



HUGO BOSS

MANAGEMENT REPORT AND FINANCIAL STATEMENTS
OF HUGO BOSS AG FOR FISCAL YEAR **2010**

H U G O B O S S

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01
**TO OUR
SHAREHOLDERS**

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

Once again, the Supervisory Board continued to take great care in fiscal year 2010 in fulfilling its monitoring and advisory duties as established under the law, the Company's Articles of Association and its Bylaws.

On the basis of the detailed verbal and written reports of the Managing Board, which were issued in a timely manner and in a comprehensive fashion, the Supervisory Board supported the work of the Managing Board in an advisory capacity in fiscal year 2010 and monitored its management of the Company. Moreover, the Chairman of the Managing Board and the Chairman of the Supervisory Board held regular discussions on key developments and upcoming decisions. In this context the Supervisory Board was always kept informed of the intended business policy and other fundamental aspects of corporate planning, in particular financial, investment and human resource planning, in respect of both HUGO BOSS AG and the Group companies. The same applies to the strategic development, business progress - in particular sales and the Company's position - and the development of the key financial figures, particularly the profitability of the Company and, above all, its equity. Any deviations from forecasts and targets were explained individually to the Supervisory Board and reviewed by means of the documentation presented. The Managing Board and Supervisory Board jointly agreed on the Company's strategic orientation.

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

CHANGES IN THE SUPERVISORY BOARD OF HUGO BOSS AG

In 2010 votes took place for both the shareholders representatives, at the Annual Shareholders' Meeting on June 21, and for the employee representatives. Following the Annual Shareholders' Meeting on June 21, 2010, Dr. Hellmut Albrecht was again elected as Chairman of the Supervisory Board, as in 2009. Ms. Monika Lersmacher was elected to the Supervisory Board by the employees after being judicially appointed in July 2009 to take the place of Mr. Rainer Otto, who had left the Board due to illness. In addition, Mr. Bernd Simbeck was newly elected to the Supervisory Board as an employee representative.

CHANGES IN THE MANAGING BOARD OF HUGO BOSS AG

There were two changes in the Managing Board of HUGO BOSS AG in fiscal year 2010. Mr. Norbert Unterharnscheidt resigned from the Managing Board as of January 15, 2010. In his place, Mr. Mark Langer was appointed a member of the Managing Board and at the same time to the post of Chief Financial Officer (CFO) and Director for Labor Relations. Dr. Andreas Stockert also resigned from the Managing Board and as Chief Operating Officer (COO) as of August 6, 2010.

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

MAIN TOPICS OF THE SUPERVISORY BOARD MEETINGS IN 2010

In fiscal year 2010, a total of five ordinary and five extraordinary Supervisory Board meetings were held in the months of January, February, March, June, July, August, September, November and December. The Supervisory Board was complete in most of the meetings. No member of the Supervisory Board attended less than half of its meetings held in fiscal year 2010.

The Supervisory Board regularly discussed the sales and earnings developments, investment planning and the Company's current risk situation. It also dealt in particular with the further internationalization of business, compliance issues, and the changes to the Corporate Governance Code and possible consequences for corporate governance at the Company. At the extraordinary meetings, the Supervisory Board mainly discussed appointments to the Managing Board and Managing Board matters as well as the reorganization of variable remuneration for Managing Board members.

COMMITTEES OF THE SUPERVISORY BOARD AND THEIR WORK IN 2010

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

The Audit Committee met four times in fiscal year 2010. The main subjects of its meetings were the Company and Group accounting, the audit of the annual financial statements and the consolidated financial statements, risk management, the internal control systems, and compliance issues. The Personnel Committee held four ordinary and three extraordinary meetings, in which it focused on target agreements for the Managing Board, the remuneration of the Managing Board, particularly the variable remuneration system, and changes in the Managing Board and the corresponding contractual regulations. The Working Committee held three meetings in the year under review, in which it dealt with the annual financial statements, business situation, production, supply chain, D.R.I.V.E. project, and preparation of the Supervisory Board meetings and resolutions. The Nomination Committee met once at the beginning of the fiscal year and dealt in detail with the proposals for new elections of shareholder representatives to the Supervisory Board, particularly in view of the new rules on inclusion of at least one independent member with professional knowledge of accounting or auditing, and on diversity. As in the previous years, the Mediation Committee pursuant to Section 27 Paragraph 3 of the German Co-Determination Act (MitbestG) did not need to convene in the past fiscal year.

CORPORATE GOVERNANCE

The Supervisory Board discussed in detail the further development of corporate governance regulations at the Company, taking into account the changes to and content of the German Corporate Governance Code (GCGC). In December 2010, the Managing Board and Supervisory Board issued a new declaration of compliance pursuant to Section 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG) on adherence to the recommendations of the Corporate Governance Code at HUGO BOSS AG. The joint report on corporate governance at the Company pursuant to Section 3.10 of the German Corporate Governance Code can be found on page 10. As in the previous years, a review of the efficiency of the Supervisory Board's activities-as recommended by the Corporate Governance Code-was conducted by means of a standardized, comprehensive questionnaire. The results were discussed in detail and analyzed at the Supervisory Board meeting on December 10, 2010, and the Supervisory Board arrived at a positive conclusion.

Conflicts of interest relating to Managing Board or Supervisory Board members, which are to be immediately disclosed to the Supervisory Board and about which the Annual Shareholders' Meeting must be informed in accordance with the Corporate Governance Code, did not occur in fiscal year 2010.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, reviewed the annual financial statements of HUGO BOSS AG and the management report for fiscal year 2010 along with the consolidated financial statements and the Group management report for fiscal year 2010 prepared by the Managing Board including the accounting records. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting held on June 21, 2010. This included an agreement by the auditor to inform the Chairman of the Audit Committee immediately during the audit of any grounds for disqualification or partiality that could not be immediately rectified. There was also an agreement with the auditor to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. The Auditors also had to inform the Supervisory Board or make a note in the audit report if any facts were ascertained during the audit that would result in the declaration submitted by the Managing Board and the Supervisory Board in accordance with Section 161 Paragraph 1 Sentence 1 of the Stock Corporation Act (AktG) not being correct. There was, however, no cause for any such report by the auditor. In addition, the Supervisory Board obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code and assured itself of the auditor's independence. Commissioning non-audit related services to the auditors was also discussed.

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

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

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

1. the information in the report is correct, and
2. with respect to the legal transactions cited therein, the Company's contribution was not inappropriately high."

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

with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After a final review, the Supervisory Board raised no objections.

At its financial review meeting on March 14, 2011, the Supervisory Board therefore approved the annual financial statements, the consolidated financial statements, and the corresponding management reports for fiscal year 2010 as prepared by the Managing Board. The annual financial statements of HUGO BOSS AG are thus deemed approved in accordance with Section 172 of the Stock Corporation Act (AktG).

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

Finally, the Supervisory Board approved in its meeting on March 14, 2011 the proposal of the Managing Board for the appropriation of profits. In this context the Supervisory Board held intensive discussions on the liquidity situation of the Company, the financing of planned investments and the impact on the capital market. In the course of the discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of the Company and its shareholders.

The Supervisory Board would like to thank all employees for their high level of personal commitment and the work they performed, without which HUGO BOSS AG's success in fiscal year 2010 would not have been possible.

Metzingen, March 14, 2011

The Supervisory Board

A handwritten signature in black ink, appearing to read 'Hellmut Albrecht', written in a cursive style.

DR. HELLMUT ALBRECHT

Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

pursuant to Section 3.10 of the German Corporate Governance Code

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

In 2010, HUGO BOSS AG continued to follow recognized standards for good, responsible corporate governance

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

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

Cooperation

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

Composition (including Diversity)

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

The Company also strives to achieve diversity in the composition of the Supervisory Board: The Supervisory Board of HUGO BOSS AG consists of 12 members, six of whom are shareholder representatives and six employee representatives in accordance with the provisions of the German Co-Determination Act (MitbestG). Pursuant to the recommendations of the German Corporate Governance Code in the version dated May 26, 2010, the Supervisory Board of a listed company must specify concrete targets for its composition. Targets should consider the Company's international activities, potential conflicts of interest, a retirement age for Supervisory Board members and diversity issues, taking into account the business situation. In particular, these concrete targets must stipulate a suitable level of representation of women. The targets set by the Supervisory Board and the

implementation status should be published in the Corporate Governance Report. In addition, the new version of the GCGC also gives concrete form to the previous recommendation for more diversity in the Managing Boards of listed companies such that the Supervisory Board must endeavor to ensure in particular suitable representation of women in the composition of the Managing Board.

In view of these recommendations, the Supervisory Board has established - in addition to the existing regulations in the Supervisory Board's bylaws - the following targets for the future composition of the Supervisory Board and Managing Board:

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board must be composed in such a way that overall its members possess the requisite knowledge, skills and professional experience to perform their duties properly. The following applies in particular:

1. Internationality

As a global maker of fashion and lifestyle products, HUGO BOSS has approximately 1,500 monobrand stores in more than 80 countries. There are subsidiaries in 23 countries and production sites in 5 countries. The Supervisory Board takes this international activity into consideration in its composition.

Therefore, where possible at least two Supervisory Board members should have several years of experience in international business operations, ideally acquired abroad. Depending on the development of HUGO BOSS AG's international business, the internationality already existing in the Supervisory Board should be adjusted further if necessary in the coming years.

2. Potential conflicts of interest

The Supervisory Board also takes into account potential conflicts of interest of Supervisory Board members in its composition. Each member of the Supervisory Board therefore undertakes to comply with the recommendations and suggestions of the German Corporate Governance Codex with regard to conflicts of interest for the duration of his or her term in office, and in particular to disclose any conflicts of interest. Before the annual Declaration of Compliance is issued, each Supervisory Board member will also make a declaration to the Chairman of the Supervisory Board that no conflicts of interest arose in his or her regard in the past year. Supervisory Board members must not hold an executive position at major competitors of the Company.

3. Standard retirement age

The Supervisory Board takes into account the standard retirement age specified in the Articles of Association in its composition. This stipulates that Supervisory Board members generally should not yet have reached the age of 69 at the time of their appointment. If a candidate is proposed for the Supervisory Board who has exceeded this standard retirement age, the reasons for this must be given.

4. Diversity

In determining its composition, the Supervisory Board primarily takes care to ensure the appropriate skills and also diversity, and endeavors to attain a suitable level of representation of women. There is currently one woman on the Supervisory Board. A periodic vote for the shareholder representatives is due to take place at the Annual Shareholders' Meeting in 2015 and the periodic vote for employee representatives will also be held in 2015. The target is to have at least 2 women (i.e. 16.6% of the members) on the Supervisory Board following these votes. In view of the composition of the rest of the management as well as of other companies in the sector, the Supervisory Board considers this level of representation of women to be adequate for this period. The Supervisory Board will take this target into account when proposing candidates for the shareholder representatives on the Supervisory Board. The same applies in the case of appointment by court order.

COMPOSITION OF THE MANAGING BOARD

The Managing Board of HUGO BOSS AG currently consists of three male members. The Supervisory Board will in future strive to achieve diversity and in particular suitable representation of women in the composition of the Managing Board. This goal is also taken into account by the Personnel Committee in its activities.

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

Activities of the members of the Managing Board and Supervisory Board

The members of the Managing and Supervisory Boards may not pursue any personal interests or grant any unfair advantages to other persons in connection with their activities or when making decisions. In the fiscal year 2010 there were no conflicts of interest of Managing or Supervisory Board members. The persons holding seats on the Managing and Supervisory Boards are listed in the notes under "Supervisory Board and Managing Board". The positions held by Managing and Supervisory Board members in supervisory boards required by law or comparable domestic or foreign monitoring bodies at commercial enterprises may be found on page 102. No member of the Managing Board takes up more than three supervisory board positions at non-Group listed companies. The relationships with related parties (companies and individuals) are listed in the notes to the consolidated financial statements on page 87.

RESPONSIBLE HANDLING OF ENTREPRENEURIAL RISKS

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

Details on the topic of the internal control, risk management and auditing system can be found in the Risk Report on page 45 et seq.

ACCOUNTING AND AUDITING

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

CORPORATE COMPLIANCE AS A MAJOR RESPONSIBILITY OF THE MANAGING BOARD

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

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

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

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

TRANSPARENT COMMUNICATION WITH SHAREHOLDERS

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

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

All key information and publications can be viewed on the Company website at www.hugoboss.com. The site includes a Financial calendar, which shows the most important dates, is updated on an ongoing basis and is a fixed component of the annual report and the interim reports. All Press releases and Ad-hoc announcements as well as information on current developments are also published on the website. Ad-hoc announcements pursuant to Section 15 of the German Securities Trading Act (WpHG) that directly relate to the Company are published immediately by HUGO BOSS in accordance with the statutory provisions and can be viewed in "News and Releases" under the "Investor Relations" heading on the Company's website. The same is possible for voting rights notifications. In line with the principle of fair disclosure, it is hence ensured that all shareholders and major target groups are treated equally and that new information is provided to all shareholders and the interested public at the same time. Lastly, those who are interested can find information on new developments in the Group in an electronic newsletter.

Pursuant to Section 15a of the Securities Trading Act (WpHG), members of the Managing and Supervisory Boards as well as employees with management responsibilities as defined in the Securities Trading Act (WpHG) are required to disclose the purchase or sale of HUGO BOSS AG securities-called directors' dealings. Directors' dealings are published on the Company website under "Directors' Dealings". During the reporting period from January 1 to December 31, 2010, no securities transactions were reported to the Company pursuant to Section 15a of the Securities Trading Act (WpHG). As of December 31, 2010, the total holding in HUGO BOSS AG shares by all Managing and Supervisory Board members amounted to less than 1% of the shares issued by the Company. Thus as of this date, there were no shareholdings subject to the reporting requirements of Section 6.6 of the German Corporate Governance Code.

COMPENSATION OF THE MANAGING AND SUPERVISORY BOARDS

Compensation of the Managing Board

Compensation for members of the Managing Board in fiscal year 2010 totaled EUR 3,248 thousand (2009: EUR 4,927 thousand). EUR 3,248 thousand of this amount (2009: EUR 2,642 thousand) relates to fixed components. The annual variable components were removed in 2010 and amounted to EUR 0 thousand in 2010 (2009: EUR 2,285 thousand) due to the switch to variable compensation components with a medium-term incentive effect. The fixed salary components paid to members of the Managing Board comprise, besides the salary, benefits such as company cars and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

The variable compensation components with a long-term incentive effect consist of a multi-year bonus granted in line with the achievement of personal targets agreed with the Supervisory Board and the fulfillment of the pre-defined key figures EBITDA before special items and trade net working capital. This multi-year bonus will be calculated conclusively and paid out after the end of fiscal year 2012. Advance payments of the bonus expected in 2013 are made starting from 2011. If the amount of the outstanding payment in 2013 is negative, this must be repaid to HUGO BOSS AG by the Managing Board member. Additions to the provision for the multi-year bonus are made proportionally. A provision of EUR 3,025 thousand was recognized for fiscal year 2010 (2009: EUR 0 thousand).

Managing Board members holding office as of the reporting date are not eligible to participate in the "Stock Appreciation Rights Program". In the event of early or regular termination of their duties, Managing Board members are not entitled to payments.

In addition, the Company has provided pension benefits for Managing Board members. The amount of future pension benefits is based on each member's base salary and years of service. In 2010, additions to pension provisions for members of the Managing Board (excluding salary conversion) amounted to EUR 900 thousand (2009: EUR 1,631 thousand).

Compensation of the Supervisory Board

According to the German Corporate Governance Code, the compensation of Supervisory Board members is divided into a fixed and a variable component. The variable compensation component is determined on the basis of earnings per share. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation. The Supervisory Board received total compensation of EUR 1,224 thousand for its services in 2009. For fiscal year 2010, total compensation is expected to be EUR 1,461 thousand, including a provision for the variable component of EUR 738 thousand (2009: EUR 695 thousand) calculated on the basis of earnings per share.

DECLARATION OF COMPLIANCE

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

„Declaration of Compliance

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

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

The Managing Board and Supervisory Board of HUGO BOSS AG herewith declare pursuant to section 161 para. 1 sentence 1 AktG (German Stock Corporation Act) that since the Compliance Declaration of April 2010 the recommendations of the Government Commission “German Corporate Governance Code” initially as amended on June 18, 2009 – officially published in the electronic Federal Gazette on August 05, 2009 – and since its effectiveness in the version as amended on May 26, 2010 – officially published in the electronic Federal Gazette on July 02, 2010 – have been and are complied with except for:

- Section 2.1.2 German Corporate Governance Code („GCGC“): In addition to ordinary shares with voting rights at HUGO BOSS AG there are also preference shares without voting rights. This division has historic reasons.
- Deviating from the recommendation in section 3.8 sentence 5 GCGC, the D&O(Directors&Officers)-insurance for members of the Supervisory Board does not contain a deductible. HUGO BOSS AG covers the D&O-risk via an appropriate liability insurance in which also members of the Supervisory Board are included. The members of the Supervisory Board hold their offices responsibly and in the interest of the Company. HUGO BOSS AG is of the opinion that a deductible is no appropriate means for further improving the sense of responsibility. Further, the introduction of a deductible would not lead to a significant reduction of premium payments.
- Deviating from the recommendation in section 4.2.3 para. 4 sentence 2 GCGC, the calculation of the severance pay cap is based on the total compensation of the past full financial year or, if the member of the Managing Board has already served on the board for two full financial years, on the average of the past two full financial years because the Supervisory Board is of the opinion that this constitutes a broader and therefore better basis for assessment.
- Deviating from section 5.4.6 para. 3 GCGC the compensation of the members of the Supervisory Board is not reported individually in the Corporate Governance Report. Also, payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services, are not listed on an individual basis in the Corporate Governance Report. The compensation paid to the members of the Supervisory Board is demonstrated in total in the notes. In the view of HUGO BOSS AG, individual reporting of compensation in the Corporate Governance Report does not provide information relevant to the capital market.

Metzingen, December 2010“

02

**MANAGEMENT
REPORT**

BUSINESS ACTIVITIES AND COMPANY STRUCTURE

HUGO BOSS is one of the world market leaders in the premium fashion and luxury segment of the apparel market. The Company focuses on developing and marketing high-end women's and men's fashion. The products are predominantly manufactured by independent suppliers.

With its brand world including the core brand BOSS and the trendy brand HUGO, HUGO BOSS targets different, clearly differentiated consumer groups. The brands cover an extensive product range consisting of classic-modern business wear, elegant evening and relaxed casual fashion, shoes and leather accessories, as well as licensed fragrances, eyewear, watches, children's fashion and motorcycle helmets.

BOSS Black

BOSS Black is HUGO BOSS' core brand and stands for contemporary modern elegance. The product range encompasses a women's and a men's collection with businesswear, sportswear and glamorous event styles. The premium line is also supplemented with shoes and accessories as well as licensed eyewear, watches, fragrances and a children's collection.

BOSS Selection

BOSS Selection impresses with its individual combination of exquisite design, exclusive quality and perfect workmanship. The luxury line offers apparel, shoes and accessories for sophisticated fashion- and style-conscious men. The Tailored Line, which is largely handcrafted, rounds off the high-quality product range.

BOSS Green

BOSS Green represents premium sportswear and does away with the boundaries between fashionable leisurewear and functional golf-wear. The collection combines fashion, lifestyle and golf and offers expressive looks in strong colors for men and, since 2010, also for women.

BOSS Orange

BOSS Orange is HUGO BOSS' casualwear line and stands for a lighthearted, easygoing attitude. The casual collections are characterized by urban influences and are aimed at men and women who emphasize their own individual fashion style. Shoes and accessories, as well as licensed watches, eyewear and fragrances complete the look.

HUGO

HUGO is the progressive trendy brand of HUGO BOSS and stands for avant-garde design. The women's and men's collections captivate with their clean lines and innovative looks. The product range is rounded off with shoes and accessories as well as licensed eyewear and fragrances.

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

HUGO BOSS AG sells its products in 124 countries worldwide. The most important sales region is Europe. Today customers can purchase HUGO BOSS products at more than 6,100 points of sale. In addition to multi-brand points of sale operated by wholesale partners, the importance of monobrand points of sale is growing significantly. HUGO BOSS stores are operated both by franchise partners and by HUGO BOSS itself.

ORGANIZATIONAL STRUCTURE

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

In addition to HUGO BOSS AG, the Group consists of 54 consolidated subsidiaries, which run local business operations. HUGO BOSS AG had a direct interest in 12 companies in the past fiscal year. A detailed overview of the direct and indirect interests of HUGO BOSS AG can be found on page 68 et seq.

The management structure of HUGO BOSS is primarily based on the framework of corporate law. As a German stock corporation (Aktiengesellschaft), HUGO BOSS has a dual management and control structure. The Company is managed by the Managing Board as a whole. The Supervisory Board advises the Managing Board and oversees its management of the Company. Essential information on the remuneration of the Managing Board and Supervisory Board is given in the management report on page 42. The share-based compensation for executives is in the notes on page 81 et seq.

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

CLAUS-DIETRICH LAHRS

Chairman of the Managing Board
Responsible for Distribution, Retail,
Licenses, Communication and Global Replenishment

CHRISTOPH AUHAGEN

Responsible for Brand Management,
Creative Management, Sourcing and Manufacturing

MARK LANGER

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

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

COMPANY MANAGEMENT

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

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

MANAGING BOARD AS A WHOLE RESPONSIBLE FOR COMPANY MANAGEMENT

HUGO BOSS is managed by the Managing Board as a whole, which in particular determines the Group's strategic orientation. Operational implementation of the strategy takes place in close cooperation with the regional directors and the heads of the central functions. The organizational and management structure clearly allocates authorizations and responsibilities within the Company and defines the reporting lines. It thus directs all resources towards sustainably increasing enterprise value. HUGO BOSS AG also profits from the development of the Group due to the intercompany exchange of services. The Company itself is managed by Group figures only.

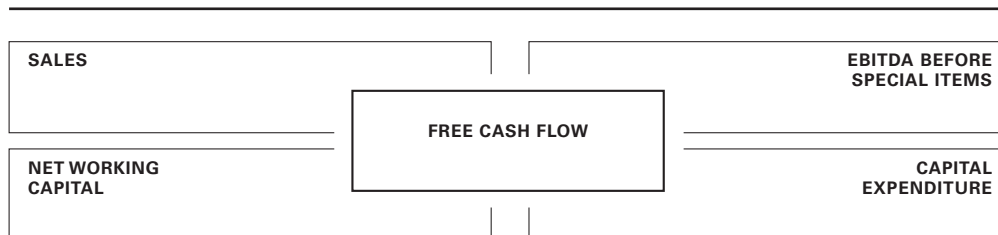
FOCUS ON INCREASING FREE CASH FLOW

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

SALES AND EBITDA

As a growth-oriented company, HUGO BOSS AG attaches particular importance to profitably increasing sales. All activities for increasing sales are measured by their potential to increase EBITDA before special items and the EBITDA margin (ratio of income to sales) in the long term. As a key driver of free cash flow, EBITDA was identified as the most important key performance indicator. Improving gross margin is seen as the main lever

01 – KEY PERFORMANCE INDICATORS OF THE HUGO BOSS GROUP



02 – DEFINITION FREE CASH FLOW

FREE CASH FLOW	Cash flow from operating activities
	+ Cash flow from investing activities

for increasing EBITDA margin. Efficiency improvements in own retail and sourcing as well as optimization of the discount policy constitute the most important measures in this context. In addition, operating expenses are monitored strictly with the aim of limiting their increase in relation to sales to a lower than proportional level.

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

NET WORKING CAPITAL

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

Managing inventories, trade receivables and trade payables is the responsibility of the operational business units. These three components are managed through the key figures of DIO (days inventories outstanding), DSO (days sales outstanding) and DPO (days payables outstanding), to which a portion of the variable remuneration of the sales units' management is tied. The ratio of net working capital to sales is an indicator of efficient use of capital in business operations and is therefore the object of management targets, planning and the business units' monthly reporting.

CAPITAL EXPENDITURES

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

INTERNAL COMPANY MANAGEMENT SYSTEM

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

- Planning,
- the Group-wide, IT-supported reporting,
- and the investment controlling.

03 – DEFINITION NET WORKING CAPITAL

NET WORKING CAPITAL	Inventories
	+ Trade receivables
	+ Other current assets
	- Trade payables
	- Current provisions
	- Other current liabilities

PLANNING

The planning process of the Company is only based on Group planning with considering of the local circumstances for HUGO BOSS AG. Planning relates to a rolling three-year period. It is prepared annually as part of the Group-wide budget process, taking into account the current business situation.

Based on targets set by the Managing Board, the sales units draw up comprehensive earnings, balance sheet and investment planning. From this, the development and sourcing units derive their medium-term capacity planning and translate this into cost planning. The bottom-up planning of the business units is checked centrally for plausibility and aggregated into overall Group planning.

The annual planning is revised at regular intervals with regard to the actual business development and existing risks and opportunities to arrive at an extrapolation of the expected consolidated net income in the current year. On the basis of the anticipated cash flow development, the Group Treasury Department also prepares monthly liquidity projections. This allows for early identification of financial risks and timely implementation of measures with regard to financing and investment needs. In addition, the currency-differentiated liquidity planning represents the basis, among other things, for initiating potential currency hedging measures. Detailed information on the management of financial risks is provided in the Risk Report.

REPORTING

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

INVESTMENT CONTROLLING

Investment controlling assesses planned and implemented investment projects in respect of their contribution to achieving the Company's profitability targets. This means that only those projects are supported that are expected to contribute to the Company's economic performance. In regular intervals, the profitability of projects already realized is secured through subsequent analyses. In case of deviations from the profitability targets originally set, countermeasures are implemented.

STRATEGY

FOCUS ON CORE COMPETENCIES SECURES STRATEGIC COMPETITIVE ADVANTAGE

The core competency of HUGO BOSS is the development and marketing of high-end womenswear and menswear, shoes and leather accessories in the premium and luxury segment. High-quality materials, excellent workmanship and outstanding design are an integral part of the philosophy of the BOSS Black, BOSS Selection, BOSS Green, BOSS Orange und HUGO brands. HUGO BOSS derives its strategic competitive advantage from bundling outstanding product expertise in its development activities, which are organized almost entirely within the Group, and its brand management and sales expertise. HUGO BOSS also gains critical expertise through selective use of its own production sites. This enables HUGO BOSS to review the feasibility and commercial potential of its development activities on a continuous basis and to profitably manage the external supplier network. Sales activities focus primarily on two channels: In its wholesale activities, HUGO BOSS sells its products to multi-brand distributors or franchise partners which operate HUGO BOSS stores in line with the requirements of the Group. In the Company's own retail activities, products are sold directly to the end consumers in directly operated stores, in outlets and via the HUGO BOSS online store.

MULTI-BRAND STRATEGY FOR TARGETING INDIVIDUAL CONSUMER SEGMENTS

The premium and luxury segment of the global clothing market targets demanding consumers with a variety of attitudes and requirements which may vary significantly depending on the individual and the situation. HUGO BOSS takes this into account with brands that each focus on clearly defined target groups. Overall, the individual brands complement one another to form a portfolio which ensures wide-reaching coverage of the relevant market segment for HUGO BOSS.

PROMOTING A PERFORMANCE-ORIENTED CORPORATE CULTURE

The future market success of the HUGO BOSS AG depends to a large extent on its employees. HUGO BOSS therefore strives to create a working environment which encourages creativity and cooperation among the employees. A large number of measures and development programs are in place to promote the employees' professional and social skills. At the same time, the remuneration system is organized such that it helps to create a performance-oriented corporate culture and thus gears the employees' work towards achievement of the Company's goals. The pace of the premium and luxury sector also requires a high degree of adaptability to changing conditions. Particular attention is therefore given to promoting employees' readiness to accept changes.

GROWTH STRATEGY FOR ACHIEVING THE LONG-TERM FINANCIAL TARGETS DEFINED

HUGO BOSS has set itself the goal of generating a significant increase in sales and profit through organic growth in the coming years. The target for 2015 is Group sales of EUR 2.5 billion and operating income of EUR 500 million. The management therefore reviewed the Group's strategic orientation in the past fiscal year and identified key elements for ensuring future profitable growth. Increased consumer proximity, clear differentiation between the brands, expansion of own retail business and internationalization of the business model form the basis for the targeted growth.

Increase in consumer proximity

A thorough understanding of the consumers' needs is the most important requirement for the future growth of the Group. The growing commercial importance of own retail increases the need to gear collection development even more strongly towards the end customer and the optimization of sales area productivity.

Through systematic, IT-supported analysis of its products' sales success, HUGO BOSS can draw important conclusions for developing the collections that follow. Reacting quickly to market developments is essential here. Accordingly, as part of the D.R.I.V.E. project HUGO BOSS has set itself the goal of significantly reducing the time span between the start of collection development and delivery of the finished product. By streamlining and standardizing operational processes in product development, sales and production, the development period is to be shortened from the current 50 weeks to 38 weeks. Stronger interconnection of the different elements of the value chain is actively promoted here. For instance, production considerations are to be incorporated into the development process at an earlier stage. Optimizing the complexity of the product range also contributes to reducing the time to market. For this purpose, a core product range consisting of products with high sales potential and major importance to the collection statement has already been introduced.

Upon implementation of the project, HUGO BOSS will be able to apply knowledge gained from sales in one season directly in the development of the following collection. A shorter time to market also allows for the collection cycle to be changed to four almost equally sized collections per year. HUGO BOSS will thus be able to better gear the product range at the point of sale towards seasonal differences in consumer demand and to offer new incentives to buy on a continuous basis.

HUGO BOSS expects the implementation of the D.R.I.V.E. project to result in positive effects on sales and earnings in the medium term. In particular, it anticipates an improvement in floor productivity, consumer traffic and sell-through rates in own retail. The knowledge gained in this distribution channel will also further increase the Group's appeal towards its wholesale partners. In the fiscal year 2011, the implementation of the new development processes will be a focus for all brands. The first products developed using the new process will come onto the market in the second half of the year 2011.

Clear differentiation between the brands

The precise delineation of the individual brands increases external competitiveness and sharpens the brand identity from the consumers' perspective. Strict differentiation between the brands comprises the philosophy, product focus, sales and communication, ensuring that each brand focuses on strengthening its individual core competencies and targeting the relevant consumer group.

Sharpening the brand positioning will also be a priority in the fiscal year 2011. The focus on the different target groups encompasses collection development, sales and communication.

One important initiative in this context is the realignment of BOSS Selection. In future, the brand will be positioned as a modern and authentic luxury brand which will be differentiated even more clearly from BOSS Black, supported by a separate logo and a new corporate design. By using the very highest quality materials and focusing on perfect workmanship, the brand characterizes an exquisite style. The product range will also be expanded in the area of sportswear in particular, in order to offer consumers outfits for all occasions. The BOSS Selection brand is of major importance to the Group, especially for the Asian market, for expanding the brand position in the luxury segment of menswear.

Communicating the repositioning of BOSS Orange completed in 2010 to the end consumer will also remain a focus. Through a redesign of the brand logo, an individual shop concept and extensive image campaigns, BOSS Orange is positioning itself in the premium segment of the casual wear market. The collections, characterized by urban influences, are aimed at consumers who value an individual fashion style embodying a relaxed, easy-going attitude. BOSS Orange is thus clearly differentiated from the other brands.

Expansion of own retail business

In the past year, own retail has become an increasingly important distribution channel and growth driver. Own retail supplements the wholesale activities, in which it is aiming to realize further growth potential by deepening established customer relationships, particularly in Western Europe and North America.

There are various advantages to selling directly to the end consumer: In directly operated stores, the Group has direct control over its brand image. The clear presentation of the HUGO BOSS brand world supports the differentiated perception by the consumer beyond the individual shopping experience and strengthens brand image in a sustainable way. Wholesale customers likewise benefit from the upgrading of brands and from the knowledge that HUGO BOSS gains regarding its customers' needs and buying behavior. HUGO BOSS thus increases its appeal as a partner for wholesale. In addition, own retail offers an attractive return potential as the sales margin is retained.

In many markets, monobrand formats are also the only established sales form. For instance, in the Chinese market – similarly to other emerging economies – there are virtually no multi-brand sales formats. For HUGO BOSS it is therefore essential to develop retail expertise in order to realize the market potential available in these countries.

Besides directly operated stores, online also represents a major growth area. After revenues more than doubled in 2010, HUGO BOSS expects this channel to continue expanding significantly. The addition of new online markets such as the U.S. in 2010 will contribute to the expected growth. Consumers who visit the online stores have direct access to the HUGO BOSS brand world and the full product range without any limits in terms of time and space. HUGO BOSS strives to further improve the online shopping experience by continually optimizing user friendliness and customer service. The increasing integration of the on- and offline product ranges also offers enormous potential.

The Company expects to be able to considerably increase sales in own retail in the coming years through store expansion and comp store sales growth. The Company's growing retail expertise also enables it to independently continue managing or take over stores previously operated by franchise partners in major growth markets. HUGO BOSS anticipates that in 2015 own retail will account for approximately half of sales. The management also expects the further professionalization of own retail activities and economies of scale to make a significant contribution to the planned increase in profitability.

Increased internationalization of the business model

To secure long-term growth, HUGO BOSS is focusing on strengthening its market position in fast-growing future markets. Particularly appealing are those countries where the population is benefiting from a steady rise in disposable income but the market penetration of premium and luxury goods companies is still relatively low. As a result of the growing middle class, a strong increase in demand for premium and luxury goods products can generally be observed in such countries.

HUGO BOSS has identified China as the most important individual growth market on this basis. HUGO BOSS anticipates that China will soon be among its three biggest markets in terms of sales. Accordingly, the relative share of Asia in sales will increase considerably by 2015.

In order to drive forward its growth in China, in 2010 HUGO BOSS established a joint venture with its longtime franchise partner Rainbow Group which included the HUGO BOSS stores previously operated as franchise. HUGO BOSS AG indirectly holds a majority interest of 60% in the joint venture and thus has comprehensive control over the presentation of its brands. HUGO BOSS also benefits from the joint venture partner's local market knowledge and infrastructure in regions where it previously did not have own retail activities. The joint venture partner's established relationships with the developers of new shopping centers also help in renting preferred store locations.

In North America, the Group sees good opportunities to gain further market share by strengthening relationships with well-established wholesale partners and by selectively expanding the own retail network. Considerable growth potential is also seen in Central and South America and in other emerging economies in Asia. The management in these regions is developing individual entry and penetration strategies for the different markets. In newly tapped markets, HUGO BOSS generally operates initially with franchise partners with extensive local expertise, in addition to sales to wholesale partners. Only when a certain critical size has been reached does the Company consider developing its own retail infrastructure.

In the coming years, HUGO BOSS expects to be able to significantly increase the share of sales generated in emerging economies. It anticipates that this development will have a positive impact on the profitability as a whole, as many emerging economies have higher than average profitability due to high average sales prices together with favorable cost structures.

GENERATING INCREASES IN VALUE IS AT HEART OF BUSINESS ACTIVITIES

Increasing value for the shareholders is at the heart of HUGO BOSS AG's business activities. In addition to increasing sales and earnings, HUGO BOSS optimizes free cash flow through strict management of operating working capital and disciplined investment activity, so as to support the development of the share price in the interests of the shareholders. Furthermore, shareholders benefit from the Company's profit development through an earnings-based dividend policy.

EMPLOYEES

TARGETED PROMOTION OF THE CORPORATE CULTURE

The corporate culture of the HUGO BOSS AG is based on team spirit, creativity, openness and transparency and creates a working atmosphere in which all employees can fully develop their potential. Human Resources management at HUGO BOSS aims to fill the corporate culture with life so that each individual employee can bring his or her personal skills, commitment and enthusiasm to the Company and make his or her own contribution to the success of the entire Company.

NUMBER OF EMPLOYEES IN 2010

The economic success of the HUGO BOSS AG in 2010 was reflected in a stable workforce. In fiscal year 2010, the average number of HUGO BOSS AG staff amounted to 2,431. In comparison to the previous year (2,518 employees), this number thus decreased by 87 employees in absolute terms

Of the total number of employees, 33% (2009: 35%) were employed in industrial activities and 67% (2009: 65%) in commercial and administrative activities in fiscal year 2010 on average.

HUGO BOSS THRIVES ON ITS EMPLOYEE DIVERSITY

The corporate culture at HUGO BOSS is characterized by internationality, openness and diversity. This culture of diversity has already gained the Company several awards from the Great Place to Work Institute. For HUGO BOSS, diversity represents not only an enrichment of the corporate culture but also a clear success factor in international competition.

PROMOTING YOUNG TALENT IS AN INTEGRAL PART OF THE HUMAN RESOURCES POLICY

In order to have access to a skilled employee base in the future too, it is highly important to the HUGO BOSS AG to systematically develop and promote young talent within the Company. For instance, each year the Company supervises a large number of apprentices, dual study students, interns, diplomates and Bachelor and Masters candidates.

Training activities at HUGO BOSS are based on demand. In the commercial area, apprenticeships are currently available for the following professions: industrial office workers, retail salesmen/women, warehouse logistics specialists and warehouse managers as well as business administration specialists for the apparel industry in cooperation with the Academy of Textile & Shoes in Nagold. HUGO BOSS also offers courses in business information systems, international business and accounting and controlling in cooperation with the University of Corporate Education Baden-Württemberg Stuttgart as well as courses in freight forwarding, transportation and logistics in cooperation with the University of Corporate Education Baden-Württemberg Lörrach. In the industrial and technical area, textile laboratory assistants and apparel sewers and tailors are trained so as to maintain and extend valuable knowledge in the Company.

As of December 2010 there were 77 apprentices at the Company. In 2010, 24 apprentices and students of the University of Corporate Education started their training at HUGO BOSS AG. A total of approximately 1,800 applications were received for the past training year. 23 apprentices and students of the University of Corporate Education successfully completed their apprenticeship in 2010. All were subsequently offered jobs within the Company.

In 2010 HUGO BOSS AG also offered around 190 interns the chance to gain practical experience in virtually all the Company's departments. As a "Fair Company" (an initiative by the job and business magazine "Junge Karriere"), HUGO BOSS AG offers internships primarily to provide professional orientation; the Company also pays the interns an adequate expense allowance. At the end of the internship HUGO BOSS offers very promising interns the opportunity to round off their studies by writing their thesis within the Company. In 2010, 30 theses were supervised at HUGO BOSS. This gives students the chance to independently discuss a practical issue relating to the Company while also providing added value for the Group.

In order to discover and suitably promote young talent at an early stage, the HUGO BOSS AG works together closely with fashion colleges and the organizers of creative competitions. For example, HUGO BOSS is a partner of the "APOLDA European Design Awards," an initiative of the Apolda region in Weimarer Land, Thuringia which is aimed at selected European colleges, universities and academies. HUGO BOSS is represented on the jury here and donates a cash prize of approximately EUR 5,000. In addition, since 1987 the Group has awarded the "HUGO BOSS Fashion Award" to talented young students in exclusive cooperation with the Stuttgart State Fashion School. As well as a cash prize, winners of the award are offered an internship at HUGO BOSS. This not only gives the award-winners the opportunity to gain initial practical experience and references, but also the chance to establish themselves at HUGO BOSS directly after the internship at the Group.

HUGO BOSS PREPARES ITSELF FOR THE FUTURE WITH INDIVIDUAL EMPLOYEE TRAINING AND DEVELOPMENT

HUGO BOSS demonstrates its responsibility to its staff by providing systematic employee training and development based on a transparent skills model. The focus is always on the employee's individual needs and potential. Targeted measures help employees to improve their performance in their day-to-day work or to extend their knowledge beyond the day-to-day requirements. Individual development is also supported in a variety of ways: through transfers to other departments or roles, through promotion to management positions or through expansion of the employee's own area of responsibility. In addition, feedback discussions with the employee's supervisor are held on a yearly basis to document each individual's personal goals and determine the trainings requirements for achieving his or her individual learning objectives.

HUGO BOSS' personnel development philosophy is based on the assumption that well-skilled managers are the strongest and most efficient trainers. By providing qualified feedback and recognizing the development potential of their own employees, they have a direct impact on the employees' performance, motivation and satisfaction. In the area of talent management, the European Management Program for employees with promotion potential was launched in 2009. In this program, future higher-level managers take part in various practice-oriented training activities over the course of a year in order to prepare them optimally for the tasks ahead.

PERFORMANCE-ORIENTED COMPENSATION

In the HUGO BOSS AG, compensation is designed so that individual performance is rewarded fairly and transparently, promoting a culture of motivation and commitment.

The compensation of HUGO BOSS AG employees covered by a collective agreement is based on the collective agreement of the "Südwestdeutsche Bekleidungsindustrie." The compensation of staff employed in retail is based on the German retail collective agreement. The employees working in retail and sales are entitled to a fixed salary and variable compensation tied to quantitative targets. Employees who are not covered by a collective agreement receive – in addition to their base salary – a bonus that is tied to both corporate targets and qualitative and quantitative personal targets. The targets and their achievement are defined and documented transparently once a year in an appraisal interview with the employee's supervisor.

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

PROMOTION OF WORK-LIFE BALANCE AT HUGO BOSS

In order to promote the well-being and the performance of its employees, HUGO BOSS offers extensive health programs. For example, the Company's cafeterias follow a balanced nutrition plan with menus changing daily, a wide range of fresh fruit and salad and select organic products.

For their physical fitness, HUGO BOSS offers employees the opportunity to train at the Company's fitness studio, to participate in subsidized sports courses or to play soccer or volleyball on the Company premises. The staff demonstrated its athleticism at the HUGO BOSS RUN last year, for example, with 800 employees and friends of the Company proving their stamina over a distance of 7 km or 21 km.

If employees experience health problems, the Company doctor supports them with expert medical knowledge. There are also discounted rates for employees wishing to consult a licensed nutrition or to use a massage team for pain relief, preventive or wellness treatment.

To allow employees to reconcile their day-to-day working life and their family life, HUGO BOSS offers a flexible family support model. Since 2008 the Company has been part of the Germany-wide "Erfolgsfaktor Familie" (Success Factor Family) network, a joint initiative of the Federal Ministry of Family Affairs and the German Chamber of Industry and Commerce. Together with the Works Council, the management has adopted a support model for working parents and a corresponding works agreement. To make it easier to return to work after parental leave or maternity leave, for example, there are specially reserved places in a daycare center in Metzingen for children of employees or the option to receive financial support for an alternative form of childcare.

HUGO BOSS SUPPORTS ITS EMPLOYEES' SOCIAL INVOLVEMENT

HUGO BOSS is aware of its social responsibility towards society and promotes various social projects. Many employees are personally involved in the realization of these projects. For example, around the Metzingen location the Works Council supports selected organizations, such as the support organization for children with cancer in Tübingen and the regional German Red Cross, by donating money and goods. In addition, in 2010 a Christmas wish campaign was carried out for the benefit of the school for mentally and physically disabled children in Welzheim. HUGO BOSS also regularly appeals for emergency donations for crisis regions, such as for the victims of the devastating earthquake in Haiti last year.

INNOVATION, RESEARCH AND DEVELOPMENT

The continuous development of HUGO BOS' high quality products is based on its employees' experience and expertise, particularly that of its specialists working at the Company's several competence centers. In addition to the creative department functioning as the actual innovator and origin of new collections and trends, technical development, operation technical development (OTD), and the Technology & Service Center (TSC) help innovate all aspects of HUGO BOSS' products.

Research and development expenses amounted to EUR 25 million in the past fiscal year (2009: EUR 26 million). The funds primarily went to expenditures in the creative departments for designing the collections.

SOURCING AND PRODUCTION

MAJORITY OF PRODUCTION BY INDEPENDENT SUPPLIERS

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

The Company's own production sites are in Izmir (Turkey), the largest self-owned facility, Cleveland (USA), Metzingen (Germany), Radom (Poland) and Morrovalle (Italy). The factory in Izmir mainly produces suits, trousers, jackets, shirts and ready-to-wear womenswear. At the plant in Cleveland, HUGO BOSS produces suits for the American market. In Metzingen, the focus is on the serial production of suits, jackets and trousers. In addition, the facility manufactures prototypes, sample pieces and individual orders. Production in Radom and Morrovalle focuses on prototypes, shoes and bags.

STRATEGIC MANAGEMENT OF THE SUPPLIER NETWORK AS A SUCCESS FACTOR

In 2010, HUGO BOSS worked with roughly 300 suppliers for contract manufacturing and merchandise. The past fiscal year was characterized by the further consolidation of the supplier network and the strengthening of long-term partnerships. Care is taken to ensure that the sourcing volume is distributed evenly across a global network of suppliers so as to spread the risk and make the Company as independent as possible of single sourcing locations and manufacturing companies.

GLOBAL DISTRIBUTION OF SOURCING ACTIVITIES

Sourcing activities relate to raw materials, contract manufacturing and merchandise. The sourcing of raw materials includes predominantly fabrics but also components such as linings, buttons, thread and zippers. The majority of raw materials are sourced in Europe. Fabrics are predominantly purchased from longtime suppliers in Italy. The companies which carry out contract manufacturing for HUGO BOSS are based mostly in Eastern Europe. In addition to suits, HUGO BOSS also purchases jackets and trousers from contract manufacturers. For products created in contract processing, the supplier receives the fabrics and other components to be used as well as the patterns. In contrast, sourcing of casual wear and sportswear in particular is largely based on purchased merchandise. Here, only a small proportion of goods are produced in contract manufacturing. Instead, the merchandise suppliers are given the necessary patterns but provide the raw materials themselves. Merchandise in the area of casual wear and sportswear is primarily sourced from Asia, Eastern Europe and North Africa.

About half of all HUGO BOSS products (goods produced in own factories, merchandise and goods sourced in commissioned production) are produced in Eastern Europe (including the Middle East). The own production in Turkey plays a vital role in this context. Roughly a quarter of all products comes from Asia. In this region China is the most important single sourcing country for HUGO BOSS. The rest of the goods comes from Western Europe (11%), North Africa (9%) and America (2%).

OBJECTIVE CRITERIA AS BASIS FOR SELECTING SUPPLIERS

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

INVOLVEMENT OF SUPPLIERS IN THE PRODUCT DEVELOPMENT PROCESS

HUGO BOSS pursues the strategy of working closely with its suppliers to ensure long-term partnerships. The joint development of production expertise ensures the high quality for which HUGO BOSS products are known around the world. The goal is to develop joint growth plans with a network of strategic suppliers under which capacity utilization is continually increased and order flow is smoothed as far as possible. This will be made possible in particular through the launch of four main collections planned in connection with the D.R.I.V.E. project that should result in a seasonally more balanced demand pattern. Reducing collection complexity also means that higher lots can be placed per single supplier.

Another core area of the cooperation with suppliers is promoting coordination between the manufacturing companies and the technical development department. For instance, technical production considerations are integrated in the product development process at a very early stage. The suppliers are therefore in regular contact with the creative departments, where color, theme, form and fabric concepts for the new collections are developed, and the technical development teams, where the patterns prepared by Pattern Design are further developed. Also, the suppliers' feedback on the fabrics and patterns used in past collections is taken into account in developing new designs, allowing for optimization of product quality and manufacturing efficiency.

QUALITY ASSURANCE ENCOMPASSES ENTIRE PRODUCTION PROCESS

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

To meet the high quality standards, there is increasing use of machines which work with low tolerance and thus form the basis for minimizing sources of error in the production process. Adherence to manufacturing standards is also ensured through fixed controls which are always carried out at certain process steps in the production line. Furthermore, random checks of individual process steps are performed on a regular basis, ensuring comprehensive monitoring of each product by the manufacturing company. To optimize quality controls, the technology for the final inspection has been upgraded. More and more inspection processes are supported by hardware and software, allowing for a standardized inspection process and electronic analysis of the results. In this way, weak points in the product design and shortcomings in the production process can be identified and optimized through corresponding development activities on site.

HUGO BOSS SUPPORTS THE IMPLEMENTATION OF SUSTAINABLE CONCEPTS AT SUPPLIERS

At HUGO BOSS, sustainability is an important prerequisite for the long-term success of the Company. Sustainability is taken into account in all strategic decisions in the cooperation with suppliers. HUGO BOSS supports suppliers with strategic expertise in the development and implementation of actions to meet social and ecological requirements.

In the textile and apparel industry, sourcing takes place primarily in emerging and developing countries. In these countries, adherence to employee and human rights requires particular awareness and control. HUGO BOSS pledges itself and its suppliers to compliance with internationally recognized minimum labor and social law standards under the conventions of the International Labor Organization (ILO), the OECD Guidelines for International Enterprises, and the Universal Declaration of Human Rights of the United Nations. These social standards include in particular the prohibition of child labor and forced labor, equal opportunities and ensuring humane working conditions. Agreements with suppliers include regulations on minimum wages, minimum vacation and maximum working hours. If there is no national legislation, or if it is insufficient, HUGO BOSS' social standards constitute the minimum standard.

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

OVERALL ECONOMIC CONDITIONS

GENERAL ECONOMIC SITUATION

In 2010 the global economy recovered from the 2009 recession. However, the upswing was sustained to a large extent by monetary and fiscal policy impetus, losing momentum in the second half of the year as the relevant support measures were reduced. Emerging economies developed much more strongly on average than industrialized nations, although the industrialized nations benefited in terms of their export activities from the growing demand from emerging economies.

In the eurozone, too, it was primarily foreign trade which supported the economic recovery. However, in the second half of the year the debt crisis and the associated austerity measures as well as the worldwide economic slowdown caused growth rates to moderate. Germany developed better than the other countries in the region, primarily due to strong export activities and increasing domestic demand.

In the USA, the economic upturn could not sustain itself despite unprecedented economic policy impetus. Private consumption in particular remained weak due to continued high unemployment and the price collapse in real estate. Despite higher investments and exports, the U.S. central bank was thus forced to resume monetary policy easing measures towards the end of the year. In contrast, the economy in Latin America developed robustly despite a moderate slowing of the growth rates over the course of the year.

The Asian economy saw a strong recovery, particularly in the first half of the year, before growth in industrial production and exports decreased slightly in the second half. The Chinese economy grew at a rate of around 10%, while also managing to avoid overheating tendencies through a moderate tightening of monetary policy. In Japan the weak economic recovery slowed over the course of the year as a result of the expiration of fiscal subsidies and a drop in exports.

SECTOR PERFORMANCE

The luxury goods industry recovered in 2010 from the significant decline in the previous year, growing by around 6% after adjustment for currency effects. In addition to the recovery in consumer confidence in industrialized nations, the upturn was supported primarily by strong growth in emerging economies, particularly China.

In Europe, sales growth benefited from a considerable recovery in demand in Russia and Eastern Europe. The weak euro also attracted tourists, particularly from Asia. America benefited from a considerable increase in confidence in the luxury goods segment. In Asia, significant double-digit growth in China more than compensated for a continued weak development in Japan.

The development of the luxury goods market differed depending on the individual product category. Watches, jewelry and accessories saw strong double-digit increases following in some cases substantial declines in the previous year. The apparel segment relevant to the HUGO BOSS Group as a basis for comparison grew 8% including currency effects, with both menswear and womenswear seeing increases. Sales in menswear in particular were supported by the trend towards leisure-oriented designs.

SALES AND EARNINGS POSITION

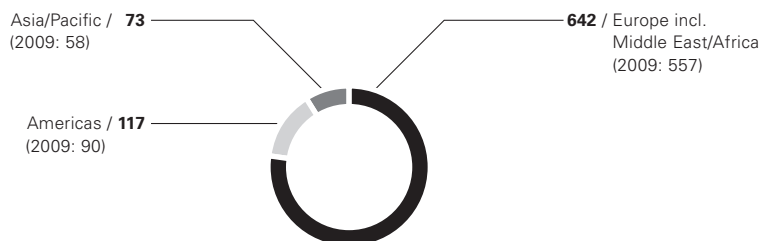
In the past fiscal year 2010, the macroeconomic recovery led to a fundamental improvement in business activity. Despite the worldwide economic crisis in 2009, which caused substantial drops in both textile and clothing sales, HUGO BOSS AG was able to achieve a marked improvement in sales overall in 2010.

As a result of the first-time application of the Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), adjustments were required in the form of presentation or the valuation methods applied in the beginning of 2010. Use was made of the option not to adjust the previous year's figures in the annual financial statements. For this reason, only a limited comparison is possible with the figures for the previous year. Material changes were required for the valuation of other accruals and accruals for pensions and the recognition of treasury shares. These factors are reflected in adjustments to the annual financial statements, some of which affect the income statement and some of which do not. Explanations of the adjustments can be found in the notes.

SALES PERFORMANCE

HUGO BOSS AG sales increased by slightly less than 18% to EUR 832 million in the fiscal year 2010 (2009: EUR 705 million). This performance is attributable, in particular, to the increasing proportion of sales from the subsidiaries' directly operated retail business. Regional sales performance with subsidiaries and external retail partners was as follows:

04 – REGIONAL SALES DEVELOPMENT (in EUR million) with subsidiaries and external retail partners



Sales outside Germany and Austria were from subsidiaries.

In Europe including Middle East/Africa, HUGO BOSS AG's sales to subsidiaries in fiscal year 2010 rose by a total of 28% to EUR 349 million (2009: EUR 273 million). Sales to third parties amounted to EUR 293 million (2009: EUR 284 million).

On the American continent, HUGO BOSS AG sales improved by 29% to EUR 116 million (2009: EUR 90 million). In Asia, HUGO BOSS AG sales also posted an increase of 26% to EUR 73 million (2009: EUR 58 million).

Brand sales also performed positively in the past fiscal year. Sales of the BOSS core brand increased by 19% to EUR 758 million (2009: EUR 632 million). The HUGO fashion brand saw a 7% growth in sales to EUR 78 million (2009: EUR 73 million) in the fiscal year 2010.

EARNINGS DEVELOPMENT

The gross profit on sales improved by 28% to EUR 267 million compared to the previous year (2009: EUR 209 million). In the process, the ratio of production costs to sales improved slightly by two percentage points to 68% (2009: 70%).

Selling expenses increased by 19% to EUR 187 million in the fiscal year (2009: EUR 157 million). The increased expenses are mainly the result of higher marketing expenses passed on by HUGO BOSS Trademark Management GmbH & Co. KG.

The general administrative expenses increased by 5% to EUR 98 million (2009: EUR 93 million) and mainly consist of personnel expenses, rental charges, lease charges, depreciation and various IT expenses.

Other operating expenses mainly consist of write-downs on receivables, foreign currency effects as well as research and development costs and increased by 26% to EUR 82 million compared to the previous year (2009: EUR 65 million). The increase is largely based on increases in expenses for forward foreign exchange contracts, foreign currency valuations and consultancy costs for the reorganization of operating processes within the Company.

The marked rise in other operating expenses was matched by a 10% decrease in other operating income to EUR 103 million (2009: EUR 114 million). Other operating income mainly consists of marketing and administrative expenses to affiliated companies. In particular, aperiodic income from the reversal of provisions, the valuation effects from the "Stock Appreciation Rights Program" and limited income from forward exchange contracts declined.

Income from long-term equity investments is primarily from net income at HUGO BOSS Trade Mark Management GmbH & Co. KG of EUR 73 million (2009: EUR 73 million).

Net financial losses (other interest and similar income less interest and similar expenses) amounted to EUR -13 million (2009: EUR -9 million) in fiscal year 2010. The change was caused by lower income from hedges in 2010.

Non-recurring profit of EUR 0.2 million (2009: EUR 11.0 million) relates to adjustments as part of the BilMoG in the current year and to the merger gain with HUGO BOSS Germany Retail GmbH in the previous year.

Pre-tax earnings in fiscal year 2010 amounted to EUR 63 million (2009: EUR 83 million). The reduction in pre-tax earnings is attributable to the fall in the operating result of EUR 3 million (2009: EUR 8 million) and a lower non-recurring profit of EUR 0.2 million. (2009: EUR 11 million). At 22.3%, the tax rate is above the rate for the previous year (2009: 13.8%). Aperiodic income taxes from 2009 had a negative impact on the tax rate. If this factor is excluded, the tax rate stands at 20.4%.

DIVIDEND PAYOUT AND APPROPRIATION OF PROFITS

HUGO BOSS AG closed the fiscal year 2010 with net income of EUR 49 million (2009: EUR 71 million). Following the withdrawal from retained earnings, unappropriated income amounts to EUR 143 million. In view of a profit-oriented distribution policy, the Managing Board and Supervisory Board will recommend to the Annual Shareholders' Meeting that a dividend of EUR 2.02 be paid per common share and EUR 2.03 per preferred share for the fiscal year 2010. This corresponds to an amount of EUR 140 million (2009: EUR 67 million). A recommendation will also be made to the Annual Shareholders' Meeting for the dividend amount attributable to treasury shares of EUR 3 million to be carried forward.

NET ASSETS AND FINANCIAL POSITION

BALANCE SHEET STRUCTURE AND KEY BALANCE SHEET RATIOS

At the end of 2010, total assets fell by 4% to EUR 900 million (2009: EUR 937 million). The change in total assets is mainly attributable to the effect of netting treasury shares with shareholder equity and netting plan assets with pension obligations.

On the asset side, the proportion of long-term assets remained virtually unchanged at 73% (2009: 71%). Intangible assets of EUR 40 million (2009: EUR 44 million) consist mainly of software.

In property, plant and equipment, depreciation combined with lower investment in this area led to a fall in this item.

Financial assets include direct investments by HUGO BOSS AG. An overview of investments can be found in the explanations of investment holdings in the notes.

At 27%, the proportion of short-term assets as of December 31, 2010 was also close to the previous year's level (2008: 29%). At the same time, inventories rose by 14% to EUR 149 million (2009: EUR 131 million). The increase in inventories is primarily due to the improvement in business and the resulting increase in inventories.

Trade receivables fell to EUR 8 million (2009: EUR 10 million). The drop is mainly due to more intensive trade receivables management.

Receivables from affiliated companies including investments decreased from EUR 34 million to EUR 13 million. The decrease is mainly the result of a loan granted to a subsidiary to acquire real estate in 2009 being settled.

Other assets amounted to EUR 38 million (2009: EUR 58 million) and mainly include tax receivables and bonus claims against suppliers. The reduction in other assets is mainly attributable to netting the plan assets held in insurance policies with the pension obligations.

Liabilities were reduced by EUR 93 million, primarily because of the withdrawal from other retained earnings. The reserve for treasury shares was reclassified into retained earnings. Since the fiscal year 2010, treasury shares have been netted off directly with subscribed capital and other retained earnings as required under the BilMoG. Shareholder equity at HUGO BOSS AG as of the reporting date amounted to EUR 458 million (2009: EUR 507 million), making for an equity-to-asset ratio of 50.9% (2009: 54.1%).

Accruals fell to EUR 89 million (2009: EUR 97 million). The decline in accruals for pensions caused by netting the plan assets held in insurance policies with pension obligations was partially offset by an increase in personnel-related accruals and accruals for outstanding invoices.

Liabilities increased to EUR 351 million (2009: EUR 333 million). This rise is primarily due to the increase in incoming goods at the year-end and the resulting increase in trade accounts payable.

FINANCIAL POSITION

Cash flow from operations and cash flow from investing activities generated cash inflow. Payment of the 2009 dividend resulted in a cash outflow from financing activities in fiscal year 2010.

At EUR 97 million, the operating cash flow was significantly below the level of the previous year (2009: EUR 123 million). The deterioration in operating cash flow is chiefly attributable to lower net income of EUR 49 million (2009: EUR 71 million).

Within operating cash flow, material changes were recorded in the statement of changes in financial position in inventories, receivables, liabilities and accruals. Inventories increased by EUR 17 million and liabilities, excluding liabilities to affiliated companies, by EUR 25 million. At the same time, accruals decreased by EUR 8 million and receivables and other assets fell by EUR 21 million in total.

Cash inflow from investing activities amounted to EUR 10 million (2009: EUR –32 million). The decline in financial receivables from affiliated companies of EUR 22 million, in particular, led to cash inflows. Investments amounting to EUR 12 million in intangible assets and property, plant and equipment were carried out, making for a reduction of EUR 3 million as compared to the previous year (2009: EUR 15 million). A more detailed account of the capital expenditure can be found in the chapter entitled “Capital expenditure.”

The main element in cash outflow from financing activities was the EUR 67 million dividend payment. Cash outflow from financing activities amounted to EUR 73 million as of December 31, 2010 (2009: EUR 92 million).

Cash and cash equivalents improved by EUR 34 million to EUR 38 million.

FINANCIAL MANAGEMENT

HUGO BOSS AG has sufficient liquidity to finance investments and growth. Financing is secured primarily with the Group loan from HUGO BOSS International B.V.

The HUGO BOSS Group has a total credit line of up to EUR 750 million available from the HUGO BOSS International B.V. syndicated loan, which can be used by subsidiaries when needed. As of December 31, 2010, HUGO BOSS AG had borrowed EUR 200 million from HUGO BOSS International B.V. This intercompany loan is extended on an annual basis and has a fixed interest rate. HUGO BOSS AG has taken out another short-term loan of EUR 15 million from HUGO BOSS International B.V., the interest upon which is based on EURIBOR 1-month rate plus a fixed margin.

In addition, loans and lines of credit can be taken out at banks to cover short-term liabilities.

Dependence on interest rate developments is minimal due to the low level of debt financing.

If companies enter into direct external credit transactions, either HUGO BOSS AG or HUGO BOSS International B.V. will submit guarantees or letters of comfort depending on the request.

For a more detailed account of financial risk management as well as its hedging, please refer to the "Risk Report" chapter and the section "Other financial obligations" in the notes to the financial statements.

CAPITAL EXPENDITURE

Total investment volume in tangible and intangible assets amounted to EUR 12 million over the past fiscal year (2009: EUR 15 million).

The Columbus project, which began in 2004, was completed by including BOSS Black Menswear in the process. A further EUR 3 million was invested during fiscal year 2010 in a variety of subsequent projects for new software and licenses (2009: EUR 4 million).

Various other investment projects such as the construction of administrative buildings, office equipment replacement, and capital expenditure on machinery and IT equipment amounted to a total of some EUR 9 million (2009: EUR 5 million).

Existing obligations arising from investment projects previously started are listed in the notes under "Other financial obligations" and amounted to EUR 1 million as of December 31, 2010 (December 31, 2009: EUR 1 million).

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

Off-balance sheet financial instruments are primarily used for leasing property at the headquarters in Metzingen, Germany. Future financial obligations arising from these instruments are described in the notes under "Other financial obligations". No other off-balance sheet financial instruments are used.

OVERALL STATEMENT OF THE ECONOMIC SITUATION

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

COMPENSATION FOR THE MANAGING AND SUPERVISORY BOARDS

Compensation of the Managing Board

Compensation for members of the Managing Board in fiscal year 2010 totaled EUR 3,248 thousand (2009: EUR 4,927 thousand). EUR 3,248 thousand of this amount (2009: EUR 2,642 thousand) relates to fixed components. The annual variable components were removed in 2010 and amounted to EUR 0 thousand in 2010 (2009: EUR 2,285 thousand) due to the switch to variable compensation components with a medium-term incentive effect. The fixed salary components paid to members of the Managing Board comprise, besides the salary, benefits such as company cars and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

The variable compensation components with a long-term incentive effect consist of a multi-year bonus granted in line with the achievement of personal targets agreed with the Supervisory Board and the fulfillment of the pre-defined key figures EBITDA before special items and trade net working capital. This multi-year bonus will be calculated conclusively and paid out after the end of fiscal year 2012. Advance payments of the bonus expected in 2013 are made starting from 2011. If the amount of the outstanding payment in 2013 is negative, this must be repaid to HUGO BOSS AG by the Managing Board member. Additions to the provision for the multi-year bonus are made proportionally. A provision of EUR 3,025 thousand was recognized for fiscal year 2010 (2009: EUR 0 thousand).

Managing Board members holding office as of the reporting date are not eligible to participate in the "Stock Appreciation Rights Program". In the event of early or regular termination of their duties, Managing Board members are not entitled to payments.

In addition, the Company has provided pension benefits for Managing Board members. The amount of future pension benefits is based on each member's base salary and years of service. In 2010, additions to pension provisions for members of the Managing Board (excluding salary conversion) amounted to EUR 900 thousand (2009: EUR 1,631 thousand).

Compensation of the Supervisory Board

According to the German Corporate Governance Code, the compensation of Supervisory Board members is divided into a fixed and a variable component. The variable compensation component is determined on the basis of earnings per share. The position of the chairman of the Supervisory Board and his deputy are taken into account when determining the level of compensation. The Supervisory Board received total compensation of EUR 1,224 thousand for its services in 2009. For fiscal year 2010, total compensation is expected to be EUR 1,461 thousand, including a provision for the variable component of EUR 738 thousand (2009: EUR 695 thousand) calculated on the basis of earnings per share.

SPECIAL LEGAL DISCLOSURES

Report on relations with affiliated companies

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

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

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

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

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

There are shareholdings exceeding 10% of the voting rights. In fiscal year 2010, HUGO BOSS AG was notified of one voting rights announcement pursuant to Section 21 Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG). This voting rights announcement is listed in the notes to the financial statement under "Information Concerning the Majority Shareholder" on page 102.

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

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

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

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

Details on the topic of the internal control, risk management and auditing system can be found in the Risk Report on page 45 et seq.

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

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

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

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

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

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

REPORT ON RISKS AND OPPORTUNITIES

In addition to ensuring the going concern of the Company, the aim of the risk and opportunity policy of HUGO BOSS AG is to sustainably increase the enterprise value and to achieve its financial and strategic objectives. Effective risk management ensures that risks are detected early and matched to corresponding opportunities, keeping possible negative effects on the Company's success as small as possible. Decisions on pursuing identified opportunities are based on the Company's medium- and long-term strategy, also taking account of associated risks.

RISK MANAGEMENT

Risks are unavoidable elements of every business operation. Risk handling is therefore of immense importance, as is the exploitation of opportunities. Risk management is centralized in HUGO BOSS AG's Risk and Insurance Management department to recognize risks and opportunities at an early stage in order to analyze, manage, monitor and counteract them if needed with risk-minimizing measures. This ensures that risks and opportunities are regularly recognized Company-wide using a uniform method. The department also coordinates higher-level measures and regularly informs the Managing Board and Supervisory Board about the risk situation, the most important risk developments, and significant new risks. Risks are categorized as internal and external risks. Internal risks are then subdivided into strategic, financial, operational, and organizational risks.

All risks are, regarding their magnitude but at least once annually, reviewed by the responsible managers to ensure that they reflect the current situation. Individual risk entries are revised or supplemented as necessary. At the same time, the possible extent of damage and probability of occurrence are recalculated and quantified.

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

Risk management fulfills legal requirements. The risk management system is also monitored at regular intervals by the Internal Audit department to ensure its proper functioning. As part of the year-end audit of financial statements, the independent auditor verifies that the Managing Board has undertaken the steps necessary according to Section 91, Paragraph 2 of the German Stock Corporation Act (AktG) in appropriate manner.

EXTERNAL RISKS

The general economic risks facing HUGO BOSS AG are to be seen in the context of the general global economic situation, which can result in reduced demand for textile goods and accessories in the premium fashion and luxury market. The incoming order entries are an important early warning indicator for forecasting the effects of possible general economic risks. HUGO BOSS pursues a strategy of strong brand positioning as a way of increasing market share in a highly competitive environment. A business model geared towards international growth also taps new consumer potential and helps to compensate for possible declines in demand in individual markets. HUGO BOSS also aims for a balanced distribution of sales across different regions to avoid being overly dependent on individual markets. HUGO BOSS will therefore continue to seek to expand in profitable growth regions, notably the Asia/Pacific region. The positive sales development of HUGO BOSS AG in the fiscal year 2010 shows that these measures were successful and HUGO BOSS enjoys a strong market position. As a fashion and lifestyle company, HUGO BOSS is exposed to sector risks with every new collection due to changing fashion and lifestyle trends. Rapidly changing trends must be identified and implemented at an early stage. The challenge is twofold – identifying the right trends in time and then quickly making them into an unmistakable collection. HUGO BOSS counteracts this risk with in-depth analysis of target groups and markets as well as by using different design teams for each brand and line. Pre-collections also ensure that trends can be implemented at an early stage. Initiatives to shorten the product development

cycle so as to react faster to market trends have also been implemented. As a fashion group that is active internationally, HUGO BOSS is also exposed to country risks. In order to minimize these risks, HUGO BOSS products are mainly sold in countries with stable economic and political environments. As is the case for all companies, terrorist acts and environmental disasters constitute a possible risk to the Company's net assets, financial position and earnings. Environmental disasters may have practical relevance, e.g. with regard to earthquake risk at the production site in Turkey. Potential losses and relocation options have been identified and the risks of financial loss have been covered to the fullest extent possible with insurance policies.

INTERNAL RISKS

Strategic risks

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

HUGO BOSS AG's corporate image is reflected in its perception by its stakeholders, such as customers, shareholders, suppliers and employees. To avoid possible negative effects on the corporate image resulting from non-compliance with laws, standards and guidelines, suppliers are required to adhere to social standards. A company-wide code of conduct, supplemented with specific guidelines, ensures that employees act in compliance with the regulations. Corporate communications with external parties are managed centrally through the Communications and Investor Relations departments.

One of HUGO BOSS' main strategic objectives is the continued expansion of the own retail business. Retail activities involve investment and cost risks due to investments in shop construction, long-term leases and increased fixed costs. In order to minimize the risk of false investments and unprofitable Group retail activities, decisions regarding new store openings and store closures are made centrally in consultation with the responsible regional directors. The opening of any new store is always preceded by extensive examinations of the location and analyses of its potential and by intensive sales and development planning.

Companies are required to submit monthly reports on the performance of their own retail activities. Continuous monitoring of their performance ensures that the onset of any negative trends at individual stores can be recognized early and countermeasures taken, such as possible restructuring. The investment risk is also minimized by implementing a globally uniform store concept, so that in the event of a store closure some of the furniture can be used at other locations.

Financial risks

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

After HUGO BOSS International B.V. granted the syndicated loan at the beginning of fiscal year 2008, HUGO BOSS AG's financial liabilities to affiliated companies have increased significantly.

The liquidity risk for HUGO BOSS AG is its inability to meet existing or future payment obligations due to insufficient available funds. To guarantee its solvency and financial flexibility at all times, the liquidity requirements are calculated by means of a three-year financial plan together with monthly rolling liquidity planning.

As an international company, HUGO BOSS AG does business in a variety of currency zones and is therefore subject to currency risks. Cash flows in foreign currencies result from international business activities. Expected total net cash flows in foreign currencies are hedged between 50% and 100% for at least 12 months and the company only uses standard forward exchange contracts and currency options with banks which have impeccable credit ratings. Underlying transactions and currency hedges are recorded in a treasury management system and can be assessed at any time.

Share price risk

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

Operational risks

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

Wage increases in emerging regions and rising raw material prices entail a risk of increasing production costs and lower margins. HUGO BOSS is responding to this with margin-based collection planning in order to ensure early reaction to rising production costs. Possible negative effects on the gross profit margin are reduced through the expansion and continued professionalization of the own retail business, company-wide measures to improve efficiency in production and sourcing processes, improvement in the use of materials, and consistent implementation of the Company's price policy. As a result of prior orders and price negotiations for raw materials and production capacity, the Company can react to critical leading indicators at an early stage.

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

Bad debt loss risk

The risk of losses due to bad debts depends on both the general economic development and the customers' individual financial situation. HUGO BOSS is therefore exposed to negative effects due to trading partners' inability to pay or insolvency and cumulated defaults due to potential deterioration of the general economy in individual markets and regions. However, this risk is mitigated by the above-average increase in the share of directly operated retail business in total sales. The group-wide credit management system successfully implemented in the past, which operates in accordance with uniform rules, was further intensified by centrally-coordinated measures. These measures focus on credit screening and granting and adhering to customer credit limits, monitoring the receivables' age structure, and managing doubtful accounts. In some cases, business with customers deemed not creditworthy were foregone. The Internal Audit department regularly reviews adherence to these Group guidelines. There was no concentration of default risks due to major receivables against single customers as of the reporting date. All receivables reported as of December 31 were secured across the Group with credit insurance. The default risk of insured receivables is limited to the deductible. Due to lower insurance cover, the credit insurance was canceled as of January 1, 2011.

Inventory risk

Inventory management will continue to be of major importance. The challenge is to be able to respond to orders from customers at short notice while still optimizing inventories. Replenishment is coordinated by a central department to reduce inventory risk and to optimize the inventory position in general.

Distribution risks

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

Organizational risks

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

As part of global business operations, legal risks may arise. To avert litigation to the greatest extent possible, all significant legal transactions of HUGO BOSS AG are reviewed and approved by the central legal department. The legal department works closely with local attorneys and the Group's subsidiaries in this process.

Liability risks are reduced by insurance policies in effect throughout the organization. Adequate provisions were made in the past fiscal year for court costs and costs for legal counsel.

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

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

ASSESSMENT OF THE RISK SITUATION BY THE MANAGEMENT

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

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

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

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

Accounting-related IT systems

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

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

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

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

The group-wide authorization management and role definition is also in the responsibility of the central IT department of HUGO BOSS AG in Metzingen.

Organization of accounting and accounting-related guidelines

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

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

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

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

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

OPPORTUNITIES REPORT

Systematically identifying and exploiting business opportunities is a key element of ensuring profitable growth. For this reason, HUGO BOSS has taken organizational measures to identify and take advantage of the opportunities resulting from the external environment and its own strategic orientation.

Decentralized organization of opportunity management

HUGO BOSS always considers opportunities in conjunction with associated risks. Opportunities are pursued only if the risks associated with them are proportionate to the opportunity and are considered manageable. Responsibility for identifying, assessing and exploiting opportunities lies with the operational management in the regions and central functions. Based on the potential of the identified opportunities to increase enterprise value, the Managing Board allocates the resources required to exploit the opportunity as part of long-term strategic planning and annual budget planning.

HUGO BOSS has identified a number of opportunities arising partly from the business environment but also partly from the Company strategy itself.

Growing prosperity in emerging markets

Per capita income is expected to rise substantially in many emerging economies in the coming years. In China in particular, experts anticipate considerable growth of the middle class, which spends a large proportion of its disposable income on consumer and luxury goods. On the basis of its strategic orientation and the strength of its brands, HUGO BOSS AG considers itself to be in a good position to benefit from this development. It is working to realize the identified growth potential through market entry and market cultivation strategies specifically tailored to the individual countries.

Internationalization of business activities

HUGO BOSS has significantly advanced the international expansion of its business activities in recent years. HUGO BOSS has thus tapped new consumer potential and raised the profile of its brands in future markets. In the coming years, the share of sales generated in largely saturated markets will decrease further due to above-average growth in other regions of the world. The improved regional balance of the Group's business activities makes it less dependent on economic fluctuations in individual areas. It also benefits from the fact that developing markets often have higher than average profitability.

Attractive competitive positioning

HUGO BOSS is well positioned in the global fashion market. All of the brands stand for excellent quality, outstanding workmanship and modern design. With these brands, the consumer can be certain of being dressed in style for any occasion. HUGO BOSS therefore appeals to a wide public across the whole spectrum of the fashion market. In the past two years in particular, HUGO BOSS has attracted new consumer groups from the luxury segment of the market on the basis of a good price-quality ratio. HUGO BOSS also sees good opportunities in the future for attracting consumers from neighboring price segments on the basis of its positioning in the premium and luxury segment.

Expansion of own retail business

The expansion of its own retail business enables HUGO BOSS to gain valuable insights into its consumers' buying behavior and thus to better gear its collection development towards consumer requirements. The comprehensive control over brand presentation at the point of sale contributes to enhancing the image of the brands and therefore increases their desirability also in other distribution channels. Developing its retail expertise also increasingly gives the Company the opportunity to take over franchise activities and to operate wholesale customers' retail space itself. HUGO BOSS is therefore convinced that the expansion of own retail activities supports the achievement of its medium-term targets.

Improving market position in womenswear

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

Increasing tapping of market for casual fashion

By systematically expanding its brand portfolio over the past fifteen years, HUGO BOSS has tapped more and more segments of the global premium and luxury fashion market. Starting out from its historical roots in ready-to-wear clothing for men, the Company has thus also established itself in the casual fashion and sportswear market as a provider of top quality fashion with high design standards. Combined with the growing acceptance of high-end casual fashion in a business context, this means that considerable further growth potential can be assumed. By targeting the different lifestyle-oriented consumer segments in a differentiated way as part of its multi-brand strategy, HUGO BOSS expects to see strong growth in this market segment.

Growing importance of the Internet for sales and brand image

The Internet is becoming increasingly important for the premium and luxury segment of the global fashion industry, both as a sales channel and also as a means of communication. A growing number of consumers value the advantages of shopping online in terms of the choice of products, speed and comfort. HUGO BOSS has recognized this development and significantly expanded its online distribution. Also, the improvement of the online store with regard to user friendliness and service quality contributed to significant year-on-year sales growth in 2010. HUGO BOSS also uses digital media to allow consumers to experience its brands first hand. HUGO BOSS uses activities in social networks in particular to interact with its consumers and connect them with its brands. HUGO BOSS sees good opportunities in the intelligent use of digital communication channels for strengthening existing consumer relationships and gaining new audiences. Furthermore, the increasing integration of online activities with the Company's stationary own retail business through multi-channel communication and new service offerings provide good growth opportunities.

Efficiency improvements in business processes

In 2010 HUGO BOSS launched a far-reaching project to improve efficiency in central business processes. The D.R.I.V.E. project particularly aims to shorten lead times. To achieve this, HUGO BOSS is striving to harmonize and standardize the development, sourcing, production and sales processes between the different brands and central functions. Together with the optimization of the collection range, this results in potential for efficiency improvements along the entire value chain.

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

Between the end of the fiscal year 2010 and the approval for publication of this report on March 8, 2011, there were no further significant macroeconomic, socio-political, sector-related or company-specific changes that HUGO BOSS AG expects will have a material influence on the results of operations, net assets and financial position of the Company.

OUTLOOK

Overall economic outlook

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

The recovery of the world economy is likely to continue at a slower pace in the coming year. For 2011 as a whole, the International Monetary Fund (IMF) expects the global economy to grow by around 4% to 5%, although the extent of economic growth will vary from region to region. The uncertain effects of fiscal austerity measures to reduce sovereign debt, as well as currency fluctuations and the expiration of monetary policy support measures, represent major risks for macroeconomic development in 2011.

Growth in the eurozone will likely be slowed by a restrictive fiscal policy aimed at containing sovereign debt. Accordingly, domestic demand is likely to increase only moderately. Export activities in the region could decelerate due to the slowing upturn in important export markets such as the U.S. Overall, growth of around 1% to 2% is anticipated in the eurozone, with Germany expected to see stronger expansion than the region as a whole. Low unemployment and the upswing in the domestic economy should contribute to this.

In the U.S., persistent high unemployment will continue to impact private consumption. Due to a moderate increase in investments and a continued expansive monetary policy, economic growth is nonetheless expected to be around the prior year level of approximately 3%. In Latin America, weaker growth in the global demand for commodities, slower growth in the U.S. and a more restrictive economic policy are expected to result in a moderate slowdown of economic growth to a good 4%.

In Asia, falling business climate indicators point to slowing economic expansion. However, investments in infrastructure and the increasing export orientation in the region's emerging economies should lead to growth of at least 8% for the region as a whole, excluding Japan. For the Chinese market, continued strong expansion of almost 10% is expected. However, high capital inflows due to currency turbulence in other regions of the world increase the risk of inflation and overheating of the real estate market in China. According to the forecasts, Japan will again see only weak growth.

Sector outlook

After the marked recovery of the luxury goods sector in 2010, continued growth is expected for 2011, albeit at a slower pace. Industry experts anticipate sector growth of between 3% and 5%, assuming constant exchange rates.

In the industrialized nations of Western Europe and North America, the expectation is for only moderate growth driven particularly by the ongoing expansion of own retail activities. Intense competition for market shares is anticipated in these markets over the coming years, which smaller competitors in particular could fall victim to as a result of market consolidation. In Asia, the Chinese market is likely to remain a major growth driver. As a result of the constantly growing middle class with higher income, the relevant consumer segment for the luxury goods sector is expanding very fast in this market. This development is expected to particularly benefit European brands whose products are perceived by the consumers as particularly high-quality and valuable. In addition to China, other emerging economies in the region are also expected to see above-average growth. In contrast, in Japan industry experts anticipate a continued weak market development.

HUGO BOSS AG expects a foreign exchange adjusted sales increase in 2011 compared to prior year. Due to a lower comparable base of the prior year the increase estimation of the first half year will be quite better compared to the second half year.

Growth in all regions

HUGO BOSS AG expects that all regions will contribute to the forecast sales increase as a whole in 2011, although growth in the Asia/Pacific region and America is likely to be stronger than in Europe. In the Asia/Pacific region, strong growth in China means that a double-digit increase in sales is anticipated. Sales in the royalties segment should also develop positively.

Own retail business remains engine of sales development

Own retail will be the main sales driver as a whole also in 2011. Own retail sales are expected to increase, mainly as a result of strong growth in directly operated stores and online. In addition to the positive effects of continued sales space expansion, comp store revenues are also expected to rise. The Company is benefiting here from further professionalization of its retail activities. Wholesale sales are also expected to increase. This forecast is based on the positive order development. The acquisition of franchise partners in the fiscal year 2010, particularly in China, Australia and Poland, will have a positive impact on sales development in own retail and a negative impact on wholesale revenues. For the Company as a whole, the effect is expected to be positive.

Gross profit margin to increase

The gross profit margin on sales proportional to sales of HUGO BOSS AG is expected to rise in 2011. This is mainly a result of increasing sales with other HUGO BOSS Group companies. The Company plans to compensate the effect from rising sourcing costs through efficiency improvements in production and sourcing as well as selective price increases.

EBITDA to grow

HUGO BOSS expects EBITDA to increase stronger than sales in 2011. This development will be due to the anticipated increase in sales and an improved gross profit margin. Operating expenses will increase mainly due to the further expansion of own retail activities and higher marketing expenses for sharpening brand differentiation. As a result of the improvement of EBITDA, also net income is forecasted to grow.

Strict management of net working capital

Strict management of net working capital continues to be a high priority so as to generate improvements in operating cash flow. Particular attention is given to reducing the cash conversion cycle. Potential for improvement is seen particularly in increasing the inventory turnover. The D.R.I.V.E. project is aiming to improve inventory turnover in the medium term, especially in the own retail business. Overall, HUGO BOSS AG does not expect the net working capital increase to exceed sales growth in 2011.

Capital expenditure

Capital expenditure will focus on expanding own retail activities and renovating existing stores and shops. Other investment areas include the further development of the IT infrastructure and optimizations in production and logistics. The Company expects to finance the planned investments entirely from available liquidity and operating cash flow, respectively.

Continued strong cash flow development

The Group anticipates that cash flow will continue to develop strongly in 2011, primarily due to the improved profit development, strict management of net working capital, and disciplined investment activity. In addition to the dividend payment, excess funds are to be used to further reduce debt. Due to the long-term financing in the Group through a syndicated loan that was concluded on favorable terms, as well as the strong internal financing capability, the Company is not planning any major financing activities in 2011.

Management intends to propose dividend of EUR 2.03 per preferred share

HUGO BOSS pursues a profit-based dividend policy under which the shareholders participate appropriately in the Group's profit development. On the basis of the significant increase in profit in the past fiscal year and the positive expectations for 2011, the Managing Board and Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 10, 2011 a dividend of EUR 2.03 per preferred share (2009: EUR 0.97) and EUR 2.02 per common share (2009: EUR 0.96). The proposal corresponds to a payout ratio of 75% of consolidated net income attributable to shareholders in 2010 (2009: 64%). Provided the shareholders approve the proposal, the dividend will be paid out on the day following the Annual Shareholders' Meeting, i.e. on May 11, 2011. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 140 million (2009: EUR 67 million).

Continued growth in 2012

Assuming continued economic growth in HUGO BOSS AG's core markets, the management plans to achieve further increases in sales and earnings in 2012. However, in particular a significant weakening of consumer sentiment, cost inflation in the sourcing processes and currency fluctuations could jeopardize the achievement of this goal. HUGO BOSS AG has taken countermeasures to limit the effects if these or other risks occur. Details can be found in the Risk Report.

Metzingen, March 8, 2011

HUGO BOSS AG
The Managing Board

CLAUS-DIETRICH LAHRS
CHRISTOPH AUHAGEN
MARK LANGER

03

**FINANCIAL
STATEMENTS**

ANNUAL FINANCIAL STATEMENTS OF HUGO BOSS AG BALANCE SHEET AS OF DECEMBER 31, 2010

ASSETS

in EUR	Notes-No.	12.31.2010	12.31.2009
A.	(1)		
I. Intangible assets			
1. Industrial property rights and similar rights		38,397,302.00	41,604,862.00
2. Goodwill		870,735.00	988,091.00
3. Prepayments		644,521.28	1,331,603.98
		39,912,558.28	43,924,556.98
II. Property, plant and equipment	(1)		
1. Land and buildings incl. buildings on third party land		14,063,949.84	14,718,017.84
2. Technical equipment and machinery		1,838,090.00	2,424,592.00
3. Other equipment, factory and office equipment		52,642,767.18	60,858,340.58
4. Prepayments and construction in progress		12,094.72	20,170.13
		68,556,901.74	78,021,120.55
III. Financial assets	(2)		
1. Shares in affiliated companies		544,336,131.51	544,336,131.51
2. Other shares		10,000.00	35,000.00
		544,346,131.51	544,371,131.51
		652,815,591.53	666,316,809.04
B. Current assets			
I. Inventories			
1. Raw materials and supplies		41,267,120.64	34,333,469.57
2. Work in progress		616,785.85	932,692.73
3. Finished goods and merchandise		104,389,746.29	94,978,517.85
4. Payments on account		2,544,338.14	1,211,573.14
		148,817,990.92	131,456,253.29
II. Receivables and other assets	(3)		
1. Trade receivables		7,877,367.18	9,986,330.65
2. Receivables from affiliated companies		13,071,125.67	33,675,616.34
3. Receivables from companies in which participating interests are held		0.00	1,536,270.44
4. Other assets		37,999,322.78	57,735,233.29
		58,947,815.63	102,933,450.72
III. Securities	(4)		
Own shares		0.00	31,684,457.00
IV. Liquid assets		37,799,791.60	3,991,235.30
		245,565,598.15	270,065,396.31
C. Prepaid expenses	(5)	1,382,945.00	744,955.74
		899,764,134.68	937,127,161.09

LIABILITIES

in EUR	Notes-No.	12.31.2010	12.31.2009
A. Shareholders' equity			
I. Subscribed capital	(6)		
1. Common stock			
nominal amount – treasury shares of common shares		35,860,000.00	35,860,000.00
nominal amount – treasury shares of common shares		(528,555.00)	
2. Non-voting preferred stock		34,540,000.00	34,540,000.00
nominal amount – treasury shares of preferred shares		(855,278.00)	
		69,016,167.00	70,400,000.00
II. Capital reserve	(7)	399,198.30	399,198.30
III. Retained earnings	(8)		
1. Legal reserves		6,640,801.70	6,640,801.70
2. Reserves for treasury shares		0.00	31,684,457.00
3. Other revenue reserves		239,798,796.64	329,817,634.36
		246,439,598.34	368,142,893.06
IV. Unappropriated Income	(9)	142,553,400.00	67,929,400.00
		458,408,363.64	506,871,491.36
B. Accruals			
1. Accruals for pensions and similar obligations	(11)	2,198,704.90	28,936,401.00
2. Tax accruals		0.00	2,498,646.00
3. Other accruals	(12)	87,247,301.44	65,910,865.41
		89,446,006.34	97,345,912.41
C. Liabilities	(13)		
1. Trade payables		70,164,187.48	48,151,596.83
2. Liabilities owed affiliated companies		270,370,909.34	276,770,810.68
3. Other liabilities		10,748,522.88	7,987,349.81
		351,283,619.70	332,909,757.32
D. Prepaid income		626,145.00	0.00
		899,764,134.68	937,127,161.09

ANNUAL FINANCIAL STATEMENTS OF HUGO BOSS AG INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

in EUR	Notes-No.	2010	2009
1. Net sales	(16)	831,729,992.04	705,449,937.74
2. Direct selling expenses	(17)	564,900,456.42	496,071,932.75
3. Gross profit		266,829,535.62	209,378,004.99
4. Distribution costs	(18)	187,247,855.69	157,114,587.23
5. General administrative expenses	(19)	97,899,811.26	93,344,709.26
6. Other operating income	(20)	102,705,390.32	114,190,353.08
7. Other operating expenses	(21)	81,523,732.39	64,815,562.91
8. Income from investments	(22)	72,898,625.82	72,902,637.60
thereof from affiliated companies 72,898,625.82 EUR (2009: 72,902,637.90 EUR)			
9. Other interest and similar income		1,504,770.72	4,761,580.22
thereof from affiliated companies 1,082,419.52 EUR (2009: 905,037.43 EUR)			
10. Income from profit transfer agreements		0.00	34,365.51
11. Losses from profit transfer agreements	(23)	208,979.97	115,077.74
12. Interest and similar expenses		14,686,625.38	13,636,460.80
thereof from affiliated companies 13,500,552.77 EUR (2009: 13,193,229.93 EUR)			
13. Income from ordinary activities		62,371,317.79	72,240,543.46
14. Extraordinary income		346,391.87	10,714,828.84
15. Extraordinary expenses		121,965.00	0.00
16. Extraordinary profit	(24)	224,426.87	10,714,828.84
17. Taxes on income	(25)	13,941,468.76	11,458,396.59
18. Other taxes		129,874.14	137,257.79
19. Net income		48,524,401.76	71,359,717.92
20. Transfer from other revenue reserves		92,691,965.78	4,889,730.39
21. Transfer to reserves for treasury shares		0.00	(10,224,452.30)
22. Accumulated income previous year		1,337,032.46	1,904,403.99
23. Unappropriated income		142,553,400.00	67,929,400.00

ANNUAL FINANCIAL STATEMENTS OF HUGO BOSS AG NOTES TO THE FINANCIAL STATEMENTS 2010

BASIS OF PRESENTATION

The 2010 Hugo Boss AG financial statements were prepared in accordance with the rules and regulations of the German Commercial Code (Handelsgesetzbuch/HGB) and Stock Corporation Act (Aktiengesetz/AktG).

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

In the fiscal year 2010, the statement of income was presented for the first time using the cost of sales method. The aim of this switch is to guarantee a uniform, externally focused presentation of the statement of income in the individual financial statements and in the consolidated financial statements of HUGO BOSS AG. The comments thereon pursuant to Section 275 (3) of the HGB were also included in the statement of income in the current fiscal year.

Changes resulting from the first-time application of the Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) in the form of presentation or the valuation methods applied were not adjusted in the figures for the previous year. For this reason, only a limited comparison is possible with the figures for the previous year.

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

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

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

ACCOUNTING AND VALUATION PRINCIPLES, CURRENCY CONVERSION

The accounting and valuation methods applied in the previous year have been maintained unless there were any changes required by the Accounting Law Modernization Act. Material changes were required for the valuation of other accruals and accruals for pensions, the recognition of treasury shares and foreign currency conversion.

Fixed assets

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

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

Building depreciation is calculated assuming useful lives of 25 to 50 years. For technical equipment and machinery, useful lives are 5 to 15 years, for other equipment, factory and office equipment, 2 to 15 years.

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

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

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

Current assets

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

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

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

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

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

Accruals and liabilities

Up to December 31, 2009, accruals for pensions were calculated for accounting purposes on the basis of the minimum accrual method as defined in Section 6a of the German Income Tax Act (EStG) using an interest rate of 4.0% and the "mortality table 2005 G" created by Prof. Dr. Klaus Heubeck.

Since January 1, 2010, accruals for pensions have been calculated for accounting purposes on the basis of the single premium method using an interest rate of 5.16% (October 2010), growth in the creditable income of 2.50% as well as an adjustment to current pensions of 1.75% and the "mortality table 2005 G" created by Prof. Dr. Klaus Heubeck. Use was made of the simplification rule permitted under Section 253 (2) clause 2 of the HGB in setting the remaining term of 15 years.

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

The valuation on January 1, 2010 resulted in a difference of EUR 336 thousand, which was credited to retained earnings in its entirety.

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

Provisions for internal expenses recognized as liabilities in the previous year were eliminated in the income statement under extraordinary expenses in the fiscal year 2010.

Liabilities are valued at the amount required for settlement.

Hedging contracts

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

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

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

Hedging contracts are established to cover liabilities to employees arising from the "Stock Appreciation Rights Program" (SAR). It covers both, the liability towards HUGO BOSS AG employees and liabilities towards employees at its subsidiaries.

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

Currency conversion

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

Deferred taxes

Deferred taxes are calculated from 2010 for temporal differences between the carrying amounts of assets, prepaid expenses/deferred income and liabilities in the commercial and fiscal balance sheets. In the process, not only differences from the Company's own balance sheet items were included but also those at subsidiaries or partnerships in which HUGO BOSS AG is involved as a partner. Deferred taxes are calculated on the basis of the combined income tax rate of the tax group, which is currently 28.0% (corporation tax, trade tax and solidarity surcharge). An exception to this is the calculation of deferred taxes from temporal accounting differences in the case of investments incorporated as partnerships based on a combined income tax rate, which only includes corporation tax and the solidarity surcharge; this currently amounts to 15.83%. In the event of a tax liability being produced overall, this is recognized in the balance sheet as a deferred tax liability. In the event of a tax saving, use is made of the corresponding recognition option in such a way that recognition is waived.

NOTES TO THE BALANCE SHEET

1 // FIXED ASSETS

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

The intangible assets mainly include capitalized IT software. The EUR 6,675 thousand (2009: EUR 6,075 thousand) increase is due primarily to investments in software that brought further improvements to and better structuring of the company's business processes.

The EUR 5,720 thousand (2009: EUR 8,747 thousand) additions to property, plant and equipment result mainly from the expansion in IT, the showroom and investments in interior fittings and machinery, factory and office equipment.

The reductions are mainly the result of demolishing warehouse conveyor systems.

Depreciation includes non-recurring depreciation on technical equipment and machinery amounting to EUR 370 thousand (2009: EUR 43 thousand).

2 // INVESTMENT HOLDINGS OF HUGO BOSS AG

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

In the fiscal year 2010, the direct investment GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH of HUGO BOSS AG was removed from the financial assets. This investment was sold to HUGO BOSS Beteiligungsgesellschaft mbH. Furthermore, BIL Leasing Verwaltungs-GmbH & Co. 869 KG was reclassified from the investments in affiliated companies (because of the new rules of the BilMoG). All direct and indirect investments held by HUGO BOSS AG are listed in the notes in the information on investment holdings.

HUGO BOSS AG directly or indirectly holds 100% of the equity shares in the companies listed in the following information on investment holdings. The only exceptions are holdings in BIL Leasing Verwaltungs-GmbH & Co. 869 KG, ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG, and ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG.

The equity shareholding of HUGO BOSS AG in each of these companies is 94.0%.

With effect from July 1, 2010, HUGO BOSS established a joint venture with the Rainbow Group, a long-standing franchise partner in China. HUGO BOSS AG has an indirect investment, holding 60% of the shares, in this company. For its part, HUGO Boss Lotus Hongkong Ltd. holds all the shares in Lotus Concept Trading (Macau) Co., Ltd., Macau and Shenzhen Lotus Trading Co., Ltd., Shenzhen, China.

INVESTMENT HOLDINGS OF HUGO BOSS AG

in EUR thousand

Company

HUGO BOSS Holding Netherlands B.V.
HUGO BOSS Internationale Beteiligungs-GmbH ¹
HUGO BOSS International B.V.
HUGO BOSS Ticino S.A.
HUGO BOSS USA, Inc. ²
HUGO BOSS Benelux B.V. ³
HUGO BOSS Trade Mark Management GmbH & Co. KG ¹
HUGO BOSS Hong Kong Ltd.
HUGO BOSS International Markets AG
HUGO BOSS Textile Industry Ltd.
HUGO BOSS UK Limited
HUGO BOSS Canada Inc.
HUGO BOSS France SAS
HUGO BOSS Holdings Pty. Ltd.
HUGO BOSS Australia Pty. Ltd.
HUGO BOSS Italia S.p.A.
HUGO BOSS Shoes & Accessories Italia S.p.A.
HUGO BOSS (Schweiz) AG
HUGO BOSS do Brasil Ltda.
HUGO BOSS Belgium BVBA
HUGO BOSS Mexico S.A. de C.V.
HUGO BOSS Belgium Retail BVBA
HUGO BOSS Benelux Retail B.V.
HUGO BOSS Guangdong Trading Co. Ltd.
HUGO BOSS Switzerland Retail AG
HUGO BOSS Dienstleistungs GmbH ¹
HUGO BOSS China Retail Co. Ltd.
MSC Poland Sp.z.o.o.
HUGO BOSS Holding Sourcing S.A.
HUGO BOSS Nordic ApS
HUGO BOSS Scandinavia AB
HUGO BOSS Mexico Management Services S.A. de C.V. ¹
HUGO BOSS Magazacilik Ltd. Sti.

1 Direct affiliates to HUGO BOSS AG

2 Subgroup financial statement

3 Companies with a profit transfer agreement with HUGO BOSS AG

Registered Office	Earnings		Equity	
	2010	2009	2010	2009
Amsterdam, Netherlands	475	50	652,185	651,709
Metzingen, Germany	0	0	524,800	524,800
Amsterdam, Netherlands	102,845	75,261	279,604	174,622
Coldrerio, Switzerland	42,826	33,791	74,034	60,894
Wilmington, DE, USA	14,483	(5,365)	56,970	39,504
Amsterdam, Netherlands	15,239	16,452	37,702	38,463
Metzingen, Germany	74,002	74,162	25,230	24,120
Hong Kong	16,134	7,676	38,018	21,852
Zug, Switzerland	14,757	12,760	18,443	17,586
Izmir, Turkey	1,200	(453)	14,197	12,997
London, Great Britain	10,791	8,998	14,622	12,751
Toronto, Canada	2,263	(2,277)	16,471	12,459
Paris, France	(8,929)	(120)	3,505	12,435
Preston, Australia	0	0	12,363	12,363
Preston, Australia	1,279	1,385	11,870	10,022
Mailand, Italy	535	(5,488)	22,233	8,144
Morrovalle, Italy	237	(3,252)	5,202	4,965
Zug, Switzerland	3,840	4,118	4,324	4,328
São Paulo, Brazil	348	102	4,149	3,340
Diegem, Belgium	750	870	2,343	2,292
Mexico-City, Mexico	2,822	427	5,190	2,053
Diegem, Belgium	664	732	2,627	1,962
Amsterdam, Netherlands	220	790	1,893	1,674
Guangzhou, China	96	268	1,937	1,650
Zürich, Switzerland	561	129	2,359	1,466
Metzingen, Germany	(164)	(44)	1,458	1,382
Shanghai, China	4,119	(212)	8,068	1,261
Radom, Poland	(54)	(192)	1,216	1,231
Coldrerio, Scwitzerland	(9)	(10)	1,250	1,219
Kopenhagen, Denmark	3,224	1,648	4,236	1,016
Stockholm, Sweden	(1,921)	305	1,117	2,896
Mexico-City, Mexico	144	123	551	357
Izmir, Turkey	(563)	(176)	979	345

INVESTMENT HOLDINGS OF HUGO BOSS AG

in EUR thousand

Company

HUGO BOSS Trade Mark Management Verwaltungs-GmbH

HUGO BOSS Merchandise Management GmbH

HUGO BOSS Vermögensverwaltungs GmbH & Co. KG¹

HUGO BOSS Beteiligungsgesellschaft mbH¹

ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG¹

GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH

ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG¹

HUGO BOSS Portugal & Companhia

BIL Leasing Verwaltungs-GmbH & Co. 869 KG¹

HUGO BOSS Japan K.K.

HUGO BOSS Benelux B.V. CIA, S.C

HUGO BOSS Lotus Hong Kong Ltd.

Lotus Concept Trading (Macau) Co., Ltd.

Shenzhen Lotus Trading Co., Ltd.

HUGO BOSS Ireland Ltd.

¹ Direct affiliates to HUGO BOSS AG² Subgroup financial statement³ Companies with a profit transfer agreement with HUGO BOSS AG

Registered Office	Earnings		Equity	
	2010	2009	2010	2009
Metzingen, Germany	1	1	32	31
Metzingen, Germany	0	0	24	24
Metzingen, Germany	(2)	(2)	2	4
Metzingen, Germany	0	0	(116)	(116)
Grünwald, Germany	47	33	(191)	(238)
Metzingen, Germany	(1,117)	(769)	(1,861)	(744)
Grünwald, Germany	84	24	(2,739)	(2,823)
Lisbon, Portugal	(2,419)	(5,619)	(2,952)	(4,833)
Pullach, Germany	(537)	(276)	(6,015)	(5,479)
Tokyo, Japan	(3,843)	(11,671)	(31,108)	(22,021)
Madrid, Spain	2,720	(12,705)	(5,457)	(33,177)
Hong Kong	(142)	0	37,801	0
Macau	3,111	0	6,530	0
Shenzhen, China	5,426	0	27,570	0
Dublin, Ireland	(215)	0	(115)	0

3 // RECEIVABLES AND OTHER ASSETS

Presentation according to remaining terms in EUR thousand (prior year's figures in brackets)	With a remaining term			Total
	up to 1 year	from 1 to 5 years	of more than 5 years	
Trade receivables	7,877 (9,986)	– –	– –	7,877 (9,986)
Receivables from affiliated companies	13,071 (33,676)	– –	– –	13,071 (33,676)
Receivables from companies in which participating interests are held	0 (1,536)	– –	– –	0 (1,536)
Other assets	34,393 (27,988)	2,943 (13,126)	664 (16,621)	38,000 (57,735)
	55,341 (73,186)	2,943 (13,126)	664 (16,621)	58,948 (102,933)

Receivables from affiliated companies include loans amounting to EUR 11,760 thousand (2009: EUR 32,825 thousand) and trade receivables. In essence, the decrease is the result of a subsidiary's loan being repaid.

As of December 31, 2010, other assets mainly include bonus claims vis-à-vis suppliers (EUR 8,757 thousand; 2009: EUR 4,946 thousand), call options to hedge stock appreciation rights (EUR 6,684 thousand; 2009: EUR 4,907 thousand) and tax receivables (EUR 7,611 thousand; 2009: EUR 6,063 thousand). The reduction in the item compared with the previous year is mainly attributable to the change in the recognition of cover assets (reinsurance), which are now netted off against accruals for pensions.

4 // SECURITIES

In the previous year, securities consisted entirely of treasury shares. As of December 31, 2010, these are openly deducted from "Subscribed capital" at their nominal amount in accordance with Section 272 (1a) of the HGB.

The difference between the nominal amount of treasury shares and the carrying amount reported as of December 31, 2009 was netted off in retained earnings.

5 // PREPAID EXPENSES

The prepaid expenses refer mainly to prepaid expenses for IT maintenance contracts and tenancy agreements.

6 // SUBSCRIBED CAPITAL

As of December 31, 2010, the subscribed capital of HUGO BOSS AG amounted to EUR 69,016 thousand (2009: EUR 70,400 thousand). The subscribed capital is made up as follows:

in EUR thousand	12.31.2010	12.31.2009
35.860.000 bearer common shares	35,860	35,860
treasury shares, 528.555 bearer common shares	(529)	0
34.540.000 non-voting bearer preferred shares	34,540	34,540
treasury shares, 855.278 non-voting bearer preferred shares	(855)	0
	69,016	70,400

Since 2010, treasury shares have been deducted from „Subscribed capital“. Please refer to the explanations under (4).

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

7 // CAPITAL SURPLUS

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

8 // RETAINED EARNINGS

The retained earnings balance developed as follows:

in EUR thousand	
Position as at January 1, 2010	329,818
Dissolve of reserves for treasury shares	31,684
Offset from difference between fair value and nominal value of treasury shares	(30,300)
Change due to BilMoG	1,289
Transfers from other revenue reserves in accordance with the Managing and Supervising board resolution	(92,692)
Position as at December 31, 2010	239,799

The changes recognized in equity because of the BilMoG are the result of the adjustment to the valuation of long-term accruals for pensions (EUR 336 thousand) and the other long-term personnel provisions (EUR 953 thousand).

The reserve for treasury shares was reversed into other retained earnings because of the changes to Section 272 (1) of the HGB. Accordingly, other retained earnings as of January 1, 2010 were reduced by the difference between the nominal amount of treasury shares and the value of treasury shares as of December 31, 2009.

As of 31.12.10, 528,555 common shares and 855,278 preferred shares were held. The related portion of subscribed capital is EUR 1,383 thousand (2009: EUR 1,383 thousand) (1.97%). The nominal amount was deducted openly from „Subscribed capital“.

The treasury shares were purchased from 2004 to 2007:

Purchase date	Number of common shares in units	Number of preferred shares in units
03/2004	35,966	0
05/2004	36,280	0
06/2004	11,513	0
07/2004	40,506	0
02/2005	12,992	0
03/2005	34,794	1,000
04/2005	84,000	82,467
10/2005	21,700	153,700
05/2006	0	210,200
06/2006	79,700	0
07/2006	158,628	0
08/2006	0	20,021
09/2006	9,976	110,084
01/2007	0	94,411
02/2007	2,500	183,395
12.31.2010	528,555	855,278

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

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

In 2010 no further treasury shares were acquired or sold. The treasury shares should facilitate:

- widening the circle of shareholders through offerings to both domestic and foreign institutional investors;
- allowing consideration in the form of treasury stock in the event of corporate mergers or when a company or participation is acquired;
- placing shares on foreign stock exchanges;
- calling in shares without an additional resolution by the Annual Shareholders' Meeting.

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

9 // UNAPPROPRIATED INCOME

in EUR thousand

Distributable profit as at December 31, 2009	67,929
Profit distribution for 2009	66,592
Accumulated income	1,337
Net income 2010	48,524
Transfer from other revenue reserves	92,692
Distributable profit as at December 31, 2010	142,553

10 // DISCLOSURES ON NON-DISTRIBUTABLE AMOUNTS

There are non-distributable amounts as defined in Section 268 (8) of the HGB amounting to EUR 1,066 thousand (2009: EUR 0). These result solely from valuing the reinsurance classified as plan assets at fair value.

11 // ACCRUALS FOR PENSIONS AND SIMILAR OBLIGATIONS

Obligations under pension commitments are covered in part by qualified insurance policies (plan assets). The benefits from the insurance policies serve solely to fulfill the respective pension obligations and are withdrawn from access by other creditors through pledging. They were netted off against the underlying commitments in the current fiscal year on the basis of the rules of the BilMoG.

The fair value of the reinsurance claim consists of the insurance company's reserves detailed in the business plan plus any available credit balance from the refund of premiums (so-called profit participation).

in EUR thousand	12.31.2010
Settlement amount of pensions and similar obligations	45,984
Fair value of reinsurance	43,785
Net value of pensions and similar obligations	2,199
Historical cost of invested assets in reinsurance	42,719

The income resulting from the cover assets and the interest expenses from corresponding settlement amounts from the accruals for pensions in the fiscal year 2010 are shown below:

in EUR thousand	2010
Income from fund assets	1,305
Interest expenses for corresponding provisions for pension	1,982
Residual interest expenses as of pension provisions which are not covered by fund assets income	677

The balance of EUR 677 thousand is recognized in interest expense.

12 // OTHER ACCRUALS

in EUR thousand	12.31.2010	12.31.2009
Personnel expenses	41,493	30,769
Outstanding invoices	31,256	24,894
Other reserves	14,498	10,248
	87,247	65,911

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

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

13 // LIABILITIES**Presentation according to remaining terms**

in EUR thousand (previous year's figures in brackets)	With a remaining term			Total
	up to 1 year	from 1 to 5 years	more than 5 years	
Trade payable	70,164 (48,152)	– –	– –	70,164 (48,152)
Due to affiliated companies	270,371 (276,771)	– –	– –	270,371 (276,771)
other liabilities	8,065 (5,417)	– (77)	2,684 (2,493)	10,749 (7,987)
	348,600 (330,340)	– (77)	2,684 (2,493)	351,284 (332,910)

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

Liabilities to affiliated companies include loans amounting to EUR 269,685 thousand (2009: EUR 276,356 thousand) and trade payables.

As of December 31, 2010 there is no collateral for liabilities shown on the balance sheet.

Breakdown of other liabilities

in EUR thousand	12.31.2010	12.31.2009
Taxes	4,778	4,211
Social security	2,684	2,692
Other	3,287	1,084
	10,749	7,987

14 // CONTINGENT LIABILITIES

in EUR thousand	12.31.2010	12.31.2009
Contingent liabilities from guarantees	471,187	466,573
thereof associated companies	(471,187)	(466,573)
Contingent liabilities from the provision of collateral for third party liabilities	9,372	8,547
thereof associated companies	(9,372)	(8,547)
	480,559	475,120

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

15 // DEFERRED TAXES

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

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

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

Deferred tax expenses are not included in tax expenses.

NOTES TO THE INCOME STATEMENT**16 // SALES**

in EUR thousand (prior year's figures in brackets)	BOSS	HUGO	Total
Europe ¹	573,783 ² (493,034)	68,438 (64,429)	642,221 (557,463)
Americas	107,947 ³ (81,859)	8,436 (7,665)	116,383 (89,524)
Asia/Pacific	71,725 ⁴ (57,199)	1,401 (1,264)	73,126 (58,463)
	753,455 (632,092)	78,275 (73,358)	831,730 (705,450)

1 including Middle East and Africa

2 thereof BOSS – Black 79%, Orange 11%, Green 8%, Selection 2%

3 thereof BOSS – Black 72%, Orange 10%, Green 11%, Selection 7%

4 thereof BOSS – Black 76%, Orange 17%, Green 4%, Selection 3%

17 // COST OF SALES

In essence, production costs consist of cost of materials, freight costs and license fees. The ratio of production costs to sales improved from 70.3% in the previous year to 67.9% in the fiscal year. The change is mainly attributable to a far lower increase in variable selling expenses.

18 // SELLING EXPENSES

Selling expenses consist of the following items:

in EUR thousand	2010	2009
Marketing costs	101,278	78,138
Costs for own retail	28,512	20,661
Costs for storage and procurement	57,458	58,316
	187,248	157,115

The increase in marketing expenses is mainly the result of higher marketing expenses passed on by HUGO BOSS Trademark Management GmbH & Co. KG.

19 // GENERAL ADMINISTRATIVE EXPENSES

The general administrative expenses are mainly the result of personnel expenses, rental charges, lease charges, depreciation and various IT expenses.

20 // OTHER OPERATING INCOME

in EUR thousand	2010	2009
Other operating income	102,705	114,190
thereof from FX effects	(10,128)	(12,156)
thereof out of period income	(3,381)	(17,135)

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

The aperiodic income is predominantly attributable to the reversal of provisions totaling EUR 3,358 thousand (2009: EUR 6,668 thousand). In the previous year, additional income from the appreciation in treasury shares of EUR 10,225 thousand was included.

21 // OTHER OPERATING EXPENSES

in EUR thousand	2010	2009
Other operating expenses	81,524	64,816
thereof from FX effects	(14,663)	(13,150)
thereof out of period expenses	(501)	(1,597)

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

The increase is based on a number of factors. The greatest increases in expenses were recorded in expenses for forward foreign exchange contracts, foreign currency valuations and consultancy costs for the reorganization of operating processes within the Company.

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

22 // INCOME FROM INVESTMENTS

Income from investments amount to EUR 72,892 thousand (2009: EUR 72,884 thousand) and came from HUGO BOSS Trade Mark Management GmbH & Co. KG, Metzingen, Germany.

23 // LOSSES FROM INVESTMENTS

Transferred losses in 2009 and 2010 are almost exclusively from the subsidiary HUGO BOSS Internationale Beteiligungs-GmbH, Metzingen, Germany.

24 // NON-RECURRING PROFIT

The non-recurring profit for the fiscal year 2010 is attributable to the changes resulting from the first-time application of the BilMoG as of January 1, 2010. The changes that affected the income statement are shown below:

in EUR thousand	Income	Expenses
Other personnel expenses	0	122
Release of provisions for expenses	195	0
FX-Effects	151	0

In the previous year, the non-recurring profit was due entirely to the profit generated from the merger of HUGO BOSS Germany Retail GmbH, Metzingen, Germany, with HUGO BOSS AG, Metzingen, Germany.

25 // TAXES ON INCOME

Taxes on income only impact income from ordinary activities.

in EUR thousand	2010	2009
Total	13,941	11,458
thereof out of period expenses	(1,146)	(317)

ADDITIONAL NOTES TO THE INCOME STATEMENT DUE TO THE APPLICATION OF THE COST OF SALES METHOD**Cost of materials**

in EUR thousand	2010	2009
Cost of raw materials, consumables and supplies	400,135	333,185
Cost of services purchased	82,353	72,670
Cost of materials	482,488	405,855

Personnel expenses

in EUR thousand	2010	2009
Wages and salaries	145,099	118,485
Social security and other pension costs	20,326	23,215
thereof for pensions	(721)	(5,058)
Personnel expenses	165,425	141,700

ADDITIONAL INFORMATION

Employee numbers

Average number of employees:

	2010	2009
Industrial employees	811	885
Commercial and administrative employees	1,620	1,633
	2,431	2,518

Part-time staff have been proportionately taken into account.

Foreign currency hedging

There were no derivative financial instruments outstanding on December 31, 2010.

	2010		2009	
	Nominal value	Market value	Nominal value	Market value
in EUR thousand				
Forward exchange contracts	0	0	23,220	(556)

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

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

It covered both, the liability towards HUGO BOSS AG employees and liabilities towards employees at its subsidiaries.

The following call options were in place on December 31, 2010:

	2010		2009	
	Nominal value	Market value	Nominal value	Market value
in EUR thousand				
Call option (SAR-hedge)	6,684	14,992	4,907	4,907

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

Owing to additional issues for hedging instruments and the possibility of the external influences on the share price, the management at HUGO BOSS AG has resolved to revise the general conditions applying to the "Stock Appreciation Rights Program". Effective December 14, 2009, all executives entitled to the program were therefore offered the following amendments:

- (1) Waiver of participation rights and all rights arising from the tranches issued from 2005 to 2008, in return for payment of compensation.
- (2) Adjustment to conditions under which the tranche issued in 2009 can be exercised.

Compensation payment for waiving the rights to tranches 5 to 8 is the value of the option for the tranche in question, multiplied by the number of participation rights. On December 14, 2009, external banks calculated the option values adopted using a standardized valuation model on behalf of HUGO BOSS AG. The share price taken as the basis for the calculation is the unweighted average closing prices for HUGO BOSS AG preferred shares in Xetra trading on the Frankfurt Stock Exchange for the five trading days immediately preceding December 14, 2009.

To limit the upward and downward effects of non-recurring and unforeseen developments in the share price, both a minimum and maximum profit on exercising the option were defined for participation rights in tranche 9. The minimum compensation paid here is the difference between market capitalization as reflected in the average price of a HUGO BOSS AG preferred share over the five trading days immediately preceding December 14, 2009 and the preferred share strike price when issued, but is subject to maximum limit of EUR 33.20. Before the end of the vesting period the entitled parties may each exercise up to one third of their participation rights in tranche 9 early effective December 14 of each fiscal year after agreeing to the amendment to the program. Exercising the rights was possible for the first time on December 14, 2009. The profit from exercising the right in this case is the minimum compensation defined above.

Agreement to program amendments lengthened the holding period to three years, ending December 31, 2011 (two years before the program amendment). The exercise period was shortened accordingly to two years, ending December 14, 2013 (three year exercise phase before the program amendment). The entire term of tranche 9, which was issued in the past fiscal year 2009, remained unchanged at five years.

Following a continuous rise in the share price, the maximum possible profit per option from exercising the option for the participation rights in tranche 9 was exceeded in October of the fiscal year 2010. Following the modifications to the program in 2009, tranche 9 could be exercised for the first time in full from the beginning of 2012.

Since the "Stock Appreciation Rights Program" causes considerable administrative expense in both the personnel and the financial departments of the HUGO BOSS Group, the management at HUGO BOSS AG have decided to redeem tranche 9 prematurely and have offered all holders of participation rights in tranche 9 a payment of the maximum possible profit per option from exercising the option as of December 15, 2010. As a result of the premature termination of the program, no additional expenses will be incurred provided that the share price also stands at EUR 45.00 or higher at the end of 2011. The expenses from the pro rata allocation to the provision for tranche 9 from 2011 will only be brought forward to 2010.

As of December 31, 2010, the price for preferred shares stood at EUR 56.50, well above the share price of EUR 45.00 required for the maximum profit from exercising the options.

Any participation rights in tranches 7 and 8 can still be exercised after the amendments to the program in 2010 under the original option conditions.

With the exception of the redeemed tranche 9, the remaining tranches of the "Stock Appreciation Rights Program" have terms of six years. After the initial lock up period of two years, the four-year exercise period commences. Any participation rights in tranches 5 to 8 could still be exercised after the amendments to the program in 2009 under the original option conditions.

If growth in HUGO BOSS AG market capitalization exceeds MDAX growth by 5 percentage points (exercise hurdle) at the expiry of the vesting period or during the following exercise period, participation rights in tranches 7 and 8 may be exercised.

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

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

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

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

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

Transactions not included in the balance sheet in accordance with Section 285 (3) of the HGB

HUGO BOSS not only uses its own land and buildings but also rents several buildings and the land associated therewith. This use is based on real estate lease agreements (operating leases). This contributes to reducing the capital commitment and leaves the investment risk with the lessor. The lease agreements have remaining terms of 12, 15 and 16 years respectively. The lease agreements lead to annual leasing expenses of EUR 6,041 thousand at present. The lease installments are included in the list of other financial obligations in accordance with Section 285 No. 3a of the HGB. These real estate lease agreements contain buyback options for the respective properties.

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

in EUR thousand	Total	Tenancy and leasing contracts			thereof affiliated companies	
		Buildings/ real estate	Hardware/ software	Other contracts	Buildings Leasing	Other contracts
Due 2011	29,339	21,846	6,243	1,250	3,670	0
Due 2012–2014	74,636	69,782	4,149	705	14,384	0
Due after 2014	85,456	85,456	0	0	29,870	0
	189,430	177,084	10,392	1,955	47,924	0
Obligation from investments initiated during the year under review, due in 2011	1,183					

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

Compensation of the Managing Board and Supervisory Board

No information is given regarding individual compensation, pursuant to a resolution by the Annual General Assembly on June 21, 2010.

The Supervisory Board received total compensation of EUR 1,224 thousand for its services in 2009. For fiscal year 2010, total compensation is expected to be EUR 1.461 thousand, including a provision for the variable component of EUR 738 thousand (2009: EUR 695 thousand) calculated on the basis of earnings per share.

Compensation for members of the Managing Board in fiscal year 2010 totaled EUR 3,248 thousand (2009: EUR 4,927 thousand). EUR 3,248 thousand of this amount (2009: EUR 2,642 thousand) relates to fixed components. The annual variable components were removed in 2010 and amounted to EUR 0 thousand in 2010 (2009: EUR 2,285 thousand) due to the switch to variable compensation components with a medium-term incentive effect. The fixed salary components paid to members of the Managing Board comprise, besides the salary, benefits such as company cars and other benefits in kind forming part of the salary, as well as other equipment and services necessary for Managing Board members to fulfill their duties.

The variable compensation components with a long-term incentive effect consist of a multi-year bonus granted in line with the achievement of personal targets agreed with the Supervisory Board and the fulfillment of the pre-defined key figures EBITDA before special items and trade net working capital. This multi-year bonus will be calculated conclusively and paid out after the end of fiscal year 2012. Advance payments of the bonus expected in 2013 are made starting from 2011. If the amount of the outstanding payment in 2013 is negative, this must be repaid to HUGO BOSS AG by the Managing Board member. Additions to the provision for the multi-year bonus are made proportionally. A provision of EUR 3,025 thousand was recognized for fiscal year 2010 (2009: EUR 0 thousand).

Managing Board members holding office as of the reporting date are not eligible to participate in the "Stock Appreciation Rights Program". In the event of early or regular termination of their duties, Managing Board members are not entitled to payments.

Payments of EUR 2,934 thousand (2009: EUR 66 thousand) were made to past members of the Managing Board as severance payments.

In addition, the Company has provided pension benefits for most Managing Board members. The amount of future pension benefits is based on each member's basic salary and years of service. In 2010, additions to pension provisions for members of the Managing Board (excluding salary conversion) amounted to EUR 900 thousand (2009: EUR 1,631 thousand).

Pension liabilities for former Managing Board members and their surviving dependents amounted to EUR 16,706 thousand (2009: EUR 15,669 thousand). The corresponding plan assets in the form of reinsurance come to EUR 15,920 thousand (2009: EUR 15,203 thousand). On the balance sheet date, pension provisions for former Managing Board members and their surviving dependents amounted to EUR 786 thousand. Payments totaling EUR 192 thousand (2009: EUR 191 thousand) were made to such persons in 2010.

In total, members of the Managing Board and the Supervisory Board hold less than 1% (2009: less than 1%) of the shares issued by HUGO BOSS AG.

Management Participation Program

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

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

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

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

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

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

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

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

As in the previous year, MPP has not influenced the profit or loss for the period of HUGO BOSS AG. No assets from the MPP were recognized on either December 31, 2009 or on the balance sheet date.

German Corporate Governance Code

The Managing Board and Supervisory Board of HUGO BOSS AG issued the declaration required under Paragraph 161 of the German Stock Corporation Act (AktG) in December 2010. It is constantly available to shareholders on the company website.

Auditors' fees

Disclosure is omitted pursuant to Section 285 (17) of the HGB, since they are disclosed in the consolidated financial statements of HUGO BOSS AG.

Transactions with related parties

In fiscal year 2010, transactions were effected with related companies not included in the HUGO BOSS AG group report and accounts, or in which the direct or indirect investment holding was less than 100%. The following transactions were carried out with related companies:

in EUR thousand	Type of relationship		
	Affiliate companies	Parent company	related companies to overall parent company
Type of transaction			
Sales	–	–	22
Other operating income	–	60	–
Leasing costs	3,781	–	–
Interest income	80	–	–
Receivables	1,512	60	–
Liabilities	6	–	–

Dividend payout and appropriation of profits

HUGO BOSS AG closed the fiscal year 2010 with net income of EUR 48,524 thousand (2009: EUR 71,360 thousand). Following the withdrawal from retained earnings, unappropriated income amounts to EUR 142,553 thousand (2009: EUR 67,929 thousand). In view of a profit-oriented distribution policy, the Managing Board and Supervisory Board will recommend to the Annual Shareholders' Meeting that a dividend of EUR 2.02 be paid per common share and EUR 2.03 per preferred share for the fiscal year 2010. This corresponds to an amount of EUR 139,750 thousand (2009: EUR 66,592 thousand). A recommendation will also be made to the Annual Shareholders' Meeting for EUR 2,804 thousand (2009: EUR 1,337 thousand) to be carried forward.

INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

- On October 17, 2005, HUGO BOSS AG received the following notification from V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 21 of the German Securities Trading Act (WpHG) of March 12, 2003:

“Referring to our notification of March 12, 2003, we hereby inform you that on September 28, 2005 the Company changed its name from Marzotto International N.V. to V.F.G. International N.V. We continue to hold 78.76% of the voting share capital.”

Metzingen, October 2005
The Managing Board

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

7. Red & Black HoldCo S.à r.l.

Red & Black HoldCo S.à r.l. notified us of the following:

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

8. Red & Black HoldCo 2 S.à r.l.

Red & Black HoldCo 2 S.à r.l. notified us of the following:

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

9. P4 Sub L.P.1

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

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

10. Permira IV L.P.1

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

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

11. Permira IV Managers L.P.

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

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

12. Permira IV Managers Limited

Permira IV Managers Limited notified us of the following:

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

13. Permira IV L.P.2

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

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

14. P4 Co-Investments L.P.

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

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

15. Permira Investments Limited

Permira Investments Limited notified us of the following:

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

16. Permira IV GP L.P.

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

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

17. Permira IV GP Limited

Permira IV GP Limited notified us of the following:

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

18. Permira Nominees Limited

Permira Nominees Limited notified us of the following:

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

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

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

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

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

Metzingen, March 14, 2008
The Managing Board

- On March 25, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black S.p.A.:
Red & Black S.r.l., Milan, Italy has been converted in Red & Black S.p.A. Milan, Italy. Also after the effectiveness of the conversion of form on March 19, 2008 the company Red&Black S.p.A. held in HUGO BOSS AG,

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

Metzingen, March 26, 2008
The Managing Board

- On April 23, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black TopCo S.à r.l., Luxembourg as of Red & Black Lux S.à r.l., Luxembourg.

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

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

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

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

For the company itself: The proportion of voting rights of Red & Black Lux S.à r.l., Luxembourg held in HUGO BOSS AG, Metzingen, Germany, continues to amount to more than 75% of the voting rights as of April 21, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of

88.02% (31,563,471 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is controlled by Red & Black Lux S.à r.l. indirectly via Red & Black S.p.A., Milan, Italy, and Valentino Fashion Group S.p.A., Milan, Italy. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Red & Black Lux S.à r.l. from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, April 24, 2008
The Managing Board

- On May 2, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Valentino Fashion Group S.p.A., Milan, Italy (until May 1, 2008 trading under the name of Red & Black S.p.A., Milan, Italy), registered in the company register Milan on June 26, 2007 under the number 05786030964:
 1. On May 1, 2008 Valentino Fashion Group S.p.A., Milan, Italy registered in the company register on February 15, 2005 under the number 047403870962 (hereinafter referred to as "Valentino Old") was merged into Red & Black S.p.A., Milan, Italy. Thereby Valentino Old has lapsed. Legal successor is Red & Black S.p.A., Milan, Italy.
 2. In the course of the above mentioned merger the company Red & Black S.p.A. was renamed Valentino Fashion Group S.p.A. (hereinafter referred to as "Valentino New") on May 1, 2008.
 3. Against the background of the above mentioned merger and renaming, Valentino New pursuant to section 21 paragraph 1 and section 22 WpHG makes the following notification:

As the legal successor of Valentino Old: The proportion of voting rights of Valentino Old held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on May 1, 2008 and has stood at 0.00% since this day (no voting rights).

For the company itself: The proportion of voting rights of Valentino New held in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany, continues to amount to more than 75% of the voting rights as of May 1, 2008, namely 89.49% of voting rights (32,092,026 voting rights). A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Valentino New from the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Valentino New. A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Valentino New from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, May 2, 2008
The Managing Board

- On August 6, 2008, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):

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

Metzingen, August 7, 2008
The Managing Board

- On September 24, 2009, HUGO BOSS AG received from the following companies the following notifications on voting rights pursuant to Section 21, Paragraph 1 and Section 22 of the German Securities Trading Act (WpHG):

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

Metzingen, September 25, 2009
The Managing Board

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

1. Valentino Fashion Group S.p.A.

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

2. Blitz F09-vier-sechs GmbH

Blitz F09-vier-sechs GmbH, Frankfurt/Main, Germany, notified us of the following:

We, Blitz F09-vier-sechs GmbH, hereby inform you pursuant to section 21 paragraph 1 WpHG (German Securities Trading Act) that on December 23, 2009 our proportion of voting rights held in HUGO BOSS AG exceeded the limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and now stands at 89.49% (32,092,026 voting rights).

A proportion of voting rights of 88.02% (31,563,471 voting rights) shall be attributable to Blitz F09-vier-sechs GmbH from the shares held by V.F.G. INTERNATIONAL N.V., Rotterdam, Netherlands, pursuant to section 22 paragraph 1 sentence 1 no. 1 WpHG (German Securities Trading Act).

A further proportion of voting rights of 1.47% (528,555 voting rights) shall be attributable to Blitz F09-vier-sechs GmbH from the own shares held by HUGO BOSS AG pursuant to section 22 paragraph 1 sentence 1 no. 1 in WpHG (German Securities Trading Act). For clarification: The above voting rights limits were exceeded because of an internal Group restructuring. Permira Holdings Limited remains the controlling company in the existing structure.

Metzingen, December 28, 2009
The Managing Board

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

1. V.F.G. International N.V., Amersfoort, Netherlands:

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

2. Red & Black Holding GmbH (formerly Blitz F09-vier-sechs GmbH), München, Germany:

On March 23, 2010 the proportion of voting rights of (formerly Blitz F09-vier-sechs GmbH), München, Germany held in HUGO BOSS AG, Metzingen, Deutschland, amounts still to more than 75% of the voting rights, namely 89,49% of the voting rights (32.092.026 shares). Thereof a proportion of voting rights of 88,02% (31.563.471 shares) of Red & Black Holding GmbH pursuant to § 21 Abs. 1 WpHG are held directly. A further proportion of voting rights of 1,47% (528,555 shares), own shares held by HUGO BOSS AG, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, shall be attributable to Red & Black Holding GmbH.

For clarification it is mentioned that the proportions of voting rights of all other companies, of which their former proportion of voting rights with HUGO BOSS AG has been attributed to V.F.G. International N.V., are unaffected by the shortfall of the above mentioned limits of V.F.G. International N.V.. The controlling company in the existing structure remains Permira Holdings Limited.

Metzingen, March 26, 2010
The Managing Board

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

MANAGING BOARD

CLAUS-DIETRICH LAHRS

Stuttgart, Germany

Chairman of the Managing Board
Responsible for Distribution, Retail,
Licenses, Communication and Global Replenishment

CHRISTOPH AUHAGEN

Ratingen, Germany

Responsible for Brand Management,
Creative Management, Sourcing and Manufacturing

MARK LANGER

Stuttgart, Germany

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

DR. ANDREAS STOCKERT

Stuttgart, Germany

Responsible for Purchasing, Production
and Logistics
Member of the Managing Board until August 6, 2010

NORBERT UNTERHARNSCHEIDT

Ulm, Germany

Responsible for Controlling, Finance, Legal Affairs, HR
and IT
Director for Labor Relations
Member of the Managing Board until January 15, 2010

SUPERVISORY BOARD**DR. HELLMUT ALBRECHT**

Munich, Germany

Management Consultant
Chairman of the Supervisory Board**ANTONIO SIMINA**

Metzingen, Germany

Tailor/Chairman of the Works Council
HUGO BOSS AG,
Metzingen, Germany
Deputy Chairman of the Supervisory Board
Employee representative**GIANLUCA ANDENA**

Lodi, Italy

Managing Director
Permira Associati S.p.A.,
Milan, Italy
until February 20, 2010**GERT BAUER**

Reutlingen, Germany

First Authorized Representative of the German
Metalworkers' Union (IG Metall),
Reutlingen/Tübingen, Germany
Employee representative**HELMUT BRUST**

Bad Urach, Germany

Director Outlet Germany
HUGO BOSS AG,
Metzingen, Germany
Employee representative**FABRIZIO CARRETTI**

Milan, Italy

Principal
Permira Associati S.p.A.,
Milan, Italy
until February 20, 2010**OLAF KOCH**

Ingersheim, Germany

Chief Financial Officer
Metro AG,
Düsseldorf, Germany
until February 20, 2010**ULRICH GASSE**

Bad Soden, Germany

Attorney at law, Principal
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany
until February 20, 2010**SUSANNE GREGOR**

Reutlingen, Germany

Head of OPR Clothing Man
HUGO BOSS AG,
Metzingen, Germany
Employee representative
until June 21, 2010

BERND SIMBECK
Metzingen, Germany

Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative
since June 21, 2010

SINAN PISKIN
Metzingen, Germany

Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

DR. MARTIN WECKWERTH
Frankfurt/Main, Germany

Partner
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany

MONIKA LERSMACHER
Kornwestheim, Germany

Secretary of the German Metalworkers' Union
IG Metall Area Headquarters, Baden-Württemberg,
Stuttgart, Germany
Employee representative

DAMON MARCUS BUFFINI
Surrey, Great Britain

Managing Director
Permira Advisers LLP,
London, Great Britain
since February 21, 2010

LUCA MARZOTTO
Venice, Italy

Chief Executive Officer
Zignago Holding S.p.A.,
Fossalta di Portogruaro, Italy
since February 21, 2010

GAETANO MARZOTTO
Milan, Italy

Chairman of the Supervisory Board
Gruppo Santa Margherita S.p.A.,
Fossalta di Portogruaro, Italy
since February 21, 2010

DR. KLAUS MAIER
Stuttgart, Germany

Management Consultant
since February 21, 2010

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

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

Dr. Hellmut Albrecht	MME Moviemment AG ² Pro-Beam AG & Co. KGaA ²	Munich, Germany Planegg, Germany
Gianluca Andena	CMA S.à.r.l. Dinosol Supermercados SL Permira Asesores SL ² Permira SGR S.p.A. Valentino Fashion Group S.p.A.	Luxembourg, Luxembourg Madrid, Spain Madrid, Spain Milan, Italy Milan, Italy
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Fabrizio Carretti	Valentino Fashion Group S.p.A. Valentino S.p.A.	Milan, Italy Milan, Italy
Olaf Koch	Metro Finance B.V. Metro Reinsurance N.V. Metro Euro Finance B.V. Assevermag ² MGP (Metro Group Account Processing International AG) ² MIAG (Metro International AG) ²	Venlo, Netherlands Diemen, Netherlands Venlo, Netherlands Baar, Switzerland Baar, Switzerland Baar, Switzerland
Monika Lersmacher	Berthold Leibinger GmbH	Ditzingen, Germany
Dr. Klaus Maier	Diehl Stiftung & Co. KG Titan X Holding AB Valeo SA	Nuremberg, Germany Mjällby, Sweden Paris, France
Gaetano Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A. ² Zignago Vetro S.p.A. Valentino Fashion Group S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Milan, Italy
Luca Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A. New High Glass Inc. Federvini - Sindacato A ² Verti Speciali S.p.A. Zignago Vetro S.p.A. Banca Popolare Friuladria S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Miami, FL, USA Rome, Italy Trento, Italy Fossalta di Portogruaro, Italy Pordenone, Italy
Dr. Martin Weckwerth	Valentino Fashion Group S.p.A.	Milan, Italy

¹ The members not mentioned have no seats on executive or advisory bodies at any other companies.

² Holding the post of Chairman.

Disclosure

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

Metzingen, March 8, 2011

HUGO BOSS AG
The Managing Board

CLAUS-DIETRICH LAHRS
CHRISTOPH AUHAGEN
MARK LANGER

DEVELOPMENT OF FIXED ASSETS

in EUR thousand	Acquisition or manufacturing costs			
	Jan. 1, 2010	Additions	Regrouped	Disposals
I. Intangible Assets				
1. Industrial rights and similar rights	74.863	6.086	1.250	1.004
2. Goodwill	1.340	0	0	0
3. Prepayments	1.331	589	(1.276)	0
	77.534	6.675	(26)	1.004
II. Property, Plant and Equipment				
1. Land and buildings including buildings on third-party land	29.063	0	0	0
2. Technical equipment and machinery	11.572	188	0	1.756
3. Other equipment, factory and office equipment	141.300	5.520	26	14.965
4. Prepayments and construction in progress	20	12	0	20
	181.955	5.720	26	16.741
III. Financial Assets				
1. Shares in affiliated companies	544.833	0	68	25
2. Other shares	78	0	(68)	0
	544.911	0	0	25
	804.400	12.395	0	17.770

	Depreciation			Net values	
	Dec. 31, 2010	Current business year	Accumulated	Dec. 31, 2010	Dec. 31, 2009
	81.195	10.542	42.798	38.397	41.605
	1.340	117	469	871	988
	644	0	0	644	1.332
	83.179	10.659	43.267	39.912	43.925
	29.063	654	14.999	14.064	14.718
	10.004	741	8.166	1.838	2.425
	131.881	13.288	79.238	52.643	60.858
	12	0	0	12	20
	170.960	14.683	102.403	68.557	78.021
	544.876	0	540	544.336	544.336
	10	0	0	10	35
	544.886	0	540	544.346	544.371
	799.025	25.342	146.210	652.815	666.317

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**ADDITIONAL
INFORMATION**

PROPOSAL FOR APPROPRIATION OF PROFIT

The financial statements of HUGO BOSS AG as of December 31, 2010 show an unappropriated income of EUR 142,553,400. In agreement with the Supervisory Board, the Managing Board proposes to the Shareholders' Meeting that the profit be appropriated as follows:

in EUR

1. Distribution of a dividend of 2.02 EUR per share with 35,331,445 common shares	71,369,518.90
2. Distribution of a dividend of 2.03 EUR per share with 33,684,722 preferred shares	68,379,985.66
3. Amount carried forward to a new account	2,803,895.44
Unappropriated income	142,553,400.00

The proposal for the appropriated profit takes into consideration that 528,555 common shares and 855,278 preferred shares are held by HUGO BOSS AG as of December 31, 2009. These shares are not entitled to dividends.

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

Metzingen, March 8, 2011

HUGO BOSS AG
 The Managing Board

CLAUS-DIETRICH LAHRS
CHRISTOPH AUHAGEN
MARK LANGER

RESPONSIBILITY STATEMENT

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

Metzingen, March 8, 2011

HUGO BOSS AG
The Managing Board

CLAUS-DIETRICH LAHRS
CHRISTOPH AUHAGEN
MARK LANGER

AUDITOR'S REPORT

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

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

Our audit has not led to any reservations.

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

Stuttgart, March 8, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Göttgens
Wirtschaftsprüfer


Gloß
Wirtschaftsprüferin

FORWARD-LOOKING STATEMENTS

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

FINANCIAL CALENDAR AND CONTACTS

MARCH 29, 2011	PRESS AND ANALYSTS' CONFERENCE
APRIL 28, 2011	FIRST QUARTER REPORT 2011
MAY 10, 2011	ANNUAL SHAREHOLDERS' MEETING
JULY 28, 2011	FIRST HALF YEAR REPORT 2011
NOVEMBER 2, 2011	FIRST NINE MONTHS REPORT 2011

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