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HUGO BOSS TEN-YEAR SUMMARY

in € million	2007 IFRS	2006 IFRS	2005 IFRS
Earnings Position			
Sales	1,632.0	1,495.5	1,309.4
EBIT[1]	220.3	184.4	162.9
Net income	154.1	128.7	108.2
adjusted[2]	–	–	–
Personnel expenses[1]	299.7	277.8	238.2
Employees[3]	9,123	8,441	7,584
Financial Position and Dividend			
Cash flow	218.6	175.5	153.9
adjusted[2]	–	–	–
Free cash flow before dividend	25.8	60.3	106.9
Capital expenditure	84.7	98.5	76.6
Depreciation/amortization[4]	67.4	49.0	41.3
Dividends	100.4[8]	82.5	70.2
Special dividends	345.1[8]	–	–
Asset and Liability Structure			
Total assets	1,039.3	943.1	854.0
Shareholders' equity[5]	546.4	494.4	467.8
Current assets	638.8	545.2	493.4
Non-current assets	400.5	397.9	360.6
Key Figures			
Foreign sales in %[6]	77.9	76.8	75.7
EBIT margin in %	13.5	12.3	12.4
Return on sales after taxes in %	9.4	8.6	8.3
adjusted[2]	–	–	–
Return on equity in %[7]	29.2	26.2	23.8
adjusted[2]	–	–	–
Equity-to-assets ratio in %	52.6	52.4	54.8
Shares (in EUR)			
Dividend per share			
common stock	1.45[8]	1.19	1.00
preferred stock	1.46[8]	1.20	1.01
Special dividend per share			
common stock	5.00[8]	–	–
preferred stock	5.00[8]	–	–
Earnings per share[9]	–	–	–
common stock	2.22	1.84	1.54
preferred stock	2.24	1.86	1.55
Cash flow per share	3.11	2.49	2.19
adjusted[2]	–	–	–
Common stock[10]			
highest price	55.40	41.70	32.60
lowest price	38.26	28.60	21.00
Preferred stock[10]			
highest price	49.69	40.40	31.50
lowest price	38.65	28.84	21.10

1 Since 2004: including non-recurring positions.
2 Figures adjusted for the tax effect of the special dividend.
3 Average for the year acc. to HGB/capacities on the reporting date acc. to IFRS.
4 Since 2004: Including non-recurring write-offs.
5 Incl. 50% of special untaxed reserves.
6 Export share incl. foreign royalties income.

2004 IFRS	2003 IFRS	2002 IFRS	2001 IFRS	2001 HGB	2000 HGB	1999 HGB	1998 HGB
1,168.4	1,054.1	1,093.4	1,094.7	1,094.7	923.4	752.9	683.6
135.3	119.3	98.4	153.0	151.2	161.6	103.4	92.8
88.2	82.4	74.7	117.6	106.6	109.0	56.5	49.7
–	–	–	107.7	–	99.1	–	–
198.3	170.4	158.2	149.3	149.7	123.1	100.5	91.7
6,942	5,110	4,600	4,234	4,240	3,394	2,581	2,195
119.9	111.9	105.1	150.6	141.9	125.7	73.0	63.8
–	–	–	140.7	–	115.8	–	–
40.1	60.5	61.0	(46.8)	(26.3)	17.8	33.5	(2.6)
57.3	46.3	68.4	95.6	73.7	36.6	46.9	29.8
37.4	32.9	32.2	29.4	30.6	22.8	19.4	13.3
59.2	55.2	53.1	53.1	53.1	49.5	28.4	24.8
–	–	–	–	–	43.9	–	–
810.4	754.5	760.4	756.8	661.7	501.2	369.5	333.5
415.6	399.5	385.2	375.3	320.9	305.4	223.0	185.7
478.5	496.7	498.5	528.5	485.1	370.2	260.4	248.8
331.9	257.9	261.9	199.8	159.5	115.8	100.6	81.3
75.0	75.2	74.8	72.9	71.6	69.5	63.6	61.7
11.6	11.3	10.6	15.3	14.8	17.7	14.6	14.1
7.5	7.8	6.8	10.7	9.7	11.8	7.5	7.3
–	–	–	9.8	–	10.7	–	–
21.3	20.4	18.9	30.9	33.2	41.3	27.6	28.8
–	–	–	28.3	–	37.5	–	–
51.3	52.9	50.6	49.6	48.5	60.9	60.4	55.7
0.84	0.78	0.75	0.75	0.75	0.70	0.40	0.35
0.85	0.79	0.76	0.76	0.76	0.71	0.41	0.36
–	–	–	–	–	0.62	–	–
–	–	–	–	–	0.62	–	–
–	–	–	–	1.52	1.33	0.85	0.71
1.24	1.16	1.05	1.52[2]	–	–	–	–
1.26	1.18	1.07	1.54[2]	–	–	–	–
1.70	1.59	1.49	2.14	2.02	1.79	1.04	0.91
–	–	–	2.00	–	1.65	–	–
23.81	18.00	26.10	33.80	33.80	29.50	12.70	18.45
16.05	8.10	7.60	13.70	13.70	10.20	9.26	10.23
24.43	17.93	29.45	39.20	39.20	38.50	14.30	19.99
15.85	8.48	8.20	15.10	15.10	10.56	9.53	10.97

7 Net income in relation to shareholders' equity.
8 2007: Recommendation for dividend payment.
9 2007–2001: based on IFRS; prior to 2001: based on DVFA/SG ("Deutsche Vereinigung für Finanzanalyse und Anlageberatung/ Schmalenbachgesellschaft").
10 Frankfurt/Main floor.
11 Negative amounts are shown in brackets.

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LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

HUGO BOSS stands for success! We finished fiscal year 2007 on a high note. Not only did we meet the goals that we set for ourselves at the beginning of the past year, we even exceeded them in a number of areas. Our sales grew by 9%, to more than EUR 1.6 billion. This actually corresponds to 12% after adjustment for currency differences. Our net annual surplus grew by 20% to EUR 154 million. Thus HUGO BOSS is continuing its dynamic growth trend from previous years and is expanding its share in all important regions.

Our successful business performance was also reflected in the growing ranks of our employees, which increased to 9,123 worldwide by the end of the year. We are proud to have created 682 new positions in all parts of the company, with 243 of these in Germany alone. HUGO BOSS offers its employees an environment enriched by an international atmosphere, innovation, and development, and considers this as one of the strengths of the Company. As part of our efforts to provide ongoing career development for our employees and create a cadre for the future, we plan to create new positions in the future as well, both in Germany and abroad.

As the most successful year in the Company's history, fiscal year 2007 has proven the effectiveness of the strategy we have consistently followed in recent years, which is to focus on the expansion of our most important growth fields, namely our own retail activities, womenswear, and shoes and leather accessories.

Our directly operated stores enable us to respond flexibly and directly to changes in the market, and also improve cost efficiency in store management. For this reason, we have continued the international expansion of our own retail activities in 2007. By opening 77 new stores as of the end of the year we are now operating a total of 287 stores in 17 countries (2006: 210 stores). This increased the share of DOS sales to 15% of total sales.

BOSS Womenswear turned in a very gratifying performance again over the past year, with sales improving by a total of 29%. The growth in share of this segment as a percentage of total sales to 13% (2006: 11%) corresponds to our goal to develop the womenswear segment to an important driver for sales and earnings.

In a related development, the Company further expanded its product segment of shoes and leather accessories, which is important for the womenswear business. A 16% growth in sales clearly demonstrates how successfully we have positioned ourselves on the market with these product groups, whose share of total sales is 11%.

Moreover, sales in the menswear segment also increased in fiscal year 2007. Sales grew by 7% compared to the previous year.

From a strategic perspective, our business activities are aimed at both strengthening our established market position and consistently developing new areas of potential growth. With the introduction of BOSS Orange Kidswear as well as a jewelry collection, we will further enhance our product range in the current year. Furthermore, the extension of distribution structures in the strong growth markets of North America, Eastern Europe and Asia, particularly China, plays a crucial role.

This requires the broadening and optimization of our business processes, as well as the IT systems that support them. The Columbus project, which is designed to increase efficiency throughout the entire process chain, and which constitutes the largest internal modernization process in the Company's history, was successfully completed in the past fiscal year. With this system in place, we now have optimal conditions to ensure innovativeness, flexibility, and efficiency, both internally and externally, as the Company continues to grow.

Following the indirect takeover of the majority of shares in the HUGO BOSS Group's parent company, Valentino Fashion Group, our Company has been indirectly controlled since the middle of last year by funds advised by the British private equity firm Permira. The Permira Funds currently hold indirectly circa 72% of our Company's total share capital. The existing business strategy of the HUGO BOSS Group is fully supported by its new major shareholder.

The management of HUGO BOSS AG remains committed to building upon the successes we have achieved thus far, maintaining the good reputation that this has produced and our customers' confidence in our product quality, and upholding the strength of our brands.

We are therefore convinced that 2008 will be another very successful year for HUGO BOSS. Our goal is to continue increasing our share in all key markets and for all product segments, and to set new records in sales and profits.

We wish to thank all our employees for their personal efforts, as well as our shareholders, customers, and business partners for their confidence and support in helping us to reach our goals.

The Managing Board

REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

Throughout fiscal 2007, the Supervisory Board continued to take great care in fulfilling its duties as established under the law, the Company's Articles of Association, and its Bylaws.

COOPERATION OF MANAGING BOARD AND SUPERVISORY BOARD

The Supervisory Board provided counsel to the Managing Board and monitored its management of the Company. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance for the company. The Managing Board reported regularly to the Supervisory Board, both verbally and in writing, on all relevant aspects of corporate planning and strategic development as well as on business processes and changes in key financial figures in a prompt and comprehensive fashion, including via monthly reports. Any deviations from forecasts and targets were explained individually to the Supervisory Board and reviewed by means of the documentation presented. The Managing Board coordinated the strategic orientation of the Company with the Supervisory Board and submitted all matters requiring authorization to the Supervisory Board for resolution in a timely manner. The Supervisory Board issued its authorizations after review of the documentation and, if necessary, asking for clarification from the Managing Board and discussing the matter with the members of the Managing Board. In urgent cases, a written resolution was requested. Moreover, the Chair of the Managing Board and the Chair of the Supervisory Board held regular discussions on key developments and upcoming decisions.

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

Due to the withdrawal from the Supervisory Board of shareholder representatives Philippe Bouckaert, Andrea Donà dalle Rose, Antonio Favrin, Reinhold L. Mestwerdt, and Dario Federico Segre, on October 4, 2007 the following new members were judicially appointed as shareholder representatives for the current term of office: Gianluca Andena, Fabrizio Carretti, Ulrich Gasse, Dr. Martin Weckwerth, and Katrin Wehr-Seiter. At the Supervisory Board meeting of October 24, 2007, the committees were correspondingly reformed.

The Supervisory Board would like to take this opportunity to thank the former Supervisory Board members for their consistently constructive and knowledgeable input and for their contributions to the excellent working atmosphere.

TOPICS DEALT WITH BY THE SUPERVISORY BOARD AND THE COMMITTEES IN 2007

In fiscal year 2007, four regular and two special Supervisory Board meetings were held in the months of March, May, June, July, October, and December.

Between scheduled meetings, the Supervisory Board was also kept informed in writing of projects and strategic decisions of high priority for the Company. Due to health reasons, Mr. Roland Klett was only able to participate in half of the Supervisory Board Meetings in fiscal 2007. Items of regular discussion by the Supervisory Board included the sales and earnings trends, investment planning, continuing internationalization of the business, and the Company's current risk exposure. Additional focus was placed in the 2007 reporting year on topics such as continued expansion of the Company's own retail business and the Columbus project. Furthermore, the Supervisory Board held special sessions in June and July of 2007 to discuss the voluntary takeover bid of Red & Black Lux S. à r. l. for HUGO BOSS AG shares related to the takeover of majority shareholder Valentino Fashion Group S. p. A. At the July 2007 session, the Managing Board and the Supervisory Board of HUGO BOSS held intense discussions in order to form a joint opinion on the takeover bid. After resolution, the joint opinion was published in accordance with the statutory provisions.

To facilitate the effective execution of its duties, the Supervisory Board has established a total of five committees, each of which is entrusted with specific topics related to corporate management. During fiscal 2007, the Audit Committee met five times. Its chief topics involved the audit of the annual financial statements and the consolidated financial statements, financial management strategy, as well as risk management, compliance, and the budgets for future fiscal years. The Personnel Committee also met five times. The main topics of discussion of this committee were the remuneration structure for the Managing Board and its targets. The Working Committee met four times in the reporting year to discuss the orientation and strategic development of the Group as well as corporate and investment planning and to prepare the corresponding Supervisory Board resolutions. The Mediation Committee pursuant to Section 27 Paragraph 3 of the German Co-Determination Act (MitbestG) and the Nomination Committee pursuant to Section 5.3.3 of the German Corporate Governance Code did not need to convene in the past fiscal year. The Nomination Committee established by the Supervisory Board pursuant to Section 5.3.3 of the Corporate Governance Code at its meeting of December 5, 2007 did not meet in fiscal 2007, given that the Supervisory Board had just been reappointed. The Chairs of the respective committees reported in detail to the Supervisory Board on all results of the committee meetings.

CORPORATE GOVERNANCE

In December 2007 and January 2008, respectively, the Supervisory Board and the Managing Board resolved on the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) on adherence to the recommendations of the Corporate Governance Code at HUGO BOSS AG. The joint report on adherence to German corporate governance standards pursuant to Section 3.10 of the Corporate Governance Code can be found on page 020 et seq. As in past years, a review of the efficiency of the Supervisory Board's activities – as recommended by the Corporate Governance Code – was conducted by means of a standardized, comprehensive questionnaire. The results were discussed in detail and analyzed at the Supervisory Board Meeting on December 5, 2007. On the whole, the Supervisory Board arrived at a positive conclusion.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, reviewed the annual financial statements of HUGO BOSS AG and the management report for fiscal 2007 along with the consolidated financial statements and the Group management report for fiscal 2007 prepared by the Managing Board. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting on May 10, 2007. 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). The external auditor issued an unqualified audit opinion for the annual financial statements and the management report as well as the consolidated financial statements and the Group management report. The auditor confirmed that no inaccuracies or violations of applicable law were noted in the annual financial statements, the consolidated financial statements, the management report, or the Group management report.

The report on relations with affiliated companies prepared by the Managing Board was also reviewed by the auditors. The auditors have 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's 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 audit report from the external auditors on the report on relations which affiliated companies. These documents were reviewed and discussed in detail by the Audit Committee, the Working Committee, and the Supervisory Board in the presence of the external auditors, who reported on their audit findings. The auditors reported on their main audit findings and commented on the financial performance and financial position of the Company and the Group in detail. The questions posed by the Supervisory Board and its committees at such time were answered, and the audit records were examined in detail with the auditors and discussed and reviewed by the Supervisory Board and its committees. The audit reports were discussed with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After a final review, the Supervisory Board and its committees deemed that no objections need be raised.

At its financial review meeting on March 11, 2008, the Supervisory Board therefore approved the annual financial statements, the consolidated financial statements, and the corresponding management reports for fiscal 2007 as prepared by the Managing Board. The annual financial statements of HUGO BOSS AG are thus deemed approved in accordance with Section 172 of the Stock Corporation Act.

No objections were raised to the Managing Board's statement at the end of the report on relations with affiliated companies based on the final audit findings pertaining to the report and the audit report prepared thereon by the external auditors.

Finally, the Supervisory Board approved in his meeting on March 11, 2008 the proposal of the Managing Board for the appropriation of profits. In this content the Supervisory Board held intensive discussions on the liquidity situation of the company, the financing of planned investments, and the impact on the capital market. In the course of the discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of the Company and its shareholders.

CHANGES IN THE MANAGING BOARD

Dr. Bruno Sälzer left the Managing Board of the Company as of February 29, 2008. His departure occurred on the best of terms in a move supported by all concerned. Dr. Sälzer played a crucial role in the development of HUGO BOSS for many years. He put the HUGO BOSS brand on the path to international success, and is leaving the Company very well positioned to meet future competitive challenges. During his term of office, he oversaw fundamental changes such as the introduction of a womenswear line and expansion of the brand portfolio and product lines. We would like to take this opportunity to thank Dr. Sälzer for his many years of successful management of the Company and his great personal dedication to HUGO BOSS as a Managing Board member (since 1995), Deputy Chair (since 1998), and Chairman of the Managing Board (since 2002). Dr. Werner Lackas left the Managing Board of the Company as of March 5, 2008. His departure occured on best terms in a move supported by all concerned. He was responsible for Purchasing, Production and Logistics since October 1, 1997. We would like to thank Dr. Lackas for his many years of successful service for the Company.

Also as of March 5, 2008 Hans Fluri was appointed as member of the Managing Board. He is responsible for Purchasing, Production, and Logistics.

The Supervisory Board wishes to express its thanks and recognition to the members of the Managing Board, all employees, and the employee representatives for their high level of personal commitment and their achievements in fiscal 2007.

Metzingen, March 11, 2008
The Supervisory Board

Dr. Giuseppe Vita
(Chairman of the Supervisory Board)

SUPERVISORY AND MANAGING BOARD

SUPERVISORY BOARD

Dr. Giuseppe Vita, Milan, Italy	Chairman of the Supervisory Board
Antonio Simina, Metzingen, Germany	Tailor/Chairman of the Works Council, HUGO BOSS AG, Metzingen, Germany, Deputy Chairman, Employee representative
Gianluca Andena, Milan, Italy	Managing Director, Permira Associati S. p. A., Milan, Italy, Supervisory Board member since Oct. 4, 2007
Gert Bauer, Reutlingen, Germany	First Authorized Representative, German Metalworkers' Union (IG-Metall), Reutlingen/Tübingen, Germany, Employee representative
Philippe Bouckaert, London, Great Britain	Supervisory Board member until Sep. 30, 2007
Helmut Brust, Bad Urach, Germany	Director Retail Germany, HUGO BOSS AG, Metzingen, Germany, Employee representative
Fabrizio Carretti, Milan, Italy	Principal, Permira Associati S. p. A., Milan, Italy, Supervisory Board member since Oct. 4, 2007
Andrea Donà dalle Rose, Rome, Italy	Deputy Chairman of the Board of Directors Valentino Fashion Group S. p. A., Milan, Italy, Supervisory Board member until Sep. 2, 2007
Antonio Favrin, Portogruaro, Venice, Italy	Chairman of the Board of Directors, Valentino Fashion Group S. p. A., Milan, Italy (until Sep. 20, 2007), Supervisory Board member until Sep. 2, 2007

Ulrich Gasse, Frankfurt/Main, Germany	Attorney at law, Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, Supervisory Board member since Oct. 4, 2007
Peter Haupt, Metzingen, Germany	Administrative employee, HUGO BOSS AG, Metzingen, Germany, Employee representative
Roland Klett, Metzingen, Germany	Head of Flat Packed Goods, HUGO BOSS AG, Metzingen, Germany, Employee representative
Reinhold L. Mestwerdt, Kronberg, Germany	Managing Director, Westdeutsche Spielbanken GmbH & Co. KG, Duisburg, Germany, Supervisory Board member until Sep. 28, 2007
Rainer Otto, Langen, Germany	Secretary, German Metalworkers' Union (IG-Metall), Managing Board, Frankfurt/Main, Germany, Employee representative
Dario Federico Segre, Milan, Italy	Deputy Chairman (since Oct. 25, 2007), Finanziaria Canova S. p. A., Milan, Italy, Supervisory Board member until Sep. 2, 2007
Dr. Martin Weckwerth, Frankfurt/Main, Germany	Partner, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, Supervisory Board member since Oct. 4, 2007
Katrin Wehr-Seiter, Frankfurt/Main, Germany	Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, Supervisory Board member since Oct. 4, 2007

MANAGING BOARD

Dr. Bruno Sälzer, Reutlingen, Germany	Chairman of the Managing Board, Responsible for Sales, Marketing, and the BOSS brand, Member of the Managing Board from Nov. 1, 1995 until Feb. 29, 2008
Hans Fluri, Pfaeffikon, Switzerland	Responsible for Purchasing, Production, and Logistics, Member of the Managing Board since March 5, 2008
Dr. Werner Lackas, Eningen unter Achalm, Germany	Responsible for Purchasing, Production, and Logistics, Member of the Managing Board from Oct. 1, 1997 until March 5, 2008
André Maeder, Stuttgart, Germany	Responsible for Retail, Licenses, and the HUGO brand Member of the Managing Board since Jan. 1, 2004
Joachim Reinhardt, Metzingen, Germany	Responsible for Finance, Human Resources, Legal Affairs, and IT Director for Labor Relations since Apr. 1, 2006 Member of the Managing Board since Apr. 1, 2006


Dr. Bruno Sälzer


Dr. Werner Lackas


André Maeder


Joachim Reinhardt

CORPORATE GOVERNANCE

On its own behalf as well as on behalf of the Supervisory Board, the Managing Board has reported as follows pursuant to Section 3.10 of the German Corporate Governance Code on corporate governance at HUGO BOSS:

Given that HUGO BOSS AG is a joint stock corporation (Aktiengesellschaft) with registered offices in Germany, the principles of corporate governance are based in German law, particularly corporation law, the law of co-determination, and the law pertaining to capital markets as well as the Company's Articles of Association and the German Corporate Governance Code.

In 2007, HUGO BOSS AG continued to follow recognized standards for good, responsible corporate governance. We see good corporate governance as one of the most important principles for the long-term success of the Company – a standard that we extend to all areas of the Company.

TRANSPARENT COMMUNICATION WITH OUR SHAREHOLDERS

We intend to reinforce the trust placed in us by our shareholders and capital backers as well as the interested public by remaining open and transparent. For this reason, we report regularly and promptly on the situation of the Company and any major changes in the business. The financial calendar may be referred to for important dates. The financial calendar is a fixed component of the annual report and the interim reports and is updated on an ongoing basis on the Company website. We also meet regularly with analysts and institutional investors as part of our investor relations activities. In addition to the yearly analyst conferences on the annual financial statements, telephone conferences are held for analysts upon publication of the interim reports on the first, second and third quarters. All presentations prepared for these events as well as for the investor conferences may be viewed in the Internet.

The aim of the Annual Shareholders' Meeting is to provide all shareholders with current and comprehensive information in an efficient manner both before and during the meeting. Shareholders who are not able to attend the Annual Shareholders' Meeting in person have the opportunity of following the transmission of the speech of the Chairman of the Managing Board in the Internet. They may either cast their vote themselves at the meeting or by proxy via an authorized person of their choice or a representative of the Company acting as per their instructions.

Shareholders and potential investors can keep up-to-date on current Group developments in the Internet. All press releases and ad-hoc announcements of HUGO BOSS AG are published on the Company's website. This is intended to ensure that the new information communicated to financial analysts and institutional investors is provided to all shareholders and the interested public at the same time. HUGO BOSS also reports on new developments in the Group via an electronic newsletter.

Moreover, reports on investor shareholdings, shareholdings of members of the Managing and Supervisory Boards, and directors' dealing are published on our website.

Insider information pursuant to Section 15 of the German Securities Trading Act (WpHG) that directly relates to the company is published immediately by HUGO BOSS in accordance with the statutory provisions and can be viewed on the Company's website at www.group.hugoboss.com, under "Notes WpHG", as can the reports on investor shareholdings.

Pursuant to Section 15a of the Securities Trading Act, members of the Managing and Supervisory Boards as well as employees with management responsibilities as defined in the Securities Trading Act are required to disclose the purchase or sale of HUGO BOSS AG securities. During the reporting period from January 1 to December 31, 2007, no securities transactions were reported to the Company. In addition, as of December 31, 2007 the total shares held in HUGO BOSS AG by all Managing and Supervisory Board members amounted to less than 1% of the shares issued by the Company. Thus as of such date, there were no shareholdings subject to the reporting requirements of Section 6.6 of the German Corporate Governance Code.

CLOSE COOPERATION OF MANAGING BOARD AND SUPERVISORY BOARD

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

When selecting the Supervisory Board members, care was taken to ensure that the Supervisory Board committees are composed only of members who possess the requisite knowledge, skills, and professional experience and who are independent within the meaning of the German Corporate Governance Code. None of the current Supervisory Board members has previously occupied a management position within the Company. Likewise, no consulting agreements or other contracts for work and services were entered into between Supervisory Board members and the Company in the year under review.

The members of the Managing and Supervisory Boards may not pursue any personal interests or grant any unfair advantages to other persons in connection with their activities or when making decisions. No conflicts of interest occurred between Managing or Supervisory Board members during the reporting year.

The persons holding seats on the Managing and Supervisory Boards are listed in the notes under "Supervisory and Managing Board" on page 169 et seq.

RESPONSIBLE HANDLING OF ENTREPRENEURIAL RISKS

Good corporate governance also involves handling entrepreneurial risks responsibly. The Managing Board provides for appropriate risk management and risk control in the Company. Our value-based Group management involves a systematic risk management process that ensures that risks are identified and measured at an early state and risk exposure is optimized. Details on this topic may be found in the "Risk Report" on page 080 et seq.

ACCOUNTING AND AUDIT OF THE FINANCIAL STATEMENTS

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

SHARE-BASED PAYMENT FOR THE MANAGING BOARD

Since fiscal 2001, HUGO BOSS AG has been offering a stock appreciation rights program for Managing Board members and executives. As part of this program, members of the HUGO BOSS AG Managing Board as well as certain other executives of HUGO BOSS AG and its subsidiaries are accorded a defined 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 confer a claim to payment in cash, not a claim to HUGO BOSS AG shares.

Tranches 4 to 7 of the stock appreciation rights program have terms of six years. After the initial holding period of two years, the four-year exercise period commences. Participation rights may be exercised if the increase in the price of preferred shares of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the holding period or during the exercise period.

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

DECLARATION OF COMPLIANCE

Pursuant to Section 161 of the Stock Corporation Act, the Managing Board and Supervisory Board of HUGO BOSS must submit an annual declaration of compliance stating whether the recommendations published by the Government Commission on the German Corporate Governance Code in the official section of the electronic Federal Gazette have been and are being complied with and, if applicable, which of the recommendations the Company does not comply with. The latest amendments to the German Corporate Governance Code were published in the electronic Federal Gazette on July 20, 2007.

Already in 2003, the Annual Shareholders' Meeting of HUGO BOSS AG resolved on changes to the Articles of Association that created the framework necessary for following the recommendations of the Corporate Governance Code to a great extent. With regard to the period between December 2006 and December 2007/January 2008, the Managing Board and the Supervisory Board have declared that the recommendations and suggestions of the Government Commission on the German Corporate Governance Code were generally complied with. The Managing and Supervisory Boards also plan to adhere to these recommendations and suggestions in the future. Only the following recommendations were not and are not complied with:

- "In principle, each share carries one vote." (Section 2.1.2 Sentence 1 of the Code)

  As of December 31, 2007, the share capital of HUGO BOSS AG was divided into 35,860,000 voting common shares and 34,540,000 non-voting preferred shares. This division exists for historical reasons. Only non-voting preferred shares were initially issued on December 19, 1985.

  In order to better respond to the differing preferences of market participants, common shares were floated in 1987; nominal capital remained unchanged.

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

  HUGO BOSS AG covers the D&O risk by taking out appropriate property and liability insurance for the members of its executive bodies, which also encompasses coverage for the Supervisory Board members.

The Company's Managing and Supervisory Boards perform their duties responsibly and in the interest of the Company. HUGO BOSS does not believe that a deductible is an appropriate means to further improve the sense of responsibility of the individuals concerned. Moreover, no significant savings in premiums would be achieved by introducing a deductible.

- "Changing such performance targets or the comparison parameters retroactively shall be excluded. For extraordinary, unforeseen developments a possibility of limitation (Cap) shall be agreed for by the Supervisory Board. In concluding Management Board contracts, care should be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation including fringe benefits (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap should be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current fiscal year.

  Payments promised in the event of premature termination of a Management Board member's contract due to a change of control should not exceed 150% of the severance payment cap." (Section 4.2.3 Sentences 7 to 11 of the Code)

  We do not plan a post facto change of objectives or comparative parameters. However, the contracts of the Managing Board members do not follow the recommendations of the Corporate Governance Code as these contracts had already been concluded or renewed prior to the amendments to the Code. Modification of the contracts is not planned at present. We do not intend to apply a cap to compensation of the Managing Board within the long-term incentive system (stock appreciation rights program) in the event of extraordinary, unforeseen developments. HUGO BOSS AG's long-term incentive system provides a number of participation rights for members of the Managing Board and specified employees, enabling them to benefit from price increases in HUGO BOSS shares. The program was established prior to the effective date of the relevant recommendation, which could therefore not be incorporated.

- "Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way.

  The presentation of the concrete form of a stock option plan or comparable schemes for components with a long-term incentive effect and risk character shall include the value thereof. In the case of pension plans, the allocation to accrued pension liabilities or pension funds shall be stated each year.

The substantive content of severance awards for Management Board members shall be disclosed if in legal terms the awards differ not insignificantly from the awards granted to employees. The compensation report shall also include information on the nature of the fringe benefits provided by the company." (Section 4.2.5 of the Code)

In 2006, the Annual Shareholders' Meeting of HUGO BOSS resolved to dispense with a detailed breakdown of Managing Board remuneration with individual specification of the Managing Board members. As a result of this resolution of the Annual Shareholders' Meeting, no details are provided on the total remuneration paid.

- "An application for the judicial appointment of a Supervisory Board member shall be limited in time up to the next annual general meeting." (Section 5.4.3 Sentence 2 of the Code)

  Following the takeover of the majority shareholder, Valentino Fashion Group S. p. A., by Red & Black Lux S. à r. l. and the resulting indirect change in the majority shareholder of HUGO BOSS AG, five new shareholder representatives were judicially appointed to the Supervisory Board on October 4, 2007. In the interest of providing an appropriate familiarization phase and ensuring the subsequent continuity in the Supervisory Board, the new members were appointed for the remaining term of the Supervisory Board and thus at variance with Section 5.4.3 Sentence 2 of the Code.

- "The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components. Payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall also be listed separately in the Corporate Governance Report." (Section 5.4.7 Paragraph 3 of the Code)

  Total payments made to members of the Supervisory Board pursuant to IAS 24 are disclosed in the Notes to the Consolidated Financial Statements. A detailed disclosure of the individual amounts in the Corporate Governance Report would not provide any additional information of relevance to capital markets.

  In 2006, the Annual Shareholders' Meeting resolved on an extensive, detailed amendment to the provision regarding Supervisory Board compensation in the Articles of Association of HUGO BOSS AG.

DECLARATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD OF HUGO BOSS AG PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (DECEMBER 2007)

In December 2007, the Managing Board and Supervisory Board of HUGO BOSS AG submitted the following Declaration of Compliance in accordance with Section 161 of the Stock Corporation Act, which was modified in January 2008 by deleting the reference to non-compliance with Section 6.6 and adding a reference to non-compliance with Section 5.4.3 Sentence 2.

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

The Managing Board and Supervisory Board of HUGO BOSS AG hereby declare pursuant to Section 161 of the German Stock Corporation Act (AktG) that since the Declaration of Compliance made in December 2006, the recommendations of the Government Commission on the German Corporate Governance Code – initially as amended on June 12, 2006 and published in the electronic Federal Gazette on July 24, 2006 and subsequently as amended on June 14, 2007 and published in the electronic Federal Gazette on July 20, 2007 – have been and are being adhered to with the following exceptions:

The recommendations based on Section 2.1.2 Sentence 1, Section 3.8 Paragraph 2, Section 4.2.3 Sentences 7 and 8 (previous version) and Sentences 7 to 11 of the current version, Section 4.2.5, Section 5.4.3 Sentence 2, and Section 5.4.7 Paragraph 3 have not been and are not being complied with.

Metzingen, January 2008”

HUGO BOSS – KEY SHARE DATA

	2007	2006
Number of shares	70,400,000	70,400,000
common stock	35,860,000	35,860,000
preferred stock	34,540,000	34,540,000
Year-end (12/31) share price in EUR[1]		
common share	39.60	41.00
preferred share	39.00	38.92
Share price in EUR[1]		
common share		
high	55.40	41.70
low	38.26	28.60
preferred share		
high	49.69	40.40
low	38.65	28.84
Market capitalization in EUR million (12/31)	2,767	2,815
Earnings per share in EUR		
common share	2.22	1.84
preferred share	2.24	1.86
Price-earnings ratio[2]		
high	22	22
low	17	16
Amount distributed in EUR million[3]	445.5	82.5
Distribution rate in %[4]	289	64
Dividend per share in EUR[3]		
common share	6.45	1.19
preferred share	6.46	1.20
Dividend yield in %[5]		
high	13.0	3.0
low	16.7	4.2

[1] Xetra.
[2] Based on maximum/minimum prices of preferred share.
[3] 2007: To be proposed to the AGM.
[4] Based on consolidated net profit.
[5] Based on preferred shares.

TYPE OF SHARE: NO-PAR-VALUE SHARES

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

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

HUGO BOSS IN THE CAPITAL MARKETS

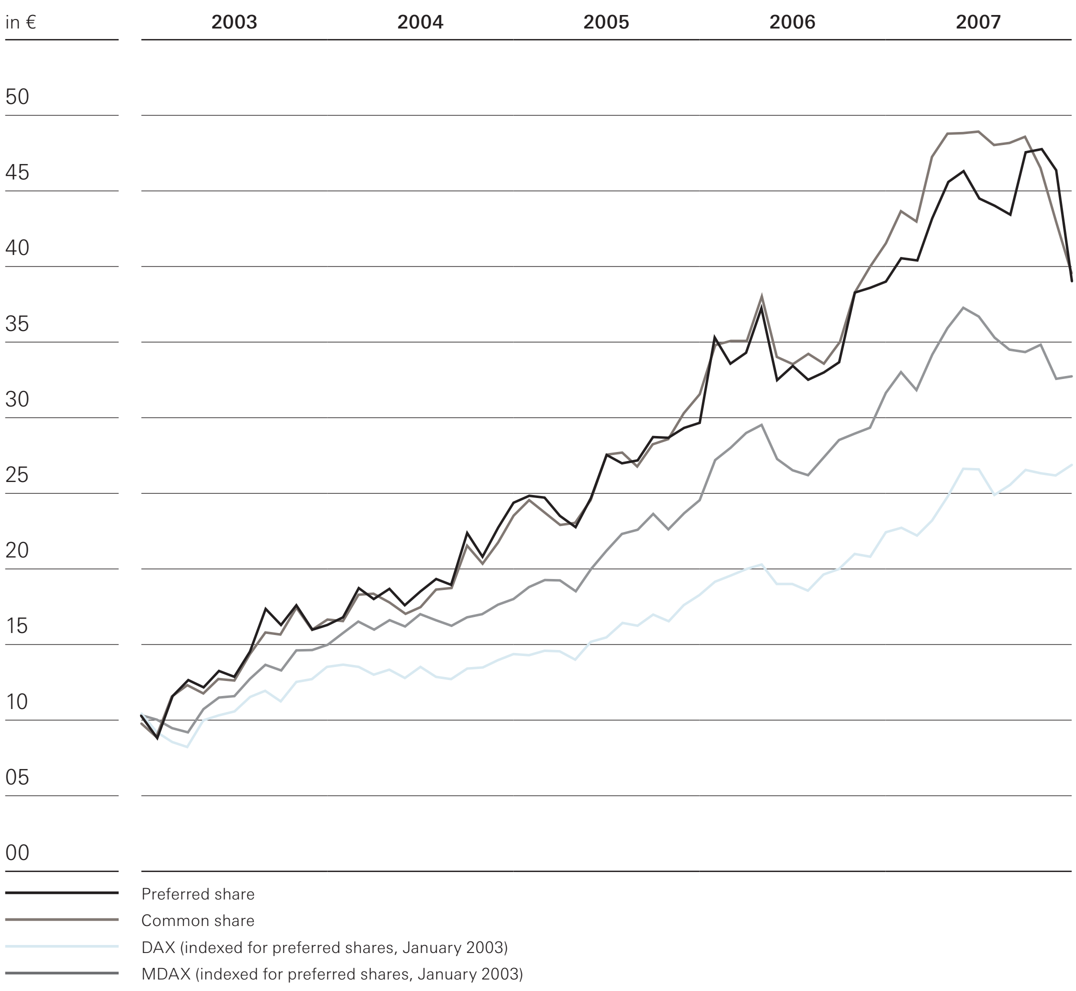
THE EQUITY MARKET IN 2007

For the German stock market, the year 2007 was split into two distinct halves. In the first half of the year, share prices of both blue chips and small- and mid-cap companies increased steadily thanks to the good economic trend. However, after the U.S. subprime crises came to light in the summer of 2007, the market experienced a sudden downturn with massive price corrections in some cases. Although by the end of the year, company valuations of numerous DAX corporations had recovered for the most part, with Germany's leading index, the DAX closing 2007 with a gain of around 22% to 8,067 points, MDAX stocks did not see a similar recovery in 2007. The MDAX, which includes HUGO BOSS preferred shares, was up less than 4% by year-end after having posted an increase of around 20% at mid-year. The SDAX fell approximately 7% year-on-year. Leading international indices also presented a mixed picture in 2007. While the Dow Jones and the EURO Stoxx 50 both closed the year up 7%, the Nikkei in Japan lost more than 11% in value.

ANNOUNCEMENT OF TAKEOVER BID PUSHES UP HUGO BOSS SHARE PRICES

In general, shares of HUGO BOSS AG were affected by factors unrelated to the general market trend. Driven by good operating results, both common and preferred shares of HUGO BOSS AG showed a steady upward trend until mid-May. Upon announcement on May 17, 2007 by Permira, a private equity company, of acquisition of a majority holding in the Valentino Fashion Group, HUGO BOSS' largest shareholder by funds advised by Permira indirectly through Red & Black Lux S.à r.l. (Permira Funds), HUGO BOSS share prices climbed sharply to peak at EUR 55.40 (common shares) and EUR 49.69 (preferred shares) on May 18. On June 1, 2007, Red & Black Lux S.à r.l., a company controlled by Permira Funds, made an offer to HUGO BOSS shareholders to buy out their common and preferred shares. The buyout period ran from July 12 to August 20, 2007 with an extension until September 7, 2007. In this context, Permira subsidiary Red & Black Lux S.à r.l., made an offer of EUR 48.33 for the common shares and EUR 43.45 for the preferred shares. HUGO BOSS shares were thus spared the effects of the U.S. mortgage crisis for the most part, benefiting from the Company's good performance and numerous "buy" recommendations from analysts. A weak market during the last few weeks of 2007, however, caused HUGO BOSS stock to forfeit much of the gains made. The preferred shares closed the reporting year at EUR 39.00 on December 28, 2007, and the common shares closed at EUR 39.60. This put the shares at approximately the same level as at year-end 2006 and just under the MDAX average.

SHARE PRICE PERFORMANCE



At the end of fiscal 2007, the market capitalization of HUGO BOSS was nearly unchanged over the previous year at EUR 2,767 million (2006: EUR 2,815 million). In the Deutsche Börse AG share ranking, which considers only the free float of the preferred shares listed in the MDAX, HUGO BOSS was in 52nd place with a market capitalization of EUR 652.5 million at the end of December. HUGO BOSS AG was in 47th place in terms of trading volume, with an average daily volume of 140,000 preferred shares (2006: 119,000) and approximately 22,000 common shares (2006: 18,000). Common shares traded at significantly less volume due to the lower free float.

PERMIRA FUNDS ACQUIRE INDIRECTLY 88% OF COMMON SHARES

The takeover bid from Red & Black Lux S.à r.l. significantly altered the shareholder structure of HUGO BOSS AG in 2007. Through its subsidiary V.F.G International N.V., Permira Funds now hold

88% of the 35.86 million common shares and 55% of the 34.54 million preferred shares. This corresponds to approximately 72% of the Company's total share capital. The remaining shares are in free float. Otherwise there were no new reports of shareholdings of 3% or more of the voting rights in HUGO BOSS AG. Notable share blocks are also held by major institutional investors in North America, Germany, Great Britain, and Switzerland.

SHARE BUYBACK PROGRAM

HUGO BOSS AG continued its share buyback program in fiscal 2007. The Company exercised the authorization granted by the Annual Shareholders' Meeting on May 4, 2006 and purchased 2,500 common shares and 277,806 preferred shares – 280,306 shares in total – on the capital market in the reporting year. HUGO BOSS AG thus held a total of 528,555 common shares and 855,278 preferred shares as of the end of the fiscal 2007. This corresponds to a share of 1.97% or EUR 1,383,833 in the share capital. The shares acquired are to be used as counter-performance in the case of possible acquisitions of enterprises and shareholdings in enterprises. To date, no use has been made of the authorization granted by the Annual Shareholders' Meeting on May 10, 2007.

EARNINGS PER SHARE

Pursuant to IAS 33, earnings per share are calculated by dividing net profit or loss for the period by the weighted average number of shares outstanding as follows:

EARNINGS PER SHARE

	2007	2006
Net income in EUR million	154.1	128.7
Average number of shares outstanding [1]		
Common shares	35,331,733	35,464,296
Preferred shares	33,708,598	34,135,115
EPS common shares in EUR [2]	2.22	1.84
EPS preferred shares in EUR [2]	2.24	1.86

1 Includes effect of share buyback program.
2 Stock options program: Only Stock Appreciation Rights issued, so no dilution of number of outstanding shares.

The common and preferred shares acquired by the HUGO BOSS Group as part of the share buyback program are not entitled to dividends. This factor was taken into account in the calculation of earnings per share. The HUGO BOSS stock option plan did not dilute earnings per share, since the plan is based on phantom stocks (stock appreciation rights).

DIVIDENDS

HUGO BOSS shareholders participate in the sustained, profitable growth of the Company via dividend payments. Against the backdrop of a rise of 20% in net income, the Managing and Supervisory Boards have proposed to the Annual Shareholders' Meeting to pay a dividend of EUR 1.45 per common share and EUR 1.46 per preferred share for fiscal year 2007. The Supervisory Board also gave a great deal of consideration to the Managing Board's proposal of paying a special dividend to reflect the asset structure that is planned for the future and has concurred with the recommendation to pay a special dividend of EUR 5.00 per share for fiscal 2007. This corresponds to a dividend yield of 16.3% for common share and 16.6% for preferred share respectively based on the closing prices as of December 31, 2007. The dividends will be half tax-free pursuant to the half-income system (Halbeinkünfteverfahren) applicable to German shareholders (Section 3 No. 40 Sentence 1 of the German Income Tax Act [EStG]).

INVESTOR RELATIONS AND PUBLIC RELATIONS

Investor relations at HUGO BOSS aims for an open, ongoing exchange with institutional and private investors. HUGO BOSS accordingly intensified its financial communication activities in fiscal 2007, presenting the Company at numerous road shows and conferences. The management also participated in investment conferences in Germany and abroad in order to answer questions in a broader investor forum. As in previous years, the Annual Shareholders' Meeting held on May 10, 2007 was the most important investor relations event of the year, particularly for private investors, with 72% of share capital represented (2006: 71%). All agenda items submitted for consideration by the Annual Shareholders' Meeting were approved by the required majority. The Internet is becoming increasingly important for investor relations work and communications, particularly for private shareholders, as it allows all shareholders access to key Company announcements at the same time. Current information on HUGO BOSS AG such as financial reports, press releases, the financial calendar, and the latest company profile can be retrieved from our website www.group.hugoboss.com along with recordings of analyst meetings and teleconferences. As in past years, the annual report is available both as a PDF and in interactive form.

Public relations activities are also an important part of the communication concept at HUGO BOSS. Public relations focuses on achieving an open dialogue with the national and international business and financial press with the goal of maintaining and reinforcing the good public image of HUGO BOSS. To this end, numerous interviews and discussions with the press were again held in the past fiscal year.

GROUP MANAGEMENT REPORT

SALES BY BRAND

in € million	2007	2006	Change in %
BOSS	1,485.1	1,347.9	10
Menswear	1,276.3	1,185.7	8
Womenswear	208.8	162.2	29
HUGO	144.0	136.2	6
Others	2.9	11.4	(75)
Total	**1,632.0**	**1,495.5**	**9**

SALES BY REGION

in € million	2007	2006	Change in %
Germany	361.3	346.9	4
Other European countries	762.4	681.9	12
Americas	298.5	273.6	9
Asia/other regions	160.9	150.1	7
Royalties	48.9	43.0	14
Total	**1,632.0**	**1,495.5**	**9**

SALES BY QUARTER

in € million	2007	2006	Change in %
First quarter	499.6	458.9	9
Second quarter	294.1	253.2	16
Third quarter	534.0	503.5	6
Fourth quarter	304.3	279.9	9
Total	**1,632.0**	**1,495.5**	**9**

This page is not part of the group management report.

THE HUGO BOSS GROUP

Overall economic trends, the outlook for the industry, and the Company's internal structure are the parameters for the success of HUGO BOSS. In 2007 HUGO BOSS was able to maintain its successful position in this environment worldwide.

BUSINESS ACTIVITIES AND GROUP STRUCTURE

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

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

GROUP STRUCTURE

Responsibility within the Group structure for keeping the Company on its course to success is held by HUGO BOSS AG as the parent company. All of the central management functions for the Group are bundled into this entity. The entire Group therefore consists of HUGO BOSS AG, which makes fundamental strategic and operating decisions on a centralized basis, and the global subsidiaries, which run operations and whose managing directors report directly to the Managing Board.

All of the subsidiaries are managed as independent profit centers within the Group. In order to achieve the best possible performance, all companies follow the directions of Group headquarters. Because the same IT infrastructure is used throughout the Group, all workflows are standardized and integrated within the Group structure.

BRAND OVERVIEW

BOSS
HUGO BOSS

- Menswear
- Womenswear
- Accessories

BOSS Black
Comprehensive spectrum of elegant business ensembles, casual sports clothing and evening wear.

BOSS
HUGO BOSS
SELECTION

- Menswear
- Accessories

BOSS Selection
Premium tier of the BOSS brand, implementing best materials and finest workmanship.

BOSS
HUGO BOSS

- Menswear
- Womenswear
- Accessories

BOSS Orange
Casual fashion for men and women, unusual materials, vibrant colors and intricate details.

BOSS
HUGO BOSS

- Menswear
- Accessories

BOSS Green
Fashion-oriented collection that promises optimum performance for sports and fashion.

HUGO
HUGO BOSS

- Menswear
- Womenswear
- Accessories

HUGO
Self-confident men's and women's collection that combines creativity and individuality into an unconventional and avant-garde fashion.

Over the past fiscal year, the total number of employees increased from 8,441 to 9,123, of which 2,347 work in Germany. The majority of these are based at Group headquarters in Metzingen. The Group is directed from these headquarters, and the most important decisions regarding the collections are made here. In addition, the location in Coldrerio/Switzerland is especially important as a center of expertise for operations related to the textile product groups as well as shoes and leather accessories. The company manufactures its own products, primarily in Cleveland/USA, Radom/Poland, Morrovalle/Italy, and Izmir/Turkey, the most important production site of HUGO BOSS.

At the close of the year under review (December 31, 2007) the total number of consolidated companies was 51 (December 31, 2006: 52). A detailed overview of the interests held in the HUGO BOSS Group as of December 31, 2007 as well as other explanations of changes in the legal corporate structure are explained in the notes to the consolidated financial statements on page 108 et seq.

The rest of the HUGO BOSS Group's internal structure is based primarily on the framework of corporate law. As a German corporation (Aktiengesellschaft), HUGO BOSS has a dual management and control structure. The Group is managed by the entire Managing Board. The Supervisory Board advises the Managing Board and oversees its management of the Company. Essential information on remuneration for the Managing Board and Supervisory Board is presented on page 153 et seq. of the notes to the consolidated financial statements.

The Managing Board of HUGO BOSS AG is required to prepare a report on relations with affiliated companies in accordance with Paragraph 312 of the German Stock Corporation Act (AktG). This report covers the relations between Red & Black Lux S. à r. l., Luxembourg and the companies belonging to the HUGO BOSS Group. The Managing Board declares in accordance with Section 312, Paragraph 3 of the German Stock Corporation Act that the Company received appropriate compensation for all legal transactions listed in the report on relations with affiliated companies, in accordance with the conditions known at the time that such transactions were undertaken. No business transactions subject to reporting requirements were undertaken in fiscal 2007.

DISCLOSURES PURSUANT TO THE GERMAN TAKEOVER DIRECTIVE IMPLEMENTING ACT (ÜBERNAHMERICHTLINIE-UMSETZUNGSGESETZ)

The requirements pursuant to Section 289 Paragraph 4 and Section 315 Paragraph 4 of the German Commercial Code (HGB) are listed and explained in the following. The Managing Board sees no need for further explanation as set forth in Section 120 Paragraph 3 Sentence 2 of the German Stock Corporation Act (AktG).

- The share capital of HUGO BOSS AG has not changed, and 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.

- Based on the disclosures made by HUGO BOSS shareholders pursuant to Section 21 et seq. of the German Securities Trading Act (WpHG), the shareholder structure is as follows: Red & Black Lux S. à r. l. holds 88.02% of the common shares (31,563,471 shares) and 55.28% of the preferred shares (19,092,841 shares) via V. F. G. International N. V., Amsterdam, Netherlands. This translates into a free float of 11.98% for common shares and 44.72% for preferred shares. Apart from the Valentino Group, no other shareholders have reported holdings equivalent to more than 10% of the voting rights. Moreover, there were no other new reports of shareholdings of 3% or more of the voting rights in HUGO BOSS AG. Other notable blocks of shares are held by major institutional investors in North America, Germany, Great Britain, and Switzerland.

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

- 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 (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 (Section 84 of the Stock Corporation Act). 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 (Section 84 Subsection 3 of the Stock Corporation Act). According to Section 6 Paragraph 3 of the Articles of Association, Managing Board members generally should not be older than 60 years of age at the time of their appointment.

- Given that the provisions of the Articles of Association do not dictate otherwise, the appointment and revocation of Managing Board members is determined by Sections 84 and 85 of the Stock Corporation Act and Section 31 of the German Co-Determination Act (MitbestG). The Supervisory Board accordingly appoints Managing Board members for a maximum of five years. Members may be reappointed or their term may be extended for a maximum of five years in each case. Section 31 of the Co-Determination Act stipulates that a majority of at least two-thirds of the members of the Supervisory Board is required to appoint members to the Managing Board. If an appointment is not approved by the required majority, the Supervisory Board Mediation Committee must propose a new appointment to the Supervisory Board within one month of the vote. The new appointment will require a simple majority of the members of the Supervisory

Board. If this appointment is not approved by the required majority either, the Chairman of the Supervisory Board will have two votes the next time the appointment is voted on.

- Pursuant to Section 119 Paragraph 1 Sentence 5 of the German Stock Corporation Act, 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 simple majority of the votes cast and, if a majority of the capital represented upon adoption of the resolution is required, by a simple majority of the share capital represented upon adoption on the resolution. According to Section 20 of the Articles of Association, the Supervisory Board is authorized to adopt modifications to the Articles of Association that affect the wording only.

- The Annual Shareholders' Meeting on May 18, 2004 authorized the Managing Board of HUGO BOSS AG, subject to the consent of the Supervisory Board, to increase the Company's share capital by May 18, 2009 by a total of no more than EUR 35,200,000 through the issuance one or several times 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.

  The Annual Shareholders' Meeting on May 10, 2007 authorized the Managing Board to purchase bearer common and/or non-voting bearer preferred shares of HUGO BOSS AG by November 9, 2008 up to an overall maximum of 10% of its current capital. The authorization to purchase shares may be exercised by HUGO BOSS AG for the entire amount at once or in partial amounts on one or several occasions. The shares may be purchased via the stock market by means of a public purchase offer to holders of the respective category of shares.

  Any Company shares repurchased in accordance with this authorization may be resold via the stock market or by means of an offer to all shareholders. They may also be used as counterperformance 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. A corresponding authorization for the repurchase and reuse of Company shares will be submitted to the Annual Shareholders' Meeting on May 8, 2008 for resolution.

- The Company has not entered into any material agreements that are subject to a change in control as the result of a takeover bid, and thus no information is required in this regard. Similarly, no information is required on compensation agreements made by the Company with members of the Managing Board or employees for the event of a takeover bid, because such agreements also do not exist.

COMPANY MANAGEMENT AND STRATEGY

INTERNAL CONTROL SYSTEM

HUGO BOSS actively supports the goal of securing the sustained long-term success for the Group and continuing to expand the Company via a system of internal controls. The information systems of the HUGO BOSS Group use actual and projected figures to link strategic and operational elements in real time, accompanied by regular communications that include directions for action where necessary. This management control system ensures customer orientation, efficiency, and high levels of transparency. It also helps to coordinate the activities of our subsidiaries and supports local responsibility.

Specifically, the internal control system involves strategic planning for the Group, a Group reporting system, and investment controlling. Strategic planning for the Group is formulated for three years, and is revised annually as part of the comprehensive budget process. The Group reporting system includes the annual financial statements of the subsidiaries, key performance indicator (KPI) reports tailored to individual segments and subsidiaries, and the data warehouse. All subsidiaries prepare IFRS statements on a monthly basis. These data are consolidated into management reporting and are incorporated into the Group's published financial reports. In investment controlling, investment projects are analyzed, managed, and monitored in terms of their contribution to the Company's business objectives. Subsidiaries submit assessments at regular intervals, presenting current business developments and anticipated annual results. The detailed KPI reports support Group management in managing the business segments, subsidiaries, and operational processes. The data warehouse provides managers throughout the Group with direct access to management information, parts of which are updated daily. The internal control system is optimized continuously and adapted to developments within the Group as well as increasing requirements.

The table below shows the most important indicators, which are subject to continuous monitoring and provide the focus for groupwide optimization.

KEY PERFORMANCE INDICATORS AND KEY FIGURES

		2007	2006
Net sales	in € million	1,632.0	1,495.5
Gross margin ratio	in %	58.0	57.1
EBITDA	in € million	287.7	233.4
EBIT	in € million	220.3	184.4
EBIT margin [1]	in %	13.5	12.3
Net income	in € million	154.1	128.7
Net Working Capital [2]	in € million	397.4	298.7
Capital expenditure	in € million	84.7	98.5
Return on Investment [3]	in %	31.8	29.4

1 EBIT margin as EBIT in % of sales.
2 Net current assets.
3 EBIT/Net capital invested (average).

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

HUGO BOSS was able to achieve its forecasts for sales and earnings in 2007. Currency-adjusted Group sales grew by 12.1% (forecast 2007: + 10 – 12%) and EBT grew by 18.1% (forecast 2007: + 12 – 15%).

To secure and expand the sustained success of the HUGO BOSS Group, both financial and non-financial performance indicators are regularly reported, analyzed, and acted upon in the event of deviation from targets. The non-financial performance indicators are listed in the "Additional factors for success" section on page 075 et seq.

STRATEGY

HUGO BOSS has consistently enhanced its position as market leader in the upmarket clothing segment with a clear-cut brand philosophy. The product offering has been continuously extended into high-growth segments and regions. As a result, the HUGO BOSS Group has been able to increase its sales by an average of 11% over the past ten fiscal years. Net income even rose faster than sales during this period.

MARKET LEADER IN THE HIGH-END FASHION SEGMENT

The HUGO BOSS Group has been the global market leader in the high-end fashion market segment for years, and is continuously expanding its position. In addition to outstanding product expertise and excellent logistics, the Group's global distribution network and its associated comprehensive knowledge of markets and customers in 105 countries form the basis for its business success.

The Company's strength is also evident in the high number of HUGO BOSS monobrand stores worldwide (approximately 1,200), which exclusively offer HUGO BOSS fashion collections, and 5,900 points of sale.

CLEARLY FOCUSED BRAND PHILOSOPHY

With the BOSS and HUGO brands, the Group now covers all important fashion segments for women and men. Building upon many years of enormous success in classic business fashions for men with the core BOSS brand, the strengths of the collection were expanded into a number of other fashion segments.

Today, the BOSS image has been transferred to four independent product lines that cover several different areas of focus. In the menswear collections, the BOSS Black line focuses on elegant business fashion, while Boss Orange concentrates on the high-end casualwear segment. The BOSS Green line offers a functional sportswear collection. The luxurious tailored fashions of the BOSS Selection line are designed for customers with particularly high quality demands for materials, workmanship, and exclusivity. At the same time, the womenswear segment has been expanding consistently and successfully. The elegant looks of BOSS Black and the hip, creative styles of BOSS Orange are now available for women as well.

The HUGO brand was introduced on the market in 1993, and adds unconventional accents and uniquely different styles, which have also included womenswear since the end of the 1990s. Product lines such as shoes and leather accessories, fragrances, eyewear, and watches complete the individual collections. With this broad and well-structured foundation, HUGO BOSS can offer the right outfit to every target group for every occasion.

STRATEGIC FOCUS ON GROWTH OPPORTUNITIES

HUGO BOSS has consistently focused its corporate strategy on the most successful growth markets and regions. With the strategic refinement of the company as a lifestyle company with a diversified product portfolio and a stronger focus on retail business, HUGO BOSS was able to increase Group sales by an average of 11% per year between 1997 and 2007. The share of the monobrand business, for example, rose from 16% to almost 40% of sales. Within this share, directly operated stores (DOS) account for 15% and franchises for 24%. With the concurrent improvements in cost efficiency, net income also rose faster than sales from 1997 to 2007.

STRONG ORGANIC GROWTH

The Group's future strategic focus is based primarily on the securing of its established market positions in the traditional areas of men's businesswear and the successful licensing business in fragrances, watches, and eyewear. The HUGO BOSS Group has also identified other significant growth opportunities for the future, and has adapted and has optimized its structures accordingly. The drivers of future organic growth will be primarily in the following segments:

- BOSS womenswear
- Shoes & leather accessories
- Expansion of product range
- Increase in number of directly operated stores
- Regional expansion in North America, Asia (particularly China), and Eastern Europe

WOMENSWEAR LINE SUCCESSFULLY ESTABLISHED

The existing purchasing and production structures as well as customer relationships based upon the established menswear line and the size of the market for women's fashion offer significant growth potential for the BOSS womenswear line. As a result, sales of BOSS womenswear have grown consistently in recent years. Its share of total Group sales grew to approximately 13% in 2007. Following development of the established markets in Europe, the focus is now increasingly on the growth regions in North America and the Far East.

CONSISTENT EXTENSION OF DISTRIBUTION STRUCTURE FOR SHOES AND LEATHER ACCESSORIES

Another strategic focus is the expansion of distribution for the shoes and leather accessories segment. In the coming years, the focus will be on expansion of distribution in the womenswear segment with shoes and handbags. The Group still sees enormous potential here, since ultimately these products represent approximately 20% of the entire consumer luxury segment relative to global sales. Over the past three years, HUGO BOSS has doubled sales of shoes and leather accessories, growing this segment to EUR 176 million in 2007. The share of Group sales increased accordingly to 11%.

SALES AND PROFIT OPPORTUNITIES THROUGH EXPANSION OF PRODUCT RANGE

HUGO BOSS is developing additional sales and profit opportunities through the expansion of its product range. In March 2007 the Company granted an exclusive jewelry license to the Austrian Swarovski Group. The first jewelry collection for BOSS Black and BOSS Orange will be introduced in spring 2008, and will be available beginning in summer 2008 at HUGO BOSS stores worldwide as well as exclusive department stores and jewelry shops. Furthermore, it is planned to enhance the portfolio by adding children's fashion.

SALES SHARE OF DIRECTLY OPERATED STORES TO BE EXPANDED

The number of directly operated stores (DOS) has grown significantly in recent years. Within three years, it grew from 97 to 287. The share of Group sales from DOS grew to 15%. DOS sales increased 25% to EUR 239 million in 2007. One advantage of this sales format is that it permits the HUGO BOSS brand to be better established and presented worldwide. Another benefit is that direct customer feedback can be obtained on the current collections and used in the development of future products.

CHINA – AN IMPORTANT MARKET FOR THE FUTURE

For the future, the Group sees particularly significant potential in the regions of North America, Eastern Europe, and the Far East, with a focus on China. The number of sales outlets will be therefore be sharply increased in these markets, particularly in the emerging markets of Asia and Eastern Europe.

GLOBAL MARKET PRESENCE

EFFICIENT STRUCTURES CREATED FOR EXTERNAL GROWTH

HUGO BOSS implemented the Columbus project in order to optimize process flows, and to identify and fully utilize potential synergies. As part of this program, new processes for the entire value-added chain as well as a SAP standard software system were deployed by the end of 2007 throughout the entire Group. This software provides greater efficiency in work processes across all brands and throughout the entire administrative structure, up to and including every sales outlet. With this software the Company also now has an ideal structure to move ahead with its plans for future external growth.

GENERAL ECONOMIC CONDITIONS

The global economy continued on its growth trend in 2007. The negative influences caused by turbulence in the capital markets in summer 2007 and significantly increased prices in the international markets for energy, raw materials, and agricultural products were more than compensated by the strong upward trend in the emerging markets. In the second half of the year, however, the U.S. real estate crisis put brakes on the U.S. economy. Nevertheless, in its latest World Economic Update at the end of January 2008 the International Monetary Fund forecast global economic growth of 4.9% for the entire year, significantly above expectations at the beginning of 2007.

General economic conditions differed widely among the major traditional industrialized nations in 2007. For example, according to data from the Organization for Economic Cooperation and Development (OECD), growth in the Eurozone was very robust at 2.6%. According to the German Federal Statistics Office, strong export and investment activity allowed Germany to achieve a GNP of 2.5%, with an increase in the inflation rate to 2.2%.

In the USA, the weak real estate market caused by the mortgage crisis had a notably negative effect on the business climate. Thus the OECD expects the U.S. economy to grow at only 2.2% in 2007, compared to 3.4% in the previous year. The U.S. Federal Reserve lowered interest rates five times from August 2007 to January 2008 from 5.25% to 3.00% in an attempt to ameliorate the effects of the credit crisis. Private consumption was especially hard hit by the rise in inflation to 4.1% (end of 2007).

As in previous years, the rapidly expanding national economies in East and Southeast Asia were the main drivers of the economic upswing in the global economy. China, with growth of 11.4%, and India with 8.8% assumed the lead roles here. OECD forecasts for the Japanese economy in this year predicted economic growth of only 1.9%. The Central and Eastern European countries were significantly higher than the previous year, with growth rates of 5.8%. Russia held the leadership position in this region at 7.0% growth. Driven by significantly increased revenues from the oil industry, the Middle Eastern states also showed dynamic growth of 5.9%. Latin America likewise registered solid economic growth in 2007 thanks to strong domestic demand.

The global economic growth had an overall positive effect on the business of HUGO BOSS as an international fashion company. The Group achieved new increases in sales in the domestic German market and further reinforced its market position in Europe. Despite economic uncertainty in the U.S. market, sales grew well in line with expectations. HUGO BOSS was also very successful in Asia.

SECTOR PERFORMANCE

Growth in the global market for fashion, accessory, and luxury goods is decisive for the operations of HUGO BOSS. This market showed sales growth of 4% in 2007. The trend was driven primarily by a large backlog of consumer demand in the emerging markets, particularly Asia. Thanks to a rapid growth in disposable income among its population, China is on the way to becoming a large and important market for luxury goods. Strong growth in disposable income from the oil business is also generating ever-greater demand in the Middle East. Dynamic trends can also be seen in this regard in Eastern Europe, particularly in Russia, where the market is currently growing at a rapid pace.

By contrast, the fashion industry in the traditional economic regions shows no signs of a uniform trend. In Japan and Europe, the fashion markets continued to be stable in 2007 compared to the previous year. Europe profited primarily from stronger exports and increased tourism, mostly from Eastern Europe and Asia. In the USA, many experts were surprised by the fact that private consumer behavior appeared to be very strong despite the real estate crisis.

The German fashion industry was able to further improve its sales numbers over the previous year due to exports. This growth is based primarily upon the uninterrupted trend towards branded and luxury items, which enable manufacturers to achieve higher average revenues. Because of consumer reticence throughout the economy, however, sales in Germany grew only moderately at 1% above the previous year.

FISCAL YEAR 2007

JOINT STATEMENT BY THE MANAGING BOARD

HUGO BOSS again closed the fiscal year 2007 with Group sales and profits at record levels. Sales grew by 9% to EUR 1,632 million, or 12% on a currency-adjusted basis. Earnings before income taxes rose by 18% compared to the previous year, to EUR 212 million. Based upon these figures, HUGO BOSS has reached its forecast of a 10–12% increase in currency-adjusted sales and has actually significantly exceeded its profit forecast, which was for a pre-tax profit of +12–15%. The organic growth areas of BOSS womenswear, shoes and leather accessories, and the Company's own retail operations also met their sales targets. The Group was able to achieve double-digit growth rates in all three areas. The same applied for the growth regions in East and Southeast Asia, particularly China, as well as the HUGO BOSS business in the USA. The Group was able to deploy the Columbus project on schedule by the end of 2007 for all brands. This will allow the Group to efficiently implement its future growth plans, and also creates an ideal platform for possible external growth.

The strategic alignment of the HUGO BOSS Group is fully supported by the new major shareholder, Permira Funds, which holds circa 72% of the share capital via its indirect stake in the Valentino Fashion Group S.p.A. The change in ownership has not led to any modifications of strategy or corporate structure. Thanks to the overall positive results in fiscal 2007, the Company has laid the foundations for continued profitable growth in 2008 and beyond. A decisive factor for this, however, is continued stable economic growth worldwide.

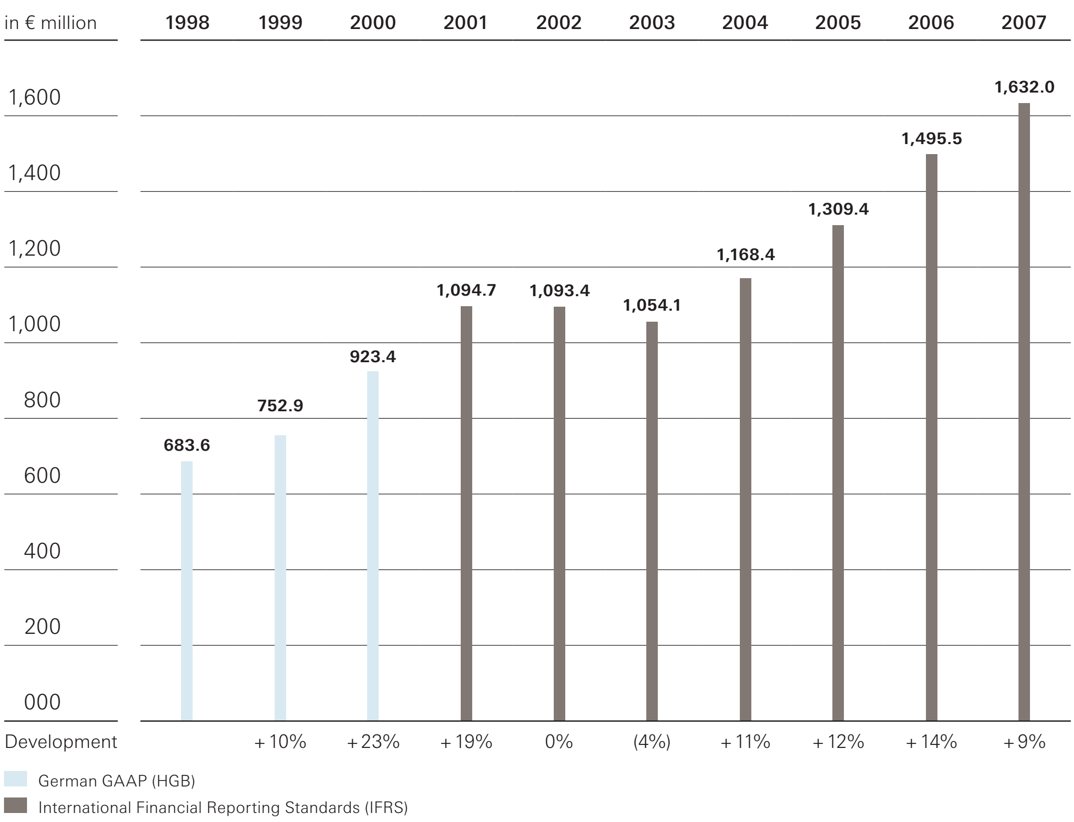
SALES PERFORMANCE

The Group sales of EUR 1,632 million were the highest in the Company's history (2006: EUR 1,496 million). This corresponds to an overall 9% improvement in all regions compared to the previous year (EUR 136 million). Domestic sales grew by 4% to EUR 361 million, while foreign sales grew by 11% to EUR 1,271 million. HUGO BOSS achieved sales growth in both the menswear and womenswear segments. In the womenswear segment, the Company even exceeded its own growth objective of +25%, with sales growth of 29%.

The effects of currency fluctuations in fiscal 2007 had a negative impact on sales performance. The negative effects of the weakening Japanese yen, the weaker U.S. dollar and the Canadian dollar as well as the Swiss franc had an adverse affect on currency-adjusted sales performance. Currency-adjusted Group sales increased by a total of 12% for fiscal 2007.

Within each quarter, HUGO BOSS was able to achieve a clear growth in sales in 2007 over the comparable prior-year periods.

MULTI-YEAR SUMMARY OF GROUP SALES



GERMANY

HUGO BOSS reported growth of 4% in Germany, its largest single market. Total sales in Germany increased to EUR 361 million (2006: EUR 347 million). The sales growth was driven by both the wholesale business and the Company's own retail operations, which were supported by the opening of four new stores.

The womenswear collections under the BOSS brand were able to continue their good growth of previous years with a sales gain of 15%. The womenswear business as a whole, which includes BOSS Black womenswear and the BOSS Orange womenswear collection, increased to EUR 49 million (2006: EUR 43 million). In addition to the textile collections, the steady expansion of the shoes and leather accessories product group also contributed to the good performance in womenswear.

OTHER EUROPEAN COUNTRIES

SALES IN OTHER EUROPEAN COUNTRIES

in € million	2007	2006	Change in %
France	132.4	124.9	6
Benelux	121.3	104.8	16
Great Britain/Ireland	108.0	104.3	4
Central/Eastern Europe	87.4	63.7	37
Spain	72.2	64.4	12
Scandinavia	65.8	59.5	11
Italy	53.4	52.0	3
Austria	50.3	46.0	9
Switzerland	40.4	36.0	12
Rest of Europe	31.2	26.3	19
Other European countries	**762.4**	**681.9**	**12**
in % of total sales	47	46	

Sales in Europe not including Germany grew by 12% in fiscal year 2007. Total growth was EUR 762 million (2006: EUR 682 million). HUGO BOSS increased its market share accordingly in all key European markets.

HUGO BOSS achieved its highest growth in Western Europe on a percentage basis in the Benelux countries. Sales in this market increased by 16% over the 2006 figure to EUR 121 million (2006: EUR 105 million), buoyed by the opening of 31 primarily shop-in-shop concepts. In Scandinavia, sales rose by 11% to EUR 66 million (2006: EUR 60 million). Sales in Switzerland increased by 12% to EUR 40 million (2006: EUR 36 million). In Austria, sales increased by 9% to EUR 50 million (2006: EUR 46 million). Spain was able to report another double-digit increase in sales growth of 12% to EUR 72 million (2006: EUR 64 million). The Central and Eastern European markets turned in an extremely dynamic performance. Sales here improved by 37% in 2007 to EUR 87 million in the reporting year (2006: EUR 64 million). Sales in France, HUGO BOSS' second largest European market, were EUR 132 million, an increase of 6% over the same period of the previous year (2006: EUR 125 million). In Great Britain and Ireland, sales improved by approximately 4% in 2007 to EUR 108 million (2006: EUR 104 million). Italy reported an increase of 3% to EUR 53 million (2006: EUR 52 million).

AMERICAS

SALES IN THE AMERICAS

in € million	2007	2006	Change in %
USA	214.9	195.8	10
Canada	59.7	55.1	8
Mexico	14.8	14.6	1
Brazil	2.7	2.2	23
Rest of Americas	6.4	5.9	8
Americas	**298.5**	**273.6**	**9**
in % of total sales	18	18	

As in Europe, HUGO BOSS was able to achieve sales growth of approximately 9% on the American continent in 2007. Total sales for the region grew from EUR 274 million to EUR 299 million. Currency-adjusted sales rose by almost 18%.

In the USA, the second-most important market worldwide for HUGO BOSS after Germany, the Group achieved a sales growth of 10% in 2007 to EUR 215 million (2006: EUR 196 million). On a currency-adjusted basis, this is an improvement of 20% over the previous year. Sales improved here by 20% in local currency, driven by both the wholesale business and the Company's own retail operations, which were supported by the opening of four new stores.

In Canada, sales increased by 12% in local currency. Despite the negative currency effects, sales in the reporting currency rose by 8% from EUR 55 million to approximately EUR 60 million in fiscal year 2007. BOSS womenswear in particular played a crucial role in this good performance.

The countries of Central and South America also showed a clear upward trend. Sales increased by 13% in local currency. In Group currency, sales rose by 5% to EUR 24 million (2006: EUR 23 million). Currency-adjusted sales growth in Mexico with 11% and Brazil with 22% was particularly gratifying.

ASIA/OTHER REGIONS

SALES IN ASIA/OTHER REGIONS

in € million	2007	2006	Change in %
People's Republic of China	41.6	34.1	22
Japan	34.2	40.1	(15)
Australia	26.8	22.1	21
Other countries	58.3	53.8	8
Asia/other regions	**160.9**	**150.1**	**7**
in % of total sales	10	10	

The HUGO BOSS Group again achieved double-digit sales growth in this region, with a sales gain of 14% in local currencies. Due to negative currency effects from the downward trend of the Japanese yen, the Chinese yuan, and the Hong Kong dollar, sales in Group currency rose by 7% to EUR 161 million (2006: EUR 150 million).

The Chinese market replaced Japan in 2007 as the largest single market in Asia for HUGO BOSS. The decisive factor for this was a dynamic sales growth of 33% in local currency and 22% in euros. In the reporting currency, sales in China grew from EUR 34 million to EUR 42 million. In addition to the Company's own store that was opened in Shanghai in 2006, another store was opened in Beijing in 2007.

In Japan, the HUGO BOSS Group continued the strategic reorientation of its business in 2007. Because of the specific market structures and the relatively weak private consumption rates in Japan, HUGO BOSS has decided to focus on profitable retail spaces. The number of directly operated stores (DOS) was reduced accordingly by four shop-in-shop concepts in 2007. At the same time, the Group is also reviewing an expansion of sales in the wholesale segment. The HUGO BOSS Group enjoyed positive growth in its other businesses over the past fiscal year. Because of the weak yen, however, sales in the reporting currency decreased from EUR 40 million in 2006 to EUR 34 million in 2007.

Sales in the remaining countries of Asia/other regions increased by 15% in local currencies and 12% euros. Overall sales grew from EUR 76 million in 2006 to EUR 85 million in 2007. Business was particularly good in Australia, where continued strong DOS sales were achieved in 2007.

ROYALTIES

The licensing business was very successful in 2007. Sales experienced a disproportionate increase of 14% to EUR 49 million (2006: EUR 43 million). All three product groups, namely fragrances, watches, and eyewear, experienced very gratifying levels of growth.

Sales in the fragrances product group improved by 8%. The key here was the successful market introduction of new fragrances, particularly “HUGO XX” and “HUGO XY” in the third quarter of 2007.

The change in licensees for the eyewear and watches product groups in 2006 also produced clearly positive effects in 2007. The current eyewear collections were introduced to the markets by Safilo S. p. A. In the watches group, the Company worked closely with the Movado Group, Inc. to achieve a good position in the attractive segment of high-end fashion watches. The Company also collaborated with the Austrian Swarovski Group to prepare for its planned 2008 market entry into the jewelry business.

SALES GROWTH OF THE BRANDS

All brands saw growth in sales in fiscal year 2007. In addition to a general positive trend in all product groups, the segments of BOSS womenswear and shoes and leather accessories accounted for a major share of sales growth in 2007. More detailed information on sales in the womenswear and menswear segments can be found in the “Segment Reporting” section on page 073 et seq.

BOSS

The core BOSS brand achieved sales growth of 10% to EUR 1,485 million in fiscal 2007.

As in fiscal 2006, the performance of BOSS womenswear was very encouraging. The ambitious growth expectations of +25% for the BOSS womenswear segment were actually exceeded in fiscal 2007, with sales growth of 29% to EUR 209 million (2006: EUR 162 million). BOSS Orange womenswear as well as the BOSS Black womenswear line contributed to this trend.

The trend in the BOSS menswear collections was also extremely positive. Sales of all BOSS menswear collections in the BOSS Black, BOSS Selection, BOSS Orange, and BOSS Green lines grew by 8% in 2007 to a total of EUR 1,276 million (2006: EUR 1,186 million). The trend toward high-end leisure fashion continued in fiscal 2007, which was reflected in a 7% rise in sales in this segment to EUR 522 million (2006: EUR 487 million). Overall, sales of high-end leisure fashion are 41% of total sales of BOSS menswear (2006: 41%). The businesswear product group also experienced positive growth during the 2007 reporting period, improving by 7% to EUR 624 million (2006: EUR 583 million). Particularly noteworthy here was the continued dynamic growth of BOSS Selection. Sales for this line rose by 29% compared to the previous year, to EUR 43 million in 2007 (2006: EUR 33 million). Finally, the product group of shoes and leather accessories registered the highest growth within the product line of the menswear segment, with an increase of 12% to EUR 130 million (2006: EUR 116 million).

HUGO

The HUGO fashion brand achieved a sales increase of 6% to EUR 144 million in 2007 (EUR 136 million). The menswear collection in particular experienced good growth. From a regional perspective, business in North America and in Central and Eastern Europe grew at a noticeable pace.

GROWTH DRIVER SHOES & LEATHER ACCESSORIES

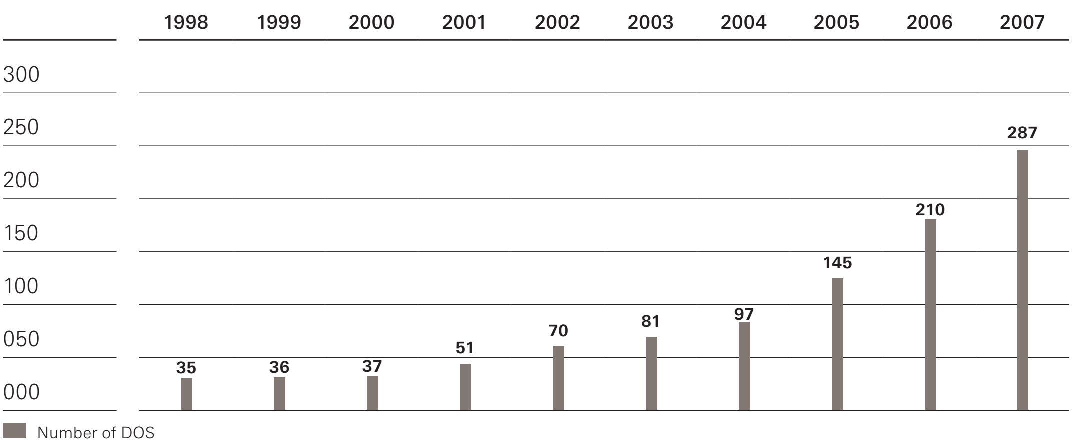
In fiscal 2007 the Group expanded the product segment of shoes and leather accessories, which is of particular importance for the womenswear business. Sales growth of 16% to EUR 176 million (2006: EUR 151 million) illustrates the increasing significance of these product groups. The breakdown of sales was approximately 80% from the menswear segment and 20% from the womenswear segment, the share of which is continuing to increase rapidly thanks to disproportionally high growth rates.

SALES GROWTH IN THE GROUP'S OWN RETAIL BUSINESS

HUGO BOSS has defined sales through the Company's directly operated stores (DOS) as one of its most important engines for growth. The global DOS presence was therefore expanded through the addition of 77 new stores, to a total of 287. As in the previous year, the shop-in-shop concept saw the most expansion on a percentage basis. Another 47 units were added to the existing 143 shop-in-shop units in 2007, to reach a current total of 190 units. The number of the Group's own independent stores increased by 30 to a total of 97.

HUGO BOSS strengthened its own retail business in fiscal 2007 by actions that included taking over former franchise stores in Germany and Mexico. This has practically doubled the Group's own retail space in Germany. The Group was also able to occupy attractive locations in the USA, France, Spain, China, and Australia.

NUMBER OF DIRECTLY OPERATED STORES (DOS)



Overall, DOS sales in fiscal 2007 grew by a total of 25% to EUR 239 million (2006: EUR 192 million). Sales via directly operated stores as a proportion of total sales was therefore approximately 15% (2006: 13%).

Taking into account the more than 900 franchise stores and shops, the HUGO BOSS Group therefore currently has a total of 1,200 monobrand stores in 80 countries.

GLOBAL BRAND SALES

Total sales for HUGO BOSS products worldwide increased by 10% during the reporting year 2007 to EUR 2,160 million (2006: EUR 1,971 million). This figure is based upon HUGO BOSS Group sales minus royalties and plus sales by HUGO BOSS licensees. Considered separately, sales by licensees rose by 11% to EUR 577 million.

ORDERS

The HUGO BOSS Group's system of doing business has changed considerably in recent years. While the business used to be dominated by two pre-order seasons (spring/summer and fall/winter) with orders being placed accordingly early, it has now become increasingly complex. For example, four seasonal advance sales are now conducted every year. In addition, the share of the Group's own retail business has increased. HUGO BOSS also makes every effort to increase efficiency through greater use of warehousing to service less fashion-dependent items. The number of monthly theme-oriented deliveries has also increased sharply compared to previous periods due to more flexible IT systems after the implementation of the Columbus project. HUGO BOSS therefore no longer publishes separate pre-order figures.

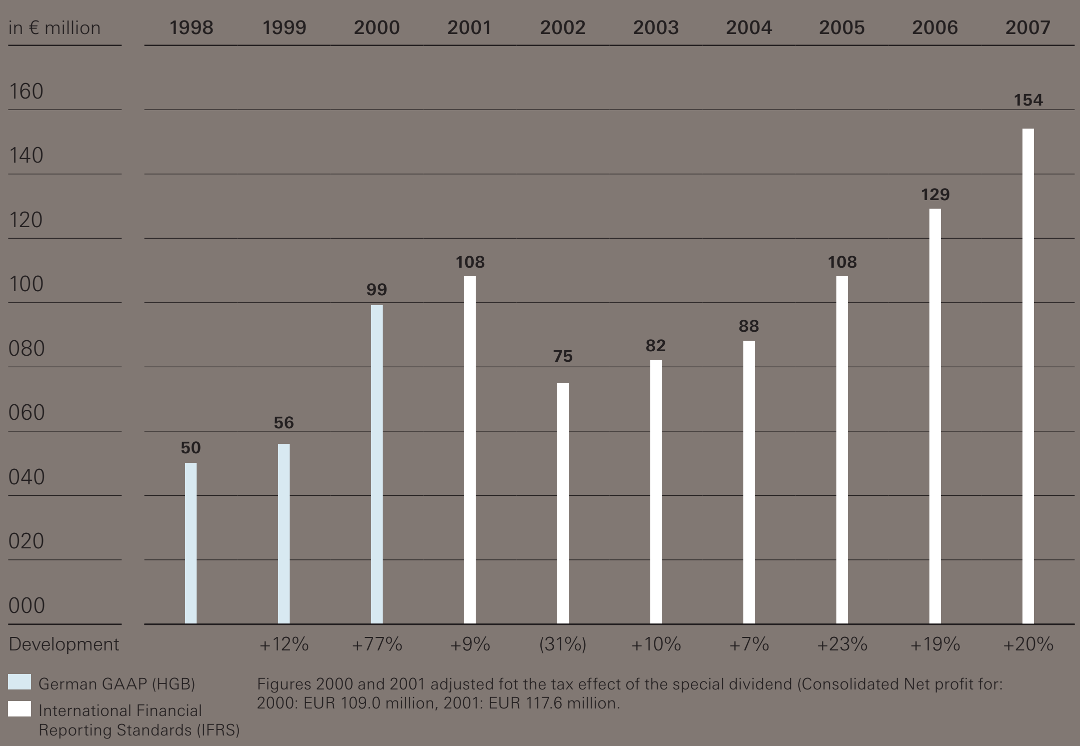
INCOME STATEMENT

in € million	2007	2006	Change in %
Sales	**1,632.0**	**1,495.5**	**9**
Cost of materials incl. changes in investories	(685.6)	(641.0)	(7)
Gross profit in % of sales	**946.4** 58.0	**854.5** 57.1	**11**
Other operating income and expenses	(359.0)	(343.3)	(5)
Personnel expenses	(299.7)	(277.8)	(8)
Depreciation/amortization [1]	(67.4)	(49.0)	(38)
EBIT	**220.3**	**184.4**	**19**
Net financial result	(7.9)	(4.5)	(76)
Earnings before taxes	**212.4**	**179.9**	**18**
Taxes on income	(58.3)	(51.2)	(14)
Net income			
total	**154.1**	**128.7**	**20**
per share (EUR) [2]			
common stock	2.22	1.84	21
preferred stock	2.24	1.86	20

[1] Including impairments.

[2] Stock options program: Only Stock Appreciation Rights issued, no dilution of number of outstanding shares.

NET INCOME: 10-YEAR OVERVIEW



Figures 2000 and 2001 adjusted fot the tax effect of the special dividend (Consolidated Net profit for: 2000: EUR 109.0 million, 2001: EUR 117.6 million.

EARNINGS PERFORMANCE

The earning power of the HUGO BOSS Group continued to grow in 2007. All performance indicators showed double-digit growth. Operating income (EBIT) rose to EUR 220 million. This corresponds to an improvement of approximately 19% over the previous year (2006: EUR 184 million). Earnings before income taxes (EBT) improved by 18% in 2007 to EUR 212 million (2006: EUR 180 million). Net income also showed an increase of 20% to EUR 154 million (2006: EUR 129 million). This once again set a new record for the Company. Earnings per share rose from EUR 1.84 to EUR 2.22 for the common shares, and from EUR 1.86 to EUR 2.24 for the preferred shares.

Sales rose to EUR 1,632 million and were therefore EUR 136 million or 9% higher the previous year (2006: EUR 1,496 million). Gross profit margin increased in 2007 by 0.9 percentage points over the previous year, to 58.0% (2006: 57.1%). The gross profit of EUR 946 million was EUR 92 million or 11% above the previous year figure of EUR 855 million. A higher share of sales made through the Group's own retail business and continuing optimization of global production and purchasing structures, particularly in the shoes and leather accessories product segment, were responsible for the positive growth in gross profit margin.

The following key factors influenced the income statement for fiscal year 2007:

INCOME DEVELOPMENT

in € million		
Net income 2006		**128.7**
Change in gross profit		91.9
Effect of sales volume on gross profit	73.0	
Effect from changes in the gross margin	13.0	
Change in royalties	5.9	
Change in operating expenses and depreciation/amortization		(56.0)
from other operating expenses	(15.7)	
from personnel expenses	(21.9)	
from depreciation/amortization	(18.4)	
Change in financial result		(3.4)
Change in taxes		(7.1)
Change in earnings before tax	(9.3)	
Other tax effects	2.2	
Net income 2007		**154.1**

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses, net rose by 5% in fiscal 2007 compared to the prior-year period, to a total of EUR 359 million (2006: EUR 343 million). In addition to the increase in costs due to a general expansion of business volume, the rise in operating expenses was caused primarily by the continued expansion of sales via the Group's own retail stores.

At the HUGO BOSS Group, research and development mainly reflects expenses incurred in the creation of fashion collections. Expenses increased here particularly in the further development of the growth segments of BOSS womenswear and shoes and leather accessories. The R&D ratio, i.e. research and development expenses as a proportion of total sales, was at the level of the previous year (2006: 3%). In order to support the HUGO BOSS brands, especially the growth segments, a total of approximately EUR 130 million (2006: EUR 114 million) was spent on marketing, after deduction of marketing costs passed on to distributors. The share of marketing expenses as a percentage of total sales therefore remained stable at 8% (2006: 8%).

The early termination of the lease of the store on 5th Avenue in New York City due to the adjustment of the flagship strategy in the U.S. market, resulted in a onetime gain that was partially offset by write-downs of the corresponding assets.

PERSONNEL EXPENSES

The continued growth of HUGO BOSS is also reflected by the higher employee numbers, which resulted in an increase of personnel expenses by 8% to EUR 300 million in 2007 (2006: EUR 278 million). Activities in the past fiscal year once again focused on the areas of production and logistics as well as the Group's own retail business. Additional employees were also hired due to the positive development in the shoes and leather accessories product group and the expansion of the HUGO and BOSS collections, including kidswear.

Expenses for the stock appreciation rights program amounted to EUR 16 million in 2007 (2006: EUR 17 million). The increase in newly granted option rights and modified assumptions regarding the volatility of the share price and the price level upon exercise resulted in expenses in the past fiscal year remaining at nearly the same level as in the previous year, against the backdrop of only a slight change in share price year-on-year.

DEPRECIATION AND AMORTIZATION

Depreciation, amortization, and impairment for 2007 grew by 38% compared to the prior-year period to a total of EUR 67 million (2006: EUR 49 million). This was largely the result of higher investments in directly owned stores, showrooms, and software, as well as operating and office equipment in previous periods. The rise in depreciation and amortization also resulted from write-downs of assets related to the early termination of the lease of the flagship store in New York City, early refurbishment and expansion of retail outlets and showrooms, and impairment losses recognized for other property, plant, and equipment.

Due to the influences described above, the operating result (EBIT) for fiscal 2007 increased by 19% to EUR 220 million (2006: EUR 184 million).

NET FINANCIAL RESULT

Net financial expense for fiscal 2007 was EUR –8 million (2006: EUR –5 million). Changes from the prior year primarily reflect a higher interest expense due to increased average indebtedness in 2007 as well as increased average interest rates as compared to 2006. In addition, negative changes in foreign exchange rates impacted financial income and expense.

TAX RATE

The average tax rate for the HUGO BOSS Group declined again in 2007 as a result of the increasing internationalization of the HUGO BOSS business and the resulting higher shares of earnings contributed by foreign subsidiaries located in countries where tax rates are lower than in Germany.

Because of the global trend toward reducing income taxes, profit shares in Germany and abroad will be taxed at lower tax rates in the future. The first effects on 2007 were the result of the consideration of future tax rates in the assessment of deferred tax liabilities.

Taking into account all tax-related circumstances, the tax rate of 27% in fiscal 2007 was nearly 1 percentage point below that of the previous year (2006: 28%).

PROFIT MARGINS

The profit margins calculated based upon total performance have experienced positive growth. The EBITDA, EBIT, and EBT margins improved compared to the previous year, with a gross profit margin increase of 0.9 percentage points to 58.0%: The EBITDA margin improved by 2.0 percentage points to 17.6% (2006: 15.6%), and the EBIT margin rose by 1.2 percentage points to 13.5% (2006: 12.3%). The reduced ratios of the balance from other operating expenses and income in the personnel expenses compared to the previous year had a positive influence on the profit margins. Higher depreciation and amortization as well as the slightly lower net financial result had a slight profit-reducing effect. The EBT margin increased by 1.0 percentage points to 13.0% (2006 12.0%).

EARNINGS PERFORMANCE

in € million	2007	2006	Change in %
Gross profit	**946.4**	**854.5**	**11**
in % of sales	58.0	57.1	
EBITDA	**287.7**	**233.4**	**23**
in % of sales	17.6	15.6	
EBIT	**220.3**	**184.4**	**19**
in % of sales	13.5	12.3	
Earnings before taxes	**212.4**	**179.9**	**18**
in % of sales	13.0	12.0	
Net income	**154.1**	**128.7**	**20**
in % of sales	9.4	8.6	

ASSET AND FINANCIAL POSITION

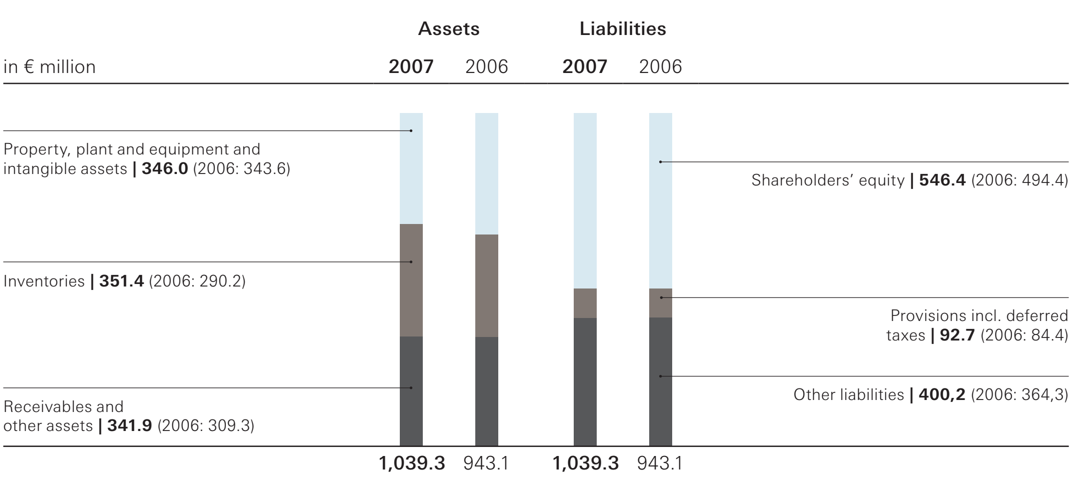
HUGO BOSS continued to have a stable balance sheet structure in fiscal year 2007. Total assets increased in line with sales by EUR 96 million or 10% to EUR 1,039 million (2006: EUR 943 million).

Property, plant and equipment and intangible assets declined slightly as a proportion of total assets, to 33% (December 31, 2006: 36%). Inventory amounted to 34% of total assets (December 31, 2006: 31%).

Provisions and deferred taxes remained unchanged at 9% (December 31, 2006: 9%) of total equity and liabilities. Other liabilites also remained unchanged at 39% (December 31, 2006: 39%).

The HUGO BOSS Group uses off-balance sheet financial instruments to a limited extent. These instruments primarily concern leases related to logistic and administration buildings as well as to own retail stores and shops. Please refer to page 148 in the notes for further information. There is no use of other off-balance sheet financial instruments.

BALANCE SHEET STRUCTURE



ANALYSIS OF FINANCIAL REQUIREMENTS

in € million	2007	2006	Change in %
Trade receivables, other assets [1]	262.9	215.0	22
Inventories	351.4	290.2	21
Trade payables and other liabilities [1]	(173.8)	(174.1)	0
Current provisions	(43.1)	(32.4)	(33)
Net current assets [2]	**397.4**	**298.7**	**33**
Fixed assets	346.0	343.6	1
Other non-current assets	20.9	18.9	11
Non-current provisions	(40.0)	(44.1)	9
Other non-current liabilities	(28.2)	(33.3)	15
Net deferred taxes	24.0	27.7	(13)
Medium- and long-term net assets	**322.7**	**312.7**	**3**
Net assets	**720.1**	**611.4**	**18**
Balance of cash at banks and due to banks [3]	173.7	117.0	48
Shareholders' equity	546.4	494.4	11
Net asset coverage	**720.1**	**611.4**	**18**

1 Payable within one year.
2 Net working capital.
3 Without negative market values of financial instruments.

ASSET POSITION

As of the balance sheet date December 31, 2007, equity of the HUGO BOSS Group amounted to EUR 546 million (December 31, 2006: EUR 494 million). The ratio of equity to total assets rose to 53% (December 31, 2006: 52%).

The balance of cash at banks and due to banks increased by EUR 57 million to EUR 174 million as of December 31, 2007 (December 31, 2006: EUR 117 million).

NET CURRENT ASSETS

Net current assets (net working capital) is composed of current assets excluding cash and cash equivalents, less current liabilities as reported on the balance sheet. As of December 31, 2007, net current assets increased by 33% year-on-year to EUR 397 million in the reporting year (December 31, 2006: EUR 299 million) primarily as a result of the disproportionate increase in inventories relative to sales.

Trade receivables and other assets grew by 22% to EUR 263 million as of December 31, 2007 (December 31, 2006: EUR 215 million). The trade receivables included in this figure grew slightly disproportionately to growth in sales, by 12% to EUR 171 million (December 31, 2006: EUR 153 million). Other short-term receivables increased mainly in response to a one-time effect based on receivables related to the move of the Group's flagship store in New York. The remaining increase reflects other prepayments, income tax claims and other tax claims.

Inventory grew stronger than sales, at 21%, to EUR 351 million (December 31, 2006: EUR 290 million). The increase is mainly due to the continued expansion of the Group's own retail business, the overall increase in business volume as well as a temporary increase in inventory related to the Columbus project.

Trade payables and other liabilities remained constant at EUR 174 million (December 31, 2006: EUR 174 million).

Current provisions climbed by 33% in the year under review, to EUR 43 million (December 31, 2006: EUR 32 million).

NET NON-CURRENT ASSETS

Net non-current assets are composed of non-current assets less non-current liabilities excluding financial liabilities as reported on the balance sheet. There were no significant changes in the items for net non-current assets. These increased from EUR 313 million to EUR 323 million compared to the previous year.

Property, plant and equipment and intangible assets increased by 1% over the previous year (December 31, 2006: EUR 344 million) to EUR 346 million, due in particular to the expansion of the Group's own retail business.

Non-current provisions, which include pension provisions and other provisions, decreased by 9% as of the reporting date to EUR 40 million (December 31, 2006: EUR 44 million). Please refer to page 139 et seq. in the notes for more information on this item.

Deferred taxes declined by 13% to EUR 24 million (December 31, 2006: EUR 28 million). Please refer to page 127 et seq. in the notes for more information on this item.

Overall, net assets of the HUGO BOSS Group climbed by 18% to EUR 720 million (December 31, 2006: EUR 611 million).

FINANCIAL MANAGEMENT

The objectives, principles, tasks, and areas of authority relating to financial management are set out in the mandatory, Group-internal treasury guidelines. These guidelines govern the banking policy, including the issuance of powers of attorney for banking transactions, processing of payments, global liquidity management, management of currency and interest risks, and general financing principles.

Treasury management at the HUGO BOSS Group is centrally organized. Authority to give instructions is held by HUGO BOSS International B.V. At the level of the subsidiaries, the finance managers are responsible for compliance with the treasury principles.

The goal of financial policy at HUGO BOSS is to have sufficient liquidity reserves available at all times to meet the Group's payment obligations. The most important sources of liquidity for the Group are the operations of the individual Group companies and their resulting contributions. The individual Group companies are financed either by utilizing liquidity surpluses from other corporate units or through Group borrowings. This internal financing mechanism serves to ensure an optimal allocation of liquid funds, to minimize debt financing volumes of the HUGO BOSS Group, and to positively affect the net interest result.

Through the repayment of a borrower's note for EUR 25 million on December 7, 2007, the HUGO BOSS Group used bilateral credit lines to cover its current financial requirements and as liquidity reserves as of December 31, 2007.

The Group was able to reduce its dependence upon individual banks and country-specific conditions over the past fiscal year by including other banks. The Group has at its disposal total approved credit lines of EUR 299 million, EUR 199 million of which had been utilized as of the end of the year. An additional EUR 99 million was therefore available as liquidity reserves. The conditions for short-term bank credit lines are based on the creditworthiness of the HUGO BOSS Group as established by internal bank ratings. The HUGO BOSS Group has been classified as "investment grade" under this system. HUGO BOSS was able to enjoy favorable conditions in the financial markets over the past fiscal year as well due to this very good to good credit rating. The Group therefore does not currently require verification of its credit rating by external rating agencies.

The effect of interest rate changes on the Group's net income is minimal due to the low level of debt financing. Nevertheless, interest rate swaps and interest rate caps and floors are generally utilized in long-term financing to limit interest rate risks.

For a presentation of the risk management goals and methods used for hedging all important types of transactions made within the scope of accounting for hedging transactions, as well as interest, exchange rate, and liquidity risks, we refer to the section on risks from financing and assessment in the "Risk Report" and the explanations on "derivative financial instruments" in the notes to the consolidated financial statements.

KEY FINANCIAL INDICATORS

			2007	2006
Equity-to-assets ratio in %	=	Shareholders' equity / Total assets	52.6	52.4
Debt-to-equtiy ratio in %	=	Liabilities / Equity	90.2	90.8
Net-debt-to-EBITDA ratio in %	=	Net debt / EBITDA	0.6	0.5
Interest cover	=	EBITDA / Net interest expenses	36.5	47.7
Return on equity in %	=	Net income / Ø Shareholders' equity	29.2	26.2
Capital expenditure (EUR million)			84.7	98.5
Total assets (EUR million)			1,039.3	943.1

FREE CASH FLOW

in € million	2007	2006	Absolute change
Net income	154.1	128.7	25
Depreciation/amortization	67.4	49.0	18
Change in pension provisions	(2.9)	7,8	(11)
Cash flow	**218.6**	**185.5**	**33**
Net additions to fixed assets	(69.8)	(89.3)	20
Change in remaining net capital invested	(103.5)	(4.0)	(100)
Share repurchase	(11.2)	(19.0)	8
Currency translation and other equity changes	(8.3)	(12.9)	5
Free cash flow before dividends	**25.8**	**60.3**	**(35)**
Dividend payment	(82.5)	(70.2)	(12)
Free cash flow	**(56.7)**	**(9.9)**	**(47)**

This page is not part of the group management report.

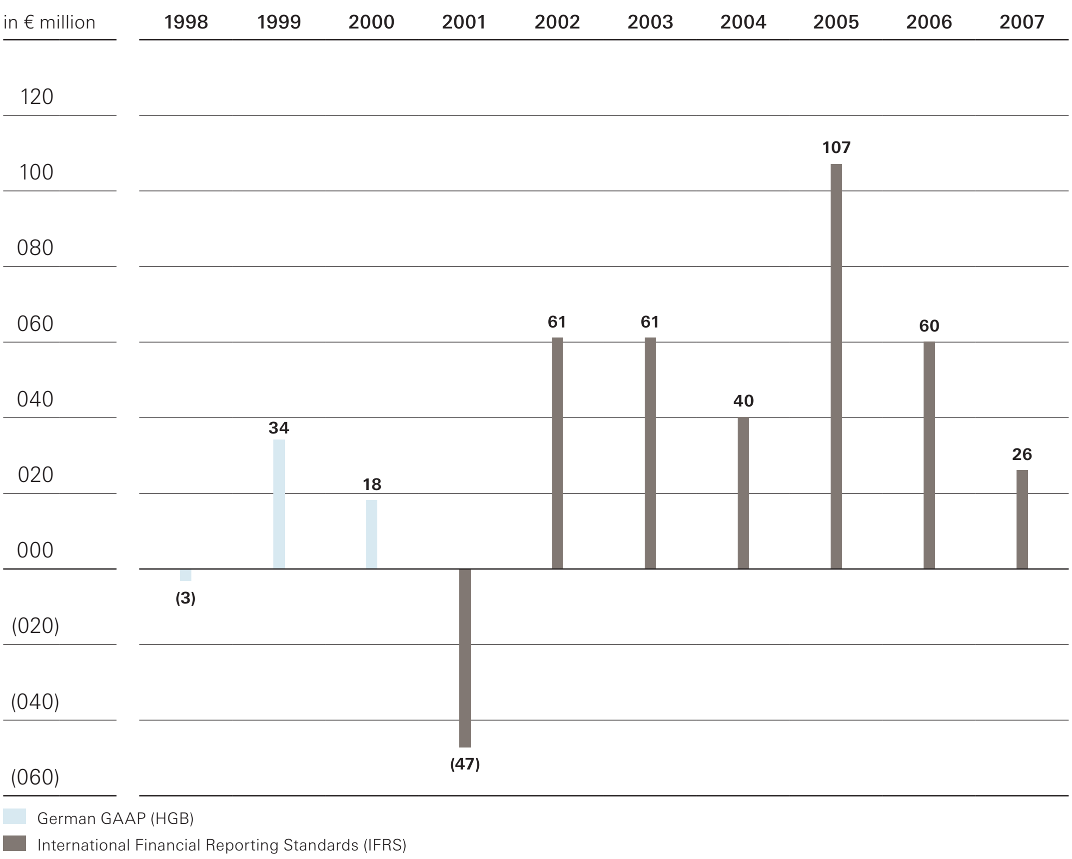
CASH FLOW

The cash flow of the HUGO BOSS Group showed positive growth over the past fiscal year. This improvement resulted essentially from the positive growth of the Group's net income, which increased by EUR 25 million to EUR 154 million. As a result of the expansion of the Group's own retail business through high investments in previous years, depreciation and amortization in fiscal 2007 increased by EUR 18 million to EUR 67 million (2006: EUR 49 million). The position "Change in pension provisions" decreased by EUR 11 million compared to previous year as a result of an increase in interest level which led to a decline of pension provisions by the end of 2007. Please refer to page 140 et seq. of the notes for more information on this item. Overall cash flow increased by 18% to EUR 219 million (2006: EUR 186 million).

Free cash flow before dividend was EUR 26 million in the reporting year (2006: EUR 60 million) and thus EUR 35 million below the value of the previous year. This change was essentially due to the growth of the remaining EUR 104 million of net assets, and was primarily based upon the increase in trade receivables and inventories whereas short-term liabilities remain stable. Outflows for net additions to fixed assets reduced cash and cash equivalents by EUR 70 million in fiscal 2007 (2006: EUR 89 million) after deduction of cash inflows from disposals of fixed assets. In addition, own shares totaling EUR 11 million were purchased via the stock exchange in fiscal 2007 (2006: EUR 19 million) as part of the share buyback program. The item "Currency translation and other equity changes" reflects foreign exchange differences arising from the consolidation of foreign subsidiaries. In fiscal 2007, these amounted to outflows of EUR 8 million (2006: outflows of EUR 13 million).

Taking into account the distribution of EUR 82 million in dividends in 2007 (2006: EUR 70 million), the free cash flow, i.e., the change in net debt after dividend payments, of EUR –57 million as of the end of fiscal 2007 declined considerably compared to the prior-year period (2006: EUR –10 million).

MULTI-YEAR SUMMARY OF FREE CASH FLOW BEFORE DIVIDEND



APPROPRIATION OF PROFITS

HUGO BOSS AG closed the fiscal year with net income of EUR 44 million (2006: EUR 78 million). Other revenue reserves of EUR 420 million were dissolved (2006: EUR 25 million). The distributable profit after allocation to retained earnings and profits carried forward amounted to EUR 454 million. Against this backdrop, the Managing and Supervisory Boards have recommended to the Annual Shareholders' Meeting that a dividend of EUR 1.45 per common share and EUR 1.46 preferred share be paid for fiscal 2007. In addition, the Supervisory Board closely studied the proposal of the Managing Board for payment of a special dividend in light of the desired future capital structure, and agreed to the recommendation for payment of the special dividend for fiscal 2007 in the amount of EUR 5.00 per share. This corresponds to an amount of EUR 445 million (2006: EUR 82 million). A proposal will also be made to the Annual Shareholders' Meeting for a carry-forward of the remaining net retained earnings.

CAPITAL EXPENDITURES

Investments in property, plant and equipment and intangible assets amounted to EUR 85 million in fiscal 2007 (2006: EUR 98 million), and were therefore slightly lower than the planning levels primarily due to slight time delays in the implementation of DOS projects.

The strategy to press ahead with the expansion of the Group's own retail stores was also visible in capital expenditures. Capital expenditures in 2007 once again focused primarily on expansion and modernization of the international sales network, with a total volume of EUR 43 million (2006: EUR 48 million). Of this total, EUR 22 million was incurred just for the expansion of the Group's network of directly operated stores (2006: EUR 29 million). The total number of the Group's own retail stores increased by 77 to a total of 287. Around another EUR 11 million was invested in opening new showrooms and expanding existing showrooms and outlets. In addition, approximately EUR 10 million was spent on renovating existing stores and on a number of minor projects.

The Group's focus on growth segments made it necessary to further expand in-house manufacturing capacities. A total of approximately EUR 16 million (2006: EUR 11 million) was invested in new production technology and the expansion of manufacturing capacities.

The Columbus project supports the optimization of processes throughout the value chain. The standard software solution SAP AFS is being implemented in the HUGO BOSS Group as part of this program, which was initiated in fiscal 2003. The Columbus project was also supplemented by the introduction of SAP Retail in the Group's directly operated stores in Germany, Switzerland, Great Britain, Scandinavia, and the Benelux countries. Approximately EUR 19 million was invested in IT projects including the Columbus project in fiscal 2007. The groupwide implementation of the Columbus project was completed at the end of 2007 with the inclusion of BOSS Black Menswear.

In addition, some EUR 3 million was invested for the construction of administrative buildings and the renovation of office equipment, and approximately EUR 4 million for various other investment projects, such as increasing the safety standard.

As of December 31, 2007, obligations from investment projects initiated amounted to EUR 15 million (December 31, 2006: EUR 34 million). This relates primarily to capital expenditure in 2008 for the global network of directly operated stores and investments in real estate for logistics purposes.

SEGMENT INFORMATION BY PRODUCT AREA

	Menswear segment[1]		Womenswear segment		HUGO BOSS Group	
in € million	2007	2006	2007	2006	2007	2006
Sales	**1,423.2**	**1,333.3**	**208.8**	**162.2**	**1,632.0**	**1,495.5**
Depreciation/amortization	(59.5)	(42.9)	(7.9)	(6.1)	(67.4)	(49.0)
EBIT	197.8	173.1	22.5	11.3	220.3	184.4
in % of sales	13.9	13.0	10.8	7.0	13.5	12.3
Net income	**140.1**	**120.9**	**14.0**	**7.8**	**154.1**	**128.7**
in % of sales	9.8	9.1	6.7	4.8	9.4	8.6
Assets	907.5	855.9	131.8	87.2	1,039.3	943.1
Liabilities	324.0	310.7	168.9	138.0	492.9	448.7
Equity	583.5	545.2	(37.1)	(50.8)	546.4	494.4
Capital expenditure	**78.4**	**93.3**	**6.3**	**5.2**	**84.7**	**98.5**
Number of employees (Full-time equivalents)	**8,484**	**7,820**	**639**	**621**	**9,123**	**8,441**

[1] Existing men's collection business. Amounts attributable to the HUGO Woman product line have been included to simplify the presentation.

SEGMENT INFORMATION BY REGION

	2007		2006	
	in € million	in %	in € million	in %
Sales				
Germany	361.3	22	346.9	23
Other European countries	762.4	47	681.9	46
Americas	298.5	18	273.6	18
Asia/other regions	160.9	10	150.1	10
Royalties	48.9	3	43.0	3
Total	**1,632.0**	**100**	**1,495.5**	**100**
Assets				
Germany	343.0	33	341.0	36
Other European countries	451.8	43	399.6	42
Americas	169.0	16	134.8	14
Asia/other regions	59.0	6	53.1	6
Royalties	16.5	2	14.6	2
Total	**1,039.3**	**100**	**943.1**	**100**
Capital expenditure				
Germany	34.2	40	34.9	35
Other European countries	28.0	33	49.5	50
Americas	18.6	22	9.7	10
Asia/other regions	3.9	5	4.4	5
Total	**84.7**	**100**	**98.5**	**100**

This page is not part of the group management report.

SEGMENT REPORTING

MENSWEAR SEGMENT

Sales in the menswear segment improved by 7% in 2007 to EUR 1,423 million (2006: EUR 1,333 million). Adjusted for negative currency effects, sales actually increased by 12%. Due to even stronger sales growth in the womenswear segment, the menswear segment as a share of total sales declined to 87% from 89% in 2006. One particularly pleasing result was the increase in sales for the core line BOSS Black. Sales of the product line BOSS Selection also developed very favorably in fiscal 2007 and increased by 29% to EUR 43 million (2006: EUR 33 million). In the German domestic market, sales of the HUGO BOSS menswear brands increased by 3% to EUR 312 million (2006: EUR 304 million). International business experienced strong growth for the menswear segment. Outside of Germany, sales rose by 8% to EUR 1,111 million (2006: EUR 1,029 million). On a currency adjusted basis, sales even increased by 12%. Central and Eastern Europe were outstanding with currency adjusted sales growth of 40%. North America with an increase of 17% and Asia, excluding Japan, with a gain of more than 30% in each case in local currency also showed strong growth.

Operating income and expenses rose by 6% to EUR 623 million (2006: EUR 587 million), due to the expansion of DOS sales and the general increase in business volume. EBIT improved by 14% over the prior year to EUR 198 million (2006: EUR 173 million). As a whole, net income in the menswear segment rose by 16% in fiscal 2007 to EUR 140 million (2006: EUR 121 million).

WOMENSWEAR SEGMENT

Sales in the womenswear segment rose by 29% in 2007 to EUR 209 million (2006: EUR 162 million). Adjusted for negative currency effects, sales actually increased by 32%. In its second year on the market, BOSS Orange womenswear was able to improve on its already strong growth trend of the previous year. Thus sales in this fashion line jumped by 81%. Sales of the BOSS Black Womenswear line also developed very well. Since the womenswear segment experienced a higher increase in sales in percentage terms than the menswear segment, the womenswear segment as a share of total sales of the HUGO BOSS Group grew from 11% to 13%. All of the important sales markets showed double-digit improvements. Europe stood out with an improvement of more than 30%, which was driven by very dynamic growth in Central and Eastern Europe with an increase of more than 70% as well as Great Britain and the Benelux countries, each with a sales increase of some 50%. Despite the difficult economic situation in Japan, Asia was able to turn in overall growth of 14% to fulfill expectations, as did the Americas with growth of 19%.

The gross margin in the womenswear segment continued to improve in the year under review, climbing by 1.7 percentage points to 60.2% (2006: 58.5%). An increased share in sales via directly operated stores as well as sales at higher price points contributed to this trend. In response to the significant increase in business volume of the BOSS womenswear collections, operating income and expenses rose by 23% in fiscal 2007, to EUR 103 million (2006: EUR 84 million). The operating result (EBIT) for the womenswear segment increased significantly again in fiscal 2007 as a result of improved economies of scale due to the higher number of items sold and due to the further optimization of business processes, supported by the Columbus project, thus improving by 99%, or EUR 11 million, to EUR 23 million (2006: EUR 11 million). As a consequence, the EBIT ratio improved by 3.8 percentage points to 10.8% as of the end of fiscal 2007 (2006: 7.0%). Net income in the womenswear segment rose significantly by 79%, to EUR 14 million (2006: EUR 8 million).

ADDITIONAL FACTORS FOR SUCCESS

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

EMPLOYEES

Through their identification with the Company, their commitment to its objectives, and their dedicated efforts, the Company's employees make a crucial contribution to the success of the HUGO BOSS Group. HUGO BOSS therefore places as much importance on modern financial incentive models that reward individual performance as on compensating the overall performance of our staff. Employee potential is also fostered by a high degree of personal responsibility and extensive training. Thanks to the highly qualified staff, most vacant management positions in Germany and abroad can be filled by HUGO BOSS Group employees, thus ensuring that our expertise is expanded while remaining within the Company. HUGO BOSS offers its employees an environment that is enriched by an international atmosphere, shared values, and innovation. HUGO BOSS also considers its employees' diversity as one of the strengths of the Company.

The HUGO BOSS Group employed 9,123 persons worldwide at the close of fiscal 2007 (December 31, 2006: 8,441). The main reason for this increase was the continued expansion of the Group's own retail business (DOS). A total of 200 employees were hired in this area around the world. The general growth in business volume also permitted the creation of additional jobs in all divisions.

The HUGO BOSS Group created a total of 243 new fulltime jobs in Germany alone during fiscal 2007 (2006: 207).

TRAINING AT HUGO BOSS

The HUGO BOSS Group offers young people a variety of interesting and varied trainee positions and curriculums at the University of Corporate Education. Professional training efforts focus on trainee positions such as industrial clerk, retail clerk, inventory administration specialist, electronics engineer for operational technology, and fashion seamstress/tailor. HUGO BOSS employees can attend courses in international business and business IT as part of a course of study at the Company's vocational academy.

In September 2007, 24 apprentices and students of the University of Corporate Education began their training programs at HUGO BOSS AG. A number of interns and diploma candidates also received practical insights into the various divisions and business processes at HUGO BOSS. The success of ongoing efforts to create a cadre at the Group is evidenced by the fact that, as in previous years, a large number of the interns and diploma candidates transferred to a permanent employment relationship in 2007.

SUPPORT FOR FAMILIES

HUGO BOSS wants to ensure that its employees never feel a conflict between their family and their profession. For this reason, the Group has implemented its own plan for parents and families in 2007. This plan is based upon three main components: First, the Company provides a financial subsidy to help cover the costs of childcare. Second, HUGO BOSS AG, working in cooperation with the city of Metzingen, has reserved a specific number of places in a childcare center. Finally, the Company also helps its employees to take advantage of the extended offerings of the family service office, which assists in arranging child care.

WORK-LIFE BALANCE

Sports, fitness, and health are a high priority at HUGO BOSS. The Company provides a range of opportunities for employees to offset their daily work routine and participate in corporate culture within a social setting.

In addition to a number of athletic facilities owned by the Company, which are available free of charge to employees, regularly organized sporting events also promote social interactions between employees, their families, and business partners. A wide range of courses on personal health, and a company canteen offering fresh and wholesome food also provide for the well-being of HUGO BOSS employees in the workplace.

The multifaceted employee program is also supplemented by cultural events that extend far beyond the professional environment. For example, the HUGO BOSS ArtPass, which is issued annually, gives every employee and one companion free entry to selected museums around the world. The Group also organizes a variety of cultural trips and guided tours to exhibitions, which are always well attended.

VALUE CHAIN

The high standards of the HUGO BOSS Group guarantee the well-known quality of its products throughout the value chain, from innovations in the manufacturing process to logistics and purchasing. The Columbus project helps to support these high standards.

COLUMBUS PROJECT

In the international markets, HUGO BOSS faces challenges related to the integration of new product groups and changing expectations of the customers with regard to flexibility and innovation. These challenges have also changed the general requirements for the Group's data systems. The Columbus project responds to these challenges by providing completely redesigned enterprise software. The resulting changes in data processing within the Group extend to every area of the Company, and require the coordination of work processes in order to create faster product cycles and greater flexibility.

HUGO BOSS has been working on the Columbus project since 2003 in its largest internal modernization process in the Company's history. The company has used this project to respond at an early stage to the changing demands of the marketplace. The Columbus project involved the deployment of the standard software solution SAP AFS to control the entire value chain of the HUGO BOSS Group and the reorganization of the entire operational processes and structures. After being introduced without incident, first in the HUGO division, the system was gradually extended in 2006 to encompass the BOSS Orange and BOSS Black womenswear divisions. With the integration of BOSS Black menswear over the past fiscal year, the project was finally brought to a successful conclusion.

INNOVATION AND RESEARCH & DEVELOPMENT

At its location in Metzingen, HUGO BOSS uses its extensive know-how in industrial textile production to create leading-edge product and technology developments. Working in close collaboration with the creative departments, the Company uses new product ideas to drive the refinement of manufacturing technologies. HUGO BOSS also offers training courses on all aspects of industrial production in order to maintain and consistently expand this specialized knowledge within the Company.

LOGISTICS

As the Group continues its international growth, there are also increasing requirements for a seamlessly functioning logistics system. HUGO BOSS relies upon a "best-in-class" approach to production and logistics, utilizing a continuous improvement process that also integrates modern methods from other industry sectors to create innovative solutions.

The Company uses networked logistics concepts to move high volumes worldwide with maximum flexibility and speed. From production to delivery at the points of sale, HUGO BOSS guarantees the smooth transportation of goods, while protecting product quality and ensuring reliable delivery for its retail partners. The ready availability of goods, which ensures on-time and complete delivery of goods, reached 95% in fiscal year 2007, after similar excellent values in the preceding years. By continuously optimizing logistics throughout the entire value chain, leveraging the implementation of new software systems and the expansion and modernization of its warehousing infrastructure, HUGO BOSS will continue to maintain its competitive cost structure and its outstanding quality level in the future.

PURCHASING

Globalization has brought about drastic changes in the purchasing environment within the textile industry. HUGO BOSS enters into close partnerships with its global suppliers so that it can maintain consistently high quality over the long term. This also includes the obligation to maintain production conditions in all facilities that are unobjectionable and in accordance with legal requirements.

To assess the performance of its suppliers, HUGO BOSS introduced a groupwide online tool as a crucial element in supplier management. This system can be used to ensure the structured collection and analysis of supplier-related data for strategic purchasing, and to rapidly implement any measures needed to optimize supplier performance.

Global purchasing of non-textile products, capital goods, and services was also combined into an efficient, groupwide sourcing unit at the Metzingen location in fiscal 2007.

SUSTAINABILITY

For HUGO BOSS, sustainability is an essential prerequisite for a successful long-term company policy. Sustainability involves both the implementation of corporate governance principles as well as social and environmental responsibility.

SOCIAL RESPONSIBILITY

We strictly observe all national laws and the social standards of HUGO BOSS while using the latest technology to produce the high-quality products for which HUGO BOSS is known worldwide. These demanding social and environmental standards are also obligatory for all of our suppliers, and HUGO BOSS regularly monitors suppliers for compliance. The prohibition on child labor, guarantees of worker safety, and appropriate compensation are binding rules.

ENVIRONMENTAL PROTECTION

At HUGO BOSS, protection of the environment and the Earth's natural resources is regarded as part of the Company's corporate responsibility. Thus, for example, the new administrative buildings were designed and built taking environmental aspects into account, and are operated using alternative energy to the extent possible.

Moreover, manufacturers for the HUGO BOSS Group agree to comply with local environmental protection laws and contractually guarantee to refrain from using certain statutorily defined hazardous materials in their production processes.

In addition to energy-saving measures, environmental protection focuses on the efficient use of resources. This annual report has therefore been printed on paper from sustainably harvested resources, as in the previous years.

SUMMARY OF FINANCIAL POSITION AND PERFORMANCE

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

RISK REPORT

RISK MANAGEMENT SYSTEM

Risks are an inherent part of any business activity. A risk management approach that identifies, analyzes, controls, and monitors all significant risks in a company's environment is therefore enormously important. A risk management approach also uses detailed analysis of the business environment as well as automated planning, control, and information systems to identify opportunities.

In order to identify risks as well as opportunities at an early stage, HUGO BOSS regularly reviews internal and external risk factors that could influence the Company's success. The Company's business strategy identifies four ways to handle risks: avoidance, reduction, transfer, or acceptance. To the extent possible, HUGO BOSS insures against risks that could endanger the Company's existence.

The risk catalogue is the central element for risk management. It is used both to control risk analysis and risk management processes, and to centrally summarize all risks. Risk identification and responsibility occurs at the local level; risk documentation and reporting is managed by a central risk controlling department.

The risk catalogue categorizes internal and external risks. Internal risks are subdivided into strategic, financial, operational, and organizational risks. For each category and its subgroups, employees from the various departments and divisions are assigned to record the risks systematically and in detail, and to take responsibility for proper management of each risk. All risks are reviewed by the responsible managers at least once annually to ensure that they reflect current reality. Individual risk entries are revised or supplemented as necessary. At the same time, the extent of damages and probability of occurrence are recalculated and quantified.

To make monitoring easier, the risk catalogue also specifies early warning indicators for the timely identification of irregularities. Should a risk materialize, reporting chains are triggered and appropriate pre-defined countermeasures are initiated to guarantee a rapid response.

The risk management system thus meets the legal requirements. The HUGO BOSS Group is able to identify risks at an early stage and to respond quickly and appropriately. The risk management system is also audited at regular intervals by the internal auditing department to ensure its proper functioning, and by the independent auditor as part of the year-end audit of financial statements. The independent auditors confirm its appropriateness and proper functioning.

EXTERNAL RISKS

Political, legal, and social upheavals represent a fundamental risk for all companies. Possible terrorist acts or environmental catastrophes also constitute a risk to the Company's financial position and financial performance. Earthquake scenarios, for instance, have to be taken into account at the Company's production sites in Turkey. These risks are covered by insurance to the extent possible.

For a brand company such as HUGO BOSS, continued successful growth is inextricably linked to brand image. Brand identity protection therefore deserves particular attention. This occurs primarily by securing and defending industrial property rights in the various product groups. Customers and sales partners work closely together with the Metzingen headquarters. Legal action is taken where necessary.

GENERAL ECONOMIC RISKS

The assessment of economic risks faced by the HUGO BOSS Group depends largely upon overall business conditions within the economy. The current turbulence caused by the U.S. real estate crisis and the resulting liquidity shortages are expected to cause declines in U.S. consumer spending. The possible dimming of growth prospects for the U.S. economy could raise the overall risk of a perceptive dampening of international trade and thus a drop in demand for consumer and textile goods. The Group responds to such possible challenges with continued close observation and analysis. By maintaining close collaboration with on-site management as well as partners of the HUGO BOSS Group, the Company is able to respond as quickly as possible to market situations, and can adapt production capacities as needed based upon current trends.

STRATEGIC RISKS

MARKET RISKS

As a fashion and lifestyle company, HUGO BOSS is confronted every new season with the risk that parts of the new collections may be received by the market less positively than anticipated. HUGO BOSS counters this risk through centralized creation of fashion collections and a globally consistent brand image. Constant market observation and regular attendance at international fashion fairs helps in the early identification of trends that can serve as a basis for the collections. Risk is also mitigated by the multi-season concept, the wide range of fashion and accessories collections encompassing all HUGO BOSS brands, and a market presence in 105 countries with more than 5,900 points of sale.

RETAIL ACTIVITIES AND INVESTMENT RISK

One of HUGO BOSS' main strategic objectives is the continued expansion of the Group's own retail activities.

These expanded retail activities involve risks associated with considerable capital expenditures, high fixed costs, and long-term rental agreements. The possibility that stores could be less successful than expected entails the threat of special write-offs and even closures. The investment risk is minimized, for example, by implementing globally uniform store furnishing designs for the points of sale, so that these can at least continue to be used at other locations in the event of a store closure.

Management is supported in its relevant decision-making by a central Retail Controlling Department using customized planning, control, and information systems. A comprehensive site selection process, intensive cross-divisional planning, and a multi-stage approval process all precede the opening of new stores.

FINANCIAL RISK

As a global corporation, HUGO BOSS is confronted by risks related to changes in interest rates, liquidity, and currency exchange rates as part of its normal business activity. These risks can have an influence on the Group's financial position and financial performance. The Company's policy is to use derivative financial instruments to eliminate or limit the risks incurred through operations and the resulting financial requirements. These instruments are used exclusively to hedge against possible risks in existing or planned underlying transactions, and are not used for trading and speculation purposes and are entered with banks that possess impeccable credit ratings.

Conditions for use, responsibilities, and monitoring of the use of derivatives are contained in binding treasury guidelines approved by the chief financial officer.

INTEREST RISK

The HUGO BOSS Group finances its activities for the most part by using equity capital. Dependence on interest rate developments is minimal due to the low level of debt financing. Nevertheless, interest hedging instruments in the form of swaps and interest rate caps are generally used to preclude the effects of future rate changes on the financing costs of variable interest rate loans.

The interest risk for the HUGO BOSS Group is continuously analyzed and managed from the Group headquarters location.

For interest rate derivatives in the amount of EUR 15.4 million and variable interest rate debt of EUR 151.1 million (December 31, 2007) a fluctuation of +/– 100 base points in the market interest rate level would have a hypothetical effect of EUR +/– 1.7 million on earnings before taxes.

LIQUIDITY RISK

The HUGO BOSS Group counters the liquidity risk with effective net working capital- and cash-management. The Group's Treasury Department also coordinates and monitors the liquidity plan for the Group, which is a rolling plan based upon a fixed twelve-month planning horizon. At least 150% of the highest debt capital requirement within the next twelve months according to this plan is held in reserve in the form of approved credit lines.

CURRENCY RISK

As an internationally operating company, HUGO BOSS is active in a variety of currency zones and is therefore subject to exchange rate risks. The cash flows resulting from business activities are reported monthly to the Group's Treasury Department and to all subsidiaries on a twelve-month rolling basis. Using this as a basis, the Treasury Department calculates a total net position for each currency. The net requirements and/or surplus of the corresponding currencies are hedged between 50% and 100% for at least twelve months in advance on a rolling basis.

For its centralized management of currency risks, HUGO BOSS enters only into standard types of currency forward and currency option transactions. Counterparty risk is therefore considered to be very low and/or improbable.

Underlying transactions and currency hedges are recorded in a treasury management system and can be assessed at any time. Foreign exchange management of balance sheet positions is limited to internal Group dividend payments and internal loans to subsidiaries.

Exchange rate risks exist mainly for transactions to and from Great Britain, the United States, Canada, Australia, Japan, and Switzerland. The U.S. dollar risk is virtually neutralized due to the Group's own production site in the USA and the purchase and manufacture of goods from Asia in U.S. dollars. Wages paid in Turkish lira (TRY) for internal production in Turkey are the source of another currency risk, which was hedged for the first time in fiscal 2007.

SENSITIVE CURRENCIES 2008

in € million	Cash inflow	Cash outflow	Net currency exposure	Impact of euro appreciation of 10%[1]
USD	94.3	(97.6)	**(3.3)**	0.08
GBP	73.2	(2.3)	**70.9**	(2.76)
CAD	33.9	0.0	**33.9**	(0.90)
CHF	32.7	(46.9)	**(14.2)**	0.56
AUD	14.8	0.0	**14.8**	(0.32)
JPY	11.8	(3.1)	**8.7**	0.10
TRY	0.0	(20.0)	**(20.0)**	0.06
Total	260.7	(169.9)	**90.8**	(3.18)

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

OPERATIONAL RISKS

PURCHASING, PRODUCTION, AND LOGISTICAL RISKS

Centralization is an important concept at HUGO BOSS for avoiding risks in the areas of production and purchasing. Supplier deliveries, manufacturers' capacity utilization, and deliveries of raw materials are coordinated centrally. Suppliers must not only meet high demands with regard to quality and stock availability; they must also adhere to HUGO BOSS' environmental and social standards.

Products are subject to uniform Group quality control checks at all stages of production. Traveling quality consultants regularly visit production sites and review compliance with the strict design and production specifications of HUGO BOSS. All finished goods are subjected to a final quality control check. The headquarters in Metzingen coordinates worldwide shipping. This centralized management system ensures that HUGO BOSS' high quality standards are consistently adhered to and customers receive their deliveries in good shape and on schedule.

Care is taken throughout the entire value chain to avoid dependence on specific suppliers. In this way, HUGO BOSS avoids excessive concentration on individual suppliers and purchasing markets, and secures an appropriate amount of in-house production. This reduces risks based on changes in customs duties, trade restrictions, increases in purchasing prices, or political instability.

INVENTORY RISKS AND RISKS ON RECEIVABLES

Since inventories and receivables form a core component of the monthly reporting system, significant deviations can be identified quickly and appropriate actions can be taken without delay.

Inventory management is subject to continuous optimization, particularly with regard to the value chain as part of the Columbus project and the expansion of the electronic data interchange (EDI).

Groupwide credit insurance limits the bad debt risk to the amount of the deductible. Moreover, all subsidiaries possess their own credit control measures based upon uniform Group rules. These measures focus on granting and adhering to customer credit limits, monitoring the aging of receivables, and managing doubtful accounts. The internal audit department regularly reviews adherence to these Group guidelines. The notes to the balance sheet under "trade receivables" in the notes to the consolidated financial statements show additional details on receivables and their due dates.

SALES RISKS

The Group strives to maintain a balanced customer structure in its worldwide sales. Furthermore, the Group's orientation towards doing business with independent retailers is increasingly being supplemented by the Group's own retail activities. A detailed sales monitoring system facilitates continuous and prompt control of order levels, sales revenues, delivery rates, and other relevant performance indicators.

ORGANIZATIONAL RISKS

RISKS FROM IT AND TELECOMMUNICATIONS TECHNOLOGY

The increased digitalization of all data requires HUGO BOSS to rely on IT systems and computing centers. IT security and system failure risks are minimized to the extent possible through the use of the relevant security measures and regular maintenance to reduce data losses to the highest extent.

LEGAL RISKS AND LIABILITY RISKS

Legal disputes are inevitable in a global enterprise such as HUGO BOSS. To avert legal claims, all significant legal transactions of the HUGO BOSS Group are reviewed and approved by the central legal department in Metzingen. The central legal department works closely together with local attorneys and the Group's subsidiaries in this process.

Liability risks and claims are minimized by insurance policies in effect throughout the organization. Adequate provisions are created for court costs and costs of legal counsel.

PERSONNEL RISKS AND CORPORATE GOVERNANCE

HUGO BOSS enjoys a corporate culture that is based upon trust and which utilizes flat hierarchies. Independent thinking and individual initiative in action are promoted at all levels. The Company also strives to motivate employees and foster long-term company loyalty by offering comprehensive continuing education programs and financial participation in the Company's success.

HUGO BOSS is generally represented in all important markets worldwide by subsidiaries whose managing directors are vested with extensive authority to make decisions at their own discretion, enabling them to respond promptly and autonomously to local market conditions. The structure of the HUGO BOSS Group ensures that strategic business units are managed by entrepreneurs within the organization. Senior employees in particular are obligated to uphold the principles of responsible leadership.

Despite extensive and multilevel auditing and controlling mechanisms, the access to confidential information that goes hand-in-hand with this type of corporate culture and structure, as well as the high level of entrepreneurial responsibility, harbors the risk of abuse. HUGO BOSS has therefore included appropriate clauses in its employment contracts with employees. Individuals who are considered insiders as defined by securities legislation are listed in an insider directory and are required to comply with the pertinent regulations. The chains of authority are also reviewed and updated on a regular basis.

OVERALL RISK POSITION

Both the parent company and all subsidiaries work with the same type of risk analysis and risk management. Risks are uniformly quantified in the same way, namely by calculating their influence on EBIT and/or cash flow.

No risks with the potential of jeopardizing the Company's continued existence are discernible at present.

SUBSEQUENT EVENTS, OPPORTUNITIES AND OUTLOOK

EVENTS AFTER THE BALANCE SHEET DATE

As of March 11, 2008, no material operational changes, structural modifications, or business events had occurred in the HUGO BOSS Group that might serve to significantly alter financial position and financial performance in comparison with December 31, 2007.

REPORT ON OPPORTUNITIES

OPPORTUNITY MANAGEMENT

For many years HUGO BOSS has been the most successful international fashion company in the high-end fashion market segment, and continues to offer additional growth and profit potential. All divisions within the organization are focused on identifying, analyzing, and making appropriate use of opportunities to secure the continued market position of the HUGO BOSS Group. The Group headquarters in Metzingen provides the strategic framework and secures the financing and liquidity of the entire Company.

STRATEGIC AREAS OF GROWTH

The success in the past in the strategic growth areas of BOSS womenswear and shoes and leather accessories, as well as the Group's own retail activities, continues to offer major growth opportunities. The strategy of retail expansion not only leads to a potentially higher gross profit margin due to increased vertical diversification, but also permits closer contact with end customers and thus a more targeted and proactive presentation of the Company's product assortment and the flexibility to respond to changes in the markets.

In addition to the most important strategic growth initiatives, opportunities also exist in the licensing business and through regional expansion. With the Austrian Swarovski Group for jewelry, HUGO BOSS will continue to utilize the existing growth potential in these areas in 2008.

HUGO BOSS also sees opportunities for regional expansion, particularly through the broadening of distribution in North America, expansion of its leading market position in Eastern Europe, and China as a rapidly growing luxury market will also drive the growth of HUGO BOSS in Asia.

FORECAST FOR 2008 AND 2009

SALES TRENDS

in € million	2008/2009	2007
Germany		361.3
Other European countries		762.4
Americas		298.5
Asia/other regions		160.9
Royalties		48.9
Total		**1,632.0**

EARNINGS TRENDS

in € million	2008/2009	2007
Sales		1,632.0
Gross margin in % of sales		946.4 58.0
EBIT		220.3
Earnings before taxes		212.4
Net income		**154.1**
Earnings per share (EUR)		
Common share		2.22
Preferred share		2.24

OTHER DEVELOPMENTS

	2008/2009	2007
Number of employees		9,123.0
Net current assets (in € million)		397.4
Capital expenditure (in € million)		84.7

INCREASING EFFICIENCY WITH THE COLUMBUS PROJECT

With the completion of the Columbus project, there are opportunities for further optimization of the value chain, which can lead to improvement of delivery and gross profit margin, as well as additional increases in the efficiency of corporate processes and working capital management. Columbus has also created a stable systems platform for possible acquisitions of other brands.

GLOBAL ECONOMY IN 2008 AND 2009: UPWARD POTENTIAL DESPITE UNCERTAINTIES

Growth prospects for the global economy are being examined with an increasingly critical eye at the beginning of 2008. Despite basically positive overall forecasts, the leading economic research institutions have become more cautious due to the difficulty in calculating the effects of the U.S. real estate crisis on the global economy. For example, the International Monetary Fund (IMF) lowered its forecast for growth in global economic output at the end of January 2008 to 4.1%, compared to the previous forecast of 4.8% in October 2007. The forecasts from July 2007 had even contained expectations for an increase of as much as 5.2%. These numbers reflect the expected negative effects, primarily on the U.S. economy. These effects should lead to a significant cooling of the U.S. economy, at least for 2008. Expectations for an increase in the U.S. national product have declined accordingly to only 1.5%. Growth forecasts for 2008 were also significantly reduced for the European Community, declining to 1.6%. According to statements by the German government, the German economy should grow at a similar rate. The Bundesbank is assuming continued high costs for energy and raw material in 2008, and expects a continued high inflation rate of 2.3% as in 2007, which may once again influence private consumption. The emerging markets will also suffer from the effects of the financial market crisis, although to a limited extent. Nevertheless, they will remain the drivers for growth in a robust global growth trend in 2008 as well. For example, the IMF predicts 10.7% growth in national product for China, 8.6% for India and 1.5% for Japan. The economists of the IMF predict an increase in economic output of 4.6% for the Central and Eastern European region.

The outlook for 2009 is difficult to assess at the beginning of 2008. Economists see further growth potential for 2009 based upon the presumably waning effect of the U.S. real estate crisis. In December 2007, the Organization for Economic Cooperation and Development (OECD) therefore expected a 2.2% increase in economic output for the USA. For the Eurozone, the prediction is for an increase of 2.0%. Germany's national product could increase by 1.6%, while the Japanese economy should expand by 1.8%. A continuation of the dynamic upward trend from previous years is expected in the emerging markets. Experts predict growth rates of 10.1% for China and 8.4% for India.

SECTOR PERFORMANCE

Growth in the global market for fashion, accessories, and luxury goods is a decisive factor for the operations of HUGO BOSS. In this market, experts predict growth of 4.3% in 2008. There is also uncertainty here, however, as to how strongly the effects of the crises in the financial markets will affect worldwide spending in this sector.

As in previous years, the sector is profiting from a sharp rise in disposable income and the large backlog of consumer demand in the emerging markets of Asia and Eastern Europe as well as the Middle East. This trend should continue until at least 2012. By that time, the Asian/Pacific region may have replaced the United States as the world's second largest luxury goods market. Not including Japan, the asian/pacific region's share of the global market should then climb to 36.2%, only 0.2 percentage points below Europe. Forecasts for the American fashion and luxury goods market in 2008 are currently very difficult. There is no clear trend for consumer behavior there at the beginning of 2008. Stable development is expected in the European markets, with stimulus for growth coming primarily from the export business as well as sales growth from tourism, primarily from Eastern Europe and Asia. This also applies to the German market. Textile retail in Germany is expected to reach sales approximately 2% higher than those from 2007, and the fashion industry can expect growth of a good 5%.

The worldwide market for fashion, accessories, and luxury goods should grow by 4.4% in 2009. Market forces here are very similar to those in 2008, and strong growth opportunities could re-appear in the North American market following the expected subsidence of the real estate crisis.

OUTLOOK FOR SALES PERFORMANCE

For fiscal years 2008 and 2009, the HUGO BOSS Group anticipates that the business trend will continue moving upwards, including new records in sales.

Above-average growth compared to the other product groups continues to be expected in the segments of BOSS womenswear as well as shoes and leather accessories. In addition, the dynamic expansion of distribution for the two womenswear lines, BOSS Orange and BOSS Black, in the U.S. market is advancing the internationalization of the womenswear segment. The Group also expects continued upward growth for the HUGO brand, particularly following the acquisition of Belgian designer Bruno Pieters in 2007 for the development of the HUGO collections.

The product groups of fragrances, eyewear, and watches, which are licensed out, are also expected to develop positively in fiscal years 2008 and 2009, and thus will be able to participate in the above-average growth rates since the change of licensees for these groups in 2006. The Group also expects that the licensing agreement signed for the jewelry sector in 2007 with the Austrian Swarovski Group will deliver a further contribution to growth in royalties beginning in the second half of 2008.

Based upon planned new openings of approximately 60 HUGO BOSS directly operated shops and stores (DOS) per year, we also expect a significant growth in sales in 2008 and 2009, including sales through the Company's own retail business is expected.

With the continued expansion in the growth regions of Asia, Eastern Europe, and the Americas, HUGO BOSS also plans to develop further lucrative sales markets in the coming fiscal years.

EARNINGS TRENDS

For fiscal 2008 and 2009, the HUGO BOSS AG Group expects the Company to continue growing profitably. With regard to the EBIT in 2008, a growth proportional to sales is expected, in which the following effects recognized as profit will play a primary role.

The high growth rates of the BOSS womenswear collections will enable increased economies of scale, which will lead to the earnings contribution for this segment outpacing earnings in the menswear segment.

The expansion of the shoes and leather accessories product group should achieve similar effects, which will also result in proportionately higher earnings contributions in this area.

The gross profit margin in the coming years is expected to surpass the level of the year under review in response to the planned expansion of the DOS business and the ongoing optimization of global sourcing structures.

The improvement of operating results in the growth areas mentioned above will be offset by additional costs and depreciation, however, caused particularly by the continued expansion of distribution via directly operated stores as well as further investments in the sustained expansion of the global value chain.

Furthermore, higher interest expenses are expected for fiscal 2008 due to financing of special dividends.

LEGAL CORPORATE STRUCTURE

In the year under review, Permira Funds acquired indirectly the majority of shares in the Valentino Fashion Group, a large shareholder in HUGO BOSS. No other significant shifts within the shareholder structure are expected. At the beginning of 2008, circa 12% of common shares and circa 45% of preferred shares are in free float and treasury shares. No basic change in the corporate structure is expected over the short and medium term.

ADDITIONAL JOBS

The HUGO BOSS Group plans to create additional jobs in Germany and abroad in the current fiscal year 2008 and in 2009 in light of the anticipated positive business growth. Expansion of the general business volume as well as the further expansion of directly operated stores will necessitate these personnel increases.

CAPITAL EXPENDITURES

The HUGO BOSS Group will initiate capital expenditures in fiscal years 2008 and 2009, particularly in the further expansion of its directly owned stores and the optimization of the Group wide implementation of a uniform Enterprise Resource Planning (ERP) System. Investments will also be made for the expansion of the Group's logistics capacities due to the significant increase in business volume. These will mostly be scheduled for 2008.

FINANCIAL STRUCTURE

Given the forecast potentials for growth and profit, the HUGO BOSS Group assumes that it will have good liquidity and cash flow generation in the coming years as well. This should provide sufficient funds to finance all investment projects necessary for operations. In order to efficiently utilize the available opportunities and potentials, the Group plans to focus more strongly on capital costs. The conservative balance sheet structure of the past will be optimized to achieve a sustained decrease in these costs. The share of equity, which is significantly more expensive in terms of capital costs, will be reduced as a percentage of total capital. The Company therefore plans to work in close coordination with the Managing Board and the Supervisory Board to distribute a special dividend for 2008 through the liquidation of retained earnings. The financing strength as measured by the ratio of net debt to EBITDA was at a low 0.6 as of December 31, 2007. The Group aims to lower the weighted average cost of capital in order to increase corporate value. As a result, financial strength would also increase. The Managing Board will keep a close eye on the Group's liquidity and credit worthiness in order to maintain the flexibility necessary for the continued expansion of business.

RISKS AND OPPORTUNITIES FOR REACHING OBJECTIVES

Risks and opportunities for the future growth of the business are very closely correlated with general economic trends. The decisive factors here are the actual effects of the U.S. real estate crisis on the global economy, the extent of which cannot be precisely predicted at the beginning of 2008. Should the fears of recession among many experts prove to be well-founded, then negative effects must also be expected on Group sales and profit. Group forecasts are based upon a U.S. dollar/euro exchange rate of between 1.40 and 1.45. Despite extensive natural hedging and other measures to protect against fluctuations in currency exchange rates, the translation effects of a weaker U.S. dollar would have negative effects, while a stronger U.S. dollar would have correspondingly positive effects. Opportunities could arise through the development of new fields of business and product lines, as well as possible acquisitions for the expansion of the Group's portfolio. We also refer to the "Risks and opportunities" section in this Management Report.

SUMMARY OF FORECAST

Based on the assumptions above, the management of the HUGO BOSS Group anticipates sales and earnings performance to continue to be positive in fiscal 2008 and 2009.

Nevertheless, actual results may differ materially from expectations of future developments should any of the uncertainties specified above or other uncertainties materialize, or should the assumptions underlying the statements above prove to be incorrect.

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

Hans Fluri
André Maeder
Joachim Reinhardt

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

OF HUGO BOSS GROUP
FOR THE YEAR ENDING DECEMBER 31, 2007

in € thousand	Notes no.	2007		2006	
Sales	(1)	**1,632,018**			**1,495,525**
Other operating income	(2)	86,540			69,482
Changes in inventories and other own costs capitalized		47,854			22,018
Cost of materials	(3)	(733,428)			(662,983)
Personnel expenses	(4)	(299,667)			(277,820)
Depreciation/amortization	(5)	(67,441)			(49,017)
Other operating expenses	(6)	(445,583)			(412,838)
Operating result			**220,293**		**184,367**
Net interest expense			**(7,880)**		**(4,891)**
Other interest and similar income		1,503		2,759	
Interest and similar expenses		(9,383)		(7,650)	
Other financial items			**(32)**		**420**
Financial result	(7)		**(7,912)**		**(4,471)**
Income before taxes			**212,381**		**179,896**
Income taxes	(8)		(58,285)		(51,230)
Net income			**154,096**		**128,666**
Attributable to:					
Equity holders of the parent			154,159		128,703
Minority interests	(9)		(63)		(37)
Net income			**154,096**		**128,666**
Earnings per share (€) [1]	(10)				
common stock			2.22		1.84
preferred stock			2.24		1.86
Dividend per share (€)	(23)				
common stock			6.45		1.19
preferred stock			6.46		1.20

[1] Basic and diluted earnings per share.

CONSOLIDATED BALANCE SHEET

OF HUGO BOSS GROUP AS OF DECEMBER 31, 2007

ASSETS

in € thousand	Notes no.	2007		2006
Intangible assets	(12)	97,038		84,620
Property, plant and equipment	(13)	248,960		258,966
Deferred tax assets	(8)	33,613		35,588
Non-current financial assets	(14), (29)	7,302		5,310
Other non-current assets [1]	(14)	13,557		13,488
Non-current assets			**400,470**	**397,972**
Inventories	(15)	351,389		290,256
Trade receivables	(16)	171,288		152,500
Current tax receivables	(8)	7,288		2,964
Current financial assets	(14), (29)	6,684		2,427
Other current assets	(14)	77,634		57,044
Cash and cash equivalents	(17)	24,502		39,967
Current assets			**638,785**	**545,158**
Total assets			**1,039,255**	**943,130**

[1] Adjustment of other non-current assets and pension provisions in 2006 due to correction in accordance with IAS 8.42.

EQUITY AND LIABILITIES

in € thousand	Notes no.	2007		2006
Subscribed capital	(18)	70,400		70,400
Own shares	(19)	(42,363)		(31,114)
Capital reserve	(20)	399		399
Retained earnings	(21)	393,882		347,308
Accumulated other comprehensive income	(22)	(29,628)		(20,966)
Profit attributable to equity holders of the parent		154,159		128,703
Equity attributable to equity holders of the parent			**546,849**	**494,730**
Minority interests	(9)		(431)	(368)
Group equity			**546,418**	**494,362**
Non-current provisions [1]	(24), (25)	40,041		44,149
Non-current financial liabilities	(26), (29)	46,103		71,842
Deferred tax liabilities	(8)	9,587		7,910
Other non-current liabilities	(27)	27,409		33,290
Non-current liabilities			**123,140**	**157,191**
Current provisions	(24)	43,076		32,374
Current financial liabilities	(26), (29)	153,178		85,123
Income tax payables	(8)	35,325		35,250
Trade payables	(28)	101,017		103,135
Other current liabilities	(27)	37,101		35,695
Current liabilities			**369,697**	**291,577**
Total equity and liabilities			**1,039,255**	**943,130**

[1] Adjustment of other non-current assets and pension provisions in 2006 due to correction in accordance with IAS 8.42.

STATEMENT OF CHANGES IN EQUITY

OF HUGO BOSS GROUP
FOR THE PERIOD OF JANUARY 1 TO DECEMBER 31, 2007

				Retained Earnings		
in € thousand	Subscribed Capital	Own Shares	Capital Reserve	Legal Reserve	Other Reserves	
Notes no.	(18)	(19)	(20)	(21)	(21)	
January 1, 2006	**70,400**	**(12,097)**	**399**	**6,641**	**302,636**	
Net income						
Allocated to retained earnings					108,259	
Dividend payment					(70,228)	
Share repurchase		(19,017)				
Income and expense recognized directly in equity						
December 31, 2006	**70,400**	**(31,114)**	**399**	**6,641**	**340,667**	
Net income						
Allocated to retained earnings					128,703	
Dividend payment					(82,129)[1]	
Share repurchase		(11,249)				
Income and expense recognized directly in equity						
December 31, 2007	**70,400**	**(42,363)**	**399**	**6,641**	**387,241**	

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

Accumulated other comprehensive income					
Difference arising from currency translation	Market valuation of hedges	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Minority Interests	Group Equity
(22)	(22)			(9)	
(7,372)	(690)	108,259	468,176	(331)	467,845
		128,703	128,703	(37)	128,666
		(108,259)			
			(70,228)		(70,228)
			(19,017)		(19,017)
(13,475)	571		(12,904)		(12,904)
(20,847)	(119)	128,703	494,730	(368)	494,362
		154,159	154,159	(63)	154,096
		(128,703)			
			(82,129)		(82,129)
			(11,249)		(11,249)
(11,951)	3,289		(8,662)		(8,662)
(32,798)	3,170	154,159	546,849	(431)	546,418

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

OF HUGO BOSS GROUP FOR THE YEAR ENDING DECEMBER 31, 2007

in € thousand	2007	2006
Market valuation of hedges	3,289	571
Currency translation effects	(11,951)	(13,475)
Income and expense recognized directly in equity	**(8,662)**	**(12,904)**
Net income	154,096	128,666
Recognized income and expense	**145,434**	**115,762**
Attributable to: Equity holders of the parent	145,497	115,799
Minority interests	(63)	(37)

CONSOLIDATED STATEMENT OF CASH FLOWS

OF HUGO BOSS GROUP FOR THE YEAR ENDING DECEMBER 31, 2007

in € thousand	Notes no.	2007	2006
	(33)		
Net income		154,096	128,666
Depreciation/amortization	(12), (13)	67,441	49,017
Income tax expense/refund	(8)	58,285	51,230
Interest income and expenses	(7)	7,880	4,891
Change in inventories		(64,961)	(35,146)
Change in receivables and other assets		(51,131)	(26,494)
Changes in trade payables and other liabilities		(3,308)	36,874
Result from disposal of non-current assets		1,138	1,508
Change in provisions for pensions	(25)	(2,901)	7,825
Change in other provisions		10,353	12,045
Income taxes paid		(59,332)	(53,610)
Cash flow from operations		**117,560**	**176,806**
Interest paid	(7)	(9,383)	(7,650)
Interest received	(7)	1,503	2,759
Cash flow from operating activities		**109,680**	**171,915**
Investments in PPE[1] and intangible assets	(12), (13)	(84,745)	(98,473)
Payment for changes in the scope of consolidation		0	723
Cash receipts from sales of PPE[1] and intangible assets		8,082	1,905
Cash flow from investing activities		**(76,663)**	**(95,845)**
Dividend payment	(23)	(82,466)	(70,228)
Share repurchase	(19)	(11,249)	(19,017)
Change in current financial liabilities		71,702	32,025
Repayment of non-current financial liabilities		(25,470)	(7,781)
Cash receipts from non-current financial liabilities		518	516
Cash flow from financing activities		**(46,965)**	**(64,485)**
Exchange rate-related changes in cash and cash equivalents		(1,517)	(2,546)
Change in cash and cash equivalents		**(15,465)**	**9,039**
Cash and cash equivalents at the beginning of the period		39,967	30,928
Cash and cash equivalents at the end of the period	(17)	**24,502**	**39,967**

[1] Property, plant and equipment.

The structure of the cash flow statement was changed to increase transparency. The prior year's figures were adapted accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2007

GENERAL INFORMATION

The consolidated financial statements and the Group management report of HUGO BOSS AG, Metzingen, were authorized for issue to the Supervisory Board by the Managing Board on March 11, 2008. The consolidated financial statements are expected to be published on March 27, 2008.

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

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

BASIS OF PRESENTATION

The consolidated financial statements of HUGO BOSS AG for the year ending December 31, 2007 were prepared in accordance with the accounting principles of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB) as well as the IFRS in their entirety. All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable to the fiscal year 2007 have been taken into account.

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

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

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

APPLICATION OF NEW IFRS AND AMENDED IAS

The following new and revised IFRS standards and interpretations adopted by the EU were applied by the Group in the fiscal year 2007. The application of these revised standards and interpretations did not affect the Group's financial position or financial performance. However, some additional disclosures were required to be made.

- IFRS 7 Financial Instruments: Disclosures
  IFRS 7 is effective for annual periods beginning on or after January 1, 2007.
  This standard requires companies to provide disclosures that enable users of financial statements to evaluate the significance of financial instruments for the company's financial position and performance and the nature and extent of risks arising from such financial instruments. The new disclosures have been observed throughout the financial statements. Application of this standard did not affect the Group's financial position or performance. The corresponding comparative figures were revised accordingly.

- Amendment to IAS 1 Presentation of Financial Statements
  The amendment requires new disclosures that enable users of financial statements to evaluate the Group's objectives, policies and processes for managing capital. The new disclosures are presented in detail in the Group management report (section on financial position and in the risk report).

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
  This interpretation is effective for annual periods beginning on or after March 1, 2006. IFRIC 7 states that in the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, the entity must apply the requirements of IAS 29 as if the economy had always been hyperinflationary. Since none of the subsidiaries included in the consolidated financial statements is located in a hyperinflationary economy, application of this interpretation did not affect the Group's financial position or performance.

- IFRIC 8 Scope of IFRS 2
  This interpretation requires the application of IFRS 2 to any transaction in which the company cannot identify specifically some or all of the goods or services received. This applies in particular if the identifiable consideration received appears to be less than the fair value of the equity instruments granted. Since the Group only issues participation rights to employees within the scope of the stock appreciation rights program, the application of this interpretation did not affect the Group's financial position or performance.

- IFRIC 9 Reassessment of Embedded Derivatives
  In accordance with IFRIC 9, an entity shall assess, when it first becomes a party to a contract for a hybrid instrument, whether the contract contains an embedded derivative. Subsequent reassessment is only permitted if there is a change in the terms of the contract that significantly modifies the cash flows. Since the Group does not have any embedded derivatives requiring separation from the host contract, application of this interpretation did not affect the Group's financial position and performance.

- IFRIC 10 Interim Financial Reporting and Impairment
  The Group applied IFRIC 10 for the first time as of January 1, 2007. IFRIC 10 states that impairment losses recognized in a previous interim period for goodwill and investments in equity instruments and in financial assets carried at cost shall not be reversed in subsequent periods. Since the Group has not made any such reversals of impairment losses, application of this interpretation did not affect the Group's financial position or performance.

The following financial reporting standards, interpretations and amendments have been issued, but are not required to be applied for the fiscal year 2007:

- IFRS 8 Operating Segments
  This standard replaces the "risk and reward approach" to segment reporting as described in IAS 14 with a "management approach" to reporting on the financial performance of operating segments. IFRS 8 is effective for annual periods beginning on or after January 1, 2009.

- IAS 23 Borrowing Costs
  The revised IAS 23 Borrowing Costs is effective for annual periods beginning on or after January 1, 2009. This standard states that borrowing costs attributable to a qualifying asset should be capitalized.

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
  IFRIC 11 was issued in November 2006 and is effective for annual periods beginning on or after March 1, 2007. Earlier application is permitted. IFRIC 11 IFRS 2 provides guidance on how to account for rights to equity instruments granted by a parent to employees of its subsidiary or rights to equity instruments of the parent granted by a subsidiary to its employees in the individual entities' financial statements, the effects of employee transfers within a group, and how to account for share-based payments involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation.

- IFRIC 12 Service Concession Arrangements
  This interpretation is effective for annual periods beginning on or after January 1, 2008. IFRIC 12 governs the accounting treatment of obligations assumed and contractual rights received in the financial statements of the service concession operator.

- IFRIC 13 Customer Loyalty Programmes
  This interpretation is effective for annual periods beginning on or after July 1, 2008. Pursuant to this interpretation, an entity that grants loyalty award credits must allocate some of the proceeds of the initial sale to the award credits as a separate component of the sale transaction; the amount of proceeds allocated to the award credits must be measured at the amount for which the award credits could have been sold separately.

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
  IFRIC 14 was issued in July 2007 and is effective for annual periods beginning on or after January 1, 2008.
  This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under IAS 19 Employee Benefits.

These new financial reporting standards, interpretations and amendments have not been applied for the consolidated financial statements for the fiscal year 2007. Their application is not expected to significantly affect the financial position, financial performance or cash flows of HUGO BOSS AG.

SCOPE OF CONSOLIDATION

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

BIL Leasing Verwaltungs-GmbH & Co. 869 KG, Poecking, Germany [1]
HUGO BOSS (Schweiz) AG, Zug, Switzerland
HUGO BOSS Australia Pty. Ltd., Preston, Australia
HUGO BOSS Belgium BVBA, Diegem, Belgium
HUGO BOSS Belgium Retail BVBA, Diegem, Belgium
HUGO BOSS Benelux B.V., Amsterdam, Netherlands
HUGO BOSS Benelux Retail B.V., Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH, Metzingen, Germany [2]
HUGO BOSS Canada, Inc., Toronto, Canada
HUGO BOSS China Retail Co. Ltd., Shanghai, P.R. China
HUGO BOSS Cleveland, Inc., Wilmington, DE, USA
HUGO BOSS Denmark APS, Copenhagen, Denmark
HUGO BOSS Dienstleistungs GmbH, Metzingen, Germany [2]
HUGO BOSS do Brasil Ltda., São Paulo, Brazil
HUGO BOSS España, S.A., Madrid, Spain
HUGO BOSS Fashions, Inc., Wilmington, DE, USA
HUGO BOSS France SAS, Paris, France
HUGO BOSS Germany Retail GmbH, Metzingen, Germany [3]
HUGO BOSS Guangdong Trading Co. Ltd., Guangzhou, P.R. China
HUGO BOSS Holding Netherlands B.V., Amsterdam, Netherlands
HUGO BOSS Holdings Pty. Ltd., Preston, Australia
HUGO BOSS Holding Sourcing S.A., Coldrerio, Switzerland
HUGO BOSS Hong Kong Ltd., Hong Kong
HUGO BOSS International B.V., Amsterdam, Netherlands
HUGO BOSS International Markets AG, Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH, Metzingen, Germany [2]
HUGO BOSS Italia S.p.A., Milan, Italy
HUGO BOSS Japan K.K., Tokyo, Japan
HUGO BOSS Licensing, Inc., Wilmington, DE, USA
HUGO BOSS Mexico Management Services S.A. de C.V., Mexico City, Mexico
HUGO BOSS Mexico S.A. de C.V., Mexico City, Mexico
HUGO BOSS Outlet Magazacilik Limited Sirketi, Izmir, Turkey
HUGO BOSS Portugal, Unipessoal, Lda., Lisbon, Portugal
HUGO BOSS Retail, Inc., Wilmington, DE, USA
HUGO BOSS S.p.A., Como, Italy

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

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

The full list of shareholdings in accordance with Section 313 of the German Commercial Code (HGB), will be disclosed in the electronic Federal Gazette as part of the notes to the financial statements. The list may be obtained from HUGO BOSS AG, Metzingen, Investor Relations.

CHANGES IN THE SCOPE OF CONSOLIDATION

During the reporting period January 1 to December 31, 2007, the number of consolidated companies decreased by one to 51 companies in comparison with the consolidated financial statements as of December 31, 2006.

In order to optimize corporate structures in Switzerland, HUGO BOSS Shoes & Accessories S.A., HUGO BOSS Industries (Switzerland) Ltd., and HUGO BOSS Services (Svizzera) S.A. were merged to form HUGO BOSS Ticino S.A.

In addition, a company was established in the People’s Republic of China with the aim of strengthening Group purchasing structures.

An overview of the number of companies included in the consolidated financial statements for the fiscal year 2007 is shown below:

NUMBER OF FULLY CONSOLIDATED COMPANIES

	2007	2006
January 1	**52**	**52**
Newly founded/consolidated companies	1	4
Divestments/exclusion from consolidation	–	(4)
Merged companies	(2)	–
December 31	**51**	**52**

INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

Red & Black S.r.l., Milan, Italy, holds the majority of voting rights in HUGO BOSS AG due to its control of Valentino Fashion Group S.p.A., Milan, Italy, and V.F.G. International N.V., Amsterdam, Netherlands. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Red & Black S.r.l., Milan, Italy.

PRINCIPLES OF CONSOLIDATION

As part of the initial consolidation of a subsidiary, the cost of the equity investment is compared with the Group's interest in the carrying amount of the equity of the company concerned. As a general rule, any difference between the cost of the equity investment and the Group's interest in the company's equity is fully allocated to the assets and liabilities of the subsidiary in question where such difference is based on hidden reserves or charges. Any remaining excess of the cost of the equity investment over the Group's interest in the company's equity is capitalized as goodwill and tested for impairment on the level of the corresponding cash-generating unit.

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

CURRENCY TRANSLATION

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

The financial statements of foreign Group companies, which are economically independent units, are translated into euros based on the modified closing rate method in accordance with IAS 21. In principle, the functional currency is the local currency of the respective country. However, the functional currency of HUGO BOSS Textile Industry Ltd. is the euro, since the majority of business transactions of this company are negotiated in euros. HUGO BOSS Textile Industry Ltd. is a foreign business operation that is integrated into the business operations of HUGO BOSS AG. Consequently, there is no need to translate these financial statements into euros.

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

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

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

Country	Currency	Average Rate		Closing Rate	
	1 EUR =	2007	2006	2007	2006
Australia	AUD	1.6351	1.6662	1.6731	1.6691
Brazil	BRL	2.6639	2.7294	2.5858	2.8123
Canada	CAD	1.4696	1.4233	1.4389	1.5281
Denmark	DKK	7.4508	7.4591	7.4566	7.4560
Great Britain	GBP	0.6843	0.6818	0.7348	0.6715
Hong Kong	HKD	10.6907	9.7472	11.4620	10.2409
Japan	JPY	161.2658	146.0126	166.1300	156.9300
Mexico	MXN	14.9700	13.6831	15.9646	14.3230
Sweden	SEK	9.2495	9.2544	9.4483	9.0404
Switzerland	CHF	1.6427	1.5731	1.6604	1.6069
USA	USD	1.3701	1.2549	1.4692	1.3170

KEY PERFORMANCE INDICATORS OF SIGNIFICANT INVESTMENTS OF THE HUGO BOSS GROUP

Company
HUGO BOSS AG [1]
HUGO BOSS International B.V. [2]
HUGO BOSS Trade Mark Management GmbH & Co. KG
HUGO BOSS USA, Inc. [3]
HUGO BOSS Ticino S.A. [4]
HUGO BOSS France SAS
HUGO BOSS Benelux B.V. [5]
HUGO BOSS International Markets AG
HUGO BOSS Italia S.p.A.
HUGO BOSS Canada, Inc.
HUGO BOSS Australia Pty. Ltd.
HUGO BOSS UK Limited
HUGO BOSS Hong Kong Ltd.
HUGO BOSS Textile Industry Ltd.
HUGO BOSS Mexico S.A. de C.V.
HUGO BOSS Shoes & Accessories Italia S.p.A.
HUGO BOSS (Schweiz) AG
HUGO BOSS Scandinavia AB
HUGO BOSS do Brasil Ltda.
HUGO BOSS España S.A.
HUGO BOSS Japan K.K.

1 Earnings prior to transfer of profit of Group companies. In 2006 result includes gains from the sale of Group investments totaling EUR 5,223 thousand.

2 Earnings include dividends receipts amounting to EUR 92,066 thousand (2007) and EUR 79,561 thousand (2006).

3 Subgroup financial statements.

4 Change of name and merger with HUGO BOSS Services (Svizzera) S.A. and HUGO BOSS Shoes & Accessories S.A. retrospectively as of January 1, 2007.

5 Earnings include gains from the sale of Group investments for a total of EUR 1,148 thousand (2007) and EUR 0 thousand (2006).

	Earnings (in € thousand)		Equity (in € thousand)	
Head Office	2007	2006	2007	2006
Metzingen, Germany	(28,367)	2,859	569,975	623,257
Amsterdam, Netherlands	64,977	83,032	246,897	187,143
Metzingen, Germany	83,213	66,316	103,098	85,056
Wilmington, DE, USA	10,506	7,182	73,686	78,866
Coldrerio, Switzerland	31,124	27,131	70,911	42,400
Paris, France	2,147	2,947	37,115	44,968
Amsterdam, Netherlands	15,066	9,006	37,009	72,595
Zug, Switzerland	18,557	(466)	18,519	166
Milan, Italy	(125)	398	15,080	15,205
Toronto, Canada	(1,465)	1,639	11,225	11,978
Preston, Australia	2,147	2,141	11,094	11,114
London, Great Britain	8,356	9,398	10,832	10,784
Hong Kong	9,643	9,267	10,215	7,918
Izmir, Turkey	2,125	1,287	7,739	5,614
Mexico City, Mexico	2,226	2,396	7,512	6,047
Morrovalle, Italy	320	1,863	7,141	6,821
Zug, Switzerland	4,487	2,024	4,921	3,564
Stockholm, Sweden	179	3,041	4,351	4,364
São Paulo, Brazil	21	221	3,017	1,020
Madrid, Spain	(3,434)	113	1,822	5,256
Tokyo, Japan	(1,823)	(4,723)	(4,803)	(3,211)

ACCOUNTING POLICIES

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

RECOGNITION OF INCOME AND EXPENSES

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

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

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

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

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

INVENTORIES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

LEASE AGREEMENTS

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

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

INTANGIBLE ASSETS

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

Intangible assets with an indefinite useful life are tested for impairment annually. Whenever there are indications for impairment, the asset is written down to the recoverable amount.

RESEARCH AND DEVELOPMENT COSTS

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

FINANCIAL INSTRUMENTS

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

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

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

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

a) Financial assets at fair value through profit or loss.
b) Loans and receivables.
c) Financial liabilities at fair value through profit or loss.
d) Other financial liabilities measured at amortized cost using the effective interest method.

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the HUGO BOSS Group solely for the purpose of hedging interest rate risks and currency exposure arising from operations.

When entering into hedging transactions, specific derivatives are linked to specific hedged items. The requirements of IAS 39 related to the designation of such transactions as hedging transactions are complied with.

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

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

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

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

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

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

Impairment losses are recognized if the carrying amount of the intangible assets or items of property, plant and equipment exceeds the recoverable amount determined in accordance with the principles above as of the balance sheet date. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset (value in use). The present value of the estimated future cash flows from continuing use of the asset is calculated on the basis of the medium-term projections for 2008 to 2010. For the six subsequent years, the calculation is based on country- and CGU-specific sales and cost trends, for which perpetual annuities and a growth rate of 2% p.a. are assumed. The 10-year planning horizon on which the forecast of future cash flows is based takes into account the long-term growth rates for the respective products, sectors, and countries. A discount rate of 12% was applied to the cash flow forecast; this rate was calculated for the HUGO BOSS Group using a WACC model.

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

INCOME TAXES

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

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

FINANCE LEASE LIABILITIES

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

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

PROVISIONS

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

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

PROVISIONS FOR PENSIONS

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

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

a) Measurement of the Group's own retail stores (directly operated stores)
When testing intangible assets and property, plant and equipment related to directly operated stores (DOS) for impairment, the following assumptions have been made:

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

b) Specific valuation allowances for receivables
The recoverability of trade receivables is determined on the basis of the estimated probability of default. Accordingly, specific valuation allowances are recognized for trade receivables due from customers in their full amount when insolvency proceedings against such customers' assets have been initiated (to the extent that existing collateral is not recoverable). Specific valuation allowances for past due receivables are based on individually determined percentages. External expert opinions have been obtained to determine the value of collateral during such impairment reviews.

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

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

With respect to the BOSS Black product line, reductions ranging from 5% to 90% are applied to raw materials, depending on the season. No write-downs are recognized for work in progress. Measurement of finished goods and merchandise is based on the net realizable value that can be obtained via the Group's own sales channels. Impairments recognized to account for lower expected sales prices related to inventories of the HUGO brand as well as of the BOSS Orange and BOSS Green product lines are anticipated on the basis of marketability and inventory range analyses.

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

CORRECTION IN ACCORDANCE WITH IAS 8.42

For the purpose of the disclosure of defined benefit obligations and plan assets, the carrying amounts reported in the 2006 consolidated balance sheet were adjusted in accordance with IAS 19 (Employee Benefits).

The adjustment was made in accordance with IAS 8.42 in the opening balance sheet for the fiscal year 2006 and did not affect the Group's net income or basic and diluted earnings per share for the fiscal year 2006.

The detailed changes in the consolidated balance sheet as of December 31, 2006 are as follows:

in € thousand	2006 before adjustment	Adjustment acc. to IAS 8.42	2006 after adjustment
Other non-current assets	28,845	(10,047)	18,798
Provisions for pensions	22,989	(10,047)	12,942
Provisions for similar obligations	3,417		3,417

In addition, the key performance indicators published in the Group management report for the fiscal year 2006 have changed as follows:

KEY FINANCIAL INDICATORS

		2006 before adjustment	2006 after adjustment
Equity-to-assets ratio in %	$= \frac{\text{Shareholders' equity}}{\text{Total assets}}$	51.9	52.4
Debt-to-equity ratio in %	$= \frac{\text{Liabilities}}{\text{Equity}}$	92.8	90.8
Total assets (in € million)		953.2	943.1

The changes presented are due to the following circumstances.

In accordance with IAS 19.7, qualifying insurance policies are a part of plan assets and must therefore be offset against benefit obligations.

The reinsurance contract concluded by the HUGO BOSS Group to finance retirement benefit costs was reported under other non-current assets in the consolidated balance sheet as of December 31, 2006. Now, however, the reinsurance has been classified as a qualifying insurance policy in accordance with IAS 19.7 and has been allocated to plan assets.

As a result, other non-current assets and pension obligation were reduced by the same amount.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

in € thousand	2007	2006
Sale of goods	1,583,091	1,452,489
Royalties	48,927	43,036
	1,632,018	**1,495,525**

(2) OTHER OPERATING INCOME

in € thousand	2007	2006
Income on marketing expenses charged	35,321	37,261
Income on other expenses charged	14,945	16,923
Income from reversal of provisions	1,966	3,431
Other operating income	34,308	11,867
	86,540	**69,482**

Income from marketing expenses charged is largely composed of charges for shop fittings, marketing materials, and advertising as well as sponsorship activities.

The realignment of the Group's strategy with respect to its flagship store on 5th Avenue in New York City and the related early termination of the lease, as described in the interim financial report, resulted in a one-time gain that was partially offset by write-downs of the corresponding assets (reported under "depreciation/amortization" in the income statement).

(3) COST OF MATERIALS

in € thousand	2007	2006
Raw materials and supplies	408,784	356,883
Purchased merchandise	234,169	223,537
Purchased services	90,475	82,563
	733,428	**662,983**

The cost of materials includes foreign exchange gains (after netting against exchange losses) in the amount of EUR 635 thousand achieved from sales activities (2006: foreign exchange gains of EUR 334 thousand).

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

The cost of materials for 2007 includes inventory write-downs totaling EUR 22,483 thousand (2006: expense of EUR 5,182 thousand). The write-downs were attributable in particular to reserve levels of inventories of raw materials, which increased due to completion of migration to a new ERP system, and to inventories of finished goods, which had to be written down due to their limited recoverability.

(4) PERSONNEL EXPENSES

in € thousand	2007	2006
Wages and salaries	260,948	230,925
Social security	42,132	39,551
Expenses and income for retirement benefits and aid	(3,413)	7,344
	299,667	**277,820**

Income and expense related to retirement benefits primarily refer to changes in pension provisions and the deducted plan assets. In the fiscal year 2007, this resulted in income (prior year: expense) due to a rise (prior year: decline) in the market level of interest rates used for discounting pension provisions.

The employer contribution to defined contribution pension plans amounted to approx. 7% (2006: approx. 6%) of personnel expenses.

The number of employees changed as follows:

	2007	2006
Industrial employees	4,510	4,483
Commercial and administrative employees	4,613	3,958
	9,123	**8,441**

The number of employees was calculated as the number of employees as of December 31, taking into account part-time employees on a pro-rata basis.

During 2007, the HUGO BOSS Group employed an average of 4,489 industrial employees (2006: 4,342) and 4,283 commercial and administrative employees (2006: 3,621).

(5) DEPRECIATION/AMORTIZATION

A breakdown of the amortization of intangible assets and the depreciation of property, plant and equipment can be obtained from the notes on each item. Total depreciation and amortization amounted to EUR 67,441 thousand (2006: EUR 49,017 thousand).

(6) OTHER OPERATING EXPENSES

in € thousand	2007	2006
Marketing expenses	165,781	150,715
Other selling expenses	141,717	131,677
General and administrative expenses	47,060	37,784
Operating expenses	45,571	40,699
Additions to provisions	4,857	968
Miscellaneous operating expenses	40,597	50,995
	445,583	**412,838**

Marketing expenses primarily consist of costs incurred for advertising, trade fairs, sponsorship activities, and commercial marketing. Other operating income includes income from marketing expenses charged in the amount of EUR 35,321 thousand (2006: EUR 37,261 thousand).

The key components of other selling expenses are commissions, duties, and freight costs – i. e. mainly variable sales-related costs – along with rental expenses and costs for creating the collections.

General and administrative expenses consist largely of rent for premises, maintenance costs, IT operating costs, and legal and consulting fees.

Miscellaneous operating expenses chiefly include allowances for doubtful accounts, other personnel expenses, credit card fees, hedging transaction fees, and losses from the disposal of non-current assets. This item also includes other taxes in the amount of EUR 2,252 thousand (2006: EUR 2,925 thousand).

(7) FINANCIAL RESULT

in € thousand	2007	2006
Net interest income/expense		
Other interest and similar income	1,503	2,759
Interest and similar expenses	(9,383)	(7,650)
	(7,880)	**(4,891)**
Other financial items	(32)	420
	(7,912)	**(4,471)**

Other financial items consist chiefly of foreign exchange gains and losses incurred in the course of the Group's financing activities.

(8) INCOME TAXES

in € thousand	2007	2006
Current taxes	55,759	60,643
Deferred taxes	2,526	(9,413)
	58,285	**51,230**

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

HUGO BOSS AG is subject to a domestic income tax rate of 37.3% (2006: 37.3%). Tax rates abroad range between 0% and 41%.

In the fiscal year 2007, current income taxes included expenses relating to other reporting periods in the amount of EUR 4,218 thousand (2006: EUR 8 thousand). Income relating to other reporting periods totaled EUR 4,308 thousand (2006: EUR 56 thousand).

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

The following table shows a reconciliation of the anticipated income tax expense that would theoretically result given the application at Group level of the current domestic income tax rate of 37.3% (2006: 37.3 %) with the income tax expense actually reported by the Group. The domestic income tax rate used takes into account the corporate income tax rate (including the German unification solidarity surcharge) of 26.4% and the trade tax rate of 14.9%.

in € thousand	2007	2006
Pre-tax result	212,381	179,896
Anticipated income tax	79,221	67,104
Tax effect of non-deductible expenses and tax-exempt income	(14,148)	(1,954)
Tax rate-related deviation	(12,246)	(15,519)
Tax refunds/back taxes	(90)	(729)
Valuation allowance on deferred tax assets	4,714	740
Other deviations	834	1,588
Income tax expenditure reported	**58,285**	**51,230**
Income tax load	27.4%	28.5%

The income tax load was reduced by a total of EUR 39,938 thousand (2006: EUR 14,553 thousand) due to tax-free income. The tax effect from non-deductible operating expenses amounted to EUR 25,790 thousand (2006: EUR 12,599 thousand).

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

	2007		2006	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Provisions	1,682	(156)	16,011	(4)
Tax loss carryforwards	4,084	0	3,805	0
Inventory measurement	13,493	(5,138)	7,922	(4,353)
Recognition and measurement of non-current assets	6,337	(2,020)	5,775	(3,225)
Receivables measurement	7,245	(584)	3,256	(47)
Market valuation of financial instruments	0	(1,311)	0	(109)
Other differences in recognition and measurement	6,694	(378)	2,230	(172)
	39,535	**(9,587)**	**38,999**	**(7,910)**
Valuation allowance	(5,922)	–	(3,411)	–
	33,613	**(9,587)**	**35,588**	**(7,910)**

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

In addition to the effects from the creation or the reversal of temporary differences between the carrying amounts in the consolidated financial statements and those in the financial statements for tax purposes, expenses for deferred taxes included income from changes in the tax rates amounting to EUR 72 thousand (2006: EUR 172 thousand) as well as income from the reduction of a valuation allowance previously recognized for deferred taxes amounting to EUR 219 thousand (2006: EUR 292 thousand).

Valuation allowances for deferred taxes are recorded if there are doubts as to their future recoverability. To calculate these write-downs, all positive and negative factors that might impact the achievement of sufficient future taxable income are taken into consideration.

The valuation allowances on deferred taxes relate to temporary differences in the amount of EUR 2,428 thousand (2006: EUR 1,609 thousand) and from unused tax loss carryforwards in the amount of EUR 3,494 thousand (2006: EUR 1,802 thousand).

Deferred taxes in the amount of EUR 1,311 thousand (2006: EUR 109 thousand) were recognized directly in equity in 2007 in connection with accounting for changes in the fair values of derivatives that are part of an effective hedging relationship with no gain or loss recognized.

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

in € thousand	2007	2006
Expiry within		
1 year	87	0
2 years	736	92
3 years	2,278	549
4 years	2,352	2,437
5 years	2,128	1,525
More than 5 years	6,120	2,499
Unlimited	5,515	3,934
Total tax loss carryforwards	**19,216**	**11,036**

(9) MINORITY INTERESTS

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

(10) EARNINGS PER SHARE

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

Neither on December 31, 2007 nor on December 31, 2006 were shares outstanding that could have diluted earnings per share.

	2007	2006
Net income in € million	154.1	128.7
Average number of shares outstanding [1]		
Common shares	35,331,733	35,464,296
Preferred shares	33,708,598	34,135,115
EPS common shares in € [2]	2.22	1.84
EPS preferred shares in € [2]	2.24	1.86

[1] Includes effect of share buyback program.

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

(11) RESEARCH AND DEVELOPMENT COSTS

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

Of the total research and development costs of EUR 39,984 thousand (2006: EUR 43,556 thousand), personnel expenses accounted for EUR 25,744 thousand (2006: EUR 27,513 thousand), depreciation/amortization for EUR 876 thousand (2006: EUR 693 thousand), and other operating expenses for EUR 13,364 thousand (2006: EUR 15,350 thousand).

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

in € thousand	Property, plant and equipment	Intangible assets	Total non-current assets
Cost of acquisition			
Balance on December 31, 2005	**417,318**	**104,043**	**521,361**
Change in the scope of consolidation	(489)	(7)	(496)
Currency translation effects	(10,946)	(593)	(11,539)
Additions	83,619	15,564	99,183
Disposals	(19,792)	(433)	(20,225)
Transfers	(651)	651	0
Balance on December 31, 2006	**469,059**	**119,225**	**588,284**
Currency translation effects	(7,912)	(457)	(8,369)
Additions	64,033	20,712	84,745
Disposals	(20,782)	(1,926)	(22,708)
Transfers	(309)	309	0
Balance on December 31, 2007	**504,089**	**137,863**	**641,952**
Depreciation/amortization			
Balance on December 31, 2005	**188,353**	**29,679**	**218,032**
Change in the scope of consolidation	(167)	(2)	(169)
Currency translation effects	(5,384)	(696)	(6,080)
Additions	42,994	6,023	49,017
Disposals	(15,703)	(399)	(16,102)
Balance on December 31, 2006	**210,093**	**34,605**	**244,698**
Currency translation effects	(2,525)	(173)	(2,698)
Additions	59,425	8,016	67,441
Disposals	(11,864)	(1,623)	(13,487)
Balance on December 31, 2007	**255,129**	**40,825**	**295,954**
Carrying amount on December 31, 2007	**248,960**	**97,038**	**345,998**
Carrying amount on December 31, 2006	**258,966**	**84,620**	**343,586**

Land charges in conjunction with land and buildings amounted to EUR 38.8 million (2006: EUR 40.1 million).

(12) INTANGIBLE ASSETS

in € thousand	Franchises, industrial property rights[1]	Internally developed software	Goodwill	Total
Cost of acquisition				
Balance on December 31, 2005	**70,625**	**5,603**	**27,815**	**104,043**
Change in the scope of consolidation	(7)	0	0	(7)
Currency translation effects	(593)	0	0	(593)
Additions	15,564	0	0	15,564
Disposals	(433)	0	0	(433)
Transfers	651	0	0	651
Balance on December 31, 2006	**85,807**	**5,603**	**27,815**	**119,225**
Currency translation effects	(457)	0	0	(457)
Additions	20,712	0	0	20,712
Disposals	(1,926)	0	0	(1,926)
Transfers	309	0	0	309
Balance on December 31, 2007	**104,445**	**5,603**	**27,815**	**137,863**
Amortization				
Balance on December 31, 2005	**22,895**	**4,553**	**2,231**	**29,679**
Change in the scope of consolidation	(2)	0	0	(2)
Currency translation effects	(696)	0	0	(696)
Additions	4,973	1,050	0	6,023
Disposals	(399)	0	0	(399)
Balance on December 31, 2006	**26,771**	**5,603**	**2,231**	**34,605**
Currency translation effects	(173)	0	0	(173)
Additions	8,016	0	0	8,016
Disposals	(1,623)	0	0	(1,623)
Balance on December 31, 2007	**32,991**	**5,603**	**2,231**	**40,825**
Carrying amount on December 31, 2007	**71,454**	**0**	**25,584**	**97,038**
Carrying amount on December 31, 2006	**59,036**	**0**	**25,584**	**84,620**

[1] And similar rights, including licenses.

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

Franchises, industrial property rights includes other assets with indefinite useful lives (particularly trademark rights related to the menswear segment in the U.S.) in the amount of EUR 20,261 thousand (2006: EUR 19,461 thousand).

(13) PROPERTY, PLANT AND EQUIPMENT

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment operating and office equipment	Construction in progress	Total
Cost of acquisition					
Balance on December 31, 2005	**118,920**	**37,059**	**255,974**	**5,365**	**417,318**
Change in scope of consolidation	0	0	(489)	0	(489)
Currency translation effects	(1,915)	(1,030)	(8,015)	14	(10,946)
Additions	12,137	1,568	67,199	2,715	83,619
Disposals	(1,393)	(1,479)	(16,920)	0	(19,792)
Transfers	159	5	3,111	(3,926)	(651)
Balance on December 31, 2006	**127,908**	**36,123**	**300,860**	**4,168**	**469,059**
Currency translation effects	(1,824)	(944)	(5,132)	(12)	(7,912)
Additions	1,750	2,768	51,639	7,876	64,033
Disposals	(8,702)	(999)	(9,595)	(1,486)	(20,782)
Transfers	1,089	120	1,031	(2,549)	(309)
Balance on December 31, 2007	**120,221**	**37,068**	**338,803**	**7,997**	**504,089**
Depreciation					
Balance on December 31, 2005	**32,320**	**23,826**	**132,207**	**0**	**188,353**
Change in scope of consolidation	0	0	(167)	0	(167)
Currency translation effects	(667)	(754)	(3,963)	0	(5,384)
Additions	4,557	2,872	35,164	401	42,994
Disposals	(1,381)	(1,435)	(12,887)	0	(15,703)
Balance on December 31, 2006	**34,829**	**24,509**	**150,354**	**401**	**210,093**
Currency translation effects	(648)	(690)	(1,187)	0	(2,525)
Additions	3,816	2,568	53,041	0	59,425
Disposals	(3,245)	(845)	(7,774)	0	(11,864)
Balance on December 31, 2007	**34,752**	**25,542**	**194,434**	**401**	**255,129**
Carrying amount on December 31, 2007	**85,469**	**11,526**	**144,369**	**7,596**	**248,960**
Carrying amount on December 31, 2006	**93,079**	**11,614**	**150,506**	**3,767**	**258,966**

Impairment losses totaling EUR 16,101 thousand (2006: EUR 3,315 thousand) were recognized for items of property, plant and equipment and shown under "depreciation/amortization" in the consolidated income statement. The impairment losses were recognized for the flagship store in New York, for relocating the Scandinavian showroom and head office from Stockholm to Copenhagen, and for closures of unprofitable shop-in-shops in Japan. Impairment losses were also recognized on the property, plant and equipment of certain stores after conducting impairment tests.

FINANCE LEASES

Property, plant and equipment includes land amounting to EUR 3,404 thousand (2006: EUR 4,139 thousand) and operating and office equipment of EUR 10 thousand (2006: EUR 1 thousand) for which the Group retains beneficial ownership in accordance with IAS 17.

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

in € thousand	Payable 2008	Payable 2009 to 2012	Payable after 2012
Minimum lease payments	426	2,105	2,112
Discounts	157	603	236
Present value	269	1,502	1,876

OPERATING LEASES

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

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

In the fiscal year 2007, rental expenses in the amount of EUR 70,192 thousand (2006: EUR 61,383 thousand) were recognized for operating leases. Contingent rental expenses totaled EUR 5,465 thousand (2006: EUR 4,991 thousand).

Operating lease payments falling due in subsequent periods and already contractually agreed as of the reporting date are shown under "other disclosures" (note 31).

As in the previous year, the Group did not generate substantial revenues from subleases in the year under review.

(14) OTHER ASSETS

in € thousand	2007	thereof: current	thereof: non-current	2006	thereof: current	thereof: non-current
Financial assets	13,986	6,684	7,302	7,737	2,427	5,310
Tax refund claims and prepayments	37,009	37,009	0	30,664	30,664	0
Other assets [1]	54,182	40,625	13,557	39,868	26,380	13,488
	105,177	**84,318**	**20,859**	**78,269**	**59,471**	**18,798**

1 Adjustment of other assets in 2006 due to correction in accordance with IAS 8.42.

Financial assets include positive fair values from financial derivatives totaling EUR 6,593 thousand (2006: EUR 1,688 thousand).

Impairment losses on other assets amounted to EUR 2,089 thousand in the fiscal year 2007 (2006: EUR 1,298 thousand).

(15) INVENTORIES

in € thousand	2007	2006
Finished goods and merchandise	267,686	220,158
Raw materials and supplies	80,254	60,725
Work in progress	3,449	9,373
	351,389	**290,256**

The carrying amount of inventories recognized at the lower net realizable value is EUR 91,425 thousand (2006: EUR 78,785 thousand).

(16) TRADE RECEIVABLES

in € thousand	2007	2006
Trade receivables	171,288	152,500

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

Appropriate allowances are recognized for all identifiable risks. Actual defaults lead to derecognition of the receivables concerned.

As of December 31, 2007, trade receivables at nominal amount EUR 34,127 thousand (2006: EUR 41,366 thousand) were impaired.

The allowances recognized for doubtful accounts changed as follows:

in € thousand	2007	2006
Allowance for doubtful accounts as of January 1, 2007	**28,990**	**30,697**
Addition	5,772	7,436
Use	(2,032)	(397)
Release	(4,239)	(8,356)
Exchange rate differences	(271)	(390)
Allowance for doubtful accounts as of December 31, 2007	**28,220**	**28,990**

Any income or expense from allowances on trade receivables is shown under other operating income and expenses.

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

in € thousand	2007	2006
Carrying amount	**171,288**	**152,500**
thereof: neither due, nor impaired	**98,469**	**84,264**
thereof: overdue, but not impaired	**66,912**	**55,860**
< 30 days	27,072	24,655
> 30 to 60 days	24,331	20,620
> 60 to 90 days	8,613	7,039
> 90 to 120 days	3,243	1,495
> 120 to 180 days	1,731	627
> 180 to 360 days	1,508	998
> 360 days	414	426

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

(17) CASH AND CASH EQUIVALENTS

in € thousand	2007	2006
Balances with banks and other cash items	20,122	37,731
Checks/ec-cash	54	1,062
Cash in hand	4,326	1,174
	24,502	**39,967**

(18) SUBSCRIBED CAPITAL

The fully paid-in share capital of HUGO BOSS AG totaled EUR 70,400,000 as of December 31, 2007. It is divided into 70,400,000 no par value bearer shares and can be broken down as follows:

in € thousand	2007	2006
Common shares 35,860,000 shares	35,860	35,860
Non-voting preferred shares 34,540,000 shares	34,540	34,540
	70,400	**70,400**

The Managing Board of HUGO BOSS AG has authorized capital of EUR 35,200,000 at its disposal until May 18, 2009, subject to the consent of the Supervisory Board. Authorized capital allows the Company to increase its share capital on one or more occasions by issuing new common or preferred shares.

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

(19) OWN SHARES

HUGO BOSS AG repurchased a total of 2,500 common shares at an average price of EUR 42.48 and 277,806 preferred shares at an average price of EUR 40.10 during the period from January to December 2007.

The number of own shares changed as follows:

	2007	2006
Common shares	528,555	526,055
Share of subscribed capital in %	0.8	0.7
Preferred shares	855,278	577,472
Share of subscribed capital in %	1.2	0.8

(20) CAPITAL RESERVE

The capital reserve contains premiums on the issuance of shares.

(21) RETAINED EARNINGS

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

(22) ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income reflects differences arising from the translation of foreign subsidiaries' financial statements with a negative impact on equity of EUR 32,798 thousand (2006: negative impact of EUR 20,847 thousand) and the effects from the measurement of financial instruments after taxes, neither of which is recognized in income. Deferred tax expenses not recognized in the income statement amount to EUR 1,233 thousand (2006: deferred tax income of EUR 71 thousand).

With respect to income and expenses recognized in equity please refer to the diagram situated on page 102.

(23) DIVIDENDS

In accordance with the German Stock Corporation Act (AktG), the dividend payout to shareholders is based on net retained earnings for the year as reported in the HUGO BOSS AG financial statements. The dividend proposed to the Annual Shareholders' Meeting for distribution from the net retained earnings of HUGO BOSS AG in 2007 amounts to EUR 445.5 million. This corresponds to EUR 6.45 per common share and EUR 6.46 per preferred share.

In 2007, dividends totaling EUR 82.5 million were paid out for outstanding shares for the fiscal year 2006 (in 2006 for the fiscal year 2005: EUR 70.2 million), corresponding to EUR 1.19 (2006: EUR 1.00) per common share and EUR 1.20 (2006: EUR 1.01) per preferred share.

(24) PROVISIONS

in € thousand	2007	2006
Provisions for pensions and similar obligations [1]	13,458	16,359
Other non-current provisions	26,583	27,790
Non-current provisions	**40,041**	**44,149**
Current provisions	**43,076**	**32,374**
	83,117	**76,523**

[1] Adjustment of pension provisions in 2006 due to correction in accordance with IAS 8.42.

Other provisions amounting to EUR 69,659 thousand (2006: EUR 60,164 thousand) comprise current provisions of EUR 43,076 thousand (2006: EUR 32,374 thousand) and other non-current provisions of EUR 26,583 thousand (2006: EUR 27,790 thousand).

Other provisions changed as follows during the fiscal year 2007:

in € thousand	Balance on Jan. 1, 2007	Currency translation	Addition	Use	Release	Balance on Dec. 31, 2007
Provisions for personnel expenses	37,266	(409)	27,859	(19,327)	(1,784)	43,605
Costs of litigation, pending legal disputes	5,752	(53)	509	(267)	(808)	5,133
Miscellaneous provisions	17,146	(171)	18,035	(12,648)	(1,441)	20,921
	60,164	**(633)**	**46,403**	**(32,242)**	**(4,033)**	**69,659**

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

Overall, the Company expects that EUR 26,583 thousand (2006: EUR 27,790 thousand) of the provisions for personnel expenses will become due for payment after more than twelve months.

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

Miscellaneous provisions mainly include provisions for product returns that are expected to be settled within twelve months.

(25) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

in € thousand	2007	2006
Provisions for pensions [1]	9,774	12,942
Provisions for similar obligations	3,684	3,417
	13,458	**16,359**

[1] Adjustment of pension provisions in 2006 due to correction in accordance with IAS 8.42.

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

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

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

in € thousand	2007	2006
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	33,955	19,756
Currency differences	(294)	0
Service cost	5,731	3,639
Interest cost	1,309	922
Actuarial gains/losses	(5,415)	2,554
Benefits paid	(2,063)	(540)
Other changes in benefit obligation	731	7,624
Present value of benefit obligation on December 31	**33,954**	**33,955**
Change in plan assets		
Fair value of plan assets on January 1	21,305	4,542
Currency differences	(205)	0
Netting with plan assets	0	7,084
Expected return on plan assets	760	393
Benefits paid	(1,834)	(406)
Actuarial gains/losses	(311)	286
Asset ceiling IAS 19.58	(2,159)	0
Other changes in plan assets	6,913	9,406
Fair value of plan assets on December 31	**24,469**	**21,305**
Funding status of the benefits funded by plan assets	**9,485**	**12,650**
Pensions funded by provisions	289	292
Provisions for pensions	**9,774**	**12,942**

Pension expenses consist of service costs for the period, interest expense, expected return on plan assets, actuarial gains and losses, expense based on the asset ceiling pursuant to IAS 19.58, and any other changes in the present value of the benefit obligation and the plan assets. The total amounts recognized in profit or loss are recorded under personnel expenses.

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

in € thousand	2007	2006	2005	2004	2003
Present value of benefit obligation	33,954	33,955	19,756	14,727	22,247
Fair value of plan assets	24,469	21,305	9,790	9,177	6,258
Funding status of the benefits funded by plan assets	**9,485**	**12,650**	**9,966**	**5,550**	**15,989**

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

Actuarial assumptions	2007	2006
Discount rate	3.50%[1] – 5.10%[2]	2.00%[1] – 4.20%[2]
Rate of compensation increase	0.00%[1] – 1.75%[2]	0.00%[1] – 1.75%[2]
Expected salary increase	2.50%[2] – 5.00%[1]	2.50%[2] – 5.00%[1]
Expected rate of return on plan assets	4.00%[1] – 4.50%[2]	2.50%[1] – 5.25%[2]

1 Switzerland.
2 Germany.

The expected total return on plan assets was calculated on the basis of common market expectations for the period during which the obligations were fulfilled.

Employee contributions to defined benefit plans in the fiscal year 2007 totaled EUR 1,520 thousand (2006: EUR 835 thousand). For the fiscal year 2008, the Group expects employee contributions to defined benefit plans for a total of EUR 1,299 thousand.

Employer contributions to plan assets amounted EUR 3,248 thousand in the fiscal year 2007 (2006: EUR 2,678 thousand), and employee contributions to EUR 3,110 thousand (2006: EUR 1,171 thousand). For the fiscal year 2008, the Group expects employer contributions to plan assets to amount to EUR 2,402 thousand and employee contributions to EUR 3,985 thousand.

Pension obligations for Germany were calculated using biometric principles in accordance with the 2005 G mortality tables compiled by Prof. Dr. Klaus Heubeck.

(26) FINANCIAL LIABILITIES

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

in € thousand	2007	2006
Non-current financial liabilities	46,103	71,842
Current financial liabilities	153,178	85,123
	199,281	**156,965**

in € thousand	2007	With a remaining term up to 1 year	2006	With a remaining term up to 1 year
Liabilities due to banks	189,095	152,595	147,604	84,673
Other financial liabilities	10,186	583	9,361	450
	199,281	**153,178**	**156,965**	**85,123**

Other financial liabilities include liabilities from finance leases in the amount of EUR 3,647 thousand (2006: EUR 4,460 thousand) and liabilities from financial instruments with negative fair values in the amount of EUR 1,136 thousand (2006: EUR 2,551 thousand).

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

LIABILITIES DUE TO BANKS

	2007		2006	
Remaining term	Weighted average interest rate	Carrying amount EUR thous.	Weighted average interest rate	Carrying amount EUR thous.
up to 1 year	4.47%	152,595	3.81%	84,673
1 to 5 years	5.61%	5,719	4.00%	30,836
more than 5 years	5.66%	30,781	5.66%	32,095

OTHER FINANCIAL LIABILITIES

	2007		2006	
Remaining term	Weighted average interest rate	Carrying amount EUR thous.	Weighted average interest rate	Carrying amount EUR thous.
up to 1 year	5.06%	583	5.39%	450
1 to 5 years	5.31%	1,565	5.22%	1,987
more than 5 years	5.12%	8,038	5.12%	6,924

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

in € thousand			Expected cash flows		
2007	**Carrying amount**	**Total cash flows**	**< 1 year**	**1 to 5 years**	**> 5 years**
Non-derivative financial liabilities					
Liabilities due to banks	189,095	206,524	155,231	27,925	23,368
Liabilities from finance leases	3,647	4,643	426	2,105	2,112
Derivative financial liabilities					
Freestanding derivatives	1,130	1,130	404	457	269
Derivatives subject to hedge accounting	6	6	6	0	0
Other financial liabilities	5,403	9,752	304	1,520	7,928
Financial liabilities	**199,281**	**222,055**	**156,371**	**32,007**	**33,677**
2006					
Non-derivative financial liabilities					
Liabilities due to banks	147,604	168,232	112,841	16,339	39,052
Liabilities from finance leases	4,460	5,819	701	2,762	2,356
Derivative financial liabilities					
Freestanding derivatives	1,606	1,606	1,606	0	0
Derivatives subject to hedge accounting	945	945	945	0	0
Other financial liabilities	2,350	5,384	199	993	4,192
Financial liabilities	**156,965**	**181,986**	**116,292**	**20,094**	**45,600**

All financial instruments held at December 31, 2007 and for which payments were already contractually agreed were included. Forecast figures for new liabilities incurred in the future are not taken into account in this table.

(27) OTHER LIABILITIES

in € thousand	2007	2007 thereof: current	2007 thereof: non-current	2006	2006 thereof: current	2006 thereof: non-current
Other liabilities	64,510	37,101	27,409	68,985	35,695	33,290
from taxes	[13,864]	[13,864]	0	[12,901]	[12,901]	0
from social security	[4,641]	[4,641]	0	[4,377]	[4,377]	0
	64,510	**37,101**	**27,409**	**68,985**	**35,695**	**33,290**

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

(28) TRADE PAYABLES

in € thousand	2007	2006
Trade payables	101,017	103,135

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

(29) ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

in € thousand	IAS 39 category	2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Assets					
Cash and cash equivalents	LaR	24,502	24,502	39,967	39,967
Trade receivables	LaR	171,288	171,288	152,500	152,500
Other financial assets		13,986	13,986	7,737	7,737
thereof:					
Freestanding derivatives	FAHfT	2,132	2,132	934	934
Derivatives subject to hedge accounting	n. a.	4,461	4,461	754	754
Other financial assets	LaR	7,393	7,393	6,049	6,049
Liabilities					
Financial liabilities due to banks	FLAC	189,095	189,847	147,604	149,807
Trade payables	FLAC	101,017	101,017	103,135	103,135
Other financial liabilities		10,186	10,369	9,361	9,982
thereof:					
Liabilities from finance lease	n. a.	3,647	3,856	4,460	4,901
Freestanding derivatives	FLHfT	1,130	1,130	1,606	1,606
Derivatives subject to hedge accounting	n. a.	6	6	945	945
Other financial liabilities	FLAC	5,403	5,377	2,350	2,530
Totals for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	203,183	203,183	198,516	198,516
Financial Assets Held for Trading	FAHfT	2,132	2,132	934	934
Financial Liabilities Measured at Amortized Cost	FLAC	295,515	296,241	253,089	255,472
Financial Liabilities Held for Trading	FLHfT	1,130	1,130	1,606	1,606

Cash and cash equivalents, trade receivables, and other receivables mainly have short remaining terms to maturity. Therefore, it may be assumed that the carrying amount approximates the fair value as of the reporting date.

Since trade payables and other liabilities also have short remaining terms, their carrying amounts also approximate their fair values.

The fair values of non-current financial liabilities due to banks and liabilities from finance leases are calculated as the present values of the payments associated with the liabilities on the basis of the appropriate interest rate parameters.

NET GAINS OR LOSSES BY CATEGORY OF FINANCIAL INSTRUMENT

in € thousand	Interest income and expenses	Changes in fair value	Currency translation	Bad debt losses	Disposal of financial instruments	2007	2006
Derivatives (FAHfT and FLHfT)	0	1,001	0	0	0	1,001	(673)
Loans and Receivables (LaR)	1,187	0	(1,969)	(4,389)	0	(5,171)	(449)
Financial Liabilities Measured at Amortised Cost (FLAC)	(9,067)	0	2,629	0	0	(6,438)	(6,064)

Interest from financial instruments is reported under net interest income/expense (see note 7 to the consolidated income statement).

The other components of net gains or losses from financial instruments are recognized as other financial items, except for valuation allowances on trade receivables attributable to “loans and receivables,” which are classified as other operating expenses.

Gains and losses from the translation of trade receivables and trade payables denominated in foreign currencies are reported under cost of materials (see note 3 to the consolidated income statement).

OTHER DISCLOSURES

(30) CONTINGENT LIABILITIES

No provisions have been recognized for the following contingent liabilities, which are recognized at nominal value as the associated risks are considered unlikely to materialize:

in € thousand	2007	2006
Contingent liabilities from the provision of collateral for third-party liabilities	4,353	2,242
Other contingent liabilities	2,138	0
	6,491	**2,242**

(31) OTHER FINANCIAL OBLIGATIONS

2007 in € thousand	Due 2008	Due 2009 to 2012	Due after 2012	Total
Sum of future minimum lease payments (operating leases)	75,232	232,702	187,023	494,957
Other obligations	6,720	8,601	9	15,330
	81,952	**241,303**	**187,032**	**510,287**
Purchase commitment for investments				
Property, plant and equipment	10,989	0	0	10,989
Intangible assets	3,920	0	0	3,920
	14,909	**0**	**0**	**14,909**

2006 in € thousand	Due 2007	Due 2008 to 2011	Due after 2011	Total
Sum of future minimum lease payments (operating leases)	71,042	227,342	153,504	451,888
Other obligations	6,845	9,701	19	16,565
	77,887	**237,043**	**153,523**	**468,453**
Purchase commitment for investments				
Property, plant and equipment	21,196	0	0	21,196
Intangible assets	12,995	0	0	12,995
	34,191	**0**	**0**	**34,191**

There will be no substantial future income for the Group arising from subleases.

(32) HEDGING POLICIES AND FINANCIAL DERIVATIVES

As a Group with international operations, HUGO BOSS is subject to risks arising from movements in exchange rates and interest rates as a result of its ordinary business operations. Derivative financial instruments are employed to mitigate these risks. Only marketable instruments with adequate liquidity are used. The utilization of financial derivatives is subject to internal guidelines and controls at HUGO BOSS.

When using financial derivatives, the HUGO BOSS Group is exposed to the risk of counterparty default. HUGO BOSS reduces this risk by concluding such transactions exclusively with leading financial institutions with very good to good credit ratings.

HUGO BOSS AG is represented by subsidiaries in its most important core markets. These subsidiaries sell products to local customers within a certain geographic area. The subsidiaries place the orders arising from this business exclusively within the Group. Intercompany orders are generally denominated in the local currency of the respective subsidiary in order to concentrate the exchange rate risk at HUGO BOSS AG in Germany. Currency exposures arise from cash flows denominated in the local currencies of subsidiaries and in euros (HUGO BOSS AG's functional currency) as well as in Swiss francs, the functional currency of HUGO BOSS Ticino S.A., Switzerland. The Group Treasury department is responsible for centrally concluding hedging transactions.

The HUGO BOSS Group makes use of financial derivatives in order to hedge part or all of the subsidiaries' anticipated payments against the above-mentioned currency exposure. This principally entails the use of forward exchange contracts and currency options.

In particular, the HUGO BOSS Group hedges cash flows from countries in which it maintains extensive operations. These countries include the U.S., Japan, Great Britain, Switzerland, Canada, and Australia.

Forward exchange contracts and currency options generally have terms ranging from twelve to 15 months from the contract date; none of the terms exceed 18 months. For the most part those cash flows result from intercompany sales expected to occur within 18 months.

The Managing Board of HUGO BOSS AG believes that the use of currency derivatives reduces the risks described above and uses such instruments exclusively for hedging purposes.

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

in € thousand	2007 Nominal amount	2007 Fair values	2006 Nominal amount	2006 Fair values
Assets				
Positive fair values				
thereof from:				
currency hedging contracts	63,986	6,593	25,652	1,667
interest hedging contracts	0	0	26,576	21
Liabilities				
Negative fair values				
thereof from:				
currency hedging contracts	(5,018)	(297)	84,772	(2,551)
interest hedging contracts	15,361	(839)	0	0
	74,329	**5,457**	**137,000**	**(863)**

The nominal amounts shown reflect the total of sales and purchases.

The fair values of financial derivatives are carried as other financial assets or other financial liabilities. The fair values do not necessarily represent the amounts that will be realized in the future under prevailing market conditions.

In addition, financial assets and financial liabilities include the fair values of interest rate hedging contracts in the amount of EUR –839 thousand (2006: EUR 21 thousand).

The fair value of derivative financial instruments recognized includes a fair value of EUR 1,001 thousand (2006: EUR –673 thousand) from assets classified as financial assets held for trading.

In the fiscal year 2007, income totaling EUR 3,170 thousand (2006: EUR – 119 thousand) resulting from the change in fair value of derivative financial instruments was recognized directly in equity in the item "accumulated other comprehensive income", after deducting deferred taxes. Losses totaling EUR 141 thousand (2006: losses of EUR 714 thousand) were transferred from accumulated other comprehensive income to profit and loss in the fiscal year 2007.

(33) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows the changes that occurred in cash and cash equivalents in the HUGO BOSS Group during the year under review in the form of cash inflows and outflows. In accordance with IAS 7, cash flows from operating activities, investing activities, and financing activities are stated separately. The cash flow statement was prepared using the indirect method.

Cash and cash equivalents as presented in the cash flow statement include all cash items reported on the balance sheet, i.e. cash on hand, checks, and bank balances.

(34) SEGMENT REPORTING

SEGMENT INFORMATION BY PRODUCT AREA

	Menswear segment[1]		Womenswear segment		HUGO BOSS Group	
in € million	2007	2006	2007	2006	2007	2006
Sales	**1,423.2**	**1,333.3**	**208.8**	**162.2**	**1,632.0**	**1,495.5**
Depreciation/amortization	(59.5)	(42.9)	(7.9)	(6.1)	(67.4)	(49.0)
EBIT	197.8	173.1	22.5	11.3	220.3	184.4
in % of sales	13.9	13.0	10.8	7.0	13.5	12.3
Net income	**140.1**	**120.9**	**14.0**	**7.8**	**154.1**	**128.7**
in % of sales	9.8	9.1	6.7	4.8	9.4	8.6
Assets	907.5	855.9	131.8	87.2	1,039.3	943.1
Liabilities	324.0	310.7	168.9	138.0	492.9	448.7
Equity	583.5	545.2	(37.1)	(50.8)	546.4	494.4
Capital expenditure	**78.4**	**93.3**	**6.3**	**5.2**	**84.7**	**98.5**
Number of employees (Full-time equivalents)	**8,484**	**7,820**	**639**	**621**	**9,123**	**8,441**

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

SEGMENT INFORMATION BY REGION

	2007		2006	
	in € million	in %	in € million	in %
Sales				
Germany	361.3	22	346.9	23
Other European countries	762.4	47	681.9	46
Americas	298.5	18	273.6	18
Asia/other regions	160.9	10	150.1	10
Royalties	48.9	3	43.0	3
Total	**1,632.0**	**100**	**1,495.5**	**100**
Assets				
Germany	343.0	33	341.0	36
Other European countries	451.8	43	399.6	42
Americas	169.0	16	134.8	14
Asia/other regions	59.0	6	53.1	6
Royalties	16.5	2	14.6	2
Total	**1,039.3**	**100**	**943.1**	**100**
Capital expenditure				
Germany	34.2	40	34.9	35
Other European countries	28.0	33	49.5	50
Americas	18.6	22	9.7	10
Asia/other regions	3.9	5	4.4	5
Total	**84.7**	**100**	**98.5**	**100**

In the segment report, the activities of the HUGO BOSS Group are differentiated by business segments – i. e., product category – as the primary reporting format and by geographic segments as the secondary reporting format in accordance with IAS 14.

The business segments of the HUGO BOSS Group are based on the internal organization and reporting structure of the Company and thus consist primarily of the menswear and womenswear product lines. Secondary segmentation is based on geographic regions.

For purposes of product segment reporting, the BOSS Menswear and HUGO brands are combined under the menswear segment.

For purposes of geographical segment reporting, external sales are assigned on the basis of the registered office of the customer. In line with the organization's internal management and reporting structures, regions are defined as Germany, other European countries, Americas and Asia/other regions.

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

(35) DISCLOSURE OF RELATED PARTY TRANSACTIONS

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

In the fiscal year 2007, HUGO BOSS AG realized income from consulting services charged to the Valentino Fashion Group in the amount of EUR 27 thousand (2006: EUR 0 thousand), EUR 15 thousand of which was still outstanding as of the reporting date (2006: EUR 0 thousand).

Senior management members are able to shop at HUGO BOSS for their business and personal use. Other than this, no significant transactions occurred between companies included in the HUGO BOSS Group and senior management members or their close relatives.

(36) SUPERVISORY AND MANAGING BOARDS

Members of the Supervisory and Managing Boards are listed on pp. 169 to 171.

Remuneration for members of the Managing Board in the fiscal year 2007 totaled EUR 6,623 thousand (2006: EUR 5,342 thousand). Of this amount, EUR 1,668 thousand (2006: EUR 1,406 thousand) reflects fixed components and EUR 4,955 thousand (2006: EUR 3,936 thousand) variable components.

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

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

Managing Board members are also granted stock appreciation rights to allow them to participate directly in the Company's long-term profits.

Stock appreciation rights (SAR) granted to members of the HUGO BOSS AG Managing Board under the stock appreciation rights plan were as follows:

	Tranche no. 3	**Tranche no. 4**	**Tranche no. 5**	**Tranche no. 6**	**Tranche no. 7**	**Total**
Date of Issue	February 2003	February 2004	February 2005	February 2006	January 2007	–
Number of SARs outstanding on December 31, 2007	–	–	240,000	270,000	420,000	930,000
Strike Price (€)[1]	9.71	17.00	25.38	32.59	39.08	–
Value of SARs held by Managing Board						
December 31, 2006 (€ thous.)	–	2,064	3,490	2,935	–	8,489
December 31, 2007 (€ thous.)	–	–	3,962	3,232	2,629	9,823

[1] In 2007 HUGO BOSS preferred shares were redefined as reference for the stock appreciation rights program and strike prices were adjusted accordingly.

As a rule, contracts for Managing Board members have a term of five years. They do not contain any special provisions to cover early termination of the contract.

In addition to the remuneration specified above, the Company also provides pension benefits.

For the members of the Managing Board, provisions for pension obligations (after offsetting qualifying reinsurance policies eligible as plan assets) were recognized in the amount of EUR 379 thousand (2006: EUR 3,064 thousand). In 2007, the gross amount of the obligations amounted to EUR 10,689 thousand (plan assets: EUR 10,310 thousand) and in 2006 to EUR 10,162 thousand (plan assets: EUR 7,098 thousand).

The Supervisory Board received total remuneration of EUR 1,342 thousand for its services (2006: EUR 1,241 thousand). This includes a variable component of EUR 587 thousand (2006: EUR 486 thousand) calculated on the basis of earnings per share.

The pension obligations for the former members of the Managing Board amounted to EUR 2,937 thousand (2006: EUR 3,756 thousand) after offsetting qualifying reinsurance policies eligible as plan assets. In 2007, the gross amount of the obligations was EUR 6,944 thousand (2006: EUR 7,709 thousand).

Members of the Supervisory Board hold a total of 0% (2006: 0.16%) of the shares issued by HUGO BOSS AG. Total holdings of members of the Managing Board amount to less than 0.01% of the shares issued by the Company.

(37) SHARE-BASED PAYMENTS

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

As part of this program, members of the HUGO BOSS AG Managing Board and certain other 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.

As of December 31, 2007, the individual tranches of the stock appreciation rights program each have a contractual life of six years (2006: between four and six years). After the initial holding period of two years, the exercise period of four years (2006: two to four years) commences. Participation rights may be exercised if growth in the market capitalization of HUGO BOSS AG exceeds MDAX growth by 5 percentage points (exercise hurdle) upon expiration of the holding period or during the exercise period.

The payoff corresponds to the difference between the strike price and the market capitalization value as reflected in the average price of the relevant HUGO BOSS AG shares during the five trading days preceding the date of exercise. The strike price corresponds to the market capitalization value based on the average price of the relevant shares, divided by the total number of HUGO BOSS AG shares during the 20 trading days preceding the date of issue.

In the fiscal year 2007, the preferred shares of HUGO BOSS AG were defined as reference for the stock appreciation rights program. Strike prices were adjusted accordingly. The exclusion of common stock can be explained firstly by the low liquidity of the common shares compared with the significantly higher trading volumes for preferred shares. Moreover, the MDAX benchmark index, which serves as an exercise hurdle, only includes the preferred shares. In addition, a hedging program for the stock appreciation rights was initiated which may only be represented on the basis of the preferred shares. The hedging program will take effect as of the fiscal year 2008.

The stock appreciation rights program showed the following changes during 2007 and 2006:

	2007	WASP 2007[1] (€)	2006	WASP 2006[1] (€)
Number of SARs on January 1	1,761,900	26.33	1,632,450	20.76
Newly granted SARs	1,071,800	39.08	674,400	33.01
Forfeited SARs	(110,600)	33.51	(24,200)	25.01
Exercised SARs	(501,000)	20.01	(294,000)	12.96
Expired SARs	0		(226,750)	23.63
Number of SARs on December 31	2,222,100	33.54	1,761,900	26.32
Number of SARs exercisable on December 31	572,500	24.55	381,300	16.93

[1] WASP = Weighted Average Strike Price.

Anticipated future claims from the stock appreciation rights plan are covered by provisions. Based on the option pricing model related to the Monte Carlo simulation, the fair value of the stock appreciation rights issued is calculated using current market parameters, and then allocated to the provisions on a pro rata basis until the end of the holding period. The fair value of the liability is remeasured as of each reporting date and on the settlement date. The changes in the fair value are recognized in profit or loss.

For the fiscal year 2007, this resulted in expenses of EUR 16,143 thousand (2006: EUR 17,037 thousand) for the stock appreciation rights plan. The provision recognized for the participation rights amounted to EUR 23,581 thousand as of December 31, 2007 (2006: EUR 21,578 thousand).

The fair value of the stock appreciation rights in the exercise period is based on market prices. The above-mentioned option pricing model was used for the measurement of the stock appreciation rights which are still in the holding period.

The weighted average contract term for the stock appreciation rights outstanding as of December 31, 2007, amounted to 4.25 years (2006: 4.29 years).

The strike prices for the stock appreciation rights outstanding as of the end of the reporting period ranged between EUR 17.00 and EUR 39.08 (2006: EUR 16.93 and EUR 33.01).

(38) EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date (December 31, 2007), no events have occurred that have had a material impact on the Group's financial performance or financial position.

(39) GERMAN CORPORATE GOVERNANCE CODE

The Managing Board and the Supervisory Board of HUGO BOSS AG have submitted the declaration of compliance prescribed by Section 161 of the German Stock Corporation Act (AktG). The declaration is available to shareholders on the Company's website.

(40) AUDITOR'S FEE

The auditor's fee for the fiscal year 2007 amounted to EUR 367 thousand, of which EUR 354 thousand related to audit services, EUR 8 thousand to other audit services, and EUR 5 thousand to tax advisory services.

The expense recorded in 2006 of EUR 305 thousand exclusively related to audit services for the companies included in the consolidated financial statements.

ADDITIONAL DISCLOSURES

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 July 6, 2005, HUGO BOSS AG received the following notification from the Valentino Fashion Group S.p.A., Milan, Italy, pursuant to Section 21 Paragraph 1 and Section 22 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG):

"We hereby inform you pursuant to Section 21 Paragraph 1 and Section 22 Paragraph 1 Sentence 1 No. 1 of the German Securities Trading Act (WpHG) that our share of voting rights in HUGO BOSS AG exceeded the threshold of 5%, 10%, 25%, 50%, and 75% on July 1, 2005 and now amounts to 78.76%.

As a result, 78.76% of voting rights are attributed to us pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 of the Securities Trading Act."

Metzingen, July 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).

1. Red & Black S.r.l.

Red & Black S.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 S.r.l., Milan (address: via San Paolo 10, 20121 Milan, Italy), 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 S.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 S.r.l. indirectly via 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 S.r.l. as a result of the own shares held by HUGO BOSS AG indirectly via 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.

2. Red & Black 2 S.r.l.

Red & Black 2 S.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 S.r.l., Milan (address: via San Paolo 10, 20121 Milan, Italy), 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 2 S.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 2 S.r.l. indirectly via 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 2 S.r.l. as a result of the own shares held by HUGO BOSS AG indirectly via 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.

3. Red & Black Lux S. à r. l.

Red & Black Lux 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 Lux 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 Lux 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 Lux S. à r. l. indirectly via 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 Lux S. à r. l. as a result of the own shares held by HUGO BOSS AG indirectly via 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.

4. Red & Black Lux 2 S. à r. l.

Red & Black Lux 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 Lux 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 Lux 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 Lux 2 S. à r. l. indirectly via 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 Lux 2 S. à r. l. as a result of the own shares held by HUGO BOSS AG indirectly via 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.

5. Red & Black Topco S. à r. l.

Red & Black Topco 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 Lux 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 Topco 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 Topco S. à r. l. indirectly via 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 Topco S. à r. l. as a result of the own shares held by HUGO BOSS AG indirectly via 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 Paragrph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

6. Red & Black Topco 2 S. à r. l.

Red & Black Topco 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 Topco 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 Topco 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 Topco 2 S. à r. l. indirectly via 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 Topco 2 S. à r. l. as a result of the own shares held by HUGO BOSS AG indirectly via 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.

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.

19. Permira Holdings Limited

Permira Holdings Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Holdings 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 Holdings 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 Holdings Limited indirectly via 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., 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., 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., 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 Holdings Limited as a result of the own shares held by HUGO BOSS AG indirectly via 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., 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., 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., 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.

Metzingen, August 9, 2007
The Managing Board

SUPERVISORY AND MANAGING BOARD

SUPERVISORY BOARD

Dr. Giuseppe Vita, Milan, Italy	Chairman of the Supervisory Board
Antonio Simina, Metzingen, Germany	Tailor/Chairman of the Works Council, HUGO BOSS AG, Metzingen, Germany, Deputy Chairman, Employee representative
Gianluca Andena, Milan, Italy	Managing Director, Permira Associati S. p. A., Milan, Italy, Supervisory Board member since Oct. 4, 2007
Gert Bauer, Reutlingen, Germany	First Authorized Representative, German Metalworkers' Union (IG-Metall), Reutlingen/Tübingen, Germany, Employee representative
Philippe Bouckaert, London, Great Britain	Supervisory Board member until Sep. 30, 2007
Helmut Brust, Bad Urach, Germany	Director Retail Germany, HUGO BOSS AG, Metzingen, Germany, Employee representative
Fabrizio Carretti, Milan, Italy	Principal, Permira Associati S. p. A., Milan, Italy, Supervisory Board member since Oct. 4, 2007
Andrea Donà dalle Rose, Rome, Italy	Deputy Chairman of the Board of Directors Valentino Fashion Group S. p. A., Milan, Italy, Supervisory Board member until Sep. 2, 2007
Antonio Favrin, Portogruaro, Venice, Italy	Chairman of the Board of Directors, Valentino Fashion Group S. p. A., Milan, Italy (until Sep. 20, 2007), Supervisory Board member until Sep. 2, 2007

Ulrich Gasse, Frankfurt/Main, Germany	Attorney at law, Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, Supervisory Board member since Oct. 4, 2007
Peter Haupt, Metzingen, Germany	Administrative employee, HUGO BOSS AG, Metzingen, Germany, Employee representative
Roland Klett, Metzingen, Germany	Head of Flat Packed Goods, HUGO BOSS AG, Metzingen, Germany, Employee representative
Reinhold L. Mestwerdt, Kronberg, Germany	Managing Director, Westdeutsche Spielbanken GmbH & Co. KG, Duisburg, Germany, Supervisory Board member until Sep. 28, 2007
Rainer Otto, Langen, Germany	Secretary, German Metalworkers' Union (IG-Metall), Managing Board, Frankfurt/Main, Germany, Employee representative
Dario Federico Segre, Milan, Italy	Deputy Chairman (since Oct. 25, 2007), Finanziaria Canova S. p. A., Milan, Italy, Supervisory Board member until Sep. 2, 2007
Dr. Martin Weckwerth, Frankfurt/Main, Germany	Partner, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, Supervisory Board member since Oct. 4, 2007
Katrin Wehr-Seiter, Frankfurt/Main, Germany	Principal, Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany, Supervisory Board member since Oct. 4, 2007

MANAGING BOARD

Dr. Bruno Sälzer, Reutlingen, Germany	Chairman of the Managing Board, Responsible for Sales, Marketing, and the BOSS brand, Member of the Managing Board from Nov. 1, 1995 until Feb. 29, 2008
Hans Fluri, Pfaeffikon, Switzerland	Responsible for Purchasing, Production, and Logistics, Member of the Managing Board since March 5, 2008
Dr. Werner Lackas, Eningen unter Achalm, Germany	Responsible for Purchasing, Production, and Logistics, Member of the Managing Board from Oct. 1, 1997 until March 5, 2008
André Maeder, Stuttgart, Germany	Responsible for Retail, Licenses, and the HUGO brand Member of the Managing Board since Jan. 1, 2004
Joachim Reinhardt, Metzingen, Germany	Responsible for Finance, Human Resources, Legal Affairs, and IT Director for Labor Relations since Apr. 1, 2006 Member of the Managing Board since Apr. 1, 2006

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

Gianluca Andena	Valentino Fashion Group S.p.A.	Milan, Italy
	Permira Asesores SL[2]	Madrid, Spain
	CMA S.à r.l.	Luxembourg, Luxembourg
	Dinosol Supermercados SL	Madrid, Spain
	Red & Black S.r.l.	Milan, Italy
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Philippe Bouckaert	Banque d'Orsay[3]	Paris, France
	Finanziaria Canova S.p.A.	Milan, Italy, until April 30, 2007
Fabrizio Carretti	Valentino Fashion Group S.p.A.	Milan, Italy
	Valentino S.p.A.	Milan, Italy
	Red & Black S.r.l.	Milan, Italy
Andrea Donà dalle Rose	Marzotto S.p.A.[3]	Milan, Italy
	Cimas S.p.A.	Ponte Felcino, Italy
	Valentino Fashion Group S.p.A.[3]	Milan, Italy
	Linificio e Canapificio Nazionale S.p.A.	Fara Gera d'Adda, Italy
	Valentino S.p.A.	Milan, Italy
	Fondo Pitagora	Rome, Italy
Antonio Favrin	Marzotto S.p.A.[2]	Milan, Italy
	Marzotto GmbH (in liquidation)	Frankfurt/Main, Germany
	Finanziaria Canova S.p.A.	Milan, Italy
	Jolly Hotels S.p.A.[2]	Valdagno, Italy
	Portogruaro Interporto S.p.A.[2]	Portogruaro, Italy
	Faber Finanziaria S.r.l.	Milan, Italy
	Canova Partecipazioni S.r.l.[2]	Milan, Italy
	Joker Partecipazioni S.r.l.[2]	Milan, Italy
	Grande Jolly S.r.l.	Milan, Italy
Reinhold L. Mestwerdt	Finanziaria Canova S.p.A.	Milan, Italy
	M CAP Finance GmbH & Co. KG	Frankfurt/Main, Germany
Dario Federico Segre	Filos Partecipazioni Finanziarie S.r.l.[2]	Milan, Italy
	Istifid S.p.A.	Milan, Italy
	Eidos Partners S.r.l.	Milan, Italy
	Valdani Vicari e Associati	Milan, Italy

Dario Federico Segre	Gefran S. p. A.	Provaglio d'Iseo, Italy
	Valentino Fashion Group S. p. A.	Milan, Italy, until September 20, 2007
	Machi S. r. l.	Milan, Italy
	Canova Partecipazioni S. r. l.	Milan, Italy
	Jolly Hotels S. p. A.	Valdagno, Italy
	Valentino S. p. A.	Milan, Italy, until October 16, 2007
	Grande Jolly S. r. l.	Milan, Italy
Dr. Martin Weckwerth	Valentino Fashion Group S. p. A.	Milan, Italy
	iglo GmbH	Hamburg, Germany
Katrin Wehr-Seiter	ProSiebenSat.1 Media AG	Unterföhring, Germany
Dr. Giuseppe Vita	Allianz S. p. A.[2] (formerly Riunione Adriatica di Sicurtà S. p. A.)	Milan, Italy
	Axel Springer AG[2]	Berlin, Germany
	Deutz AG[2]	Cologne, Germany
	Humanitas S. p. A.	Milan, Italy
	Vattenfall Europe AG	Berlin, Germany
	Barilla S. p. A.	Parma, Italy
	Gruppo Banca Leonardo[2]	Milan, Italy

The former member of our Managing Board, Dr. Bruno Sälzer, also holds a position on a body at the companies specified below:[1]

Maxingvest AG (formerly Tchibo Holding AG)	Hamburg, Germany
Tchibo GmbH	Hamburg, Germany

1 The members not mentioned have no seats on executive or advisory bodies at any other companies.
2 Holding the post of Chair.
3 Holding the post of Deputy Chair.

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

RESPONSIBILITY STATEMENT AND AUDIT OPINION

RESPONSIBILITY STATEMENT – CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

Hans Fluri
André Maeder
Joachim Reinhardt

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the Parent Company HUGO BOSS AG, Metzingen, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to § 315a sec. 1 of the German Commercial Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB, and full IFRS and give a true and fair view of the net assets, financial position, and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 11, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Meyer	Hagg
Wirtschaftsprüfer	Wirtschaftsprüfer

FURTHER INFORMATION

GENERAL INFORMATION

Our company's performance is best reflected in the consolidated financial statements. Like many other organizations, we have refrained from including the figures from the separate financial statements of the Parent Company HUGO BOSS AG in this report for the sake of clarity of presentation. To receive a copy of these statements, which continue to be prepared in accordance with the German Commercial Code (HGB), please contact:

HUGO BOSS AG
Investor Relations
Dieselstrasse 12
72555 Metzingen
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Fax: +49 (0) 7123 94 - 2035

The financial statements of HUGO BOSS AG are published in the electronic German Federal Gazette (eBundesanzeiger) and filed with the Commercial Registry at the Stuttgart Local Court.

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 27, 2008	Annual Press and Analyst Conference in Metzingen
April 30, 2008	Report on the First Quarter of 2008
May 8, 2008	Annual Shareholders' Meeting in Stuttgart
July 31, 2008	Report on the First Half of 2008
October 30, 2008	Report on the Third Quarter of 2008

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Hiepler Brunier (architecture)

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