Trade Mark Management GmbH & Co. KG in the amount of EUR 80 million (2010: EUR 73 million).

The net financial result (other interest and similar income less interest and similar expenses) amounted to EUR –6 million in fiscal year 2011 (2010: EUR –13 million). The change was due particularly to income from the sale of options in the context of hedging transactions in connection with the existing "Stock Appreciation Rights Program".

The extraordinary result in the previous year related solely to adjustments in the context of the German Accounting Law Modernization Act (BilMoG) (2010: EUR 0.2 million).

Earnings before taxes amounted to EUR 127 million in fiscal year 2011 (2010: EUR 63 million). The increase in earnings before taxes resulted from the improved operating profit of EUR 55 million (2010: EUR 3 million). At 30.6%, the tax rate was higher than in the previous year (2010: 22.3%). There was a negative effect on the tax rate from aperiodic income taxes from the previous years amounting to EUR 2,912 thousand and differences in measurement and recognition between the commercial accounts and the tax accounts that are not included in tax expense because no use was made of the recognition option for deferred tax assets. Without these two effects, there is an adjusted tax rate of 24.9%.

## DIVIDEND PAYOUT AND APPROPRIATION OF PROFITS

HUGO BOSS AG closed fiscal year 2011 with net income of EUR 88 million (2010: EUR 49 million). The distributable profit after the transfer from net earnings amounted to EUR 203 million. In view of a profit-oriented distribution policy, the Managing Board and Supervisory Board will recommend to the Annual Shareholders' Meeting that a dividend of EUR 2,88 be paid per common share and EUR 2,89 per preferred share for fiscal year 2011. This corresponds to an amount of EUR 199 million (2010: EUR 140 million). A recommendation will also be made to the Annual Shareholders' Meeting for the dividend amount attributable to own shares of EUR 4 million to be carried forward.

# NET ASSETS AND FINANCIAL POSITION

## BALANCE SHEET STRUCTURE AND KEY BALANCE SHEET RATIOS

At the end of fiscal year 2011, total assets were up 3.8% at EUR 934 million (2010: EUR 900 million). The main changes in the balance sheet items are described below.

On the assets side of the balance sheet, the share of non-current assets decreased to 70% (2010: 73%). Intangible non-current assets in the amount of EUR 42 million (2010: EUR 40 million) primarily consist of software and a distribution right.

In property, plant and equipment, amortization and depreciation and reduced investment activity caused this item to decline.

Financial assets comprise HUGO BOSS AG's direct equity investments. An overview of the shareholdings can be found in the information on shareholdings in the notes.

At 30% as of December 31, 2011, the share of current assets was higher than in the previous year (2010: 27%). Inventories increased by 11.4% to EUR 166 million (2010: EUR 149 million), reflecting the continued expansion of the HUGO BOSS Group's own retail activities worldwide. In addition, the increased volume in the purchase and production of goods due to the anticipated positive business development led to an increase in raw materials inventories.

Trade receivables rose to EUR 16 million (2010: EUR 8 million) and receivables from affiliated companies including equity investments increased to EUR 21 million (2010: EUR 13 million). A key driver of this development was the Group-wide D.R.I.V.E. project, which also led to a change in the delivery cycles. Against this backdrop, the delivery volume also increased considerably compared to the same month of the previous year.

Other assets amounted to EUR 34 million (2010: EUR 38 million) and primarily relate to tax receivables, call options to hedge the Stock Appreciation Rights, and bonus receivables from suppliers. The decline in other assets is chiefly due to a sale of hedging transactions from "Stock Appreciation Rights" (SAR).

The liabilities side of the balance sheet was affected in particular by the transfer from net earnings amounting to EUR 112 million. HUGO BOSS AG's equity amounted to EUR 407 million as of the reporting date (2010: EUR 458 million). The equity ratio therefore amounts to 43.6% (2010: 50.9%).

Provisions increased to EUR 110 million (2010: EUR 89 million), chiefly due to higher tax provisions and other risk provisions.

Liabilities increased to EUR 415 million (2010: EUR 351 million). This increase is attributable firstly to higher goods received as of the end of the year and the resulting higher trade payables, and secondly to the rise in liabilities to affiliated companies. In particular, current liabilities due to HUGO BOSS International B. V. increased from EUR 185 million in the previous year to EUR 296 million.

## FINANCIAL POSITION

The cash flow from operating activities was positive, whereas the cash flow from investing activities and the cash flow from financing activities were negative. The changes in the different cash flows are described below.

At EUR 117 million, the cash flow from operating activities was considerably higher than the previous year's level (2010: EUR 97 million). This improvement is primarily due to higher net income of EUR 88 million (2010: EUR 49 million).

Within the cash flow from operating activities, the statement of changes showed significant changes in the items of inventories, receivables, liabilities and provisions. Inventories were up EUR 17 million, receivables and other assets not including receivables from affiliated companies increased by EUR 4 million, provisions rose by EUR 20 million, and liabilities and other obligations not including liabilities to affiliated companies climbed by EUR 5 million.

The cash outflow from investing activities amounted to EUR 35 million (2010: cash inflow of EUR 10 million). In particular, investments in intangible non-current assets and in property, plant and equipment in the amount of EUR 28 million led to cash outflows. They increased by EUR 16 million compared to the previous year (2010: EUR 12 million). A detailed presentation of capital expenditure can be found in the chapter "Capital expenditure".

The cash flow from financing activities was influenced by the dividend payout in the amount of EUR 140 million. The cash outflow from financing activities amounted to EUR 80 million as of December 31, 2011 (2010: EUR 73 million).

Cash and cash equivalents improved by a total of EUR 2 million to EUR 40 million (2010: EUR 38 million).

## FINANCIAL MANAGEMENT

HUGO BOSS AG has sufficient funds available to finance investments and growth. Financing takes place primarily via the Group loan with HUGO BOSS International B.V.

The syndicated loan from HUGO BOSS International B.V. provides the HUGO BOSS Group with a total volume of up to EUR 450 million, which is allocated to the individual Group companies depending on the financing requirements. On December 31, 2011, HUGO BOSS AG had an intercompany loan from HUGO BOSS International B.V. in the amount of EUR 200 million which is prolonged on an annual basis. This loan bears a fixed interest rate. In addition, there are further short-term loans payable to HUGO BOSS International B.V. in the amount of EUR 96 million. This short-term loan bears interest based on the 1-month EURIBOR plus a fixed margin.

Loans and credit lines with banks can also be used to cover current liabilities.

Due to the low external financing volume, the company is dependent on interest rate developments only to a very limited extent. If the other Group companies directly enter into external credit transactions, either HUGO BOSS AG or HUGO BOSS International B.V. submit guarantees or letters of comfort depending on the request.

A more detailed description of the management and hedging of financial risks can be found in the "Risk Report" and in the notes under "Other financial obligations".

## CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 28 million in the past fiscal year (2010: EUR 12 million).

The "Columbus" project that had been running since 2004 was ended with the inclusion of the BOSS Black Menswear line. Another EUR 4 million (2010: EUR 3 million) was invested in new software and rights of use in various follow-up projects in fiscal year 2011. Furthermore, in intangible assets a distribution right with a value of EUR 6 million was acquired as part of internal Group restructuring.

Various other investment projects such as the construction of sales space, replacement of office equipment and investments in machinery and IT equipment totaled around EUR 18 million (2010: EUR 9 million).

Existing obligations arising from investment projects that have already been started are listed in the notes under "Other financial obligations" and amounted to EUR 3 million as of December 31, 2011 (December 31, 2010: EUR 1 million).

## OFF-BALANCE SHEET FINANCING INSTRUMENTS

Off-balance sheet financing instruments are primarily used in the form of property leases at the location in Metzingen, Germany. The resulting financial obligations are disclosed in the notes under "Other financial obligations" and "Transactions not included in the balance sheet pursuant to section 285 no. 3a of the German Commercial Code (HGB)". No other off-balance sheet financing instruments are used.

# OVERALL STATEMENT ON THE ECONOMIC SITUATION

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

# COMPENSATION FOR THE MANAGING AND SUPERVISORY BOARDS

## COMPENSATION OF THE MANAGING BOARD

The total fixed salary components for members of the Managing Board in the fiscal year 2011 amounted to EUR 2,873 thousand (2010: EUR 3,248 thousand). The fixed salary components paid to members of the Managing Board comprise, besides the salary, benefits such as company cars and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

The variable compensation components with a long-term incentive effect consist of a multi-year bonus granted in line with the achievement of personal targets agreed with the Supervisory Board and the fulfillment of the pre-defined key figures EBITDA before special items and trade net working capital. The bonus for one year is based predominantly on target achievement measured over a period of three years. After the end of the third fiscal year, the bonus is calculated conclusively and paid out. For a transition period during the introduction of the multi-year bonus agreements, the Managing Board members receive advance payments of the expected bonus. If the amount of the outstanding payment is negative, this must be repaid to HUGO BOSS AG by the Managing Board member. Additions to the provision for the multi-year bonus are made proportionally. As of December 31, 2011, there was a provision totaling EUR 4,050 thousand (2010: EUR 3,025 thousand).

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

For the event of early termination, the employment contracts include regulations which – except for the deviation stated in the Declaration of Compliance from December 2011 – comply with the requirements of the German Corporate Governance Code. For the event of regular termination, the employment contracts do not include any regulations other than pension regulations. No compensation was paid out to Managing Board members leaving the Company in fiscal year 2011 (2010: EUR 2,934 thousand).

In addition, the Company has provided pension benefits for Managing Board members. The amount of future pension benefits is based on each member's base salary and years of service. Additions to pension provisions for Managing Board members (excluding deferred compensation) amounted to EUR 1,593 thousand in fiscal year 2011 (2010: EUR 900 thousand).

## COMPENSATION OF THE SUPERVISORY BOARD

According to the German Corporate Governance Code, the compensation of Supervisory Board members is divided into a fixed and a variable component. The variable component is determined on the basis of earnings per share in the consolidated financial statements. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation. The Supervisory Board received total compensation of EUR 1,534 thousand for its services in 2010. For fiscal year 2011, total com-pensation is expected to be EUR 1,911 thousand, including a provision for the variable component of EUR 1,156 thousand (2010: EUR 738 thousand).

# SPECIAL LEGAL DISCLOSURES

**Report on relations with affiliated companies**

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

**Disclosures pursuant to Section 289 Paragraph 4 and Section 315 Paragraph 4 of the German Commercial Code (HGB)**

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

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

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

There are shareholdings exceeding 10% of the voting rights.

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

HUGO BOSS AG has not issued shares vested with special rights granting powers of control. No special provisions exist with regard to the exercise of shareholder rights by shareholders who are employees of HUGO BOSS AG.

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

Any changes to the Articles of Association must be approved by the Annual Shareholders' Meeting. Unless otherwise mandated by the German Stock Corporation Act, resolutions are adopted pursuant to Section 17, Sentences 2 and 3 of the Articles of Association by a simple majority of the votes cast and, if a majority of the capital represented upon adoption of the resolution is required, by a simple majority of the share capital represented upon adoption of the resolution. According to Section 20 of the Articles of Association, the Supervisory Board is authorized to adopt modifications to the Articles of Association that affect the wording only.

Details on the topic of the internal control, risk management and audit system can be found in the risk report on page 56 et seq.

**Authorization of the Managing Board to increase the share capital (Authorized Capital 2009) with the option to exclude subscription rights**

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

**Authorization to purchase and use treasury shares, also excluding tender rights and subscription rights, including the authorization to redeem purchased treasury shares and capital reduction**

The Managing Board's authorization to repurchase shares was renewed at the Annual Shareholders' Meeting on June 21, 2010. In accordance with this, the Managing Board is authorized until June 20, 2015 to purchase bearer common and/or non-voting bearer preferred shares of HUGO BOSS AG up to an overall maximum of 10% of its capital outstanding on June 21, 2010. HUGO BOSS AG may avail itself in whole or in part of its authorization to purchase treasury shares only for bearer common and/or bearer preferred shares, thereby partially excluding any put options relating to those classes of shares, and do so once or several times in pursuance of one or more objectives. The shares may be purchased via the stock market or by means of a public tender offer to holders of the respective category of shares. Any Company shares repurchased in accordance with this authorization may be resold via the stock market or by means of an offer to all shareholders, excluding shareholders' subscription rights. They may also be used as consideration for a possible acquisition of enterprises or shareholdings in enterprises, or may be sold at a price that is not substantially lower than the current stock market price, or for listing of the stock on foreign stock markets.

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

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

# REPORT ON RISKS AND OPPORTUNITIES

## RISK REPORT

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

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

### Risk management

The basis for successful risk management is set out in uniform Group-wide standards for systematically dealing with risks. These are laid down by the Managing Board and documented in a Risk Manual which applies to the Company and is available to the employees online. Risks are defined as potential negative deviations from the planned operating result (EBIT). Established limits describe the risk-bearing capacity of HUGO BOSS and allow the risks to be classified in risk levels from "low" to "high". Within pre-defined time intervals depending on the risk level, risks are identified early, analyzed and monitored, resulting in a transparent risk situation. Furthermore, all HUGO BOSS employees are committed to acting with awareness of risks and to avoiding risks that could threaten the Company's continuation as a going concern.

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

Responsibility for analyzing risks, handling them appropriately and implementing effective risk-reducing measures is decentralized to the individual divisions where the risks may arise. Risk owners are defined for each division. The Managing Board and Supervisory Board are regularly informed about the risk situation, the development of the most important risks, and new risks.

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

Risks are reviewed at least once a year, and depending on their magnitude also at six-month, quarterly and monthly intervals, to ensure that they reflect the current situation. Individual risk entries are revised or supplemented as necessary. Risks are quantified by estimating their probability of occurrence and the associated effects on the operating result (EBIT). Different risk scenarios for the best, average and worst cases are considered in order to obtain a picture of the risks as differentiated as possible. This takes into account the potentially strong influence of extreme scenarios which have a low probability of occurrence, but a major impact. Medium-term risk trends are also calculated in addition to the 12-month planning period used for risk quantification.

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

HUGO BOSS is able to identify risks at an early stage and to respond quickly and appropriately. The risk management system is also monitored at regular intervals by the Internal Audit department to ensure its proper functioning. As part of the audit of the annual financial statements, the independent auditor verifies that the Managing Board has taken the necessary steps according to Section 91, Paragraph 2 of the German Stock Corporation Act (AktG) in an appropriate manner.

**Risk areas and structure of individual risks**

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

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

**External Risks**

Like any company that operates globally, HUGO BOSS is exposed to general economic risks. A particularly crucial factor here is the global economic situation, which can result in a risk of reduced demand for textile goods and accessories in the premium fashion and luxury market. The consumer goods sector's dependency on consumers' buying behavior results in a general risk for the consumer goods industry that can impact planned sales. However, through advance order entries and the development of its own retail business HUGO BOSS has important early warning indicators that allow the effects of possible general economic risks to be forecasted at an early stage. HUGO BOSS has taken various countermeasures to effectively counteract possible negative impacts of a deterioration in the general economic situation at an early stage. These include strong brand positioning with the aim of increasing market share in a highly competitive environment. A business model geared towards international growth also taps new consumer potential and helps to compensate for possible declines in demand in individual markets. The Company also aims for a balanced distribution of sales across different regions to avoid being overly dependent on individual markets. HUGO BOSS will therefore continue to seek to expand in profitable growth regions, notably the Asia/Pacific region. The above-average sales growth of HUGO BOSS in the fiscal year 2011 as compared to the growth rates of the global economy and the luxury sector as a whole shows that these measures were successful and HUGO BOSS enjoys a strong market position.

As international company, HUGO BOSS is also subject to risks relating to changes in the sales markets. These risks may arise as a result of changes in the political and regulatory environment or sociocultural developments. As is the case for all companies, terrorist acts and environmental disasters constitute another possible risk to the Company's net assets, financial position and earnings. In order to minimize country risks with regard to sales, HUGO BOSS products are mainly sold in countries with stable economic and political environments.

### Internal risks

### Strategic risks

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

Financial success at HUGO BOSS rests on its brand image and its long-term positioning of the Group brands in the premium and luxury market. Protecting and maintaining the brand image is therefore a correspondingly high priority at HUGO BOSS. This is implemented in the form of strategic measures such as clearly defined brand positioning supported by targeted marketing activities and a uniform global brand image with ongoing monitoring and analysis of the markets. The brand's trademark protection and the prosecution of counterfeiters are a key part of securing the brand image.
HUGO BOSS corporate image is reflected in its perception by its stakeholders, such as customers, shareholders, suppliers and employees. Corporate communications with external parties are managed centrally through the Communications and Investor Relations departments. Compliance with laws, standards and guidelines is also monitored on a regular basis both within the Company and at suppliers. Negative influences of risks to brand and corporate image could have a moderate impact on the earnings, net assets and financial position of the Group, but are currently considered highly unlikely.

### Investment risk

One of HUGO BOSS' main strategic objectives is the continued expansion of the Group's own retail business. Retail activities involve investment risks arising from establishing and maintaining stores and from long-term leases and personnel expenses. This inevitably leads to an increase in fixed costs, although this is counter-balanced by the opportunity of rising gross profit margins. In order to minimize the risk of bad investments and unprofitable Group retail activities, decisions regarding new store openings and store closures are made centrally in consultation with the responsible regional directors. The opening of any new store is always preceded by extensive examinations of the location and analyses of its potential and by intensive sales and development planning.
Group companies are required to submit monthly reports on the performance of their own retail activities. Continuous monitoring of their performance ensures that the onset of any negative trends at individual stores can be recognized early and countermeasures can be taken, such as possible restructuring. The investment risk is also minimized by a globally uniform store concept, so that in the event of a store closure some of the furniture can be used at other locations. In the context of general investment controlling, the value contribution of all other investments is also examined taking into account the risks entailed. In light of the measures described, the investment risk is considered low and highly unlikely.

**Financial risks**

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

**Financing and liquidity risks**

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

A syndicated credit line available until 2013 ensures financial flexibility. Due to the strong cash flow generated from operating activities in the past fiscal year, too, the available syndicated credit line originally totaling EUR 750 million was reduced early by a total of EUR 300 million. Utilization of the fixed credit line was reduced by EUR 150 million in this context. In addition, the revolving credit line that had not been utilized at this time was likewise lowered by EUR 150 million. Both measures reflect the reduced financing requirements in recent years and the further liquidity surpluses expected in the future. The credit lines were reduced without payment of any prepayment penalties. As of the reporting date, only the fixed credit line of EUR 300 million had been drawn down.

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

In operating business, currency risks occur primarily when sales are realized in a currency other than the company's functional currency (transaction risk).

Currency risks of HUGO BOSS AG arising from business operations are incurred mainly from activities in the U.S., Great Britain, Australia, Canada, Switzerland, Japan, Hong Kong and China and from purchasing activities of the sourcing units denominated in foreign currencies.

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

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

Foreign currency risks from financing activities result from financial receivables and liabilities in foreign currencies and from loans in foreign currencies which are granted to Group companies for financing purposes.
Group-wide guidelines ensure a strict separation of functions between trading, processing and control of all financial market transactions. These guidelines also constitute the basis for selecting and determining the scope of hedging activities. The goal of currency hedging is to reduce currency effects on the development of the Group's net income and equity.

**Share price risk**

HUGO BOSS employs derivatives to hedge against future expenditure from claims arising from the share-based compensation program "Stock Appreciation Rights Program" that have not yet been settled. The scope of derivative hedging instruments was changed provided that obligations in connection with the "Stock Appreciation Rights Program" did not arise. Therefore, the risk of a negative impact on earnings, net assets and the financial position is regarded as low by the HUGO BOSS AG.

**Operative risks**

The high quality requirements for HUGO BOSS products and thus the sourcing and production processes require close partnerships with suppliers.
The increased overall sourcing and production volume resulted in even closer cooperation with selected suppliers. Dependencies may arise due to production capacity being concentrated with key suppliers. A possible accumulation risk could also result from regional events that simultaneously affect several suppliers, business areas or product groups. This has practical relevance, e.g. with regard to earthquake risk at the production site in Turkey. Potential losses and relocation options have been identified and the risks of financial loss have been covered to the fullest extent possible with insurance policies.
In order to ensure reliable availability of production materials and capacities of a suitable quality and at prices in line with the market, orders to suppliers and utilization of manufacturers' capacity are coordinated centrally. The supplier structure is reviewed on a regular basis with the aim of identifying country risks in good time. Diversification of risks is ensured to the greatest extent possible in line with the volumes, which depend on quality and available production capacity. The potential risk of an excessive concentration on individual external suppliers is countered by an appropriate amount of in-house production. The management currently assumes that a residual risk from the dependence on individual suppliers is probable, but would have a minor impact on the HUGO BOSS AG earnings, net assets and financial position.

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

Product quality plays a key role in brand image. Products are subject to standardized quality control checks at all stages of production. Traveling quality consultants regularly visit production sites and review compliance with the strict design and production specifications of HUGO BOSS. Incoming controls, supplier checks and quality tests in the Technical Development Center at the Metzingen head office ensure that the high quality standards of HUGO BOSS are complied with and that goods are delivered to customers smoothly and on time. Given this, the probability of quality risks is considered very low and the possible effect on earnings development is regarded as minor.

Raw materials and finished goods are stored only in a few selected locations. This consolidation trend will increase due to the establishment of a central distribution center for hanging goods at the Group headquarters in Metzingen. This may result in logistics risks relating, for example, to the failure or loss of warehouses. To counteract the risk of loss of raw materials or finished goods, which equals a loss of sales by disability to supply, strategically important warehouses are operated by the Group itself and comprehensive technical and organizational measures are taken for fire protection and security. Adherence to these measures is monitored on an ongoing basis. In addition, HUGO BOSS uses insurance policies to cover the direct financial risk of loss of goods in warehouses as well as a loss of its production sites. Financial effects are therefore rated low. In addition, the eventuality of logistics risks is considered highly unlikely.

**Distribution risks**

Risks chiefly arise from the possibility that individual directly operated stores could fall short of the originally planned sales targets and, in extreme cases, might have to be closed. These cost risks are discussed under investment cost risks in the area of strategic risks.

**Inventory and bad debt risk**

The increasing share of the group's own retail business may potentially entail a corresponding increase in inventory risks as a consequence of the general economic situation or weak development of the Group's own retail stores. This may result in depreciation of inventories or ultimately in the destruction of goods.

Differentiated retail formats and collections tailored to this are used to bring about a constant improvement in efficiency on the sales floors.

Inventory management will continue to be of major importance. The challenge is to be able to respond to orders from customers at short notice while still optimizing inventories. Replenishment is coordinated by a central department to reduce inventory risk and to optimize the inventory position in general. Given the rising share of operated retail, the management feels that inventory risks are possible. However, the effects of these risks on earnings, net assets and the financial position are rated low.

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

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

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

To reduce the risk of Group companies granting excessive discounts, margin and earnings targets are defined in advance for each individual market and each distribution channel to limit the discounts offered. In addition, the discounts granted are monitored on an ongoing basis, both for wholesale and the Group's own retail operations, and internal corporate guidelines are complied with. The management assumes that while it is possible for discounts to be granted, this has only a minor impact on the Company's planned earnings development.

**Organizational risks**

The uniform IT infrastructure across the Group facilitates smooth business operations. To reduce risks such as system interruptions, data loss, and unauthorized access, a number of measures are implemented in the form of multi-level security and virus plans, issuing access rights, access control systems and independent energy supplies. The management is currently assuming that the occurrence of IT risks is highly unlikely. The extent of the impact of risks in the IT infrastructure is classed moderate.

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

Tax issues are regularly analyzed and assessed by the central tax department in cooperation with third-party tax consultants. Tax risks are possible for all outstanding assessment periods. Appropriate provisions have been recognized in the past for tax risks already known about. Beyond this, the management is not aware of any specific risks in addition to the general tax audit risk that could have a negative impact on the planned earnings development of the Group.

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

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

All HUGO BOSS Group employees are required to adhere to the general code of conduct that applies throughout the Group as well as to additional specific compliance regulations. A comprehensive training program on compliance was conducted in the past fiscal year. Adherence to the compliance regulations is monitored centrally and reported to the Managing Board. Violations of compliance regulations are therefore considered highly unlikely. Non-compliance could have a moderate financial impact.
In addition, suppliers are contractually obliged to adhere to social standards governing areas such as occupational health and safety, prohibition of child labor and adequate wages. This is monitored by means of regular audits. If infringements of standards and statutory provisions are identified, the audit frequency is increased depending on the seriousness of the infringement and a binding plan of measures with renewed implementation control is agreed together with the suppliers. In serious cases, the cooperation may be terminated. The Managing Board currently considers non-compliance with the Group's social standard possible. This could have a moderate impact on the earnings, net assets and financial position of HUGO BOSS AG.

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

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

## REPORT ON THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND THE RISK MANAGEMENT SYSTEM IN ACCORDANCE WITH SECTION 289 PARAGRAPH 5 AND SECTION 315 PARAGRAPH 2 NO. 5 OF THE GERMAN COMMERCIAL CODE (HGB)

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

**Accounting-related IT-systems**

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

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

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

In addition, the IT authorization required by employees is defined by their roles, which reflect jobs or positions within the company. In order to ensure a proper separation of functions in the SAP systems, HUGO BOSS began fully implementing special detection software in 2009. This compares the rights profile of a user with a pre-installed SoD (Segregation of Duties) schedule. The software allows critical rights to be identified and appropriate countermeasures to be initiated.

The Group-wide rights management and role definition also come under the responsibility of the central IT departments of HUGO BOSS AG in Metzingen.

**Organization of accounting and accounting-related guidelines**

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

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

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

In addition to providing active support for all business divisions and Group companies, the central finance department in Metzingen is also responsible for preparing and updating uniform guidelines and instructions for accounting-related processes. This chiefly pertains to preparing and updating a guideline on allowances for doubtful accounts, an investment guideline, the IAS/IFRS accounting manual and clear requirements for intercompany reconciliation. In addition, the first edition of the "FI/CO Bible", which is updated at regular intervals, was sent to all finance employees in the HUGO BOSS Group in the fiscal year 2010. Based on the mandatory requirements of the International Financial Reporting Standards, the "FI/CO Bible" contains detailed instructions on mapping the relevant transactions in the SAP AFS financial accounting system. This includes the presentation in both financial accounting and controlling reports. It ensures uniform Group-wide presentation and accounting while also serving as a reference for all employees in the worldwide finance departments. The central e-mail address which was set up also gives employees the opportunity to quickly address open questions to the central finance departments.

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

The Internal Audit department is part of the Internal Control System and reviews the specified controls for compliance and effectiveness as part of its monitoring function. The annual audit plan and the areas it will focus on are agreed with the Managing Board. Ad-hoc audits may be carried out at any time. All audit reports are reported directly to the Chief Financial Officer and to other Managing Board members as appropriate. In addition, the Internal Audit department submits regular reports to the Audit Committee.

## OPPORTUNITIES REPORT

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

### Decentralized organization of opportunity management

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

### Close links with Group planning

Opportunity management is directly linked with Group planning. Opportunities that have been identified and assessed on the basis of their contribution to the enterprise value are incorporated in the annual budget and long-term strategic planning. In dialog with the operating units, the Managing Board makes the decision on their implementation and allocates the resources required for this.

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

### Significant growth in the relevant customer segment

Industry experts anticipate strong global growth in the market segment relevant to the premium and luxury goods sector. For instance, some analysts expect the sector's target group to double by 2025 as a result of a growing middle class. Above-average growth is anticipated in emerging markets. High increases are expected on the Chinese market in particular due to rising per capita income and the high share of total disposable income spent on consumption as compared to other regions of the world. On the basis of its strategic orientation and the strength of its brands, the Group considers itself to be in a good position to benefit from this development in China and other markets. It is working to realize the identified growth potential through market entry and market cultivation strategies specifically tailored to the individual countries.

### Growing importance of new forms of distribution

The importance of mono-brand sales formats has increased steadily in recent years, particularly in the fashion industry. Customers in many major growth markets prefer monobrand sales formats to multibrand sales formats of the kind that have been established in Western Europe and North America for decades. Even in these regions, however, mono-brand sales space is increasingly being established in traditional multi-brand sales formats such as department stores. Retail expertise is indispensible for managing this sales space. HUGO BOSS continuous improvement in its capabilities in this area opens up major opportunities for it to generate above-average sales and profit growth from direct sales to end consumers in addition to its established wholesale business. As well as opening new stores, selective acquisition of franchise partners and active management of wholesale floor space offer further attractive opportunities for growth.

**More efficient processes gear Company strongly towards end consumers**

In the fiscal year 2011, HUGO BOSS optimized key operational processes in product development, production, sourcing and sales in order to gear itself more strongly towards the needs of end consumers and improve its ability to react to market changes. The Group intends to further increase the appeal of its brands both in its own retail business and in wholesale business in particular through a reduced time to market, a focused product range and more frequent collection changeovers. On this basis, the Group sees considerable opportunities for increasing customer traffic in own retail, tapping new sales potential in wholesale business and generating profit growth through increased efficiency.

**Growing importance of the Internet for the brand image**

The Internet is becoming increasingly important for the premium and luxury segment of the global fashion industry, both as a sales channel and also as a means of communication. A growing number of consumers value the advantages of shopping online in terms of the choice of products, service and comfort. HUGO BOSS has therefore significantly expanded its online distribution and optimized it with regard to user friendliness and service quality. The Company also uses digital media to allow consumers to experience its brands first hand. For instance, in 2011 a competition was held on the HUGO BOSS website allowing visitors to the site to design the driving suits to be worn by the McLaren Formula 1 racing team in the final race of the season. The Group is also increasingly broadcasting fashion shows on the Internet. HUGO BOSS believes that this offers good opportunities for enhancing the image of its brands, strengthening existing consumer relationships and gaining new customers.

**Multi-brand strategy for targeting differentiated customer segments**

HUGO BOSS has a unique positioning in the global fashion market. All of the brands stand for excellent quality, outstanding workmanship and modern design. With its brands, HUGO BOSS appeals to a wide public across the whole spectrum of the premium fashion market – from the avant-garde HUGO brand to the BOSS Orange lifestyle brand. With BOSS Selection, HUGO BOSS also has an authentic product range in the luxury segment. The Company sees good opportunities for further improving customers' perception of the brands by means of differentiated brand management with regard to products, presentation and communication and thereby achieving positive sales and earnings effects.

**Improvement in the market positon in womenswear, shoes and accessoires**

HUGO BOSS holds the leading market position particularly in premium menswear in many regions. In the womenswear market, however, it has a much lower penetration in most markets. On the basis of its product expertise and the continuous improvement in its image and credibility in womenswear, HUGO BOSS is confident that it can increase the appeal of its brands in this consumer segment and gain market share. On the path to achieving this goal, HUGO BOSS sees considerable potential in the areas of shoes and accessories. In combination with its apparel range, HUGO BOSS therefore offers complete outfits, which play an important role in consumers' buying decisions in the womenswear segment.

# SUBSEQUENT EVENTS AND OUTLOOK

## SUBSEQUENT EVENTS

On January 24, 2012, HUGO BOSS announced its itention to construct a new distribution center in Filderstadt, a flagship outlet in Metzingen and a new office building at the location in Metzingen in the coming years. It is thereby supporting the growth planned for the coming years. The total expenditure is expected to amount to around EUR 150 million.

Between the end of the fiscal year 2011 and the approval for publication of this report on February 17, 2012, there were no further significant macroeconomic, socio-political, sector-related or company-specific changes that the management expects will have a material influence on the results of operations, net assets and financial position of the Company.

## OUTLOOK

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

### Overall economic outlook

The global economic development and the growth prospects of the premium and luxury segment for apparel, shoes and accessories have a major impact on the anticipated business development of HUGO BOSS AG.

Since the second half of 2011, uncertainty regarding the forecast for the general economic development has increased significantly. The economic outlook seems to depend mainly on the extent to which the European and U.S. governments and central banks will succeed in stemming the repercussions of the sovereign debt crisis. There is general agreement that global economic growth is likely to slow further in 2012. Experts anticipate growth of only around 2% in 2012, with considerable regional differences.

In the euro zone, efforts to reduce debt are likely to curb growth further. Tax hikes and spending cuts are expected to reduce investment and consumer demand. Furthermore, in spite of monetary easing measures by the European Central Bank (ECB), the effects of the banking crisis associated with the sovereign debt crisis on the real economy are difficult to predict. In Central and Eastern Europe, future growth could slow. For the European Union (EU), only stagnating economic growth is anticipated overall in 2012. Germany is expected to see above-average growth compared to the region as a whole. Low unemployment and stable domestic demand should contribute to this.

In the U.S., initial signs of a slow economic recovery can be observed. However, sentiment remains subdued due to the high level of sovereign debt, significant uncertainty regarding the economic outlook, and persistently high unemployment. Economists expect growth of close to 2% in the U.S. for 2012 as a whole. The weaker economic outlook throughout the world is also likely to have an impact on the Latin American economy because of growing trade and capital links. Nonetheless, the region is still forecasted to grow by around 4% year-on-year.

Forecasts for the Asia region have also been revised downwards by experts in recent months, although relatively strong economic growth of approximately 7% (excluding Japan) is still assumed for 2012. Persistently strong consumer demand and sustained corporate capital expenditure should support expansion. Although fears of growth slowing in China have increased in recent months because of weaker demand for exports and overheating tendencies within China, economists nonetheless anticipate growth of over 8% in 2012. In Japan, a moderate recovery from the consequences of the severe earthquake at the beginning of 2011 is still expected. However, growth in Japan is also heavily dependent on global economic developments because of the country's substantial export activities.

Following the positive development in the premium and luxury goods sector in 2011, continued growth is expected in 2012 despite global macroeconomic uncertainties. Assuming constant exchange rates, industry experts are forecasting average sector growth of 6% to 7% per year in the medium term.

The difficulty of predicting the consequences of the European sovereign debt crisis and the associated deteriorating prospects for the economy also risk having a negative impact on the premium and luxury goods industry in the short term due to falling consumer confidence and increasingly restrained consumption. However, the development of the sector should continue to be boosted particularly by growing demand in emerging economies. This demand is also expected to foster the sales performance in Europe and the Americas in the form of tourism. Many providers are planning to expand their own store network. Continued high growth rates are also anticipated for the online channel.

In Western Europe and North America, sector growth in 2012 will be driven particularly by the ongoing expansion of own retail activities. Continued consolidation of the sector is expected in both of these markets. Tapping of regions outside the major cities is also likely to increase. Great potential is ascribed to Russia, the Middle East and Latin America.

In Asia, the Chinese market is likely to remain the major growth driver. As a result of the constantly growing middle class with higher income, the relevant consumer segment for the premium and luxury goods sector is expanding very fast in this market. The menswear segment, which is benefiting from an increasingly fashion-conscious consumer segment, is considered capable of generating particularly high growth rates. This development is expected to particularly benefit European brands whose products are perceived by the consumers as particularly high-quality and valuable. The expansion of own retail activities in China is likely to continue particularly in the comparatively smaller cities. In addition to China, other emerging economies in the region are also expected to see above-average growth. In Japan, too, industry experts anticipate a slow recovery of the market.

HUGO BOSS expects to increase its sales further on a currency-neutral basis in 2012. HUGO BOSS anticipates that this growth will exceed the growth rates for the global economy and the luxury goods sector.

**Growth in all regions**

All regions will contribute to the forecasted sales increase for HUGO BOSS AG as a whole in 2012, with the Asia/Pacific region expected to see the strongest growth. Due in particular to the significant expansion of market presence in China, a double-digit increase in sales is anticipated in this region. In Europe, growth is expected in all major markets. However, the countries directly affected by the debt crisis may see a comparatively weaker development. In the Americas, the U.S. market is likely to remain the major growth driver. Sales in the royalties segment should also develop positively.

**Own retail business remains engine of sales growth**

Own retail will be the main sales driver for the Group also in 2012. Own retail sales are expected to increase at a double-digit rate, mainly as a result of strong growth in directly operated stores and online. In addition to the positive effects of the expansion of the Group's own store network, comp store revenues are also forecasted to rise. The Group is benefiting here from further professionalization of its retail activities and the strong appeal of its brands. Wholesale sales are also expected to increase. This forecast is chiefly based on the trading partners' positive feedback on the new collections. The acquisitions of stores previously operated by franchise partners that were carried out in the past fiscal year or are planned for the future in, for example, China and Taiwan will lead to a rise in sales in the Group's own retail business that will more than compen-sate for the loss of wholesale sales associated with the acquisitions.

HUGO BOSS will continue to expand its own retail activities and increase the number of directly operated stores in 2012. China will be a major focus in terms of store openings, but the Group also sees attractive opportunities for further expansion of its retail network in Europe and, to a lesser extent, in the Americas.

HUGO BOSS plans to increase its operating result in 2012. Operating result growth is expected to exceed the increase in sales. The main drivers of this development will be the expansion and improved management of the own retail business and efficiency increases in product development and sourcing. Operating expenses will grow mainly due to the further expansion of own retail activities and higher marketing expenses for sharpening brand differentiation. Research and development costs are also expected to rise. As a result of the EBITDA improvement, net income is also forecasted to grow.

**Strict management of trade net working capital**

Strict management of trade net working capital continues to be a high priority so as to generate improvements in operating cash flow. Particular attention is given to reducing the cash conversion cycle. Potential for improvement is seen particularly in increasing inventory turnover. The D.R.I.V.E. project is aiming to improve inventory turnover, especially in the own retail business. Overall, HUGO BOSS expects trade net working capital to grow more slowly than sales in 2012.

**Investment**

In 2012 capital expenditure will continue to focus on expanding own retail activities and renovating existing stores and shops. The Company also plans to construct a new distribution center for flat packed goods to consolidate the existing locations in close proximity to the Group headquarters. HUGO BOSS expects to achieve significant efficiency and cost benefits through this measure in the medium term. The Group is also investing in further expansion of office space at the Company's headquarters. Total expenditure in 2012 will therefore significantly exceed the previous year's level.

**Continuous strong cash flow development**

HUGO BOSS anticipates that cash flow will develop strongly in 2012, primarily due to the planned operating result improvement, strict management of trade net working capital, and disciplined investment activity. In addition to the dividend payment, excess funds are to be used to further reduce debt. Accordingly, the Group expects net debt at the end of the year to be lower than in the previous year. Due to the long-term financing through a syndicated loan that was concluded on favorable terms, as well as the strong internal financing capability, HUGO BOSS is not planning any major financing activities in 2012.

**Dividend per share rises substantially**

HUGO BOSS pursues a profit-based dividend policy under which the shareholders participate appropriately in the Group's earnings development. Between 60% and 80% of net income is to be distributed to the shareholders on a regular basis. On the basis of the significant increase in profit in the past fiscal year and the positive expectations for 2012, the Managing Board and Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 3, 2012 a dividend of EUR 2.89 per preferred share (2010: EUR 2.03) and EUR 2.88 per common share (2010: EUR 2.02) for fiscal year 2011. The proposal corresponds to a payout ratio of 70% of consolidated net income attributable to the equity holders of the parent company in 2011 (2010: 75%). Provided the shareholders approve the proposal, the dividend will be paid out on the day following the Annual Shareholders' Meeting, i.e. on May 4, 2012. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 199 million (2010: EUR 140 million).

**Ambitious medium-term growth plans for HUGO BOSS Group**

The Group plans to generate significant sales and earnings increases in the medium term. The Group strategy is based on organic growth of the existing brand portfolio. In 2015, Group sales are expected to reach EUR 3 billion, with an operating result of EUR 750 million. The Group expects to make further progress towards achieving these goals in 2013. The potential exacerbation of the sovereign debt crisis and its effects on the real economy, cost inflation in the sourcing processes and loss of appeal of the Group's brands could jeopardize achievement of these goals. The Group has taken precautions to limit the probability of these or other risks occurring and the effects if they do occur. Details can be found in the risk report.

## OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE GROUP

HUGO BOSS AG management expects continued increases in sales and earnings in 2012. In its opinion, HUGO BOSS long-term strategic orientation offers additional potential for profitable growth and for the achievement of the sales and earnings targets set for 2015. HUGO BOSS AG benefits directly from that development as a supplier for group selling companies.

Metzingen, February 17, 2012

HUGO BOSS AG
The Managing Board

**CLAUS-DIETRICH LAHRS**
**CHRISTOPH AUHAGEN**
**MARK LANGER**

03

# FINANCIAL STATEMENTS

# ANNUAL FINANCIAL STATEMENTS OF HUGO BOSS AG BALANCE SHEET AS OF DECEMBER 31, 2011

## ASSETS

| in EUR | | Notes – No. | 12.31.2011 | 12.31.2010 |
|---|---|---|---|---|
| **A.** | **Fixed assets** | | | |
| **I.** | **Intangible assets** | (1) | | |
| 1. | For consideration industrial property rights and similar rights | | 39,137,487.00 | 38,397,302.00 |
| 2. | Goodwill | | 753,379.00 | 870,735.00 |
| 3. | Prepayments | | 2,563,963.79 | 644,521.28 |
| | | | **42,454,829.79** | **39,912,558.28** |
| **II.** | **Property, plant and equipment** | (1) | | |
| 1. | Land and buildings incl. buildings on third party land | | 15,074,602.56 | 14,063,949.84 |
| 2. | Technical equipment and machinery | | 1,665,162.00 | 1,838,090.00 |
| 3. | Other equipment, factory and office equipment | | 48,778,903.18 | 52,642,767.18 |
| 4. | Prepayments and construction in progress | | 2,899,206.04 | 12,094.72 |
| | | | **68,417,873.78** | **68,556,901.74** |
| **III.** | **Financial assets** | (2) | | |
| 1. | Shares in affiliated companies | | 544,336,131.51 | 544,336,131.51 |
| 2. | Other shares | | 10,000.00 | 10,000.00 |
| | | | **544,346,131.51** | **544,346,131.51** |
| | | | **655,218,835.08** | **652,815,591.53** |
| **B.** | **Current assets** | | | |
| **I.** | **Inventories** | | | |
| 1. | Raw materials and supplies | | 49,417,963.07 | 41,267,120.64 |
| 2. | Work in progress | | 465,600.95 | 616,785.85 |
| 3. | Finished goods and merchandise | | 114,516,472.70 | 104,389,746.29 |
| 4. | Payments on account | | 1,283,234.71 | 2,544,338.14 |
| | | | **165,683,271.43** | **148,817,990.92** |
| **II.** | **Receivables and other assets** | (3) | | |
| 1. | Trade receivables | | 16,001,758.45 | 7,877,367.18 |
| 2. | Receivables from affiliated companies | | 20,760,379.06 | 13,071,125.67 |
| 3. | Other assets | | 34,236,656.21 | 37,999,322.78 |
| | | | **70,998,793.72** | **58,947,815.63** |
| **III.** | **Liquid assets** | | 40,448,081.51 | 37,799,791.60 |
| | | | **277,130,146.66** | **245,565,598.15** |
| **C.** | **Prepaid expenses** | (4) | 1,174,365.56 | 1,382,945.00 |
| | | | **933,523,347.30** | **899,764,134.68** |

## LIABILITIES

| in EUR | | Notes – No. | | 12.31.2011 | 12.31.2010 |
|---|---|---|---|---|---|
| **A.** | **Shareholders' equity** | | | | |
| **I.** | **Subscribed capital** | (5) | | | |
| 1. | Common stock | | 35,860,000.00 | | |
| | nominal amount - treasury shares of common shares | | (528,555.00) | 35,331,445.00 | 35,331,445.00 |
| 2. | Non-voting preferred stock | | 34,540,000.00 | | |
| | nominal amount - treasury shares of preferred shares | | (855,278.00) | 33,684,722.00 | 33,684,722.00 |
| | | | | **69,016,167.00** | **69,016,167.00** |
| **II.** | **Capital reserve** | (6) | | **399,198.30** | **399,198.30** |
| **III.** | **Retained earnings** | (7) | | | |
| 1. | Legal reserves | | | 6,640,801.70 | 6,640,801.70 |
| 2. | Other revenue reserves | | | 127,850,811.64 | 239,798,796.64 |
| | | | | **134,491,613.34** | **246,439,598.34** |
| **IV.** | Unappropriated Income | (8) | | 203,097,400.00 | 142,553,400.00 |
| | | | | **407,004,378.64** | **458,408,363.64** |
| **B.** | **Accruals** | | | | |
| 1. | Accruals for pensions and | | | | |
| | similar obligations | (10) | | 1,479,272.09 | 2,198,704.90 |
| 2. | Tax accruals | | | 2,981,908.44 | 0.00 |
| 3. | Other accruals | (11) | | 105,446,673.44 | 87,247,301.44 |
| | | | | **109,907,853.97** | **89,446,006.34** |
| **C.** | **Liabilities** | (12) | | | |
| 1. | Trade payables | | | 77,485,444.39 | 70,164,187.48 |
| 2. | Liabilities against affiliated companies | | | 330,277,594.88 | 270,370,909.34 |
| 3. | Other liabilities | | | 6,953,140.42 | 10,748,522.88 |
| | | | | **414,716,179.69** | **351,283,619.70** |
| **D.** | **Prepaid income** | | | 1,894,935.00 | 626,145.00 |
| | | | | **933,523,347.30** | **899,764,134.68** |

# ANNUAL FINANCIAL STATEMENTS OF HUGO BOSS AG INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

| in EUR | | Notes – no. | 2011 | 2010 |
|---|---|---|---|---|
| 1. | Net sales | (15) | 972,178,235.91 | 831,729,992.04 |
| 2. | Direct selling expenses | (16) | 654,741,077.16 | 564,900,456.42 |
| **3.** | **Gross profit** | | **317,437,158.75** | **266,829,535.62** |
| 4. | Distribution costs | (17) | 225,582,000.83 | 187,247,855.69 |
| 5. | General administrative expenses | (18) | 76,175,553.81 | 97,899,811.26 |
| 6. | Other operating income | (19) | 102,378,683.75 | 102,705,390.32 |
| 7. | Other operating expenses | (20) | 63,107,066.74 | 81,523,732.39 |
| 8. | Income from investments | (21) | 79,543,375.92 | 72,898,625.82 |
| | thereof from affiliated companies 79,543,375.92 EUR (2010: 72,898,625.82 EUR) | | | |
| 9. | Other interest and similar income | (22) | 10,121,571.51 | 1,504,770.72 |
| | thereof from affiliated companies 810,743.79 EUR (2010: 1,082,419.52 EUR) | | | |
| 10. | Losses from loss transfer agreements | (23) | 1,113,863.27 | 208,979.97 |
| 11. | Interest and similar expenses | (22) | 16,158,705.01 | 14,686,625.38 |
| | thereof from affiliated companies 15,049,093.41 EUR (2010: 13,500,552.77 EUR) | | | |
| **12.** | **Income from ordinary activities** | | **127,343,600.27** | **62,371,317.79** |
| 13. | Extraordinary income | | 0.00 | 346,391.87 |
| 14. | Extraordinary expenses | | 0.00 | 121,965.00 |
| **15.** | **Extraordinary profit** | (24) | **0.00** | **224,426.87** |
| 16. | Taxes on income | (25) | 38,870,464.31 | 13,941,468.76 |
| 17. | Other taxes | | 127,616.40 | 129,874.14 |
| **18.** | **Net income** | | **88,345,519.56** | **48,524,401.76** |
| 19. | Transfer from other revenue reserves | | 111,947,985.00 | 92,691,965.78 |
| 20. | Accumulated income previous year | | 2,803,895.44 | 1,337,032.46 |
| **21.** | **Unappropriated income** | | **203,097,400.00** | **142,553,400.00** |

# ANNUAL FINANCIAL STATEMENTS OF HUGO BOSS AG NOTES TO THE FINANCIAL STATEMENTS 2011

## BASIS OF PRESENTATION

The 2011 Hugo Boss AG financial statements were prepared in accordance with the rules and regulations of the German Commercial Code (Handelsgesetzbuch/HGB) and Stock Corporation Act (Aktiengesetz/AktG).

To ensure a clear overview of the balance sheet, comments on and explanations of the individual items have only been included in the notes.

HUGO BOSS AG , Metzingen, Germany, and Red & Black Holding GmbH, Oberursel (Taunus), Germany, are affiliated with Permira Holdings Limited, Guernsey (overall parent company) and are the latter's indirect and direct subsidiaries.

The Company is included in the consolidated financial statements of HUGO BOSS AG , Metzingen, Germany (smallest basis of consolidation) and Red & Black Holding GmbH, Oberursel (Taunus), Germany (largest basis of consolidation).

These consolidated financial statements are available at the registered offices of the respective companies and are also published in the electronic German Federal Gazette („Bundesanzeiger").

## ACCOUNTING AND VALUATION PRINCIPLES, CURRENCY CONVERSION

The accounting and valuation methods applied in the previous year have been maintained.

### Fixed assets

Intangible assets acquired for consideration are valued at the acquisition cost and amortized according to the straight-line method over three to ten years. Capitalized goodwill acquired for consideration is amortized over an expected useful life of 8 or 15 years. The useful lives are based on long-term tenancy agreements.

Notes to the balance sheet Property, plant and equipment are valued at the cost of acquisition or production and reduced by depreciation rates.

Building depreciation is calculated assuming useful lives of 8 to 50 years. For technical equipment and machinery, useful lives are 5 to 19 years, for other equipment 5 to 15 years, factory and office equipment, 3 to 23 years.

Additions made to property, plant and equipment by December 31, 2007 are depreciated using the declining balance method. Additions acquired after December 31, 2007 are depreciated using the straight-line method only.

Low-value assets, in other words items with acquisition or production costs of up to EUR 150, are fully depreciated in the year of acquisition. Additions with acquisition or production costs greater than EUR 150 but less than EUR 1,000 are aggregated into a single collective item. The individual collective item is depreciated at an annualized rate of 20% in the year of formation and over the following four fiscal years.

Financial assets are valued at the lower of acquisition cost or market value.

**Current assets**
Raw materials and consumables are valued at the rolling average cost of acquisition.

Unfinished and finished goods are valued at the average cost of production.

Production costs include direct and indirect material costs, manufacturing costs and special production costs. Perceivable risks arising from low inventory turnover and reduced utilization are covered by appropriate writedowns.

Receivables and other assets are valued at acquisition cost or market value when lower. Specific credit risk is taken into account using adequate allowances. A general bad debt allowance also appropriately covers general credit risks.

Liquid assets are valued at their nominal value or their lower attributed amount.

**Equity**
Pursuant to Section 272 (1a) of the HGB own shares are deducted from subscribed capital at the nominal value.

**Accruals and liabilities**

Pension accruals are calculated for accounting purposes on the basis of the single premium method using an interest rate of 5.13% (October 2011, October 2010: 5.16%), growth in the creditable income of 2.50% as well as an adjustement to current pensions of 1.75% and the "mortality table 2005G" by Prof. Dr. Klaus Heubeck. In order to determine the remaining term of 15 years, the simplification rule permitted under section 253 (2) clause 2 of the HGB was used.

The company holds assets which serve to secure the pension benefits. These assets meet the requirements of Section 246 (2) clause 2 of the HGB and must be offset against the accruals for pensions. The assets are valued at market value.

The other accruals cover all ascertainable risks and contingent liabilities. They are valued at the amount needed to settle them, according to reasonable commercial evaluation (i.e. including future increases in costs and prices). Accruals with a remaining term of more than one year have been discounted by the average market interest rate for the past seven fiscal years corresponding to their remaining term since the fiscal year 2010.

Liabilities are valued at the amount required for settlement.

**Hedging contracts**

In previous years, the Company mitigated currency volatility risk by using forward exchange contracts and by using options. The transactions were usually undertaken either to secure specific customer contracts, or at least on the basis of group-wide currency-differentiated liquidity planning.

Foreign exchange hedging contracts were valued at the market value on the closing date, but in the event of positive market value at no more than their acquisition cost.

On the balance sheet date, there are no foreign exchange hedging contracts.

Hedging contracts are established to cover liabilities to employees arising from the "Stock Appreciation Rights Program" (SAR ), which covers the liabilities towards employees.

The acquisition costs for hedging options were capitalized and valued at the lower of cost or fair value at the end of the period. The obligations arising from the "Stock Appreciation Rights Program" still remaining as of December 31, 2010 are valued at the fair value the issuing banks provide using a standardized procedure

**Currency conversion**

Foreign currency receivables and payables were converted using the exchange rates in effect at the transaction date and are valued, in principle, on the balance sheet date at the spot mean rate on the date the transaction was concluded. In cases where the remaining term exceeded one year, the realization principle (Section 252 (1) No. 4 of the HGB) and the historical cost convention (Section 253 (1) clause 1 of the HGB) were observed.

**Deferred taxes**

Deferred taxes are calculated for temporal differences between the carrying amounts of assets, prepaid expenses/deferred income and liabilities in the commercial and fiscal balance sheets. In the process, not only differences from the Company's own balance sheet items were included but also those at subsidiaries or partnerships in which HUGO BOS AG is involved as a partner. Deferred taxes are calculated on the basis of the combined income tax rate of the tax group, which is currently 28.0% (corporation tax, trade tax and solidarity surcharge). An exception to this is the calculation of deferred taxes from temporal accounting differences in the case of investments incorporated as partnerships based on a combined income tax rate, which only includes corporation tax and the solidarity surcharge; this currently amounts to 15.83%. In the event of a tax liability being produced overall, this is recognized in the balance sheet as a deferred tax liability. In the event of a tax saving, use is made of the corresponding recognition option in such a way that recognition is waived.

## NOTES TO THE BALANCE SHEET

### 1 // FIXED ASSETS

The development of the fixed assets under Section 268 (2) of the German Commercial Code (Handelsgesetzbuch/HGB) in fiscal year 2011 is shown in the schedule of assets as an appendix to the notes.

The intangible assets mainly include capitalized IT software. The EUR 15,044 thousand (2010: EUR 6,675 thousand) increase is due primarily to investments in software that brought further improvements to and better structuring of the company's business processes as well as to the acquisition of a distribution right as part of internal group restructuring.

The EUR 12,896 thousand (2010: EUR 5,720 thousand) additions to property, plant and equipment result mainly from the expansion in IT, land and buildings, and investments in interior fittings and machinery, factory and office equipment.

The reductions are mainly the result of the retirement of computer facilities.

Depreciation includes no non-recurring depreciation (2010: EUR 370 thousand).

### 2 // INVESTMENT HOLDINGS OF HUGO BOSS AG

The investment holdings of HUGO BOSS AG are presented on the following pages.

All direct and indirect investments held by HUGO BOSS AG are listed in the notes in the information on investment holdings.

HUGO BOSS AG directly or indirectly holds 100% of the equity shares in the companies listed in the following information on investment holdings. The only exceptions are holdings in BIL Leasing Verwaltungs-GmbH & Co. 869 KG, ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG, and ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG. The equity shareholding of HUGO BOSS AG in each of these companies is 94.0%.
Between the Rainbow Group, a long-standing franchise partner in China, and HUGO BOSS AG, there is a joint venture in company HUGO BOSS Lotus Hong Kong Ltd. HUGO BOSS AG has an indirect investment, holding 60% of the shares, in this company. For its part, HUGO Boss Lotus Hongkong Ltd. holds all the shares in Lotus Concept Trading (Macau) Co., Ltd., Macau and Lotus (Shenzhen) Commerce Ltd., Shenzhen, China.

## INVESTMENT HOLDINGS OF HUGO BOSS AG

in EUR thousand

| **Company** |
| --- |
| HUGO BOSS Holding Netherlands B.V. |
| HUGO BOSS Internationale Beteiligungs-GmbH[1, 3] |
| HUGO BOSS International B.V. |
| HUGO BOSS USA, Inc.[2] |
| HUGO BOSS Ticino S.A. |
| Lotus (Shenzhen) Commerce Ltd. |
| HUGO BOSS Benelux B.V. |
| HUGO BOSS Lotus Hong Kong Ltd. |
| HUGO BOSS Textile Industry Ltd. |
| HUGO BOSS International Markets AG |
| HUGO BOSS Trade Mark Management GmbH & Co. KG[1] |
| HUGO BOSS Canada, Inc. |
| HUGO BOSS UK Limited |
| HUGO BOSS France SAS |
| HUGO BOSS Italia S.p.A. |
| HUGO BOSS Holdings Pty. Ltd. |
| HUGO BOSS China Retail Co. Ltd. |
| HUGO BOSS Australia Pty. Ltd. |
| Lotus Concept Trading (Macau) Co. Ltd.[3] |
| HUGO BOSS Benelux B.V. CIA S.C |
| HUGO BOSS Mexico S.A. de C.V. |
| HUGO BOSS Shoes & Accessories Italia S.p.A. |
| HUGO BOSS Switzerland Retail AG |
| HUGO BOSS Nordic ApS |
| HUGO BOSS Belgium Retail BVBA |
| HUGO BOSS (Schweiz) AG |
| HUGO BOSS do Brasil Ltda. |
| HUGO BOSS Belgium BVBA |
| HUGO BOSS Hong Kong Ltd. |
| HUGO BOSS Benelux Retail B.V. |
| HUGO BOSS Guangdong Trading Co. Ltd. |
| HUGO BOSS Dienstleistungs GmbH[1] |
| MSC Poland Sp.z.o.o. |
| HUGO BOSS Scandinavia AB |
| HUGO BOSS Ireland Limited |
| HUGO BOSS Mexico Management Services S.A. de C.V.[1] |
| HUGO BOSS Holding Sourcing S.A. |
| HUGO BOSS Trade Mark Management Verwaltungs-GmbH |
| HUGO BOSS Merchandise Management GmbH[2] |
| HUGO BOSS Vermögensverwaltungs GmbH & Co. KG[1] |
| HUGO BOSS Beteiligungsgesellschaft mbH[1, 3] |

1 Direct affiliates to HUGO BOSS AG.
2 Subgroup financial statement.
3 Companies with a profit transfer agreement with HUGO BOSS AG.

| | Earnings | | Equity | |
|---|---|---|---|---|
| Registered Office | 2011 | 2010 | 2011 | 2010 |
| Amsterdam, Netherlands | 1,177 | 475 | 653,362 | 652,185 |
| Metzingen, Germany | 0 | 0 | 524,800 | 524,800 |
| Amsterdam, Netherlands | 162,635 | 102,845 | 447,725 | 279,604 |
| New York, DE, USA | 24,866 | 14,483 | 77,940 | 56,970 |
| Coldrerio, Switzerland | 63,154 | 42,826 | 86,817 | 74,034 |
| Shenzhen, China | 12,288 | 5,426 | 43,575 | 27,570 |
| Amsterdam, Netherlands | 19,846 | 15,239 | 42,548 | 37,702 |
| Hongkong, China | 1,897 | (142) | 35,197 | 37,801 |
| Izmir, Turkey | 14,481 | 1,200 | 28,678 | 14,197 |
| Zug, Switzerland | 21,068 | 14,757 | 28,480 | 18,443 |
| Metzingen, Germany | 81,007 | 74,002 | 26,719 | 25,230 |
| Toronto, Canada | 2,867 | 2,263 | 19,590 | 16,471 |
| London, Great Britain | 13,127 | 10,791 | 17,929 | 14,622 |
| Paris, France | 13,741 | (8,929) | 17,246 | 3,505 |
| Milan, Italy | 1,312 | 535 | 13,545 | 22,233 |
| Preston, Australia | 0 | 0 | 12,363 | 12,363 |
| Shanghai, China | 2,902 | 4,119 | 11,924 | 8,068 |
| Preston, Australia | (50) | 1,279 | 11,023 | 11,870 |
| Macau | 6,835 | 3,111 | 8,909 | 6,530 |
| Madrid, Spain | 11,999 | 2,720 | 6,542 | (5,457) |
| Mexiko-City, Mexico | 2,970 | 2,822 | 5,938 | 5,190 |
| Morrovalle, Italy | 634 | 237 | 5,835 | 5,202 |
| Zurich, Switzerland | 2,902 | 561 | 5,373 | 2,359 |
| Kopenhagen, Denmark | 3,730 | 3,224 | 5,295 | 4,236 |
| Diegem, Belgium | 680 | 664 | 3,307 | 2,627 |
| Zug, Switzerland | 3,133 | 3,840 | 3,146 | 4,324 |
| São Paulo, Brasil | (1,035) | 348 | 2,812 | 4,149 |
| Diegem, Belgium | 889 | 750 | 2,532 | 2,343 |
| Hongkong, China | 15,106 | 16,134 | 45,282 | 38,018 |
| Amsterdam, Netherlands | 420 | 220 | 2,313 | 1,893 |
| Guangzhou, China | 131 | 96 | 2,239 | 1,937 |
| Metzingen, Germany | (122) | (164) | 1,377 | 1,458 |
| Radom, Poland | 55 | (54) | 1,146 | 1,216 |
| Stockholm, Sweden | (49) | (1,921) | 1,070 | 1,117 |
| Dublin, Ireland | 1,038 | (215) | 923 | (115) |
| Mexico-City, Mexico | 127 | 144 | 627 | 551 |
| Coldrerio, Switzerland | (661) | (9) | 586 | 1,250 |
| Metzingen, Germany | 1 | 1 | 33 | 32 |
| Metzingen, Germany | 0 | 0 | 24 | 24 |
| Metzingen, Germany | (27) | (2) | (25) | 2 |
| Metzingen, Germany | 0 | 0 | (116) | (116) |

## INVESTMENT HOLDINGS OF HUGO BOSS AG (CONTINUATION)

in EUR thousand

| Company |
|---|
| ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG[1] |
| HUGO BOSS Hellas LLC |
| HUGO BOSS Magazacilik Ltd. Sti. |
| GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH |
| ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG[1] |
| HUGO BOSS Portugal & Companhia |
| BIL Leasing Verwaltungs-GmbH & Co. 869 KG[1] |
| HUGO BOSS Japan K.K. |

1 Direct affiliates to HUGO BOSS AG.
2 Subgroup financial statement.
3 Companies with a profit transfer agreement with HUGO BOSS AG.

| | Earnings | | Equity | |
|---|---|---|---|---|
| **Registered Office** | **2011** | **2010** | **2011** | **2010** |
| Grünwald, Germany | 61 | 47 | (130) | (191) |
| Athen, Greece | (490) | 0 | (220) | 0 |
| Izmir, Turkey | (1,851) | (563) | (932) | 979 |
| Metzingen, Germany | (362) | (1,117) | (2,223) | (1,861) |
| Grünwald, Germany | 155 | 84 | (2,585) | (2,739) |
| Lissabon, Portugal | (2,004) | (2,419) | (4,956) | (2,952) |
| Pöcking, Germany | (780) | (537) | (6,796) | (6,015) |
| Tokio, Japan | (4,100) | (3,843) | (38,275) | (31,108) |

## 3 // RECEIVABLES AND OTHER ASSETS

| **Presentation according to remaining terms** | **With a remaining term** | | | |
|---|---|---|---|---|
| in EUR thousand<br>(prior year's figures in brackets) | **up to 1 year** | **from 1 to 5 years** | **of more than 5 years** | **Total** |
| Trade receivables | 16,002<br>(7,877) | –<br>– | –<br>– | 16,002<br>(7,877) |
| Receivables from affiliated companies | 20,760<br>(13,071) | –<br>– | –<br>– | 20,760<br>(13,071) |
| Other assets | 31,388<br>(34,393) | 2,122<br>(2,943) | 727<br>(664) | 34,237<br>(38,000) |
| | **68,150**<br>(55,341) | **2,122**<br>(2,943) | **727**<br>(664) | **70,999**<br>(58,948) |

Receivables from affiliated companies include loans amounting to EUR 13,673 thousand (2010: EUR 11,760 thousand) and trade receivables. The increase is due mainly to higher trade receivables with subsidiaries.

As of December 31, 2011, other assets include mainly bonus claims vis-à-vis suppliers (EUR 10,256 thousand; 2010: EUR 8,757 thousand), call options to hedge stock appreciation rights (EUR 3,435 thousand; 2010: EUR 6,684 thousand), income tax receivables (EUR 8,147 thousand; 2010: EUR 7,523 thousand) and sales tax receivables (EUR 7,226 thousand; 2010: EUR 6,776 thousand). The reduction in the item compared with the previous year is mainly attributable to the sold options in connection with hedges for obligations from the "Stock Appreciation Rights Program" (SAR).

## 4 // DEFERRED INCOME/PREPAID EXPENSES

Deferred income/prepaid expenses refer mainly to prepaid expenses for IT maintenance contracts and tenancy agreements.

## 5 // SUBSCRIBED CAPITAL

As of December 31, 2011, the subscribed capital of HUGO BOSS AG amounted to EUR 69,016 thousand (2010: EUR 69,016 thousand). The subscribed capital is made up as follows:

| in EUR thousand | **12.31.2011** | **12.31.2010** |
|---|---|---|
| 35.860.000 bearer common shares | 35,860 | 35,860 |
| treasury shares, 528.555 bearer common shares | (529) | (529) |
| 34.540.000 non-voting bearer preferred shares | 34,540 | 34,540 |
| treasury shares, 855.278 non-voting bearer preferred shares | (855) | (855) |
| | **69,016** | **69,016** |

On May 14, 2009 the Annual Shareholders' Meeting resolved that the HUGO BOSS AG Managing Board shall have authorized capital at its disposal totaling EUR 35,200 thousand until May 13, 2014, subject to Supervisory Board approval. Authorized capital allows the Company to increase its share capital on one or more occasions by issuing new common or preferred shares. This resolution was added to the HUGO BOSS AG Commercial Register.

## 6 // CAPITAL RESERVE

The capital reserve contains the premiums from the issue of shares and is shown in accordance with Section 272 (2) No. 1 of the HGB.

## 7 // RETAINED EARNINGS

The retained earnings balance developed as follows:

| in EUR thousand | |
|---|---|
| **Position as at December 31, 2010** | **239,799** |
| Transfers from other revenue reserves in accordance with the Managing and Supervising board resolution | 111,948 |
| **Position as at December 31, 2011** | **127,851** |

As of December 31, 2011, 528,555 common shares and 855,278 preferred shares were held. The related portion of subscribed capital is EUR 1,383 thousand (2010: EUR 1,383 thousand) (1.97%). The nominal amount was deducted openly from "Subscribed capital". The difference of EUR 30,300 thousand between the nominal amount of treasury shares and the carrying amount reported as of December 31, 2009 was netted off in retained earnings in 2010.

The treasury shares were purchased from 2004 to 2007:

| Purchase date | Number of common shares in units | Number of preferred shares in units |
|---|---:|---:|
| 03/2004 | 35,966 | 0 |
| 05/2004 | 36,280 | 0 |
| 06/2004 | 11,513 | 0 |
| 07/2004 | 40,506 | 0 |
| 02/2005 | 12,992 | 0 |
| 03/2005 | 34,794 | 1,000 |
| 04/2005 | 84,000 | 82,467 |
| 10/2005 | 21,700 | 153,700 |
| 05/2006 | 0 | 210,200 |
| 06/2006 | 79,700 | 0 |
| 07/2006 | 158,628 | 0 |
| 08/2006 | 0 | 20,021 |
| 09/2006 | 9,976 | 110,084 |
| 01/2007 | 0 | 94,411 |
| 02/2007 | 2,500 | 183,395 |
| **12.31.2011** | **528,555** | **855,278** |

The historic acquisition costs of treasury shares amounted to EUR 42,362 thousand.

A resolution was passed at the Annual Shareholders' Meeting on June 21, 2010 to authorize the Managing Board to purchase treasury bearer ordinary shares and/or bearer preference shares without voting rights in the Company up to a maximum of 10% of the current share capital until June 20, 2015.

In 2011, no further treasury shares were acquired or sold. The treasury shares should facilitate:
- widening the circle of shareholders through offerings to both domestic and foreign institutional investors,
- allowing consideration in the form of treasury stock in the event of corporate mergers or when a company or participation is acquired,
- placing shares on foreign stock exchanges,
- calling in shares without an additional resolution by the Annual Shareholders' Meeting.

There are no specific plans to make use of such an authorization at present.

## 8 // UNAPPROPRIATED INCOME

| in EUR thousand | |
|---|---|
| Distributable profit as at December 31, 2010 | 142,553 |
| Profit distribution for 2010 | 139,749 |
| **Accumulated income** | **2,804** |
| Net income 2011 | 88,345 |
| Transfer from other revenue reserves | 111,948 |
| **Distributable profit as at December 31, 2011** | **203,097** |

## 9 // DISCLOSURES ON NON-DISTRIBUTABLE AMOUNTS

There are no non-distributable amounts as defined in Section 268 (8) of the HGB (2010: EUR 1,066 thousand).

## 10 // ACCRUALS FOR PENSIONS AND SIMILAR OBLIGATIONS

Obligations under pension commitments are covered in part by qualified insurance policies (plan assets). The benefits from the insurance policies serve solely to fulfill the respective pension obligations and are withdrawn from access by other creditors through pledging.
The fair value of the reinsurance claim consists of the insurance company's reserves detailed in the business plan plus any available credit balance from the refund of premiums (so-called profit participation).

| in EUR thousand | **12.31.2011** |
|---|---|
| Settlement amount of pensions and similar obligations | 54,128 |
| Fair value of reinsurance | 52,649 |
| Net value of pensions and similar obligations | 1,479 |
| Historical cost of invested assets in reinsurance | 52,649 |

The income resulting from the cover assets and the interest expenses from corresponding settlement amounts from the accruals for pensions in the fiscal year 2011 are shown below:

| in EUR thousand | **2011** |
|---|---|
| Income from fund assets | 1,771 |
| Interest expenses for corresponding provisions for pension | 2,359 |
| **Netted interest expenses** | **588** |

The balance of EUR 588 thousand is recognized in interest expense.

## 11 // OTHER ACCRUALS

| in EUR thousand | 12.31.2011 | 12.31.2010 |
|---|---|---|
| Personnel expenses | 39,416 | 41,493 |
| Outstanding invoices | 36,358 | 31,256 |
| Other reserves | 29,673 | 14,498 |
| | **105,447** | **87,247** |

Provisions for personnel expenses relate mainly to provisions for the settlement of stock appreciation rights, profit sharing and bonuses, severance payments and part time employment prior to retirement.

Other accrued liabilities mainly originate from liabilities for returned merchandise, Supervisory Board compensation and pending litigation und provisions for other risks. Sufficient provisions were set aside for ongoing litigation.

## 12 // LIABILITIES

| **Presentation according to remaining terms** | **With a remaining term** | | | |
|---|---|---|---|---|
| in EUR thousand<br>(prior year's figures in brackets) | **up to 1 year** | **from 1 to 5 years** | **of more than 5 years** | **Total** |
| Trade payables | 77,485<br>(70,164) | –<br>– | –<br>– | 77,485<br>(70,164) |
| Due to affiliated companies | 330,278<br>(270,371) | –<br>– | –<br>– | 330,278<br>(270,371) |
| other liabilities | 4,047<br>(8,065) | – | 2,906<br>(2,684) | 6,953<br>(10,749) |
| | **411,810**<br>(348,600) | **–**<br>– | **2,906**<br>(2,684) | **414,716**<br>(351,284) |

The trade payables are subject to usual reservation of ownership as far as they result from the purchase of raw materials, consumables and merchandise.

Liabilities to affiliated companies include loans amounting to EUR 328,959 thousand (2010: EUR 269,685 thousand) and trade payables.

As of December 31, 2011 there is no collateral for liabilities shown on the balance sheet.

### Breakdown of other liabilities

| in EUR thousand | 12.31.2011 | 12.31.2010 |
|---|---|---|
| Taxes | 3,246 | 4,778 |
| Social security | 2,920 | 2,684 |
| Other | 787 | 3,287 |
| | **6,953** | **10,749** |

## 13 // CONTINGENT LIABILITIES

| in EUR thousand | 12.31.2011 | 12.31.2010 |
|---|---|---|
| Contingent liabilities from guarantees | 328,485 | 471,187 |
| thereof associated companies | (328,485) | (471,187) |
| Contingent liabilities from the provision of collateral for third party liabilities | 9,945 | 9,372 |
| thereof associated companies | (9,945) | (9,372) |
| | **338,430** | **480,559** |

Guarantees and collateral for third-party liabilities have only been furnished in favor of subsidiaries. According to our findings, the underlying obligations can be met by the companies in question in all cases. Therefore, there is currently no expectation that use will be made of the contingent liabilities listed above.

## 14 // DEFERRED TAXES

Corporation tax, trade tax, the solidarity surcharge and income tax paid abroad (e.g. creditable withholding tax) are recognized as income tax expenses.

As of December 31, 2011, there is a future tax saving of EUR 10,024 thousand (2010: EUR 7,730 thousand) arising from temporal differences between the carrying amounts of assets, prepaid expenses/deferred income and liabilities in the commercial and fiscal balance sheets – both its own and those of companies in the tax group and partnerships in which HUGO BOSS is involved as a partner. This amount was calculated on the basis of the combined income tax rate of the tax group of 28.0% (HUGO BOSS AG and tax group companies) or 15.83% (investments incorporated as partnerships).

Deferred tax liabilities are primarily the result of different carrying amounts for other accruals. The differences in the case of the accruals for pensions and the plan assets to be netted off lead to deferred tax assets. Additional deferred assets result from accruals that are not creditable for tax purposes. Overall, this results in a deferred tax asset surplus of EUR 10,024 thousand (2010: EUR 7,730 thousand). The option permitted in Section 274 (1) clause 2 of the HGB was exercised and no deferred tax assets were reported.

Deferred tax expenses are not included in tax expenses.

# NOTES TO THE INCOME STATEMENT

## 15 // SALES

| in EUR thousand (prior year's figures in brackets) | BOSS | HUGO | Total |
|---|---|---|---|
| Europe[1] | 652,384[2] (573,783) | 91,864 (68,438) | 744,248 (642,221) |
| America | 126,759[3] (107,947) | 9,984 (8,436) | 136,743 (116,383) |
| Asia/Pacific | 89,431[4] (71,725) | 1,756 (1,401) | 91,187 (73,126) |
| | **868,574** (753,455) | **103,604** (78,275) | **972,178** (831,730) |

1 Including Middle East and Africa
2 thereof BOSS - Black 78%, Orange 10%, Green 10%, Selection 2%
3 thereof BOSS - Black 70%, Orange 9%, Green 10%, Selection 11%
4 thereof BOSS - Black 72%, Orange 18%, Green 7%, Selection 3%

## 16 // COST OF SALES

In essence, production costs consist of cost of materials, freight costs and license fees. The ratio of production costs to sales improved to 67.3% (2010: 67.9%). The change is mainly due to a higher price level on the sales market.

## 17 // SELLING EXPENSES

Selling expenses consist of the following items:

| in EUR thousand | 2011 | 2010 |
|---|---|---|
| Marketing costs | 113,209 | 101,278 |
| Costs for own retail | 37,663 | 28,512 |
| Costs for storage and procurement | 74,710 | 57,458 |
| | **225,582** | **187,248** |

The increase in marketing costs mainly results from increased marketing costs generated and passed on by HUGO BOSS Trademark Management GmbH & Co. KG, increased personnel costs in the field of retail, logistics, key distribution activities and trade marketing

## 18 // GENERAL ADMINISTRATIVE EXPENSES

General administration costs mainly result from personnel costs, space rental, leasing costs, depreciation and IT-related costs. The decline in administrative costs is primarily due to the appropriate allocation of secondary costs amounting to EUR 21.7 million. EUR 18.9 EUR of these costs were allocated to the selling expenses, the remaining EUR 2.8 million were allocated to research and development.

## 19 // OTHER OPERATING INCOME

| in EUR thousand | 2011 | 2010 |
|---|---|---|
| Other operating income | 102,379 | 102,705 |
| thereof from FX effects | (4,289) | (10,128) |
| thereof out of period income | (2,424) | (3,381) |

Other operating income mainly comprises costs and services charged to affiliated companies.

The aperiodic income is predominantly attributable to the reversal of provisions totaling EUR 2,348 thousand (2010: EUR 3,358 thousand).

## 20 // OTHER OPERATING EXPENSES

| in EUR thousand | 2011 | 2010 |
|---|---|---|
| Other operating expenses | 63,107 | 81,524 |
| thereof from FX effects | (5,864) | (14,663) |
| thereof out of period expenses | (464) | (501) |

Other operating expenses mainly consist of write-downs on receivables, foreign currency effects as well as research and development costs.

The decline is based on numerous factors. The greatest decline of expenses were recorded in expenses for forward foreign exchange, foreign currency valuations and obligations arising from the “Stock Appreciation Rights” (SAR). As a result of the introduction of four collections within the D.R.I.V.E. project, the R&D costs follow an opposite trend.

The aperiodic expenses are due to losses from selling and scrapping fixed assets.

## 21 // INCOME FROM INVESTMENTS

Income from investments amounts to EUR 79,518 thousand (2010: EUR 72,892 thousand) and came from HUGO BOSS Trade Mark Management GmbH & Co. KG, Metzingen, Germany.

## 22 // OTHER INTEREST AND SIMILAR INCOME / INTEREST AND SIMILAR EXPENSES

Other interest and similar income includes income of EUR 356 thousand (2010: EUR 104 thousand) from the discounting of provisions. Interest and similar expenses include expenses of EUR 765 thousand (2010: EUR 1,011 thousand) from the discounting of provisions.

## 23 // EXPENSES FROM TRANSFERRED LOSSES

Transferred losses in 2010 and 2011 are from the subsidiaries HUGO BOSS Internationale Beteiligungs-GmbH, Metzingen, Germany and HUGO BOSS Beteiligungsgesellschaft mbH, Metzingen, Germany.

## 24 // NON-RECURRING PROFIT

The non-recurring profit for the fiscal year 2010 is attributable to the changes resulting from the first-time application of the BilMoG as of January 1, 2010.

## 25 // TAXES ON INCOME

Taxes on income relate to income from ordinary activities only.

| in EUR thousand | **2011** | **2010** |
|---|---|---|
| Total | 38,870 | 13,941 |
| thereof out of period expenses | (2,912) | (1,146) |

## ADDITIONAL NOTES TO THE INCOME STATEMENT DUE TO THE APPLICATION OF THE COST OF SALES METHOD

### Cost of materials

| in EUR thousand | **2011** | **2010** |
|---|---|---|
| Cost of raw materials, consumables and supplies | 457,924 | 400,135 |
| Cost of services purchased | 91,797 | 82,353 |
| **Cost of materials** | **549,721** | **482,488** |

### Personnel expenses

| in EUR thousand | **2011** | **2010** |
|---|---|---|
| Wages and salaries | 132,312 | 145,099 |
| Social security and other pension costs | 21,254 | 20,326 |
| thereof for pensions | (1,306) | (721) |
| Personnel expenses | **153,566** | **165,425** |

## ADDITIONAL INFORMATION

### Employee numbers

Average number of employees:

| | 2011 | 2010 |
|---|---|---|
| Industrial employees | 803 | 811 |
| Commercial and administrative employees | 1,754 | 1,620 |
| | **2,557** | **2,431** |

Part-time staff were proportionately taken into account.

### Foreign currency hedging

There were no derivative financial instruments outstanding on December 31, 2011.

### Hedging contracts for the "Stock Appreciation Rights Program" (SAR)

In order to limit the risk arising from share price fluctuations in connection with the "Stock Appreciation Rights Program" (SAR), and hence the potential impact on the cash flow and earnings of HUGO BOSS AG, a corresponding hedging program was resolved in late 2007 to come into force from fiscal year 2008.

As part of the Stock Appreciation Rights Program, executives of HUGO BOSS AG and its subsidiaries are granted a certain number of participation rights. These rights enable them to benefit from any increase in the value of the Company's shares. The participation rights solely grant a claim to cash settlement, not a claim to HUGO BOSS AG shares.

The following call options were in place on December 31, 2011:

| | **2011** | | **2010** | |
|---|---|---|---|---|
| in EUR thousand | **Nominal value** | **Market value** | **Nominal value** | **Market value** |
| Call option (SAR-hedge) | 3,435 | 7,926 | 6,684 | 14,992 |

The acquisition cost for hedging options are capitalized in other assets and valued at the lower of cost or fair value at the end of the period. Profits are recorded on the balance sheet only when they are taken.

1) Program change 2009

In December 2009, the management of HUGO BOSS AG resolved to revise the conditions of the Stock Appreciation Rights Program in order to avoid additional expenditure for hedging instruments. Effective December 14, 2009, all eligible executives were therefore offered the following program change:

1 / Waiver of participation rights and all rights to tranches issued in the years from 2005 to 2008 against a compensation payment
2 / Adjustment of the exercise conditions of the tranche issued in 2009

The compensation payment for the waiver of the rights to tranches 5 to 8 corresponded to the sum of the option value of each tranche multiplied by the number of participation rights. The relevant option values were determined by external banks on behalf of HUGO BOSS AG using a standard valuation model on December 14, 2009. The reference value used for the share price was the unweighted average of the closing price of preferred shares of HUGO BOSS AG in Xetra trading on the Frankfurt Stock Exchange during the five trading days immediately preceding December 14, 2009.
To limit the effects arising from extraordinary, unforeseen upward and downward movements in the share price, both the minimum and the maximum gain possible per option exercised for the participation rights of tranche 9 were defined in the program change. This called for the compensation to be granted to be at least equal to the difference between the price calculated for a preferred share on the basis of HUGO BOSS AG's market capitalization in the last five trading days immediately preceding December 14, 2009 and the strike price of preferred shares upon issue, but at the most EUR 33.20. In addition, the program change allowed eligible parties to exercise up to one third of the participation rights of tranche 9 early before the end of the vesting period, effective December 14, 2009. The first time this was possible was December 14, 2009. In this case, the exercise gain corresponded to the minimum compensation defined above of EUR 11.77.

The program change permitted the extension of the holding period to three years, ending on December 31, 2011 (two years before the program change), with the exercise period being reduced correspondingly to two years, ending on December 14, 2013 (three-year exercise period before the program change). The overall term of tranche 9 issued in fiscal year 2009 remained unchanged at five years.

Following a continuous increase in the share price, the maximum gain possible per option exercised for the participation rights of tranche 9 was already exceeded in October 2010. Under the program modified in 2009, tranche 9 could be exercised in full for the first time starting from the beginning of 2012.

2) Early termination of tranche 9

As the Stock Appreciation Rights Program causes considerable administrative expense in both the HR department and the Finance department of the HUGO BOSS Group, the management of HUGO BOSS AG resolved to terminate tranche 9 early and offered all holders of participation rights in tranche 9 a payout of the maximum gain possible per share exercised as of December 15, 2010. The early termination of the program does not result in any additional expenses provided the share price is EUR 45.00 or higher at the end of 2011, too. The expenses from the pro-rata additions to the provision for tranche 9 from 2011 are simply brought forward to 2010.

As of December 31, 2010, the price for preferred shares was EUR 56.50, significantly higher than the share price required for the maximum gain on exercise EUR 45.00.

Participation rights for tranches 7 and 8 that are still held may continue to be exercised after the program change in 2010 under the regulations governing the original option conditions.

3) Framework Stock Appreciation Rights Program
With the exception of the terminated tranche 9, the remaining tranches of the Stock Appreciation Rights Program have six-year terms. After the initial lock-up period of two years, the four-year exercise period shall commence. Participation rights for tranches 5 to 8 that were still held could still be exercised after the program change in 2009 under the regulations governing the original option conditions. If growth in HUGO BOSS AG market capitalization exceeds MDAX growth by 5 percentage points (exercise hurdle) at the expiry of the lock-up period or during the subsequent exercise period, participation rights in tranches 7 and 8 may be exercised.

The compensation to be paid corresponds to the difference between the market capitalization as reflected in the average price of a HUGO BOSS AG preferred share during the five trading days preceding the date of exercise and the strike price of the preferred share in line with the conditions. The strike price corresponds to the average price of HUGO BOSS AG preferred shares during the 20 trading days preceding the date of issue.

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

If the corresponding call options are sold back to the issuing bank when SARs are exercised by employees, the outflow of funds from the exercise of SARs is offset by an inflow of funds from the sale of the call options.

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

Changes arising from fair market valuation adjustments are recorded under other operating expenses or other operating income if they apply to HUGO BOSS AG employees. On the balance sheet date, there are no longer any call options to hedge obligations to employees of other HUGO BOSS subsidiaries.

**Transactions not included in the balance sheet in accordance with Section 285 No. 3 of the HGB**
HUGO BOSS not only uses its own land and buildings but also rents several buildings and the land associated therewith. This use is based on real estate lease agreements (operating leases). This contributes to reducing the capital commitment and leaves the investment risk with the lessor. The lease agreements have remaining terms of 10, 12 and 15 years respectively. The lease agreements lead to annual leasing expenses of EUR 6,152 thousand at present. The lease installments are included in the list of other financial obligations in accordance with Section 285 No. 3a of the HGB. These real estate lease agreements contain buyback options for the respective properties.

**Other financial liabilities under Section 285 No. 3a of the HGB**

| | | Tenancy and leasing contracts | | | thereof affiliated companies | |
|---|---|---|---|---|---|---|
| in EUR thousand | Total | Buildings/ real estate | Hardware/ software | Other contracts | Buildings Leasing | Other contracts |
| Due 2012–2014 | 31,445 | 22,792 | 7,391 | 1,262 | 4,540 | 0 |
| Due 2013–2015 | 75,137 | 72,088 | 2,691 | 358 | 14,484 | 0 |
| Due after 2016 | 83,586 | 83,586 | – | – | 28,168 | 0 |
| | **190,168** | **178,466** | **10,082** | **1,620** | **47,192** | **0** |
| Obligation from investments initated during the year under review, due in 2012 and 2013 | **2,898** | | | | | |

All values are nominal values, i.e. they have not been discounted.

**Compensation of Supervisory Board and Managing Moard**
Members of the Supervisory Board and the Managing Board are listed on pages 113 to 115.

On the basis of a resolution passed by the Annual Shareholders' Meeting on June 21, 2010, information on individual compensation is not provided.

The total fixed salary components for members of the Managing Board in the fiscal year 2011 amounted to EUR 2,873 thousand (2010: EUR 3,248 thousand). The fixed salary components paid to members of the Managing Board comprise, besides the salary, benefits such as company cars and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

The variable compensation components with a long-term incentive effect consist of a multi-year bonus granted in line with the achievement of personal targets agreed with the Supervisory Board and the fulfillment of the predefined key figures EBITDA before special items and trade net working capital. The bonus for one year is based predominantly on target achievement measured over a period of three years. After the end of the third fiscal year, the bonus is calculated conclusively and paid out. For a transition period during the introduction of the multi-year bonus agreements, the Managing Board members receive advance payments of the expected bonus. If the amount of the outstanding payment is negative, this must be repaid to HUGO BOSS AG by the Managing Board member. Additions to the provision for the multi-year bonus are made proportionally. As of December 31, 2011, there was a provision totaling EUR 4,050 thousand (2010: EUR 3,025 thousand).

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

For the event of early termination, the employment contracts include regulations which – except for the deviation stated in the Declaration of Compliance from December 2011 – comply with the requirements of the German Corporate Governance Code. For the event of regular termination, the employment contracts do not include any regulations other than pension regulations. No compensation was paid out to Managing Board members leaving the Company in fiscal year 2011 (2010: EUR 2,934 thousand).

In addition, the Company has provided pension benefits for Managing Board members. The amount of future pension benefits is based on each member's base salary and years of service. Additions to pension provisions for Managing Board members (excluding deferred compensation) amounted to EUR 1,593 thousand in 2011 (2010: EUR 900 thousand). For active members of the Managing Board, provisions for pension obligations were recognized in the amount of EUR 3,849 thousand (2010: EUR 2,256 thousand). The corresponding plan assets in the form of reinsurance policies amount to EUR 3,921 thousand (2010: EUR 2,457 thousand).

The pension accruals for the former members of the Managing Board and their surviving dependants amounted to EUR 17,178 thousand (2010: EUR 16,706 thousand). The corresponding plan assest amounts to EUR 16,813 thousand (2010: EUR 15,920 thousand). The pension obligation for the former members of the managing board and their surviving dependants amounted to EUR 365 thousand (2010: EUR 786 thousand), after netting against the reinsurance policies qualifying as plan assets. These people received total compensation during 2011 amounting to EUR 186 thousand (2010: EUR 192 thousand).

The Supervisiory Board received total compensation of EUR 1,534 thousand for its services in 2010. For fiscal year 2011, total compensation is expected to be EUR 1,911 thousand, including a provision for the variable component of EUR 1,156 thousand (2010: EUR 738 thousand) calculated on the basis of earnings per share in the consolidated financial statements.

In total, members of the Managing Board and the Supervisory Board hold less than 1% (2010: less than 1%) of the shares issued by HUGO BOSS AG.

**Management Participation Program**

In the context of the Management Participation Program (for short: MPP), which was introduced in 2008, members of the Managing Board and second-tier executives could invest indirectly in Red & Black TopCo S.à r.l. by making a payment. Since the restructuring at the end of 2009, Red & Black TopCo S.à r.l. has held 100% of the shares of Valentino Fashion Group S.p.A. directly. In addition to the indirect investment in HUGO BOSS, the management at HUGO BOSS AG invested not only in the HUGO BOSS Group, but also in other companies of the Valentino Fashion Group not controlled or influenced by HUGO BOSS.

The indirect investment in Red & Black TopCo S.à r.l. is carried out via a German limited partnership with Red & Black Management Beteiligungs GmbH & Co. KG (for short: MPP KG). MPP KG has an interest of 0.07% in the voting capital of Red & Black TopCo S.à r.l. and thus holds so-called Class D shares. The company agreement was signed for an indefinite period of time, but at least until the end of 2024. The legal status of MPP KG managers is regulated in the company agreement. The maximum investment in MPP KG is determined individually. The managers are registered in the commercial register as limited partners of MPP KG.

At the end of 2010, the MPP for managers already participating (old managers) was modified and managers who were not yet participating "new managers" were again offered a participation in MPP KG.

The new managers acquired shares in the MPP KG limited partnership in December 2010 at the current market value. The old managers continue to hold the shares in MPP KG that they acquired already in 2008. Shares in MPP KG held by the old managers are neither exchanged nor sold.

Following the restructuring of the MPP in the event of an IPO or sale of the HUGO BOSS Group (exit), the management of HUGO BOSS is to participate only in the exit profits attributable to HUGO BOSS (HB AG profits) via MPP KG. All profits and costs attributable to the Valentino Fashion Group S.p.A. are neutralized when calculating the HB AG profits. The participation right in these HB AG profits arises pro-rata over a multi-year vesting period ending on December 31, 2014.

As part of the modification of the MPP, the subordination to individual financing instruments and the ratchet of these Class D shares no longer apply. The restructuring with regard to the Articles of Association created so-called liquidation preferences. These give priority for certain capital before distribution of the HB AG profits to the limited partners and create financial compensation for the investors for the decline in value of the Class D shares as compared to the current market value which has since occurred.

If MPP shares attributable to a manager are sold as part of an exit, the manager is entitled to a proportionate amount of the HB AG profits generated after deduction of liabilities and liquidation preferences. The manager's entitlement to the payout of his portion of the remaining sales proceeds is linked to the manager in question not having left the HUGO BOSS Group at the time of the exit. Limits on the entitlement to payouts of the pro-rata portion of sales proceeds only exist for managers who leave the Company before an exit. If a manager leaves the Company before the exit, Red & Black TopCo S.à.r.l. has the right to acquire the shares held by the manager in question. The manager leaving is qualified as a so-called "good leaver" or "bad leaver" during the determination of the acquisition price.

As shareholders of the Red & Black TopCo S.à.r.l., the members of the Managing Board and second tier executives are entitled to receive future sales proceeds from exit events as well as profit distributions. Under the circumstances described before, no personnel expenses will affect HUGO BOSS' profit or loss.

As in the previous year, the MPP did not influence the profit or loss for the period of the HUGO BOSS Group in fiscal year 2011, as no transactions that would have needed to be measured at fair value have been carried out since MPP was established. No financial assets or liabilities were recognized as a result of the MPP on December 31, 2010 or on the reporting date.

**German Corporate Governance Code**

The Managing Board and Supervisory Board of HUGO BOSS AG issued the declaration required under Section 161 of the German Stock Corporation Act (AktG) in December 2011. It is permanently available to shareholders on the company website.

## Auditors' fees

Disclosure is omitted pursuant to Section 285 No. 17 of the HGB, since they are disclosed in the consolidated financial statements of HUGO BOSS AG.

## Transactions with related parties

In fiscal year 2011, transactions were effected with related companies not included in the HUGO BOSS AG group report and accounts, or in which the direct or indirect investment holding was less than 100%. The following transactions were carried out with related companies:

| | Type of relationship | | |
|---|---|---|---|
| in EUR thousand<br>Type of transaction | **Affiliate companies** | **Parent company** | **related companies to overall parent company** |
| Sales | – | – | 14 |
| Other operating income | – | 50 | – |
| Leasing costs | 3,818 | – | – |
| Interest income | 91 | – | – |
| Receivables | 2,018 | 50 | – |
| Liabilities | 6 | – | – |

## Dividend payout and appropriation of profits

HUGO BOSS AG closed the fiscal year 2011 with net income of EUR 88,346 thousand (2010: EUR 48,524 thousand). Following the withdrawal from retained earnings, unappropriated income amounts to EUR 203,097 thousand (2010: EUR 142,553 thousand). In view of a profit-oriented distribution policy, the Managing Board and Supervisory Board will recommend to the Annual Shareholders' Meeting that a dividend of EUR 2,88 be paid per common share and EUR 2,89 per preferred share for the fiscal year 2011. This corresponds to an amount of EUR 199,103 thousand (2010: EUR 139,750 thousand). A recommendation will also be made to the Annual Shareholders' Meeting for EUR 3,994 thousand (2010: EUR 2,804 thousand) to be carried forward.

## INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

- On October 17, 2005, HUGO BOSS AG received the following notification from V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 21 of the German Securities Trading Act (WpHG) of March 12, 2003:
  "Referring to our notification of March 12, 2003, we hereby inform you that on September 28, 2005 the Company changed its name from Marzotto International N.V. to V.F.G. International N.V. We continue to hold 78.76% of the voting share capital."

  Metzingen, October 2005
  The Managing Board

- On August 8, 2007, HUGO BOSS AG received from the following companies and individuals the following correction of the notifications on voting rights dated August 3, 2007 pursuant to Section 21 Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG).

**7. Red & Black HoldCo S.à r.l.**

Red & Black HoldCo S.à r.l. notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black HoldCo S.à r.l., Luxembourg (address: 282, route de Longwy, L -1940 Luxembourg), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Red & Black HoldCo S.à r.l. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Red & Black HoldCo S.à r.l. indirectly via Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Red & Black HoldCo S.à r.l. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**8. Red & Black HoldCo 2 S.à r.l.**

Red & Black HoldCo 2 S.à r.l. notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black HoldCo 2 S.à r.l., Luxembourg (address: 282, route de Longwy, L -1940 Luxembourg), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Red & Black HoldCo 2 S.à r.l. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Red & Black HoldCo 2 S.à r.l. indirectly via Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Red & Black HoldCo 2 S.à r.l. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**9. P4 Sub L.P.1**

P4 Sub L.P.1 notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by P4 Sub L.P.1, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to P4 Sub L.P.1 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by P4 Sub L.P.1 indirectly via Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to P4 Sub L.P.1 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V., pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**10. Permira IV L.P.1**

Permira IV L.P.1 notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV L.P.1, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV L.P.1 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV L.P.1 indirectly via P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L.P.1 as a result of the own shares held by HUGO BOSS AG indirectly via P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**11. Permira IV Managers L.P.**

Permira IV Managers L.P. notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV Managers L.P., Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV Managers L.P. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV Managers L.P. indirectly via Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l, Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Managers IV L.P. as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**12. Permira IV Managers Limited**

Permira IV Managers Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV Managers Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV Managers Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV Managers Limited indirectly via Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Managers IV Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira Managers IV L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**13. Permira IV L.P.2**

Permira IV L.P.2 notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV L.P.2, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV L.P.2 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV L.P. 2 indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L.P.2 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**14. P4 Co-Investments L.P.**

P4 Co-Investments L.P. notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by P4 Co-Investments L.P., Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to P4 Co-Investments L.P. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by P4 Co- Investments L.P. indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to P4 Co-Investments L.P. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**15. Permira Investments Limited**

Permira Investments Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Investments Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira Investments Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, Pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira Investments Limited indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Investments Limited as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**16. Permira IV GP L.P.**

Permira IV GP L.P. notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV GP L.P., Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV GP L.P. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV GP L.P. indirectly via Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV GP L.P. as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV L.P. 1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**17. Permira IV GP Limited**

Permira IV GP Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV GP Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV GP Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira IV GP Limited indirectly via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV GP Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

**18. Permira Nominees Limited**

Permira Nominees Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Nominees Limited, Guernsey (address: Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira Nominees Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act. V.F.G. International N.V. is controlled by Permira Nominees Limited indirectly via Permira Investments Limited, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S. p. A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Nominees Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira Investments Limited, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S. p. A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 sentence 1 No. 1 in conjunction with sentence 3 of the Securities Trading Act.

- On March 14, 2008, HUGO BOSS was notified of the following voting rights announcement pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of the entities mentioned in the following:

  "On March 11, 2008 Red & Black 2 S.r.l., Milan (Address: via San Paolo 10, 20121 Milan, Italy) was merged into Red & Black S.r.l., Milan (Address: via San Paolo 10, 20121 Milan, Italy). Thereby Red & Black 2 S.r.l. has lapsed. Legal successor is Red & Black S.r.l. Against the background of the above mentioned merger we inform you in the name and by order of Red & Black S.r.l., Milan (Address: via San Paolo 10, 20121 Milan, Italy) pursuant to 21 paragraph 1, 22 WpHG (German Securities Trading Act) about the following:

  As legal successor of Red & Black S.r.l. 2, Milan (address: via San Paolo 10, 20121 Milan, Italy):
  The proportion of voting rights of Red & Black S.r.l. 2, Milan (address: via San Paolo 10, 20121 Milan, Italy), held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on March 11, 2008 and has stood at 0.00% since this day (no voting rights).

  **For the company itself:** The proportion of voting rights of Red & Black S.r.l., Milan (address: via San Paolo 10, 20121 Milan, Italy), held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, continues to amount to more than 75% of the voting rights as of March 11, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black S.r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled indirectly by Red & Black S.r.l. via Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black S.r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act)."

  Metzingen, March 14, 2008
  The Managing Board

On March 25, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black S.p.A.:
Red & Black S.r.l, Milan, Italy has been converted in Red & Black S.p.A. Milan, Italy. Also after the effectiveness of the conversion of form on March 19, 2008 the company Red&Black S.p.A. held in HUGO BOSS AG, Metzingen, Germany voting rights of more than 75%. With effect of the conversion of form on March 19, 2008 the proportion of the voting rights of Red & Black S.p.A. Milan, Italy, held in HUGO BOSS AG, Metzingen, Germany is 89.49% (32,092,026 voting rights). Thereof the proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black S.p.A. from shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled indirectly by Red & Black S.p.A. via Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black S.r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, March 26, 2008
The Managing Board

- On April 23, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black TopCo S.à r.l., Luxembourg as of Red & Black Lux S.à r.l., Luxembourg.
On April 21, 2008 Red & Black TopCo 2 S.à r.l., Luxembourg was merged into Red & Black TopCo S.à r.l., Luxembourg. Also on April 21, 2008, in a second step, Red & Black Lux 2 S.à r.l., Luxembourg was merged into Red & Black Lux S.à r.l., Luxembourg. Thereby Red & Black TopCo 2 S.à r.l. and Red & Black Lux 2 S.à r.l. have lapsed. Legal successor of Red & Black TopCo 2 S.à r.l. is Red & Black TopCo S.à r.l.; Legal successor of Red & Black Lux 2 S.à r.l. is Red & Black Lux S.à r.l. Against the background of the above mentioned merger Red & Black TopCo S.à r.l. as well as Red & Black Lux S.à r.l. inform pursuant to section 21 paragraph 1, 22 WpHG (German Securities Trading Act) about the following:

**1. Red & Black TopCo S.à r.l. As legal successor of Red & Black TopCo 2 S.à r.l., Luxembourg:** The proportion of voting rights of Red & Black TopCo 2 S.à r.l., Luxembourg held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on April 21, 2008 and has stood at to 0.00% since this day (no voting rights).

**For the company itself:** The proportion of voting rights of Red & Black TopCo S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount to more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black TopCo S.à r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is controlled by Red & Black TopCo S.à r.l. indirectly via Red & Black Lux S.à r.l., Luxembourg, Red & Black S.p.A., Milan, Italy, and Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black TopCo S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

**2. Red & Black Lux S.à r.l. As legal successor of Red & Black Lux 2 S.à r.l., Luxembourg:** The proportion of voting rights of Red & Black Lux 2 S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on April 21, 2008 and has stood at 0.00% since this day (no voting rights).
**For the company itself:** The proportion of voting rights of Red & Black Lux S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount to more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is controlled by Red & Black Lux S.à r.l. indirectly via Red & Black S.p.A., Milan, Italy, and Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, April 24, 2008
The Managing Board

- On May 2, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Valentino Fashion Group S.p.A., Milan, Italy (until May 1, 2008 trading under the name of Red & Black S.p.A., Milan, Italy), registered in the company register Milan on June 26, 2007 under the number 05786030964:

1. On May 1, 2008 Valentino Fashion Group S.p.A., Milan, Italy registered in the company register on February 15, 2005 under the number 047403870962 (hereinafter referred to as “Valentino Old”) was merged into Red & Black S.p.A., Milan, Italy. Thereby Valentino Old has lapsed. Legal successor is Red & Black S.p.A., Milan, Italy.
2. In the course of the above mentioned merger the company Red & Black S.p.A. was renamed Valentino Fashion Group S.p.A. (hereinafter referred to as “Valentino New”) on May 1, 2008.
3. Against the background of the above mentioned merger and renaming, Valentino New pursuant to section 21 paragraph 1 and section 22 WpHG makes the following notification:

**As the legal successor of Valentino Old:** The proportion of voting rights of Valentino Old held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on May 1, 2008 and has stood at 0.00% since this day (no voting rights).
**For the company itself:** The proportion of voting rights of Valentino New held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, continues to amount to more than 75% of the voting rights as of May 1, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Valentino New from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Valentino New. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Valentino New from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, May 2, 2008
The Managing Board

- On August 6, 2008, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):
  The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, exceeded the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on August 4, 2008 and has stood at 89.49% of the voting rights since this day (32,092,026 shares). A proportion of voting rights of 88.02% (31,563,471 voting rights) of the shares held by V.F.G. International N.V. is attributable to Permira Holdings LLP, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Permira Holdings LLP indirectly via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l. and Valentino Fashion Group SpA. A further proportion of voting rights of 1.47% (528,555 shares) is attributable to Permira Holdings LLP of the own shares held by HUGO BOSS AG via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira ominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l., Valentino Fashion Group S.p.A and V.F.G. International N.V. pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

  Metzingen, August 7, 2008
  The Managing Board

- On September 24, 2009, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):
  The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on September 21, 2009 and now stands at 0.00% (no voting rights). For clarification, please note that the proportion of voting rights of all other companies for which their current proportion of voting rights subject to reporting requirements that have up to now been attributable to HUGO BOSS AG remain unaffected by the fact that the party obligated to report has gone below the limits as reported above. Permira Holdings Limited, and not Permira Holdings LLP, is now the controlling company in the existing structure.

  Metzingen, September 25, 2009
  The Managing Board

- On December 23, 2009, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):

  **1. Valentino Fashion Group S.p.A**.
  Valentino Fashion Group S.p.A., Milan, Italy, notified us of the following: We, the Valentino Fashion Group S.p.A., hereby inform you pursuant to section 21 paragraph 1 WpHG (German Securities Trading Act) that on December 23, 2009 our proportion of voting rights held in HUGO BOSS AG went below the limits of 75%, 50%, 30%, 25%, 20%, 15%, ,10%, 5% and 3% and now amounts to 0.00% (0 voting rights). For clarification, please note that the proportion of voting rights of all other companies to which their current proportion of Valentino Fashion Group S.p.A. voting rights attributable to HUGO BOSS AG shares remain unaffected by the fact that the Valentino Fashion Group S.p.A. has gone below the limits as reported above. Permira Holdings Limited remains the controlling company in the existing structure.

  **2. Blitz F09-vier-sechs GmbH**
  Blitz F09-vier-sechs GmbH, Frankfurt/Main, Germany, notified us of the following:
  We, Blitz F09-vier-sechs GmbH, hereby inform you pursuant to section 21 paragraph 1 WpHG (German Securities Trading Act) that on December 23, 2009 our proportion of voting rights held in HUGO BOSS AG exceeded the limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and now stands at 89.49% (32,092,026 voting rights).
  A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Blitz F09-vier-sechs GmbH from the shares held by V.F.G. INTERNATIONAL N.V., Rotterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 WpHG (German Securities Trading Act).
  A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Blitz F09-vier-sechs GmbH from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in WpHG (German Securities Trading Act). For clarification: The above voting rights limits were exceeded because of an internal Group restructuring. Permira Holdings Limited remains the controlling company in the existing structure.

  Metzingen, December 28, 2009
  The Managing Board

- On March 24, 2010, HUGO BOSS AG was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of the entities mentioned in the following:

  **1. V.F.G. International N.V., Amersfoort, Netherlands:**
  On March 23, 2010 the proportion of voting rights of V.F.G. International N.V., Amersfoort, Netherlands held in HUGO BOSS AG has gone below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% and amounts to 0,00% (no shares) on this day.

  **2. Red & Black Holding GmbH (formerly Blitz F09-vier-sechs GmbH), München, Germany:**
  On March 23, 2010 the proportion of voting rights of (formerly Blitz F09-vier-sechs GmbH), München, Germany held in HUGO BOSS AG, Metzingen, Deutschland, amounts still to more than 75% of the voting rights, namely 89,49% of the voting rights (32.092.026 shares). Thereof a proportion of voting rights of 88,02% (31.563.471 shares) of Red & Black Holding GmbH pursuant to § 21 Abs. 1 WpHG are held directly. A further proportion of voting rights of 1,47% (528,555 shares), own shares held by HUGO BOSS AG, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, shall be attributable to Red & Black Holding GmbH.
  For clarification it is mentioned that the proportions of voting rights of all other companies, of which their former proportion of voting rights with HUGO BOSS AG has been attributed to V.F.G. International N.V., are unaffected by the shortfall of the above mentioned limits of V.F.G. International N.V.. The controlling company in the existing structure remains Permira Holdings Limited.

  Metzingen, March 26, 2010
  The Managing Board

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

## MANAGING BOARD

| | |
|---|---|
| **CLAUS-DIETRICH LAHRS**<br>Stuttgart, Germany | Chairman of the Managing Board<br>Responsible for Distribution, Retail,<br>Licenses, Communication and Global Replenishment |
| **CHRISTOPH AUHAGEN**<br>Stuttgart, Germany | Responsible for Brand Management,<br>Creative Management, Sourcing and Manufacturing |
| **MARK LANGER**<br>Stuttgart, Germany | Responsible for Controlling,<br>Investor Relations, Finance, Legal, Human Resources,<br>Logistics, IT and Central Services<br>Director for Labor Relations |

## SUPERVISORY BOARD

| | |
|---|---|
| **DR. HELLMUT ALBRECHT**<br>Munich, Germany | Management Consultant<br>Chairman of the Supervisory Board |
| **ANTONIO SIMINA**<br>Metzingen, Germany | Tailor/Chairman of the Works Council<br>HUGO BOSS AG,<br>Metzingen, Germany<br>Deputy Chairman of the Supervisory Board<br>Employee representative |
| **GERT BAUER**<br>Reutlingen, Germany | First Authorized Representative of the German<br>Metalworkers' Union (IG Metall),<br>Reutlingen/Tübingen, Germany<br>Employee representative |
| **HELMUT BRUST**<br>Bad Urach, Germany | Direktor Social Affairs<br>HUGO BOSS AG,<br>Metzingen, Germany<br>Employee representative |
| **BERND SIMBECK**<br>Metzingen, Germany | Administrative employee,<br>HUGO BOSS AG,<br>Metzingen, Germany<br>Employee representative |
| **SINAN PISKIN**<br>Metzingen, Germany | Administrative employee<br>HUGO BOSS AG,<br>Metzingen, Germany<br>Employee representative |
| **DR. MARTIN WECKWERTH**<br>Frankfurt/Main, Germany | Partner<br>Permira Beteiligungsberatung GmbH,<br>Frankfurt/Main, Germany |
| **MONIKA LERSMACHER**<br>Kornwestheim, Germany | Secretary of the German Metalworkers' Union<br>IG Metall Area Headquarters Baden-Württemberg,<br>Stuttgart, Germany<br>Employee representative |

| | |
|---|---|
| **DAMON MARCUS BUFFINI**<br>Surrey, Great Britain | Managing Director<br>Permira Advisers LLP,<br>London, Great Britain |
| **LUCA MARZOTTO**<br>Venice, Italy | Chief Executive Officer<br>Zignago Holding S.p.A.,<br>Fossalta di Portogruaro, Italy |
| **GAETANO MARZOTTO**<br>Milan, Italien | Chairman of the Supervisory Board<br>Gruppo Santa Margherita S.p.A.,<br>Fossalta di Portogruaro, Italien |
| **DR. KLAUS MAIER**<br>Stuttgart, Germany | Management Consultant |

## ADDITIONAL INFORMATION ON THE DUTIES OF SUPERVISORY BOARD AND MANAGING BOARD MEMBERS

The following members of HUGO BOSS' Supervisory Board also hold positions on bodies at the companies specified below[1]:

| | | |
|---|---|---|
| Dr. Hellmut Albrecht | MME Moviement AG[2] | Munich, Germany |
| | Pro-Beam AG & Co. KGaA[2] | Planegg, Germany |
| Gert Bauer | ElringKlinger AG | Dettingen/Erms, Germany |
| Monika Lersmacher | Berthold Leibinger GmbH | Ditzingen, Germany |
| Dr. Klaus Maier | Diehl Stiftung & Co. KG | Nuremberg, Germany |
| | Titan X Holding AB | Mjällby, Sweden |
| | Valeo SA | Paris, France |
| | Galeria Kaufhof GmbH | Cologne, Germany |
| Gaetano Marzotto | Zignago Holding S.p.A. | Fossalta di Portogruaro, Italy |
| | Santa Margherita S.p.A.[2] | Fossalta di Portogruaro, Italy |
| | Zignago Vetro S.p.A. | Fossalta di Portogruaro, Italy |
| | Valentino Fashion Group S.p.A. | Milano, Itally |
| Luca Marzotto | Zignago Holding S.p.A. | Fossalta di Portogruaro, Italy |
| | Santa Margherita S.p.A. | Fossalta di Portogruaro, Italy |
| | New High Glass Inc. | Miami, FL, USA |
| | Federvini - Sindacato A[2] | Rom, Italy |
| | Vetri Speciali S.p.A. | Trento, Italy |
| | Zignago Vetro S.p.A. | Fossalta di Portogruaro, Italy |
| | Banca Populare Friuladria S.p.A. | Pordenone, Italy |
| Dr. Martin Weckwerth | Valentino Fashion Group S.p.A. | Mailand, Italy |

1 The members not stated have no seats on executive or advisory bodies at any other company..
2 Holding the post of Chairman.

**Disclosure**

The Group annual report and accounts of HUGO BOSS AG are published in the electronic German Federal Gazette and on the HUGO BOSS website.

Metzingen, February 17, 2012

HUGO BOSS AG
The Managing Board

**CLAUS-DIETRICH LAHRS**
**CHRISTOPH AUHAGEN**
**MARK LANGER**

## DEVELOPMENT OF FIXED ASSETS

| | Acquisition or manufacturing costs | | | |
|---|---|---|---|---|
| in EUR thousand | **Jan. 1, 2011** | **Additions** | **Regrouped** | **Disposals** |
| **I. Intangible Assets** | | | | |
| 1. For consideration industrial rights and similar rights | 81,195 | 12,612 | 512 | 2,083 |
| 2. Goodwill | 1,340 | 0 | 0 | 0 |
| 3. Prepayments | 644 | 2,432 | (512) | 0 |
| | **83,179** | **15,044** | **0** | **2,083** |
| **II. II. Property, Plant and Equipment** | | | | |
| 1. Land and buildings including buildings on third-party land | 29,063 | 1,681 | 0 | 0 |
| 2. Technical equipment and machinery | 10,004 | 467 | 0 | 588 |
| 3. Other equipment, factory and office equipment | 131,881 | 7,850 | 11 | 8,872 |
| 4. Prepayments and construction in progress | 12 | 2,898 | (11) | 0 |
| | **170,960** | **12,896** | **0** | **9,460** |
| **III. Financial Assets** | | | | |
| 1. Shares in affiliated companies | 544,876 | 0 | 0 | 0 |
| 2. Other shares | 10 | 0 | 0 | 0 |
| | **544,886** | **0** | **0** | **0** |
| | **799,025** | **27,940** | **0** | **11,543** |

| | | Depreciation | | Net values | |
|---|---|---|---|---|---|
| | Dec. 31, 2011 | Current business year | Accumulated | Dec. 31, 2011 | Dec. 31, 2010 |
| | | | | | |
| | 92,236 | 11,644 | 53,098 | 39,138 | 38,397 |
| | 1,340 | 117 | 587 | 753 | 871 |
| | 2,564 | 0 | 0 | 2,564 | 644 |
| | **96,140** | **11,761** | **53,685** | **42,455** | **39,912** |
| | | | | | |
| | 30,744 | 671 | 15,669 | 15,075 | 14,064 |
| | 9,883 | 632 | 8,218 | 1,665 | 1,838 |
| | 130,870 | 11,223 | 82,091 | 48,779 | 52,643 |
| | 2,899 | 0 | 0 | 2,899 | 12 |
| | **174,396** | **12,526** | **105,978** | **68,418** | **68,557** |
| | | | | | |
| | 544,876 | 0 | 540 | 544,336 | 544,336 |
| | 10 | 0 | 0 | 10 | 10 |
| | **544,886** | **0** | **540** | **544,346** | **544,346** |
| | **815,422** | **24,287** | **160,203** | **655,219** | **652,815** |

04

# ADDITIONAL INFORMATION

# PROPOSAL FOR APPROPRIATION OF PROFIT

The financial statements of HUGO BOSS AG as of December 31, 2011 show an unappropriated income of EUR 203,097,400. In agreement with the Supervisory Board, the Managing Board proposes to the Shareholders' Meeting that the profit be appropriated as follows:

| in EUR | |
|---|---|
| 1. Distribution of a dividend of 2,88 EUR per share with 35,331,445 common shares | 101,754,561.60 |
| 2. Distribution of a dividend of 2,89 EUR per share with 33.684.722 preferred shares | 97,348,846.58 |
| 3. Amount carried forward to a new account | 3,993,991.82 |
| **Unappropriated income** | **203,097,400.00** |

The proposal for the appropriated profit takes into consideration that 528,555 common shares and 855,278 preferred shares are held by HUGO BOSS AG as of December 31, 2010. These shares are not entitled to dividends.

In case HUGO BOSS AG holds own shares at the time of the resolution of the Shareholders' meeting, these shares are not entitled to dividends. The amount allocated to shares not entitled to dividends will be carried forward to new account.

Metzingen, February 17, 2012

HUGO BOSS AG
The Managing Board

**CLAUS-DIETRICH LAHRS**
**CHRISTOPH AUHAGEN**
**MARK LANGER**

# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statement gives a true and fair overview of the assets, liabilities, financial position and profit or loss of HUGO BOSS AG, and the management report includes a fair review of the development and performance of the business and the position of HUGO BOSS AG , along with a description of the principal opportunities and risks associated with the expected development of HUGO BOSS AG .

Metzingen, February 17, 2012

HUGO BOSS AG
The Managing Board

**CLAUS-DIETRICH LAHRS**
**CHRISTOPH AUHAGEN**
**MARK LANGER**

# AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the HUGO BOSS AG , Metzingen, for the business year from January 1 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that mis–statements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit
provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the HUGO BOSS AG in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 17, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Göttgens | Gloß |
| Wirtschaftsprüfer | Wirtschaftsprüferin |

# FORWARD-LOOKING STATEMENTS

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

# FINANCIAL CALENDAR AND CONTACTS

## FINANCIAL CALENDAR

**MARCH 14, 2012**

Press and analysts' conference

**APRIL 26, 2012**

Publication of the first quarter report 2012

**MAY 3, 2012**

Annual shareholders' meeting

**JULY 31, 2012**

Publication of the first half year report 2012

**OCTOBER 30, 2012**

Publication of the nine months report 2012

## CONTACTS

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