HUGO BOSS

FINANCIAL STATEMENTS 2007
AND MANAGEMENT REPORT OF HUGO BOSS AG

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MANAGEMENT REPORT

FOR FISCAL YEAR 2007 AND
OUTLOOK FOR THE YEARS 2008 AND 2009

HUGO BOSS AG

HUGO BOSS AG with headquarters in Metzingen, Germany, is the parent company of the HUGO BOSS Group. HUGO BOSS is one of the most successful international fashion companies in the high-end fashion market.

Strategic management is headed by the Managing Board members who are responsible for departments such as marketing, sales, production, logistics, retail and finance. The operating business is conducted by HUGO BOSS AG and subsidiaries worldwide, whose managing directors report directly to the Managing Board.

As set forth in Section 6 Paragraph 1 of the Company´s Articles of association, the Management Board comprises at least two members. The members of the Managing Board are appointed by the Supervisory Board pursuant to Sections 84 and 85 of the German Stock Corporation Act (AktG) for a maximum of five years. The Supervisory Board decides in accordance with the provisions of the German Stock Corporation Act and the German Co-Determination Act on the number of Managing Board members, the appointment of such members and revocation of the appointments and contracts of employment. According to Section 6 Paragraph 3 of the Company´s Articles of Association, Managing Board members should as a rule not be older than 60 years of age upon appointment.

The share capital of HUGO BOSS AG amounts to EUR 70.4 million and is divided into 35.860.000 common shares (50.9%) and 34.540.000 preferred shares (49.1%) a share in the issued share capital of EUR 1.00 per common or preferred share. The shares of HUGO BOSS AG are bearer shares. There are no legal or statutory restrictions on voting rights or transfer of shares; the Managing Board is not aware of any agreements between shareholders to such effects.

Unlike the common shares, the preferred shares are non-voting shares. However, the dividends paid to bearers of non-voting preferred shares from net retaining earnings are EUR 0.01 higher per preferred share than the dividends paid to bearers of common shares. Assuming sufficient net profit, the dividend for preferred shares amounts to no less than EUR 0.01 per share.

HUGO BOSS issues no shares vested with special rights granting powers of control. No special provisions exist with regard to the exercise of shareholder rights by shareholders that are employees of HUGO BOSS AG. In particular, no voting controls exist.

Pursuant to Section 119 Paragraph 1 Sentence 5 of the German Stock Corporation Act, any changes to the Articles of Association must be approved by the Annual Shareholders´ Meeting. Unless otherwise mandated by the German Stock Corporation Act, resolutions are approved pursuant to Section 17 Sentences 2 and 3 of the Articles of Association by simple majority of the votes cast and – insofar as a majority of the capital is required to be represented for approving a resolution – by simple majority of the share capital represented upon voting on the resolution. According to Section 20 of the Articles of Association, the Supervisory Board is authorized to resolve on modifications to the Articles of Association that affect the wording only.

HUGO BOSS products can be found in 105 countries and some 5.900 points of sale. The brand world of HUGO BOSS is made up of the core BOSS brand and the trendy HUGO brand, offering extraordinary fashion diversity at a consistently high level of quality. The textile collections are rounded out by products such as shoes and leather accessories. Licensed products such as fragrances and cosmetics as well as watches and eyewear complete the product range.

A global sales network with efficient logistics, outstanding product competence, and a high level of quality products distinguish HUGO BOSS as a professional business partner for its international customers.

BRAND OVERVIEW

BOSS HUGO BOSS

- Menswear
- Womenswear
- Accessories

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

BOSS HUGO BOSS SELECTION

- Menswear
- Accessories

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

BOSS HUGO BOSS

- Menswear
- Womenswear
- Accessories

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

BOSS HUGO BOSS

- Menswear
- Sports Accessories

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

HUGO HUGO BOSS

- Menswear
- Womenswear
- Accessories

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

INTERNAL CONTROL SYSTEM OF THE HUGO BOSS AG

The internal control system encompasses strategic planning for the HUGO BOSS AG, a Group reporting system and investment controlling. Strategic planning for the Group is formulated for three years and is revised annually as part of the comprehensive budget process. Subsidiaries submit assessments of current business developments and anticipated annual results at regular intervals. Key performance indicators (KPI) reports tailored to individual segments and subsidiaries as well as the data warehouse form the group wide reporting. All subsidiaries prepare IFRS statements on a monthly basis. This data is consolidated into management reporting and incorporated into the published quarterly and annual reports of the Group. The detailed KPI reports support Group management in controlling the segments, the subsidiaries, and the operating processes. The data warehouse provides management throughout the Group with direct access to management information, which is in part updated daily. The internal controlling system is optimized continuously and adapted to developments within the Group as well as to increasing requirements.

The table below shows on a consolidated level the most important indicators, which are subject to continuous monitoring and which provide the focus for Group-wide optimization.

KEY PERFORMANCE INDICATORS AND KEY FIGURES

		2007	2006
Net sales	in € million	1,632.0	1.495.5
Gross margin ratio	in %	58.0	57.1
EBITDA	in € million	287.7	233.4
EBIT	in € million	220.3	184.4
EBIT margin [1]	in %	13.5	12.3
Net income	in € million	154.1	128.7
Net Working Capital [2]	in € million	397.4	298.7
Capital expenditure	in € million	84.7	98.5
Return on Investment [3]	in %	31.8	29.4

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

The HUGO BOSS AG´s internal control system is especially significant in light of the fact that the variable component of compensation for the Group´s top management is linked to the indicators mentioned above.

FISCAL 2007 IN REVIEW

GLOBAL ECONOMIC DEVELOPMENT

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

According to data from the Organization for Economic Cooperation and Development (OECD), growth in the Eurozone was very robust at 2.6%. According to the German Federal Statistics Office, strong export and investment activity allowed Germany to achieve a GNP of 2.5%, with an increase in the inflation rate to 2.2%.

In the USA, the weak real estate market caused by the mortgage crisis had a notably negative effect on the business climate. Thus the OECD expects the U. S. economy to grow at only 2.2% in 2007, compared to 3.4% in the previous year. Private consumption was especially hard hit by the rise in inflation to 4.1% (end of 2007).

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

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

SECTOR PERFORMANCE

Growth in the global market for fashion, accessory and luxury goods showed sales growth of 4% in 2007. Markets in China, Middle East and Eastern Europe proofed to be continuously strong. In Japan and Europe, the fashion markets continued to be stable in 2007 compared to the previous year as well as in the USA, despite the real estate crisis.

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

DEVELOPMENT OF SALES

SALES

HUGO BOSS AG generated sales of EUR 785.7 million in fiscal 2007 (2006: EUR 758.2 million). This excellent performance resulted from growth in the regions USA and Asia.

Sales with subsidiaries accounted for EUR 489.5 million (2006: EUR 391.0 million), sales via trading partner located in Germany for EUR 159.1 million (2006: EUR 167.0 million) and sales via foreign trading partners accounted for EUR 37.8 million (2006: EUR 103.4 million). Acquiring shops from a trading partner located in Germany, net sales with this points of sale were not shown under HUGO BOSS AG´s sales any longer, but recognized as sales of HUGO BOSS Germany Retail GmbH. For providing efficient services in the region Eastern Europe and Austria, a subsidiary in Zug, Switzerland, was founded in fiscal 2006. Effective December 1, 2006 sales for this regions are reflected as intercompany sales with this subsidiary in the accounts of HUGO BOSS AG.

The two womenswear lines, BOSS Black Womenswear and the leisure-oriented BOSS Orange Womenswear line launched on the market in fiscal 2006 increased by a total of 2.6% to EUR 34.2 million (2006: EUR 33.3 million).

Sales in the rest of Europe excluding Germany increased by 0.4% in fiscal 2007 to a total of EUR 358.8 million (2006: EUR 352.3 million). Increasing sales were seen especially in Spain, Benelux and Sweden.

In North and South Americas sales growth continued by pleasant 28.9% to EUR 85.6 million (2006: EUR 66.4 million), which was mainly due to higher sales in the U.S.

In the growth region Asia/other regions, HUGO BOSS AG achieved sales growth of 13.0% to EUR 81.5 million (2006: EUR 72.1 million), primarily due to the development in Australia and the People´s Republic of China.

Sales denominated in foreign currencies from significant subsidiaries rose by 15.0%. Sales increased 19.9% on a currency adjusted basis.

BRANDS

In parallel to the development by regions also the development by brand is affected by the acquisition of shops from a trading partner located in Germany (sales are accounted for in the accounts of HUGO BOSS Germany Retail GmbH) and the restructuring of serving the markets in Eastern Europe and Austria by a subsidiary in Zug, Switzerland (sales with this markets will be shown in the accounts of HUGO BOSS AG as intercompany sales with this subsidiary).

BOSS MENSWEAR

The share of BOSS Menswear – consisting of the line BOSS Black, BOSS Selection, BOSS Orange and BOSS Green – in total sales of the HUGO BOSS AG was 77.2% (2006: 76.6%). Sales continued to grow by pleasant 4.3% in fiscal 2007 to a total of EUR 605.9 million (2006: EUR 580.9 million).

In Germany as well as abroad, BOSS Menswear clearly outperformed other major fashion markets, supported by a dynamic development of BOSS Selection.

BOSS WOMENSWEAR

With a sales growth by 12.5% to EUR 107.8 million (2006: EUR 95.8 million) the sustained upward sales trend of BOSS Womenswear continued in fiscal 2007. Both, BOSS Black Womenswear and BOSS Orange Womenswear contributed to this development.

HUGO

HUGO, the fashion brand in the HUGO BOSS brand portfolio, fell in sales by 9.7% to a total of EUR 72.0 million (2006: EUR 79.7 million).

EARNINGS PERFORMANCE

GROSS MARGIN

Compared to previous year the gross margin (net sales minus material consumption incl. changes in inventories; in % of net sales) fell by 3.7% to 35.6% (2006: 39.3%). This is attributable mostly to the change in the responsibility for the markets in Eastern Europe and Austria to the subsidiary in Zug, Switzerland, and to impairments related to inventories. In contrary, additional improvements in global purchasing and production structures supported the gross margin development.

OTHER OPERATING INCOME AND EXPENSES

Compared to the previous year, other operating expenses increased by EUR 30.3 million to a total of EUR 259.6 million. Other operating income rose by EUR 21.9 million to EUR 14.2 million compared to previous year.

The increase in other operating expenses is mainly due to higher operating expenses, selling expenses (royalties) paid to HUGO BOSS Trade Mark Management GmbH & Co. KG (2007: EUR 50.3 million, 2006: EUR 46.9 million) and marketing expenses (2007: EUR 23.4 million, 2006: 16.7 million).

Operating expenses increased by 23.2% (2007: EUR 27.1 million, 2006: EUR 22.0 million), mainly due to an extention of building space in Metzingen. Administrative expenses rose by 26.6% (2007: EUR 41.5 million, 2006: EUR 32.8 million), mainly attributable to services. In fiscal 2007 other operating expenses concern write-offs on a loan in favour of an affiliated company.

The increase in other operating expenses was mostly offset by an increase in other operating income, largely as a result of transferring marketing and administrative expenses to affiliated companies.

Gains from the sale of fixed assets contributed EUR 5.3 million in previous year, mainly due to the sale of an investment in an affiliated company to the HUGO BOSS International B.V. (2007: EUR 0.01 million). Moreover, the release of provisions totalling to EUR 6.4 million (2006: EUR 4.1 million) resulted in an increase of the other operating income.

PERSONNEL EXPENSES

Personnel expenses rose by 11.9% to EUR 136.5 million (2006: EUR 122.0 million) over the prior year period. The increase was due to a growing number of employees in logistics along with the general increase in business volume in fiscal 2007.

DEPRECIATION AND AMORTIZATION

Higher investments in Software (especially SAP AFS) as well as factory and office equipment in fiscal 2007 and former periods resulted in an increase of depreciation and amortization by 52.9% to EUR 20.6 million (2006: EUR 13.5 million).

INCOME FROM INVESTMENTS

Income from Investments is mostly attributable to the affiliate HUGO BOSS Trade Mark Management GmbH & Co. KG. As a result of higher business volume of the HUGO BOSS Group as well as an increased turnover with third party licensees, royalty income of the HUGO BOSS Trade Mark Management GmbH & Co. KG rose by 25.4% to a total of EUR 81.8 million.

AMORTIZATION ON FINANCIAL ASSETS

The investment in HUGO BOSS Beteiligungsgesellschaft mbH amounting to EUR 0.5 million was amortized in fiscal 2007 (2006: EUR 0 million)

INTEREST INCOME AND EXPENSES

Interest income as well as interest expenses remained stable compared to previous year.

INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

Income from profit transfer from HUGO BOSS Internationale Beteiligungs-GmbH amounted to EUR 1.1 million in fiscal 2007 (2006: EUR 0 million).

EXPENSES FROM PROFIT AND LOSS TRANSFER AGREEMENTS

Expenses from compensating losses accounted for EUR 1.8 million (2006: EUR 1.7 million) resulting from the compensation of losses incurred at HUGO BOSS Beteiligungsgesellschaft mbH and – in previous year – at HUGO BOSS Internationale Beteiligungs-GmbH.

TAXES

In 2007, the tax rate was 37.4%, which is 13.5% above previous years rate. The deviation is attributable to the profit realisation from income tax receivables (EUR 4.5 million) in fiscal 2006 according to a change in income tax legislation. Additionally the development was due to increased expenses not deductible for tax purposes..

NET INCOME

Net income fell due to the effects described from EUR 77.8 million to EUR 44.5 million.

FINANCIAL MANAGEMENT AND FINANCIAL POSITION

Together with approved credit lines, HUGO BOSS AG has sufficient liquidity at its disposal to finance investments and growth. Group loans primarily ensure the financing.

In addition, the Group used bank credit lines to cover short-term, especially seasonal, financial requirements as well as liquidity reserves.

The conditions for short-term bank credit lines are based on the creditworthness of the HUGO BOSS AG as established by internal bank rankings. HUGO BOSS enjoys favourable conditions in the financial markets due to a very good credit rating.

Dependence on interest rate developments is minimal due to the low debt finance level. Nevertheless, interest rate swaps and interest caps and floors are utilized where needed to limit interest rate risks.

The methods employed by the HUGO BOSS Group for hedging against exchange rate fluctuations are explained on page 25.

Cash and cash equivalents amounted to EUR 7.2 million as at December 31, 2007 (EUR 5.4 million as at December 31, 2006). Financial Liabilities due to banks accounted for EUR 25.1 million (December 31, 2006: EUR 51.5 million).

Cash inflows in fiscal 2007 comprise mainly the net income before depreciation and amortization, and other non cash effective expenses, totalling to EUR 75.2 million (2006: EUR 91.2 million), the partial release of retained earnings of HUGO BOSS Internationale Beteiligungs-GmbH amounting to EUR 100.2 million and effects from cash flows from receivables and liabilities with affiliated companies (2007: 10.6 million, 2006: EUR -30.4 million).
In fiscal 2007 EUR 30.0 million (2006: EUR 33.3 million) was spent for investments, EUR 82.5 million (2006: EUR 70.2 million) for dividend distribution as well as EUR 11.2 million (2006: EUR 19.0 million) for the share buyback program. Financial liabilities due to banks were reduced by EUR 25.9 million.

Net Inventories increased by EUR 22.1 million (2006: EUR 17.6 million), accounts receivables and other assets rose by EUR 14.7 million (2006: EUR 4.5 million).

FINANCIAL POSITION

Intangible Assets increased from EUR 33.3 million to EUR 41.0 million, chiefly as a result of the continued development of key IT projects of strategic significance.

Property, plant, and equipment (December 31, 2007: EUR 61.2 million, December 31, 2006: EUR 59.7 million) accounted for almost unchanged. Shares in affiliated companies of major importance include HUGO BOSS Internationale Beteiligungs-GmbH, which holds the shares in the foreign holding companies of the HUGO BOSS Group, as well as the HUGO BOSS Trade Mark Management GmbH & Co. KG as the owner of the Group´s trademark rights.

The change in shares in fiscal 2007 is mainly due to the partial release of retained earnings of the HUGO BOSS Internationale Beteiligungs-GmbH amounting to EUR 100.2 million.

Due to the increasing business volume and a temporarily higher inventory, as a result of the Columbus project implementation, the stocks grew from EUR 123.0 million to EUR 145.0 million.

Trade receivables remained stable compared to previous years figures despite the increasing business volume (December 31, 2007: EUR 8.7 million, December 31, 2006: EUR 8.4 million), mainly due to efficient receivables management. Loans granted to affiliates were reduced from EUR 41.4 million to EUR 28.3 million. The growth in other assets is mostly attributable to tax receivables and assets held in insurance policies dedicated to cover pension liabilities.

HUGO BOSS held own shares in the acquisition amount of EUR 42.4 million (2006: EUR 31.1 million), which is 1.97% (December 31, 2006: 1.57%) of the overall shares.

As of December 31, 2007 HUGO BOSS AG had equity of EUR 656.5 million (December 31, 2006: EUR 694.6 million). Therefore the equity-to assets ration was 71.2% (December 31, 2006: 70.8%).

Pension reserve increased because of additional potential beneficiaries as well due to the application of deferred compensation. Tax provisions declined from EUR 9.0 million to EUR 1.6 million. Other provisions increased, primarily as a result of the increased obligation from the stock appreciation rights program and outstanding invoices.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

HUGO BOSS AG uses off-balance sheet financial instruments to a limited extend only. These instruments primarily concern leases to real estate in Metzingen, Germany. Expenses resulting of such instruments are described in the notes, page 56. Other off-balance sheet financial instruments are not utilized.

CAPITAL EXPENDITURE

In fiscal 2007, EUR 15.2 million (2006: EUR 13.0 million) was invested in intangible assets. HUGO BOSS AG invested EUR 14.8 million (2006: EUR 23.3 million) in property, plant, and equipment.

Main focus was on investments in IT-projects, primarily the strategic project, entitled “Columbus”, which assists in systematically identifying synergy potential and optimizing processes, and investments in equipment of the new administration building in Metzingen.

RESEARCH AND DEVELOPMENT

Research and development mainly reflects the creation of fashion collections. Development of innovative and appealing collections for the global market is one of the primary drivers of value and growth in the HUGO BOSS AG.

A total of EUR 22.0 million was spent on this activities in the 2007 reporting period (2006: EUR 19.2 million).

NON-FINANCIAL PERFORMANCE INDICATORS

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

EMPLOYEES

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

TRAINING AT HUGO BOSS AG

In September 2007, 24 apprentices and students of the University of Corporate Education began their training programs at HUGO BOSS AG. A large number of the interns and diploma candidates transferred to a permanent employment relationship in 2007.

VALUE CHAIN

The high standards of the HUGO BOSS Group guarantee the well-known quality of its products throughout the value chain, from innovations in the manufacturing process to logistics and purchasing. The Columbus project helps to ensure these high standards. The Columbus project was initiated in 2003 as an early answer to changing requirements and entailed the Group's largest ever modernization project. As part of the project, HUGO BOSS implemented the standard software solution SAP AFS for controlling the entire value chain of the Group. After processes and systems were smoothly implemented in the HUGO division, the system was gradually extended in 2006 to encompass the BOSS Orange and BOSS Black womenswear divisions. The project was successfully completed in 2007 in the year under review with the integration of BOSS Black menswear.

INNOVATION AND RESEARCH & DEVELOPMENT

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

LOGISTICS

As the Group continues its international growth, there are also increasing requirements for a seamlessly functioning logistics system. HUGO BOSS relies upon a “best-in-class” approach to production and logistics, utilizing a continuous improvement process that also integrates modern methods from other industry sectors to create innovative solutions. The Company uses networked logistics concepts to move high volumes worldwide with maximum flexibility and speed. From production to delivery at the points of sale, HUGO BOSS guarantees the smooth transportation of goods, while protecting product quality and ensuring reliable delivery for its retail partners. The ready availability of goods, which ensures on-time and complete delivery of goods, reached 95% in fiscal year 2007, after similar excellent values in the preceding years.

PURCHASING

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

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

SUSTAINABILITY

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

SOCIAL RESPONSIBILITY

We strictly observe all national laws and the social standards of HUGO BOSS while using the latest technology to produce the high-quality products for which HUGO BOSS is known worldwide. These demanding social and environmental standards are also obligatory for all of our suppliers.

ENVIRONMENTAL PROTECTION

At HUGO BOSS, protection of the environment and the Earth's natural resources is regarded as part of the Company's corporate responsibility. Thus, for example, the new administrative building in Metzingen was designed and built taking environmental aspects into account.

EMPLOYEES

At the close of fiscal 2007, HUGO BOSS AG employed 2.525 persons (December 31, 2006: 2.398).

OTHER INFORMATION

AUTHORIZED CAPITAL, AUTHORIZATION TON PURCHASE OWN SHARES

The Annual Shareholders' Meeting on May 18, 2004 authorized the Managing Board of HUGO BOSS AG, subject to the consent of the Supervisory Board, to increase the Company's share capital by May 18, 2009 by a total of no more than EUR 35,200,000 through the issuance one or several times of new bearer common shares and/or non-voting bearer preferred shares, which correspond to the non-voting bearer preferred shares already issued, in return for cash and/or deposits in kind.

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

Any Company shares repurchased in accordance with this authorization may be resold via the stock market or by means of an offer to all shareholders. They may also be used as counterperformance for a possible acquisition of enterprises or shareholdings in enterprises, or may be sold at a price that is not substantially lower than the current stock market price, or for listing of the stock on foreign stock markets. A corresponding authorization for the repurchase and reuse of Company shares will be submitted to the Annual Shareholders' Meeting on May 8, 2008 for resolution.

SHAREHOLDER STRUCTURE

The takeover bid from Permira funds significantly altered the shareholder structure of HUGO BOSS AG in 2007. Through its subsidiary V. F. G International N. V., Permira Funds now hold 88% of the 35.86 million common shares and 55% of the 34.54 million preferred shares. This corresponds to approximately 72% of the Company's total share capital. The remaining shares are in free float. Otherwise there were no new reports of shareholdings of 3% or more of the voting rights in HUGO BOSS AG. Notable share blocks are also held by major institutional investors in North America, Germany, Great Britain, and Switzerland.

ADDITIONAL DISCLOSURES IN ACCORDANCE WITH SECTION 289 OF THE GERMAN COMMERCIAL CODE (HGB)

No disclosures are required in accordance with Section 289 Paragraph 4 No. 8 and No. 9 of the German commercial Code (HGB), as such agreements are not made.

SUMMARY OF FINANCIAL PERFORMANCE AND FINANCIAL POSITION AT THE TIME OF THE MANAGEMENT REPORT WAS PREPARED

In summary, HUGO BOSS AG´s net assets and results of operations indicate that the Company is in a sound financial position at the time this Management report was prepared.

EVENTS AFTER THE BALANCE SHEET DATE

As of March 11, 2008, no material operational changes, structural modifications or business events had occurred at HUGO BOSS AG that might serve to alter any disclosures contained in the 2007 financial statements.

REMUNERATION SYSTEM FOR MANAGING AND SUPERVISORY BOARD MEMBERS

Information on remuneration paid to Managing and Supervisory Board members of HUGO BOSS AG can be found in the chapter “Supervisory and Management Board”.

RISK REPORT

RISK EARLY WARNING SYSTEM

A risk management approach that identifies, analyzes, controls, and monitors all significant risks in a company's environment is enormously important. HUGO BOSS has established a risk management system that concerns planning-, control- and information-systems. These systems also ensure to identify risks as well as opportunities at an early stage.

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

The risk catalogue categorizes detailed internal and external risks. The catalogue defines tools and indicators for a timely identification of irregularities. Should a risk materialize, reporting chains are triggered and appropriate pre-defined countermeasures are initiated to guarantee a rapid response. Early warning indicators support recognition of irregularities at an early stage. All risks are reviewed at least once annually to ensure that they reflect current reality. If necessary, individual risk entries are revised or supplemented. All risks are quantified on a regular basis, taking into account damage levels and the probability of occurrence.

Both the parent and the subsidiaries apply the same type of risk recording.

The risk manual describes the HUGO BOSS early warning system in detail and contains all principles applicable to risk identification and assessment.

Tests of risk early warning system functionality are performed by internal audit on a regular basis.

The HUGO BOSS risk early warning system fulfils all statutory risk management requirements I full. The HUGO BOSS AG is thus in a position to recognize risks early on and to respond quickly and appropriately.

The independent auditor examined the risk early warning system during the audit of the annual financial statements and confirmed the Managing Board has implemented the requirements set forth in Section 91 Paragraph 2 of the German Stock Corporation Act in a suitable manner, particularly the requirement to establish a risk monitoring system. The monitoring system guarantees that any risks with potential of jeopardizing the continued existence of the company will be detected at an early stage.

The key risks of the HUGO BOSS AG are described below:

EXTERNAL RISKS

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

TRADEMARK PROTECTION

For a brand company such as HUGO BOSS, continued successful growth is inextricably linked to brand image. Brand identity protection therefore deserves particular attention. This occurs primarily by securing and defending industrial property rights in the various product groups.

Trademark violations, gray market activities, and counterfeiting could not only lead to short-term sales losses, but may cause long-term damage to the brand image. These activities are, therefore, closely monitored around the globe.

The affiliated company HUGO BOSS Trade Mark Management GmbH & Co. KG is responsible for the trademark protection. In line with this, customers as well as sales partners work closely together with this subsidiary.

STRATEGIC RISKS

MARKET RISKS AND OPPORTUNITIES

As a fashion and lifestyle company, HUGO BOSS is confronted every new season with the risk that parts of the new collections may be received by the market less positively than anticipated.

HUGO BOSS counters this risk through centralized creation of fashion collections and a globally consistent brand image. Constant market observation and regular attendance at international fashion fairs helps in the early identification of trends that can serve as a basis for the collections.

Risk is also mitigated by the multi-season concept, the wide range of fashion and accessories collections encompassing all HUGO BOSS brands, and a market presence in over 100 countries with more than 5,900 points of sale.

The sustainable positive development, especially in the area of BOSS Womenswear and shoes and leather accessories, offers space for growth opportunities.

FUNDING AND INTEREST RISK

The HUGO BOSS Group finances its activities for the most part by using equity capital. Dependence on interest rate developments is minimal due to the low level of debt financing. Nevertheless, long-term loans are additionally hedged with interest rate derivates where necessary. To rule out liquidity risk, the Group has credit lines at its disposal that significantly exceed the maximum debt capital requirements for the fiscal year.

CURRENCY RISK

As an internationally operating company, HUGO BOSS is active in a variety of currency zones and is therefore subject to exchange rate risks. International business activities lead to payment flows in various currencies. Between 50% and 100% of anticipated total net cash flows are hedged for periods of up to 12 months.

Underlying transactions and currency hedges are recorded in a treasury management system and can be assessed at any time. HUGO BOSS only enters into standard types of currency forward and currency option transactions with banks having impeccable credit ratings. Foreign exchange management of balance sheet positions is limited to internal Group dividend payments and internal loans to subsidiaries.

Exchange rate risks exist mainly for transactions to and from Great Britain, the United States, Canada, Australia and Japan. The U. S. dollar risk is virtually neutralized due to the Group's own production site in the USA and the purchase and manufacture of goods from Asia in U. S. dollars.

SENSITIVE CURRENCIES 2008

in € million	Cash inflow	Cash outflow	Net currency-exposure	Impact of euro appreciation of 10 %[1]
USD	94.3	(93.1)	**1.2**	0.06
GBP	73.2	(2.3)	**70.9**	(2.76)
CAD	33.9	0.0	**33.9**	(0.90)
CHF	32.7	(46.9)	**(14.2)**	0.56
AUD	14.8	0.0	**14.8**	(0.32)
JPY	10.1	(3.1)	**7.0**	(0.00)
TRY	0.0	0.0	**0.0**	0.00
Total	259.0	(145.4)	**113.6**	(3.31)

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

OPERATIONAL RISKS

PURCHASING, PRODUCTION, LOGISTICS AND SALES RISKS

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

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

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

The Group strives to maintain a balanced customer structure in its worldwide sales. A detailed sales monitoring system facilitates continuous and prompt control of order levels, sales revenues, delivery rates, and other relevant performance indicators.

INVENTORY RISKS AND RISKS ON RECEIVABLES

Since inventories and receivables form a core component of the monthly reporting system, significant deviations can be identified quickly and appropriate actions can be taken without delay. Capacity shortages related to inventory structure can be effectively avoided in this manner.

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

Group wide credit insurance limits the bad debt risk to the amount of the deductible. Certain measures focus on granting and adhering to customer credit limits, monitoring the aging of receivables, and managing doubtful accounts. The internal audit department regularly reviews adherence to these Group guidelines.

ORGANIZATIONAL RISKS

RISKS FROM IT AND TELECOMMUNICATIONS TECHNOLOGY

IT security and system failure risks are minimized to the extent possible through the use of the relevant security measures and regular maintenance to reduce data losses to the highest extend.

LEGAL RISKS AND LIABILITY RISKS

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

Liability risks and claims are minimized by insurance policies in effect throughout the organization.

Adequate provisions are created for court costs and costs of legal counsel.

PERSONNEL RISKS

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

The access to confidential information that goes hand-in-hand with this type of corporate culture and structure harbors the risk of abuse. HUGO BOSS has therefore included appropriate clauses in its employment contracts with employees. Individuals who are considered insiders as defined by securities legislation are listed in an insider directory and are required to comply with the pertinent regulations.

INSURANCE

Insurance constitutes an essential aspect of risk management, providing centralized coverage for risks such as operational breakdowns, bad debts, loss of goods and buildings, and damage claims.

OVERALL RISK POSITION

Planning risks naturally arise in connection with sales forecasts, inventory impairment estimates, bad debts, and to a small degree exchange rates. These uncertainties pertain to the amount of sales and earnings as well as the balance sheet structure.

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

OPPORTUNITIES AND OUTLOOK

REPORT ON OPPORTUNITIES

OPPORTUNITY MANAGEMENT

All divisions within the organization are focused on identifying, analyzing, and making appropriate use of opportunities to secure the continued market position of the HUGO BOSS Group. Growth opportunities are especially identified in the areas of BOSS Womenswear, shoes and leather accessories and the expansion of the directly operated stores. Besides, the Company sees opportunities in the licence business as well as in regional expansion.

FORECAST

Despite basically positive overall forecasts, the leading economic research institutions have become more cautious due to the difficulty in calculating the effects of the U. S. real estate crisis on the global economy. For example, the International Monetary Fund (IMF) lowered its forecast for growth in global economic output at the end of January 2008 to 4.1%. Growth forecasts for 2008 were also significantly reduced for the European Community, declining to 1.6%. The Bundesbank is assuming continued high costs for energy and raw material in 2008.

The emerging markets will remain the drivers for growth. Economists see further growth potential for 2009 based upon the presumably warning effect of the U. S. real estate crisis.

The textile and luxury goods sector is profiting from a sharp rise in disposable income and the large backlog of consumer demand in the emerging markets of Asia and Middle East. The worldwide market for fashion, accessories, and luxury goods should grow by 4.3% in 2008 and 4.4% in 2009. European markets are very stable during early 2008, the forecast on the development in the U.S. is difficult.

OUTLOOK FOR SALES PERFORMANCE

For fiscal years 2008 and 2009, the Management Board of HUGO BOSS AG anticipates that the business trend will continue moving upwards.

Above-average growth compared to the other product groups continues to be expected in the segments of BOSS Womenswear as well as shoes and leather accessories. In addition, the dynamic expansion of distribution for the two womenswear lines, BOSS Orange and BOSS Black, in the U. S. market is advancing the internationalization of the womenswear segment.

The Management Board also anticipates the positive sales development to continue in fiscal 2007 as well as in 2008.

EARNINGS TREND

Primarily due to efficiency improvements ensuing from the “Columbus” project, the Managing Board anticipates a positive trend to the operating result (before tax and interest), also due to high growth rates for the womenswear collections.

Financial results will improve due to positive expectations of the license business of the HUGO BOSS Trade Mark Management GmbH & Co. KG.

Interest expenses will clearly grow in fiscal 2008 compared to previous year due to financing the special dividend.

CAPITAL EXPENDITURE

During Fiscal 2008 and 2009 HUGO BOSS AG will propel its business growth. Funds will be invested primarily in logistics.

FINANCIAL STRUCTURE

For HUGO BOSS AG the Groups overall development is key indicator for its own financial structure.

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

SUMMARY OF THE FORECAST

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

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

REPORT ON RELATIONS WITH AFFILIATED COMPANIES

Since no controlling agreement has been signed with the majority shareholder, the managing Board of HUGO BOSS AG is obligated 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 relation between Red & Black Lux S.à r.l., Luxemburg, and the companies belonging to the HUGO BOSS Group. The Managing Board declares in accordance with Section 312, Paragraph 3 of the German Stock Corporation Act that our Company received appropriate compensation for the legal transactions listed in the report on relations with affiliated companies in accordance with the conditions known at the time such transactions were undertaken. No measures subject to reporting requirements were undertaken in fiscal year 2007.

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007

BALANCE SHEET

AS OF DECEMBER 31, 2007 OF HUGO BOSS AG, METZINGEN

ASSETS

in €	Notes	Dec. 31, 2007		Dec. 31, 2006
A. Fixed Assets	(1)			
I. Intangible Assets				
1. Industrial property and similar rights		40,966,744.82		27,495,631.96
2. Prepayments		77,545.24		5,761,023.24
			41,044,290.06	**33,256,655.20**
II. Tangible Assets				
1. Land and buildings incl. buildings on third party land		15,406,988.84		15,603,856.84
2. Technical equipment and machinery		3,020,239.00		3,035,362.00
3. Other equipment, factory and office equipment		40,195,115.07		39,611,259.03
4. Prepayments made and construction in progress		2,620,815.22		1,497,388.55
			61,243,158.13	**59,747,866.42**
III. Financial Assets	(2)			
1. Shares in affiliated companies		544,336,131.51		645,057,025.94
2. Other shares		52,830.72		28,800.00
			544,388,962.23	**645,085,825.94**
			646,676,410.42	**738,090,347.56**
B. Current Assets				
I. Inventories				
1. Raw materials and supplies		50,995,412.48		41,232,182.01
2. Work in progress		261,253.96		474,582.93
3. Finished goods and merchandise		91,382,129.89		80,037,135.97
4. Payments on account		2,405,270.19		1,214,369.30
			145,044,066.52	**122,958,270.21**
II. Receivables and other Assets	(3)			
1. Trade receivables		8,652,922.78		8,401,241.18
2. Receivables from affiliated companies		28,262,085.36		41,403,703.53
3. Receivables from companies in which participating interests are held		1,512,293.80		104,202.61
4. Other assets		41,265,942.01		32,658,882.87
			79,693,243.95	**82,568,030.19**
III. Securities	(4)			
1. Own shares			42,362,350.67	31,113,705.65
IV. Liquid Assets			7,210,140.71	5,395,711.63
			274,309,801.85	**242,035,717.68**
C. Prepaid Expenses	(5)		1,250,870.82	1,434,559.68
			922,237,083.09	**981,560,624.92**

EQUITY AND LIABILITIES

in €	Notes	Dec. 31, 2007		Dec. 31, 2006
A. Shareholders' Equity				
I. Subscribed Capital	(6)			
1. Common stock		35,860,000.00		35,860,000.00
2. Non-voting preferred stock		34,540,000.00		34,540,000.00
			70,400,000.00	**70,400,000.00**
II. Capital Surplus	(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 own shares		42,362,350.67		31,113,705.65
3. Other revenue reserves		82,306,514.79		501,873,455.20
			131,309,667.16	**539,627,962.55**
IV. Unappropriated Income	(9)		454,425,400.00	84,121,400.00
			656,534,265.46	**694,548,560.85**
B. Accruals				
1. Accruals for pensions and similar obligations		19,751,199.00		16,983,535.00
2. Tax accruals		1,597,395.72		8,993,196.42
3. Other accruals	(10)	83,682,019.21		71,161,158.91
			105,030,613.93	**97,137,890.33**
C. Liabilities	(11)			
1. Due to banks		25,094,519.00		51,483,163.59
2. Trade payables		25,174,290.12		28,683,518.34
3. Due to affiliated companies		104,671,029.24		103,129,499.83
4. Due to companies in which participating interests are held		2,265.17		1,173,346.59
5. Other liabilities		5,730,100.17		5,404,645.39
			160,672,203.70	**189,874,173.74**
			922,237,083.09	**981,560,624.92**
Contingent Liabilities	(12)		67,522,349.20	59,166,642.12

STATEMENT OF INCOME

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

in €	Notes		2007	2006
1. Sales	(13)		785,729,680.08	758,216,353.25
2. Change in finished goods and work in progress			12,839,418.19	15,716,551.80
3. Other operating income	(14)		134,232,323.45	112,319,334.53
			932,801,421.72	**886,252,239.58**
4. Cost of materials				
a) Cost of raw materials and supplies and of purchased merchandise		422,539,219.29		386,058,233.18
b) Cost of purchased services		96,523,083.03		90,210,815.18
			519,062,302.32	**476,269,048.36**
5. Personnel expenses	(15)			
a) Wages and salaries		116,619,016.18		102,303,862.66
b) Social security and other pension costs		19,911,721.27		19,686,148.36
			136,530,737.45	**121,990,011.02**
6. Depreciation of intangible fixed assets and tangible assets			20,083,609.06	13,460,638.94
7. Other operating expenses	(16)		259,574,119.80	229,256,084.68
			–2,449,346.91	**45,276,456.58**
8. Income from investments	(17)		81,790,054.37	65,201,970.25
9. Other interest and similar income	(18)		2,875,913.78	3,206,653.41
10. Amortization of financial assets	(19)		496,863.71	–.—
11. Income from profit transfer agreements	(20)		1,136,209.24	–.—
12. Expenses from loss transfer agreements	(21)		1,821,539.25	1,696,927.34
13. Interest and similar expenses	(22)		9,715,328.45	9,582,829.53
14. **Income from ordinary activities**			**71,319,099.07**	**102,405,323.37**
15. Taxes on income	(23)		26,637,887.74	24,406,411.55
16. Other taxes			229,420.77	227,906.81
17. **Net income**			**44,451,790.56**	**77,771,005.01**
18. Transfer from other revenue reserves			419,566,940.41	24,850,375.43
19. Transfer to reserves for own shares			11,248,645.02	19,017,270.11
20. Accumulated income - previous year			1,655,314.05	517,289.67
21. **Unappropriated income**			**454,425,400.00**	**84,121,400.00**

NOTES

TO THE 2007 FINANCIAL STATEMENTS
OF HUGO BOSS AG, METZINGEN

ACCOUNTING

The 2007 financial statements of HUGO BOSS AG have been prepared in accordance with the rules and regulations of the German Commercial Code (HGB) and Stock Corporation Law (AktG).

To provide a clearer overview of the balance sheet and the statement of income, the comments and explanations on the individual items have been included in the notes.

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

ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation methods applied last year have been retained.

FIXED ASSETS

Intangible assets acquired for consideration were valued at the cost of acquisition and depreciated using the straight-line method for useful lives of three to ten years. Interfaces for data interchange will be depreciated over a two-years period until the full extension of SAP AFS to all brands.

Tangible assets were valued at the cost of acquisition or production, reduced by regular depreciation.

The depreciation of buildings was based on useful lives of 25 to 50 years. For technical equipment and machines, the useful lives are five to 15 years, for other equipment, factory and office equipment, two to 15 years. Where consistent with tax directives, the declining balance method with a transition to the straight-line method of depreciation was applied for movable fixed assets. Low-value items were deducted in full in the year of acquisition.

Financial assets were valued at the cost of acquisition or the lower value applicable.

CURRENT ASSETS

Raw materials and supplies were valued at the average cost of acquisition.

Unfinished and finished goods were valued at the average cost of production, merchandise at the average cost of acquisition.

Cost of production includes direct costs of materials, manufacturing costs and special costs of production. Perceivable risks arising from low inventory turnover and reduced utilization were covered by appropriate write-downs.

Receivables and other assets were reported at their nominal value. Apparent individual risks were taken into account by suitable allowances. The general credit risks were adequately covered by a lump-sum bad debt allowance.

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

ACCRUALS AND LIABILITIES

Accruals for pensions at HUGO BOSS AG have been fully valued on an ongoing basis according to “mortality table 2005G Prof. Dr. Heubeck“ principles and assuming an interest rate of 4 percent.

The other accruals cover all ascertainable risks and contingent liabilities. They are valued with reasonable commercial evaluation. Costs of maintenance and repair not effected were accrued according to section 249 (1) clause 3 of the German Commercial Code.

Liabilities were valued at their repayment amounts.

HEDGING CONTRACTS

Based on the imparity principle of the German Commercial Code, hedging contracts relating to existing receivables are valued at market rate at the closing date, other assets are valued at the cost of acquisition as the maximum.

The Company combats the risk of currency fluctuation by forward exchange contracts and options. These transactions are usually undertaken either to secure specific customer contracts, or on the basis of reliable prognoses as to the currency needs.

CURRENCY CONVERSION

Foreign currency receivables and payables were converted using the exchange rates effect at the transaction date. Losses on exchange were shown at the balance sheet date based on the lower of cost or market principle with an effect on net income.

INVESTMENT HOLDINGS OF HUGO BOSS AG

Company	Head Office	Result		Equity	
		2007	2006	Dec. 31, 2007	Dec. 31, 2006
		EUR	EUR	EUR	EUR
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands	1,361	120,125	646,239	745,078
HUGO BOSS Internationale Beteiligungs-GmbH	Metzingen, Germany	0[1]	0[1]	524,800	625,000
HUGO BOSS International B.V.[2]	Amsterdam, Netherlands	64,977	83,032	246,897	187,143
HUGO BOSS Trade Mark Management GmbH & Co.KG	Metzingen, Germany	83,213	66,316	103,098	85,056
HUGO BOSS USA, Inc.[3]	Wilmington, DE, USA	10,506	7,182	73,686	78,866
HUGO BOSS Benelux B.V.[5]	Amsterdam, Netherlands	15,066	9,006	37,009	72,595
HUGO BOSS S.p.A.	Como, Italy	–17,321	394	37,445	54,765
HUGO BOSS France SAS	Paris, France	2,147	2,947	37,115	44,968
HUGO BOSS Ticino (Switzerland) S.A.[6]	Coldrerio, Schweiz	31,124	27,131	70,911	42,400
HUGO BOSS Italia S.p.A.	Milan, Italy	–125	398	15,080	15,205
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia	0	0	12,363	12,363
HUGO BOSS Canada, Inc.	Toronto, Canada	–1,465	1,639	11,225	11,978
HUGO BOSS Australia Pty. Ltd.	Preston, Australia	2,147	2,141	11,094	11,114
HUGO BOSS UK Ltd.	London, United Kingdom	8,356	9,398	10,832	10,784
HUGO BOSS Hong Kong Ltd.	Hongkong, China	9,643	9,267	10,215	7,918
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy	320	1,863	7,141	6,821
HUGO BOSS Mexico S.A. de C.V.	Mexico-City, Mexico	2,226	2,396	7,512	6,047
HUGO BOSS Textile Industry Ltd.	Izmir, Turkey	2,125	1,287	7,739	5,614
HUGO BOSS Belgium BVBA	Diegem, Belgium	2,018	1,659	3,514	5,496
HUGO BOSS España S.A.	Madrid, Spain	–3,434	113	1,822	5,256
HUGO BOSS Scandinavia AB	Stockholm, Sweden	179	3,041	4,351	4,364
HUGO BOSS (Schweiz) AG	Zug, Switzerland	4,487	2,024	4,921	3,564
HUGO BOSS Denmark APS	Copenhagen, Denmark	–33	632	1,079	2,453
MSC Poland Sp.z.o.o.	Radom, Poland	69	75	1,689	1,520
HUGO BOSS Switzerland Retail AG	Zurich, Switzerland	–507	210	941	1,491
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands	–227	1,267	1,193	1,419
HUGO BOSS Holding Sourcing S.A.[6]	Coldrerio, Switzerland	3	–1	1,210	1,243
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil	21	221	3,017	1,020
HUGO BOSS Dienstleistungs GmbH	Metzingen, Germany	560	190	1,304	745
HUGO BOSS Germany Retail GmbH	Metzingen, Germany	0[4]	0[4]	9,289	602
HUGO BOSS Outlet Magazacilik Limited Sirketi	Izmir, Turkey	34	162	587	554
HUGO BOSS Mexico Management Services S.A. de C.V.	Mexico-City, Mexico	33	51	187	174

Company	Head Office	Result		Equity	
		2007	2006	Dec. 31, 2007	Dec. 31, 2006
		EUR	EUR	EUR	EUR
HUGO BOSS International Markets AG[6]	Zug, Switzerland	18,557	–466	18,519	166
HUGO BOSS Beteiligungsgesellschaft mbH	Metzingen, Germany	–270	–116	–116	154
HUGO BOSS China Retail Co. Ltd.	Shanghai, China	–2,154	–547	255	58
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany	1	–6	20	19
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG[6]	Metzingen, Germany	–2	0	7	10
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium	–694	–40	–715	–21
ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Dieselstr. KG	Duesseldorf, Germany	11	–4	–292	–302
HUGO BOSS Portugal, Unipessoal, Lda.	Lisbon, Portugal	–1,482	–885	–2,845	–1,363
ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Metzingen KG	Duesseldorf, Germany	–140	–259	–2,793	–2,652
BIL Leasing Verwaltungs-GmbH & Co. 869 KG	Poecking, Germany	–902	–345	–4,021	–3,119
HUGO BOSS Japan K.K.	Tokyo, Japan	–1,823	–4,723	–4,803	–3,211
HUGO BOSS Guangdong[7]	Guangdong, China	40	0	749	0

The amounts shown reflect the subsidiaries IFRS-statements.

The amount of holding represents 100% with all companies other than ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Metzingen KG, ROSATA Grundstücks-Vermietungsges. mbH & Co. Objekt Dieselstraße KG as well as BIL Leasing Verwaltungs-GmbH & Co. 869 KG with an amount of holding each of 94%.

1 Net income after profit transfer to HUGO BOSS AG from profit transfer agreement

2 Profit includes dividends receipts amounting EUR 92,066 thousand (previous year EUR 79,561 thousand)

3 Sub-group financial statement

4 Net income after profit transfer to HUGO BOSS Beteiligungsgesellschaft mbH from profit transfer agreement

5 Profit includes income from sale of consolidated companies amounting EUR 1,148 thousand (previous year EUR 0 thousand).

6 Name changed and merged with HUGO BOSS Services (Svizzera) S.A. and HUGO BOSS Shoes & Accessories S.A. retrospective as of January 1, 2007

7 launched in fiscal year 2007

FINANCIAL ANALYSIS

STATEMENT OF CASH FLOWS

in €	2007	2006
Net income for the year	44,451,790.56	77,771,005.01
Depreciation/Value appreciation	20,580,472.77	13,085,780.94
Change in accruals	7,892,723.60	20,624,039.53
Other non-cash expenses [3]	10,147,876.83	–.—
Gain/loss on asset retirement	397,052.25	(4,392,967.16)
Change in inventories	(22,085,796.31)	(17,572,402.37)
Change in receivables and other assets [1]	(14,659,655.69)	(4,533,662.56)
Change in trade payables and other liabilities [2]	(6,320,440.17)	4,449,417.47
Cash flow from operating activities	**40,404,023.84**	**89,431,210.86**
Revenue on asset retirement	268,874.20	17,522,416.77
Investments in intangible fixed assets	(15,222,960.11)	(12,991,755.75)
Investments in tangible fixed assets	(14,809,501.97)	(20,330,124.75)
Investments in financial assets	–.—	(615,915.16)
Repayment of capital of subsidiaries	100,200,000.00	–.—
Change in financing subsidiaries (as far as not non-cash)	7,570,253.96	(14,924,225.67)
Cash flow from investment activities	**78,006,666.08**	**(31,339,604.56)**
Dividend previous year	(82,466,085.95)	(70,228,110.33)
Change in own shares	(11,248,645.02)	(19,017,270.11)
Change in liabilities due to banks and other financial liabilities	(25,880,201.92)	50,206,754.04
Change in financial liabilities due to affiliated companies	2,998,672.05	(15,494,272.36)
Cash flow from external financing activities	**(116,596,260.84)**	**(54,532,898.76)**
Change in liquid funds	**1,814,429.08**	**3,558,707.54**
Liquid funds at the beginning of the period	5,395,711.63	1,837,004.09
Liquid funds at the end of the period	**7,210,140.71**	**5,395,711.63**

1 Other assets, prepaid expenses.
2 Other non-interest-bearing liabilities
3 debt waiver

The liquid funds comprises liquid assets as shown in the balance sheet

NOTES TO THE BALANCE SHEET

(1) FIXED ASSETS

The development of fixed assets during the 2007 fiscal year as defined by section 268 (2) of the German Commercial Code is shown on pages 74 and 75.

The intangible assets refer mainly to IT software.

The additions to the tangible assets (EUR 14.8 million) are attributable mainly to extended IT operations, the setting up of showrooms and the investment in warehousing and manufacturing equipment as well as office equipment.

(2) FINANCIAL ASSETS

As of August 1, 2007 EUR 100.2 million as part of the capital surplus of the HUGO BOSS Internationale Beteiligungs-GmbH was released and payed out to the HUGO BOSS AG. The book value of the HUGO BOSS Beteiligungsgesellschaft was depreciated.

(3) RECEIVABLES AND OTHER ASSETS

Presentation according to remaining terms (prior year's figures in brackets)

in €	With a remaining term up to 1 year	from 1 to 5 years	of more than 5 years	Total
Trade receivables	8,652,922.78	–.—	–.—	8,652,922.78
	(8,401,241.18)	(–.—)	(–.—)	(8,401,241.18)
Receivables from affiliated companies	28,262,085.36	–.—	–.—	28,262,085.36
	(41,403,703.53)	(–.—)	(–.—)	(41,403,703.53)
Receivables from companies in which participating interests are held	1,512,293.80	–.—	–.—	1,512,293.80
	(104,202.61)	(–.—)	(–.—)	(104,202.61)
Other assets	23,586,222.75	9,480,427.15	8,199,292.11	41,265,942.01
	(20,514,310.41)	(5,294,240.97)	(6,850,331.49)	(32,658,882.87)
	62,013,524.69	**9,480,427.15**	**8,199,292.11**	**79,693,243.95**
	(70,423,457.73)	(5,294,240.97)	(6,850,331.49)	(82,568,030.19)

Receivables from affiliated companies include loans amounting to EUR 21.3 million (previous year EUR 39.0 million) and trade receivables.

Other assets mainly include receivables from the reinsurance of employees' pension plans amounting to EUR 19.5 million (previous year EUR 14.0 million), tax receivables and prepayments to suppliers and business partners.

(4) SECURITIES

On December 31, 2007 528,555 own shares and 855,278 preferred shares were held. The related portion of share capital is EUR 1,383,830.00 (1,97%).

	date of acquisition	quantity treasury shares	quantity preferred shares
until:	31.12.2006	526,055	577,472
	08.01.2007		16,918
	10.01.2007		18,500
	11.01.2007		11,000
	25.01.2007		14,200
	26.01.2007		14,000
	29.01.2007		4,479
	30.01.2007		15,314
	05.02.2007		30,000
	06.02.2007		15,000
	07.02.2007		30,000
	08.02.2007		28,791
	09.02.2007		23,000
	12.02.2007		21,000
	12.02.2007	1,500	
	13.02.2007		16,000
	13.02.2007	1,000	
	14.02.2007		19,604
	Total	**528,555**	**855,278**

Own shares, of which 280,306 were acquired, constitute EUR 280,306 (0,40%) of subscribed capital. These shares are aquired from January 8, 2007 to February 14, 2007 for a total of EUR 11,248,645.02.

In particular own shares should facilitate

- widening the circle of shareholders by offerings to both domestic and foreign institutional investors;
- allow a consideration in the form of treasury stock in the event of corporate mergers or when a company or participation is being acquired;
- placing the share on foreign stock exchanges.
  There are no specific plans to make use of this authorization at present.

(5) PREPAID EXPENSES

The prepaid expenses refer mainly to prepaid IT cost and marketing cost.

(6) SUBSCRIBED CAPITAL

At December 31, 2007, the subscribed capital of HUGO BOSS AG amounted to EUR 70,400,000.00.

in €	Dec. 31, 2007	Dec. 31, 2006
Common stock issued to bearer 35,860,000 shares	35,860,000	35,860,000
Non-voting preferred stock issued to bearer 34,540,000 shares	34,540,000	34,540,000
	70,400,000	**70,400,000**

The Management Board of HUGO BOSS AG is entitled, under precondition of approval by the Supervisory Board, to increase the subscribed capital of the company by authorized capital of EUR 35,200,000 until May 18, 2009. The authorized capital can be used to issue common and preferred shares on one or more occasions.

(7) CAPITAL SURPLUS

This caption consists of the capital surplus according to section 272 (2) no. 1 of the German Commercial Code.

(8) RETAINED EARNINGS

The reserve for own shares was built up due to the acquisition of shares in 2007 amounting to the net book value of the shares acquired (EUR 11,248,645.02) to EUR 42,362,350.67. The step up amount was reconciled against other revenue reserves.

The other revenue reserves developed as follows:

in €	
Balance on January 1, 2007	501,873,455.20
Withdrawls from other revenue reserves due to allocation to reserves for own shares	–11,248,645.02
Withdrawls from other revenue reserves according to resolution of the Management and Supervisory Boards	–408,318,295.39
Balance at December 31, 2007	**82,306,514.79**

(9) UNAPPROPRIATED INCOME

The shareholders' meeting held on May 10, 2007 decided on the use of previous years unappropriated income as follows: contribution of dividends amounting to EUR 82,466,085.95 and EUR 1,655,314.05 to carried forward to new account.

(10) OTHER ACCRUALS

in €	Dec. 31, 2007	Dec. 31, 2006
Human resources	33,433,304.45	28,441,873.57
Other accrued liabilities	20,770,952.53	18,594,554.51
Outstanding invoices for goods and services	29,337,455.55	23,791,811.82
Operating reserves	140,306.68	332,919.01
	83,682,019.21	**71,161,158.91**

Other accrued liabilities mainly originate from liabilities for returns of merchandise, litigation costs and sales agent's commissions.

(11) LIABILITIES

Presentation according to remaining terms (previous year's figures in brackets)

in €	With a remaining term up to 1 year	from 1 to 5 years	of more than 5 years	Total
Due to banks	25,094,519.00	–.—	–.—	25,094,519.00
	(51,483,163.59)	(–.—)	(–.—)	(51,483,163.59)
Trade payables	25,174,290.12	–.—	–.—	25,174,290.12
	(28,683,518.34)	(–.—)	(–.—)	(28,683,518.34)
Due to affiliated companies	104,671,029.24	–.—	–.—	104,671,029.24
	(103,129,499.83)	(–.—)	(–.—)	(103,129,499.83)
Due to companies in which participating interests are held	2,265.17	–.—	–.—	2,265.17
	(1,173,346.59)	(–.—)	(–.—)	(1,173,346.59)
Other liabilities	3,860,306.67	–.—	1,869,793.50	5,730,100.17
	(4,043,294.56)	(–.—)	(1,361,350.83)	(5,404,645.39)
	158,802,410.20	**–.—**	**1,869,793.50**	**160,672,203.70**
	(188,512,822.91)	(–.—)	(1,361,350.83)	(189,874,173.74)

The trade payables are subject to usual reservation of ownership as far as they result from the purchase of raw materials, supplies and merchandise. EUR 3,9 million (2005: EUR 3,9 million) of the amounts due to banks are secured by mortgages.

The liabilities due to affiliated companies refer to loans with EUR 103.7 million (2006: EUR 100.7 million) and trade payables.

BREAKDOWN OF OTHER LIABILITIES

in €	Dec. 31, 2007	Dec. 31, 2006
Other liabilities	5,730,100.17	5,404,645.39
thereof		
taxes	(3,321,141.38)	(2,686,688.63)
social security	(1,903,379.50)	(1,528,003.72)

(12) CONTINGENT LIABILITIES

in €	Dec. 31, 2007	Dec. 31, 2006
Contingent liabilities from guarantees	60,318,381.20	51,962,674.12
thereof associated companies	(60,318,381.20)	(51,962,674.12)
Contingent liabilties from warranty contracts	–.—	–.—
thereof associated companies	(–.—)	(–.—)
Contingent liabilities from the provision of collateral for third party liabilities	7,203,968.00	7,203,968.00
thereof associated companies	(7,203,968.00)	(7,203,968.00)
	67,522,349.20	**59,166,642.12**

NOTES TO THE STATEMENT OF INCOME

(13) SALES

Presentation by brands and geographical markets (prior year's figures in brackets)

in€	BOSS Menswear	BOSS Womenswear	HUGO	Others	Total
Germany	191,304,636.00	34,193,245.18	39,234,800.55	110,118,66	264.842,800.39
	(189,609,550.13)	(33,314,690.09)	(42,709,332.48)	(1,764,051.94)	(267,397,624.64)
Rest of Europe	279,085,913.31	50,876,947.43	23,886,188.47	–.—	353,849,049.21
	(279,188,214.15)	(45,579,961.85)	(27,538,982.56)	(35,413.00)	(352,342,571.56)
Americas	67,559,064.66	10,800,241.47	7,208,451.69	–.—	85,567,757.82
	(51,342,176.92)	(7,294,138.24)	(7,739,312.39)	–.—	(66,375,627.55)
Other regions	67,918,315.21	11,920,394.27	1,631,363.18	–.—	81,470,072.66
	(60,807,317.70)	(9,624,568.06)	(1,664,365.74)	(4,278.00)	(72,100,529.50)
Royalties	–.—	–.—	–.—	–.—	–.—
	(–.—)	(–.—)	(–.—)	–.—	–.—
	605,867,929.18	**107,790,828.35**	**71,960,803.89**	**110,118.66**	**785,729,680.08**
	(580,947,258.90)	(95,813,358.24)	(79,651,993.17)	(1,803,742.94)	(758,216,353.25)

(14) OTHER OPERATING INCOME

in €	2007	2006
Other operating income	134,232,323.45	112,319,334.53
thereof out of period income:	(6,444,538.98)	(9,728,731.16)

The other operating income mainly comprises cost and service charges, currency gains, as well as revenues from auxiliary business. The increase mainly results from higher marketing and administration charges to affiliated companies. The out of period income is predominantly attributable to the reversal of accruals.

(15) PERSONNEL EXPENSES

in €	2007	2006
Personnel expenses	136,530,737.45	121,990,011.02
thereof for pensions	(3,268,346.63)	(4,116,108.65)

Average number of employees:

	2007	2006
Industrial employees	906	921
Commercial and administrative employees	1,542	1,262
	2,448	**2,183**

The personnel expenses include EUR 6.1 million out of period expenses due to a change of valuation parameters for personnel accruals.

(16) OTHER OPERATING EXPENSES

in €	2007	2006
Other operating expenses	259,574,119.80	229,256,084.68
thereof out of period expenses	(10,432,954.78)	(942,027.38)

Other operating expenses contain mainly sales and marketing expenses; the increase is especially driven by higher trademarketing expenses.

The out of period expenses arise from a debt waiver and like in previous year from losses from the sale of fixed assets.

(17) INCOME FROM INVESTMENTS

in €	2007	2006
Total	81,790,054.37	65,201,970.25
thereof affiliated companies	(81,790,054.37)	(65,201,970.25)

Income from investments was derived from HUGO BOSS Trade Mark Management GmbH & Co. KG.

(18) OTHER INTEREST AND SIMILAR INCOME

in €	2007	2006
Total	2,875,913.78	3,206,653.41
thereof affiliated companies	(2,721,916.34)	(2,740,310.29)

(19) AMORTIZATION OF FINANCIAL ASSETS

in €	2007	2006
Total	496,863.71	–.—
thereof affiliated companies	(496,863.71)	–.—

Amortization of financial assets describes the impairment of the investment in the affiliated company HUGO BOSS Beteiligungsgesellschaft mbH.

(20) INCOME FROM INVESTMENTS

in €	2007	2006
Total	1,136,209.24	–.—
thereof affiliated companies	(1,136,209.24)	–.—

The transfer of income relates to the affiliated company HUGO BOSS Internationale Beteiligungs-GmbH.

(21) LOSSES FROM INVESTMENTS

in €	2007	2006
Total	1,821,539.25	1,696,927.34
thereof affiliated companies	(1,821,539.25)	(1,696,927.34)

The transfer of losses relates to the affiliated companies HUGO BOSS Beteiligungsgesellschaft mbH and additionally in 2006 HUGO BOSS Internationale Beteiligungs-GmbH.

(22) INTEREST AND SIMILAR EXPENSES

in €	2007	2006
Total	9,715,328.45	9,582,929.53
thereof affiliated companies	(7,719,386.61)	(7,294,404.23)

(23) TAXES ON INCOME

in €	2007	2006
Total	26,637,887.74	24,406,411.55

Taxes on income relate to the income from ordinary activities only.

ADDITIONAL INFORMATION

FINANCIAL DERIVATES

In order to hedge anticipated payments from subsidiaries for deliveries invoiced in local currency in part or in whole against exchange rate risks, HUGO BOSS AG uses derivative financial instruments. This includes forward exchange contracts and currency options.

In particular the derivatives cover anticipated payments from those countries in which HUGO BOSS AG has its main operations.

Derivative financial instruments outstanding on December 31, 2007, are detailed below:

	2007		2006	
in € thous.	Nominal value	Market value	Nominal value	Market value
Forward exchange contracts	75,853	4,999	90,742	–284
Currency options	4,652	329	4,380	0

Current market values of financial instruments are calculated as follows:

- Forward exchange contracts:
  For forward exchange contracts hedging rates of the forward transactions are measured at the forward rate applicable on December 31, 2007.

- Currency options:
  There is one currency option with market value EUR 329,079.00 as of December 31, 2007.

Gains from forward exchange contracts and currency options are recorded when they are realized. Anticipated losses related to these transactions (EUR 203,002.42) are contained in other provisions as at December 31, 2007.

OTHER FINANCIAL OBLIGATIONS ACCORDING TO SECTION 285 SENTENCE 1 NO. 3 OF THE GERMAN COMMERCIAL CODE (HGB)

		Tenancy and leasing contracts			thereof affiliated companies:	
in €	Total	Buildings/ real estate	Hardware/ Software	Other contracts	Buildings Leasing	Other contracts
Due 2007	23,470,372.46	17,028,055.94	4,886,119.47	1,556,197.05	3,925,986.24	438,988.36
Due 2008–2011	60,465,215.22	57,751,535.81	232,160.60	2,481,518.81	15,604,194.96	1,536,459.96
Due after 2011	95,884,441.70	95,875,570.26	–.—	8,871.44	26,601,822.72	–.—
	179,820,029.38	**170,655,162.01**	**5,118,280.07**	**4,046,587.30**	**46,132,003.92**	**1,975,448.32**
Obligations from investments initiated during the year unter review, due in 2007	**9,845,961.96**					

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

SUPERVISORY BOARD AND MANAGEMENT BOARD

The Supervisory Board received remunerations amounting to EUR 1.342 thousand (previous year: EUR 1,241 thousand), including variable portions EUR 587 thousand (previous year: EUR 486 thousand) calculated on the basis of earnings per share.

The total remuneration of the Management Board ("including excercised Stock Appreciation Rights") amounted to EUR 6,623 thousand in 2007 (previous year: 5,342 thousand); divided into fixed (2007: EUR 1,668 thousand, 2006: EUR 1,406 thousand) and variable (2007: EUR 4,955 thousand, 2006: EUR 3,936 thousand) components. The fixed salary components paid to members of the Managing Board comprise benefits such as company cars and benefit in kind as well as other equipment and services necessary for Management Board members to fulfill their duties. The variable components consist firstly of bonuses paid on the bases of the achievement of personal targets as agreed with the Supervisory Board for each Managing Board member as well as predefined corporate earnings targets.

Managing Board members are also granted "Stock Appreciation Rights" to allow them to paticipate directly in the Company's long-term profits. The Management Board received 420,000 subscription rights in 2007 based on the terms of the stock appreciation rights program.

In addition to the remuneration specified above, the Company also provides pension benfits. Accruals for pension obligations for former members of the Management Board and their bereaved were accounted with EUR 6,324 thousand. These people received total remuneration during 2007 amounting to EUR 84 thousand (2006: EUR 80 thousand).

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

CORPORATE GOVERNANCE CODEX

The Management Board as well as the Supervisory Board of HUGO BOSS AG have made – in accordance with section 161 of the German Stock Corporation Law – the mandatory declaration. This declaration is permanently accessable for the shareholders on the company's internet page.

AUDITORS FEES

Auditors fees expensed in fiscal 2007 amounted to EUR 335 thousand (previous year: EUR 280 thousand). EUR 322 thousand (previous year: EUR 280 thousand) are connected to year end audit, EUR 5 thousand (previous year: 0 thousand) to tax consultancy and EUR 8 thousand (previous year: 0 thousand) to other confirmation services.

ADDITIONAL DISCLOSURES INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

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

Metzingen, October 2005
The Managing Board

On July 6, 2005, HUGO BOSS AG received the following notification from the Valentino Fashion Group S.p.A., Milan, Italy, pursuant to Section 21 Paragraph 1 and Section 22 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG):
“We hereby inform you pursuant to Section 21 Paragraph 1 and Section 22 Paragraph 1 Sentence 1 No. 1 of the German Securities Trading Act (WpHG) that our share of voting rights in HUGO BOSS AG exceeded the threshold of 5%, 10%, 25%, 50%, and 75% on July 1, 2005 and now amounts to 78.76%.
As a result, 78.76% of voting rights are attributed to us pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 of the Securities Trading Act.“

Metzingen, July 2005
The Managing Board

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

1. Red & Black S.r.l.

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

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black S.r.l., Milan (address: via San Paolo 10, 20121 Milan, Italy), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Red & Black S.r.l. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Red & Black S.r.l. indirectly via Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Red & Black S.r.l. as a result of the own shares held by HUGO BOSS AG indirectly via Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

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

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

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black S.r.l., Milan (address: via San Paolo 10, 20121 Milan, Italy), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Red & Black 2 S.r.l. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Red & Black 2 S.r.l. indirectly via Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Red & Black 2 S.r.l. as a result of the own shares held by HUGO BOSS AG indirectly via Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

3. Red & Black Lux S.à r.l.

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

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

V.F.G. International N.V. is controlled by Red & Black Lux S.à r.l. indirectly via Red & Black S.r.l. and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Red & Black Lux S.à r.l. as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

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

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

6. Red & Black Topco 2 S.à r.l.
Red & Black Topco 2 S.à r.l. notified us of the following:
The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Red & Black Topco 2 S.à r.l., Luxembourg (address: 282, route de Longwy, L-1940 Luxembourg),

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

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

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

indirectly via Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

9. P4 Sub L.P.1

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

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by P4 Sub L.P.1, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to P4 Sub L.P.1 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by P4 Sub L.P.1 indirectly via Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to P4 Sub L.P.1 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V., pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

10. Permira IV L.P.1

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

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV L.P.1, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV L.P.1 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Permira IV L.P.1 indirectly via P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L.P.1 as a result of the own shares held by HUGO BOSS AG indirectly via P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

11. Permira IV Managers L.P.

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

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

12. Permira IV Managers Limited

Permira IV Managers Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV Managers Limited, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV Managers Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Permira IV Managers Limited indirectly via Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, Red & Black HoldCo S.à r. l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l, Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Managers IV Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira Managers IV L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r. l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

13. Permira IV L.P.2

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

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV L.P.2, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75%

on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV L.P.2 as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.
V.F.G. International N.V. is controlled by Permira IV L.P.2 indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV L.P.2 as a result of the own shares held by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

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

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

by HUGO BOSS AG indirectly via Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

16. Permira IV GP L.P.

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

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV GP L.P., Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV GP L.P. as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Permira IV GP L.P. indirectly via Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à.r.l, Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV GP L.P. as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

17. Permira IV GP Limited

Permira IV GP Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira IV GP Limited, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira IV GP Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Permira IV GP Limited indirectly via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l, Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira IV GP Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

18. Permira Nominees Limited

Permira Nominees Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Nominees Limited, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira Nominees Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Permira Nominees Limited indirectly via Permira Investments Limited, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Nominees Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira Investments Limited, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

19. Permira Holdings Limited

Permira Holdings Limited notified us of the following:

The share of voting rights in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, held by Permira Holdings Limited, Guernsey (address: Trafalgar Court, Les Banques. St Peter Port, Guernsey, Channel Islands), exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% on August 2, 2007. The share of voting rights now amounts to 80.23% (28,770,683 voting rights), of which a share of 78.76% (28,242,128 voting rights) is attributable to Permira Holdings Limited as a result of the shares held by V.F.G. International N.V., Amsterdam, Netherlands, pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

V.F.G. International N.V. is controlled by Permira Holdings Limited indirectly via Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l, Red & Black S.r.l., and Valentino Fashion Group S.p.A., Milan, Italy. A further share of voting rights amounting to 1.47% (528,555 voting rights) is attributable to Permira Holdings Limited as a result of the own shares held by HUGO BOSS AG indirectly via Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red &

Black HoldCo 2 S.à r.l., Red & Black Topco 2 S.à r.l., Red & Black Lux 2 S.à r.l., Red & Black 2 S.r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l., Red & Black S.r.l., Valentino Fashion Group S.p.A., and V.F.G. International N.V. pursuant to Section 22 Paragraph 1 Sentence 1 No. 1 in conjunction with Sentence 3 of the Securities Trading Act.

Metzingen, August 9, 2007
The Managing Board

SUPERVISORY AND MANAGING BOARD

2007

SUPERVISORY BOARD

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

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

MANAGING BOARD

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

FURTHER INFORMATION

ON SUPERVISORY BOARD AND MANAGING BOARD MEMBERS

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

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

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

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

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

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

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

DEVELOPMENT OF FIXED ASSETS

	Acquisition or manufacturing costs			
in €	Jan. 1, 2007	Additions	Disposals	Regrouped
I. Intangible Assets				
1. Industrial property and similar rights	38,490,573.09	15,222,960.11	1,044,185.12	5,501,775.47
2. Prepayments	5,761,023.24	–.—	192,720.78	(5,490,757.22)
	44,251,596.33	**15,222,960.11**	**1,236,905.90**	**11,018.25**
II. Tangible Assets				
1. Land and buildings including buildings on third-party land	28,059,930.55	288,976.46	–.—	146,396.30
2. Technical equipment and machinery	13,153,080.69	886,116.22	285,173.44	120,000.00
3. Other equipment, factory and office equipment	95,485,855.72	11,049,904.80	4,154,945.19	1,183,663.27
4. Prepayments made and construction in progress	1,497,388.55	2,584,504.49	–.—	(1,461,077.82)
	138,196,255.51	**14,809,501.97**	**4,440,118.63**	**-11,018.25**
III. Financial Assets				
1. Shares in affiliated companies	645,057,026.07	–.—	100,200,000.00	(24,030.72)
2. Other shares	28,800.00	–.—	–.—	24,030.72
	645,085,826.07	**–.—**	**100,200,000.00**	**–.—**
	827,533,677.91	**30,032,462.08**	**105,877,024.53**	**–.—**

		Depreciation		Net values	
	Dec. 31, 2007	**Current business year**	**Accumulated**	**Jan. 1, 2007**	**Dec. 31, 2007**
	58,171,123.55	7,079,972.63	17,204,378.73	27,495,631.96	40,966,744.82
	77,545.24	–.—	–.—	5,761,023.24	77,545.24
	58,248,668,79	**7,079,972.63**	**17,204,378.73**	**33,256,655.20**	**41,044,290.06**
	28,495,303.31	632,240.76	13,088,314.47	15,603,856.84	15,406,988.84
	13,874,023.47	1,015,437.22	10,853,784.47	3,035,362.00	3,020,239.00
	103,564,478.60	11,355,958.45	63,369,363.53	39,611,259.03	40,195,115.07
	2,620,815.22	–.—	–.—	1,497,388.55	2,620,815.22
	148,554,620.60	**13,003,636.43**	**87,311,462.47**	**59,747,866.42**	**61,243,158.13**
	544,832,995.35	496,863.71	496,863.84	645,057,025.94	544,336,131.51
	52,830,72	–,—	–,—	28,800.00	52,830.72
	544,885,826.07	**496,863.71**	**496,863.84**	**645,085,825.94**	**544,388,962.23**
	751,689,115.46	**20,580,472.77**	**105,012,705.04**	**738,090,347.56**	**646,676,410.42**

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The financial statements of HUGO BOSS AG as of December 31, 2007 show an unappropriated income of EUR 454,425,400.00. In agreement with the Supervisory Board, the Managing Board proposes to the Shareholders' Meeting that the profits are appropriated as follows:

	EUR
1. Distribution of a dividend of 1,45 EUR per common share 35.331.445 common shares	51,230,595.25
2. Distribution of a dividend of 1,46 EUR per preferred share 33.684.722 preferred shares	49,179,694.12
3. Distribution of a special dividend of 5,00 EUR per share 35.331.445 common shares 33.684.722 preferred shares	345,080,835.00
4. Amount carried forward to new account	8,934,275.63
Unappropriated income	**454,425,400.00**

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 at December 31, 2007. 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 dividend. The amount allocated to shares not entitled to dividend will be carried forward to new account.

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

Hans Fluri
André Maeder
Joachim Reinhardt

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the HUGO BOSS AG, Metzingen, for the business year from January 1 to December 31, 2007. 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 BOSS AG in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 11, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Meyer
Wirtschaftsprüfer

Hagg
Wirtschaftsprüfer

DECLARATION OF HUGO BOSS AG PURSUANT TO SECTION 161 AKTG

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

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

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

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

Metzingen, January 2008"

RESPONSIBILITY STATEMENT AND AUDIT OPINION

RESPONSIBILITY STATEMENT – FINANCIAL STATEMENTS

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

Metzingen, March 11, 2008

HUGO BOSS AG
The Managing Board

Hans Fluri
André Maeder
Joachim Reinhardt

REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

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

COOPERATION OF MANAGING BOARD AND SUPERVISORY BOARD

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, reviewed the annual financial statements of HUGO BOSS AG and the management report for fiscal 2007 along with the consolidated financial statements and the Group management report for fiscal 2007 prepared by the Managing Board. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting on May 10, 2007. The consolidated financial statements of HUGO BOSS AG were prepared pursuant to Section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS). The external auditor issued an unqualified audit opinion for the annual financial statements and the management report as well as the consolidated financial statements and the Group management report. The auditor confirmed that no inaccuracies or violations of applicable law were noted in the annual financial statements, the consolidated financial statements, the management report, or the Group management report.

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

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

The Supervisory Board had at its disposal the audit records and the Managing Board's proposal for the appropriation of profits as well as the two audit reports from the external auditors, including the report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG) and the audit report from the external auditors on the report on relations which affiliated companies. These documents were reviewed and discussed in detail by the Audit Committee, the Working Committee, and the Supervisory Board in the presence of the external auditors, who reported on their audit findings. The auditors reported on their main audit findings and commented on the financial performance and financial position of the Company and the Group in detail. The questions posed by the Supervisory Board and its committees at such time were answered, and the audit records were examined in detail with the auditors and discussed and reviewed by the Supervisory Board and its committees. The audit reports were discussed with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After a final review, the Supervisory Board and its committees deemed that no objections need be raised.

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

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

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

CHANGES IN THE MANAGING BOARD

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

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

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

Metzingen, March 11, 2008
The Supervisory Board

Dr. Giuseppe Vita
(Chairman of the Supervisory Board)

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.

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