HUGO BOSS

ANNUAL REPORT 2013

TARGET ACHIEVEMENT AND OUTLOOK

GROUP SALES[1]

TARGETS 2013	RESULTS 2013	OUTLOOK 2014
Further increase	2,432.1 EUR million +6%	High sigle-digit increase

SALES BY REGION[1]

TARGETS 2013
Growth in all regions

RESULTS 2013

Europe	Americas	Asia/Pacific
1,457.3 EUR million	570.1 EUR million	346.8 EUR million
+7%	+6%	+4%

OUTLOOK 2014
Growth in all regions

SALES BY DISTRIBUTION CHANNEL[1]

TARGETS 2013
Double-digit growth in own retail, roughly stable development in wholesale

RESULTS 2013

Group's own retail business	Wholesale
1,314.1 EUR million	1,060.1 EUR million
+18%	–6%

OUTLOOK 2014
Double-digit growth in own retail, roughly stable development in wholesale

[1] On a currency-adjusted basis.

EBITDA BEFORE SPECIAL ITEMS

TARGETS 2013
Stronger growth than sales

RESULTS 2013

EBITDA before special items
564.7
EUR million
+7%

Adjusted EBITDA margin
23.2%
+70
Basis points

OUTLOOK 2014
High sigle-digit increase

NET FINANCIAL LIABILITIES

TARGETS 2013
Further reduction

RESULTS 2013

57.0
EUR million
–56%

OUTLOOK 2014
Attainment of a positive net financial position

GROUP'S OWN RETAIL STORES

TARGETS 2013
Ongoing expansion in floor space

RESULTS 2013

Stores
1,010
+170

OUTLOOK 2014
Opening of about 50 new stores

HUGO BOSS

ANNUAL REPORT 2013

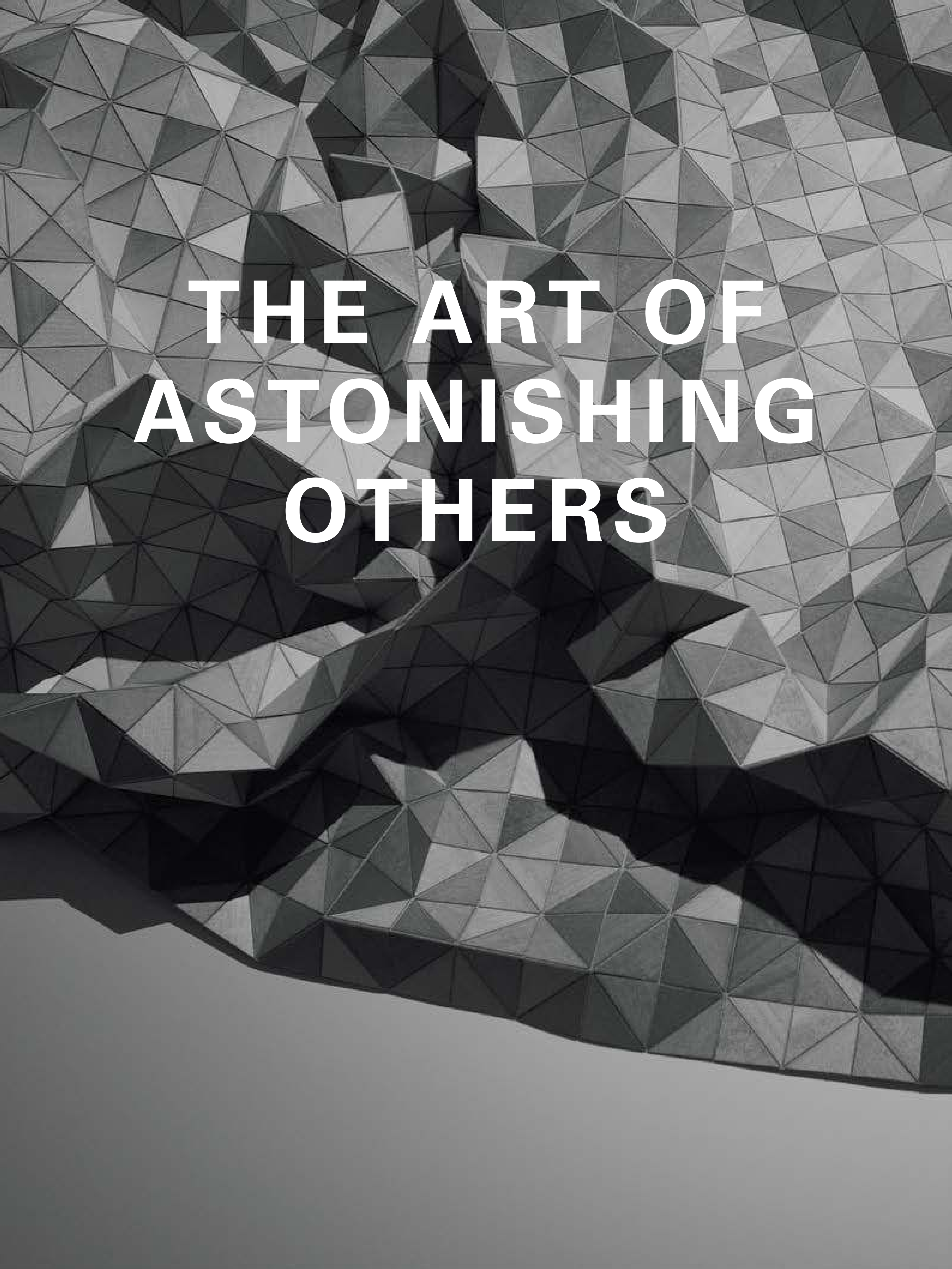
SUCCESS IS THE SUM OF OUR TALENTS

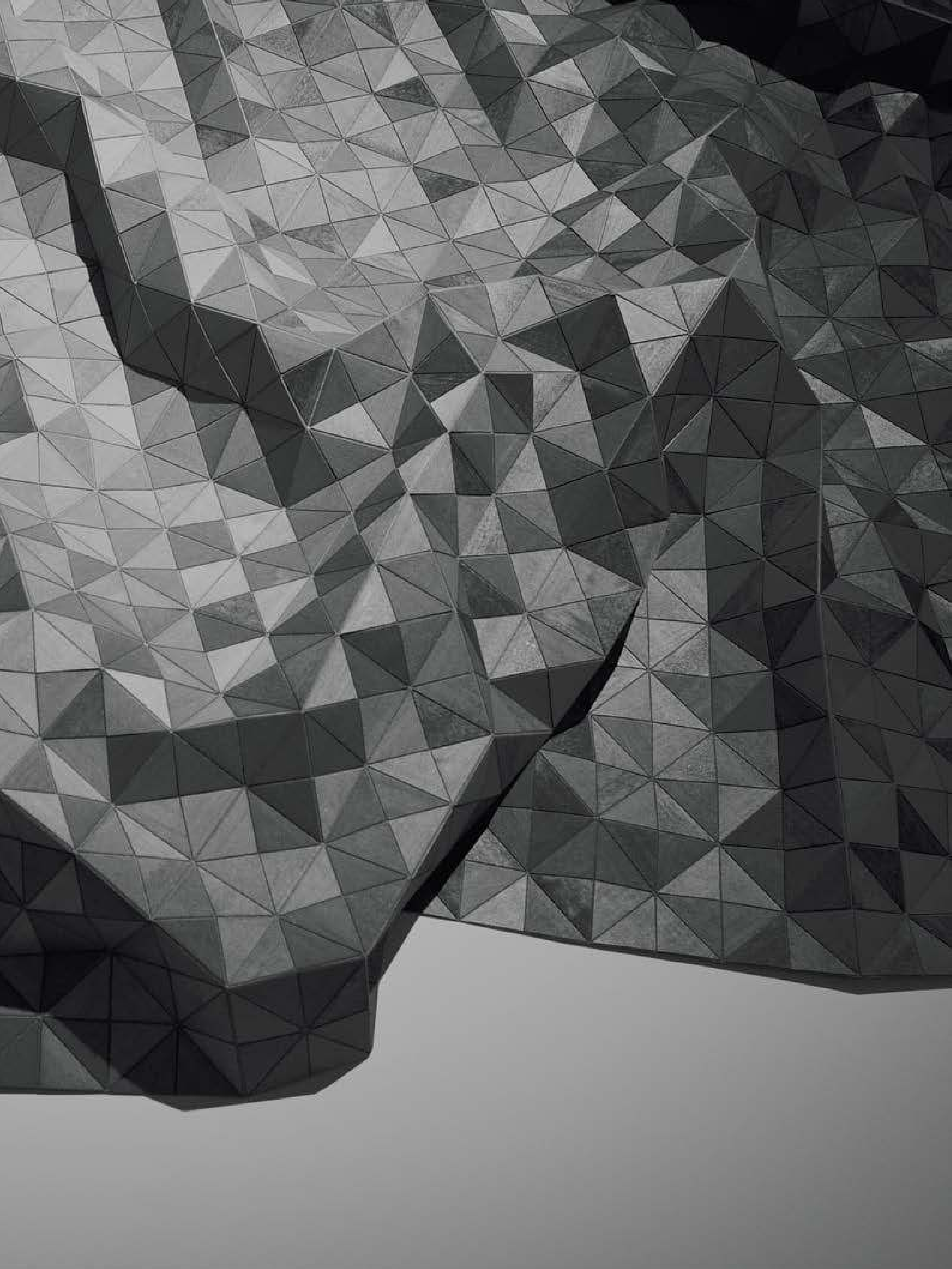
OUR EXPERIENCE, CREATIVITY AND IMAGINATION IMPASSION PEOPLE AROUND THE WORLD.

WE INSPIRE THEM TO EXPRESS THEIR OWN PERSONAL LIFESTYLE – AND HARNESS THEIR FULL POTENTIAL FOR SUCCESS.

WHETHER IT BE IN THE ARTS, SPORTS OR FASHION – SUCCESS IS A MULTI-FACETED PHENOMENON.

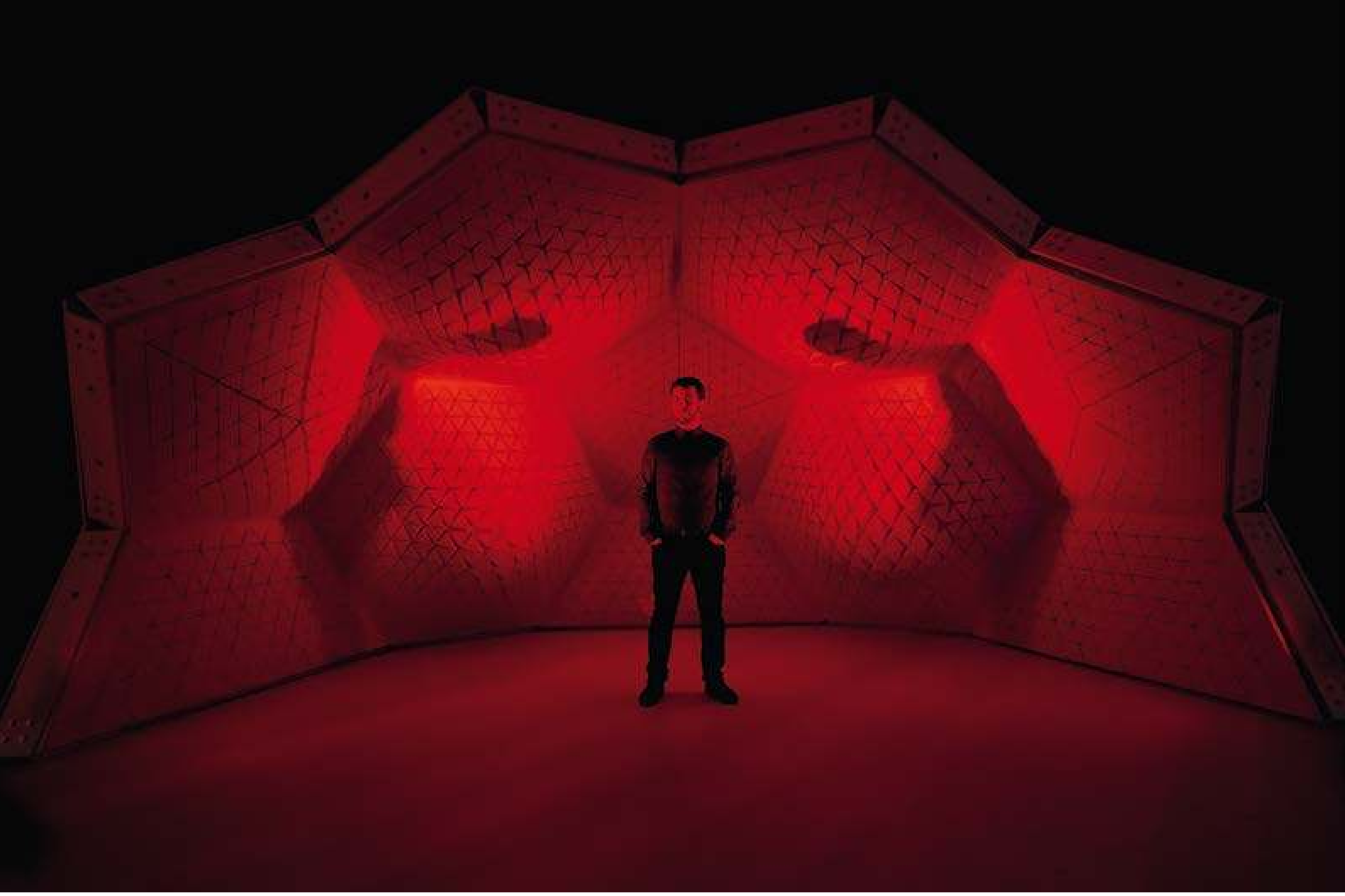
THE ART OF ASTONISHING OTHERS

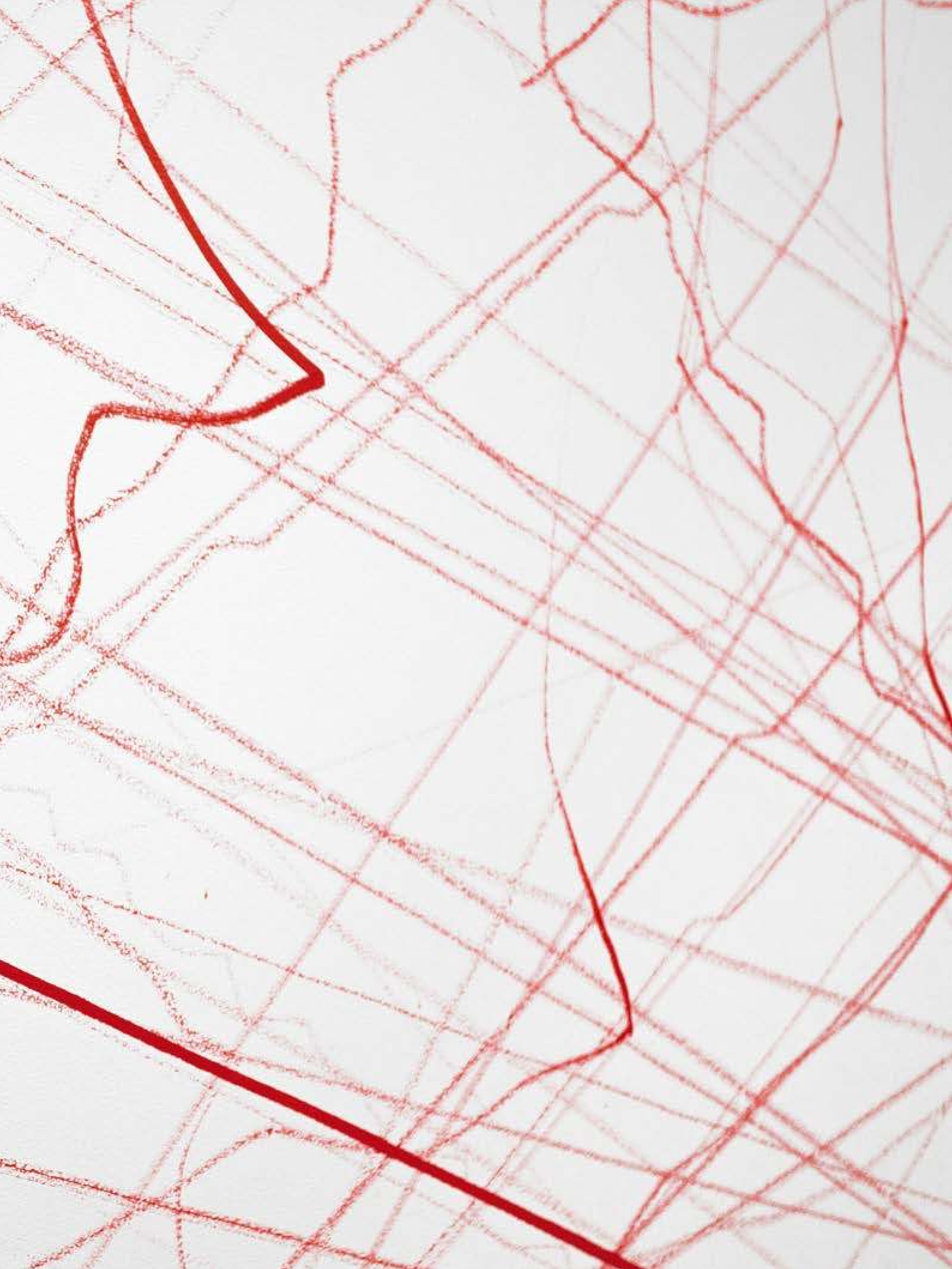




“RED NEVER FOLLOWS” – HUGO TURNS 20

The exhibition “Red Never Follows” spotlighted extraordinary creative talents at the Saatchi Gallery in London to mark the 20th birthday of the HUGO brand.

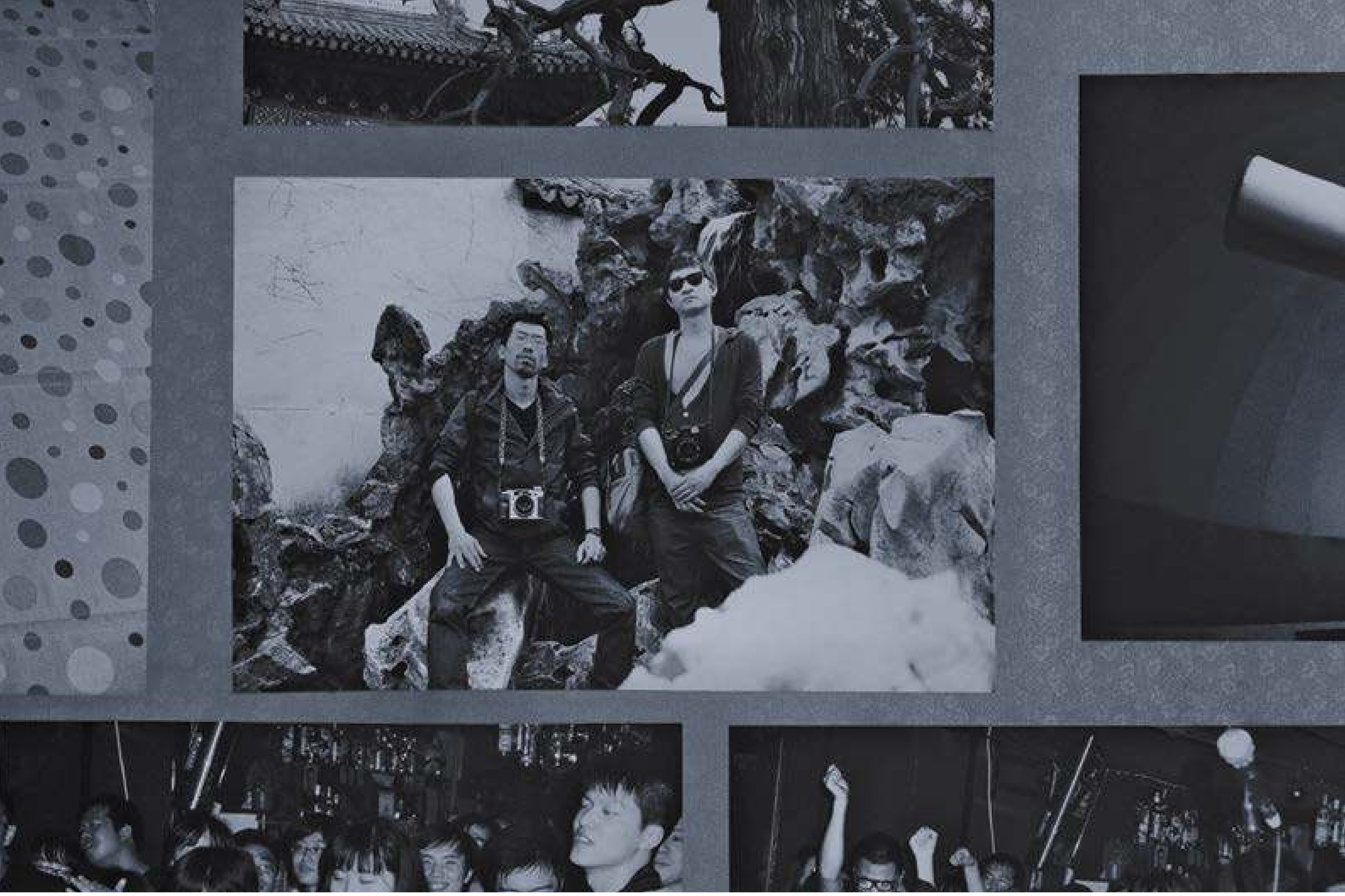


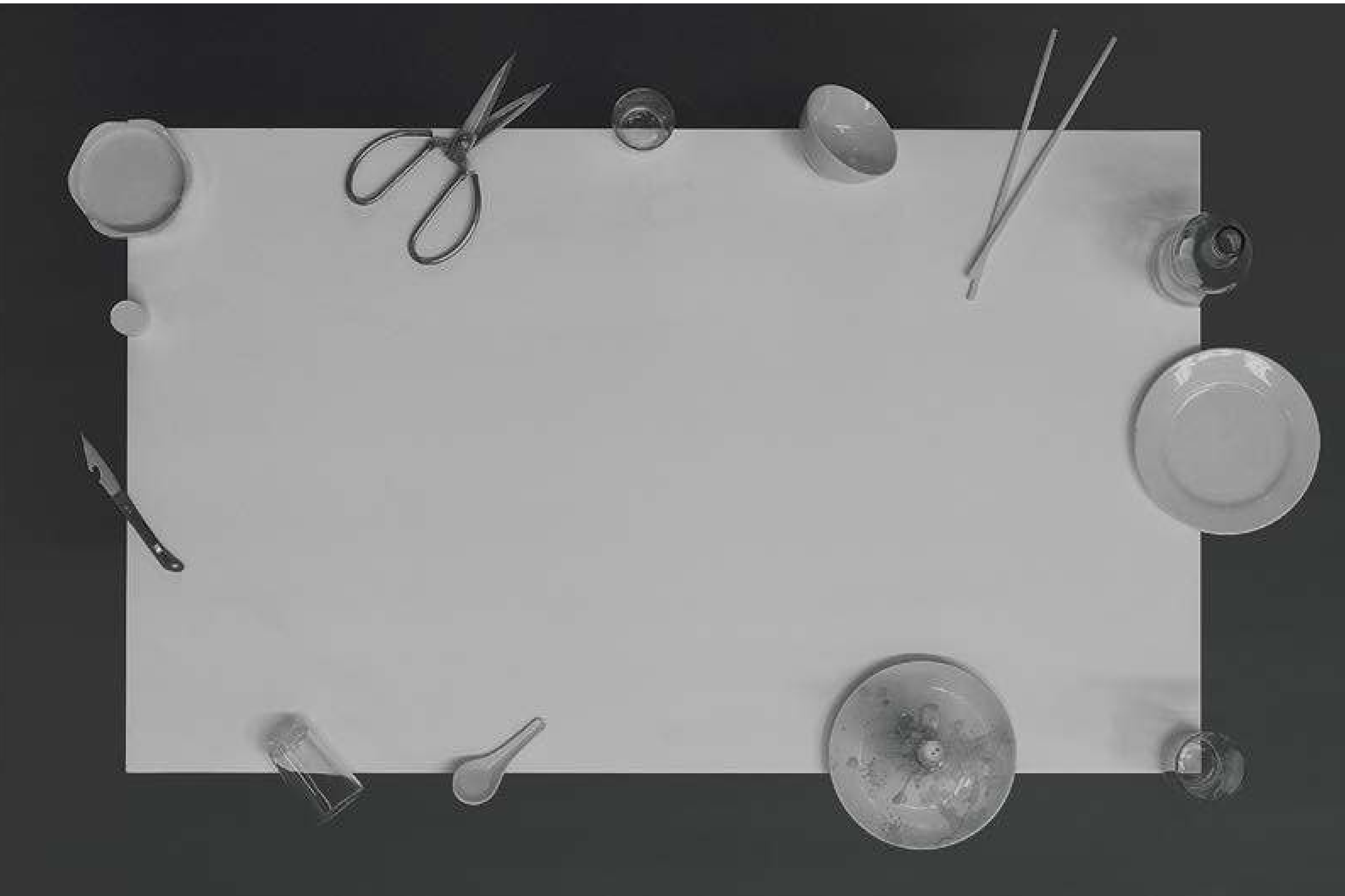


HUGO BOSS ASIA ART AWARD – FOCUS ON CONTEMPORARY ART

For the first time in 2013, HUGO BOSS conferred a new award for emerging Asian artists in cooperation with Shanghai's Rockbund Art Museum, adding a new dimension to its long-established arts program.

www.hugobossasiaart.com





THE RESOLVE TO LEAD THE WAY


BOSS
HUGO BOSS

VENDÉE GLOBE – AROUND THE WORLD IN 80 DAYS

In January 2013 the skipper Alex Thomson completed the world's toughest yachting race for an outstanding third-place finish. Starting off in France, the British extreme sportsman circumnavigated the globe solo on his yacht „HUGO BOSS" – wearing high-performance outfits designed by BOSS to defy wind and weather.

www.alexthomsonracing.com

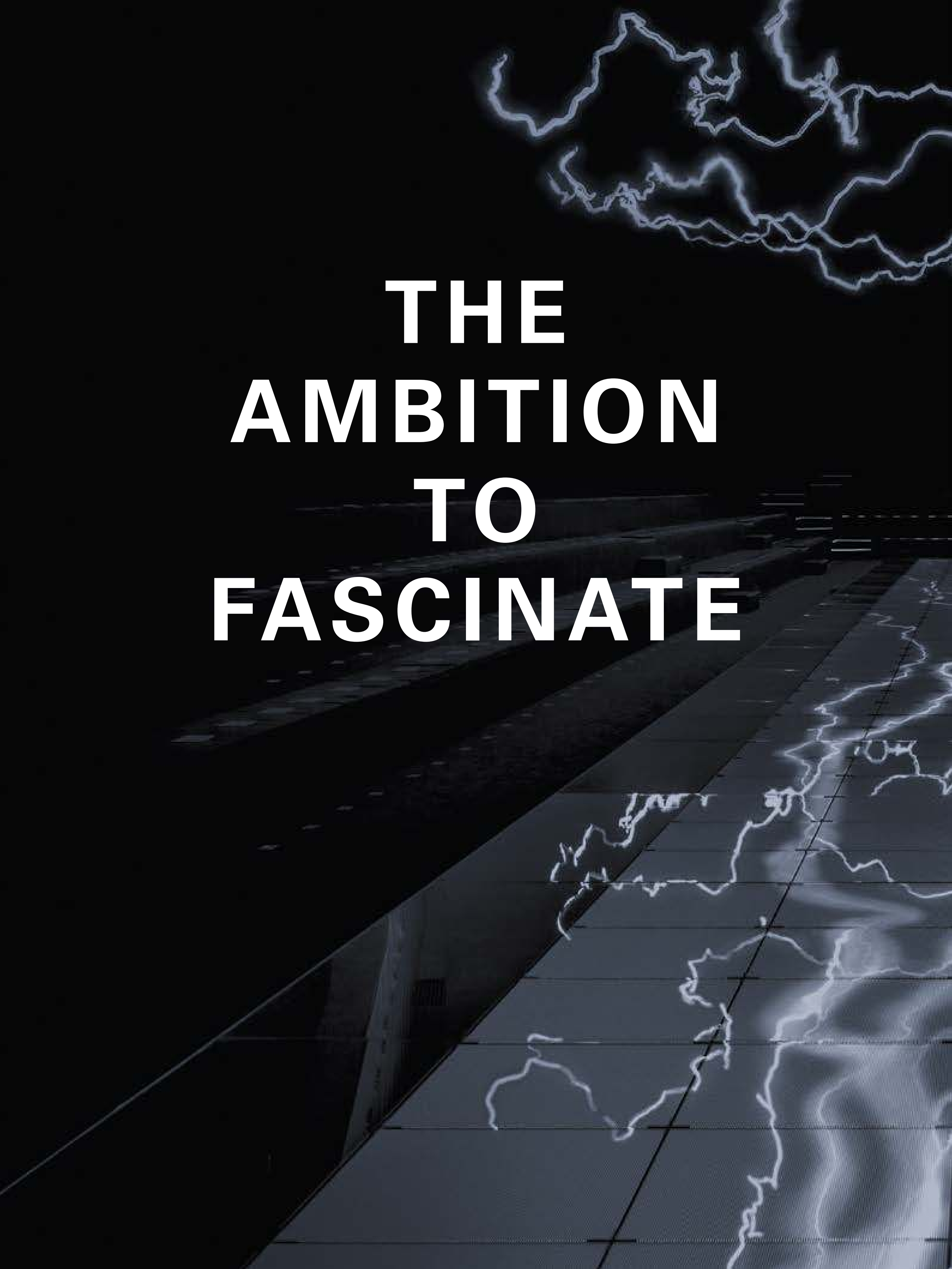
GOLF SPONSORSHIP – ON THE GREENS

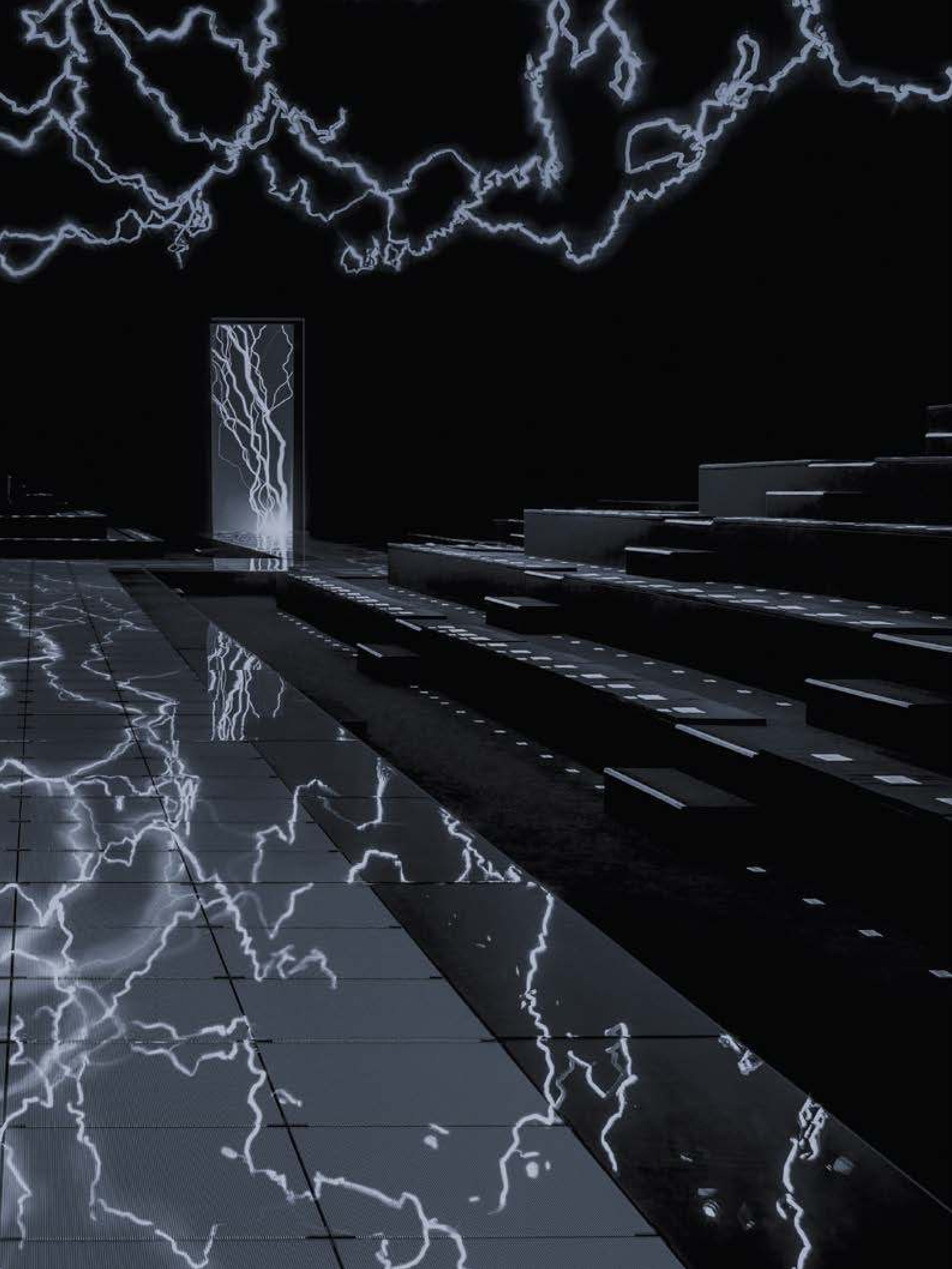
Golf has featured in the HUGO BOSS sports sponsorship portfolio for many years. Henrik Stenson currently counts among the most successful professionals outfitted by the company. Sporting fashionable looks from BOSS Green, the Swede won five international tournaments in 2013, ending the season third in the world rankings.

HUGO BOSS AND THE GERMAN SOCCER FEDERATION – JOINING FORCES FOR SUCCESS

HUGO BOSS has been the official fashion outfitter of the German national soccer team since May 2013, ensuring that Jogi Loew and his squad cut a fine figure off the pitch as well as on it. Classic business looks along with laid-back casual outfits by BOSS will guarantee a stylish showing at the 2014 World Cup in Brazil.

THE AMBITION TO FASCINATE






SHANGHAI AFFAIRS – BOSS FASHION SHOW

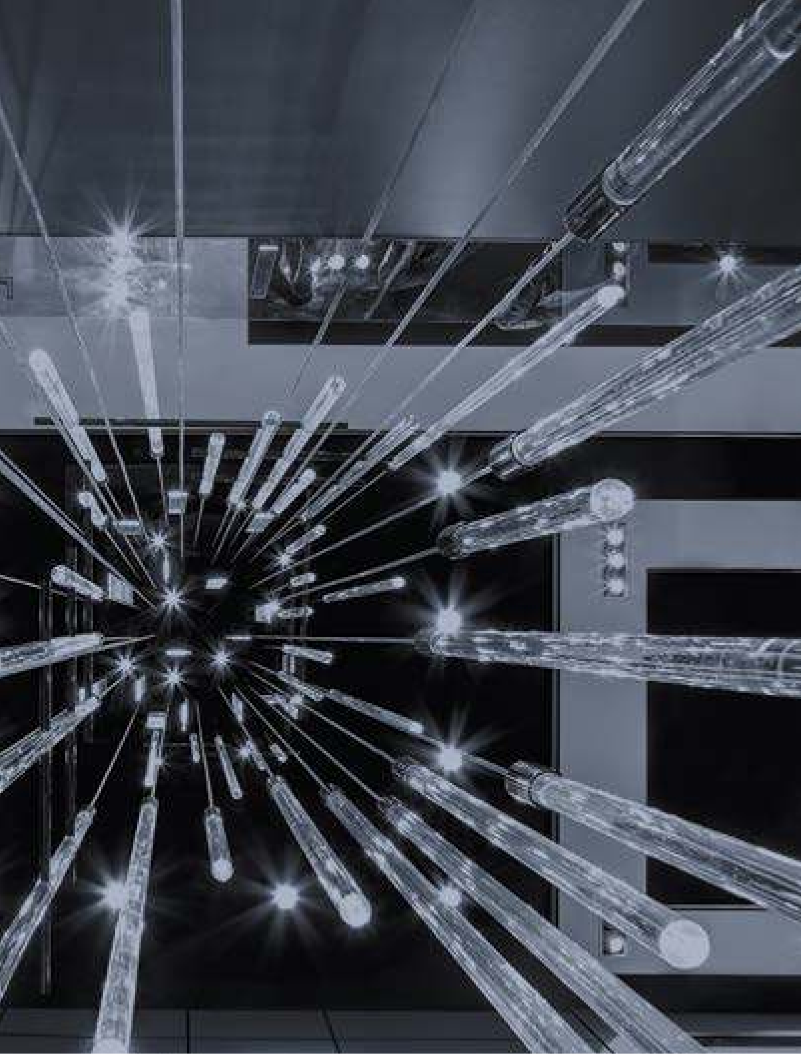
Themed “Conceptual Luxury,” the 2013 BOSS Winter Collection was presented at the “Power Station of Art” in Shanghai. The catwalk was illuminated by man-made bolts of lightning – inspired by the legacy of the venue, a former electricity plant.

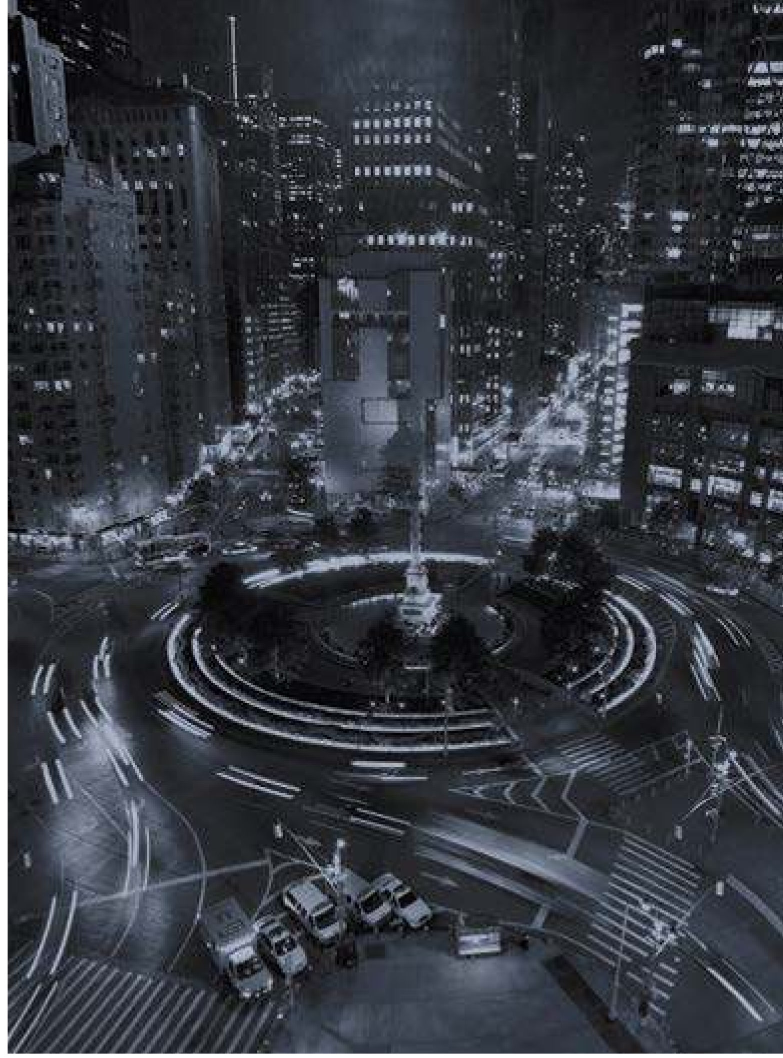
BERLINALE – 10 YEARS OF GLAMOUR

Last year HUGO BOSS commemorated the anniversary of its partnership with the Berlin Film Festival under the headline "Celebrating a Decade of Glamour." By wardrobing and outfitting actors, directors and Berlinale officials, HUGO BOSS has been adding dazzling accents to the red carpet year after year.

ANTHROPOCENE – NEW YORK FLAGSHIP STORE OPENING

One of the highlights of 2013 was the reopening of the BOSS Flagship Store on Columbus Circle in New York. The expanded venue with its new interior design was inaugurated with the video installation “Anthropocene” by artist Marco Brambilla. More than 16,000 square feet make this not only the largest store in the United States, but a real jewel in the crown of the successful HUGO BOSS retail network.



TO OUR SHAREHOLDERS

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TO OUR SHAREHOLDERS

LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Readers,

Last year proved very challenging for the premium and luxury goods industry overall. And our Company was not immune to the challenges posed by a recessionary environment in Europe, uncertainty surrounding the U.S. budget and significantly lower industry growth in Asia compared to prior years. Considering these conditions, we can be satisfied with what we achieved: Adjusted for currency effects, consolidated sales increased by 6% and the operating result by 7%.

Apart from the good financial performance, implementation of important strategic measures shaped the past year.

For instance, we streamlined and sharpened our brand portfolio by integrating the previously independent luxury business in the BOSS core brand. Looking back, this was clearly the right decision. The move has allowed us to upgrade our complete offering, and it shows: within just a short period the luxury business accounted for a larger share of sales. Expanding our offering in the higher price brackets as well as focusing on the BOSS brand has placed us in a strong position to effectively present our product range in larger stores as well. Our new stores in Berlin, Hong Kong, New York and Tokyo are an impressive testament to this.

But these locations are just a few examples of the quantum leap we have made optimizing the size and quality of the store network in 2013. With the expansion of our flagship store portfolio, we have substantially raised our profile in key shopping districts worldwide. This is especially evident in Asia, where we have taken a major stride towards enhancing our market presence – previously dominated by franchise partners – by adding new locations in striking high-profile locations in major metropolitan areas. These stores will shape how HUGO BOSS is perceived in the years ahead.

In Europe too, the transformation of our business model towards own retail has gained momentum. The fact that we generated more sales in the retail business than in the wholesale business for the first in the prior year clearly confirms this. At our stores we can give our brands the space they need to make their full impact. This is appreciated not only by local customers, but also by the fast growing number of visitors from other continents to whom HUGO BOSS today offers a highly appealing shopping experience with increasing consistency worldwide.

In the current year, our attention will remain firmly focused on presenting HUGO BOSS consistently and unmistakably across all regions and distribution channels. That is why we will continue to invest in the expansion of our network and the renovation of existing stores. In addition, we are working together with our partners in our wholesale business – traditionally a key segment for us – to shift our presentation away from the pure category business and increasingly towards select shop-in-shop spaces. Doing so will create an arena in which we can far more effectively showcase our broad product competence and stage the BOSS brand as we envision it. To achieve this, we are willing to redouble our efforts and assume greater responsibility.

This year, we are also paying particular attention to the womenswear collection – an area in which HUGO BOSS still has a lot of untapped potential. We are confident that our new Artistic Director Jason Wu will make an impact in the second half of the year. Jason was quick to understand the essence of HUGO BOSS. His sense for quality and his love of detail are an ideal fit for the brand's values. This will be clearly evident in his inaugural fall collection. The fusion of clear lines and precise cuts with sophisticated, highly feminine elements is an unmistakable signature that will appeal to our core target group of women who are successful in their professional and private lives. We will support the success of womenswear with extensive communication drives and high-profile placement in our stores.

I am confident that the leitmotif of our annual report – success – will also be a fitting headline for our Company's development in 2014. We expect to grow our sales by a high single-digit figure, and thus more than last year – with contributions expected from all regions. And the recovering strength of our business in Europe gives us every reason to be confident. The operating result looks set to mirror the strong development of sales.

Aside from my confidence in the success of our Company's strategy, it is particularly the performance and passion of our employees that makes me optimistic as I look ahead. Supported by them, our customers, business partners and shareholders, we will make 2014 another successful year for HUGO BOSS.

Sincerely yours,

Claus-Dietrich Lahrs
CEO and Chairman of the Managing Board

MANAGING BOARD

CLAUS-DIETRICH LAHRS
Stuttgart, Germany

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

MARK LANGER
Stuttgart, Germany

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

CHRISTOPH AUHAGEN
Stuttgart, Germany

Responsible for
Brand Management,
Creative Management,
Sourcing and
Manufacturing

(left to right) Mark Langer, Claus-Dietrich Lahrs, Christoph Auhagen

REPORT OF THE SUPERVISORY BOARD

Dear Readers,

In an economic environment where developments are complex and often difficult to predict, the Supervisory Board's control and advisory functions arising from the law, the Articles of Association of the Company and the Bylaws take on special importance. In light of this, the Supervisory Board once again fulfilled its duties in fiscal year 2013 with utmost diligence.

On the basis of its extensive written and verbal reporting by the Managing Board issued promptly and in the necessary detail, the Supervisory Board supported the Managing Board in its advisory function and monitored the Managing Board in its management of business over the fiscal year. This ensured that the Supervisory Board was kept informed at all times of the intended business policy and other fundamental issues of corporate planning, specifically finance, investment and personnel planning, both with regard to HUGO BOSS AG and the Group's subsidiaries. This also applies to the further strategic development, the course of business and the position of the Company, on which the Supervisory Board was able to obtain detailed information on the current and future economic situation from the reports by the Managing Board. The relevant key performance indicators were at the special focus of monitoring and control duties in this context. The reasons for any deviations in the course of business from forecasts and targets were explained in detail to the Supervisory Board and reviewed on the basis of the documents presented. In addition, there were regular talks between the CEO and the chairman of the Supervisory Board on important developments and decisions to be taken. The Managing Board and the Supervisory Board coordinated the strategic objectives of the Company together.

If decisions or measures taken by the Managing Board required approval on the basis of law, the Articles of Association or the Bylaws, the proposed resolutions – prepared by the committees in some cases – were discussed, reviewed and resolved by the Supervisory Board at its meetings. If necessary, approvals were issued only after requesting clarification from the Managing Board and extensively discussing the matter with the members of the Managing Board. In urgent cases, the Supervisory Board passed resolutions by way of circulation. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance to the Company.

MAIN TOPICS OF THE SUPERVISORY BOARD MEETINGS IN 2013

In the 2013 reporting year, a total of four Supervisory Board meetings were held in March, May, September and December. The meeting in September was a two-day meeting. The Supervisory Board was in full attendance at most of the meetings. No member of the Supervisory Board attended less than half of the meetings held in fiscal year 2013.

The meeting of the Supervisory Board in March 2013 focused on the annual financial statements of HUGO BOSS AG and of the HUGO BOSS Group as of December 31, 2012, the audit report prepared by the auditors and the dependent company report. At this meeting, the annual financial statements of HUGO BOSS AG as of December 31, 2012 were approved and ratified, and the consolidated financial statements of the HUGO BOSS Group were also approved. Furthermore, the Supervisory Board's report to the Annual Shareholders' Meeting was discussed and adopted, as were – after reviewing the independence of the newly proposed auditor for fiscal year 2013 – the proposals for the adoption of resolutions at the Annual Shareholders' Meeting of HUGO BOSS AG on May 16, 2013. The two-day meeting of the Supervisory Board in September 2013 served an extensive discussion of the development of current trading, a detailed presentation of retail expansion and strategic development of the e-commerce business and further development of womenswear activities. Furthermore, the meeting discussed the progress of the construction work on the new flat-packed goods distribution center and personnel development measures. The Supervisory Board meeting in December 2013 performed the review of the efficiency of the Supervisory Board, discussed and approved the declaration of compliance with the German Corporate Governance Code for 2013, discussed the reports by the committees of the Supervisory Board in detail and discussed and resolved both the budget and the internal audit planning for 2014.

The development of sales and earnings, investment planning, individual investment projects and the current risk situation of the Company were discussed regularly at the Supervisory Board meetings and approved where necessary. In addition, the Supervisory Board dealt in particular with the further internationalization of business, i.e., the expansion of retail activities and forthcoming investments, compliance issues and the Corporate Governance Code.

COMMITTEES OF THE SUPERVISORY BOARD AND THEIR WORK IN 2013

In order to perform its duties efficiently, the Supervisory Board set up a total of five committees: an Audit Committee, a Working Committee, a Personnel Committee, a Nomination Committee and a Mediation Committee as required by law. To the extent permitted by law, the Supervisory Board's decision-making authority was transferred to the Committees. The committees addressed in-depth the respective issues assigned to them and the chairs of the respective committees always reported in detail to the Supervisory Board on the committee meetings and their results.

The Audit Committee met four times in fiscal year 2013. The main subjects of its meetings were the financial reporting of the Company and the Group with respect to the annual, half-yearly and quarterly financial statements and reports, the audit of the separate and consolidated financial statements, the risk monitoring system and the risk management system, the internal control systems and compliance issues. The Personnel Committee held five meetings, at which it focused on target agreements for the Managing Board and target achievement. The Working Committee held one meeting in the fiscal year at which it discussed the development of womenswear activities, the new PR, marketing and sponsorship concepts and preparations for the Annual Shareholders' Meeting. The

Nomination Committee and the Mediation Committee set up in accordance with Sec. 27 (3) MitbestG ["Mitbestimmungsgesetz": German Co-determination Act] did not need to meet in the past fiscal year.

CORPORATE GOVERNANCE

The Supervisory Board discussed developments in corporate governance regulations at the Company in the past fiscal year. In December 2013, the Managing Board and the Supervisory Board issued a new Declaration of Compliance pursuant to Sec. 161 (1) Sentence 1 AktG ["Aktiengesetz": German Stock Corporation Act] on compliance with the recommendations of the Corporate Governance Code at HUGO BOSS AG. The combined report on corporate governance at the Company in accordance with No. 3.10 of the German Corporate Governance Code can be found on page 16. As in previous years, a review of the efficiency of the Supervisory Board's activities, as recommended by the German Corporate Governance Code, was performed using a standardized, comprehensive questionnaire. The outcome was discussed and analyzed in detail at the Supervisory Board meeting on December 13, 2013, where the Supervisory Board came to a positive conclusion.

No conflicts of interest relating to Managing Board or Supervisory Board members arose in 2013 that had to be disclosed to the Supervisory Board immediately and about which the Annual Shareholders' Meeting had to be informed in accordance with the German Corporate Governance Code.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of HUGO BOSS AG and the consolidated financial statements for fiscal year 2013 and the combined management report for HUGO BOSS AG and the Group for fiscal year 2013 prepared by the Managing Board were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft, Stuttgart, together with the accounting records. The corresponding audit engagement had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting held on May 16, 2013. This included an agreement with the auditors to inform the chair of the Audit Committee without delay during the audit of any grounds for disqualification or partiality that could not be immediately rectified. There was also an agreement with the auditors to immediately report all findings and incidents of which they become aware during the course of the audit that are of significance to the duties of the Supervisory Board. The auditors were furthermore required to inform the Supervisory Board or note in the audit report if any facts were ascertained during the audit that would result in the declaration submitted by the Managing Board and the Supervisory Board in accordance with Sec. 161 (1) Sentence 1 AktG not being correct. There was, however, no cause for any such report by the auditors. In addition, the Supervisory Board obtained the auditors' declaration of independence in accordance with No. 7.2.1 of the German Corporate Governance Code and verified the auditor's independence. The possibility of engaging the auditors to perform non-audit services was also discussed.

The consolidated financial statements of HUGO BOSS AG were prepared in accordance with Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code] on the basis of the International Financial Reporting Standards (IFRSs) as adopted by the EU. The auditors rendered an unqualified audit opinion on both the separate and consolidated financial statements including the combined management report for HUGO BOSS AG and the Group.

The dependent company report prepared by the Managing Board was also audited by the auditors. The auditors rendered the following audit opinion on this report:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct;
2. the payments made by the company in connection with transactions detailed in the report were not unreasonably high;
3. there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the Managing Board."

The Supervisory Board had at its disposal the audit records and the Managing Board's proposal for the appropriation of profit as well as the two audit reports from the external auditors, including the dependent company report in accordance with Sec. 312 AktG and the auditors' audit report on the dependent company report. These documents were first discussed and reviewed in detail by the Audit Committee and then by the entire Supervisory Board in the presence of the auditors, who reported on the findings of their audit. The auditors reported on their main audit findings and commented in detail on the net assets, financial position and results of operations of the Company and the Group. The auditors further reported that there were no material weaknesses in the internal control system and risk management system with regard to the accounting process. They also reported that there were no circumstances that gave occasion for concern about any partiality on their part and reported on services that they provided in addition to their audit work. Answers were given to the questions posed by the Supervisory Board and its committees on that occasion and the documents relating to the financial statements were examined in detail with the auditors and discussed and reviewed by the Supervisory Board and the Audit Committee. The audit reports were discussed with the auditors and the related questions were answered by the auditors. The auditors' findings were subsequently approved. After its final review, the Supervisory Board does not raise any objections.

At its financial review meeting on March 12, 2014, the Supervisory Board therefore approved the separate financial statements, the consolidated financial statements and the combined management report for HUGO BOSS AG and the Group for fiscal year 2013. The separate financial statements of HUGO BOSS AG for fiscal year 2013 have therefore been ratified in accordance with Sec. 172 AktG.

The dependent company report reviewed by the Audit Committee and the Supervisory Board and the audit report prepared by the auditors on this report were approved by the Supervisory Board. After its final review, no objections were raised on the Managing Board's statement at the end of the dependent company report.

Finally, at its meeting on March 12, 2014, the Supervisory Board approved the Managing Board's proposal for the appropriation of profit. In this context the Supervisory Board held intense discussions on the liquidity situation of the Company, the financing of planned investments and the effects on the capital market. In the course of these discussions, the Supervisory Board came to the conclusion that the proposal was in the best interests of both the Company and its shareholders.

The Supervisory Board would like to thank all the employees for their high level of personal dedication and the work they performed that was vital to HUGO BOSS AG's success in fiscal year 2013.

Metzingen, March 12, 2014

The Supervisory Board

Dr. Hellmut Albrecht
Chairman

SUPERVISORY BOARD

DR. HELLMUT ALBRECHT
Munich, Germany

Management Consultant
Chairman of the Supervisory Board

ANTONIO SIMINA
Metzingen, Germany

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

GERT BAUER
Reutlingen, Germany

First Authorized Representative of the German Metalworkers´ Union (IG Metall), Reutlingen/Tübingen, Germany
Employee representative

HELMUT BRUST
Bad Urach, Germany

Senior Head of Social Affairs HUGO BOSS AG, Metzingen, Germany
Employee representative

BERND SIMBECK
Metzingen, Germany

Administrative employee HUGO BOSS AG, Metzingen, Germany
Employee representative

SINAN PISKIN
Metzingen, Germany

Administrative Employee HUGO BOSS AG, Metzingen, Germany
Employee representative

DR. MARTIN WECKWERTH
Frankfurt/Main, Germany

Partner
Permira Beteiligungsberatung GmbH, Frankfurt/Main, Germany

MONIKA LERSMACHER
Kornwestheim, Germany

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

DAMON MARCUS BUFFINI
Surrey, Great Britain

Managing Director
Permira Advisers LLP, London, Great Britain

LUCA MARZOTTO
Venice, Italy

Chief Executive Officer
Zignago Holding S.p.A., Fossalta di Portogruaro, Italy

GAETANO MARZOTTO
Milan, Italy

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

DR. KLAUS MAIER
Stuttgart, Germany

Management Consultant

CORPORATE GOVERNANCE REPORT

PURSUANT TO SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE

HUGO BOSS has always been convinced that good and transparent corporate governance that adheres to German and international standards constitutes a significant determinant of the Company's success in the long term. Good corporate governance is therefore a matter of course and a benchmark that is set for all activities of the Company and the Group. The Managing Board and Supervisory Board consider themselves duty-bound to secure the continuation of the Company as a going concern and sustainable value added through responsible corporate governance that is geared to the long term. HUGO BOSS wants to justify the trust placed in it by investors, financial markets, business partners, employees, and the pubic, and continue to enhance the Group's corporate governance.

In fiscal year 2013, the Managing Board and the Supervisory Board dealt in detail with compliance with the requirements of the German Corporate Governance Code (GCGC). As a consequence, it was possible to issue the declaration of compliance dated December 2013, which is included at the end of this report and published on the website of HUGO BOSS AG together with past declarations of compliance. Apart from the exceptions discussed below, HUGO BOSS AG complies with the recommendations of the Code as amended June 15, 2012 – and, since its entering into effect, in the version dated May 13, 2013 – published in the Bundesanzeiger [German Federal Gazette] on June 10, 2013. Details are contained in the following report by the Managing Board and Supervisory Board.

COOPERATION, COMPOSITION AND ACTIVITIES OF THE MANAGING BOARD AND SUPERVISORY BOARD

The Managing Board and Supervisory Board cooperate closely for the benefit of the Company. Their shared objective is to increase the enterprise value in the long term. The Managing Board regularly informs the Supervisory Board in a timely manner and in detail on issues of importance for the Company concerning strategy, planning, the development of business, the risk position, risk management and compliance. Deviations from targets and budgets are explained to the Supervisory Board and its committees; the strategic alignment and further development of the Group are discussed and coordinated with the Supervisory Board.

HUGO BOSS has long required the independence of members of the Supervisory Board as emphasized by the German Corporate Governance Code. The members of the Supervisory Board of HUGO BOSS have the knowledge, skills, and professional experience necessary for the respective committees. None of the current members of the supervisory board member had previously held a Managing Board position within the Company. There were also no advisory or other service agreements in place between members of the Supervisory Board and the Company in the reporting year.

In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has also set specific targets for its composition and for the composition of the Managing Board, details of which were already provided in the Corporate Governance Report for 2011. No changes have been made to these targets. The Supervisory Board should have two non-German members, none of the members are permitted to have potential conflicts of interest and none of the Supervisory Board members can be older than 69 years of age when they are elected (one deviation in the past from this rule was justified upon election). As regards diversity, the aim is still to have at least two women on the Supervisory Board after the scheduled elections in 2015 (it currently has one). In addition, the Supervisory Board has set itself a specific target as regards the number of "independent" members of the Supervisory Board within the meaning of the German Corporate Governance Code. Accordingly, of the twelve members of the Supervisory Board, at least eight members, including the six employee representatives, will have to be independent in future. In view of the fact that HUGO BOSS AG is a majority owned company, the Supervisory Board considers this figure and the corresponding number of independent employer representatives (two) to be appropriate.

The German Corporate Governance Code also prescribes that the Managing Board is committed to diversity when filling management positions in the Company and specifically that women are given appropriate consideration. The Managing Board is committed to this objective. It had already paid attention in the past to diversity in the composition of employees and an adequate proportion of women and will continue to do so in the future.

When making decisions and in performing their duties for HUGO BOSS, members of the Managing Board and Supervisory Board are not permitted to pursue their personal interests or grant other persons unjustified advantages. In fiscal year 2013, there were no conflicts of interest of members of the Managing Board or Supervisory Board. The offices of the Managing Board and Supervisory Board are listed in the notes to the financial statements under "Supervisory Board and Management Board". The offices held by the Managing Board and Supervisory Board members in statutory supervisory boards or comparable oversight committees of commercial organizations in Germany and abroad are presented on page 254. No member of the Managing Board sits on more than three supervisory boards of listed companies that are not members of the Group. The same applies to members of the Supervisory Board, who sit on the management boards of other listed companies. Related party disclosures are provided in the notes to the consolidated financial statements on page 222 et seq.

RISK MANAGEMENT AND RISK CONTROLLING

Responsible handling of risks by the Company constitutes a key element of good corporate governance. The systematic risk management anchored in value-based Group management permits the Company to identify and assess risks at an early stage and to optimize risk positions using appropriate measures. Ensuring appropriate risk management and controlling in the Company is a key task. The Audit Committee set up by the Supervisory Board regularly deals with the financial reporting processes, the effectiveness of the systems of internal control, risk management and internal audit, partly in consultation with the external auditors. The systems in place are continually enhanced and adapted to changing circumstances. By their nature, however, they cannot provide complete protection from losses resulting from business transactions or fraud. More information on the topic of systems of internal control, risk management and internal audit are provided in the "Risk report" section on page 112 et seq.

FINANCIAL REPORTING AND AUDIT OF THE FINANCIAL STATEMENTS

Since fiscal year 2001, the financial reporting of HUGO BOSS AG has been prepared in accordance with International Financial Reporting Standards (IFRSs). The Audit Committee set up by the Supervisory Board regularly deals with oversight of the financial reporting process and the audit of the financial statements. It was agreed for the reporting year with the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, that the chairman of the Audit Committee would be informed without delay of any grounds for disqualification or factors affecting impartiality that arise during the audit, unless they are remedied immediately. The external auditors are also obliged to report on any findings or events arising during the performance of the audit which are of importance to the duties of the Supervisory Board. It was also agreed that the external auditor would inform the Supervisory Board and indicate in its audit report if findings are made during the audit that are in contravention of the declaration of compliance made by the Managing Board and Supervisory Board pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act]. The Supervisory Board also obtained a declaration of independence from the external auditor in accordance with No. 7.2.1 of the German Corporate Governance Code and verified the independence of the external auditor; the declaration also encompassed the engagement of the external auditor for non-audit services.

CORPORATE COMPLIANCE

HUGO BOSS AG and the companies of the Group operate in different countries and regions, and, accordingly, different legal environments. At HUGO BOSS, corporate compliance in the sense of measures designed to ensure compliance of the Group and its companies with laws and regulations issued by public authorities, internal corporate guidelines and codes of conduct that the Group is committed to observing, is a key task of management. This includes antitrust and anti-corruption regulations. HUGO BOSS AG expects legally unobjectionable conduct from all employees in their daily work.

A compliance department that reports directly to the chief financial officer as chief compliance officer supports the Managing Board's monitoring of an effective compliance management. The central compliance office and compliance officers in the Group companies ensure that the compliance program is implemented throughout the Group and that it has been continually enhanced since its introduction. The Audit Committee is regularly informed about the compliance office's activities.

To ensure the legally unobjectionable conduct of employees and to establish a corresponding basis, HUGO BOSS has summarized principles of conduct applicable throughout the Group in a code of conduct and more in-depth corporate guidelines. The code of conduct and the corporate guidelines mainly focus on rules on conduct in competition, on avoiding conflicts of interest, on the appropriate handling of company information, on ensuring fair and respectful working conditions and on anti-corruption. HUGO BOSS does not tolerate conscious misconduct and persistent infringements of the code of conduct.

Employees are continually familiarized with the rules of the code of conduct and the corporate guidelines and thus sensitized to the observance of compliance rules. To this end, HUGO BOSS holds classroom training and has also set up a worldwide e-learning program that the employees concerned have to complete regularly. The e-learning program is being rolled out to all subsidiaries of HUGO BOSS.

Employees can can obtain advice on issues concerning the correct conduct of employees from their supervisors and the compliance officer. As a supplementary reporting channel, HUGO BOSS also established a global ombudsman system. Employees, but also third parties (suppliers, customers), can confidentially notify an ombudsman if there are indications of fraud, infringements of antitrust law or breaches of compliance guidelines. If desired, it also possible to remain anonymous.

CAPITAL MARKET COMMUNICATION

In order to ensure utmost transparency and thereby strengthen the confidence of shareholders and investors as well as of the interested public, HUGO BOSS reports regularly and in a timely manner on the business development of the Company and on key strategic and operative initiatives. As part of investor relations activities, regular exchange with institutional investors, financial analysts and private shareholders must be ensured. Apart from an annual press briefing and an analysts conference on the annual results, conference calls are held with financial analysts when the first quarter, first half year and the nine months reports are published. At the annual Investor Day, the Group's strategy and relevant developments are discussed in detail. Especially for private investors, the Annual Shareholders' Meeting is an important and effective forum for obtaining comprehensive information on the development of the Company.

All key information and publications can be accessed on the Company's website at group.hugoboss.com. Also posted on the website is the financial calendar, which provides an overview of the most important dates. This is always kept up to date and is also included in the annual and quarterly reports. Information on current developments and all press releases and ad hoc reports are also published on the website. As required by law, ad hoc reports within the meaning of Sec. 15 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] are published immediately by HUGO BOSS and can be accessed at the website's "Investor relations" section under "News and releases". In accordance with the principle of fair disclosure, this ensures that all shareholders and key target groups are treated equally and that new information is generally available to all shareholders and the interested public at the same time. Interested parties can also subscribe to an electronic newsletter to receive up-to-date information on news within the Group.

PUBLICATIONS WITHIN THE MEANING OF SEC. 15a WpHG

Translations conducted by parties within the meaning of Sec. 15a WpHG with shares of HUGO BOSS AG were published accordingly on the Company's website.

The combined number of HUGO BOSS AG shares held by all members of the Managing Board and Supervisory Board as of December 31, 2013 account for less than 1% of the shares issued by the Company.

COMPENSATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

The compensation report summarizes the principles underlying the total compensation of the members of the Managing Board and Supervisory Board of HUGO BOSS AG and explains the structure and amount of compensation paid to members of the Managing Board. In addition, it describes principles and the amount of compensation of the Supervisory Board members. The compensation report is part of the management report. → **Compensation Report**

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement (in accordance with Sec. 289a HGB ["Handelsgesetzbuch": German Commercial Code]) contains the declaration of compliance, disclosures relating to corporate governance practices and a description of the way the Managing Board and Supervisory work. It can be accessed at **:// group.hugoboss.com/Investor Relations/ Corporate Governance**

DECLARATION OF COMPLIANCE

In accordance with Sec. 161 (1) Sentence 1 AktG the Managing Board and Supervisory Board of HUGO BOSS AG have to issue an annual declaration of compliance stating whether the recommendations of the government commission for the German Corporate Governance Code as published in the Bundesanzeiger [German Federal Gazette] were complied with and whether they will be complied with in the future. The recommendations that were not complied or will not be complied with in the future also have to be indicated stating the reason for non-compliance. The German Corporate Governance Code as most recently revised on May 13, 2013 was published in the Bundesanzeiger on June 10, 2013. Accordingly, the Managing Board and Supervisory Board issued the following declaration of compliance in December 2013:

"Declaration of compliance

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

HUGO BOSS AG, Metzingen, Securities ID A1PHFF

The Managing Board and Supervisory Board of HUGO BOSS AG herewith declare pursuant to section 161 para. 1 sentence 1 AktG (German Stock Corporation Act) that since the Compliance Declaration of December 2012 the recommendations of the Government Commission "German Corporate Governance Code" initially as amended on May 15, 2012 – officially published in the Federal Gazette on June 15, 2012 – and since its effectiveness in the version as amended on May 13, 2013 – officially published in the Federal Gazette on June 10, 2013 – have been and are complied with except for:

- Deviating from the recommendation in section 3.8 sentence 5 GCGC, the D&O- (Directors' & Officers'-)insurance for members of the Supervisory Board does not contain a deductible. HUGO BOSS AG covers the D&O-risk via an appropriate liability insurance in which also members of the Supervisory Board are included. The members of the Supervisory Board hold their offices responsibly and in the interest of the Company. HUGO BOSS AG is of the opinion that a deductible is no appropriate means for further improving the sense of responsibility. Further, the introduction of a deductible would not lead to a significant reduction of premium payments.

- Deviating from the recommendation in section 4.2.2 sentence 6 GCGC the total compensation of the members of the Managing Board complies with the statutory criteria without specifically taking into consideration the compensation of senior management and the staff overall, particularly in terms of its development over time because the Supervisory Board is of the opinion that the statutory criteria, namely the appropriateness of the tasks and the performances, the situation of the Company and the common level of compensation in the industry, are more important.

- Deviating from the recommendation in section 4.2.3 sentence 7 GCGC a cap is indeed specified regarding the total compensation of the members of the Managing Board. Insofar as section 4.2.3 sentence 7 DCGK must be understood in a sense that it also requires an explicit cap for variable compensation components, HUGO BOSS AG deviates from the recommendation, as it does not comply with this formality. However, materially also a cap for the variable compensation components exists because it can be calculated by deducting the fixed compensation component from the cap of the total compensation.

- Deviating from the recommendation in section 4.2.3 sentence 13 GCGC, the calculation of the severance pay cap was based on the total compensation of the past full financial year or, if the member of the Managing Board has already served on the board for two full financial years, on the average of the past two full financial years because the Supervisory Board was of the opinion that this constituted a broader and therefore better basis for assessment. The new service agreement for a member of the management board effective as of August 1, 2013, provides for a severance pay cap calculated in line with the GCGC, thus HUGO BOSS AG does not deviate from section 4.2.3 sentence 13 GCGC from this time on.

- Deviating from section 5.4.6 sentence 4 GCGC the compensation for members of the Supervisory Board based on the success is not oriented toward sustainable growth. The compensation for members of the Supervisory Board was resolved by the general assembly of the shareholders, the compensation based on the success is contained in section 12 para. 2 of the articles of association of HUGO BOSS AG and in the opinion of HUGO BOSS AG appropriate.

- Deviating from section 5.4.6 sentence 7 GCGC the compensation of the members of the Supervisory Board is not reported individually in the notes nor in the management report. Also, payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services, are not listed on an individual basis. The compensation paid to the members of the Supervisory Board is demonstrated in total in the notes. In the view of HUGO BOSS AG, individual reporting of compensation does not provide information relevant to the capital market.

Metzingen, December 2013"

HUGO BOSS – KEY SHARE DATA

01|01 HUGO BOSS – KEY SHARE DATA

	2013	2012
Number of shares	**70,400,000**	**70,400,000**
Thereof outstanding shares	69,016,167	69,016,167
Thereof own shares	1,383,833	1,383,833
Share price in EUR[1]		
Last (December 31)	103.50	79.80
High	103.50	89.35
Low	81.24	58.87
Market capitalization in EUR million (December 31)	**7,286**	**5,618**
Earnings per share in EUR	**4.77**	**4.44**
Price-earnings ratio[2]	**21.7**	**18.0**
Dividend per share in EUR	**3.34**[3]	**3.12**
Dividend yield in %[2]	**3.2**[3]	**3.9**
Amount distributed in EUR million	**230.5**[3]	**215.3**
Payout ratio in %[4]	**70**[3]	**70**

[1] Xetra.
[2] Based on closing price (December 31).
[3] 2013: Dividend proposal.
[4] Based on net income attributable to shareholders.

01|02 ISIN, WKN AND TICKER SYMBOL HUGO BOSS SHARE

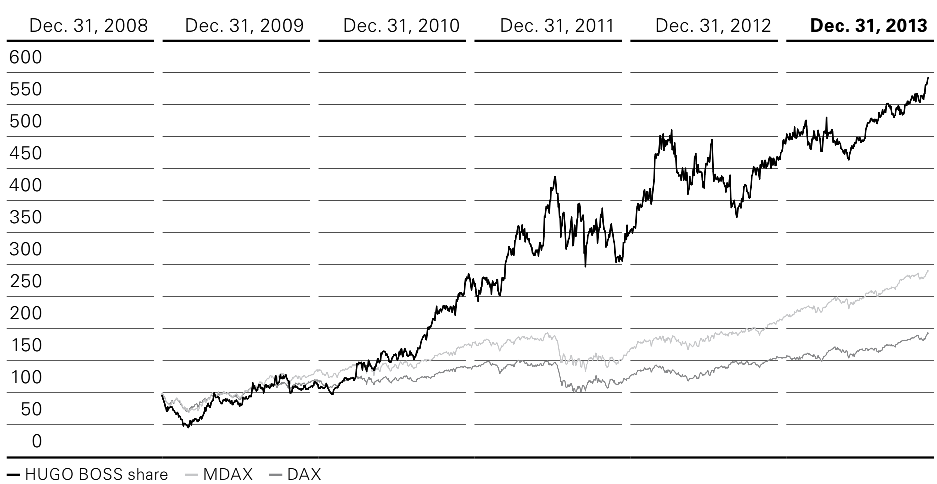
ISIN	DE000A1PHFF7
WKN	A1PHFF
Ticker symbol	BOSS

Stock exchanges: Xetra, Frankfurt/Main, Stuttgart, Duesseldorf, Hamburg, Munich, Hanover, Berlin/Bremen.

HUGO BOSS ON THE CAPITAL MARKET

After a positive start to the year 2013, political and economic uncertainties in the United States, Europe and China led to share price corrections on the German stock markets towards the end of the first half of the year. In the course of the year, however, the brightening of economic indicators worldwide and central banks' ongoing expansionary monetary policy provided a stimulus, leading to significant gains of DAX and MDAX by the end of the year. Over the twelve months period, the HUGO BOSS share also saw large gains and reached an all-time high at year end.

01|03 SHARE PRICE PERFORMANCE (Index: December 31, 2008 = 100)



German share markets rose significantly over the year

The ongoing expansionary monetary policy of the U.S., European and Japanese central banks and the positive economic newsflow from the United States brought about clear gains on the German share markets at the beginning of the year. Over the first half of the year, recurring uncertainties regarding the euro debt crisis, speculation about a potential reduction in the volume of bond purchases by the U.S. Federal Reserve and disappointing economic data from China led time and time again to price corrections, significant in some cases. As of the end of June, the German share markets were supported by brightening early indicators worldwide and the assurance by European and U.S. central banks that they intended to continue their expansionary monetary policy. In the meantime, the markets only came under pressure from the U.S. budget dispute arising again as well as political crises and economic setbacks in some Eurozone countries. Most of all the agreement between Republicans and Democrats on the passing of a new U.S. budget provided great stimulus on the markets, which meant that the DAX and MDAX reached new all-time highs of 9,589 and 16,626 points just before the end of the year.

HUGO BOSS share closes the year at a new all-time high

The **HUGO BOSS share** initially started the year with significant gains, but lost some ground following the presentation of the Group's full year 2012 figures in March, however. In the days prior to the publication of first quarter results and in reaction to the confirmation of the outlook for 2013, the share price significantly rallied up to the beginning of May. The subsequent share placement by the majority shareholder, the payout of the dividend for fiscal year 2012 and the general downwards movement on global stock markets led to a decline until the end of June. After this intermediate price correction, the share saw significant gains, picking up speed most of all following the publication of first half year results at the end of July, when the Company's targets for 2013 were reconfirmed. The HUGO BOSS share was additionally lifted by the generally positive mood on the stock markets and the indications of economic recovery in Europe, the largest sales market for the Group. Following shorter phases characterized by price corrections in September and October, the share saw gains over the rest of the year. Details of various strategic initiatives presented at the Investor Day in Hong Kong at the end of November and the reinforcement of the sales target for 2015 provided a boost to the share's development towards the end of the year in an overall positive overall market. All in all, the HUGO BOSS share ended the year at a new all-time high of EUR 103.50, up 30% on the closing price at the end of 2012.

DAX and **MDAX** also saw strong gains over the past year, up 25% and 39% respectively over the year. On average, the shares of companies in the fashion and luxury goods industry also saw price gains in the past year. For example, the **MSCI World Textiles**, **Apparel & Luxury Goods Index**, which reflects the share price performance of companies operating in the apparel and luxury goods segment, rose 25% in 2013.

This means the HUGO BOSS share developed better than the DAX, Germany's leading share index. Furthermore, it exceeded the average share price development of companies operating in the fashion and luxury goods industry. It rose less strongly in comparison to the MDAX, the performance of which benefited from the comparatively high weighting of very cyclical shares.

01|04 HUGO BOSS SHARE IN COMPARISON (Change in %)

	1 year	3 years	5 years	10 years
HUGO BOSS share	30	110	498	551
DAX	25	38	99	141
MDAX	39	64	196	271
MSCI World Textiles, Apparel & Luxury Goods	25	50	230	259

Several notifications of shareholdings received

In accordance with Sec. 21 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act], shareholders are obligated to report their share of voting rights if they exceed or fall short of particular reporting thresholds. The reporting thresholds are set at 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

On January 24, 2013, HUGO BOSS AG was informed pursuant to Sec. 25 a WpHG by Mediobanca – Banca di Credito Finanziario S.p.A., Milan, Italy that since January 21, 2013 it no longer holds any financial or other instruments that would enable it to acquire voting rights.

On November 29, 2013, The Capital Group Companies, Inc., Los Angeles, U.S.A. notified the Company pursuant to Sec. 21 (1) WpHG in conjunction with Sec. 22 (1) Sentence 1 No. 6 WpHG and Sec. 22 (1) Sentences 2 and 3 WpHG that they exceeded the reporting threshold of 3% of the voting rights in HUGO BOSS AG on November 26, 2013.

On November 29, 2013, Capital Research and Management Company, Los Angeles, U.S.A. notified the Company pursuant to Sec. 21 (1) WpHG in conjunction with Sec. 22 (1) Sentence 1 No. 6 WpHG that it exceeded the reporting threshold of 3% of the voting rights in HUGO BOSS AG on November 26, 2013.

The Company published the original wordings of these notifications under News and Releases in the Investor Relations section of its corporate website at group.hugoboss.com.

Reportable securities transactions pursuant to Sec. 15 a WpHG

According to Sec. 15 a WpHG, members of the Managing Board and the Supervisory Board and persons who carry out managerial functions as defined by the WpHG are obliged to disclose any transactions to purchase or sell HUGO BOSS AG securities.

Over the reporting period from January 1 to December 31, 2013, the Managing Board and Supervisory Board reported to the Company pursuant to Sec. 15 a WpHG one reportable securities transaction with shares in the Company. In total, Members of the Managing Board and Supervisory Board hold less than 1% of the shares issued by HUGO BOSS AG.
→ **Corporate Governance Report**

Reportable securities transactions are published under News and Releases in the Investor Relations section of the corporate website at group.hugoboss.com.

Number of own shares unchanged

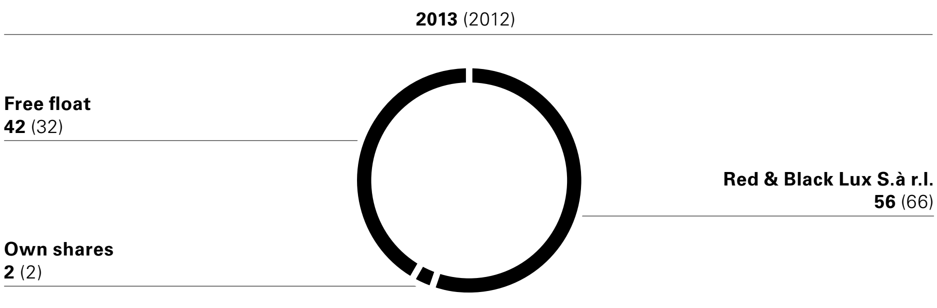
The Annual Shareholders' Meeting on June 21, 2010 authorized the Managing Board of HUGO BOSS AG to continue the share buyback program already in place at that time. Accordingly, the Managing Board is authorized until June 20, 2015 to buy shares in the Company up to an interest of no more than 10% of the share capital outstanding. No use of the authorization was made in the past fiscal year.

This means that the number of own shares held by HUGO BOSS AG remains unchanged at 1,383,833. This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital.
→ **Legal Disclosures**

Free float increases

On May 3, 2013, the majority shareholder Red & Black Holding GmbH, an entity in which Permira Funds holds a majority shareholding, placed seven million HUGO BOSS shares on the market. Effective as of July 1, 2013, Red & Black Holding GmbH was merged into Red & Black Lux S.à r.l. which meant that the shareholder structure of HUGO BOSS AG as of December 31, 2013 was as follows: 55.62% of the shares are held by Red & Black Lux S.à r.l. (December 31, 2012: 65.56%, at that time trading as Red & Black Holding GmbH), 1.97% of the capital was held by HUGO BOSS AG as own shares (December 31, 2012: 1.97%). The remaining 42.41% of the shares are in free float (December 31, 2012: 32.47%).

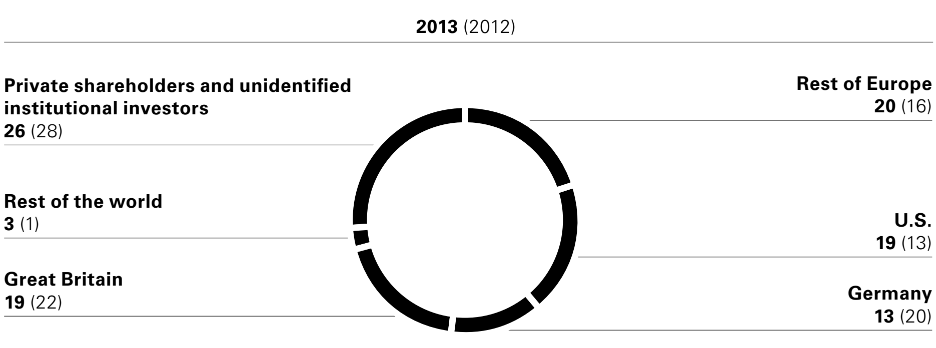
01|05 SHAREHOLDER STRUCTURE AS OF DECEMBER 31 (in % of share capital)



Investor base even more international

The ownership structure of the shares in free float was analyzed in 2013 with a view to addressing the institutional investors investing in HUGO BOSS in a more targeted manner. The result shows that HUGO BOSS' investor base has become even more international. Indeed, the portion of shares held by German investors has decreased to 13% (2012: 20%). In contrast, the portion held by U.S. investors rose to 19% (2012: 13%). While the portion of shares held by institutional investors in Great Britain decreased to 19% (2012: 22%), the weighting of other European countries in the shareholder structure rose to 20% (2012: 16%). Private shareholders enlisted in the share register and institutional investors on which the Company does not have any further details make up 26% of the free float (2012: 28%).

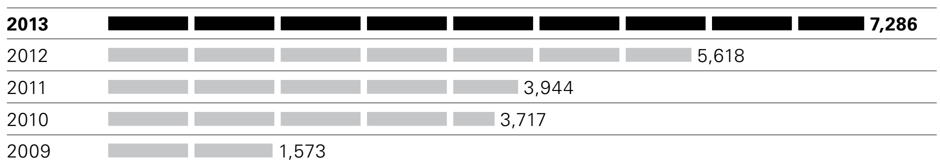
01|06 REGIONAL SPLIT OF INVESTOR BASE AS OF DECEMBER 31 (in % of free float)



Weighting of HUGO BOSS in the MDAX increases

At the end of December 2013, the **HUGO BOSS share** which is listed in the **MDAX** took 14th place in Deutsche Börse's ranking calculated on the basis of market capitalization adjusted for free float (December 31, 2012: 15th place). Measured by trading volume, the HUGO BOSS share took 7th place (December 31, 2012: 8th place). This means that the weighting of the HUGO BOSS share in the MDAX at the end of December came to 2.6% (December 31, 2012: 2.1%). On average, 139,786 HUGO BOSS shares were traded on the Xetra trading platform daily in 2013. In 2012, the average number of ordinary and preferred shares traded daily came to 152,261 shares. The two share classes were merged on June 18, 2012 and now only ordinary shares are traded.

01|07 MARKET CAPITALIZATION AS OF DECEMBER 31 (in EUR million)



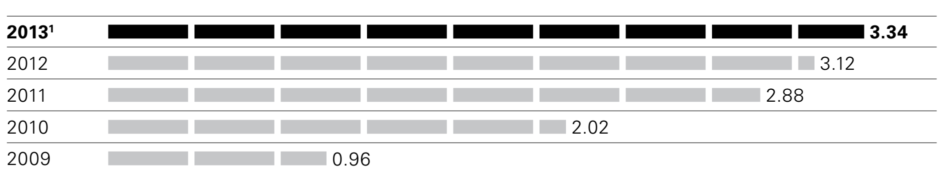
No corporate bonds issued

Neither HUGO BOSS AG nor any of its subsidiaries issued corporate bonds in 2013 and no bonds were outstanding as of year-end 2013. The Group is also not rated by any external rating agency.

Dividend per share on the rise

HUGO BOSS pursues a profit-based distribution policy that allows the shareholders to participate appropriately in the Group's earnings development. The policy is to distribute to shareholders between 60% and 80% of consolidated net income on a regular basis. On account of the rise in profits in the past fiscal year, the Company's strong financial position and positive expectations for 2014, the Managing Board and Supervisory Board intend to propose to the Annual Shareholders' Meeting to be held on May 13, 2014 a dividend of EUR 3.34 per share for fiscal year 2013 (2012: EUR 3.12). The proposal is equivalent to a payout ratio of 70% of the consolidated net income attributable to the shareholders of the parent company in 2013 (2012: 70%). Assuming that the shareholders approve the proposal, the dividend will be paid out on the day after the Annual Shareholders' Meeting, May 14, 2014. On the basis of the number of shares outstanding at year-end, the amount distributed will come to EUR 231 million (2012: EUR 216 million).

01|08 DIVIDEND PER SHARE (in EUR)



[1] 2013: Dividend proposal.

Transparent and open communication as a goal of Investor Relations work

For HUGO BOSS, good capital market and corporate communication means communicating current developments within the Company promptly and in a transparent manner, which strengthens the confidence placed in the Company by capital market participants and the general public. Once again in 2013, the Managing Board and the Investor Relations department took part in an ongoing individual dialog with national and international institutional and private shareholders. One valuable instrument used in keeping institutional investors, private shareholders and the interested public informed about the development of the Company is the Internet. HUGO BOSS AG's Investor Relations website not only contains general information and key figures on the Company but also current financial reporting, company presentations, press releases as well as the financial calendar and the contact details of the Investor Relations department.

:// group.hugoboss.com/Investor Relations

COMBINED MANAGEMENT REPORT
GROUP PROFILE

2

COMBINED MANAGEMENT REPORT
GROUP PROFILE

BUSINESS ACTIVITIES AND GROUP STRUCTURE

HUGO BOSS strives to strengthen and grow its position as one of the market leaders in the premium and luxury segment of the global apparel market. Headquartered in Metzingen, the Group generated with almost 12,500 employees a net income of EUR 2.4 billion in fiscal year 2013, making it one of the most profitable listed apparel manufacturers in the world.

Positioning in the premium and luxury segment of the apparel market

The HUGO BOSS Group is one of the market leaders in the premium and luxury segment of the global apparel market. The Group focuses on the development and marketing of premium fashion and accessories for men and women. With its brand world, HUGO BOSS caters for clearly defined target groups. The brands cover a comprehensive product range encompassing classic to modern apparel, elegant evening wear and sportswear, shoes, leather accessories as well as licensed fragrances, eyewear, watches, children's fashion, home textiles and mobile accessories. → **Brand World**

Targeted brand communication

HUGO BOSS leverages targeted marketing measures to raise the appeal of its brands. Apart from above-the-line marketing instruments such as print and out-of-home media, the relevant target groups are increasingly reached using digital channels. In light of the expansion of the Group's own retail business, the importance of point-of-sale marketing is also mounting. Sports sponsorship campaigns focus on premium sports such as Formula 1, golf or sailing that ideally convey brand values such as dynamism, perfection and precision. In its art sponsorship activities, the Group underscores the common ground that art and fashion share with respect to design, aesthetics and creativity. The Company emphasizes these attributes further with high-profile fashion events in the world's fashion capitals that raise the desirability and acceptance of the Group's brands among key target groups, while adding emotional appeal to the HUGO BOSS brand world.

Global sourcing and distribution activities

A part of the overall HUGO BOSS product assortment is produced in-house. In addition, products are manufactured by independent suppliers that are mainly located in Eastern Europe and Asia. The Company sells its collections in 127 countries around the globe. The Group's sales regions are Europe (60 % of sales), the Americas (24 % of sales) and Asia/Pacific (14 % of sales). In addition, 2 % of sales are generated from royalties. → **Sourcing and Production** → **Development of the Business Segments**

Growing importance of Group's own retail business

Today, HUGO BOSS customers can buy products at approximately 7,100 points of sale. Some 6,100 are operated by wholesale partners, that is department stores and, often, family-run specialist stores as well as franchise partners. Department store partners sell HUGO BOSS products either in shop-in-shops or in a multi-brand setting. Franchise partners operate freestanding HUGO BOSS stores. Sales with franchise partners are also reported in the wholesale segment. While the share of the wholesale business is decreasing, making up 44 % of total sales in fiscal year 2013, the importance of the Group's own retail business is growing dynamically. This includes freestanding stores in prime retail locations, shop-in-shops operated by the Group in multi-brand environments and factory outlets. At the same time, online sales are also gaining in importance. At present, the Group operates online stores in Germany, Great Britain, France, Spain, Italy, the Netherlands, Belgium, Austria, Switzerland, the United States and China. The number of points of sale owned by the Group saw a net increase of 170 to 1,010 in the past year. In total, the Group generated 54 % of its sales from its own retail business in fiscal year 2013. → **Group Strategy; Group Sales and Results of Operations**

02|01 HUGO BOSS DISTRIBUTION CHANNELS

Group's own retail business	Wholesale
Freestanding stores: Freestanding stores operated by the Group in prime locations	**Shop-in-shops:** Shops operated by wholesale partners
Shop-in-shops: Shops operated by the Group on retail space of partners	**Multi-brand points of sale:** Category business sales areas without HUGO BOSS branding
Factory outlets: Sale of prior season's merchandise in specialist stores in high-traffic peripheral zones	**Franchise business:** Freestanding stores operated by partners
E-commerce: HUGO BOSS online stores in a number of different countries around the globe	

Legal structure of the Group reflects dual management and control structure

The HUGO BOSS Group is managed by the parent company HUGO BOSS AG, based in Metzingen, Germany, where all of the Group management functions are bundled. As a German stock corporation, HUGO BOSS AG has a dual management and control structure. The Managing Board is responsible for the Group's strategy and its management. The Supervisory Board advises the Managing Board and oversees its management activities. Apart from HUGO BOSS AG, the Group comprises 54 consolidated subsidiaries that are responsible for local business activities. Of these, 34 are organized as distribution companies. With few exceptions, HUGO BOSS AG has complete control over all subsidiaries. All subsidiaries are operated as independent profit centers and are responsible for their results of operations.

Regional alignment of organizational structure

The HUGO BOSS Group has aligned its structure regionally and bundled its local business activities into three regional organizational units: Europe including the Middle East and Africa; the Americas; and Asia/Pacific. These three regions together with the Royalties business make up the Group's four operating segments. Responsibility for the central functions is allocated to the individual members of the Managing Board, and bundled at the Group's headquarters.

02|02 HUGO BOSS GROUP STRUCTURE

MANAGING BOARD	
CENTRAL FUNCTIONS	**OPERATIVE SEGMENTS**
Sourcing, production and logistics	**EUROPE** incl. Middle East and Africa
Finance and controlling	
IT	**AMERICAS**
Communication	
Own retail	**ASIA/PACIFIC**
Brand and creative management	
Human resources	**ROYALTIES**
Legal and compliance	
Sales	

Regional organizational units implement the Group's strategy

In close consultation with the Managing Board, the three regional organizational units, under the leadership of their respective regional directors, secure implementation of the Group's strategy in each market environment. The directors are charged with securing cooperation with those responsible at country-level within their respective regions, particularly as regards the regional adaptation of the distribution strategy in the wholesale and retail business as well as the development of sales and earnings. This regional emphasis of distribution structures brings the Group closer to customers, improves responsiveness to market trends and eases adaptation to market characteristics. Moreover, it enables the fast exchange of knowledge through the close integration of local companies.

02|03 KEY LOCATIONS/GLOBAL MARKET PRESENCE

AMERICAS

Points of sale	**~ 1,550**
Own retail stores	**200**
Showrooms	**2**

EUROPE (including Middle East and Africa)

Points of sale	**~ 5,100**
Own retail stores	**576**
Showrooms	**17**

ASIA/PACIFIC

Points of sale	**~ 450**
Own retail stores	**234**
Showrooms	**2**

GROUP MANAGEMENT

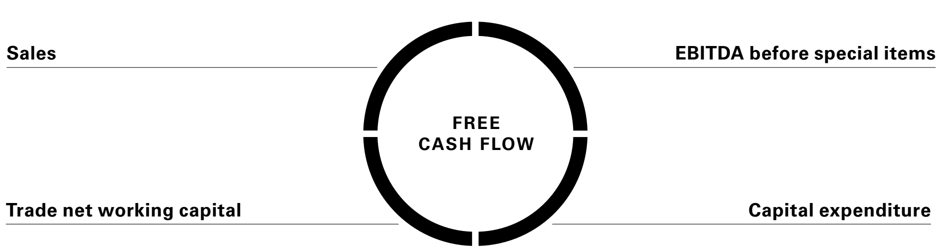
Management at HUGO BOSS aims to sustainably increase the enterprise value. The Company's internal management system helps the Managing Board and leadership at the level of individual business units align all business processes to this objective.

GROUP MANAGEMENT ALIGNED TO PROFITABLE GROWTH

The HUGO BOSS Group is helmed by the Managing Board, which sets the Group's strategic direction in particular. Operative implementation of the Group strategy takes place in close cooperation with the regional and brand directors as well as the heads of the central functions. The organizational and management structure clearly allocates areas of authority and responsibility and defines lines of communication, thereby aligning all corporate resources towards sustainably increasing the enterprise value.

KEY PERFORMANCE INDICATORS

02|04 KEY PERFORMANCE INDICATORS OF THE HUGO BOSS GROUP



Focus on increasing free cash flow

To increase the enterprise value, the Group focuses on maximizing free cash flow. Maintaining positive free cash flow in the long term secures the Group's financial independence and its solvency at all times. Increasing sales and operating income, defined as EBITDA (earnings before interest, taxes, depreciation) before special items constitute the main levers for improving free cash flow. Strict management of trade net working capital and value-oriented investment activities also support the development of free cash flow.

02|05 DEFINITION FREE CASH FLOW

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

The Group's most important performance indicators are sales and EBITDA before special items

As a growth-oriented company, HUGO BOSS attaches particular importance to profitably increasing its sales. All activities to raise sales are gauged by their potential to generate a increase in EBITDA and the EBITDA margin (ratio of earnings to sales) before special items in the long term. EBITDA was chosen as the most important performance indicator as it is a key driver of free cash flow. Productivity increases in the Group's own retail business are seen as the main lever for increasing the EBITDA margin. In addition, the company enhances the efficiency of its sourcing and production activities and optimizes its operating expenses to ensure that they do not outpace sales growth.

Management of the Group companies is directly responsible for obtaining profitable business growth. Consequently, part of the total remuneration of management of the independent distribution companies is variable and tied to the realization of targets for sales and EBITDA before special items as well as other indicators of relevance for cash flow.

Managing efficient use of capital through trade net working capital

Owing to the low-capital-intensive nature of the HUGO BOSS business model, trade net working capital is the most important performance indicator for managing efficient use of capital.

02|06 DEFINITION TRADE NET WORKING CAPITAL

	Inventories
+	Trade receivables
−	Trade payables
=	**TRADE NET WORKING CAPITAL**

Management of inventories as well as trade receivables and trade payables is charged to the central operating functions and distribution units. These three components are managed using the indicators days inventories outstanding, days sales outstanding and days payables outstanding, which are partially factored into the variable renumeration of management of the central functions and distribution units. Furthermore, the ratio of trade net working capital to sales is set as one of the Managing Board's targets and is reported as part of the planning process and monthly reporting.

Capex focuses on the Group's own retail business

The potential value added of proposed investment projects is assessed taking into account the relevant cost of capital. Expanding the Group's own retail business is currently the focus of the Group's investment activity. With this in mind, an approval process was established specifically for projects in this area. Apart from a qualitative analysis of potential locations, this also includes an analysis of each project's present value.

02|07 DEVELOPMENT OF KEY PERFORMANCE INDICATORS (in EUR million)

	2013	2012	Change in %
Sales	2,432.1	2,345.9	4
EBITDA before special items	564.7	528.1	7
Trade net working capital	431.8	408.5	6
Capital expenditure	185.3	165.8	12
Free cash flow	230.0	220.6	4

Three core elements of the Group's internal management system

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

- Group planning,
- Group-wide, IT-enabled financial reporting and
- Investment controlling

Regular update of Group planning

Group planning takes the form of rolling planning over a three-year horizon. It is prepared each year as part of the Group-wide budget process taking into account the current business situation.

Based on the Managing Board's central targets, the distribution companies prepare complete earnings and investment budgets for their respective sales markets or business units. A similar planning model is used for trade net working capital. Taking this as a basis, the development and sourcing units derive medium-term capacity requirements planning. The planning by the business units is centrally tested for plausibility and aggregated into overall corporate planning.

Annual planning is updated at regular intervals to factor in the actual development of business and the existing opportunities and risks in order to allow a forecast of the consolidated earnings that can be expected in the current year. Based on the expected development of cash flow, the Group's Treasury department prepares a monthly liquidity forecast. This permits early recognition of financial risks and the adoption of measures concerning financing and investment requirements. In addition, liquidity planning differentiated by currency is used, among other things, as a basis for currency hedging. → **Report on Risks and Opportunities, Financial Risks**

Group-wide reporting focuses on analysis of early indicators

The Managing Board and management of Group companies are informed about the development of business operations through standardized, IT-enabled reports of varying granularity. This reporting system is supplemented by ad hoc analyses as necessary. Actual data compiled by the Group-wide reporting system are compared against budget data each month. Deviations from target are explained and planned countermeasures presented. Developments with a material impact on the Group's earnings have to be immediately reported to the Managing Board. In addition, particular attention is paid to the analysis of early indicators deemed suitable for obtaining an indication of the future development of business. In this context, order intake, the performance of the replenishment business and retail comp store sales are analyzed at least on a weekly basis. In addition, benchmarking against relevant competitors is performed at regular intervals.

Investment controlling secures Group's profitability targets

Investment controlling appraises planned and realized investment projects with respect to their contribution to the Group's profitability targets. This ensures that projects are only launched if a positive contribution to increasing the Group's value performance can be expected. In addition, subsequent analyses are conducted at regular intervals to verify the profitability of projects that have already been realized. Appropriate countermeasures are taken in the event of deviations from the profitability targets originally set.

GROUP STRATEGY

HUGO BOSS has set itself ambitious sales and earnings targets. In order to reach its targets, the Group draws on its core competence – the development and marketing of high-quality apparel, as well as shoes and accessories in the premium and luxury segment. Building on this, the Group's strategy aims to maximize brand attractiveness and to strengthen parts of the product range that have had a less profiled presence so far, to increase retail competence and to further expand the Group's own retail business, to capture global growth opportunities as well as to improve critical operational processes.

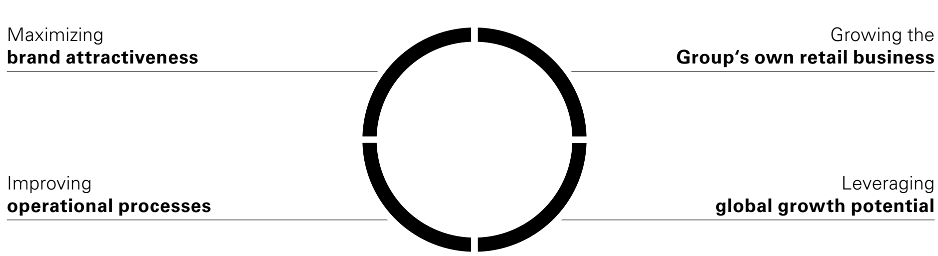
Clear sales and earnings targets defined

The successful development of business in the past years underscores the strength of the HUGO BOSS business model. This serves as the foundation for reaching the ambitious growth targets. Drawing on organic growth, the Group strives to generate sales of EUR 3 billion in 2015. The operating margin is targeted to continually increase and to reach 25% in the medium-term. The planned increase in earnings, together with the strict management of trade net working capital as well as disciplined investment activity will form the basis for targeted maximization of free cash flow and, in turn, increasing enterprise value.

Growth strategy based on four pillars

In order to sustainably increase sales and earnings, HUGO BOSS has identified four key growth areas for which strategic initiatives have been defined. The aim is to maximize brand attractiveness and to strengthen parts of the product range that have had a less profiled presence so far with appropriate product initiatives and a compelling brand communication. A strict customer-centric approach supports productivity gains in the Group's own retail business, the expansion of which is being driven forward. Furthermore, the Group sees substantial growth potential worldwide that should lead to a more balanced regional sales structure in the long term. Finally, operational processes are to be strengthened further.

02|08 MEDIUM-TERM GROWTH STRATEGY

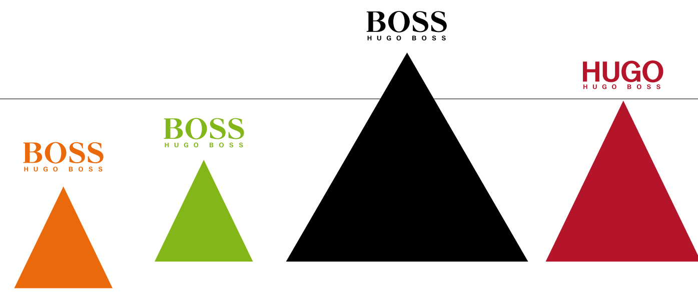


02|09 HUGO BOSS BRAND POSITIONING

Market segment

luxury

premium



Brand positioning	casual urban chic	modern active	modern sophisticated	progressive contemporary

MAXIMIZING BRAND ATTRACTIVENESS

Powerful brands are the foundation for business success

The competence obtained over decades in the segment for high-quality womenswear and menswear, shoes and leather accessories shapes the product offering of HUGO BOSS. All products stand out through the use of premium materials, excellent workmanship and outstanding design. The Company reaches out to consumers with the brands BOSS and HUGO. The BOSS core brand is flanked by the brand lines BOSS Green and BOSS Orange. This setup allows HUGO BOSS to address the diverse attitudes and needs of different target groups. At the same time, this approach ensures a clear brand presence that the end consumer can easily understand.

Focus on the BOSS core brand

HUGO BOSS sees significant growth potential across its entire brand and product portfolio. The BOSS core brand will remain by far the largest single brand in the future. It stands above all for sophisticated, elegant ready-to-wear that appeals to fashionably minded men and women. Like BOSS Orange and BOSS Green, BOSS also offers a high-quality sportswear range. While BOSS stands for sophisticated, elegant sportswear and exacting standards in quality, design, fit and finish, BOSS Orange tends to appeal to younger customers that prefer an individual and unconventional clothing style. BOSS Green makes its mark with active sportswear that fuses fashion with sport and technology with style.

Expanding market positioning in the luxury segment

The Company sees great growth opportunities in the expansion of its luxury offering, which complements the strong positioning it has obtained over the years in the premium segment. With this in mind, HUGO BOSS has simplified its brand presentation by combining the BOSS Black and BOSS Selection brands under the BOSS core brand. This integration was implemented for the first time in the 2013 fall collection. The resulting impetus to the market position of BOSS, particularly in the luxury segment through the extension of the Made to Measure range of suits and shirts, for instance, accents the Company's competence in high-quality tailoring and has a direct positive impact on the perception of the premium offering.

HUGO is the fashion spearhead of HUGO BOSS

With its progressive style and avant-garde design, the HUGO brand boasts a strong market position among keenly fashion-conscious consumers. HUGO clearly stands out from the competition with its minimalist designs and puristic looks. Apart from its commercial importance, HUGO plays a key role as the fashion spearhead that sharpens perception of HUGO BOSS overall. The Group sees substantial growth potential, particularly in markets such as the United States and Asia, where the market penetration of HUGO is still relatively low.

Womenwear as a key future growth driver

The Group aims to further improve its market positioning in womenswear. The appointment of Jason Wu, one the world's biggest design talents in the high-end womens fashion arena, as Artistic Director BOSS Woman is the single most important measure to this end. His creativity and global profile coupled with the signature modern and feminine design, a perfect fit and an attractive value for money proposition heighten the appeal of BOSS womenswear and make the brand interesting for a significantly larger customer group. The Group supports the market success of the womenswear collection by expanding the sales area in its own retail stores, particularly flagship stores, while strengthening communication activities. A major highlight is the exclusive BOSS womenswear show at New York Fashion Week.

Expansion of brand communication

HUGO BOSS is expanding its communication activities to reinforce the perception of its brands. This is consistent with the Group's efforts to sharpen its focus on end consumers as part of the expansion of its own retail business. The aim is to uniformly disseminate the brand message across all communication channels in a bid to strengthen perception of the brand, activate existing consumers and attract new customer groups to HUGO BOSS. Special emphasis is being placed on the greater use of print campaigns to support the womenswear line, the expansion of point-of-sale marketing in connection with the larger flagship store portfolio and the broadening of the Group's online media activities. Targeted fashion shows aim to further increase the visibility of the brands among end consumers.

HUGO BOSS

BRAND WORLD

BOSS
HUGO BOSS

The BOSS core brand epitomizes authentic, understated luxury. The men's collection offers modern, refined business- and eveningwear along with sophisticated casual looks and premium sportswear for after work. The unique fits, high-quality materials and exquisite styles help to bring out a man's personality – and give him the confidence that he is perfectly dressed for every occasion. Shoes and accessories round out the range, supplemented by watches, eyewear and fragrances produced under license.

BOSS

HUGO BOSS

The women's collection of the BOSS core brand stands for feminine styles with a strong focus on precision workmanship, fine fabrics and detailing. The rich array of modern businesswear, exclusive leisurewear and glamorous evening apparel fuses fashionable silhouettes with excellent design and timeless elegance. Coordinated shoes and accessories complete the looks, which are enhanced by licensed watches, eyewear and fragrances.

BOSS
HUGO BOSS

BOSS Kidswear offers a premium range of quality leisure- and sportswear featuring smart details, along with dressy outfits for more formal occasions. The versatile collections for newborns, children and young adults are produced under license and complemented by matched accessories.

BOSS
HUGO BOSS

BOSS Green is the active sportswear line from HUGO BOSS that transcends the boundary between modern leisure outfits and performance golf apparel. Linking fashion, lifestyle and function, the collection delivers distinctive, dynamic looks in impactful colors.


BOSS

As the urban casualwear collection from HUGO BOSS, BOSS Orange sends an easy-going message. The laid-back lifestyle fashions appeal to men and women who set stock in individuality and cultivate mobility and spontaneity as parts of their personal mindset. Shoes and accessories join licensed watches, eyewear and fragrances to perfect the uncomplicated, modern look.

HUGO
HUGO BOSS

HUGO is the fashion spearhead within the HUGO BOSS brand world. Offering contemporary design trends for both business and leisure, the brand stands for progressive looks and an edgy, urban attitude. The women's and men's collections consistently set self-confident, stylish accents; shoes, accessories and licensed fragrances round out the ranges.

WWW.HUGOBOSS.COM

GROWING THE GROUP'S OWN RETAIL BUSINESS

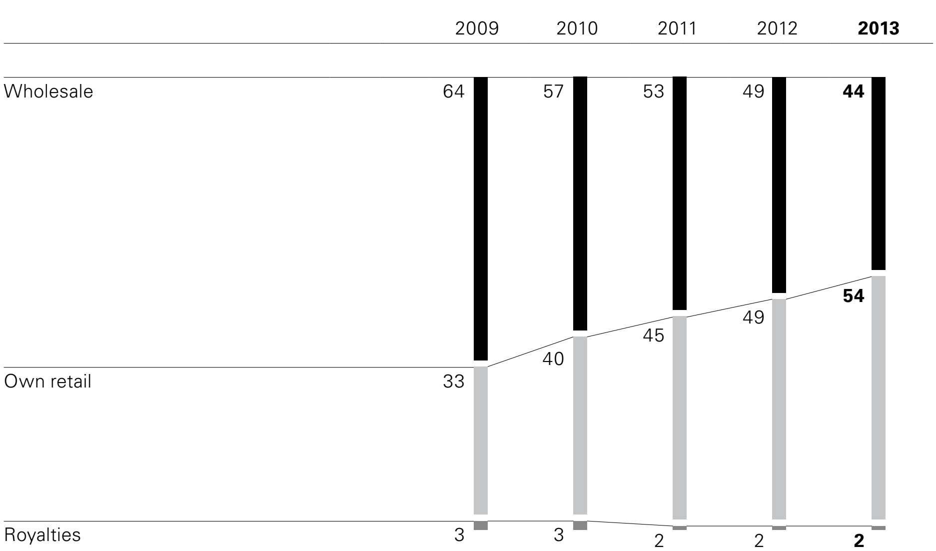
Business model aligned towards own retail business

Over the past few years, HUGO BOSS has comprehensively realigned its business model with the requirements of the Group's own retail business. The Group is thus responding to growing consumer demand for mono-brand sales formats and this sales channel's attractive profitability profile. In light of new openings, productivity gains and takeovers, the Group anticipates that the share of sales contributed by its own retail business will climb to at least 60% by 2015 (2013: 54 %). A significantly higher share is expected in the long term.

Wholesale remains an important distribution channel

Based on its customer relationships in the premium and luxury apparel segment, which it has forged over decades, and its brand attractiveness, the Group is confident it can also offer its wholesale partners a convincing product offering, best-in-class service and a high level of supply reliability, and increase its market share in the process. However, the growth potential of the wholesale business is limited by the moderate growth reported by many business partners, a slow expansion of sales floor space, growing competition from mono-brand and online sales formats together with the market exit of many small owner-run stores, particularly in Western Europe and North America. As a consequence, the Group expects the share to total Group sales of this distribution channel to decline.

02|10 SALES BY DISTRIBUTION CHANNEL (in %)



Improved business processes further enhance retail competence

Over the past few years, HUGO BOSS has trimmed and increased the flexibility of critical business processes to enable it to respond faster to market developments and the changing needs of its customers. Drawing on the experience gained in the interim, the measures taken and, in turn, the Company's retail competences are being optimized further. Initiatives to emphasize the spring and fall collections as part of the four-collection cycle cater specifically to the needs of the American and Asian markets. Earlier deliveries also help improve the availability of new collections at the start of the season and, in turn, the full-price sell-through rate. In addition, brand and creative management are to receive support in the development of the next collection through better analyses of the results of the reference season. Finally, follow-up measures were taken to couple up production and sourcing activities more closely to actual demand.

Close integration of online and offline channels

With the expansion of its online retail activities, HUGO BOSS is responding to the increasing acceptance of this sales channel and is taking the opportunity to reach out to new buyer strata. Apart from opening new stores in markets that had not been tapped online so far, the focus is on optimizing existing stores as regards user-friendliness, product range and presentation as well as services. Moreover, greater attention is being paid to the increased integration of online activities, both as regards digital brand communication as well as the combination of bricks-and-mortar and mobile retail, to offer consumers a seamless, integrated brand and shopping experience. This allows the Group to continually improve its ability to fulfill the expectations of consumers with a preference for multi-channel solutions.

Cross-channel customer relationship management

In a closely related move, the Group has strengthened its efforts in customer relationship management across all retail channels. HUGO BOSS increasingly engages with its existing and new customers in more personal ways through mailings and email newsletters about relevant and interesting information and special offers in order to provide them an attractive brand experience. For instance, consumers have the option of registering in HUGO BOSS' own stores and receive invitations to exclusive events for the unveiling of collections or special store events.

Expanding and optimizing the store network

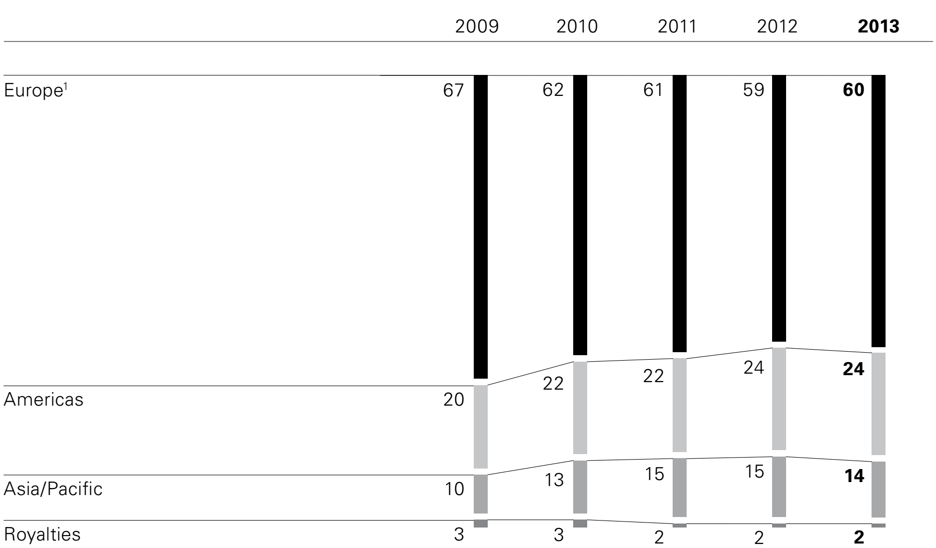
The Group sees good opportunities for increasing its global market penetration through the opening of about 50 new stores and shop-in-shops each year. In addition to opening new stores, the Group considers the takeover of stores operated by franchise partners, depending on the attractiveness and growth prospects of each market in question. Independent management of shop-in-shops previously run by wholesale partners is another means of enhancing the attractiveness of the brand presentation and tapping additional sales and earnings potential. The Group sees levers for significantly increasing the sales productivity of the stores it takes over, through autonomous selection of the assortment, by using the Group's own sales personnel with special training and by taking charge of replenishment. In addition, the Group invests in the renovation of existing stores to increase the consistency of global brand image and store productivity.

LEVERAGING GLOBAL GROWTH POTENTIAL

Global brand awareness offers growth opportunities

HUGO BOSS is very well known around the world thanks to the appeal of its brands and its early entry into international markets, particularly through franchise partners. The Company sees substantial opportunities for commercially exploiting this brand perception in the coming years more thoroughly than in the past and for gaining a firmer footing in markets in which the Group's presence is still relatively weak, particularly fast growing markets. To this end, the Group will expand its own retail business in particular. It is therefore expected that the share of sales generated outside Europe will steadily increase in the next few years.

02|11 SALES BY REGION (in %)



[1] Including Middle East and Africa.

Expansion of the Group's own retail business is key for continued growth in Europe

However, Europe will remain the Group's largest sales market. In addition, the Group is supplementing its established presence at wholesale partners by growing its network of own stores. It is thereby strengthening the homogeneity and value of the global brand image and is raising the appeal both for local consumers and the growing number of non-European customers who visit the region as tourists. Motivated by these considerations and in response to the challenging business situation faced by many of its business partners, HUGO BOSS has also increasingly begun to directly operate wholesale spaces itself. This has allowed the Group to generate growth that outstrips the average sector growth in many markets. Apart from expanding its market positioning in traditional mainstay markets like Germany, Great Britain, France and the Benelux countries, the Company feels that there are attractive growth opportunities in Eastern Europe, especially in Russia. Building on the direct market entry in fiscal year 2013, the Company will to a larger extent control its distribution in this market itself in future.

Strong brand perception forms foundation for success in the Americas

HUGO BOSS enjoys a sturdy market positioning in the Americas. It is primarily anchored in a favorable perception shaped by associations with the European lifestyle. Apart from modern design, HUGO BOSS is attributed a high degree of reliability with respect to fit and quality as well as an attractive value proposition. HUGO BOSS wants to increasingly take advantage of these strengths, also as regards parts of its portfolio that have had a less profiled presence until now, such as the HUGO brand or the womenswear line. The latter should benefit in particular from the huge reputation that the new Artistic Director, Jason Wu, has in the region. In the wholesale business, the Group is concentrating on partnering with retailers in prime market segments. Optimization of brand presentation, both in the category business but also increasingly in shop-in-shop formats, partly also under the Group's control, serve as key growth levers in this context. In the retail business, the focus is on selected new openings, particularly in Latin America, as well as in enhancing the shopping experience.

HUGO BOSS wants to leverage growth opportunities in Asia

As the middle class steadily grows and premium and luxury goods become more affordable due to the accompanying increase in purchasing power, HUGO BOSS is seeing substantial sales potential opening up in Asia, and particularly in China. Consequently, the Company is investing in the quality of its retail presence and brand perception. The exclusivity of the brand presence is being augmented by opening flagship stores in cosmopolitan cities like Shanghai and Hong Kong, but also by renovating existing stores. Expansion of training activities together with the implementation of structured IT-enabled customer relationship management also serve to improve the shopping experience. Brand communication is being built up with a focus on multi-channel measures that link up events such as the fashion show held in Shanghai in 2013 with social media and digital marketing initiatives. The Group also sees substantial growth opportunities in the expansion of its offering of premium businesswear for men, as its share in sales in Asia is significantly lower than in other regions. There are also further pools of potential in the segments of luxury sportswear, womenswear and the HUGO brand, which reaches out to a fast growing number of fashion-conscious young people who want to stand out from the crowd with a personal look.

IMPROVING OPERATIONAL PROCESSES

Operational strength is the foundation of commercial success

The fundamental principle observed by the Group is to keep control over all business-critical processes. Robust operational processes allow the Company to develop, source, produce and deliver high-quality products in large numbers efficiently, fast and on an industrial scale. This affords HUGO BOSS the opportunity to gain a competitive edge by swift reaction to market changes, an advantageous value-for-money proposition and high supply reliability. The Group still focuses on optimizing operational processes in line with the requirements of its own retail operations.

Vertically integrated organizational structure secures design and product excellence

HUGO BOSS has closely integrated the product design and development process with industrial manufacturing and sourcing. The organizational structure is aligned to the categories clothing, sportswear, womenswear as well as shoes and accessories in order to maximize the respective product competencies. Intensive cooperation of all those responsible for product development increases product quality, accelerates development times and captures synergy effects in development and sourcing.

Own production activities secure critical know-how

HUGO BOSS still produces a substantial share of its classical clothing range in-house. By using its own production facilities, the Company can secure critical know-how, while enabling development activities to be closely geared to subsequent industrial manufacturing. In addition, the insights won from maintaining its own production activities can be drawn upon to profitably manage an external supplier network that guarantees reliably high product quality on the basis of partnerships that have grown over many years of collaboration. → **Sourcing and Production**

High performance IT-structure affords key competitive advantage

A high-performance SAP-based IT infrastructure uniformly deployed worldwide effectively supports the operational processes of all functions and creates the transparency needed for making entrepreneurial decisions. In particular, this provides direct control over the development of the Group's own retail business, enabling quick response times with respect to the distribution of goods and discount management. The Group is currently working on implementing an IT solution that provides a fully integrated view of stock flows in its own retail business thus enabling planning that is directly driven by end consumer demand. Another focal point is the IT-side integration of production, transportation and distribution processes in order to capture efficiency and speed benefits. → **Sourcing and Production**

Logistics infrastructure is aligned to requirements of the Group's own retail business

A powerful logistics infrastructure ensures timely and accurate delivery to sales partners and the Group's own points of sale. In the past few years, the Group has redoubled its efforts to optimize its logistics processes with respect to the requirements of its own retail business in line with the transformation of its business model. The single most important measure in this context is the construction of a new flat-packed goods distribution center near the Group's headquarters. Once it goes into operation in the first half of 2014, it will speed up the merchandise supply process and significantly improve the efficiency of critical handling processes compared to the past.

EMPLOYEES

The work of the almost 12,500 people employed by the HUGO BOSS Group worldwide is the basis of the Company's success. The skills of the employees and their passion for fashion find their expression in unmistakable products. The central aim of personnel work in the HUGO BOSS Group is fostering the team spirit and motivation of employees in an international environment, while creating a culture of openness and creativity that allows each and every individual to realize their full potential. HUGO BOSS' corporate values of quality, passion, respect, cooperation and innovation provide the cornerstones.

Corporate values shape culture of collaboration

Over the last two years, a mission statement was drafted for the HUGO BOSS Group as part of the international project COMMIT involving employees from different departments and hierarchy levels from which concrete initiatives were derived. The mission statement "HUGO BOSS inspires people towards success" is founded on the corporate values of quality, passion, respect, cooperation and innovation – values that shape employees' daily work with each other and that reflect the corporate culture. Human resources (HR) management at HUGO BOSS is geared towards breathing life into the values underpinning the mission statement, so that every single employee can make a contribution to the achievement of the Company's goals in the long term with their skills, commitment and their individual personality. In order to anchor these values in daily interaction, they were further refined in the course of a number of activities and workshops held last year and incorporated into the personal objectives of each employee. → **Sustainability**

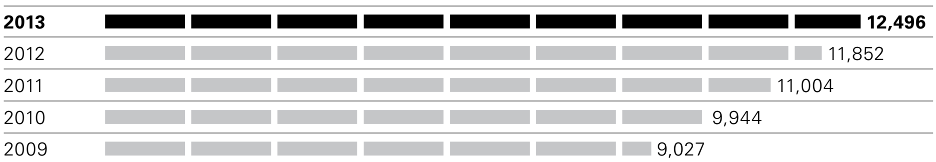
Personnel strategy supports the Company's growth

The aim of personnel work at HUGO BOSS is to attract the right people to the Company, retain them long-term and systematically support their development so that they can reach their full potential. Offering inspiring and challenging tasks helps ensure that each individual contributes as best they can, thereby fostering the long-term success of the Company. Again in the past year, the focus of HR management was on aligning human resources with the strategic orientation of the Group towards its own retail business. In view of the increasing international nature of operations, special attention was also paid to following up on the efforts already initiated in the past few years to design standardized and transparent processes for personnel recruitment and development across the Group. Another emphasis of personnel work was on leveraging a holistic employer branding campaign to strengthen the market positioning of HUGO BOSS as an attractive employer.

Workforce expansion in 2013

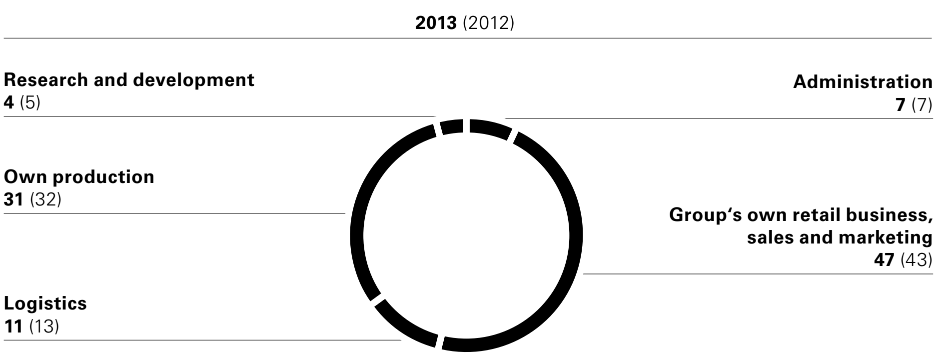
The number of employees in the HUGO BOSS Group increased further in 2013. At the end of fiscal year 2013, HUGO BOSS had 12,496 employees. This is an increase of 644 or 5 % compared to the prior year (2012: 11,852 employees).

02|12 NUMBER OF EMPLOYEES AS OF DECEMBER 31



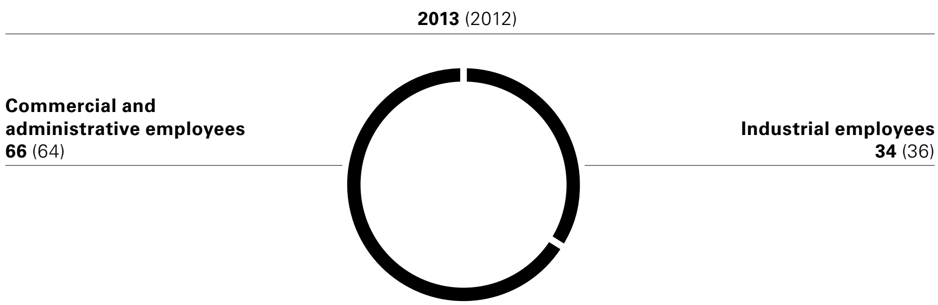
The rise is attributable to the positive development of business and the associated increase in demand for staff, particularly in the Group's own retail business. In the Group's own retail business alone, the workforce grew last year by 15% from 4,139 to 4,759 employees. The majority of new employees in this segment were hired in Europe and the Americas, where the expansion of the Group's own retail business was driven forward, partly through the takeover of shop-in-shop units from wholesale partners. → **Group Strategy**

02|13 EMPLOYEES BY FUNCTIONAL AREA AS OF DECEMBER 31 (in %)



As a consequence, the share of employees in commercial positions increased further. At year-end 2013, 8,262 employees or 66% of the workforce (2012: 7,549) were assigned to commercial and administrative positions and 4,234 employees or 34% of the total workforce (2012: 4,303) to industrial activities. → **Notes to the Consolidated Financial Statements, note 10**

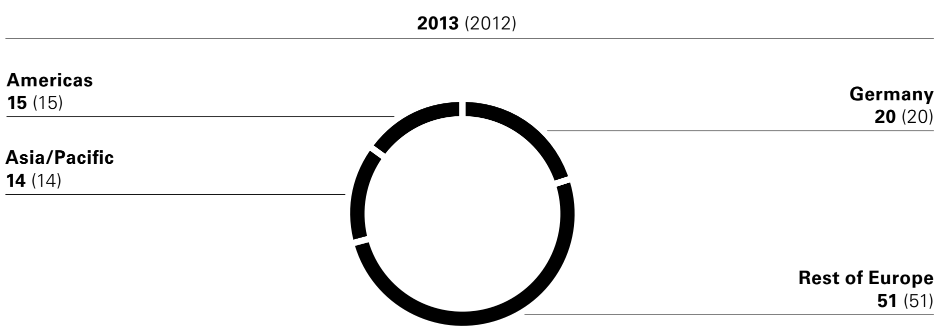
02|14 INDUSTRIAL, COMMERCIAL AND ADMINISTRATIVE EMPLOYEES AS OF DEC. 31 (in %)



HUGO BOSS puts emphasis on internationality

Internationality, openness and diversity shape the corporate culture at HUGO BOSS. This is reflected in the regional distribution of the workforce. 80% of the Group's people work outside Germany (2012: 80%).

02|15 EMPLOYEES BY REGION AS OF DECEMBER 31 (in %)



Continued high participation of women in management

The share of women in the HUGO BOSS Group as a whole stands at 60% (2012: 60%). In management, meaning across all management levels, 46% of all positions were held by women at the end of December 2013 (2012: 46%). As a result, the Company complies with the recommendation of the German Corporate Governance Code according to which the Managing Board has to try to ensure appropriate representation of women in management positions. → **Corporate Governance Report**

02|16 EMPLOYEE STATISTICS (in %)

	2013	2012
Proportion of men in total workforce	40	40
Proportion of women in total workforce	60	60
Proportion of men in management	54	54
Proportion of women in management	46	46
Average age in years	34	34

Professional education is a priority of the Company

HUGO BOSS invests in the vocational training of young people in order to secure its need for professionals. The Company offers a broad spectrum of industrial/technical and commercial apprenticeships as well as combined degree and vocational training courses in collaboration with Baden-Württemberg Cooperative State University (DHBW). During the apprenticeship term, HUGO BOSS considers it very important that general and specialized training and development opportunities are provided, such as in the form of the international assignment of Cooperative State University students to a subsidiary abroad.

Number of apprentices on the rise

In 2013, the number of apprentices and Cooperative State University students passed the 100 mark for the first time (2013:101; 2012: 90). In 2013, 24 apprentices and Cooperative State University students successfully completed their apprenticeship or degree. At the same time, 36 new apprentices and students began their course.

HUGO BOSS reaches out to its talents early on

HUGO BOSS positions itself in the market as an attractive employer for young people. In order to identify and attract talents early, the Company cooperates closely with colleges in Germany and abroad. HUGO BOSS stays in touch with high school and college students through numerous company presentations and workshops, tours at the headquarters in Metzingen, through presentations by employees of various departments at colleges and by organizing competitions for young talents. For instance, the Group maintains very close ties with Reutlingen University and regularly awards project assignments to students with high potential. And since 1986, the Company has been awarding the “HUGO BOSS Fashion Award” to young talented fashion students in cooperation with Staatliche Modeschule Stuttgart. Apart from a cash prize, the winner is offered an internship at HUGO BOSS.

The Company often uses the contacts it establishes with these initiatives to recruit young talents. In 2013, the Company also made initial contact to young talents at ten job fairs.

Internship as a career start

More than 330 interns in total were given the opportunity to gain practical experience in most of the departments of HUGO BOSS in 2013. During their internship, interns can network with each other at events organized especially for them where they can get insights into other departments of the Company. Selected interns can follow up their internship by writing their thesis in the Company. In 2013, HUGO BOSS mentored almost 30 final-year papers. A targeted support program enables ties to outstanding interns to be maintained after they leave HUGO BOSS and to foster their development so that they can be later rehired as qualified employees.

Increasing employer attractiveness

The success of personnel marketing activities and intern mentoring in the past year is reflected, amongst other things, in a further improvement in the Company’s position in various rankings of Germany’s most popular employers. In addition, HUGO BOSS again received the TOP Internship award in 2013. One of the initiatives that guarantee the high quality standard of the internship program is the organization of regular workshops for designated intern mentors from the various departments.

Supporting work-life balance through family support policies, nutrition and sport

Since 2008, the Company has been a member of the "Erfolgsfaktor Familie" network, a nationwide network of companies committed to the provision of family-oriented HR policies, and offers a flexible family support model. This aims to ease the return to work after parental and maternity leave. Employees at the Group's headquarters in Metzingen have places reserved at two child daycare centers and the option of obtaining financial support for alternative childcare arrangements. A total of 178 employees benefited from the family support program in 2013.

As a responsible employer, HUGO BOSS is particularly concerned about the health of its employees. To sensitize employees to topics such as healthy nutrition, exercise or reducing stress, and to support practical initiatives, an annual health day is held at the headquarters in Metzingen with various presentations, workshops and exhibition stands.

Food at work is another area in which HUGO BOSS makes a fundamental contribution to health as an employer. The campus restaurant offers a balanced nutrition concept with menus that change daily and a large selection of fresh fruit and salads. Employees can also seek the advice of a nutrition coach.

In addition, all employees at the Group's headquarters can work out at the Company's own fitness studio and take part in subsidized courses. The football field and the beach volleyball court are also very popular with employees in Metzingen. In 2013, almost 1,000 runners took part in the 10th HUGO BOSS Run in Metzingen.

Personal development enhances organization's performance

With its systematic personnel training and development activities underpinned by a transparent competence model, the Group targets continuous improvement of its employees' expertise and skills. This not only raises the organization's performance overall, but also the motivation and confidence of every single employee.

With targeted measures, employees can improve their performance in the workplace and grow their expertise beyond the requirements of their current job profile. Apart from a large number of classroom training courses, more and more web-based training courses are being offered in different languages, particularly in the Group's own retail business, which allow standardized training of employees worldwide. More than 33,000 web-based training courses were successfully completed in the past fiscal year (2012: 16,000).

Apart from this, the personal development of individuals is supported on a case-by-case basis through transfers to other departments or functions both within the Group's headquarters and to subsidiaries abroad, by expanding the area of competence or through promotion to management positions. The career path of every manager is systematically supported with advice and by continuously fostering personal, methodological, specialist and leadership-related competencies.

Supplementing the leadership career path, the concept of the specialist career path was introduced in 2013. This gives high-performing and talented employees the opportunity to build up their expertise over the clearly defined development stages of a specialist career path. A training program designed for specialists was introduced to equip employees on this career path with the expertise and methodological skills they need.

In order to assess and clearly document the performance, competencies and development potential of each individual, all supervisors conduct annual feedback conversations with their employees. During the talks, tasks and personal objectives for the year ahead are set and training and development needs to meet these goals defined.

Employee remuneration based on transparent system

The HUGO BOSS Group's remuneration system is designed to ensure the fair and transparent compensation of employees and promote a culture of performance and dedication. Remuneration is set by reference to clearly documented job descriptions and assessments. Employees in Germany with collectively bargained wage agreements are remunerated based on the collective agreement of the Südwestdeutsche Bekleidungsindustrie (Southwest German Textile Industry). Personnel assigned to retail activities are remunerated based on the collective agreement for the German retail industry. Employees in retail and distribution receive a fixed salary and a variable component that is tied to quantitative targets. For instance, the remuneration of employees in the Group's own retail business is tied to the achievement of service standards and guidelines for its own retail business defined uniformly throughout the Group. In addition, reaching targets set for specific retail indicators creates shared incentives for the employees of individual stores. Employees who do not have collectively bargained wage agreements receive a basic salary plus a bonus, half of which is linked to Company targets and the achievement of qualitative and quantitative personal goals. In 2013, the Company objectives related to the development of sales, the operating profit, the operating margin, inventories and net financial liabilities. In the past fiscal year, the company pension offering was reorganized and significantly expanded. For instance, the Group now concludes for all employees who have been with the Company for more than six months an employer-funded direct insurance. Apart from the statutory subsidies, the employer-funded deferred compensation is supplemented by an additional employer subsidy. HUGO BOSS thus makes an important contribution to providing for its employees after retirement.

Apart from the contractually defined salary components, employee benefits include a traveling allowance and discounts on HUGO BOSS products. In addition, they can take advantage of the art and cultural offering in connection with sponsorship activities.

RESEARCH AND DEVELOPMENT

Season after season, HUGO BOSS has to prove itself on the apparel market and create collections that meet the exacting design and quality standards of customers. The research and development activities at the start of the value chain have a decisive influence on customers' perception of the Company's innovative strength and design competence. In addition, the use of innovative development and processing techniques can make an important contribution to increasing the efficiency of the complete product manufacturing process. Innovation therefore plays a central role in the Company's success and is firmly anchored in the Company's mission statement as one of its five values.

Research and development is a key element in the collection creation process

HUGO BOSS sees research and development (R&D) as an important element in the product development process as a means of transforming a creative idea into a marketable product. This process starts with the systematic identification of fashion trends, an analysis of market and sell-through data and the evaluation of consumer feedback in order to judge customer needs as best as possible. In the product development process in the narrow sense, innovation is primarily expressed in the use of new types of materials, fresh patterns as well as finishing techniques that enhance both quality and efficiency.

Innovation meets tradition at HUGO BOSS

As one of the leaders in the premium and luxury segment of the global apparel market, HUGO BOSS believes it is vital that it presents to customers modern, innovative products season after season to create purchase incentives time and again. At the same time, the customer expects HUGO BOSS to deliver products in every collection with the accustomed high product quality, perfect fit and unmistakable signature design. As a result, the focus of development at HUGO BOSS is both on exacting standards on quality, fit and consistent brand management as well as outstanding and innovative design.

Close interaction between creative department and technical development

Because the research and development process stands at the start of the value chain, it plays a decisive role in the collection's later success.

In the first step of the product development process, creative management defines the collection statement, plans the color, theme, shape and fabric concepts and sets the targeted price points. Insights from sell-through diagnostics of the reference season are factored into this process. In order to compile at an early stage information on current trends in colors and materials as well as new kinds of processing techniques, the design departments attend specialist trade shows several times a year. In their search for new ideas, the creative teams seek inspiration from a range of fields, including architecture, design and art, but also from new technologies and socioeconomic developments. For instance, the 2013 Womenswear

Fall Collection was inspired by the work of U.S. photographer Man Ray. Clear lines, playful prints and art deco details were used to fuse artistic luxury with the shapes of surrealism. In this first step in the product development process, the design teams draw to a limited extent on the expertise of external advisors such as trend scouts in order to identify fashion trends even earlier.

In a second step, the creative department hands over its sketches to the pattern design department where the feasibility of the creative ideas is initially reviewed from a tailoring perspective. The technical product development department then develops the models into prototypes. In close cooperation with suppliers, the materials used and innovative product techniques are developed further. The prototypes are then thoroughly tested, resulting, among other things, in the compilation of data on the physical attributes of the fabrics needed later at the series production stage.

The prototype creation stage is followed by sampling, the production of a sample collection for presentation and sale to international wholesale customers. This is followed by the production of the pieces ordered and their sale to end customers, either through the Group's own retail stores or the wholesale channel.

Throughout all stages, seamless collaboration of all those involved, including external suppliers and technology partners, is essential to ensure a high product quality and maximize the efficiency of the research and development process.

02|17 PRODUCT DEVELOPMENT PROCESS AT HUGO BOSS

Innovative virtualization technology simplifies the development process

To further simplify and accelerate technical product development, the Company increasingly uses virtualization technology, particularly for shirts, jersey, knitwear, blouses, dresses, suits and shoes. Virtual product development entails making digital 2D patterns of the designers' creative ideas and then converting these to 3D simulations of the finished product. With the help of these 3D prototypes it is possible to virtually visualize different color and material variations and the use of different crafting techniques. Virtual prototypes can be discussed with in-house employees involved in the process directly on the computer terminal and adjusted flexibly. This close cooperation between the development teams not only makes it possible to develop products quicker, but it also cuts costs due to the reduced need for physical prototypes. In some product categories, 3D technology can reduce the need for physical prototypes by as much as 20%.

The technology is to be rolled out to all product categories and is aimed to be also implemented in the early collaboration processes with the suppliers in the future. In addition, the aim is to also deploy the broad range of possibilities afforded by virtualization upstream in the creative design phase as well as downstream in the sale of products to business partners and end customers. For instance, the technology makes it possible to present collections in showrooms worldwide to demonstrate different fabric or color variations rather than using physical samples, significantly optimizing the use of resources.

Organizational structure permits seamless development process

The HUGO BOSS Group's organizational structure is geared towards precisely synchronizing various steps of the product design, product development and sourcing processes. Brand and creative management is organized based on the product categories clothing, sportswear, womenswear as well as shoes and accessories. One of the advantages of this organizational structure is that it allows direct links between the creative departments and the product divisions responsible for pattern design and technical product development as well as sourcing and production activities. This ensures a more direct communication between all those responsible for product development, while creating efficiency gains measured in terms of quality, speed and cost.

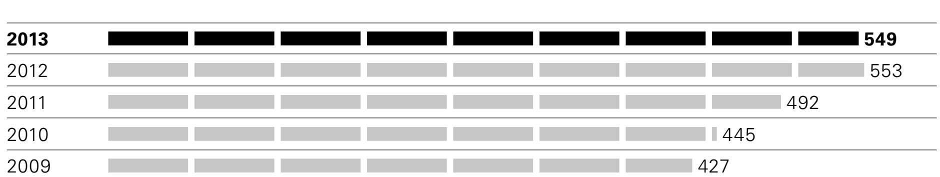
Development activities are spread across five locations

At HUGO BOSS, innovation and development work is organized across five development centers: in Metzingen (Germany), New York City (USA), Coldrerio (Switzerland), Morrovalle (Italy) and Scandicci (Italy). At its Group headquarters in Metzingen, the Company leverages its many years of experience in industrial textile manufacturing for trend-setting creative and technological product developments in the core business of classic tailoring as well as leisure and sportswear. Since the appointment of Jason Wu as Artistic Director, the BOSS womenswear collections are partly created at a design studio in New York. The Coldrerio competence center is responsible for both the development of the textile product groups shirts, ties and knitwear but also has overarching responsibility for shoes and leather accessories as well as bodywear. The Italian locations in Morrovalle and Scandicci focus on the development of shoes and leather accessories.

Almost 550 employees in R&D

The HUGO BOSS Group's creative and development departments are staffed by skilled fashion designers, tailors, shoe and clothing technicians as well as engineers. In 2013, the headcount in research and development came to 549 employees (2012: 553). → **Employees**

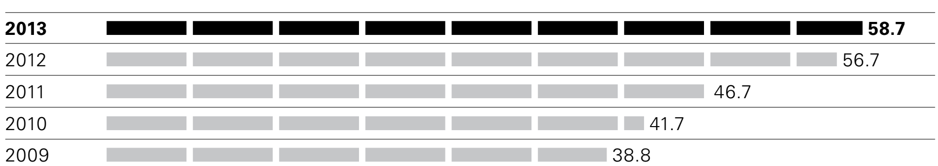
02|18 NUMBER OF EMPLOYEES IN R&D AS OF DECEMBER 31



Moderate increase in R&D expenses

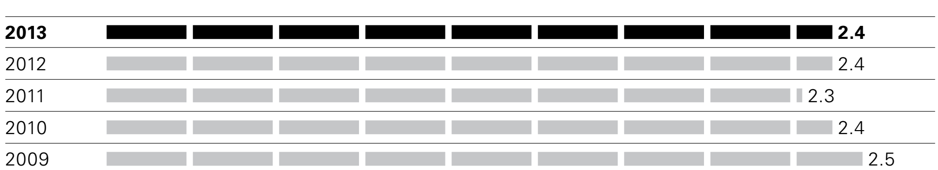
Research and development expenses largely comprise personnel expenses and other operating expenses. In 2013, as in the past several years, the majority of research and development expenses were expensed as incurred. In addition, some of the production-related development expenses are included proportionately in the costs of conversion of inventories. No research and development expenses were capitalized as internally generated intangible assets. Total expenditure across the Group in connection with the creation of collections increased by 4% in the past fiscal year to EUR 59 million (2012: EUR 57 million). At 69%, personnel expenses made up the majority of research and development expenses (2012: 70%). The ratio of research and development expenses to consolidated sales remained unchanged at 2% in the past fiscal year (2012: 2%).

02|19 R&D EXPENSES[1]
(in EUR million)



[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, „Changes in accounting policies/Corrections“, page 170 ff).

02|20 R&D EXPENSES[1]
(in % of sales)



[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, „Changes in accounting policies/Corrections“, page 170 ff).

SOURCING AND PRODUCTION

The aim of sourcing and production activities of HUGO BOSS is to source products of utmost quality at competitive cost while observing strict social and environmental standards and deliver them on-schedule to retail partners and the Group's own stores. To achieve this, HUGO BOSS works incessantly to ensure zero-error, efficient and sustainable sourcing and production processes by carefully selecting suppliers, continuously strengthening its existing supplier relationships and observing the most exacting production-related standards.

Majority of production by independent suppliers

As a company with international production activities and business operations, HUGO BOSS relies on well-rehearsed, standardized and system-enabled sourcing and production processes as a key success factor. This is the only way to ensure the timely availability of goods on the shop floor and the outstanding quality that customers of HUGO BOSS products are accustomed to. 20% of the total assortment of products is manufactured by HUGO BOSS' own factories (2012: 20%), 80% of the assortment is manufactured by independent contract suppliers or sourced as merchandise (2012: 80%). As the Group produces a substantial part of its classic tailoring range in-house, it has and continually expands critical know-how and optimizes quality standards and the availability of goods.

In-house production facilities are located in Izmir (Turkey), the Group's largest production facility, Cleveland (USA), Metzingen (Germany), Radom (Poland) and Morrovalle (Italy). The Izmir plant mainly produces suits, trousers, jackets, shirts and classic womenswear. At its Cleveland factory, HUGO BOSS produces suits for the American market. Apart from prototypes, sample pieces and individual orders, the Metzingen site mainly produces suits, jackets and trousers in small series. This is also where HUGO BOSS tailors its Made to Measure suits. Production activities in Radom and Morrovalle focus on making shoes.

Strategic management of the supplier network as a success factor

Given its broad spectrum of apparel and accessories for the premium and luxury segment, HUGO BOSS draws on an adequately sized network of specialist suppliers. Through the optimal use of capacity it was possible to concentrate the sourcing volume on a reduced number of suppliers in the past year. In the areas of merchandise and contract manufacturing, for instance, the Group partnered with less than 300 suppliers in 2013 (2012: 320). The sourcing volume is generally distributed among a global network of suppliers in order to spread risk and maintain the greatest possible independence from individual sourcing regions and producers. Indeed, the largest single independent supplier only made up 7% of the total volume sourced by the HUGO BOSS Group (2012: 8%). → **Report on Risks and Opportunities**

Objective selection criteria as a basis for choosing suppliers

Suppliers are selected based on clearly defined production-related specifications. The most important criterion is the ability to meet the high quality and finishing standards. Additional criteria factored into the selection process include supplier reliability, technical equipment and innovation power, financial robustness and the cost efficiency of each supplier. Strict adherence of production sites to the social standards contractually agreed upon is a non-negotiable precondition for the establishment of a business relationship. → **Sustainability**

Sourcing modes depend on product groups

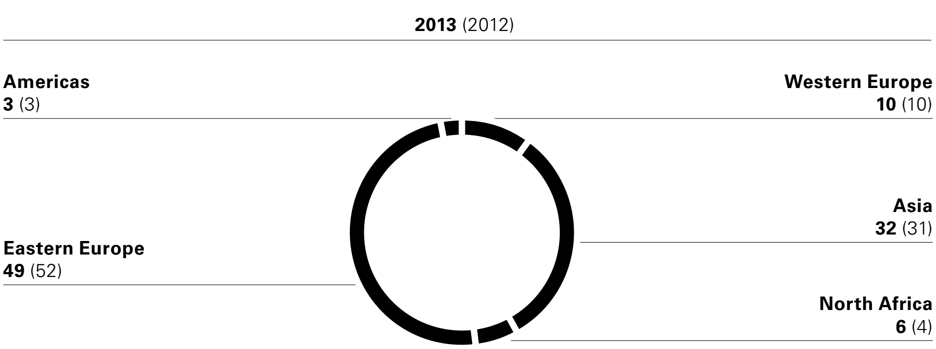
Sourcing activities break down into the procurement of raw materials, contract manufacturing and purchased merchandise. The raw materials sourced are mainly fabrics but also include additional items such as lining, buttons, thread or zippers. The majority of raw materials processed in-house or under contract comes from Europe. Fabrics are preferably sourced from long-standing fabric suppliers in Italy.

It is primarily suits, jackets and trousers that are made under contract manufacturing arrangements. In these product groups, HUGO BOSS mainly works with companies in Eastern Europe. For products made under contract manufacturing, the supplier is provided with the requisite patterns as well as the fabrics and other components. By contrast, sourcing in the area of sportswear has a greater focus on merchandise, which is mostly sourced from Asia and Eastern Europe. With this kind of sourcing, suppliers get patterns from HUGO BOSS as necessary but independently source their raw materials. With the exception of the classic shoe collection that is produced at the Company's own factories in Italy and Poland, the product category shoes and leather accessories is mainly sourced from business partners in Asia and Europe.

Eastern Europe remains most important sourcing region

Measured by value, almost half of all HUGO BOSS products are produced in Eastern Europe and Turkey (49%; 2012: 52%). The Company's own factory in Turkey plays a leading role in this context, making up 15% of the total volume sourced (2012: 15%). Asia is the source of 32% of products (2012: 31%). China is still the most important supplier country in this region. The remaining goods stem from Western Europe (10%; 2012: 10%), North Africa (6%; 2012: 4%) and the Americas (3%; 2012: 3%).

02|21 REGIONAL SPLIT OF SOURCING AND PRODUCTION VOLUME (in %)



Close ties with suppliers are of strategic importance

The Group has a keen interest in maintaining long-term collaboration with its suppliers. Joint efforts to enhance manufacturing expertise are essential in order to ensure the excellent finishing quality for which HUGO BOSS products are renowned the world over. Precise synchronization between the production companies and the technical development departments within the HUGO BOSS Group is of fundamental importance in order to allow a quick response to market trends and minimize lead times. Production-related considerations are factored into the product development process at a very early stage for instance. Moreover, feedback from suppliers on the fabrics and patterns processed in the last collection is taken into account in new designs. → **Research and Development**

Reducing complexity raises sourcing efficiency

In order to effectively counter cost increases in the sourcing processes, especially due to increased labor costs, continuous efficiency improvements are needed along the entire supply chain. A key lever to this end is ensuring a seasonally balanced utilization of supplier capacity and ordering large volumes where possible. In this context, the core range and the associated reduction of a collection's complexity play an important role. Indeed, the complexity of collections has been reduced by almost a third over the past few years. A 10% year-on-year reduction was possible in fiscal year 2013. In addition, the Group continually reassesses the regional optimization of its sourcing activities in light of diverging labor cost trends and changing industrial structures and manufacturing competencies in individual markets.

System-side integration of suppliers boosts efficiency of supply chain

Furthermore, the Group continues to work on the system-side optimization of its planning, production and logistics processes. To this end, the uniform electronic integration of suppliers in the Company's organization was driven forward in the past few years, thereby improving the transparency of merchandise flows along the entire supply chain. For instance, an online supplier platform simplifies communication with suppliers. System-side exchange of information also enables bundling of orders based on requirements and by customer as well as the early and cost-effective reservation of the production capacity needed from suppliers. Real-time status reporting enables priority-driven control over orders and on-schedule delivery of goods. Moreover, closer integration with suppliers also allows the placement of follow-up orders at short notice and quick response times. This is especially relevant for the replenishment business, which ensures the supply of business partners at short notice, especially with the basic never-out-of-stock assortment.

Quality assurance throughout the production process

HUGO BOSS sets exacting standards on the quality of its products. To meet these, quality assurance starts its work where the product begins to take shape – at suppliers. For instance, production companies are provided with standardized quality and processing manuals that document standards. At HUGO BOSS' own factories, the key processes of relevance to quality are described in a process manual and are subject to continuous optimization under ISO 9001 certification.

In order to meet the high quality standards while minimizing manufacturing tolerance, the manufacturing process is automated to the extent economically viable. In addition, compliance with manufacturing standards is ensured using fixed, technology-enabled controls that are always performed at specific steps within the production line. Individual steps are also regularly reviewed on a sample basis.

SUSTAINABILITY

HUGO BOSS acts responsibly. The Group faces up to the challenges that this principle entails both operatively and strategically. The principle of excellence that has its origins in the Company's self-imposed product-related standards also drives the Company's actions along the entire value added chain – beginning with development and production processes, continuing through to sourcing and human resources management and ending with social commitment.

With its products, HUGO BOSS wishes to inspire people worldwide to express their individual lifestyle and fully live out their success potential. On their part, customers expect excellent products that also take into account the aspect of sustainability as a permanent element of all processes. By acting responsibly and thinking in the long term, the Group creates added value – for customers, shareholders, business partners, employees and the society as a whole. Sustainability is thus a permanent part of HUGO BOSS' mission statement, its strategy and its business processes.

In fiscal year 2013, sustainability objectives at HUGO BOSS were derived from the principle "we act responsibly" and existing fields of action were specified and extended. These fields of action form the strategic framework for activities targeted to address the challenges and the expectations of its global stakeholders and to translate them into responsible actions.

02|22 SUSTAINABLE ACTIVITIES

We act responsibly

We	**Acting in the interests of stakeholders**
Environment	**Conserving natural resources**
Employees	**Providing fair employment and targeted support**
Partners	**Working together responsibly**
Products	**Developing ideas for tomorrow**
Society	**Establishing common values**

The fields of action were specified as part of a materiality analysis. They define the central sustainability challenges for HUGO BOSS and, together with the reporting standard of the Global Reporting Initiative (GRI), form the basis for future reporting on sustainability achievements and objectives of the Group.

The Group aims to improve in all fields of action and has set itself ambitious goals in accordance with the priorities derived from the materiality analysis. As a means of measuring the Group's progress and the degree of implementation of these objectives, HUGO BOSS is working towards inclusion in the Dow Jones Sustainability Index in the medium term.

We. "Acting in the interests of stakeholders"

As part of its sustainability management, HUGO BOSS maintains continuous dialogue with its stakeholders. The Company sees stakeholders' diverse expectations and demands as an opportunity to create value for all concerned. In 2014, HUGO BOSS will intensify ongoing dialog with scientific institutions, in cross-industry initiatives and in its cooperation with non-government organizations. This also includes the extended reporting on own activities.

The propagation of the concept of sustainability similarly is given high priority within the organization. For this reason, management is planning to establish the Company's objectives set out in the fields of action of environment, employees, partners, product and social responsibility in executives' individual target agreements as of the coming year.

Environment. "Conserving natural resources"

Environmental and climate protection is given high priority at HUGO BOSS. Against this backdrop, the environmental footprint is to be reduced over the entire value chain – from sourcing of raw materials through to the development and manufacturing of products and on to transportation and retail. HUGO BOSS pursues the aim of significantly reducing its specific CO2 emissions (Scope 1 and 2 Greenhouse Gas Protocol) in relation to sales by 2020. The Group is taking a wide range of measures to this end.

For example, the administrative buildings of HUGO BOSS AG already obtain 84 percent of their energy from renewable sources. HUGO BOSS Ticino (Switzerland) has been supplied with electricity stemming completely from renewable sources already since 2010. Energy management to ISO 50001 introduced for HUGO BOSS' administrative buildings in 2012 was successfully re-audited in 2013. HUGO BOSS has set itself the objective of continually improving building efficiency. The Group aims to attain recognized sustainability certificates for all newly built operating properties. An important milestone in this respect was reached in 2013. The German Sustainable Building Council (DGNB) awarded the new administrative building in Metzingen with its "Gold" certificate as one of the three most sustainable new office and administrative buildings in Germany. HUGO BOSS seeks to obtain "Gold" certification for the new flat-packed goods distribution center in Filderstadt as well.

Furthemore, the Group has taken measures to reduce the volume of CO2 emissions from logistics and distribution processes (Scope 3). Changes in global transport routes have already brought about a significant reduction in this context.

Similarly, the environmental compatibility of the packaging used was subject to critical analysis. As a consequence, the Company will switch over to using a type of environmentally friendly recycled paper (post consumer recycled) for all paper carrier bags of the BOSS core brand in 2014, which means they meet the strictest ecological standards.

Employees. "Providing fair employment and targeted support"

HUGO BOSS' corporate vision – inspiring people to live out their success potential – is the principle for how the Company treats its employees.

HUGO BOSS' code of conduct forms the basis for cooperation within the Company and with external partners. It is binding for all employees. Among other things, the code puts into words the general demands placed on conduct in business activities, contains regulations on avoiding conflicts of interest, governs the topics of data protection, health and industrial safety and forbids corruption and bribery. Within the framework of these regulations, executives are responsible for creating, together with employees, a culture characterized by the corporate values of quality, passion, respect, cooperation and innovation. → **Employees**

Various projects contribute to translating HUGO BOSS' corporate values into concrete action. For example the INNOVATION initiative offers employees the opportunity to contribute their own ideas for improving aspects of corporate culture and existing processes and services. The proposals are assessed by a specialist committee applying transparent criteria and awards are presented if the ideas are implemented. By doing so, HUGO BOSS promotes an appreciative and constructive dialog with employees over all levels of the hierarchy. Furthermore, the EVOLUTION project makes it possible for employees to contribute to improving and accelerating processes within the Company. Borne by the pillars of participation and personal responsibility on the part of employees, this initiative boosts the flexibility and efficiency of the Company and promotes sparing use of resources.

Diversity is brought to life at HUGO BOSS as a Company with international operations and an international culture. For the Group, this means recognizing the diversity of society and safeguarding equal opportunities for all employees in the Company – irrespective of nationality, gender, religious and political opinion, sexual orientation, age or any disability. Diversity therefore enriches the corporate culture and is a clear success factor in international competition. The Company has further underlined the importance attached to diversity by its becoming a signatory to the "Charter of Diversity".

A wide range of training and further education possibilities provide support to employees and executives in their personal further development. With a wide range of sport and health offers and a program to improve the compatibility of career and family, HUGO BOSS supports its employees in achieving a healthy work-life balance. → **Employees**

Partners. "Working together responsibly"

Social compliance and environmental protection are the focal points of commitment to sustainability in the global supply chain of HUGO BOSS. Ensuring compliance with human rights and environmental standards especially in emerging markets is of central importance to the Company.

Accordingly, HUGO BOSS subjects itself and its suppliers to the obligation to comply with internationally recognized labor and social standards following the conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights of the United Nations. The resulting social standards are a fixed component of contracts with suppliers. Before the Company enters into ongoing business relationships with new suppliers, they are always audited with regard to compliance with social standards. The social standards govern the following points: compliance with local law, prohibition of child labor, prohibition of forced labor, maximum working hours, humane working conditions, prohibition of discrimination, payment of fair wages, healthy and safe working conditions, freedom of association and collective wage bargaining and conscientious use of the environment. If there are deficiencies in local legislation where, for example, working hours and reasonable wages are not specified, HUGO BOSS' social standards become the minimum standard.

Contract manufacturers and suppliers of merchandise that generate a relevant level of sales with HUGO BOSS are reviewed worldwide in regular audits. These audits are performed both by the Company's own auditors and by external, experienced service partners. These audits ensure compliance with social standards and serve to assist the efforts of HUGO BOSS' suppliers to make improvements in the field of social management.

The audit findings are included in a bi-annual supplier evaluation. If infringements of the social standards or legal regulations are identified, a binding package of measures is agreed with the supplier and a repeat check of implementation scheduled. In exceptional cases, such as repeated warnings without improvements being initiated or serious breaches of the social standards, HUGO BOSS retains the right to terminate cooperation. In principle, however, the Company places an emphasis on mutually defined, ongoing improvement measures as part of supplier development within the scope of long-term partnerships.

HUGO BOSS' social standards oblige suppliers to comply with local and national environmental legislation and to establish a conscientious mindset at their sites that seeks to continually improve the environmental footprint. In doing so, HUGO BOSS provides advice to its partners wherever possible in order to ensure an ongoing knowledge transfer.

In order to have even more influence on compliance with good working and social conditions, the Group is striving towards having HUGO BOSS' social standards introduced into the transparent and universally binding standard of a social compliance initiative and jointly working towards compliance with it in HUGO BOSS' global supply chain. For this reason, HUGO BOSS is planning to sign up to such an initiative in the course of 2014.

Products. "Developing ideas for tomorrow"

As a leading international company in the premium and luxury segment of the apparel industry, it is a matter of course for HUGO BOSS to live up to its responsibility to consumers. For its collections, the Group uses exclusively materials that meet high quality standards and it ensures that HUGO BOSS products do not pose a health risk.

Correspondingly, HUGO BOSS obliges its suppliers to sign a guarantee declaration on compliance with the Restricted Substances List (RSL). The RSL stipulates that the materials used must comply with the respective national legislation and the Group's internal guidelines, which are often more stringent than legal minimum standards, and must not pose a health risk either in the production process or to the consumer. HUGO BOSS supports such preventive measures with active tests for hazardous products performed in accredited laboratories which ensure the safety and quality of the products over the long term.

Likewise, HUGO BOSS attaches great importance to avoiding health hazards in the production companies. In this respect, the Group abstains from a procedure known as sandblasting. This procedure refers to the use of sand jets as a method of refining denim products to achieve a "used" look. Using quartz sand for this method without sufficient protective measures can lead to serious damage to employees' health. The Group does not use any other sandblasting technology and therefore does not employ any other blasting agents.

Animal welfare and protection of biodiversity are similarly central principles of HUGO BOSS' product responsibility. The Company respects wildlife conservation and thereby supports diversity of species. Any animal testing as well as animal breeding and rearing methods that are not appropriate for the species in question are consequentially rejected. Fur products only account for a very small share of the overall collection. If applied, fur is mostly used for appliqués and trimming on collars, hoods and sleeves.

In addition, HUGO BOSS has been in dialogue with several animal and consumer protection organizations for many years. As a result, the Company has decided, for example, to divert the sourcing of merino wool to sources able to prove that mulesing, which is a painful treatment for sheep, is not being applied.

Society. "Establishing common values"

HUGO BOSS is aware that its success as a company also depends on an intact society. The Company's economic strength empowers and obliges it to support society and work towards improvements. Corporate social responsibility is therefore a matter of course for HUGO BOSS.

The framework for corporate social responsibility is likewise set by HUGO BOSS' code of conduct. It prohibits donations to political parties and its representatives and to organizations such as trade unions, consumer rights groups and environmental protection groups, with which conflicts of interests might arise. Furthermore, the code provides for specific criteria for HUGO BOSS' charitable donations.

In line with its vision of inspiring people to success, the Group has aligned its corporate social responsibility to helping disadvantaged children lead a better life particularly by granting them access to education. To this end, the Group works together with selected child welfare organizations. For example, UNICEF and HUGO BOSS have been partners for quite some time. For many years now, the Company has been successfully supporting the UNICEF initiative "Schools for Africa" and additionally provides aid in crises, when assistance is needed at short notice. This was the case, for example, in 2013 within the scope of an emergency relief action for the victims of the typhoon in the Philippines. At a national level, HUGO BOSS champions children and young people and since 2011 has supported the Off Road Kids foundation as a permanent sponsor. This is an organization providing relief to street children throughout Germany.

Furthermore, HUGO BOSS and its employees at the headquarters are firmly embedded in the community in Metzingen. For example, the Company has joined forces with the works council in numerous regional charitable works and supported medical, societal and charitable organizations. Additionally, the Company has for many years worked closely with the children's cancer ward in Tübingen, which it supports with unwavering commitment by giving donations in cash and kind.

COMBINED MANAGEMENT REPORT
THE FISCAL YEAR

3

COMBINED MANAGEMENT REPORT THE FISCAL YEAR

GROUP SALES AND RESULTS OF OPERATIONS

In 2013, the development of the HUGO BOSS Group's sales and earnings was primarily marked by the recessionary macroeconomic conditions in the Eurozone and the significantly weaker growth of the Chinese industry compared to prior years. In spite of this, consolidated sales grew 4% to EUR 2,432 million. Adjusted for currency effects, this is an increase of 6%. This was driven by growth across all regions and double-digit growth in the Group's own retail business. HUGO BOSS fared better than the global economy and roughly matched the growth levels reported by the premium and luxury goods industry. Thanks to the sales growth and the significant increase in gross margin, the operating result (EBITDA before special items) increased by 7% to EUR 565 million.

GENERAL ECONOMIC SITUATION

Macroeconomic environment improves slightly over the course of the year

Following the generally disappointing development of the **global economy** in the first half of the year, the economy gained momentum slightly as the year progressed. According to the IMF, global economic growth reached 2.9% in the year as a whole. The United States in particular reported robust growth. Europe emerged from recession in the second half of the year. However, the development of the global economy was still burdened by uncertainty surrounding the debt crisis in the eurozone, the impending insolvency of the United States as well as a slowdown in the economic growth of emerging markets and the related exchange rate turbulence. As a result, the HUGO BOSS Group still faced challenging economic conditions in 2013.

Signs of stabilization of European economy

Following a negative development at the start of the year, the economy in the **Eurozone** stabilized as the year progressed. This was reflected in lower unemployment rates and a gradual improvement in consumer sentiment. However, severe austerity measures in many of the region's important markets, sluggish reform efforts as a consequence of the national political crises affecting some countries together with high unemployment overall put a damper on the economic recovery. This means that the development of the economy in the Eurozone over the full year was still negative, contracting by 0.4% according to the IMF. In view of lower inflation rates, the ECB continued its expansionary monetary policy and cut key interest rates to a historical low. The positive development of Germany, the region's largest economy, played a major part in stabilizing the European economy. Growth here was supported by increasing domestic demand, which was buoyed by favorable labor market and income trends. Austerity measures and the sluggish realization of economic policy reform curbed economic growth in France, which the IMF says merely reached 0.2%. In Great Britain, by contrast, the economy saw robust growth of 1.4% thanks to the monetary impetus provided by the Bank of England.

American economy continues to grow at a moderate pace

Although the **U.S. economy** was repeatedly affected over the course of the year by the budget dispute and the associated cut in government spending as well as higher wage and income tax, the IMF estimates that the United States returned a robust growth of 1.6% in the past year. Confirmation from the Federal Reserve that it would keep key interest rates low in the long term, declining unemployment rates and a stabilization of the real estate market had a positive impact on domestic demand and industrial activity. In addition, the weak U.S. dollar favored the export sector. In the past year, the **Latin American** economy was confronted with challenging foreign trade conditions, which further slowed economic growth in the region. The core markets of Brazil and Argentina were particularly hard hit.

Slower growth rates in Asia

In 2013, the **Asian economy** struggled with weak export demand worldwide, high private sector debt and signs of overheating in the real estate market, and disappointed with a relatively low growth rate of 6.3% according to the IMF. At 7.6%, growth in China also lagged behind the growth rates seen in the past. The Chinese government therefore implemented a comprehensive catalog of measures designed to shore up economic growth, including tax incentives and infrastructure expansion. By contrast, the Japanese economy developed robustly last year. Growth was supported by the clearly expansionary monetary policy adopted by the Japanese central bank as well as the government's economic stimulus package. The Australian economy cooled down substantially, partly due to weaker domestic and foreign demand year on year.

SECTOR PERFORMANCE

Slower growth of premium and luxury sector

The growth trajectory of the global premium and luxury goods sector continued in the current fiscal year, despite the challenging macroeconomic conditions and weak consumer spending in many key markets. According to a study by the Altagamma trade association and the consulting firm Bain & Company, the industry expanded by 6% after currency adjustments last year, outpacing aggregate economic growth. In comparison to past years, however, this indicates a weaker growth trend, which was primarily attributable to the still difficult market environment in China. Growth in the sector was mainly supported by a good development of the retail channel, although most of the growth was driven by the opening of new stores.

Overall, the sector increased by about 3% in **Europe** after currency adjustments. Despite the relatively low growth, Europe remained the world's largest market for luxury goods. In many parts of the region, high unemployment rates, severe austerity measures and low wage growth affected consumer spending and, in turn, the development of the luxury sector. However, healthy growth in Eastern European markets partially made up for persistently weaker trends in Western and particularly Southern Europe. Especially the metropolitan areas of Western and Southern Europe benefited from demand from tourists. In the **Americas** the premium and luxury sector increased its sales despite recurring uncertainty with respect to the U.S. budget dispute and the resulting temporary decrease in consumer confidence. Overall the region saw growth of roughly 7% after currency adjustments. An increasingly stabilizing labor market and real estate market had a positive impact on consumer spending in the region. Sector growth was also supported by growing demand from tourists in the large American cities. Demand for premium and luxury products in **Asia** remained at a relatively moderate level during 2013. Particularly in China, the low level of economic growth and weaker consumer sentiment in response to the government's anti-corruption laws resulted in merely modest growth in the industry compared to prior years. Indeed, the menswear segment, which is of particular importance for the HUGO BOSS Group, even contracted slightly according to one market study. Overall, Hong Kong and Macao developed on average somewhat better than Mainland China. Despite the slower growth, China remained the nation with the largest share of industry sales worldwide. Surprisingly positive figures were reported in the past year in Japan, where the industry benefited from improved consumer confidence and a shift toward domestic consumption triggered by exchange rates. Adjusted for currency effects, the Asian luxury goods market is estimated to be growing at about 5%.

CHANGE IN REPORTING

Some of the figures presented deviate from the figures reported in prior years on account of adjustments and corrections made in connection with the first-time adoption of IAS 19 (Employee Benefits), changes in the evaluation of overhead cost mark-ups and the changed allocation of direct selling expenses and the cost of the functions allocated to sourcing related to the continuous optimization of the supplier structure. Detailed information on this topic is presented in the notes to the consolidated financial statements. **→ Notes to the consolidated financial statements, Changes in accounting policies/corrections, p. 170**

SALES PERFORMANCE

OVERALL STATEMENT ON BUSINESS DEVELOPMENT

HUGO BOSS grows sales and consolidated net income

In fiscal year 2013, the HUGO BOSS Group uncompromisingly tackled the challenges posed by the overall economic conditions and the difficult environment in the retail business in many key markets and generated healthy, profitable growth. The powerful portfolio of brands, the expansion and professionalization of the Group's own retail business as well as the long-standing relationships with wholesale partners allowed HUGO BOSS to push consolidated sales and net income to record heights in fiscal year 2013.

SALES DEVELOPMENT

03|01 SALES DEVELOPMENT (in EUR million)

2013	**2,432.1**
2012	2,345.9
2011	2,058.8
2010	1,729.4
2009	1,561.9

In fiscal year 2013, HUGO BOSS generated consolidated sales of EUR 2,432 million. Sales in the Group's reporting currency were thus 4% up on the prior-year period (2012: EUR 2,346 million). Exchange rate fluctuations had a negative impact on the development of consolidated sales in the reporting period. In local currencies, HUGO BOSS registered a 6% increase in sales year on year.

03|02 SALES PERFORMANCE BY QUARTER (in EUR million)

Q4/2013	**649.0**
Q4/2012	607.4
Q3/2013	**657.9**
Q3/2012	646.3
Q2/2013	**531.7**
Q2/2012	485.4
Q1/2013	**593.5**
Q1/2012	606.8

Development of sales over the course of the year reflects new seasonal structure of business model

The **development of sales over the course of the year** reflects in particular the increasing share in sales of the Group's own retail business. Against the backdrop of challenging prior-year figures used for comparison purposes, sales in the first quarter were down slightly, despite the double-digit growth reported by the Group's own retail business. At EUR 593 million, sales in the Group's reporting currency and local currencies were down 2% on the prior-year period (Q1 2012: EUR 607 million). A significant negative effect underlying this development was the earlier delivery of the spring collection to wholesale partners in the fourth quarter of the prior year. However, a significant increase in the second quarter compensated for the contraction in the first quarter. Indeed, second-quarter sales reached EUR 532 million, up 10%, or 11% adjusted for currency effects, on the comparable prior-year period (Q2 2012: EUR 485 million). All regions contributed to this positive development. In a challenging market environment, HUGO BOSS generated sales of EUR 658 million (Q3 2012: EUR 646 million), which corresponds to an increase of 2%. Adjusted for currency effects, sales were up 5% on the comparable prior-year period. As the share of sales contributed by the Group's own retail business grows, so too does the importance of the fourth quarter for the sales development. At EUR 649 million, fourth-quarter sales in 2013 were up 7% on the prior-year quarter (Q4 2012: EUR 607 million). Adjusted for currency effects, sales in the fourth quarter were up 10% on the comparable prior-year period.

SALES BY REGION

03|03 SALES BY REGION (in EUR million)

	2013	**In % of sales**	2012	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	1,457.3	60	1,378.0	59	6	7
Americas	570.1	24	558.7	24	2	6
Asia/Pacific	346.8	14	352.7	15	(2)	4
Royalties	57.9	2	56.5	2	2	2
TOTAL	**2,432.1**	**100**	**2,345.9**	**100**	**4**	**6**

[1] Including Middle East and Africa.

03|04 SALES BY REGION – FIVE-YEAR-OVERVIEW (in EUR million)

	2013	2012	2011	2010	2009
Europe[1]	1,457.3	1,378.0	1,245.4	1,073.2	1,041.3
Americas	570.1	558.7	454.8	380.7	312.2
Asia/Pacific	346.8	352.7	309.3	230.4	164.7
Royalties	57.9	56.5	49.3	45.1	43.7
TOTAL	**2,432.1**	**2,345.9**	**2,058.8**	**1,729.4**	**1,561.9**

[1] Including Middle East and Africa.

Sales growth in all regions in local currencies

In fiscal year 2013, HUGO BOSS saw sales growth across all three regions adjusted for currency effects. Sales in **Europe** including the Middle East and Africa increased in reporting currency by 6% to EUR 1,457 million (2012: EUR 1,378 million). This corresponds to an increase of 7% in local currencies. The main underlying driver was sales growth in the markets of France and Great Britain. In the **Americas** sales in the Group's reporting currency increased by 2% to EUR 570 million (2012: EUR 559 million). In local currencies, sales growth of 6% was generated in the reporting period. Apart from the United States, this development was driven by the Central and South American market. At EUR 347 million sales in the Group's reporting currency in **Asia/Pacific** were down 2% on the prior-year level (2012: EUR 353 million). Local currency sales, by contrast, rose 4% compared to the prior-year period. All markets in the region reported sales growth after currency adjustments.

→ **Pofit development of the business segments**

SALES BY DISTRIBUTION CHANNEL

03|05 SALES BY DISTRIBUTION CHANNEL (in EUR million)

	2013	**In % of sales**	2012	In % of sales	Change in %	Currency-adjusted change in %
Group's own retail business	1,314.1	54	1,149.7	49	14	18
Directly operated stores	874.0	36	757.6	32	15	19
Outlet	378.6	15	343.2	15	10	13
Online	61.5	3	48.9	2	26	26
Wholesale	1,060.1	44	1,139.7	49	(7)	(6)
Royalties	57.9	2	56.5	2	2	2
TOTAL	**2,432.1**	**100**	**2,345.9**	**100**	**4**	**6**

03|06 SALES BY DISTRIBUTION CHANNEL – FIVE-YEAR-OVERVIEW (in EUR million)

	2013	2012	2011	2010	2009
Group's own retail business	1,314.1	1,149.7	924.2	691.1	510.3
Directly operated stores	874.0	757.6	617.7	447.7	303.5
Outlet	378.6	343.2	273.6	223.7	199.1
Online	61.5	48.9	32.9	19.7	7.7
Wholesale	1,060.1	1,139.7	1,085.3	993.2	1,007.9
Royalties	57.9	56.5	49.3	45.1	43.7
TOTAL	**2,432.1**	**2,345.9**	**2,058.8**	**1,729.4**	**1,561.9**

The Group's own retail business posted double-digit growth

In the **Group's own retail business** it was possible to generate double-digit growth again in fiscal year 2013. The expansion of the store network, which was mainly driven by the opening of new stores and takeovers, led to a sales increase of 14% to EUR 1,314 million (2012: EUR 1,150 million). Adjusted for currency effects, this corresponds to sales growth of 18%. Retail comp store sales adjusted for currency effects were up 2% on the prior year.

In the past fiscal year, the share of the Group's own retail business in consolidated sales increased to 54% (2012: 49%).

Takeovers and a challenging market environment burdened the development of sales in the wholesale channel

In fiscal year 2013, sales in the **wholesale channel** were down 7% on the prior year and totaled EUR 1,060 million (2012: EUR 1,140 million). A challenging market environment burdened the development of sales in this distribution channel. Adjusted for currency effects, sales decreased by 6%. The takeover of selling space previously operated by wholesale partners, particularly in Spain, the United States, and Germany also led to a shift in sales from the wholesale business to the Group's own retail business. The replenishment business, which allows HUGO BOSS to react to short-term surges in demand from business partners, exhibited a stable development adjusted for currency effects in the past fiscal year.

This share of the wholesale channel in consolidated sales decreased from 49% in the prior year to 44% in fiscal year 2013.

Positive development of sales in the royalties business

The **royalties business** continued its favorable development in fiscal year 2013. The products manufactured by partners include fragrances, eyewear and watches. Sales with external licensees increased year on year by 2% to EUR 58 million (2012: EUR 57 million).

As in the prior year, the share of the royalties business in consolidated sales came to 2%.

SALES BY RETAIL FORMAT

In the reporting period, it was possible to increase sales from **directly operated stores (DOS)** by 15% (or by 19% after currency adjustments) to EUR 874 million (2012: EUR 758 million). This includes sales of directly operated freestanding stores as well as sales generated with concession partners. With the concession model, the Group directly operates HUGO BOSS shop-in-shops on the sales floor of retail partners.

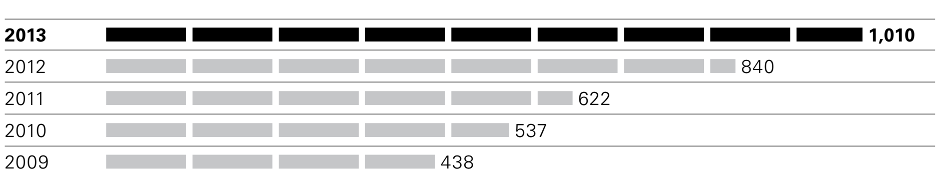
With sales growth in the Group's reporting currency of 10% to EUR 379 million the **outlet business** contributed to the positive development of sales from the Group's own retail business (2012: EUR 343 million). This is equivalent to an increase of 13% adjusted for currency effects.

Sales generated from the Group's own **online stores** in the Group's reporting currency increased in the fiscal year 2013 by 26% to EUR 61 million (2012: EUR 49 million). This is equivalent to sales growth of 26% after currency adjustments. Double-digit sales growth in all markets drove this development.

NUMBER OF GROUP 'S OWN RETAIL STORES

In fiscal year 2013, the total number of the **Group's own retail stores** including outlets increased by a net figure of 170 to 1,010 (2012: 840). **:// www.hugoboss.com / Store Locator**

03|07 NUMBER OF GROUP'S OWN RETAIL STORES



Group's own retail network grows by a net figure of 170 stores in 2013

The Group's own retail network was strengthened in particular by the **takeover** of 115 shop-in-shops previously operated by wholesale partners. This allowed an expansion of the concession model in Spain, the United States and Germany. At the same time, the Group pushed on with its expansion strategy based on organic growth with 91 **new openings** during reporting period. This compares to 36 stores closed in the same period.

03|08 NUMBER OF DIRECTLY OPERATED STORES

2013	Freestanding stores	Shop-in-Shops	Outlets	**TOTAL**
Europe	169	357	50	**576**
Americas	83	78	39	**200**
Asia/Pacific	119	91	24	**234**
TOTAL	**371**	**526**	**113**	**1.010**
2012				
Europe	149	276	44	**469**
Americas	68	43	36	**147**
Asia/Pacific	106	94	24	**224**
TOTAL	**323**	**413**	**104**	**840**

Strengthening the concession model in Spain and Germany

Particularly in **Europe**, the retail network was further strengthened by the takeover of 68 shop-in-shops that had previously been operated by wholesale partners together with 50 stores newly opened by the Group. This allowed the Group to grow its presence in the Spanish and German markets in particular. Taking into account the eleven closures, operations in Europe report a net increase in the number of the Group's own retail stores of 107 to a current 576 (2012: 469).

Takeovers and openings in the Americas

The number of the Group's own retail stores in the **Americas** increased in the past fiscal year, mainly due to the takeover of 37 shop-in-shop units of a U.S. wholesale partner. Adding to this the five takeovers of freestanding stores together with 15 new stores opened by the Group and taking into account four closures over the same period there was a net increase of 53 retail stores in the region to a total of 200 (2012: 147).

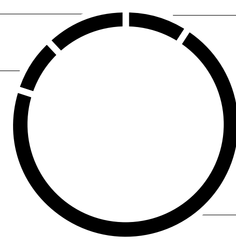
Opening of flagship stores strengthens market presence in major Asian cities

In the course of the expansion in **Asia/Pacific**, 26 new stores and five takeovers were added to the portfolio of stores in fiscal year 2013. Here, the market presence was strengthened in particular through the opening of new flagship stores in Shanghai, Hong Kong and Tokyo. Taking into account the closure of 21 mostly smaller locations, the region saw a net increase of 10 to the current 234 own retail stores (2012: 224).

In addition, some 6,100 points of sale are operated by wholesale partners, either as separate stores and shop-in-shops or in a multi-brand setting. This means that customers today can buy HUGO BOSS products in a total of more than 7,100 points of sale in 127 countries.
→ **Key locations / global market presence**

SALES BY BRAND

03|09 SALES BY BRAND (in %)



In fiscal year 2013, the **BOSS** core brand reported sales growth of 3% compared to the prior year. The **BOSS Green** brand saw sales growth of 14% in the same period. **BOSS Orange** sales were down 6% on the comparable prior-year period, while the **HUGO** brand reported a year-on-year increase in sales of 11%.

In the reporting period, **menswear** sales were up 3% on the prior-year level and totaled EUR 2,169 million (2012: EUR 2,097 million). This corresponds to an unchanged share in total sales of 89% (2012: 89%).

It was possible to increase **womenswear** sales above-trend by 5% to a current EUR 263 million (2012: EUR 249 million). As in the prior year, womenswear made up 11% of total sales.

Brand sales generated with HUGO BOSS products worldwide in fiscal year 2013 came to EUR 5,014 million and were down on the prior-year figure on account of negative currency effects (2012: EUR 5,077 million). Brand sales are calculated as consolidated sales adjusted for income from royalties plus sales with licensed HUGO BOSS partners, whereby the latter and sales with wholesale partners are extrapolated based on retail figures.

DEVELOPMENT OF THE ORDER SITUATION

HUGO BOSS is increasingly aligning its distribution activities and its business model to its own retail business, but without neglecting the wholesale channel. Shifting away from the pre-order business that had dominated in the past, sales today increasingly stem from the Group’s own retail business or the replenishment business. The continuous integration processes along the value chain, the gradual reduction of complexity and the continuous enhancement of the brand and collection portfolio in line with sales markets are necessary in order to address the customers’ changing demands.

Pre-order business accounts for 34% of total sales

HUGO BOSS now offers its customers worldwide new fashion collections four times a year, while increasing the number of monthly themed deliveries. In the past fiscal year, the share **in total sales of the traditional pre-order business**, that is the sale of goods ordered in advance to wholesale partners, decreased to 34% (2012: 39%). By contrast, HUGO BOSS products that are independent of current trends can today be supplied flexibly to business partners through the replenishment business. In response to this continually changing distribution situation and in order to allow predictable production conditions, HUGO BOSS does not rely on order intake alone but also increasingly feeds information from distribution companies and the Group's own retail stores into its volume planning.

EARNINGS DEVELOPMENT

INCOME STATEMENT

03|10 INCOME STATEMENT (in EUR million)

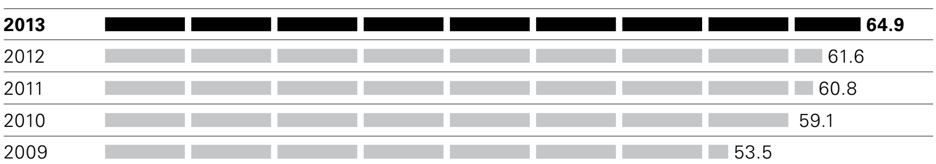
	2013	**In % of sales**	2012[1]	In % of sales	Change in %
Sales	**2,432.1**	**100.0**	**2,345.9**	**100.0**	**4**
Cost of sales	(852.5)	(35.1)	(901.8)	(38.4)	5
Gross profit	**1,579.6**	**64.9**	**1,444.1**	**61.6**	**9**
Selling and distribution expenses	(891.6)	(36.7)	(791.9)	(33.8)	(13)
Administration costs	(228.5)	(9.4)	(216.0)	(9.2)	(6)
Other operating income and expenses	(3.3)	(0.1)	(4.2)	(0.2)	21
Operating result (EBIT)	**456.2**	**18.7**	**432.0**	**18.4**	**6**
Net interest income and expenses	(14.4)	(0.6)	(18.0)	(0.8)	20
Other financial items	(8.3)	(0.3)	(5.8)	(0.2)	(43)
Financial result	**(22.7)**	**(0.9)**	**(23.8)**	**(1.0)**	**5**
Earnings before taxes	**433.5**	**17.8**	**408.2**	**17.4**	**6**
Income taxes	(100.1)	(4.1)	(97.6)	(4.2)	(3)
Net income	**333.4**	**13.7**	**310.6**	**13.2**	**7**
Attributable to:					
Equity holders of the parent company	329.0	13.5	306.5	13.0	7
Non-controlling interests	4.4	0.2	4.1	0.2	7
Earnings per share (EUR)[2]	**4.77**		**4.44**		**7**
EBITDA	**561.4**	**23.1**	**523.9**	**22.3**	**7**
Special items	(3.3)	(0.1)	(4.2)	(0.2)	21
EBITDA before special items	**564.7**	**23.2**	**528.1**	**22.5**	**7**
Income tax rate in %	**23**		**24**		

[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

[2] Basic and diluted earnings per share.

NOTES TO THE INCOME STATEMENT

03|11 GROSS PROFIT MARGIN (in %)



Gross profit margin increased to 64.9%

In fiscal year 2013, it was possible to ratchet up the **gross profit margin** by 330 basis points to 64.9% (2012: 61.6%). This positive development is mainly due to the expansion of the Group's own retail business, lower discounts in the Group's own retail business as well as due to positive effects from the improved inventory situation. At EUR 1,580 million, the **gross profit** in 2013 was up 9% year on year (2012: EUR 1,444 million).

Expansion of the Group's own retail business led to higher selling expenses

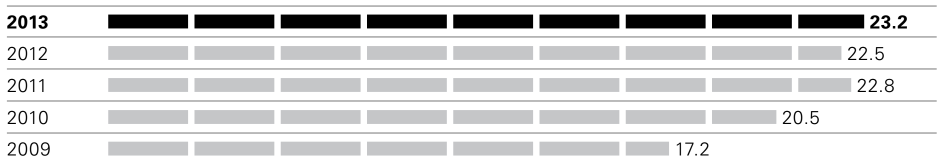
Selling and distribution expenses in fiscal year 2013 totaled EUR 892 million, up 13% year on year (2012: EUR 792 million). Relative to sales, selling and distribution expenses increased from 34% to 37%. Particularly due to the global expansion of the Group's own retail business, selling expenses increased in the reporting year by 19% compared to the prior year. This includes additional expenses for the net increase of 170 locations, which were opened or taken over in the course of the global expansion of this sales channel in fiscal year 2013. Marketing expenses increased by 1% year on year. Relative to sales, logistic expenses decreased from 3% in the prior year to a current 2%. Bad debt allowances were again immaterial in the reporting period on account of the strict receivables management. **→ Notes to the consolidated financial statements, Note 3**

Stable administration expenses in relation to sales

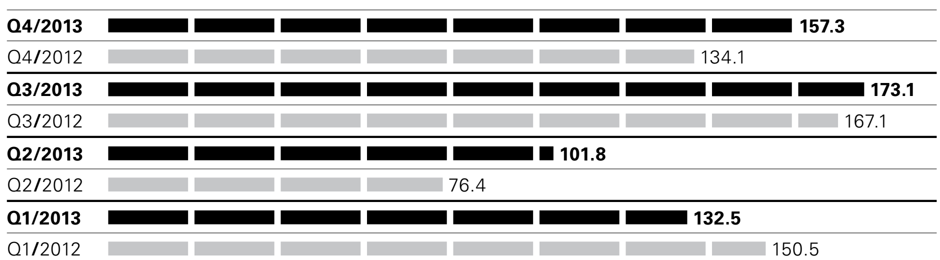
Administration expenses in fiscal year 2013 totaled EUR 229 million, up 6% year on year (2012: EUR 216 million). Relative to sales, administration expenses remained at the prior-year level of 9%. General administration expenses increased by 7% to EUR 170 million (2012: EUR 159 million). Relative to sales, research and development costs incurred creating fashion collections remained at the prior-year level of 2%, while increasing in absolute terms by 4% year on year to EUR 59 million (2012: EUR 57 million). **→ Notes to the consolidated financial statements, Note 4**

Other operating expenses net of other operating income came to EUR –3 million (2012: EUR -4 million); this was a result of special items, mainly related to organizational changes in Europe. **→ Notes to the consolidated financial statements, Note 5**

03|12 ADJUSTED EBITDA MARGIN (in %)



03|13 EBITDA BEFORE SPECIAL ITEMS BY QUARTER (in EUR million)



Adjusted EBITDA margin climbs to 23.2%

The key internal performance indicator **EBITDA before special items** increased year on year by 7% to EUR 565 million (2012: EUR 528 million). At 23.2%, the adjusted EBITDA margin was 70 basis points above the prior-year figure (2012: 22.5%).

At EUR 105 million, depreciation and amortization were 14% up on the prior-year figure (2012: EUR 92 million). This was primarily due to the relative increase in property, plant and equipment and intangible assets compared to total assets as a result of investment in the Group's own retail business. → **Notes to the consolidated financial statements, Note 11,** → **Notes to the consolidated financial statements, Note 12**

EBIT came to EUR 456 million at the end of fiscal year 2013, up 6% year on year (2012: EUR 432 million). Higher selling expenses were partially offset by the increase in gross profit.

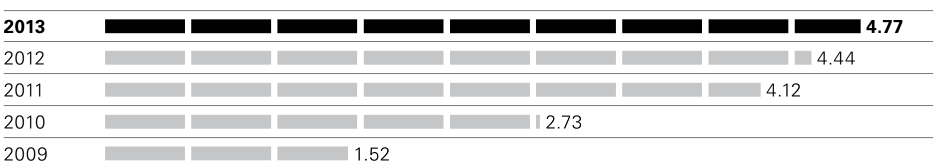
The **financial result**, measured as the net expense after aggregating the interest result and other financial items, decreased by EUR 1 million to EUR 23 million in fiscal year 2013 (2012: EUR 24 million). On account of the lower amount of debt following refinancing measures and a lower interest level, the net interest expense decreased by 20% to EUR 14 million (2012: EUR 18 million). Other financial items came to a net expense of EUR 8 million and, mainly due to negative exchange rate effects, were up EUR 2 million on the prior-year period (2012: net expense of EUR 6 million). → **Notes to the consolidated financial statements, Note 6**

At EUR 433 million, **earnings before taxes** were up 6% year on year (2012: EUR 408 million). At 23%, the **Group's income tax rate** was down one percentage point below the prior-year level (2012: 24%). A regional shift in the share of earnings of domestic and foreign entities of the HUGO BOSS Group, coupled with marginally lower corporate tax rates at an international level, led to a decrease in the Group's effective tax rate.

Net income increases by 7%

Net income totaled EUR 333 million in the past fiscal year, up 7% year on year (2012: EUR 311 million). The net income attributable to equity holders of the parent company also increased by 7% to EUR 329 million (2012: EUR 307 million). As in the prior year, net income attributable to non-controlling interests came to EUR 4 million (2012: EUR 4 million) and mainly relates to the 40% investment held by the Rainbow Group in the "joint venture" entities in China.

03|14 EARNINGS PER SHARE (in EUR)



Earnings per share improved year on year by 7% to EUR 4.77 (2012: EUR 4.44).

DIVIDENDS AND APPROPRIATION OF PROFIT

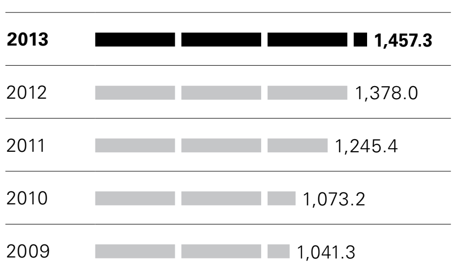
HUGO BOSS AG closed fiscal year 2013 with a net income of EUR 211 million (2012: EUR 288 million). The unappropriated surplus after withdrawal from retained earnings came to EUR 235 million (2012: EUR 220 million). Given the **profits-based dividend policy,** the Supervisory Board and the Managing Board will propose to the Annual Shareholders' Meeting that a **dividend of EUR 3.34** per share be paid out for fiscal year 2013 (2012: EUR 3.12 per share). This corresponds to a figure of EUR 231 million (2012: EUR 215 million). It will also be proposed to the Annual Shareholders' Meeting that the dividend attributable to own shares totaling EUR 5 million is to be carried forward to new account (2012: EUR 4 million).

PROFIT DEVELOPMENT OF THE BUSINESS SEGMENTS

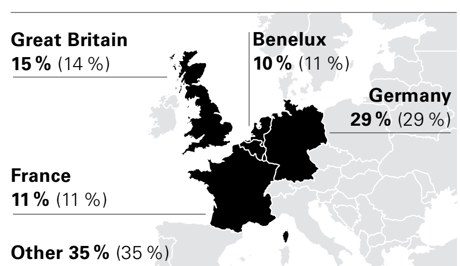
In fiscal year 2013, HUGO BOSS generated sales increases adjusted for currency effects across all four segments, further expanding its market position in the premium and luxury goods industry. The development of sales and earnings of the business segments benefited in particular from the sales growth in the Group's own retail business.

EUROPE

03|15 SALES EUROPE
(in EUR million)



03|16 SHARE IN SALES EUROPE 2013
(2012)



Sales in **Europe** including the Middle East and Africa increased in the Group's reporting currency by 6% to EUR 1,457 million in fiscal year 2013 (2012: EUR 1,378 million). This corresponds to an increase of 7% in local currencies.

Significant sales growth in the Group's own retail business compensates for declining wholesale business

At EUR 417 million, sales in **Germany** were up 4% on the prior-year level (2012: EUR 401 million). The takeover of selling space previously operated by wholesale partners supported the positive development of the Group's own retail business. Accordingly, the wholesale business reported a slight decrease. Likewise in **Great Britain** and **France**, double-digit sales growth in the Group's own retail business compensated for the decrease in sales generated with wholesale partners. Sales in Great Britain in the Group's reporting currency, reached EUR 215 million, up 9% on the prior-year period (2012: EUR 197 million). In local currencies, this corresponds to sales growth of 14%. At EUR 166 million, sales in France were up 13% year on year (2012: EUR 147 million). Owing to the difficult market environment in the Netherlands, sales in the **Benelux countries** came to EUR 153 million, down 3% on the comparable prior-year period (2012: EUR 157 million). In the past fiscal year, however, the Group's own retail business developed positively in this market as well.

Driven by the industry's robust development in **Eastern Europe**, the Group's sales in this sales territory increased 8%, both in the Group's reporting currency and local currencies, totaling EUR 94 million (2012: EUR 87 million).

Sales perform well in Southern Europe despite difficult market conditions

Despite the difficult market conditions in **Southern Europe**, HUGO BOSS was able to generate sales growth in **Italy** and on the **Iberian peninsula** in fiscal year 2013. Supported by the takeover of various shop-in-shop units, sales on the Iberian peninsula increased by 9% to EUR 95 million (2012: EUR 87 million). In Italy, a 3% sales increase to EUR 50 million was reported (2012: EUR 49 million).

In the past fiscal year, sales in the **Group's own retail business** in Europe rose 23% to EUR 747 million (2012: EUR 610 million). This is equivalent to an increase of 24% in local currencies. This means that, for the first time, the sales generated in Europe from the Group's own retail business exceeded those from the wholesale channel. Sales with **wholesale** customers in the Group's reporting currency decreased by 8% to EUR 710 million (2012: EUR 768 million). Measured in local currencies, sales here decreased 7%. The main drivers behind this development were the continued challenging market conditions and the takeover of selling space that had previously been operated by wholesale partners. The latter triggered a shift in sales from the wholesale business to the Group's own retail business.

03|17 PROFIT DEVELOPMENT EUROPE[1]

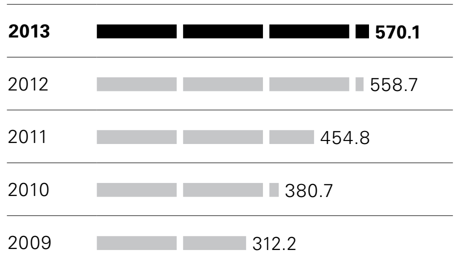
[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

Segment profit up on prior-year level due to rise in gross profit margin

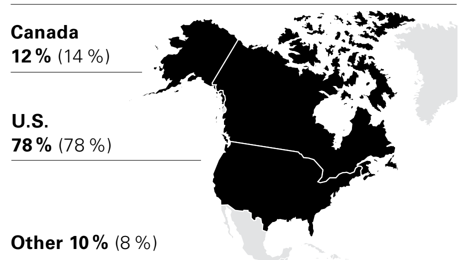
The **segment profit** for Europe came to EUR 498 million, up 5% year on year (2012: EUR 475 million). It was possible to increase the gross profit margin through the further expansion of the Group's own retail business and strict pricing policy. It was not possible to fully compensate for the accompanying increase in selling and distribution expenses and the expenditure on strengthening local organizational structures. The adjusted EBITDA margin decreased slightly to 34.2% (2012: 34.5%).

AMERICAS

03|18 SALES AMERICAS
(in EUR million)



03|19 SHARE IN SALES AMERICAS 2013
(2012)



In the **Americas sales** in the Group's reporting currency increased by 2% year on year to EUR 570 million (2012: EUR 559 million). In local currencies, this corresponds to sales growth of 6%.

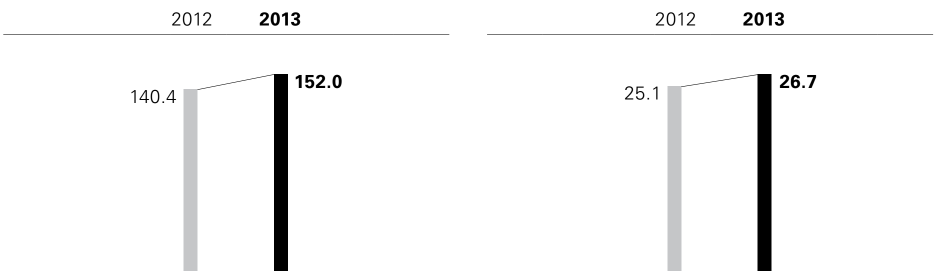
In the **United States** sales in the Group's reporting currency increased by 3% to EUR 447 million (2012: EUR 434 million). In local currency, sales growth of 6% was posted. Sales increases from existing retail space, the takeover of shop-in-shops previously operated by wholesale partners and selected new store openings led to double-digit growth in sales from the Group's retail business in the reporting period.

Significant sales growth in Central and South America

Sales in **Canada** in the Group's reporting currency totaled EUR 68 million, down 10% year on year (2012: EUR 76 million). Owing to the challenging market environment, especially in the wholesale channel, sales here decreased by 5% after currency adjustments. In **Central and South America**, it was possible to grow sales by 12% in the Group's reporting currency to EUR 55 million (2012: EUR 49 million). Despite the slowdown in economic growth in the region, it was possible to generate sales growth adjusted for currency effects of 16%.

In fiscal year 2013, sales in the **Group's own retail business** increased by 12% to EUR 293 million (2012: EUR 260 million). This is equivalent to an increase of 17% adjusted for currency effects. All markets in the region contributed to this development. Sales of EUR 277 million were generated in the **wholesale channel** in the same period (2012: EUR 299 million). Sales in this channel thus decreased by 7% in the Group's reporting currency, or 4% in local currencies. The takeover of stores previously operated by wholesale partners, particularly in the United States, led to a shift in sales from the wholesale business to the Group's own retail business.

03|20 PROFIT DEVELOPMENT AMERICAS[1]
(in EUR million) (in % of sales)



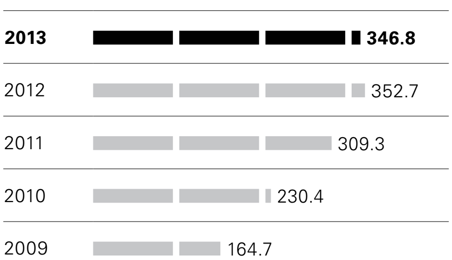
[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

Above-trend increase in Americas segment profit

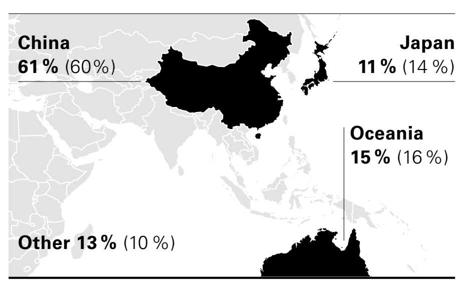
The **segment profit** for the Americas came to EUR 152 million, up 8% year on year (2012: EUR 140 million). Driven by the further expansion of the Group's own retail business and strict pricing policy, it was possible to further increase the gross profit margin. An improvement in the gross margin meant that it was possible to almost completely compensate for the above-trend increase in fixed costs, mainly due to the expansion of the Group's own retail business. At 26.7%, the adjusted EBITDA margin was above the prior-year figure of 25.1%.

ASIA/PACIFIC

03|21 SALES ASIA/PACIFIC
(in EUR million)



03|22 SHARE IN SALES ASIA/PACIFIC 2013
(2012)



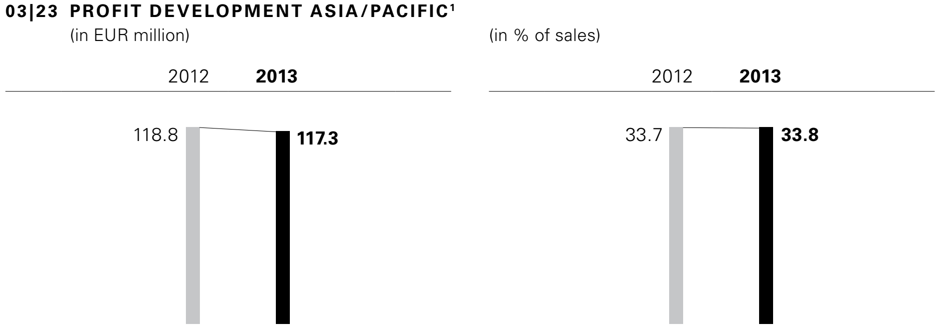
At EUR 347 million, **sales** in the Group's reporting currency in **Asia/Pacific** in fiscal year 2013 were down 2% on the prior-year period (2012: EUR 353 million). Local currencies' sales, by contrast, rose 4%.

After currency adjustments, sales increase across all markets in the region

At EUR 211 million, sales in **China** remained at the prior-year level (2012: EUR 211 million). Adjusted for currency effects, the sales increase was 2%. The still difficult environment in the retail business again burdened the development of sales here. In **Oceania**, sales totaled EUR 53 million, down 5% year on year (2012: EUR 56 million). Despite the still challenging market environment, it was possible to post a sales increase after currency adjustments of 6%. At EUR 39 million, sales in **Japan** were down 18% on the prior-year level (2012: EUR 48 million). This development is mainly influenced by the depreciation of the Japanese yen against the euro. After currency adjustments, sales increased by 3% year on year.

In the Group's reporting currency, Asia/Pacific saw a slight decrease of 2% in sales in the **Group's own retail business** to EUR 274 million (2012: EUR 280 million). In local currencies, by contrast, sales in this distribution channel increased by 4% compared to the prior-year period. At EUR 72 million, sales in the Group's reporting currency with **wholesale** partners were down 1% year on year (2012: EUR 73 million). After currency adjustments, sales in this sales channel were up 3% on the prior-year period.

03|23 PROFIT DEVELOPMENT ASIA/PACIFIC[1]



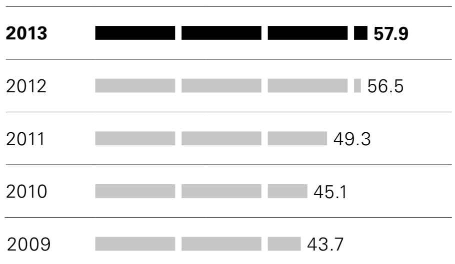
[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

Segment profit down slightly year on year

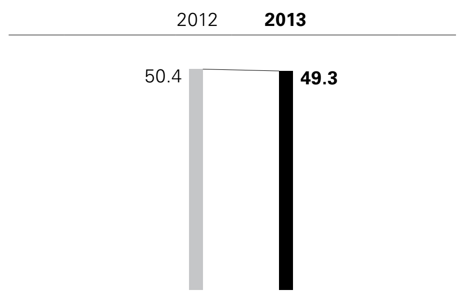
The **segment profit** for Asia/Pacific came to EUR 117 million, down slightly on the prior year (2012: EUR 119 million). The improvement in the gross profit margin fully compensated for the increase in fixed costs caused by the expansion of the Group's own retail business. At 33.8%, the adjusted EBITDA margin was slightly above the prior-year level (2012: 33.7%).

ROYALTIES

03|24 SALES ROYALTIES
(in EUR million)



03|25 PROFIT DEVELOPMENT ROYALTIES
(in EUR million)



Royalties continued to develop positively

The **royalties business** developed favorably in fiscal year 2013. The products produced by partners include fragrances, eyewear and watches. Sales with external licensees increased year on year by 2% to EUR 58 million (2012: EUR 57 million). Especially eyewear royalties registered double-digit growth. Fragrance royalties showed a stable development compared to the prior year.

The royalties **segment profit** came to EUR 49 million, down 2% year on year (2012: EUR 50 million). This is attributable to the other income contained in the prior year, which was generated through the sale of trademarks for the "Baldessarini" fragrance.

NET ASSETS AND FINANCIAL POSITION

In the past fiscal year, the Group's key financial reporting indicators developed favorably. For instance, it was possible to set a new benchmark in trade net working capital efficiency defined as the ratio of trade net working capital to sales. Free cash flow increased to EUR 230 million in the past fiscal year. Capital expenditure of EUR 185 million significantly exceeded the prior-year figure. Despite increased capital expenditure, it was possible to decrease net financial liabilities to EUR 57 million.

STRUCTURE OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND KEY PERFORMANCE INDICATORS

Deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG

At the end of the first half of 2013, the entity Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG was deconsolidated due to the loss of control and has since then been carried as an investment under other non-current assets. This mainly affects the development of property, plant and equipment and intangible assets and financial liabilities. **→ Notes to the consolidated financial statements, Note 5 → Basis of consolidation**

Total assets decreased by 5% at the end of fiscal year 2013 to EUR 1,501 million (December 31, 2012: EUR 1,577 million). This was largely attributable to a decrease in liabilities due to banks. On the assets side of the statement of financial position, this was reflected in a decrease in cash and cash equivalents. This development more than compensated for the slightly higher balance of inventories and receivables compared to the end of the prior year.

03|26 STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31 (in %)

ASSETS	2012[1]	2013
Property, plant and equipment and intangible assets	31	34
Inventories	27	29
Trade receivables	14	15
Other assets	12	14
Cash and cash equivalents	16	8
TOTAL	100	**100**
ASSETS (in EUR million)	1,577.2	**1,501.3**

[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

For absolute figures please refer to the statement of financial position, p. 145

The **share of current assets** decreased compared to the prior year to 59% (December 31, 2012: 63%). The **share of non-current assets** increased accordingly from 37% in the prior year to 41% as of December 31, 2013. This development is mainly attributable to the lower amount of cash and cash equivalents as a result of the reduction in financial liabilities.

03|27 STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31 (in %)

EQUITY AND LIABILITIES	2012[1]	**2013**
Shareholders' equity	40	**49**
Provisions and deferred taxes	10	**11**
Trade payables	15	**16**
Other liabilities	10	**12**
Financial liabilities	25	**12**
TOTAL	100	**100**
EQUITY AND LIABILITIES (in EUR million)	1,577.2	**1,501.3**

[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

For absolute figures please refer to the statement of financial position, p. 145

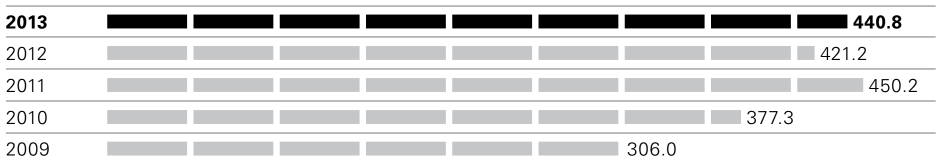
On the **equity and liabilities side**, the share of financial liabilities decreased significantly from 25% in the prior year to 12% as of the reporting date. This development is attributable to the refinancing of the syndicated credit facility and a related reduction in the amount drawn from the credit facility. The **equity ratio** increased to 49% as of the reporting date (December 31, 2012: 40%).

NET ASSETS

Investment in administration and distribution capacity causes increase in property, plant and equipment and intangible assets

On the assets side, **property, plant and equipment and intangible assets** increased as of the end of the reporting period by 2% to EUR 508 million (December 31, 2012: EUR 500 million). Capital expenditure on the further expansion and modernization of the Group's own retail business as well as the expansion of the administration capacities contributed to this increase. This was counterbalanced by the disposal of property, plant and equipment and intangible assets amounting to EUR 57 million in connection with the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG.

03|28 INVENTORIES AS OF DECEMBER 31[1] (in EUR million)

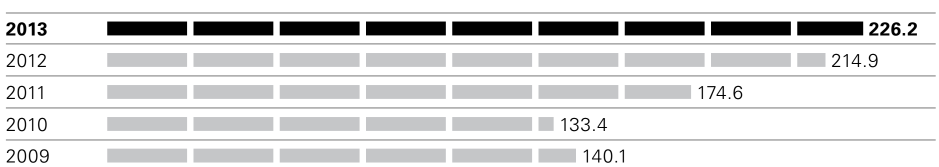


[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

Expansion of Group's own retail business drives up inventories

Inventories increased by 5% as of December 31, 2013 to EUR 441 million (December 31, 2012: EUR 421 million). After currency adjustments, inventories decreased by 9% year on year. The higher volume of inventories was largely driven by the further expansion of the Group's own retail business. Measures geared to optimizing inventory management meant that the increase was underproportionally as compared to sales growth in the Group's own retail business.

03|29 TRADE RECEIVABLES AS OF DECEMBER 31 (in EUR million)



Increase in trade receivables

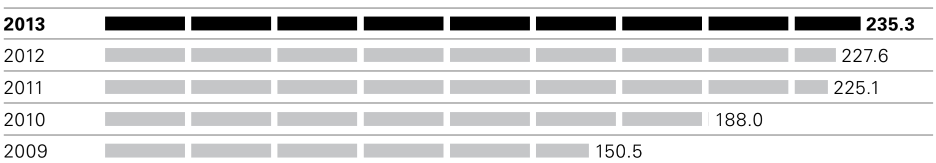
Trade receivables increased by 5% to EUR 226 million year on year (December 31, 2012: EUR 215 million). Adjusted for exchange rate effects, this corresponds to an increase of 8%. The increase is mainly due to receivables in connection with the expansion of the concession model.

Other assets increased by 11% year on year to EUR 207 million (December 31, 2012: EUR 187 million). This increase mainly stems from an increase in deferred tax assets as well as an increase in rent deposits for the Group's own retail stores. → **Notes to the consolidated financial statements, Note 7**

Cash and cash equivalents came to EUR 119 million as of the reporting date (December 31, 2012: EUR 255 million). This development is essentially attributable to the repayment of liabilities due to banks.

On the equity and liabilities side, **provisions and deferred taxes** came to EUR 170 million, up 4% on the prior-year figure (December 31, 2012: EUR 164 million). The increase was attributed to higher provisions for return of goods as well as provisions for deconstruction related to the conclusion of lease agreements for Group's own retail stores. This increase is accompanied by a decrease in provisions for personnel expenses.

03|30 TRADE PAYABLES AS OF DECEMBER 31 (in EUR million)



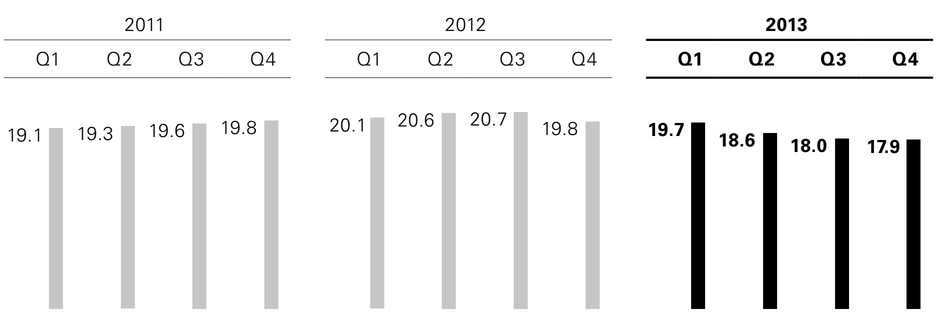
Slight increase in trade payables

Trade payables increased by 3% to EUR 235 million year on year driven by quantity effects (December 31, 2012: EUR 228 million). After currency adjustments, this corresponds to a rise of 4%.

The aggregate of **current and non-current financial liabilities** decreased as of the reporting date by 55% to EUR 179 million (December 31, 2012: EUR 395 million). This development mainly reflects a lower amount drawn of EUR 111 million from the refinanced syndicated loan facility compared to the prior year (December 31, 2012: EUR 300 million). Apart from the tranches of the syndicated loan agreement drawn, the financial liabilities contain negative market values of interest and exchange rate hedges amounting to EUR 3 million (December 31, 2012: EUR 10 million).

Other liabilities increased by 11% year on year to EUR 176 million (December 31, 2012: EUR 158 million).

03|31 TRADE NET WORKING CAPITAL[1] (in % of sales)



[1] Due to changes in accounting policies and corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/Corrections", page 170).

Trade net working capital is the HUGO BOSS Group's key performance indicator for measuring the efficient use of capital. The only components factored into the calculation are inventories, trade receivables and trade payables.

Trade net working capital increased by 6% year on year to EUR 432 million (December 31, 2012: EUR 408 million). The increase in trade payables was only partially counterbalanced by the increase in inventories and trade receivables.

Efficiency of trade net working capital reaches record level

The 12-month moving average of **trade net working capital as a percentage of sales** reached 17.9%, significantly down on the prior-year period (2012: 19.8%). The efficiency of trade net working capital thus reached a record level. This positive development is due in particular to the effective measures taken to reduce inventories.

FINANCIAL POSITION

FINANCIAL MANAGEMENT AND FINANCING PRINCIPLES

The most important goal of **financial management** at HUGO BOSS is to secure sufficient liquidity reserves, while minimizing financial expenses in the Group. Accordingly, the aim is to ensure that the Group can meet its payment obligations at all times and that it has sufficient liquidity to grow its business. → **Report on risks and opportunities, Financing and liquidity risks**

Central bundling of global financial management

Group-wide liquidity management and monitoring of financial risks are bundled at the central treasury department of HUGO BOSS AG. **Global financial management** is based on Group-wide principles and guidelines. At the level of the subsidiaries, the finance managers are responsible for compliance with treasury guidelines.

The HUGO BOSS Group's **external financing volume** is essentially drawn thorough HUGO BOSS International B.V. This covers most of the financing requirements of the Group's entities. Only in individual cases do HUGO BOSS companies directly obtain debt capital, for instance, if it is economically advantageous to use local credit and capital markets. If the Group companies directly enter into external loan transactions, HUGO BOSS AG or HUGO BOSS International B.V. issue guarantees or letters of comfort as required in each case.

The cash inflow from the operating activities of each Group company is the Group's most important source of liquidity. The liquidity forecast is based on a three-year financial planning and a supplementary liquidity planning on a rolling basis with a one-year planning horizon that is prepared by all Group companies using a **central financial reporting system**. This allows the HUGO BOSS Group to continuously monitor its financial position and the future development of liquid funds and to intervene if necessary.

Daily liquidity management uses efficient **cash management systems** to channel liquidity surpluses of individual Group companies to other companies with financial requirements (cash pooling). This intercompany financial balancing system reduces external financial requirements and optimizes net interest expenses.

FINANCING

Market capacity, cost of financing, investor diversification, flexibility, covenants and terms to maturity are taken into account when **selecting financial instruments**. **→ Notes to the consolidated financial statements, Note 26 → Notes to the consolidated financial statements, Note 29**

Syndicated loan secures long-term financial flexibility

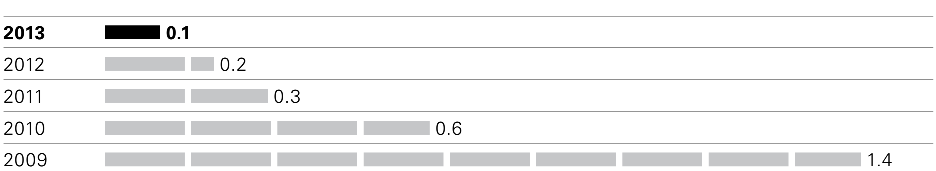
The Group secured its **financial flexibility** in the long term by refinancing the syndicated credit facility that expired in May 2013. The syndicate of banks led by DZ Bank, Landesbank Baden-Württemberg and Unicredit AG granted a new syndicated loan with a volume of EUR 450 million. This comprises a fixed tranche amounting to EUR 100 million and a revolving tranche of EUR 350 million. Apart from the fixed tranche, an amount of EUR 11 million had been drawn from the revolving tranche as of the reporting date.

In its capacity as "in-house bank", HUGO BOSS International B.V. provides these funds to Group companies with increased financing needs in the form of intercompany loans. These loans are issued in the local currency of each respective distribution company and, for the most part, take the form of an overdraft facility. In order to hedge against the currency risk exposure of HUGO BOSS International B.V., forward exchange contracts were concluded for the main currencies. In addition, subbranches of the revolving tranche permit amounts to be borrowed in U.S. dollars and pounds sterling. The Group has additional liquidity secured in the form of bilateral lines of credit with a total volume of EUR 111 million. Of this amount, EUR 69 million had been drawn as of December 31, 2013. Apart from the undrawn amounts from the lines of credit amounting to EUR 382 million, the Group has access to liquidity funds of EUR 119 million as of the reporting date, of which EUR 25 million is kept in time deposits with a term of up to three months.

FINANCING CONDITIONS

The **syndicated loan agreement** contains a standard covenant requiring the maintenance of total leverage, defined as the ratio of net financial liabilities to EBITDA before special items.
→ Notes to the consolidated financial statements, Note 26

03|32 TOTAL LEVERAGE AS OF DECEMBER 31[1]



[1] Net financial liabilities/EBITDA before special items.

Further improvement of financial strength

As in prior fiscal years, HUGO BOSS substantially exceeded the required minimum values as of December 31, 2013. Total leverage improved further year on year driven by the positive development of the operating result and the improvement in net financial liabilities. The ratio was down from 0.2 in the prior year to 0.1 as of the reporting date.

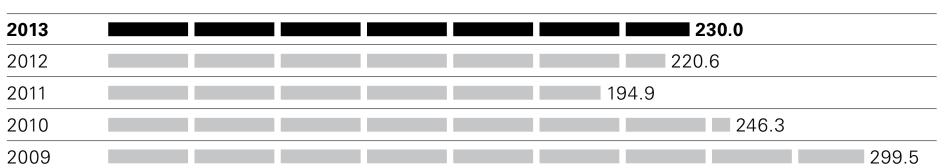
The **financial liabilities** of the HUGO BOSS Groups are mostly subject to variable interest rates and have short fixed-interest periods for the most part. Of the amount of financial liabilities subject to variable interest rates amounting to EUR 134 million, a volume of approximately EUR 112 million was hedged against an increase in interest rates using payer swaps as of December 31, 2013. There is no exposure to interest rate risks from the fixed-interest loans. **→ Notes to the consolidated financial statements, Note 26**

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

Financing is supplemented by operating lease agreements not reported in the statement of financial position relating to the Group's own retail locations as well as logistics and administration properties. **→ Notes to the consolidated financial statements, Note 32**

STATEMENT OF CASH FLOWS

03|33 FREE CASH FLOW (in EUR million)



The statement of cash flows is presented in accordance with IAS 7. The cash and cash equivalents reported here correspond to the line item of that name in the statement of financial position.

Cash inflow from operating activities up on prior-year period

At EUR 416 million **cash inflow from operating activities** was up on the prior-year level (2012: EUR 392 million). The development was essentially attributable to the higher consolidated net income. Lower cash outflow from changes in trade receivables and higher cash inflow from changes in trade payables also had a positive effect. The cash outflow of EUR 36 million resulting from the change in inventories (2012: cash inflow of EUR 23 million) led to an overall cash outflow from trade net working capital of EUR 45 million (2012: EUR 16 million).

The net cash outflow from interest expenses and income decreased to EUR 8 million as of the reporting date (2012: EUR 16 million). The lower amount of debt following the refinancing and the lower market interest rates had a positive effect.

As cash flow is presented after currency adjustments, these figures cannot be derived from the statement of financial position.

Expansion of the Group's own retail business causes increase in cash outflow from investing activities

At EUR 186 million **cash outflow from investing activities** was up on the prior-year level (2012: EUR 172 million). This development was mainly driven by increased capital expenditure on property, plant and equipment in the course of expanding the Group's own retail business. A cash outflow of EUR 12 million is attributable to property, plant and equipment and intangible assets acquired in business combinations in fiscal year 2013. **→ Notes to the consolidated financial statements, business combinations**

Free cash flow, measured as the cash inflow from operating activities and the cash outflow from investing activities, increased by EUR 9 million to EUR 230 million in the reporting year (2012: EUR 221 million).

Cash outflow from financing activities shaped by refinancing

Cash outflow from financing activities totaled EUR 363 million in fiscal year 2013 (2012: EUR 166 million). Apart from the dividend distribution of EUR 215 million (2012: EUR 199 million), this was mainly marked by the repayment of the fixed tranche of the syndicated loan that was replaced in fiscal year 2013. The tranche of EUR 111 million drawn under the new syndicated loan agreement partially compensated for the cash outflow.

03|34 CASH AND CASH EQUIVALENTS AS OF DECEMBER 31 (in EUR million)

2013	**119.2**
2012	254.6
2011	200.4
2010	294.9
2009	114.1

Cash and cash equivalents decreased to EUR 119 million as of the reporting date (December 31, 2012: EUR 255 million). This development was essentially attributable to the repayment of liabilities due to banks.

NET FINANCIAL LIABILITIES

Net financial liabilities are the total of all financial liabilities due to banks less cash and cash equivalents.

03|35 NET FINANCIAL LIABILITIES AS OF DECEMBER 31 (in EUR million)

2013	**57.0**
2012	130.4
2011	149.1
2010	201.1
2009	379.1

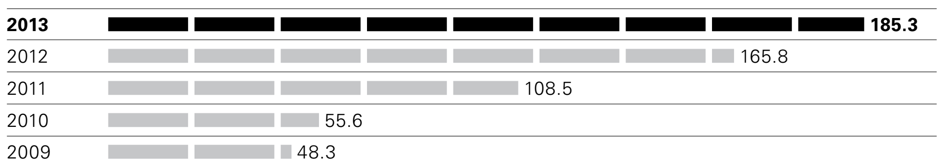
Financial liabilities to banks came to EUR 176 million, down on the prior-year level (December 31, 2012: EUR 385 million). This development mainly reflected a reduction in the amount of debt capital needed from the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG.

Net financial liabilities improved

Net financial liabilities thus improved by a further EUR 73 million from EUR 130 million in the prior year to EUR 57 million as of December 31, 2013.

CAPITAL EXPENDITURE

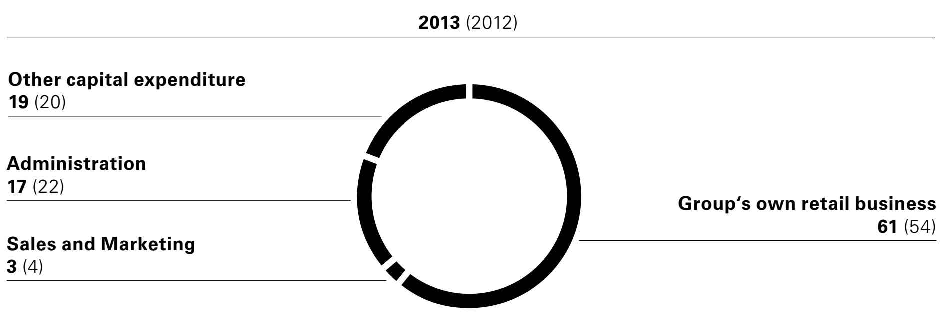
03|36 CAPITAL EXPENDITURE (in EUR million)



In 2013, HUGO BOSS invested a record EUR 185 million

In the past fiscal year, HUGO BOSS invested a total of EUR 185 million in property, plant and equipment and intangible assets. Total investment thus increased by 12% year on year (2012: EUR 166 million). EUR 12 million is attributable to property, plant and equipment and intangible assets acquired in business combinations in fiscal year 2013. → **Notes to the consolidated financial statements, business combinations**

03|37 CAPITAL EXPENDITURE BY FUNCTIONAL AREA (in %)



Capital expenditure focuses on own retail business

Making up 61% of the total investment volume, the **global expansion and modernization of the Group's own retail business** continued to be the focal point of investment activity in the past fiscal year (2012: 54%). This corresponds to an investment volume of EUR 113 million (2012: EUR 89 million).

Investment in **new retail stores** owned by the Group came to EUR 75 million in fiscal year 2013 (2012: EUR 51 million). In Europe, retail stores were opened in cities such as Stuttgart and Vienna, while flagship stores were opened in Moscow and Amsterdam. In the Americas, attractive locations were added to the portfolio in cities such as Boston, San Diego and Toronto. In Asia/Pacific, flagship stores were opened in Shanghai, Hong Kong and Tokyo.

Modernization of the New York flagship store on Columbus Circle

In the past fiscal year, EUR 38 million was invested worldwide in the **renovation and modernization** of existing retail locations (2012: EUR 39 million). Capital expenditure in the Americas should be noted in this context. There the flagship store on Columbus Circle in New York and the retail stores in Miami, Denver and Mexico City were renovated.

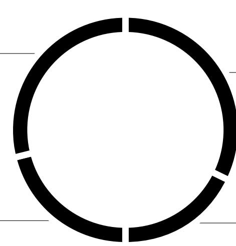
In 2013, investment in the **production, logistics and distribution structure** as well as in **research and development** amounted to EUR 41 million (2012: EUR 40 million). Of this amount, EUR 28 million was attributable to Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG, which was deconsolidated on June 30, 2013.

Investment in **administration** came to EUR 32 million in the past fiscal year (2012: EUR 36 million). This includes investment in IT infrastructure amounting to EUR 16 million as well as investment of EUR 7 million for an administration building in Metzingen.

The accumulated amortization and depreciation on property, plant and equipment and intangible assets taking into account own work capitalized totaled EUR 603 million (2012: EUR 545 million). **→ Notes to the consolidated financial statements, Note 11 → Notes to the consolidated financial statements, Note 12**

Obligations from investment projects that have commenced amounted to EUR 2 million as of December 31, 2013 (December 31, 2012: EUR 77 million). **→ Notes to the consolidated financial statements, Note 32**

03|38 CAPITAL EXPENDITURE BY REGION (in %)



[1] Including Middle East and Africa.

HUGO BOSS AG (DISCLOSURES PURSUANT TO HGB)

By contrast to the consolidated financial statements, the annual financial statements of HUGO BOSS AG are not prepared in accordance with International Financial Reporting Standards (IFRS), but rather in accordance with the provisions of HGB [“Handelsgesetzbuch”: German Commercial Code].

BUSINESS ACTIVITY AND ECONOMIC ENVIRONMENT

As the parent company, HUGO BOSS AG is responsible for a number of functions within the HUGO BOSS Group. On the one hand, HUGO BOSS AG is responsible for all distribution channels in the German market and, through its permanent establishment, in the Austrian market. Responsibility for the collection theme and development for the main product groups across all brands is located in the Group’s headquarters in Metzingen. Other tasks bundled at the Group’s headquarters include management of the Group’s own retail business, procurement, logistics, IT, personnel management, financial management including company financing as well as risk management. In addition, HUGO BOSS AG is responsible for internal communication and, in particular, for external communication including investor relations.

As part of its overarching Group functions, the Group’s parent company, as represented by the members of the Managing Board, is responsible for the Group’s alignment and thus also for setting the corporate strategy.

The development of the results of operations of HUGO BOSS AG is influenced by the operating business as well as management of the central functions in particular. The allocation of costs for services rendered to Group companies together with the investment result resulting from the holding function of HUGO BOSS AG are the main line items in this context.

HUGO BOSS AG’s sales comprise external sales with wholesale partners and intercompany sales with foreign subsidiaries.

RESULTS OF OPERATIONS

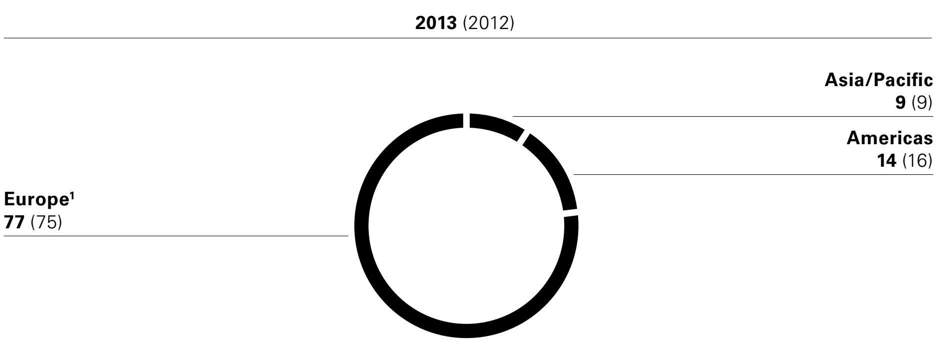
CHANGE IN DISCLOSURE AND RESTATEMENT OF PRIOR-YEAR DISCLOSURES

Owing to the presentation changes made and the related restatement of the prior-year figures in accordance with Sec. 265 (2) Sentence 3 HGB, some of the figures presented deviate from the figures reported in prior years. Detailed information on this matter is presented in the separate financial statements of HUGO BOSS AG.

SALES DEVELOPMENT

In fiscal year 2013, **sales** of HUGO BOSS AG decreased by 2% to EUR 1,067 million (2012: EUR 1,093 million). This development is attributable to a decrease in sales with third parties as well as a reduction in the volume of sales with wholesale partners. This was only partially compensated for by the positive development of sales generated by subsidiaries in the Group's own retail business.

03|39 REGIONAL SALES PERFORMANCE (in %)



[1] Including Middle East and Africa.

In **Europe** including the Middle East and Africa sales with subsidiaries of HUGO BOSS AG decreased by 3% to EUR 387 million in fiscal year 2013 (2012: EUR 400 million). By contrast, sales with third parties increased by 4% to a EUR 436 million in the same period (2012: EUR 420 million). Sales outside Germany and Austria were mainly generated with subsidiaries.

HUGO BOSS AG's sales in the **Americas** decreased by 17% to EUR 145 million (2012: EUR 174 million). In **Asia/Pacific,** HUGO BOSS AG reported a 1% increase in sales to EUR 100 million (2012: EUR 99 million).

BOSS brand sales decreased by 3% to EUR 940 million (2012: EUR 974 million). By contrast, the **HUGO brand** generated an increase in sales of 7% to EUR 127 million in fiscal year 2013 (2012: EUR 120 million).

NOTES TO THE INCOME STATEMENT

03|40 INCOME STATEMENT HUGO BOSS AG (in EUR million)

	2013	**In % of sales**	2012[1]	In % of sales	Change in %
Sales	**1,067.3**	**100.0**	**1,093.4**	**100.0**	**(2)**
Cost of sales	(653.9)	(61.3)	(681.8)	(62.4)	4
Gross profit	**413.4**	**38.7**	**411.6**	**37.6**	**0**
Distribution Costs	(298.9)	(28.0)	(283.8)	(26.0)	(5)
General administrative expenses	(101.3)	(9.5)	(93.3)	(8.5)	(9)
Other operating income	131.8	12.3	126.3	11.6	4
Other operating expenses	(59.1)	(5.5)	(61.7)	(5.6)	4
Operating profit	**85.8**	**8.0**	**99.1**	**9.1**	**(13)**
Income from investments in affiliated companies	196.6	18.4	250.8	22.9	(22)
Interest result	(10.6)	(1.0)	(13.3)	(1.2)	20
Income from ordinary activities	**271.8**	**25.5**	**336.6**	**30.8**	**(19)**
Taxes on income and other taxes	(61.1)	(5.7)	(48.3)	(4.4)	(27)
Net Income	**210.8**	**19.8**	**288.2**	**26.4**	**(27)**
Transfer to (–)/from (+) other revenue reserves	20.1	1.9	(72.6)	(6.6)	(128)
Accumulated income previous year	4.3	0.4	4.0	0.4	8
Unappropriated income	**235.1**	**22.0**	**219.6**	**20.1**	**7**

[1] Due to the adjustments made, certain amounts presented here do not correspond to the figures reported in the prior year. Detailed information on this matter is presented in the financial statements of HUGO BOSS AG.

At EUR 413 million, the **gross profit** was up slightly on the prior-year level (2012: EUR 412 million). The gross profit margin hence increased from 37.6% in the prior year to 38.7%. Apart from the higher share in sales contributed by the Group's own retail business compared to the prior year, this development reflected both the efficiency improvements in production and procurement activities as well as the positive effects from the improved inventories situation. Exchange rate effects had an adverse effect on gross profit.

Distribution costs increased by 5% to EUR 299 million in the fiscal year (2012: EUR 284 million). This development mainly relates to the expansion of the Group's own retail business. Increased sales in this distribution channel led to increased expenses in connection with rental agreements linked to sales performance.

General administrative expenses increased by 9% to EUR 101 million (2012: EUR 93 million) and mainly comprised personnel expenses, rent for premises, lease expenses, amortization and depreciation as well as various IT costs. The increase relates to the higher amount of amortization charged on enterprise software in connection with the more capital-intensive nature of the business model.

Other operating expenses mainly comprise research and development costs, bad debt allowances and exchange rate effects and decreased by 4% year on year to EUR 59 million (2012: EUR 62 million). The decrease is largely due to the expenses included in the prior year relating to the stock appreciation rights (SAR) program.

In the past fiscal year, **other operating income** amounted to EUR 132 million (2012: EUR 126 million) and mainly breaks down into cost allocations and services rendered to affiliated companies.

Compared to the prior year, **operating profit** decreased from EUR 99 million to EUR 86 million, mainly due to increased distribution costs.

At EUR 197 million, **income from investments in affiliated companies** decreased compared to the prior-year level (2012: EUR 251 million). Income from investments in affiliated companies mainly concerns the net income of HUGO BOSS Trade Mark Management GmbH & Co. KG amounting to EUR 95 million (2012: EUR 97 million), which is transferred to and drawn from the loan account of HUGO BOSS AG as limited partner in accordance with the partnership agreement. Income from profit and loss transfer agreements pertains to income from profit and loss transfer agreements in place with subsidiaries of HUGO BOSS AG. In fiscal year 2013, this amounted to EUR 102 million (2012: EUR 153 million) and resulted from the transfer of profit from HUGO BOSS Internationale Beteiligungs-GmbH, Metzingen. In fiscal year 2013, this company received dividend income from HUGO BOSS Holding Netherlands B.V. In the past fiscal year, expenses from loss absorption totaled EUR 1 million (2012: EUR 0 million) and relate to the loss absorbed by HUGO BOSS Beteiligungsgesellschaft mbH, Metzingen.

The **interest result** as a net interest expense (other interest and similar income less interest and similar expenses) decreased to EUR 11 million in fiscal year 2013 (2012: EUR 13 million). This change primarily reflects the lower level of borrowing and the repayment of financial liabilities due to HUGO BOSS International B.V.

Income before taxes came to EUR 272 million in fiscal year 2013 (2012: EUR 337 million). The decrease in income before taxes was attributable to the lower operating profit as well as the lower income from profit and loss transfer agreements and investments in affiliated companies.

At 22%, the **effective tax rate** was well above the prior-year level (2012: 14%). The dividend income contained in profit transfers and income from a foreign joint venture had a positive effect on the effective tax rate. By contrast, expenses from income taxes relating to other periods of EUR 16 million (2012: EUR 1 million) increased the effective tax rate. These mainly stem from the recognition of a provision for risks in connection with the tax field audit for the years 2007 through 2011 including subsequent effects. Without these two effects, the normalized effective tax rate for the fiscal year would have stood at 28% (2012: 28%).

At EUR 211 million, the **net income** for fiscal year 2013 was thus down on the prior-year level (2012: EUR 288 million).

NET ASSETS

Property, plant and equipment and intangible assets increased slightly to EUR 669 million (December 31, 2012: EUR 666 million). This was mainly driven by investment for the expansion of the retail network in Germany and Austria as part of the takeover and opening of a net figure of 32 new locations.

Inventories increased by 9% at the end of fiscal year 2013 to EUR 170 million (December 31, 2012: EUR 156 million). The main driver behind this development is the 17% increase in finished goods in connection with the worldwide expansion of the Group's own retail business. By contrast, raw materials and supplies decreased by 13%. This development was largely a consequence of strict inventory management. As a result of the new business strategy, collection creation cycles were shortened, leading to shorter order lead times.

Trade receivables with external wholesale partners increased by 14% year on year to EUR 25 million (December 31, 2012: EUR 22 million). The main driver behind this development was an increased volume of deliveries made in the months of November and December compared to the prior year. Days sales outstanding deteriorated slightly compared to the prior year.

Receivables from affiliated companies saw an increase of EUR 65 million (December 31, 2012: EUR 31 million). This development is essentially attributable to the larger volume of receivables due from affiliated companies.

At EUR 29 million, **other assets** were up 22% year on year (December 31, 2012: EUR 24 million). These mainly pertain to bonus receivables from suppliers, credit card receivables as well as income tax and VAT receivables. Apart from the increase in income tax receivables, credit card receivables in particular increased as of the end of the year due to an increase in sales.

Cash and cash equivalents, as the sum of cash on hand and balances with banks, decreased by EUR 4 million to EUR 3 million compared to the prior year (December 31, 2012: EUR 7 million).

The equity and liabilities side was mainly affected by an increase in **liabilities**. These increased by 16% to EUR 355 million as of the reporting date (December 31, 2012: EUR 306 million). A key driver behind this development is the rise in liabilities due to affiliated companies on account of the newly obtained intercompany loan of EUR 100 million from HUGO BOSS International B.V. At EUR 88 million, trade payables were up 3% year on year (December 31, 2012: EUR 85 million).

On aggregate, **provisions** increased to EUR 110 million as of the reporting date (December 31, 2012: EUR 99 million). This increase is primarily attributable to an increase in tax provisions.

Trade net working capital is HUGO BOSS AG's key performance indicator for measuring the efficient use of capital. The only components factored into the calculation of this indicator are inventories, trade receivables and trade payables. Trade net working capital increased by EUR 14 million year on year to EUR 107 million (December 31, 2012: EUR 93 million). The increase in inventories and trade receivables was only partially counterbalanced by an increase in trade payables.

FINANCIAL POSITION

03|41 STATEMENT OF CASH FLOWS HUGO BOSS AG (in EUR million)

	2013	2012
Cash flow from operating activities	240	332
Cash flow from investing activities	(73)	(50)
Cash flow from financing activities	(170)	(316)
Change in cash and cash equivalents	**(4)**	**(33)**
Cash and cash equivalents at the beginning of the period	7	40
Cash and cash equivalents at the end of the period	3	7

At EUR 240 million, **cash inflow from operating activities** was down on the prior-year figure (2012: EUR 332 million). The decrease is mainly attributable to the EUR 77 million decline in net income combined with increased cash outflow from trade net working capital.

Cash outflow from financing activities totaled EUR 73 million in fiscal year 2013 (2012: EUR 50 million). This increase is essentially attributable to a larger amount of receivables from affiliated companies compared to the prior year. As in the prior year, investment in property, plant and equipment totaled EUR 39 million (2012: EUR 39 million).

Free cash flow, measured as the cash outflow from operating activities and the cash outflow from investing activities, decreased by EUR 115 million to EUR 167 million in the reporting year 2013 (2012: EUR 282 million).

The **cash outflow from financing activities** totaled EUR 170 million as of December 31, 2013 (2012: EUR 316 million). The payment of the dividend of EUR 215 million was partially compensated by higher liabilities to affiliated companies.

Cash and cash equivalents, as the sum of cash on hand and bank balances, decreased by EUR 4 million to EUR 3 million compared to the prior year (December 31, 2012: EUR 7 million).

CAPITAL EXPENDITURE

As in the prior year, investment in property, plant and equipment and intangible assets totaled EUR 39 million (2012: EUR 39 million).

Intangible assets mainly comprise software. The addition of EUR 13 million (2012: EUR 12 million) was mainly attributable to investment in software and user rights in connection with the continuous enhancement of the ERP system, comprising the industry solution SAP AFS and SAP Retail for the Group's own retail business.

The additions to **property, plant and equipment** of EUR 26 million (2012: EUR 27 million) partly relate to additions of land and buildings in Metzingen. In addition, the opening of eight new retail stores in Germany and Austria, together with the takeover of 25 shop-in-shops that had previously been operated by wholesale partners in Germany led to additional capital expenditure. In 2013, additional retail stores were opened, including in Berlin, Vienna and Innsbruck.

Existing obligations from investment projects that have commenced are reported in the annual financial statements of HUGO BOSS AG under "Other financial obligations" and amount to EUR 2 million as of December 31, 2012 (December 31, 2012: EUR 8 million).

RISKS AND OPPORTUNITIES

The business development of HUGO BOSS AG is subject for the most part to the same risks and opportunities as those applicable to the HUGO BOSS Group. HUGO BOSS AG is generally exposed to the risks and benefits from the opportunities of its subsidiaries and investees to the extent of its share in equity in each case. → **Report on risks and opportunities**

As the parent company, HUGO BOSS AG is integrated in the Group-wide risk management system of the HUGO BOSS Group. The description required under Sec. 289 (5) HGB ["Handelsgesetzbuch": German Commercial Code] of the accounting-related internal control system and risk management system for HUGO BOSS AG is presented in the HUGO BOSS Group's risk report. → **Report on risks and opportunities, Risk report**

OUTLOOK

Due to its integration with the Group's companies and its importance within the Group, the expectations for HUGO BOSS AG are reflected in the Group's outlook. It is expected that the statements made for the HUGO BOSS Group with respect to the development of markets, sales and profit development will essentially be reflected in the sales and profit development of HUGO BOSS AG. → **Subsequent events and outlook, Outlook**

COMPENSATION REPORT

This report is based on the recommendations of the German Corporate Governance Code and contains disclosures based on the requirements of German Accounting Standard (GAS) 17, the HGB ["Handelsgesetzbuch": German Commercial Code] and International Financial Reporting Standards (IFRS). The disclosures pursuant to IAS 24 are presented in the notes to the consolidated financial statements.

MAIN FEATURES OF THE COMPENSATION SYSTEM FOR THE MANAGING BOARD

Decisions concerning the compensation system for the Managing Board as well as regular consultation and review of the compensation system are the responsibility of the Supervisory Board. The Personnel Committee is charged with preparing proposals. The compensation system applicable for the members of the Managing Board of HUGO BOSS AG since fiscal year 2010 was approved with a clear majority by the Annual Shareholders' Meeting on May 10, 2011. Without in principle altering this system approved by the Annual Shareholders' Meeting, agreements with all members of the Managing Board were adjusted effective January 1, 2013 such that the performance-related compensation component is solely oriented toward quantitative targets. Consequently, personal objectives are no longer included in the objectives agreed with members of the Managing Board.

Total compensation of the Managing Board comprises a non-performance-related (fixed) compensation component and a performance-related (variable) compensation component. The compensation structure is partly oriented toward the sustainable growth of the Company by factoring in compensation components with a multiple-year assessment basis. The total compensation of individual members of the Managing Board is specified by the Supervisory Board based on a performance assessment, taking into account any payments made by Group companies. Criteria for determining the appropriateness of the compensation are based on the responsibilities of the individual member of the Managing Board, their personal performance, the economic situation, the performance and outlook of the Company, as well as the level of compensation usually paid, taking into account peer companies and the compensation structure in place in other areas of society. At its professional discretion, the Supervisory Board can make decisions as regards special payments for the outstanding achievements or success of a member of the Managing Board.

Pursuant to a resolution of the Annual Shareholders' Meeting of June 21, 2010, the individual amounts paid to members of the Managing Board are not disclosed. Accordingly, the disclosures required under Sec. 285 Sentence 1 No. 9 a) Sentences 5 to 8 HGB and Sec. 314 (1) No. 6 a) Sentences 5 to 8 HGB are not made for a period of five years. This applies to the fiscal year beginning on January 1, 2010 and the following four fiscal years, i.e., until December 31, 2014. As a consequence, the total compensation is disclosed as an aggregate amount and broken down into the individual compensation components.

NON-PERFORMANCE RELATED COMPENSATION

The fixed compensation components consist of a fixed basic compensation, fringe benefits and contributions to retirement benefits. The fixed basic compensation is paid as a monthly salary. The members of the Managing Board receive fringe benefits such as company cars, supplementary payments to health and nursing care insurance, conclusion of and contributions to an accident and directors and officers (D&O) liability insurance as well as other benefits in kind integral to the salary and other equipment and services needed to fulfill their duties as members of the Managing Board. In accordance with Sec. 93 (2) Sentence 3 AktG ["Aktiengesetz": German Stock Corporation Act], the deductible for the D&O insurance is 10% of the relevant loss but no more than one-and-a-half times of the fixed annual compensation. Each member of the Managing Board is responsible for the taxation of the taxable benefit resulting from the private use of the company car.

PERFORMANCE-RELATED COMPENSATION

In fiscal year 2013, the performance-related compensation, comprising an annual bonus and a bonus assessed over a multiple-year period, was adjusted such that only quantitative targets are taken into account. In future, personal objectives will no longer be included in the objectives agreed with members of the Managing Board.

SHORT-TERM VARIABLE INCENTIVES

The annual bonus is determined by reference to the development of a target indicator defined for each fiscal year. Trade net working capital (total of inventories and trade receivables less trade payables) was set as the assessment base for the annual bonus for all members of the Managing Board. At the beginning of each fiscal year, the Managing Board and the Supervisory Board agree on the target to be reached as well as the maximum and minimum thresholds for trade net working capital as a percentage of sales as a basis for determining the annual bonus. If the target is achieved in full, 100% of the amount contractually agreed with each member of the Managing Board is paid out. The maximum amount of 150% of the target annual bonus is paid out if a specified threshold set below the annual target is reached. No annual bonus is paid if a specified threshold set above the annual target is reached or exceeded. The annual bonus is payable within a week of the Supervisory Board approving the consolidated financial statements for the fiscal year in question.

LONG-TERM VARIABLE INCENTIVES

The multiple-year bonus is assessed over a period extending over several years and is measured by reference to the development of quantitative targets over a three-year period. The quantitative targets are oriented towards increasing the enterprise value and are tied to the development of the indicators sales and EBITDA before special items over a period of three years. The amount of variable compensation for a fiscal year depends on the degree to which a predefined target sales and target EBITDA before special items are achieved over a period of several years. For the multiple-year period, targets as well as maximum and minimum thresholds are defined for both earnings indicators for each of the three fiscal years. The degree of target achievement is determined separately for each of the three fiscal years. The payout is determined based on the weighted average annual target achievement for the three fiscal years. If the target is achieved in full, 100% of the amount contractually agreed with each member of the Managing Board is paid out. The maximum amount of

150% of the target multiple-year bonus is paid out if a specified maximum threshold is reached or exceeded. No multiple-year bonus is paid out if the indicators reach or drop below a specified minimum threshold.

Installments for the expected target multiple-year bonus are paid within a week of the Supervisory Board approving the consolidated financial statements for the first fiscal year of the three-year period. The actual target realization for the multiple-year bonus is determined at the end of the third fiscal year. If the amount of the multiple-year bonus determined based on actual target realization exceeds the installment amounts, the member of the Managing Board in question receives the difference within a week of the consolidated financial statements for the third fiscal year being approved. If the installment amounts exceed the amount of the vested multiple-year bonus, the member of the Managing Board in question repays the difference to HUGO BOSS AG within a week of the consolidated financial statements for the third fiscal year being approved.

TOTAL COMPENSATION AND AMOUNTS PAID OUT IN THE REPORTING YEAR

Total compensation of the Managing Board in fiscal year 2013 came to EUR 5,211 thousand (2012: EUR 7,053 thousand). Of this amount, EUR 3,466 thousand was attributable to fixed salary components including fringe benefits (2012: EUR 3,303 thousand), which were paid out in full in the reporting year 2013. An amount of EUR 855 thousand (2012: EUR 0 thousand) is attributable to the annual bonus agreed for fiscal year 2013; this will be paid in fiscal year 2014 within a week of the Supervisory Board approving the consolidated financial statements for 2013.

In addition, the compensation for fiscal year 2013 contains an amount of EUR 890 thousand (2012: EUR 3,750 thousand) that is related to the multiple-year bonus for 2010–2012 determined based on actual target realization and constitutes the difference between the amount of EUR 4,640 thousand paid out in 2013 and the amount of EUR 3,750 thousand proportionately provided for in prior years.

In fiscal year 2013, the Managing Board did not receive any advance installments of the multiple-year bonus for 2013–2015.

SHARE-BASED PAYMENTS

Active members of the Managing Board do not hold any participation rights from the tranches of the stock appreciation rights program issued in the fiscal years 2001 to 2009.

BENEFITS IN THE EVENT OF TERMINATION OF EMPLOYMENT

In the event of early termination, the service agreements include provisions that comply with the recommendations of the German Corporate Governance Code, with the exception of the deviation stated in the declaration of compliance of December 2013. The service agreements do not stipulate any provisions in the event of regular termination, with the exception of the provisions governing pensions.

The Company has entered into pension obligations for members of the Managing Board. The post-employments benefits are based on the years of service and the basic salary.

03|42 PENSION EXPENSES (in EUR thousand)

	2013	2012
Service Costs (IFRS)	1,638	1,793
Present value provision (IFRS) after offsetting of the plan assets	4,432	3,897
Expenses of earned pension commitments (HGB)	3,908	2,259
Present value provision (HGB) after offsetting of the plan assets	411	1,386

OTHER DISCLOSURES

In 2013, former members of the Managing Board and their surviving dependents received total compensation of EUR 3,967 thousand (2012: EUR 15,226 thousand). This contains payments of EUR 3,774 thousand to former members of the Managing Board in connection with post-employment benefits and the exercise of outstanding participation rights from the stock appreciation rights program (2012: EUR 15,035 thousand). Through the sale of the purchase option obtained to hedge against the participation rights there is no additional cash outflow for the Group.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the members of the Supervisory Board set by the Annual Shareholders' Meeting is governed by Art. 12 of Articles of Association of HUGO BOSS AG. The compensation is based on the company size and the scope of work of Supervisory Board members. Compensation of supervisory board members is split into fixed and variable components. The variable component is measured based on the amount of earnings per share in the consolidated financial statements. The position of chairman of the Supervisory Board and that of the deputy chairman are taken into account in the calculation of the compensation. The fixed and variable compensation is paid out after the end of the Annual Shareholders' Meeting that decides on the exoneration of the Supervisory Board for the fiscal year in question. Members of the Supervisory Board, who have been members of the Supervisory Board or a committee for part of the fiscal year are paid compensation proportionately to the duration of their office. Members of the Supervisory Board are reimbursed expenses incurred in connection with the performance of their duties. Any VAT is reimbursed by the Company if the members of the Supervisory Board have been authorized to provide the Company with a separate invoice for VAT, and exercise this right. The Supervisory Board received compensation for its activities in 2012 amounting to EUR 2,058 thousand. For fiscal year 2013, total compensation is expected to come to EUR 2,163 thousand. This figure includes a provision for the variable component of EUR 1,408 thousand (2012: EUR 1,259 thousand), which is calculated on the basis of the expected earnings per share in the consolidated financial statements.

LEGAL DISCLOSURES

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement (in accordance with Sec. 289a HGB ["Handelsgesetzbuch": German Commercial Code]) contains the declaration of compliance, disclosures relating to corporate governance practices and a description of the way the Managing Board and Supervisory work. **:// group.hugoboss.com/Investor Relations/Corporate Governance**

DEPENDENT COMPANY REPORT

Pursuant to Sec. 312 AktG ["Aktiengesetz": German Stock Corporation Act], the Managing Board of HUGO BOSS AG is obliged to prepare a dependent company report. The dependent company report presents the relationships with Permira Holdings Limited, Guernsey, and the companies of the HUGO BOSS Group. The Managing Board has prepared a dependent company report and made the following concluding statement: „… the Company has at all times received appropriate consideration for all transactions within the meaning of this report based on the circumstances prevailing at the time of each respective transactions and has not suffered any disadvantage in fiscal year 2013 by reason of undertaking or refraining from undertaking measures at the instruction or in the interest of Permira Holdings Limited, Guernsey, and its affiliates."

DISCLOSURES UNDER TAKEOVER LAW PURSUANT TO SEC. 289 (4), 315 (4) HGB

The disclosures required in accordance with Sec. 289 (4) and Sec. 315 (4) HGB are presented and explained in the following. As far as the Managing Board is concerned, there is no further need for explanations within the meaning of Sec. 175 (2) Sentence 1 and Sec. 176 (1) Sentence 1 AktG.

The **subscribed capital** of HUGO BOSS AG is made up of 70,400,000 no-par value ordinary shares with an imputed share in share capital of EUR 1.00 each.

There are capital investments exceeding 10% of the voting rights. **➔ Information concerning the majority shareholder**

Apart from this, HUGO BOSS AG has not been notified of any other shareholders holding more than 10% of the voting rights.

In fiscal year 2013, HUGO BOSS AG was notified of two voting rights announcements pursuant to Sec. 21 (1) and Sec. 22 of the German Securities Trading Act (WpHG). **➔ Information concerning the majority shareholder**

The Company has not received any other notifications from shareholders who hold 3% or more of the voting rights in HUGO BOSS AG.

There are no shares in HUGO BOSS AG with special rights granting control authority. There are no special rules governing the exercise of shareholder rights by shareholders who are employees of HUGO BOSS AG.

The **appointment and dismissal of members of the Managing Board** of HUGO BOSS AG is in accordance with Sec. 84 and Sec. 85 AktG and Sec. 31 MitbestG ["Mitbestimmungsgesetz": German Co-determination Act] in conjunction with Art. 6 of the Articles of Association. In accordance with Art. 6 (1) of the Articles of Association, the Managing Board comprises at least two members. The number of members of the Managing Board is determined by the Supervisory Board pursuant to Art. 6 (2) of the Articles of Association. The Supervisory Board can appoint a chairman and a deputy chairman of the Managing Board. The Supervisory Board can revoke a person's appointment to the Managing Board and appointment to the position of chairman of the Managing Board for good cause. In accordance with Art. 6 (3) of the Articles of Association, members of the Managing Board may not be older than 60 years of age when they are appointed. Members of the Managing Board are appointed by the Supervisory Board for no more than five years.

Amendments to the Articles of Association are made by resolution of the Annual Shareholders' Meeting. Unless prescribed otherwise by the German Stock Corporation Act, resolutions are passed pursuant to Art. 17 (2) of the Articles of Association by simple majority of the votes cast and – if a majority of the capital represented when passing a resolution is required – with a simple majority of the share capital represented when the resolution is passed. Pursuant to Art. 20 of the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that only affect the wording.

AUTHORIZATION OF THE MANAGING BOARD TO INCREASE SHARE CAPITAL (AUTHORIZED CAPITAL 2009) WITH THE OPTION OF EXCLUDING SUBSCRIPTION RIGHTS

By resolution of the Annual Shareholders' Meeting of May 14, 2009, the Managing Board is authorized until May 13, 2014 to increase the share capital, subject to the approval of the Supervisory Board, once or several times through the issue of new registered ordinary and/or registered preferred shares without voting rights equivalent to the registered preferred shares without voting rights already issued in exchange for contributions in cash and/or kind up to a maximum of EUR 35,200,000 in total. In the event of increases in share capital in exchange for contributions in cash the ratio between the two share types is kept unchanged. As a rule, shareholders have a subscription right if authorized capital is used. However, the Managing Board is authorized to exclude the subscription rights of holders of one category of shares for shares of another category, to preclude fractional rights from the subscription rights of shareholders and, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders if the capital increase in exchange for contributions in kind serves the purpose of acquiring companies or investments in companies.

AUTHORIZATION TO ACQUIRE OWN SHARES AND TO USE OWN SHARES, ALSO WHILE EXCLUDING PUT OPTIONS AND SUBSCRIPTION RIGHTS, INCLUDING AUTHORIZATION TO REDEEM ACQUIRED OWN SHARES AND REDUCE CAPITAL

The Annual Shareholders' Meeting of June 21, 2010 renewed the Managing Board's authorization to acquire own shares. Accordingly, the Managing Board is authorized until June 20, 2015 to acquire registered ordinary shares and/or registered preferred shares without voting rights of the Company up to a share of no more than 10% of the share capital outstanding as of June 21, 2010. HUGO BOSS AG can exercise its authorization to acquire own shares fully or in partial amounts, once or several times for one or several purposes only for registered ordinary shares and/or registered preferred shares while partially excluding any put options for the corresponding categories. The acquisition can be made through the stock exchange or a public offer addressed to the holders of the corresponding share category. Own shares acquired under this authorization can be sold again through the stock exchange or through an offer addressed to all shareholders while excluding subscription rights of shareholders. They can alternatively be redeemed as compensation for the acquisition of a company and investments in companies, for sale at a price that does not fall materially short of the current quoted price and for the admission of the share to foreign stock exchanges.

The syndicated loan taken out by HUGO BOSS AG and HUGO BOSS International B.V. and guaranteed by HUGO BOSS AG as well as the bilateral lines of credit contain customary conditions **that grant the contracting parties additional termination rights in the event of a** change of control.

The service contract with one of the members of the Managing Board also contains a clause under which, in the event of a change of control (acquisition of more than 30% of the voting rights in HUGO BOSS AG), the contracting partners are granted under certain circumstances an additional termination right and, if the service agreement is indeed terminated, the member of the Managing Board has to be compensated. The Company has not entered into any other compensation arrangements with the other members of the Managing Board or employees in the event of a takeover bid.

REPORT ON RISKS AND OPPORTUNITIES

The risk and opportunities policy of the HUGO BOSS Group aims to secure the continuation of the Group as a going concern by ensuring that the financial and strategic targets are reached. It is therefore committed to the long-term increase in enterprise value. Effective risk management enables the Group to identify risks at an early stage and to mitigate any potential adverse consequences by implementing suitable measures. In combination with the systematic identification of new opportunities, this increases the reliability of the Group's decision making process and establishes the foundation for continuous target realization.

RISK REPORT

The success of the HUGO BOSS Group is based on the systematic use of opportunities within the framework of the medium- and long-term corporate strategy. Complementary to this, the risk policy pursues the objective of securing the Company's continuation as a going concern by supporting the efforts of the operating units to implement the strategy, thus increasing the enterprise value in the long term.

RISK MANAGEMENT

Group-wide standards ensure successful risk management

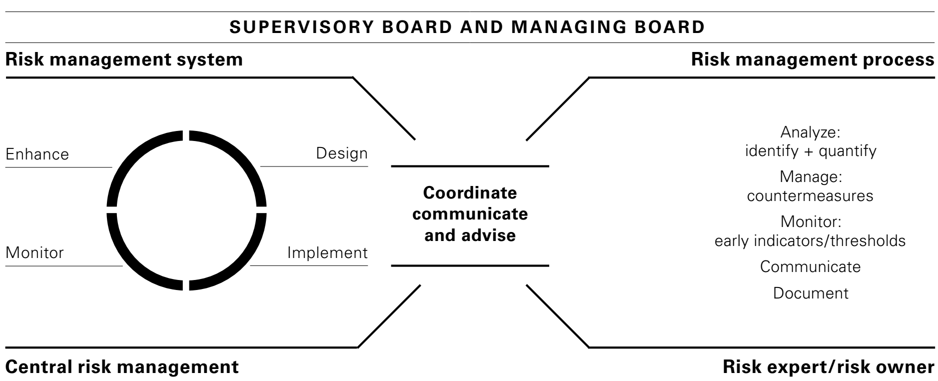
Successful risk management is founded on Group-wide standards for systematically handling risks. These are set for the HUGO BOSS Group by the Managing Board as part of the risk policy and documented in a risk manual that is applicable throughout the Group and is available for all employees online. Risks are defined as potential, negative deviations from the planned operating result (EBIT). Clear thresholds describe the risk-bearing capacity of the HUGO BOSS Group and permit a classification of risks into levels from "minor" to "high". Risks are reported at regular intervals. Whenever there are critical topics, the regular reporting process is supplemented by ad hoc reporting in order to allow timely analysis of new developments. In addition, the employees of the HUGO BOSS Group are obliged to be aware of risks in their behavior, especially regarding those risks that may threaten the existence of the Group. All risks are systematically recorded using risk software. This ensures reliable version management and audit trails. The HUGO BOSS Group's risk management system is designed in accordance with and complies with the recommendations of the international standard ISO 31000.

A dedicated team at the headquarters of HUGO BOSS AG is responsible for the coordination of the Group-wide risk management in order to identify risks early, analyze and monitor them, and to counteract them with risk mitigation measures. The team continuously enhances the tools of the risk management system and ensures that risks and opportunities are identified Group-wide using a uniform methodology at regular, pre-defined intervals. All information concerning the risks identified in the subsidiaries worldwide converges here allowing its timely aggregation and analysis at Group level. The team regularly communicates with all risk owners so that it is always informed of the latest developments.

Decentralized risk management in the divisions

Responsibility for risk analysis, adequate handling of risks and the implementation of effective risk mitigation measures is locally assigned to the respective divisions or subsidiaries where risks occur. To this end, risk owners are defined in each case. The team responsible for central risk management regularly reports to the Managing Board, supports it in the implementation, execution and monitoring of the risk management and internal control system as well as in the process of reporting to the Audit Committee of the Supervisory Board.

03|43 HUGO BOSS RISK POLICY



Risks are handled in four ways: avoidance, mitigation, transfer and acceptance. Consequently, one of the elements of risk management includes the transfer of risks to insurers. This allows the financial consequences of insurable risks to be largely neutralized.

Differentiated risk quantification based on a multiple scenario analysis

The current status of all identified risks is assessed at least once a year or at more frequent half-yearly, quarterly or monthly intervals, depending on the extent of the financial effect. In this process, new developments are documented and the risk quantification is revised if necessary. To this end, an estimate is made of the likelihood of occurrence of risks and the associated effects on the operating result (EBIT).

03|44 MEASUREMENT CRITERIA FOR BUSINESS RISKS

Likelihood of occurrence		Extent of financial impact
unlikely	**≤ 20%**	**minor**
possible	**> 20–40%**	**moderate**
likely	**> 40–60%**	**significant**
very likely	**> 60%**	**high**

To obtain a more precise view of the potential effects of identified risks, alternative risk scenarios are analyzed for the best, medium and worst case. This permits the inclusion of the potentially substantial effects from extreme scenarios that are unlikely to occur but which could have severe ramifications. The risk owner assigns a weighting to each of the three scenarios to calculate the average impact in the event of occurrence. This approach allows not only a differentiated view of potential effects, but also thorough analysis of unlikely extreme scenarios, that could potentially have a significantly stronger impact on the ability of the HUGO BOSS Group to achieve its objectives. In addition to the quantification of risk based on a 12-month planning period, medium-term risk trends are also determined. For growing risks, this approach permits the timely development of adequate countermeasures.

The continuous monitoring of early warning indicators enables the Group to identify possible deviations from the budget at an early stage. Reporting chains and the adoption of suitable countermeasures defined in advance ensure timely response in the event of occurrence. All of this information is compiled in the Group-wide risk software and is available at all times.

This allows the HUGO BOSS Group to identify risks at an early stage and to respond quickly and in a targeted manner. The risk management system is reviewed at regular intervals by the internal audit department to ensure its proper functioning and appropriateness. In consultation with the external auditors, the Audit Committee set up by the Supervisory Board regularly monitors the effectiveness of the systems of internal control, risk management and internal audit. In the course of the audit of the annual financial statements, the external auditors verify whether the Managing Board has suitably implemented the measures prescribed by Sec. 91 (2) Aktiengesetz (AktG – German Stock Corporation Act).

Risk categories and structure of the risk atlas

A uniform risk atlas is used as a basis for identifying and aggregating risks worldwide. This bundles individual risks by topic into risk areas. The latter are in turn allocated to one of the main risk categories: external risks, strategic risks, financial risks, operative risks and organizational risks.

03 |45 RISK CATEGORIES

EXTERNAL RISKS	STRATEGIC RISKS	FINANCIAL RISKS	OPERATIVE RISKS	ORGANIZATIONAL RISKS
Overall economy	Collection and industry	Financing and liquidity	Suppliers and sourcing markets	IT
Country-specific factors	Brands and corporate image	Changes in interest rates	Quality	Legal
	Investments	Currencies	Logistics	Personnel
		Credit risk	Sales and distribution	Corporate governance and compliance
		Taxes		
		Provision for pensions		

The main risks to which HUGO BOSS is exposed in fiscal year 2014 are presented in the following. The risks discussed concern both the operating segments as well as the corporate units of the HUGO BOSS Group. In general, it is possible that additional risks which are currently unknown or estimated as immaterial may also adversely affect the Group's development in the future. Irrespective of all measures introduced to manage the identified risks, entrepreneurial activity is always exposed to residual risks that cannot be fully eliminated, even by a comprehensive risk management system as that implemented in the HUGO BOSS Group. The respective net risk as the actual risk potential arises from the gross risk reduced by measures taken to mitigate or avoid the risks identified.

EXTERNAL RISKS

Macroeconomic risks

Like any company with global activities, the HUGO BOSS Group is exposed to risks arising from the uncertainty of future developments of macroeconomic conditions. A decisive factor in this context is the development of the global economy, which can lead to reduced demand for apparel and accessories in the premium and luxury segments. Its dependence on consumer behavior exposes the consumer goods industry in general to risks that can impact budgeted sales and/or margins. The effects of macroeconomic developments can occur globally or in individual markets, and can have knock-on effects. However, the advance order intake and the development of the Group's own retail business, provide the HUGO BOSS Group with early warning indicators that permit an early forecast of the consequences of potential macroeconomic risks. The HUGO BOSS Group has taken several measures to mitigate the impact of turns in the business cycle. This includes a clear brand profile geared towards the expansion of the market share in a highly competitive environment. A business model designed for international growth also taps the potential of new consumer groups and serves to compensate for potential decreases in demand in individual markets. A further objective is to achieve a balanced distribution of sales across different regions to avoid overdependence on individual markets. Looking at fiscal year 2014, the Group generally expects the continued growth of the global economy and the premium and luxury industry. Adverse macroeconomic developments can impact planned business growth, however, regardless of the measures taken. In light of continuing uncertainty in connection with the euro debt crisis and the final settlement of the budget dispute in the United States, management deems the potential financial consequences to be significant. The probability of occurrence of such a strong effect on global demand is considered to be unlikely, however.
→ **Subsequent Events and Outlook, Outlook**

Sovereign risks

A company with international activities, HUGO BOSS is also exposed to risks in connection with the development of individual sales markets. This risk can be triggered by changes in the political or regulatory environment or by socioeconomic developments. As is the case with any company, the Group's net assets, financial position and results of operations are exposed to the risk of terrorist activities and natural disasters. To keep sovereign risks as low as possible, HUGO BOSS products are sold for the most part in countries with stable economic and political conditions. At present the Managing Board considers major changes to the regulatory environment in the key sales markets of the HUGO BOSS Group to be unlikely. In addition, global distribution in more than 120 countries at Group-level provides a natural hedge against adverse developments in individual markets. Consequently, the Managing Board estimates the financial impact of an unexpected change in country-specific conditions to be minor.

STRATEGIC RISKS

Collection and industry risks

Collection and industry risks can arise from changes in fashion and lifestyle trends. The challenge lies in identifying the right trends in time and translating these quickly into an unmistakable collection statement. HUGO BOSS counters these risks with in-depth analyses of target groups and markets and the detailed assessment of the development of sales in the past season. Greater proximity to customers through the retail business also makes a major contribution toward quickly channeling information on trends and consumer behavior into collections. The probability of occurrence of collection and industry risks is therefore deemed unlikely by management. Potential adverse effects are classified as minor. ➔ **Group strategy**

Risks to the brand and corporate image

The economic success of HUGO BOSS hinges on the brand image together with a strong and lasting positioning of the Group's brands in the premium and luxury market. As a consequence, protecting and maintaining brand image has a high priority at HUGO BOSS. Strategic measures are taken for this purpose, including but not limited to a continuous monitoring of markets and media, clearly differentiated brand positioning supported by targeted marketing activities and a globally consistent brand presence. In addition, legal trademark protection and the prosecution of product piracy are important efforts to secure the brand image.

The corporate image of the HUGO BOSS Group is reflected in its perception by stakeholders such as customers, shareholders, suppliers and employees. Corporate communication is centrally coordinated by the corporate communication and investor relations departments. HUGO BOSS uses these interfaces to stay in continuous dialog with key interest groups. Compliance with laws, standards and guidelines, both within the Group and by suppliers is also regularly verified. Nevertheless, negative effects on the brand image and the Group's reputation remain possible. Based on the measures taken, however, the effects on the Group's net assets, financial position and results of operations are deemed minor.

Investment risk

One of the core strategic measures of HUGO BOSS is to continue the expansion of the Group's own retail business. Retail activities involve investment risks that arise in connection with the establishment and maintenance of stores, long-term leases and personnel expenses. This leads to an increase in fixed costs. However, it also widens the gross profit margin. To keep the risk of bad investments and unprofitable Group retail stores as low as possible, decisions on the opening and closing of stores are made centrally in consultation with the responsible regional director. Prior to opening new retail stores, all locations are thoroughly examined regarding their potential and comprehensive sales and development plans are prepared. Nevertheless, there is still a general risk that individual retail stores of the Group will fail to reach the originally budgeted sales targets and, in the worst case, that they might need to be closed. Group companies therefore have to submit a monthly report on the performance of their retail activities so that negative developments can be detected early and countermeasures taken. The investment risk is also mitigated by the standardized store concept used in all points of sale worldwide, which means that fixtures and fittings can be redeployed elsewhere if a store is closed. As part of general investment controlling activities, the value contribution of all other investments is also examined taking into account the risks involved. In light of the measures described above, the investment risk is deemed minor and unlikely to occur. → **Group management, Investment controlling**

FINANCIAL RISKS

The central tasks of the HUGO BOSS Group include coordinating and managing internal financing requirements, ensuring the financial independence of the Group as a whole and mitigating financial risks.

The HUGO BOSS Group is mainly exposed to financing and liquidity risks, interest rate risks, currency risks and credit risks as well as tax and pension risks. These risks are subject to continuous and intensive control. The development of exposures is constantly monitored, quantified and – if necessary – hedged in order to mitigate accounting risks.

Financing and liquidity risk

Managing liquidity risks is one of the central tasks of the treasury department of HUGO BOSS AG. Liquidity risk is the risk that existing or future payment obligations cannot be settled in terms of timing, volume or currency due to a lack of cash. The HUGO BOSS Group manages this risk centrally. To ensure the Group's liquidity and financial flexibility at all times, financial requirements are determined based on a three-year financial planning and monthly rolling liquidity planning broken down by currency with a planning horizon of up to one year. These are then secured using lines of credit and liquid funds.

The HUGO BOSS Group successfully refinanced the syndicated loan that expired in May 2013 using a new syndicated loan. The new syndicated loan, which was granted by a syndicate of banks, has a total line of credit of EUR 450 million and a term of five years. It is intended for general corporate financing and comprises a fixed tranche of EUR 100 million and a revolving tranche of EUR 350 million. HUGO BOSS has thereby secured its long-term financial flexibility. Apart from the fixed tranche of EUR 100 million, a further EUR 11 million had been drawn from tranche subbranches as of the reporting date.

The existing syndicated loan agreement contains standard covenants requiring the maintenance of total leverage. A breach of covenants would lead to the early termination of the agreement. Even if general economic conditions deteriorate, HUGO BOSS does not see any risk of breaches of financial covenants. → **Net assets and financial position, Financing**

Apart from the syndicated financing line of credit, HUGO BOSS has short-term bilateral lines of credit amounting to EUR 111 million, which afford even greater flexibility.

The syndicated as well as the bilateral lines of credit contain customary conditions that grant the contracting parties additional termination rights in the event of a change of control.

In addition to the line of credit amounting to EUR 561 million as of December 31, 2013, the Group had liquid funds of EUR 119 million as of the reporting date. These funds are generally held as call deposits and time deposit investments. In addition, the HUGO BOSS Group mitigates financing and liquidity risks further using a cash pooling mechanism. Based on the amounts drawn from the lines of credit, the cash situation and the cash pooling mechanism in place, management deems the occurrence in the case of financing and liquidity risks to be unlikely and the financial impact to be minor.

Interest rate risks

Market-driven fluctuations in interest rates impact future interest income and payments on cash balances and liabilities subject to variable interest on the one hand. On the other hand, they also influence the market value of financial instruments. Significant changes in interest rates can therefore affect profitability, liquidity and the financial position of the Group.

The financial liabilities of the HUGO BOSS Groups are mostly subject to variable interest rates and have short-term fixed-interest periods. The resulting interest rate risk also poses a cash flow risk with implications for the amount of future interest payments. To minimize the effects of future interest volatility on borrowing cost, derivative financial instruments in the form of interest rate swaps are used for the most part. Derivatives designated to an effective hedge within the meaning of IFRS impact equity in the event of interest rate changes. Derivatives that are not designated to such a hedge are posted to profit or loss. As of the reporting date, derivatives amounting to EUR 100 million were designated as effective interest rate hedges for the syndicated loan agreement within the meaning of IFRS.

Moreover, opportunity effects can arise. These result from the recognition of non-derivative financial instruments at amortized cost rather than at fair value. The opportunity risk is the difference between both values, although this is neither reported in the statement of financial position nor in the income statement.

Owing to the continued low interest rates, the shift in the interest yield curve of +100/–30 basis points as in the prior year was repeated in the reporting year in order to avoid negative interest and present realistic scenarios in the analysis of interest rate sensitivity as of the reporting date. Given the underlying exposures to the euro, yen and Chinese renminbi, HUGO BOSS considers this change to be appropriate. In some cases, financial transactions were based on market interest rates below 30 basis points. In such cases, the lower sensitivity threshold was set at zero.

In accordance with IFRS 7, the effect on profit and equity of changes in the most important interest rates was analyzed. The scope of the analysis included variable-interest financial liabilities of EUR 134 million (December 31, 2012: EUR 339 million), interest derivatives of EUR 111 million (December 31, 2012: EUR 312 million) and cash and cash equivalents of EUR 119 million (December 31, 2012: EUR 255 million). The impact of interest rate fluctuations on future cash flows was not included in this analysis.

03|46 INTEREST RATE SENSITIVITIES AS OF DECEMBER 31 (in EUR million)

	2013		2012	
	+100 bp	**(30) bp**	+100 bp	(30) bp
Cash flow risks	0.5	(0.2)	1.7	(0.5)
Risks from interest rate derivates recognized in income	0.7	(0.2)	0.8	(0.3)
Effects on net income	**1.2**	**(0.4)**	**2.5**	**(0.8)**
Risks from interest rate derivates reflected on the consolidated statement of financial position	3.1	(0.9)	0.8	(0.1)
Effects on Group equity	**4.3**	**(1.3)**	**3.3**	**(0.9)**

An increase in market interest rates by 100 basis points as of December 31, 2013 would have led to an increase in net income of EUR 1.2 million (2012: EUR 2.5 million) and an increase in Group equity of EUR 4.3 million (December 31, 2012: EUR 3.3 million). A decrease in market interest rates by 30 basis points would have led to a decrease of EUR 0.4 million (2012: EUR 0.8 million decrease) in net income and a EUR 1.3 million decrease (December 31, 2012: EUR 0.9 million decrease) in Group equity. The effects from interest rate derivatives would have resulted from changes in fair value. Cash flow risks would have mainly resulted from higher/lower interest income and expenses from cash and cash equivalents.

Based on the effects of interest changes on financial instruments illustrated by the sensitivity analysis, the effects of interest rate changes on the HUGO BOSS Group are classified as minor. Given the expansionary monetary policy, particularly by the European Central Bank and the Federal Reserve, management currently considers significant interest rate changes likely with a minor financial impact.

Currency risks

The currency risks of the HUGO BOSS Group essentially result from the global business activities and the Group's internal financing activities. In business operations, exchange rate risks mainly relate to receivables and liabilities (transaction risk), such as through the sourcing of goods in a currency other than the Group's functional currency or through intercompany financing activities in Group companies that have a functional currency other than the euro.

Distribution activities in key markets are performed by Group companies, which place their orders directly with the Group. In order to centrally manage the exchange rate risk, intercompany orders are generally invoiced in local currency. The exchange rate risk thus results from the cash flow in local currency of the subsidiaries. The currency risks of the

HUGO BOSS Group from business operations are mainly attributable to the business operations in the United States, Great Britain, Australia, Switzerland, Japan, Hong Kong and China as well as the purchasing activities of sourcing units in foreign currency.

Exchange rate risks also arise from the translation of the net assets employed at Group companies outside the eurozone and of their income and expenses (translation risk). The Group does not hedge this risk. → **Notes to the consolidated financial statements, Currency translation**

Exchange rate management for transaction risks is centrally performed for all Group companies. The primary objective is to mitigate the overall exchange rate exposure using natural hedges. Such hedges are based on the offsetting of exchange rate exposures from business operations throughout the Group against each other, thereby reducing the overall exposure requiring hedging measures by the amount of the closed positions.

Forward exchange contracts and swaps as well as plain vanilla currency options can be concluded to hedge the remaining exposures. The primary objective of the hedging strategy is to limit the effects of exchange rate fluctuations on the balance sheet. As a rule, the terms of the derivatives entered into are adjusted to the underlying hedged item when they are concluded. The derivative financial instruments, which are traded in the OTC market, are solely intended to hedge the risk intrinsic in hedged items. To obtain the best possible terms, quotes are requested from several banks and the transaction is concluded with the bank that offers the best terms.

Foreign currency risks in financing result from financial receivables and liabilities in foreign currency and loans in foreign currency granted to finance Group comapnies. A distinction is drawn between two types of agreements when granting loans to Group companies. Operating loans are structured similarly to an overdraft facility and can be drawn flexibly within a set credit limit. Financing loans are granted to Group companies with greater financing requirements. As of the reporting date, the main financing loans with repayment on final maturity were hedged using forward exchange contracts.

Group-wide guidelines ensure strict separation of the functions trading, handling and control for all financial market transactions. The same guidelines form the basis for the selection and scope of hedges. The objective of currency hedges is to minimize currency effects on the development of the Group’s net income and equity.

The currency risk is determined based on the balance sheet currency exposure as of December 31, 2013. This approach is chosen by the HUGO BOSS Group based on its hedging strategy, which aims to minimize balance sheet risks. The exposures include cash, receivables and payables as well intercompany loans held in currencies other than the functional currency of each respective Group company. Effects from the translation of financial statements of foreign subsidiaries outside the eurozone are not taken into account.

Based on the requirements of IFRS 7, the HUGO BOSS Group has calculated the effects of changes in the most important exchange rates on net income and equity. The following sensitivity analyses show the net income and equity that would have resulted if different exchange rates had prevailed as of the reporting date. It is assumed that the balances as of the reporting date are representative for the entire year.

03|47 EXPOSURE AND SENSITIVITIES AT THE REPORTING DATE DECEMBER 31, 2013
(in EUR million)

	USD	**GBP**	**AUD**	**CHF**	**JPY**	**HKD**	**CNY**
Gross currency exposure	**3.7**	**14.8**	**27.5**	**(39.7)**	**25.6**	**(9.5)**	**21.9**
Hedging	(17.4)	(15.6)	(25.9)	0.0	(22.1)	0.0	0.0
Net currency exposure	**(13.7)**	**(0.8)**	**1.5**	**(39.7)**	**3.4**	**(9.5)**	**21.9**
Historic volatility	8.4	7.3	10.4	4.9	12.4	9.0	9.1
Appreciation of the euro by standard deviation							
Net income	0.9	0.0	(0.1)	1.5	(0.3)	0.7	(1.5)
Depreciation of the euro by standard deviation							
Net income	(0.9)	0.0	0.1	(1.5)	0.3	(0.7)	1.5

03|48 EXPOSURE AND SENSITIVITIES AT THE REPORTING DATE DECEMBER 31, 2012
(in EUR million)

	USD	GBP	AUD	CHF	JPY	HKD	CNY
Gross currency exposure	**40.4**	**16.6**	**22.5**	**(30.0)**	**29.8**	**(7.5)**	**18.5**
Hedging	(45.5)	(21.4)	0.0	0.0	(26.4)	(4.4)	0.0
Net currency exposure	**(5.1)**	**(4.8)**	**22.5**	**(30.0)**	**3.4**	**(11.9)**	**18.5**
Historic volatility	9.2	6.8	8.7	4.8	12.3	9.5	9.4
Appreciation of the euro by standard deviation							
Net income	0.4	0.2	(1.5)	1.1	(0.3)	0.9	(1.3)
Depreciation of the euro by standard deviation							
Net income	(0.4)	(0.2)	1.5	(1.1)	0.3	(0.9)	1.3

The historical volatility of the individual foreign currencies was factored in to present the fluctuation of the foreign currencies of relevance to the HUGO BOSS Group relative to the euro and satisfy the requirements of IFRS 7 with regards to the disclosure of a “reasonably possible change”. This was calculated based on daily fluctuations over the past twelve months.

Had the euro appreciated against the foreign currency exposures of relevance by one standard deviation in each case the Group’s net income would have been EUR 1.2 million higher (2012: EUR 0.5 million lower). Had the euro depreciated by the same amount, the Group’s net income would have been EUR 1.2 million lower (2012: EUR 0.5 million higher). As of the reporting date, there were no derivatives designated as effective currency hedges within the meaning of IAS 39 reported directly in equity. The sensitivity of equity is thus reflected in the consolidated net income.

Management expects changes in the exchange rates of relevance to HUGO BOSS to be likely in fiscal year 2014. The risk of exchange rate fluctuations and its impact on the earnings of the HUGO BOSS Group based on the above sensitivity analysis is classified as minor.

Credit risk

The credit risk related to financial institutions mainly results from the investment of liquid funds as part of liquidity management, from any short-term bank deposits and from trading in derivative financial instruments.

With respect to financial instruments, the Group is exposed to a (bank) default risk in connection with the possible failure of a contractual party to meet its obligations. The maximum amount involved is therefore the positive fair value of the financial instrument in question. To minimize the risk of default, the HUGO BOSS Group generally only contracts financial instruments for financing activities with counterparties that have excellent credit ratings and in compliance with set risk limits. Only in exceptional cases and subject to the approval of the Managing Board it is permitted within tight limits to hold time deposits and conclude derivative transactions with banks that have lower credit ratings. HUGO BOSS assumes that the concentration of risk is low and perceives the probability of counterparty default to be unlikely with a minor financial impact. **→ Notes to the Consolidated Financial Statements, Note 26**

Share price risk

In contrast to the prior year, there were no share price risks as of the reporting date as there were no option rights from the stock appreciation rights program that could be exercised. **→ Notes to the Consolidated Financial Statements, Note 37**

Tax risks

Tax issues are regularly analyzed and assessed by the central tax department in cooperation with external tax consultants. There are tax risks for all open assessment periods. These can result from current business operations or changes in the legal or tax structure of the Group. Sufficient provisions were recognized in prior fiscal years for known tax risks. The amount provided for is based on various assumptions such as interpretation of the respective legal requirements, latest court rulings and the opinion of the authorities, which is used as a basis by management to measure the loss amount and its likelihood of occurrence. It is also resorted to the opinion of local authorized experts such as lawyers or tax consulting firms. On account of changes in the tax legislation of individual countries or diverging estimations of existing issues by the tax authorities, the Group assumes that additional tax risks are likely with minor financial impact.

Pension risks

The HUGO BOSS Group is exposed to risks in connection with defined benefit obligations. These can impact the net assets, financial position and results of operations of the Group. Pension commitments are measured on the basis of actuarial reports and accounted for accordingly. The main measurement parameters are the discount rate and the expected salary and pension trends. Future changes in measurement parameters can lead to an increase or decrease in pension provisions on subsequent reporting dates. Furthermore, changes in financial markets can affect the value of the plan assets available to cover the pension obligations. Furthermore, local pension regulations in specific countries can also lead to increased cash outflows. Pension risks and their effect on the net assets, financial position and results of operations are classified as likely with a minor financial impact. **→ Notes to the Consolidated Financial Statements, Provisions for Pensions, Note 25**

OPERATIONAL RISKS

Risks relating to the sourcing market

The high quality requirements imposed on HUGO BOSS products and, in turn, on sourcing and production processes make close partnering with suppliers essential. However, concentration of production capacity can result in sales losses in the event of production downtime. Strategic suppliers are regularly inspected and rated so that any adverse developments are detected early and appropriate countermeasures can be implemented. A concentration of risk could also result from regional incidents affecting several suppliers, divisions or product groups at the same time.

To secure a reliable supply of production material and capacity at suitable quality and cost levels, orders to suppliers as well as capacity utilization are coordinated centrally. The supplier structure is regularly reviewed in order to detect sovereign risk in due time. Given the high quality standards and available production capacities, HUGO BOSS attempts to spread risks by diversification. The sourcing volume is distributed among a global network of suppliers in order to maintain the greatest possible independence from individual procurement markets and producers. Indeed, the largest single independent supplier only made up about 7% of the total sourcing volume (2012: 8%). As a rule, HUGO BOSS avoids single sourcing and identifies alternative suppliers early on as needed to secure the supply of goods in the event of contingencies. Against the backdrop of the known earthquake risks at the Group's own production site in Turkey, particularly thorough measures have been implemented here. Based on a regular analysis of the potential damage, relocation options have been identified and the risks of financial loss covered to the extent possible by taking out insurance.

Given the measures in place, management estimates that risks from dependence on individual suppliers or the regional distribution of the volume sourced are unlikely to occur. The financial consequences of risks in connection with supply chain interdependencies have decreased slightly compared to the prior year thanks to the optimization of sourcing processes and are now classified as minor.

Wage increases in production, which are particularly likely in emerging economies, together with rising prices for raw materials can augment production costs and burden gross profit margin. The HUGO BOSS Group counters this risk with margin-based collection planning, Group-wide measures to improve efficiency in production and sourcing processes, improvements in the use of materials and rigorous implementation of the pricing policy. The lead time in sourcing and production processes provides an opportunity to respond to early warning indicators. Given current developments in emerging economies, it is assumed at present that, although risks from higher production costs are still possible, they would only have a minor negative impact on the expected development of earnings.

The allocation of production capacity as well as raw materials and finished goods as part of the sourcing processes involves planning risks. Deviations from an appropriate allocation can lead to excess allocation resulting in high inventory levels on the one hand. On the other hand, it can also lead to insufficient allocation and the risk of failing to benefit from sales opportunities. In view of the large volumes involved, such misallocations have to be considered likely; depending on their magnitude, the associated financial consequences could have a significant impact on the expected development of earnings. As a consequence, the Group is making great efforts to continually improve forecast quality and shorten lead times to further mitigate this risk. To this end, the electronic integration of suppliers in the Group's organization was driven forward in the past few years, thereby optimizing transparency along the entire supply chain. → **Sourcing and production**

Quality risks

Product quality is decisive for brand image. With this in mind, HUGO BOSS products are subject to quality assurance controls that are standardized throughout the Group and executed at all steps of the manufacturing process. Production sites are regularly inspected by field technicians who verify whether design and product specifications are being strictly complied with. Entry controls, controls at suppliers and quality checks at the Technical Development Center located at the Metzingen headquarters ensure that the strict quality standards of HUGO BOSS are followed and that goods are supplied to customers in immaculate conditions and on schedule. Nevertheless, a certain amount of product returns for quality reasons is still very likely in the future. However, the impact on the development of earnings is classified as minor to moderate due to the recognition of appropriate provisions for returned goods and the regular review of the amounts recognized. → **Sourcing and production**

Logistics risks

Raw materials and finished goods are stored in a small number of selected locations that guarantee the highest quality standards. The central distribution center for hanging garments at the Group's headquarters in Metzingen and the commissioning of a modern flat goods warehouse in 2014 reinforce this consolidation trend. HUGO BOSS is exposed to logistics risks, mainly related to the outage or loss of warehouses. To counteract the risk of losing raw materials or finished goods and, in turn, sales due to interruptions in supply, warehouses of strategic importance are operated by the Group and extensive technical and organizational measures for fire prevention and security are implemented; their observance is continually inspected. HUGO BOSS has also taken out insurance to cover the indirect financial risk from a loss of warehoused goods or the outage of the Group's own production facilities. The risks involved in commencing operations at the new flat goods warehouse are minimized with the support of professional project management and by gradually increasing its capacity. Taking into account the measures in place, the likelihood of occurrence with respect to logistics risks has remained nearly unchanged compared to the prior year and is still classified as possible. However, the associated financial consequences are expected to be minor.

Sales and distribution risks

The increasing significance of the Group's own retail business has led to an increased inventory risk, particularly in the event of unfavorable macroeconomic developments. The challenge of inventory management is to optimize inventories without compromising the ability to rapidly respond to customer orders. To mitigate inventory risks and optimize inventories in general, replenishment activities are coordinated by a competence center. Write-downs provide for inventory risks from slow-moving goods and the resulting reduction in marketability; these are reviewed at regular intervals. Sufficient write-downs were recognized as of the reporting date from management's perspective. A downturn in demand or an erroneous assessment of sell-through rates can have a negative impact on stock turnover and possibly result in higher discounts. The countermeasure of granting additional discounts necessarily translates to a reduced margin and is therefore continually monitored by the controlling department. A centrally managed pricing policy, differentiated retail channels and collections adjusted to the respective distribution channel serve to further improve the efficiency of sales floor space. Nevertheless, unanticipated developments in sales markets leading to additional discounts or higher impairment losses will still be possible in the future. The Managing Board estimates the resulting effects on the net assets, financial position and results of operations of the Group to be moderate.

Attention is paid to ensuring a balanced customer structure to avoid a potential overdependence on customers in the wholesale channel. The expansion of the Group's own retail activities reduces the overall dependence on the wholesale business. Indicators such as order backlog, sales and supply rates are monitored continually and in a timely manner by the controlling department. In addition, bad debts can be incurred in the wholesale channel. This risk is a function of both macroeconomic developments as well as the individual situation of customers. The HUGO BOSS Group is thus exposed to the negative impact of the insolvency of individual business partners and a concentration of bad debts in the event of a deterioration of economic conditions in individual markets and regions. The Group-wide receivables management based on uniform rules which has been implemented in the past, was intensified further by introducing centrally coordinated measures. These focus on credit rating checks and the setting and observance of customer credit limits, monitoring of the age structure of receivables and the handling of doubtful accounts. In specific cases, this also means that deliveries are only made upon prepayment or by agreeing other terms designed to secure payment, or to the discontinuation of business with customers with an insufficient credit rating. The internal audit function regularly checks compliance with these Group guidelines. As of the reporting date, there was no concentration of default risk caused by significant overdue payments of individual customers. Consequently, risks in connection with the default of wholesale partners are possible but their overall impact is estimated to be minor. **→ Notes to the consolidated financial statements, Note 16**

ORGANIZATIONAL RISKS

IT risks

A powerful IT infrastructure uniformly implemented throughout the Group ensures smooth business operations. Various measures have been taken to mitigate the risk of system interruptions, data loss and unauthorized access including multi-level security and anti-virus concepts, the issue of user rights, access control systems, data backups and uninterrupted power supply. HUGO BOSS also works with professional service providers to avert risks in specific subareas. Consequently, management assumes that the probability of occurrence with respect to IT risks is unlikely and that any financial effect would be minor.

Legal risks

Possible legal risks can arise in the course of worldwide business activities. All significant legal transactions entered into by the HUGO BOSS Group are reviewed and approved by the central legal department to avoid litigation to the extent possible. The central legal department works closely with local lawyers and subsidiaries. Insurance policies with coverage worldwide are used to mitigate liability risk. Sufficient provisions were recognized in the past fiscal year for current litigation costs. A burden from additional legal risks is considered possible, although the impact on the net assets, financial position and results of operations of the Group is considered minor from the perspective of management.

Personnel risks

Personnel risks mainly stem from recruitment bottlenecks, a shortage of specialists and employee turnover. These risks are limited using a comprehensive range of training measures, performance-based compensation and timely succession planning. In addition, extensive talent and performance management supports the development and career planning of employees in a targeted way. The Group's good reputation with respect to working conditions and employee satisfaction is regularly confirmed by the Group's consistent presence in the top positions of various employer rankings. The Group will continue to enhance the employer branding of HUGO BOSS in the future with additional initiatives and raise its appeal to secure the loyalty of employees. Measures launched in the past, such as the promotion of employee health and the support for striking a work-life balance will remain a focal point in future. Due to the successful measures, the Group is well positioned to face the growing international competition for highly qualified specialists and managers. As a result, it estimates the probability of occurrence of the associated risks to be unlikely with a minor impact on the planned development of earnings. → **Employees**

Risks relating to corporate governance and compliance

HUGO BOSS is characterized by a trust-based corporate culture with flat hierarchies. Conscientious conduct and mindsets are encouraged at every organizational level. Despite sophisticated and multi-level review and control mechanisms, access to confidential information and the high level of entrepreneurial leeway allowed generally entail the risk of misuse. In line with good corporate governance, HUGO BOSS has therefore incorporated corresponding rules in the employment agreements concluded with all employees. Individuals with insider knowledge within the meaning of German stock corporations law undertake to comply with the pertinent requirements and are listed in an insider register. In addition, the existing authorization rules are regularly reviewed and enhanced.

All employees of the HUGO BOSS Group are required to comply with the general code of conduct applicable throughout the Group and the supplementary compliance rules applicable in specific areas. As in the past, an extensive training program was implemented on the topic of compliance again in the past fiscal year. Compliance is monitored centrally and reported to the Managing Board. Compliance infringements are classified as possible, although their financial impact would be minor from the perspective of management.

In addition, suppliers are contractually bound to comply with social standards which govern issues such as occupational health and safety, bans on child labor and fair wages. Oversight takes the form of regular inspections. If infringements of standards and legal requirements are detected, depending on the seriousness of the infringement, the review frequency is increased and a binding plan of measures is agreed, with its implementation being monitored. In serious cases, a cooperation may be discontinued. Failure to comply with the Group's social standards is currently classified as unlikely by the Managing Board as a whole. Unexpected infringements could have a moderate impact on the Group's net assets, financial position and results of operations. → **Sustainability** → **Corporate Governance Report**

ASSESSMENT OF THE RISK SITUATION BY MANAGEMENT

On the basis of the detailed information that is continually recorded as part of the risk management process both by the parent Group and the subsidiaries worldwide and evaluated by the central risk management team, the Managing Board currently assumes that based on the information available all individual and aggregated risks can be classified as manageable. Interdependencies or common causes that could simultaneously trigger several risks also do not endanger the continued existence of the Group as a going concern. In general, however, the existence of additional latent risks that were not or only insufficiently identified as part of the risk management process cannot be ruled out.

Compared to the last report as of the end of fiscal year 2012, the HUGO BOSS Group's overall risk exposure has decreased slightly despite the growth realized and still projected. As in prior years, the largest risk position stems from the category operative risks.

03|49 DEVELOPMENT AND COMPOSITION OF TOTAL RISK EXPOSURE
Exposure = possible financial impact weighted by likelihood of occurrence

Risk categories	Trend	Exposure
External risks	→	
Strategic risks	→	
Financial risks	↗	
Operative risks	→	
Organizational risks	↘	
Total risk	➘	

REPORT ON THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND THE RISK MANAGEMENT SYSTEM PURSUANT TO SEC. 289 (5) AND 315 (2) NO. 5 HGB

The system of internal control and risk management of the HUGO BOSS Group, as applied to the financial reporting process and the financial statements closing process, aims to accurately compile, present and assess all business transactions in the accounting records. The clear definition of areas of responsibility in the finance department of HUGO BOSS AG and the proper basic and advanced training of employees together with the deployment of adequate software and issue of uniformly applicable guidelines form the basis for a professional, efficient and consistent financial reporting process. Overall, this ensures that assets and liabilities are accurately recognized, measured and disclosed in the consolidated financial statements and that a reliable statement can be made on the net assets, financial position and results of operations as well as the cash flow.

Accounting-related IT systems

Management controls across all divisions depend on accurate and up-to-date information. Business information and reporting systems are therefore of high importance. In this context, the control quality has improved considerably with the Group-wide introduction of SAP AFS, SAP Retail and the BIS system (Business Intelligence Services system). The BIS system contains numerous KPI reports both for the area of finance and controlling and for all operational areas that can be accessed daily.

The extensive monthly management reporting package is one of the most important reporting tools in the area of finance. As part of the standardized Group-wide reporting, all HUGO BOSS companies supply detailed information on the most important line items of the statement of financial position and the income statement together with KPIs and explanations. In this process, the central finance department sets binding deadlines and content for reporting. Automated and standardized reporting formats are in place for many reporting topics. The central finance and controlling departments have content responsibility in this area. Related tasks include central maintenance of master data for the chart of accounts applicable throughout the Group as well as the continuous review of reporting formats with respect to their observance of the latest applicable international financial reporting requirements. In addition, checks are performed at regular intervals to verify whether business transactions at HUGO BOSS are recorded consistently and corrections made if deviations are detected.

In order to prevent unauthorized access to data of relevance to financial reporting and to ensure the integrity, availability and authenticity of data at all times, the SAP Security Policy (a component of the IT security guideline) was implemented Group-wide. This policy also contains requirements for controls designed to ensure a properly functioning finance organization. The IT security of the accounting-related processes is supplemented by system-enabled controls and workflow-based processes that impose the dual-control principle, suitable segregation of functions and approval processes. This includes invoice verification and approval, the sourcing processes or SAP authorization management.

In addition, the user rights required by employees are defined using roles which describe jobs or positions in the Group. Since 2009, HUGO BOSS has been using a special detection software without exceptions to ensure an appropriate segregation of functions in SAP systems. This compares a user's authorization profile with a pre-installed SoD (segregation of duties) model. Group-wide authorization management and the definition of roles are likewise performed in the central IT departments of HUGO BOSS AG in Metzingen.

Organization of financial reporting and accounting-related guidelines

All companies of the HUGO BOSS Group are legally independent entities. Apart from the managing director, who is responsible for business operations in the respective market, the finance manager is responsible for all issues of relevance to the company's financial reporting. The finance manager is also responsible for continuous monitoring of key management indicators, monthly reporting of KPIs to the central finance reporting and the preparation of a three-year plan for the respective market. In addition, the feasibility and viability of new investment projects, particularly in the Group's own retail business, have to be analyzed and also coordinated with the controlling department at HUGO BOSS AG.

In his capacity as technical supervisor of all finance managers, the CFO of HUGO BOSS AG is authorized to issue directives on and is thus responsible for the Group-wide financial management.

The finance managers and the managing directors of the HUGO BOSS companies confirm on a quarterly basis compliance with defined principles and the execution of management controls through what is referred to as a CFO certificate. Some of these controls are integrated in the ERP software deployed throughout the Group. Reports also have to be submitted regarding the appropriateness of controls for ensuring data integrity and data access protection as well as in the event of fraud or serious infringements of the internal control system.

In addition to providing active support to all divisions and Group companies, the central finance department in Metzingen is responsible for preparing and revising uniform guidelines and instructions for accounting-related processes. This mainly encompasses the preparation and revision of the bad debt allowance policy, an investment guideline, the IAS/IFRS accounting manual and clear intercompany reconciliation requirements.

Questions on specific accounting and valuation matters of relevance to the HUGO BOSS Group are likewise dealt with centrally, where they are analyzed, documented and communicated to the "HUGO BOSS financial community". In addition, a central e-mail address provides staff the option to address open issues in a timely manner to the central finance and controlling department. Significant accounting and valuation matters and changes to relevant IAS/IFRS and Interpretations are discussed with the auditors of the consolidated financial statements in regular meetings held at least on a quarterly basis. Professional development events are organized at regular intervals, while updates on topics of relevance for financial reporting are communicated in an accounting newsletter and posted in the Finance Forum on the Group's intranet. A financial college provides training to junior employees of the finance and controlling departments. Once a year, the finance managers meet at the finance managers' meeting.

The internal audit function is part of the system of internal control and in its oversight function reviews compliance with and the effectiveness of the defined controls. The annual audit plan and its areas of focus are discussed with the Managing Board and Audit Committee. Ad hoc audits can be performed at any time. All audit reports are submitted directly to the CFO and, if necessary, to the Managing Board as a whole. In addition, the internal audit function reports regularly to the Audit Committee.

ADDITIONAL INFORMATION ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO HGB OF HUGO BOSS AG

As the parent company of the HUGO BOSS Group, HUGO BOSS AG is integrated in the Group-wide accounting-related system of internal control and risk management described above. The above disclosures also generally apply to the separate financial statements pursuant to HGB of HUGO BOSS AG.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). If necessary – for instance, for purposes relating to the separate financial statements pursuant to HGB or for tax purposes – reconciliations are made to the respective requirements on account level. This means that specific information contained in the IFRS consolidated financial statements also constitutes a significant basis for the separate financial statements of HUGO BOSS AG. At HUGO BOSS AG, the conceptual framework above is supplemented by a mandatory HGB accounting manual and HGB chart of accounts.

OPPORTUNITIES REPORT

Systematically identifying and capturing value-enhancing business opportunities is a key element of efforts to ensure that the Company grows profitably.

Decentralized organization of opportunity management

Due to its direct link to the targets and strategy of the respective business divisions, responsibility for identifying, assessing and capturing opportunities lies with the operational management in the regions, individual markets and central functions. In this context, opportunities are always considered in conjunction with any associated risks. They are only pursued if they outweigh the associated risk and if the risk is assessed to be manageable and its potential consequences limited.

Ongoing monitoring and close links to Group planning

Short-term opportunities – in the sense of potential, positive deviations from the planned operating result (EBIT) – in the current fiscal year are centrally compiled at regular intervals. Long-term opportunities management is directly linked to corporate planning. Opportunities identified and evaluated based on their contribution to the enterprise value are factored into the annual budget and long-term strategy planning. In this process, the Managing Board, in consultation with operational units, makes decisions regarding their realization and allocates the resources needed.

HUGO BOSS has identified the following key opportunities that stem from the Company's environment and its strategy.

EXTERNAL OPPORTUNITIES

Opportunities from macroeconomic development

Economic conditions in its sales markets influence the Group's growth prospects. As a company operating in the consumer goods industry, HUGO BOSS can benefit directly from favorable macroeconomic developments and their effect on consumer confidence and customers' buying behavior.

Opportunities from changes in the market environment

Regulatory and legal changes can potentially have a positive impact on sales and the Company's profitability. A reduction of import duties or tax cuts, for instance, can improve the Company's competitive position compared to local competition.

STRATEGIC AND OPERATIONAL OPPORTUNITIES

Relevant customer segment growing significantly

Industry experts anticipate robust growth worldwide in the premium and luxury goods market. Indeed, some analysts project that by 2025 about 600 million more people will have the purchasing power to buy premium and luxury goods compared to today. Substantial growth is expected in emerging countries in particular, driven by rising income levels and the high share of total disposable income dedicated to consumption compared to other parts of the world. Given the positioning of its brands in the premium and luxury segment, the Group sees itself in an ideal position to profit from these developments. The Group is moving to capture the identified growth potential using market entry and market penetration strategies specifically tailored to individual countries. It is also systematically reinforcing its distribution activities in metropolitan areas, particularly in Europe, to create an attractive offering for the tourist segment, an area of growing commercial importance.

Growing interest in fashion among men

In recent years, interest in fashionable clothing has grown considerably, particularly among younger men. More and more men are paying increasing attention to fashionable appearance as a means of expressing their personality or standing out from the crowd. Clothing is also increasingly considered an important determinant of how an individual's competence in the workplace is perceived by others. HUGO BOSS' brand commitment to offer fashionable and stylish clothing of outstanding quality addresses these needs very effectively, so that the Group sees excellent opportunities to benefit from the growing fashion sense of men worldwide.

Changing shopping habits and lifestyles

The rapid technological progress seen in last 15 years, and particularly the quantum leap in the importance of the Internet, has radically changed the shopping habits and lifestyles of consumers. HUGO BOSS sees this change as an opportunity. With the expansion and continuous improvement of its online stores, the Group addresses the expectations of consumers with respect to product presentation, selection and service. Close integration of the online offering with bricks-and-mortar retail also affords good opportunities to offer comfortable and efficient shopping solutions to its core target group – men and women who are successful in their professions and private lives and who are on tight schedules. At the same time, the Group uses digital media to strengthen perception of its brands and charge them emotionally.

Growing need for individuality

The Group addresses its customers' growing need for individuality both in its brand strategy and in its distribution strategy. By building up and regionally extending its Made to Measure offering, the Group can offer to a growing number of interested consumers the option of wearing individually modified and tailored products with which they can stand out from the crowd. The exclusivity of this offering is also conveyed in the shopping experience, with dedicated sales floor space specially designed for this purpose. The Company also sees good opportunities for forging stronger ties between consumers and HUGO BOSS and encouraging the brand loyalty of customers by reaching out to them individually as part of systematic customer relationship management in the form of telephone calls, personal mailshots or newsletters.

Brand portfolio allows targeting of differentiated customer segments

HUGO BOSS believes it has an outstanding position in the global apparel market. The Group's brands stand for excellent quality, outstanding workmanship and modern design. With its brands, the Group reaches out to a wide public across the entire spectrum of the premium and luxury fashion market – from the avant-garde HUGO brand and the modern, sophisticated BOSS offering to the lifestyle brand BOSS Orange. By integrating BOSS Selection into the BOSS core brand, the Group has significantly strengthened its offering in the luxury segment. With this move, the Groups hopes to create better opportunities to tap sales potential and form stronger ties with existing customers while securing their loyalty to the brand through all stages of their lives.

Growth opportunities in product categories with relatively low market penetration

HUGO BOSS is the market leader in many market segments and regions, particularly in the premium menswear market. However, its penetration in the womenswear segment is significantly lower in most markets. As a result, the Group sees substantial potential in this business segment and is working intensively to successfully implement its strategy designed to grow its market share. Manpower in the business area was strengthened through the appointment of Jason Wu as Artistic Director. In addition, the profile of womenswear in the Group's own retail stores was raised, particularly in flagship stores. Perception of the womenswear range is also supported by the expansion of brand communication activities. Closely related to its core competence in apparel, the shoes and accessories product category is another area in which HUGO BOSS has identified good growth opportunities.

Growing retail expertise creates new growth opportunities

In recent years, HUGO BOSS has increasingly realigned its distribution activities towards end consumers and significantly increased the share of sales generated with its own retail business. With the expansion of its own store network, the Company is tapping additional sales potential, both in established and emerging markets. In addition, HUGO BOSS is increasingly taking the opportunity of directly operating mono-brand shop-in-shops at wholesale partners. Complete control over how the point of sale is designed allows improvements in the quality of presentation, thereby increasing perceived quality of the product range. At the same time, the Company is gaining insights into its customers' needs first hand. In view of the growing importance of the distribution channel, the Group is working hard to systematically increase its retail competence.

Process improvements tap additional sales and earnings potential

HUGO BOSS is addressing the growing importance of its own retail business by optimizing critical operational processes. This puts the Group in a position to cater more effectively to the needs of end consumers and respond more quickly than ever before to market changes. In this context, the focus in fiscal year 2014 is on the start of operations of the new flat-packed goods distribution center and the associated closer systematic integration of the supply chain in a move to accelerate and raise the efficiency of merchandise flows in Europe. The Group continues to see substantial opportunities to generate positive effects on sales and earnings over the coming years through the continuous optimization of processes. For instance, the Group is intensively working on increasing the use of virtualization technology in specific phases of the product development process to generate time and cost advantages.

FINANCIAL OPPORTUNITIES

Exchange rate and interest fluctuations can buoy the development of earnings

Favorable exchange rate and interest developments can potentially have a positive impact on the development of the Group's earnings. The Group continually analyzes the market environment in order to identify and benefit from opportunities in this area.

SUBSEQUENT EVENTS AND OUTLOOK

HUGO BOSS anticipates further growth in 2014. Implementation of the Group's strategy and the initiatives derived from it will raise sales and operating result to record heights for the Company. Adjusted for currency effects, the Group's sales are expected to grow by a high single-digit figure driven by expansion across all regions. The Group's own retail business is expected to continue functioning as the engine of growth with double-digit growth rates expected. HUGO BOSS believes that it can increase the operating result (EBITDA before special items) by a high single-digit figure in 2014 based on productivity improvements in the Group's own retail business, a positive development of the gross profit margin and strict management of operating overheads.

SUBSEQUENT EVENTS

No events requiring disclosure

Between the end of fiscal year 2013 and the release for publication of this report on February 19, 2014 there were no notable macroeconomic, socio-political, industry-related or company-specific changes which could have a material impact on the Company's results of operations, net assets and financial position according to the expectations of management.

OUTLOOK

Forward-looking statements

The following report presents the forecasts by management of HUGO BOSS with respect to the future development of business and describes the expected development of significant macroeconomic and sector-specific conditions. It reflects management's understanding when the report was being prepared. This takes into account that actual developments can deviate favorably or adversely from these forecasts due to the emergence of risks and opportunities as described in the report on risks and opportunities. The HUGO BOSS Group assumes no obligation to update the information contained in this report beyond the publication requirements prescribed by law.

External factors influence development of business

Economic and sector-specific developments influence the development of operations and the financial position of HUGO BOSS. It is therefore imperative for the Group to detect such trends early in order to respond quickly with suitable measures.

Brighter prospects for global economic growth despite existing risks

For 2014, the IMF expects the growth of the **global economy** to pick up to 3.6%. Reduced pressure to deleverage in many key economies, consensus from central banks to only gradually phase out their monetary stimulus measures and an acceleration of world trade should support the economic upswing. However, there are still risks for global economic growth from the failure to introduce structural reform in some emerging countries and related exchange rate turbulence as well as the still high levels of debt in many European countries and in the United States.

European economy returns to growth

According to estimates of the IMF the **European economy** will return to a growth path in 2014 and expand 1.0%. An easing of government austerity measures, the recovery of export activity globally and within Europe, increased capital expenditure and a slight recovery of private consumption are expected to fuel growth. Sluggish reform efforts, the still high level of debt in many countries of the region together with a strong euro still pose risks to the economic recovery, however. Nevertheless, the IMF anticipates that growth in Germany will again outpace the rest of the region on average in 2014. Here, impetus will stem from domestic demand, which is expected to deliver a robust performance thanks to a stable labor market, wage increases and a lower savings ratio. Growth in France is expected to accelerate to 1.0% on the back of the global economic recovery. However, the economy there still faces a headwind from the slow implementation of economic reform. In Great Britain, economic growth of 1.9% is anticipated, mainly due to increasing capital expenditure and positive impetus from the export sector.

Economy in the Americas continues to pick up

For the **United States**, the IMF expects economic growth to accelerate to a rate of 2.8% in 2014. Continued expansionary monetary policy, a further improvement of the labor market and increasing wages should support economic growth in the form of a recovery of private consumption and increased investment activity by companies. According to the IMF the **Latin American economy** should grow by 3.1% in 2014 and thus slightly faster than in the prior year. Particularly the Mexican economy will contribute to growth in the region. This trend is expected to be supported by the continued recovery of foreign demand, especially from the United States. In contrast, growth in the key markets of Brazil and Argentina will be further encumbered by failure to implement structural reforms and high production costs that place a burden on the competitiveness of these countries.

Further growth in Asia, but at normalized levels

The outlook for **Asian economies** has improved slightly in recent months. For the region as a whole, the IMF anticipates slightly faster growth of 6.5% in comparison to the prior year. For the Chinese economy, the IMF forecasts economic growth of 7.3%. This implies slower growth than in the prior year but roughly matches the growth targets of the Chinese government (up +7.5%). The forecast is based, however, on assumptions that world trade will recover and that further reforms will be implemented with a view to stimulating private consumption and economic liberalization of that country. The upcoming increase in VAT in Japan could have a temporary negative impact on economic development there. The weak yen should on the other hand further drive exports and therefore economic developments on the whole. In Australia, growth rates should accelerate on account of a slight upswing in private consumption and a recovery in the export sector, among other factors.

Ongoing industry growth in 2014

For 2014, continued growth is anticipated in the premium and luxury goods industry. According to Altagamma and Bain & Company, however, growth is likely to slow slightly to low- to mid-single digits after currency adjustments. It is anticipated that companies operating in this sector will primarily focus on their own retail activities. The number of new stores opened is expected to fall in comparison to prior years, however. Instead, a large number of market participants will concentrate on upgrading existing stores to improve the shopping experience and achieve higher productivity levels. Increasing importance will be placed on online distribution channels and integrating them into brick-and-mortar retail operations. On the other hand, department stores and specialist multi-brand retailers, that are still often owner operated, will come under pressure.

In 2014, all regions are expected to contribute to growth in the industry. Tourism, in particular from Asian countries, will in this respect bring about a shift in sales primarily in favor of the European and U.S. markets. Despite the gradual improvement in the economic environment in Western and, in particular, Southern Europe, industry growth in **Europe** will continue to suffer in many places from declining customer traffic of retail stores. This should, however, be offset by robust growth first and foremost in the emerging economies of Eastern Europe and the Middle East. In **the Americas** the industry outlook remains positive in light of upbeat consumer sentiment in the United States and ongoing sound growth in Latin America. Despite normalizing growth rates, the strongest growth for the industry continues to be forecast for **Asia**. The slowing rate of growth in the Chinese economy and the continuing anti-corruption campaign on the part of the Chinese government are likely to exert a dampening effect on local demand for luxury goods. Chinese consumers will also contribute to growth in the luxury goods industry in the form of tourism once again in 2014, however. The upcoming increase in VAT in Japan will probably initially have a negative impact on industry growth. The weakness of the yen is likely, however, to dampen tourism and thus tend to shift demand back into the local economy.

Significant increase in Group sales expected

HUGO BOSS anticipates that it will increase its sales in 2014 by a high single-digit percentage, adjusted for currency effects, despite the still challenging economic and industry situation in many markets. In this context, the Group assumes that growth will exceed the growth rates seen in the global economy and the luxury goods industry.

Growth forecast in all regions

In 2014, it is anticipated that all regions will contribute to the forecast increase in sales of the Group as a whole. Growth is expected in all important European markets, which will be borne by increasing orientation in the region to the Group's own retail business. Positive development is forecast for the Americas region, with the U.S. market making the biggest contribution. The Group is also budgeting for growth in Asia. On the vital Chinese market in particular, HUGO BOSS is working to implement various measures to accelerate growth on the prior year. Sales in the royalties segment should similarly see positive developments.

Group's own retail business expected to see double-digit growth

In 2014, sales in the Group's own retail business are expected to return a clear double-digit increase. Alongside growth in own retail stores, the online business will contribute above-average growth rates. In addition to the positive sales effect from floor space growth, retail comp store sales are also forecast to rise. Comp store sales increases will be supported by more intense market communication activities and implementation of various measures to improve retail management. Takeovers of mono-brand retail areas previously managed by retail partners or franchisees will have a moderately positive impact on the development of Group sales. Broadly stable sales development is forecast for the wholesale business. This outlook is based on the development of order intake, feedback from business partners on the new collections and expectations as to the replenishment business. Ongoing consolidation of the customer portfolio and the associated decline in business with smaller business partners will have a negative impact on sales through this distribution channel.

Network of retail stores continues to grow

Once again in 2014, the HUGO BOSS Group will continue to expand its own retail business and open some 50 new stores. Based on an analysis of its market penetration, the Group sees opportunities for profitable expansion in all regions. Alongside organic growth from new stores, the Group intends to take over HUGO BOSS shop-in-shops in Australia that were previously managed by a retail partner. As part of quality enhancement of its store portfolio first and foremost in Asia, the Group also intends to close sales points. In many cases, this development is associated with the relocation and merging of existing stores to form higher quality and larger sales points.

Gross profit margin is to further increase

HUGO BOSS expects a further increase in its gross profit margin in 2014. While efficiency gains in production and sourcing activities are likely to be offset by rising labor costs, the rising share of sales generated by the Group's own retail business will support this increase. The gross profit margin generated through this distribution channel is higher than in the wholesale business.

Operating expenses rise on account of retail expansion and higher marketing expenses

The Group's operating expenses will increase primarily on account of the ongoing expansion of its own retail business. In addition, the Group is planning to significantly increase its marketing expenses in comparison to the prior year with a view to boosting customer demand. Logistics expenses will rise due to the new flat-packed goods distribution center in Germany going into operation. The non-recurring cost effects associated with the migration of existing locations in the first half of the year will override the positive effects from falling handling costs. Research and development costs are expected to see a moderate rise. All in all, administration expenses are expected to grow at a slower rate than sales, however.

Operating result forecast to rise at high single-digit rate

The forecast growth in sales and gross profit margin will support a high single-digit rise in the operating result (EBITDA before special items). The adjusted operating margin is therefore likely to remain stable. A high single-digit rise is also anticipated for Group net income and earnings per share. Alongside the increase in the operating result, another contribution to this will come from a decrease in net finance costs on account of a decline in the average level of liabilities.

Strict management of trade net working capital

Strict management of trade net working capital continues to be given high priority in order to boost improvements to operating cash flow. In 2014, the Group aims to repeat the significant progress achieved in 2013 and keep the ratio of trade net working capital to sales roughly at the same level as at year end. Further potential for improvement has been identified specifically in reducing days inventories outstanding. For example, implementation of a more frequent product turn as a consequence of the change in the rhythm of collections, and improved merchandise flow planning are intended to reduce days inventories outstanding, specifically in the Group's own retail business.

Capital expenditure focuses on Group's own retail business

Expanding the Group's own retail business and the renovation of existing stores and shops will be the focal point of the Group's capital expenditure in 2014. Furthermore, the Group plans to reinforce its operating infrastructure in the areas of IT, logistics and production. On account of the non-recurrence of expenses incurred in the prior year in connection with the new flat-packed goods distribution center as well as the comprehensive expansion of the flagship store portfolio, however, capital expenditure will decrease in 2014 amounting to between EUR 110 million and EUR 130 million.

Healthy cash flow development supports achievement of positive net financial position

The Group anticipates a healthy cash flow in 2014 primarily on account of the forecast earnings growth, strict management of trade net working capital and value-enhancing capital expenditure. Surplus funds in excess of the dividend payment are to be kept on hand as a liquidity reserve. The Group is correspondingly working on the assumption that cash and cash equivalents will exceed gross financial liabilities as of year-end. In light of the Group's strong internal financing power and the long-term financing in the form of a syndicated loan taken out at favorable conditions, the Group is not planning any material financing activities in 2014.

Dividend per share on the rise

HUGO BOSS pursues a profit-based distribution policy that allows the shareholders to participate appropriately in the Group's earnings development. The policy is to distribute to shareholders between 60% and 80% of consolidated net income on a regular basis. On account of the rise in profits in the past fiscal year, the Company's strong financial position and positive expectations for 2014, the Managing Board and Supervisory Board intend to propose to the Annual Shareholders' Meeting to be held on May 13, 2014 a dividend of EUR 3.34 per share for fiscal year 2013 (2012: EUR 3.12). The proposal is equivalent to a payout ratio of 70% of the consolidated net income attributable to the shareholders of the parent company in 2013 (2012: 70%). Assuming that the shareholders approve the proposal, the dividend will be paid out on the day after the Annual Shareholders' Meeting, May 14, 2014. On the basis of the number of shares outstanding at year-end, the amount distributed will come to EUR 231 million (2012: EUR 216 million).

Further sales and earnings improvements in 2015 and beyond

The Group intends to generate further increases in sales and earnings in 2015 and beyond. The Group's strategy is oriented at organic growth of the existing brand portfolio. In 2015, Group sales are expected to reach EUR 3 billion, with more than 60% of sales expected to be generated in the Group's own retail business. The Group also assumes that, in future, it will generate a larger share of sales in emerging markets, which would lead to a regionally more balanced distribution of its sales. HUGO BOSS has also set itself the objective of earning an adjusted operating margin (EBITDA before special items in relation to sales) of 25% in the medium term. The Group plans to make further progress along these lines in 2015. Adverse macroeconomic and sector-specific developments in key sales markets, cost inflation in sourcing processes or a loss of appeal of the Group's brands could jeopardize the ability to meet these objectives. The Group has contingency plans in place to limit the likelihood of and impact in the event of occurrence of these and further risks. Details are presented in the risk report. → **Risk Report**

03|50 TARGET ACHIEVEMENT AND OUTLOOK

	Targets 2013	**Result 2013**	Outlook 2014
Group sales[1]	Further increase	+6%	High single-digit increase
Sales by region[1]	Growth in all regions		Growth in all regions
Europe		+7%	
Americas		+6%	
Asia/Pacific		+4%	
Sales by distribution channel[1]			
Group's own retail business	Double-digit growth	+18%	Double-digit growth
Wholesale	Roughly stable development	(6%)	Roughly stable development
Royalties	Growth	+2%	Growth
EBITDA before special items	Stronger growth than sales	Growth of 7% exceeds sales increase, adjusted EBITDA margin increases by 70 basis points to 23.2%	High single-digit increase
Trade net working capital	Decrease relative to sales	Decrease by 190 basis points to 17.9% of sales	Roughly stable development relative to sales
Capital expenditure	At previous year's level excluding special projects (EUR 166 million in 2012)	EUR 185 million (including EUR 34 million related to special projects)	EUR 110 million to EUR 130 million
Group's own retail stores	Ongoing expansion in floor space	Net increase by 170 stores to 1,010, including 115 takeovers	Opening of about 50 new stores
Free cash flow	Ongoing strong development	Free cash flow increases by EUR 9 million to EUR 229 million	Ongoing strong development
Net financial liabilities	Further reduction	Reduction of EUR 73 million to EUR 57 million	Attainment of positive net financial position

[1] On a currency-adjusted basis.

OVERALL ASSESSMENT OF THE MANAGING BOARD ON THE ECONOMIC SITUATION OF THE GROUP

HUGO BOSS looks back at a solid development of its business in 2013. As anticipated in the annual report 2012, sales and earnings grew despite the challenging economic environment.

Sales growth outperformed the development of the economy as whole and matched the level seen in the global premium and luxury goods industry. As forecast, all regions made a contribution to this development after currency adjustments. An analysis by distribution channel shows that, owing to the challenging market environment and the larger number of shop-in-shop units taken over from business partners than originally anticipated, the development of sales in the wholesale business remained below earlier expectations. The latter effect was more than compensated for by corresponding sales growth in the Group's own retail business. In total, sales in the Group's own retail business exhibited double-digit growth, in line with the original forecast.

The operating result (EBITDA before special items) increased by 7%. This development was supported by a better-than-anticipated development of the gross profit margin. As forecast, earnings growth thus exceeded sales growth leading to an improvement in the adjusted operating margin. → **Group Sales and Results of Operations**

Despite extensive investment in the Company's long-term growth, it was possible to increase free cash flow based on significant improvements in the management of trade net working capital and to reach the target set to further decrease net financial liabilities. → **Net Assets and Financial Position**

The Group is thus in an exceedingly healthy economic condition that offers a good basis for further profitable growth. Against this backdrop, HUGO BOSS expects that consolidated sales and earnings will continue to grow in 2014 and anticipates a further positive development of the Company overall also beyond the current year. → **Subsequent Events and Outlook**

Metzingen, February 19, 2014

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

CONSOLIDATED FINANCIAL STATEMENTS

4

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

04 | 01 CONSOLIDATED INCOME STATEMENT (in EUR thousand)

	Notes	**2013**	2012[1]
Sales	(1)	**2,432,133**	**2,345,854**
Cost of sales	(2)	(852,583)	(901,798)
Gross profit		**1,579,550**	**1,444,056**
in % of sales		64.9	61.6
Selling and distribution expenses	(3)	(891,588)	(791,892)
Administration expenses	(4)	(228,518)	(215,962)
Other operating income and expenses	(5)	(3,291)	(4,163)
Operating result (EBIT)		**456,153**	**432,039**
Net interest income/expenses		**(14,428)**	**(18,021)**
Other interest and similar income		1,994	2,659
Interest and similar expenses		(16,422)	(20,680)
Other financial items		**(8,259)**	**(5,826)**
Financial result	(6)	**(22,687)**	**(23,847)**
Earnings before taxes		**433,466**	**408,192**
Income taxes	(7)	(100,107)	(97,616)
Net income		**333,359**	**310,576**
Attributable to:			
Equity holders of the parent company		328,965	306,450
Non-controlling interests	(8)	4,394	4,126
Earnings per share (EUR)[2]	(9)	**4.77**	**4.44**
Dividend per share (EUR)	(23)	**3.34[3]**	**3.12**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

[2] Basic and diluted earnings per share.

[3] 2013: Proposed dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

04 | 02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR thousand)

	2013	2012[1]
Net income	**333,359**	**310,576**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	651	(5,949)
Items to be reclassified subsequently to profit or loss		
Currency differences	(11,921)	4,058
Net loss/gain from marking hedges to market	4,460	7,860
Other comprehensive income, net of tax	**(6,810)**	**5,969**
Total comprehensive income	**326,549**	**316,545**
Attributable to:		
Equity holders of the parent company	322,582	312,634
Non-controlling interests	3,967	3,911
Total comprehensive income	**326,549**	**316,545**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF THE HUGO BOSS GROUP AS OF DECEMBER 31, 2013

04 | 03 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in EUR thousand)

Assets	Notes	**2013**	2012[1]	January 1, 2012[1]
Intangible assets	(11)	139,223	142,210	141,098
Property, plant and equipment	(12)	368,582	357,454	285,530
Deferred tax assets	(7)	80,693	68,763	57,507
Non-current financial assets	(14), (29)	17,399	14,660	14,459
Non-current tax receivables		1,695	2,140	2,660
Other non-current assets	(14)	3,953	2,499	1,964
Non-current assets		**611,545**	**587,726**	**503,218**
Inventories	(15)	440,837	421,160	450,187
Trade receivables	(16)	226,204	214,899	174,576
Current tax receivables	(7)	10,781	10,891	8,166
Current financial assets	(14), (29)	23,323	26,541	17,528
Other current assets	(14)	69,402	61,347	65,490
Cash and cash equivalents	(17)	119,242	254,606	200,396
Assets held for sale		0	0	0
Current assets		**889,789**	**989,444**	**916,343**
TOTAL		**1,501,334**	**1,577,170**	**1,419,561**

Equity and liabilities				
Subscribed capital	(18)	70,400	70,400	70,400
Own shares	(19)	(42,363)	(42,363)	(42,363)
Capital reserve	(20)	399	399	399
Retained earnings	(21)	701,514	587,270	485,870
Accumulated other comprehensive income	(22)	(15,760)	(8,726)	(20,858)
Equity attributable to equity holders of the parent company		**714,190**	**606,980**	**493,448**
Non-controlling interests	(8)	26,107	24,587	23,829
Group equity		**740,297**	**631,567**	**517,277**
Non-current provisions	(24), (25)	52,739	54,489	40,598
Non-current financial liabilities	(26), (29)	164,768	63,265	355,042
Deferred tax liabilities	(7)	17,462	19,638	20,858
Other non-current liabilities	(27)	30,967	13,998	15,558
Non-current liabilities		**265,936**	**151,390**	**432,056**
Current provisions	(24)	99,868	89,960	89,759
Current financial liabilities	(26), (29)	14,653	332,177	33,465
Income tax payables	(7)	63,372	51,198	41,868
Trade payables	(28)	235,286	227,575	225,145
Other current liabilities	(27)	81,922	93,303	79,991
Current liabilities		**495,101**	**794,213**	**470,228**
TOTAL		**1,501,334**	**1,577,170**	**1,419,561**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

04 | 04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in EUR thousand)

	Subscribed capital	Own shares	Capital reserve
Notes	(18)	(19)	(20)
January 1, 2012 (as reported)	**70,400**	**(42,363)**	**399**
Change in accounting policies/corrections			
January 1, 2012 (adjusted)	**70,400**	**(42,363)**	**399**
Net income[1]			
Other income			
Comprehensive income			
Changes in basis of consolidation			
Dividend payment			
December 31, 2012[1]	**70,400**	**(42,363)**	**399**
January 1, 2013 (as reported)	**70,400**	**(42,363)**	**399**
Change in accounting policies/corrections			
January 1, 2013 (adjusted)	**70,400**	**(42,363)**	**399**
Net income			
Other income			
Comprehensive income			
Changes in basis of consolidation			
Dividend payment			
December 31, 2013	**70,400**	**(42,363)**	**399**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

	Retained earnings		Accumulated other comprehensive income		Group equity		
	Legal reserve	Other reserves	Currency translation	Gains/losses from cash flow hedges	Total before non-controlling interests	Non-controlling interests	Group equity
	(21)	(21)	(22)	(22)		(8)	
	6,641	**485,191**	**(9,478)**	**(11,381)**	**499,409**	**23,829**	**523,238**
		(5,960)			(5,960)		(5,960)
	6,641	**479,231**	**(9,478)**	**(11,381)**	**493,448**	**23,829**	**517,277**
		306,450			306,450	4,126	310,576
		(5,949)	4,273	7,860	6,184	(215)	5,969
		300,502	**4,273**	**7,860**	**312,634**	**3,911**	**316,545**
		(199,103)			(199,103)	(3,153)	(202,256)
	6,641	**580,629**	**(5,205)**	**(3,521)**	**606,980**	**24,587**	**631,567**
	6,641	**586,961**	**(5,196)**	**(3,521)**	**613,320**	**24,587**	**637,907**
		(6,331)	(9)		(6,339)		(6,339)
	6,641	**580,629**	**(5,205)**	**(3,521)**	**606,980**	**24,587**	**631,567**
		328,965			328,965	4,394	333,359
		651	(11,494)	4,460	(6,383)	(427)	(6,810)
		329,616	**(11,494)**	**4,460**	**322,582**	**3,967**	**326,549**
		(43)			(43)		(43)
		(215,330)			(215,330)	(2,448)	(217,779)
	6,641	**694,873**	**(16,699)**	**939**	**714,190**	**26,107**	**740,297**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF THE HUGO BOSS GROUP FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

04 | 05 CONSOLIDATED STATEMENT OF CASH FLOWS (in EUR thousand)

	Notes	**2013**	2012[1]
	(34)		
Net income		333,359	310,576
Depreciation/amortization	(10)	105,262	91,936
Unrealized net foreign exchange gain/loss		18,916	5,780
Other non-cash transactions		(3,965)	2,783
Income tax expense/refund	(7)	100,107	97,616
Interest income and expenses	(6)	14,428	18,021
Change in inventories		(36,307)	22,678
Change in receivables and other assets		(30,584)	(44,986)
Change in trade payables and other liabilities		21,988	6,532
Result from disposal of non-current assets		2,741	543
Change in provisions for pensions	(25)	(2,414)	(1,069)
Change in other provisions		5,628	1,752
Income taxes paid		(104,799)	(103,665)
Cash flow from operations		**424,360**	**408,497**
Interest paid	(6)	(10,005)	(18,780)
Interest received	(6)	1,984	2,685
Cash flow from operating activities		**416,339**	**392,402**
Investments in property, plant and equipment	(12)	(160,243)	(147,800)
Investments in intangible assets	(11)	(13,083)	(18,002)
Acquisition of subsidiaries and other business entities less cash and cash equivalents acquired	(34)	(11,659)	(7,212)
Effects from disposal of subsidiaries		(1,698)	0
Cash receipts from sales of property, plant and equipment and intangible assets		366	1,173
Cash flow from investing activities		**(186,317)**	**(171,841)**
Dividends paid to equity holders of the parent company	(23)	(215,330)	(199,103)
Dividends paid to non-controlling interests		(2,448)	(3,153)
Change in current financial liabilities		(254,645)	20,341
Cash receipts from non-current financial liabilities		111,350	16,895
Repayment of non-current financial liabilities		(2,012)	(1,317)
Cash flow from financing activities		**(363,085)**	**(166,337)**
Exchange-rate related changes in cash and cash equivalents		(2,301)	(14)
Change in cash and cash equivalents		**(135,364)**	**54,210**
Cash and cash equivalents at the beginning of the period		254,606	200,396
Cash and cash equivalents at the end of the period	(17)	**119,242**	**254,606**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2013

GENERAL INFORMATION

HUGO BOSS AG is a publicly listed stock corporation with registered offices in Dieselstrasse 12, 72555 Metzingen, Germany. The Company is filed in the commercial register of Stuttgart local court under HRB 360610.

The purpose of HUGO BOSS AG and its subsidiaries (together the "HUGO BOSS Group") is the development, marketing and distribution of high-end men's and women's fashion and accessories in the premium and luxury segment. With its brand world, HUGO BOSS caters for clearly defined target groups. The brands cover a comprehensive product range encompassing classic to modern apparel, elegant evening wear and sportswear, shoes, leather accessories as well as licensed fragrances, eyewear, watches, children's fashion, home textiles and mobile accessories.

The HUGO BOSS AG compiles the consolidated income statement using the cost fo sales method.

The consolidated financial statements and combined management report of HUGO BOSS AG, Metzingen, were authorized for issue to the Supervisory Board by the Managing Board by resolution dated February 19, 2014.

Due to rounding differences and the presentation in EUR thousand, it is possible that individual figures in the consolidated financial statements of HUGO BOSS AG do not exactly add up to the reported totals and that the reported percentage figures do not exactly reflect the reported absolute figures.

To improve the clarity of presentation, various items in the consolidated statement of financial position and consolidated income statement have been summarized. These items are shown separately and explained in the notes to the consolidated financial statements. The presentation in the prior period was adjusted to the presentation used in the reporting period. Adjustments are explained in more detail in the section "Changes in accounting policies/corrections".

As a rule, the Group classifies assets and liabilities as current if they are expected to be recovered or settled within twelve months from the reporting date.

FINANCIAL REPORTING

The consolidated financial statements of HUGO BOSS AG as of December 31, 2013 were prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) together with the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable as of the fiscal year 2013 were taken into account.

ADOPTION OF NEW OR AMENDED IFRS

During the year, the Group adopted the following new and revised IFRSs and IFRICs endorsed by the EU. This also includes the amendments published as part of the ongoing Improvements to IFRSs project of the IASB. Unless otherwise stated, adoption of these revised standards and interpretations does not have any material effects on the presentation of the Group's results of operations, net assets and financial position. It did, however, give rise to additional disclosures in some cases.

New and amended IFRSs adopted for the first time in fiscal year 2013:

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 7 Financial Instruments	December 2011	January 1, 2013	December 2012	The amendments to IFRS 7 extend the disclosure requirements as regards offsetting financial assets and financial liabilities.
IFRS 13 Fair Value Measurement	May 2011	January 1, 2013	December 2012	IFRS 13 defines fair value and governs its calculation. The guidance on fair value measurement previously contained in individual standards has been replaced by a dedicated standard. In addition, disclosure requirements have been standardized to a large extent. As part of this process, the disclosure requirements for non-financial assets have been extended. Additional changes concern the treatment of counterparty credit risk, which only has an immaterial effect on the measurement of derivatives, however.
IAS 1 Presentation of Financial Statements	June 2011	July 1, 2012	June 2012	Other comprehensive income has to be divided into items that are not reclassified to profit or loss and items that may subsequently be reclassified to profit or loss.
IAS 1 Presentation of Financial Statements	May 2011	January 1, 2013	March 2013	The amendments to IAS 1 from the 2011 annual improvements include amendments to the disclosure requirements on comparative information.
IAS 16 Property, Plant and Equipment	May 2011	January 1, 2013	March 2013	The amendments to IAS 16 from the 2011 annual improvements include amendments to the ability to recognize spare parts, stand-by equipment and servicing equipment.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IAS 19 Employee Benefits	June 2011	January 1, 2013	June 2012	The amendments to IAS 19 include the elimination of the corridor method. Actuarial gains and losses are accordingly immediately recognized as other comprehensive income within equity (SORIE method). In addition, guidance is provided on the presentation of changes in the net defined benefit liability (or asset) including the immediate recognition of defined benefit cost. Another amendment concerns the net interest component for the expected return on plan assets and the interest expense on pension obligations. It is also required that past service cost is recognized in full in the period of plan amendment. In addition, the return on plan assets can no longer be estimated in accordance with the expected return, but rather at the amount of the discount rate of the pension obligations. In addition, the revised IAS 19 extends disclosure and explanation requirements. Changes as a result of the application of the revised IAS 19 are described in detail in the section Changes in accounting policies/corrections.
IAS 32 Financial Instruments	May 2011	January 1, 2013	March 2013	Amendments to IAS 32 from the 2011 annual improvements concern the accounting treatment of tax effects of dividends paid to holders of equity instruments on the one hand and the accounting treatment of transactions costs of an equity transaction on the other hand.
IAS 34 Interim Financial Reporting	May 2011	January 1, 2013	March 2013	Amendments to IAS 34 from the 2011 annual improvements concern the segment disclosures for total assets and liabilities in interim reporting.
IAS 36 Impairment of Assets	May 2013	January 1, 2014	December 2013	The amendments concern minor adjustments to the disclosure requirements for impairment losses and reversals of impairment losses if the recoverable amount is based on fair value less costs of disposal.

The IASB has also published additional standards and interpretations. However, these do not have any material effect on the consolidated financial statements of HUGO BOSS AG. The following accounting standards were not yet subject to mandatory adoption in fiscal year 2013 and were therefore not adopted by HUGO BOSS:

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 2 Share-based Payment	December 2013	July 1, 2014	Pending	The amendment of IFRS 2 as part of the 2012 annual improvements clarifies the definition of vesting conditions. This is also expected to clarify the distinction between service conditions and performance conditions.
IFRS 3 Business Combinations	December 2013	July 1, 2014	Pending	As part of the 2012 annual improvements, IFRS 3 prescribes the classification of contingent consideration as an equity or debt instrument and currently refers to other standards in this regard. The amendment intends to replace these cross-references. In addition, contingent consideration will have to be subsequently measured at fair value.
IFRS 3 Business Combinations	November 2012	January 1, 2014	Pending	The amendments as part of the 2013 annual improvements stipulate that the accounting treatment of joint arrangements of any kind does not fall within the scope of IFRS 3.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	December 2013	January 1, 2016	Pending	The amendments to IFRS 5.26–29 as part of the 2013 annual improvements clarify that, in the event of reclassification from „held for sale“ to „held for distribution“ (or vice versa), the accounting treatment does not change.
IFRS 7 Financial Instruments	December 2013	January 1, 2016	Pending	The amendments to IFRS 7 from the 2013 annual improvements stipulate that servicing contracts constitute a continuing involvement and must be included in the disclosures on transfers. It also clarifies which disclosures have been made on the offsetting financial assets and financial liabilities in the interim financial statements.
IFRS 8 Operating Segments	December 2013	July 1, 2014	Pending	The amendments IFRS 8 from the 2012 annual improvements stipulate that entities disclose the criteria applied for the aggregation of segments pursuant to IAS 8.12 including reference to the economic criteria in particular. A further amendment concerns the reconciliation of segment assets to the entity's assets. To ensure consistent presentation of assets and liabilities, the previous requirements were amended such that a reconciliation is only mandatory if the total amount is also presented within segment reporting.
IFRS 9 Financial Instruments	November 2009	January 1, 2017	Pending	IFRS 9 Financial Instruments governs the recognition, classification and measurement of financial instruments and replaces IAS 39. The basis taken for assessment is the nature of the contractually agreed cash flows from financial assets and how an entity manages its financial instruments. A uniform impairment method is also envisaged. In October 2010, IFRS 9 was extended to include requirements on the accounting treatment of financial liabilities. In November 2013, the expected date of application was postponed from January 1, 2015 to January 1, 2017.
IFRS 9 Financial Instruments	November 2013	January 1, 2017	Pending	The primary objective of the revised requirements on hedge accounting is to improve the presentation of entities' risk activities in the financial statements.
IFRS 10 Consolidated Financial Statements	May 2011	January 1, 2014	December 2012	IFRS 10 completely replaces SIC 12 "Consolidation –Special Purpose Entities" and partially replaces IAS 27. The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the type of investee. The comprehensive concept of control governs which entities should be included in the consolidated financial statements.
IFRS 10 Consolidated Financial Statements	June 2012	January 1, 2014	April 2013	The amendment to IFRS 10 clarifies transition provisions. Accordingly, comparative information only has to be provided for the comparative period immediately preceding the given period.
IFRS 10 Consolidated Financial Statements	Oktober 2012	January 1, 2014	November 2013	The amendments to IFRS 10 concern the definition of investment entities. This is less restrictive than the definition contained in the Exposure Draft.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IFRS 11 Joint Arrangements	May 2011	January 1, 2014	December 2012	IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The standard focuses on the nature of the rights and duties arising from the arrangement rather than its legal form. The option to proportionately consolidate jointly controlled entities has been removed. The remaining method is accounting for the interest using the equity method. In addition, jointly controlled assets have been abolished, leaving only joint operations and joint ventures.
IFRS 11 Joint Arrangements	June 2012	January 1, 2014	April 2013	The amendments to IFRS 11 clarify transition guidance. Accordingly, comparative information only has to be provided for the comparative period immediately preceding the given period.
IFRS 12 Disclosure of Interests in Other Entities	May 2011	January 1, 2014	December 2012	IFRS 12 replaces the disclosures requirements in IAS 27, IAS 28, IAS 31 and SIC 12. By introducing new and more extensive disclosures for all types of interests in entities, the standard aims to improve disclosures on consolidated and non-consolidated entities.
IFRS 12 Disclosure of Interests in Other Entities	June 2012	January 1, 2014	April 2013	The amendments to IFRS 12 clarify transition guidance. Accordingly, comparative information only has to be provided for the comparative period immediately preceding the given period. In addition, it removes the requirement to disclose comparative information for non-consolidated entities for periods prior to the first-time application of IFRS 12.
IFRS 12 Disclosure of Interests in Other Entities	October 2012	January 1, 2014	November 2013	The amendments to IFRS 12 concern the definition of investment entities. This is less restrictive than that in the Exposure Draft.
IFRS 13 Fair Value Measurement	December 2013	July 1, 2014	Pending	IFRS 13 was adjusted by subsequent amendments made to IFRS 9 and IAS 39. As a consequence, the exemption permitting the recognition of current receivables and payables without a fixed interest rate at their nominal value, provided the effect of the time value of money is not material, has been removed. However, the annual improvements clarify that the regulation can still be applied.
IFRS 13 Fair Value Measurement	November 2013	January 1, 2014	Pending	The amendment from the 2013 annual improvements clarifies that the exception for portfolios referred to in IFRS 13.52 includes all agreements accounted for both under IAS 39 and IFRS 9. This applies irrespective of whether they satisfy the definition of a financial assets or financial liability in accordance with IAS 32.
IAS 16 IAS 38 Property, Plant and Equipment Intangible Assets	December 2013	July 1, 2014	Pending	The amendments to IAS 16 and IAS 38 from the 2012 annual improvements establish that if the gross method is used when applying the revaluation method, a proportionate restatement of accumulated depreciation is no longer mandatory. The gross carrying amount must be adjusted in a manner that is consistent with the revaluation of the carrying amount. Accumulated depreciation must be calculated as the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
IAS 19 Employee Benefits	November 2013	July 1, 2014	Pending	The amendment is intended to supplement IAS 19.93 such that employee contributions or contributions by third parties are recognized as a reduction in the service cost in the period in which the related service is rendered.

Standard/ interpretation	Publication by IASB	Expected adoption	EU endorsement	Content
IAS 19 Employee Benefits	December 2013	January 1, 2016	Pending	The amendment of IAS 19.83 as part of the 2013 annual improvements clarifies that the corporate bonds used to estimate the discount rate should be denominated in the same currency as the liability rather than having to be from the same country.
IAS 24 Related Party Disclosures	December 2013	July 1, 2014	Pending	The amendments to IAS 24 from the 2012 annual improvements clarify that, not only natural persons, but also legal persons can qualify as key management (management entity).
IAS 27 Consolidated and Separate Financial Statements	May 2011	January 1, 2014	December 2012	The consolidation requirements previously contained in IAS 27 were revised and are now contained in IFRS 10 Consolidated Financial Statements. Accordingly, IAS 27 now only contains guidance governing separate financial statements.
IAS 27 Consolidated and Separate Financial Statements	October 2012	January 1, 2014	November 2013	The amendments to IAS 27 concern the definition of investment entities. This is less restrictive than that in the Exposure Draft.
IAS 28 Investments in Associates	May 2011	January 1, 2014	December 2012	The amendments to IAS 28 are follow-up changes resulting from the new IFRS 10, IFRS 11 and IFRS 12. As a result, the scope of IAS 28 has been extended to include the accounting treatment of joint ventures.
IAS 32 Financial Instruments	December 2011	January 1, 2014	December 2012	The amendments to IAS 32 clarify existing offsetting rules.
IAS 34 Interim Financial Reporting	December 2013	January 1, 2016	Pending	The amendment to IAS 34.16A as part of the 2013 annual improvements establishes that disclosures must be provided either in the interim financial statements or elsewhere in the interim financial report. In such cases, interim financial reports must contain a corresponding cross-reference.
IAS 39 Financial Instruments: Recognition and Measurement	June 2013	January 1, 2014	December 2013	In certain circumstances, the novation of a hedging instrument to a central counterparty on account of legal requirements does not lead to the dissolution of a hedging relationship.
IAS 40 Investment property	November 2012	January 1, 2014	Pending	The amendment as part of the 2013 annual improvements clarifies that both IFRS 3 and IAS 40 are applicable for the acquisition of investment property if it meets the definition of a business combination pursuant to IFRS 3.
IFRIC 21 Levies	May 2013	January 1, 2014	Pending	IFRIC 21 provides guidance on the accounting treatment of public levies that do not qualify as income taxes and clarifies in particular when to recognize a liability to pay such a levy. It also clarifies that levies that are triggered when specific thresholds are reached are not accounted for until they are reached.

BASIS OF CONSOLIDATION

The HUGO BOSS Group's basis of consolidation includes HUGO BOSS AG and the entities that it controls. Control is generally deemed to exist if the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Apart from HUGO BOSS AG, Metzingen, Germany, the following companies are included in the basis of consolidation (100% share in capital in each case, unless otherwise indicated):

BIL Leasing Verwaltungs-GmbH & Co. 869 KG	Pullach, Germany[1,2]
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH	Metzingen, Germany[2]
HUGO BOSS (Schweiz) AG	Zug, Switzerland
HUGO BOSS Australia Pty. Ltd.	Preston, Australia
HUGO BOSS Belgium BVBA	Diegem, Belgium
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands
HUGO BOSS Benelux B.V. CIA, S.C	Madrid, Spain
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands
HUGO BOSS Beteiligungsgesellschaft mbH	Metzingen, Germany[2]
HUGO BOSS Canada, Inc.	Toronto, Canada
HUGO BOSS China Retail Co. Ltd.	Shanghai, China
HUGO BOSS Cleveland, Inc.	Cleveland, Ohio, U.S.A.
HUGO BOSS Dienstleistungs GmbH	Metzingen, Germany
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil
HUGO BOSS Fashions, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS France SAS	Paris, France
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, China
HUGO BOSS Hellas LLC	Athens, Greece
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia
HUGO BOSS Hong Kong Ltd.	Hong Kong
HUGO BOSS International B.V.	Amsterdam, Netherlands
HUGO BOSS International Markets AG	Zug, Switzerland
HUGO BOSS Internationale Beteiligungs-GmbH	Metzingen, Germany[2]
HUGO BOSS Ireland Limited	Dublin, Ireland
HUGO BOSS Italia S.p.A.	Milan, Italy
HUGO BOSS Japan K.K.	Tokyo, Japan
HUGO BOSS Licensing, Inc.	Wilmington, DE, U.S.A.
HUGO BOSS Lotus Hong Kong Limited	Hong Kong[3]
HUGO BOSS Magazacilik Limited Sirketi	Izmir, Turkey
HUGO BOSS Mexico Management Services S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Mexico S.A. de C.V.	Mexico City, Mexico
HUGO BOSS Nordic ApS	Copenhagen, Denmark
HUGO BOSS Portugal & Companhia	Lisbon, Portugal
HUGO BOSS Retail, Inc.	New York, NY, U.S.A.
HUGO BOSS Rus LLC	Moscow, Russia
HUGO BOSS Scandinavia AB	Stockholm, Sweden

[1] Investments with a 94% share in capital.
[2] Subsidiaries that exercise the exemption of Secs. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].
[3] Investments with a 60% share in capital.

HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy
HUGO BOSS South East Asia Pte. Ltd.	Singapore
HUGO BOSS Switzerland Retail AG	Zurich, Switzerland
HUGO BOSS Textile Industry Ltd.	Izmir, Turkey
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland
HUGO BOSS Trade Mark Management GmbH & Co. KG	Metzingen, Germany[2]
HUGO BOSS Trade Mark Management Verwaltungs-GmbH	Metzingen, Germany
HUGO BOSS UK Limited	London, Great Britain
HUGO BOSS USA, Inc.	New York, NY, U.S.A.
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG	Metzingen, Germany[2]
Lotus (Shenzhen) Commerce Ltd.	Shenzhen, China[3]
Lotus Concept Trading (Macau) Co., Ltd.	Macau[3]
MSC Poland Sp.z.o.o.	Radom, Poland
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstraße KG	Grünwald, Germany[1,2]
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG	Grünwald, Germany[1,2]

[1] Investments with a 94% share in capital.
[2] Subsidiaries that exercise the exemption of Secs. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].
[3] Investments with a 60% share in capital.

The HUGO BOSS Group founded a new subsidiary in Finland, HUGO BOSS Finland OY, Helsinki, Finland, effective September 26, 2013. The HUGO BOSS Group has a 100% shareholding in this company. On grounds of immateriality for the Group, HUGO BOSS Finland OY is not included in the consolidated financial statements as of December 31, 2013.

CHANGES IN BASIS OF CONSOLIDATION

In the reporting period from January 1 to December 31, 2013, the number of consolidated companies increased from 54 to 55 in comparison to the consolidated financial statements as of December 31, 2012. Overall, the number of companies included in the consolidated financial statements was as follows in fiscal year 2013:

	2013	2012
January 1	**54**	**54**
Newly founded/consolidated companies	3	0
Merged companies/disposal	(1)	0
Derecognized due to loss of control	(1)	0
December 31	**55**	**54**

The new company HUGO BOSS RUS LLC, Moscow, Russia, which was founded in fiscal year 2012, was not included in the consolidated financial statements as of December 31, 2012, on the grounds of immateriality. The subsidiary was consolidated for the first time on January 1, 2013.

As of June 1, 2013, HUGO BOSS SOUTH EAST ASIA PTE. LTD., Singapore, was consolidated for the first time as a wholly owned subsidiary.

In the third quarter, Lebourg TCS, as the former franchise partner of HUGO BOSS France SAS, was taken over in a share deal as of August 1. Further disclosures in this regard are provided in the section "Business combinations". As of November 30, 2013, the company was merged into HUGO BOSS France SAS.

On account of contractual agreements, control over Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG ended. As the Group is no longer control over the company, it was deconsolidated as of June 30, 2013, and has since been recognized as an equity investment under other non-current financial assets. The effects of deconsolidation on the Group's net assets, financial position and results of operations as of the time of disposal are shown in the table below:

(in EUR thousand)

	Dec. 31, 2013
Assets	
Non-current assets	(57,182)
Thereof intangible assets	(526)
Thereof property, plant and equipment	(56,638)
Current assets	(2,828)
Thereof cash and cash equivalents	(1,698)
TOTAL	**(60,010)**
Equity and liabilities	
Equity	25
Non-current liabilities	60,000
Thereof non-current financial liabilities	60,000
Current liabilities	255
TOTAL	**60,280**
Gain on deconsolidation	**270**

DISCLOSURE ON THE LARGEST GROUP OF CONSOLIDATED COMPANIES

Effective July 1, 2013, Red & Black Holding GmbH, Oberursel (Taunus) was merged into Red & Black Lux S.à r.l., Luxembourg. Accordingly, Red & Black Lux S.à r.l., Luxembourg, now holds the majority of the voting rights in HUGO BOSS AG. The consolidated financial statements of HUGO BOSS AG are included in the consolidated financial statements of Red & Black Lux S.à r.l., Luxembourg, as the largest group of consolidated companies.

CONSOLIDATION PRINCIPLES

Subsidiaries are included in the consolidated financial statements as of the acquisition date, i.e., the date on which HUGO BOSS AG can indirectly or directly exercise control. Control is generally assumed when the majority of voting rights are held. Entities continue to be consolidated until the date that such control by the parent company ceases. Subsidiaries with an immaterial influence on the net assets, financial position and results of operations of the Group are not included in the consolidated financial statements. Influence is deemed immaterial if the sales, earnings and total assets on aggregate make up less than 1% of the corresponding figures of the Group. This is reassessed at each reporting date. Non-consolidated subsidiaries are measured at fair value or, if this cannot be determined reliably, at cost, and reported under other non-current financial assets.

Entities over which the Company exercises significant influence (associates) are accounted for using the equity method; this is generally the case when the share of voting rights ranges from 20% to 50%.

All other investments are accounted for at cost as market values are not available and the fair values cannot be reliably determined by any other means.

The financial statements of subsidiaries are prepared using uniform accounting policies.

The effects of intercompany transactions are eliminated. Receivables and liabilities between the consolidated companies are offset against each other; intercompany gains and losses pertaining to intangible assets, property, plant and equipment and inventories are eliminated; intercompany income is offset against the corresponding intercompany expenses. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12.

BUSINESS COMBINATIONS

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed (including contingent liabilities) in a business combination are measured at their acquisition-date fair values. Non-controlling interests are measured at their proportionate share in the fair value of the identifiable assets and liabilities. Acquisition-related costs incurred are expensed.

GOODWILL

When a company obtains control over another company, this constitutes a business combination within the meaning of IFRS 3. In accordance with IFRS 3, business combinations must be accounted for using the acquisition method, which entails the performance of a purchase price allocation.

The goodwill resulting from a business combination is the excess between the consideration transferred and the amount of any non-controlling interest on the one hand and the assets acquired and liabilities assumed on the other. If the consideration is lower than the fair value of the net assets of the acquiree, the difference is reassessed and then recognized in profit or loss.

After initial recognition, goodwill is carried at cost in the functional currency of the foreign acquiree less any accumulated impairment losses. Any goodwill recognized is tested for impairment annually and whenever there is an indication that the assets might be impaired.

ELIMINATION OF INTERCOMPANY PROFITS

The HUGO BOSS distribution companies generally source finished goods and merchandise solely from the Group's in-house production and procurement units. Gains on intercompany deliveries of merchandise still in stock as of the reporting date are eliminated.

If the carrying amount in the books of the distribution company has been written down locally below the cost recognized at Group level, no intercompany profits are eliminated.

Any difference between the carrying amount of the merchandise at the level the distribution company following the local recognition of write-downs and the cost recognized at Group level is eliminated.

In addition, merchandise carried at cost at Group level is tested for impairment from the perspective of the HUGO BOSS Group. If the cost recognized at Group level exceeds the expected recoverable sales proceeds, an impairment loss is charged. The expected recoverable sales proceeds from the Group's perspective are determined by reference to the Group's own sales channels worldwide, particularly its warehouse and outlet capacity.

CURRENCY TRANSLATION

The Group's reporting currency is the functional currency of the parent company, HUGO BOSS AG. As a rule, the functional currency of the subsidiaries included in the consolidated financial statements is the corresponding local currency. For units that conduct a significant portion of their sales and procurement activities and that finance operations in a currency other than the corresponding local currency, the functional currency is the currency of the primary business environment. Accordingly, the euro is the functional currency of HUGO BOSS Textile Industry Ltd., Turkey, and HUGO BOSS International Markets AG, Switzerland, as these companies conduct most of their business in euro.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

In the separate financial statements, transactions in foreign currency are translated at the exchange rates valid at the dates of the transactions. Monetary items (cash and cash equivalents, receivables and liabilities) denominated in foreign currencies are translated into the functional currency at closing rates.

The resulting exchange rate gains and losses are recognized through profit and loss in other financial items.

TRANSLATION OF THE SEPARATE FINANCIAL STATEMENTS

The financial statements of the foreign group companies whose functional currency is not the euro are translated into the group reporting currency, the euro. Items are translated using the modified closing rate in accordance with IAS 21, under which assets, including goodwill, and liabilities are translated at closing rates, and income statement items are translated at the average exchange rates for the reporting period. Differences from currency translation of income statements at average rates and statements of financial position at closing rates are reported without effect on profit or loss in other comprehensive income. The currency difference resulting from the translation of equity at historical rates is likewise posted to other comprehensive income. Currency differences recognized in other comprehensive income are recycled to the income statement if the corresponding group company is sold.

The most important exchange rates applied in the consolidated financial statements developed as follows in relation to the euro:

	Currency	Average rate		Closing rate	
Country	1 EUR =	**2013**	2012	**2013**	2012
Australia	AUD	1.3764	1.2412	1.5423	1.2712
China	CNY	8.1636	8.1085	8.3491	8.2207
Great Britain	GBP	0.8492	0.8111	0.8337	0.8161
Hong Kong	HKD	10.2989	9.9714	10.6933	10.2260
Japan	JPY	129.5244	102.5697	144.7200	113.6100
Switzerland	CHF	1.2310	1.2053	1.2276	1.2072
U.S.A.	USD	1.3278	1.2854	1.3791	1.3194

ACCOUNTING POLICIES

The financial statements of HUGO BOSS AG and the German and foreign subsidiaries are prepared pursuant to uniform accounting policies in accordance with IAS 27.

RECOGNITION OF INCOME AND EXPENSES

Income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured at the fair value of the consideration received. Income is reported after deductions including discounts and other price deductions and net of VAT. The specific recognition criteria described below must also be met before income is recognized.

SALE OF MERCHANDISE AND GOODS

In the wholesale channel, income from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales from the Group's own retail business are recognized when transactions with customers are completed. Claims from returned goods agreements are deducted from income to the extent that the amount of the future goods returned can be reliably determined. Provisions for returned goods are determined based on historical rates of goods returned for each channel.

INTEREST INCOME

Interest is recognized pro rata temporis taking into account the effective yield on the asset.

ROYALTIES AND OTHER INCOME

Royalties and other income are recognized in the period in which they are generated in accordance with the terms of the underlying agreements.

Operating expenses are recognized in the income statement as the corresponding income is generated, i.e. as incurred.

FUNCTIONAL COSTS

Operating expenses are essentially allocated to the individual function based on the respective cost centers. Expenses incurred in connection with cross-functional activities or projects are spread among the function costs concerned using an adequate allocation principle.

INVENTORIES

Raw materials and supplies as well as merchandise are essentially measured at moving average cost and, in the case of goods produced in-house, at a standard price that is adjusted for fluctuations in production. Work in progress and finished goods are measured at production cost. The production cost of finished goods includes direct material, direct labor, proportionate material and production overheads, and production-related amortization and depreciation insofar as this is a consequence of production. Also included are general administrative expenses and expenses for social facilities, expenses for voluntary social benefits and occupational pensions, to the extent that they are related to production and are incurred in the production period. Borrowing costs are not capitalized, but are instead expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied.

Inventories are carried at the lower of cost or realizable sales price less costs to sell.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are used in business operations for longer than one year are measured at cost less accumulated depreciation. Cost includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. Borrowing costs are not capitalized, but are instead expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied. The underlying useful lives correspond to the expected useful lives within the Group. Depreciation solely pertaining to tax regulations is not recognized.

A useful life of 30 years is generally set for buildings. Buildings and leasehold improvements on third-party land are depreciated over the term of the underlying lease agreements or the lower useful lives. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a corresponding provision are satisfied.

Property, plant and equipment are generally depreciated using the straight-line method. Technical equipment and machinery has a useful life ranging between 5 and 15 years, while other equipment, operating and office equipment has a useful life of between 2 and 15 years.

The useful lives and depreciation methods used for property, plant and equipment are reviewed regularly to ensure that the methods and periods of depreciation are consistent with the expected economic benefit from the items of property, plant and equipment.

NON-CURRENT ASSETS HELD FOR SALE

Individual non-current assets or disposal groups are classified as "held for sale" if their sale is highly probable and they are available for immediate sale in their present condition. Non-current assets held for sale are reported separately in the statement of financial position and are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation of the assets or disposal groups ceases when they are classified as non-current assets held for sale.

LEASES

In the case of lease arrangements with the Group as lessee, economic ownership of the leased asset is allocated to the lessee in accordance with IAS 17 if substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group (finance lease). The depreciation methods and useful lives applied correspond to those for comparable assets acquired for a consideration. Leased assets are generally capitalized as of the date on which the agreement is concluded at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Initial direct costs are added to the carrying amount of the asset. The lease obligations, which correspond to the carrying amount of the lease assets, are reported under financial liabilities.

If economic ownership of a leased asset is attributable to the lessor (operating lease), the leased asset is recognized by the lessor. The corresponding lease payments are generally recognized as an expense on a straight-line basis over the lease term.

A substantial number of rental agreements have been entered into within the HUGO BOSS Group which qualify as operating leases based on their substance, such that the leased asset is attributable to the lessor. This concerns in particular the rental agreements for the real estate used by the retail stores operated by the Group, warehouse and office space used by the Group companies, most of which are based on minimum lease payments. Lease arrangements are also in place that contain agreements on contingent rents (particularly rent linked to sales). Some agreements contain renewal options that are taken into account in the calculation of terms and the minimum lease payments, if it is reasonably certain at the inception of the lease that the option will be exercised.

INTANGIBLE ASSETS

Acquired and internally generated intangible assets are recognized if it is probable that a future economic benefit will flow to the company from the use of the asset and the cost of the asset can be reliably determined. Acquired intangible assets and internally generated intangible assets are measured at cost. Cost includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. Borrowing costs are not capitalized, but are instead expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not satisfied. Purchased and internally generated intangible assets with finite useful lives are amortized using the straight-line method over a useful life of two to ten years. Key money is also considered to be an intangible asset. These are one-off payments made to the previous tenant when leases are entered into for own retail stores in prime locations. The distinction between finite and indefinite useful life is made by reference to the actual circumstances in the countries in which the retail stores are located. At present, key money with indefinite useful lives is recognized in France and Denmark.

Intangible assets with an indefinite useful life are tested for impairment once a year. If the carrying amount of the asset is no longer recoverable, an impairment loss is recognized.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are likewise expensed as incurred if they do not satisfy the criteria for recognition as internally generated intangible assets. Proportionate production-related development costs are generally included in the calculation of the cost of raw materials and finished goods. These essentially comprise the cost of technical product development in the third phase of the collection creation process.

FINANCIAL INSTRUMENTS

Pursuant to IAS 39, a financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets encompass cash and cash equivalents, trade receivables and other loans and receivables originated by the Company as well as derivative financial assets held for trading.

Financial liabilities comprise trade payables, liabilities due to banks, liabilities from finance leases, derivative financial liabilities held for trading and other financial liabilities.

Financial assets and financial liabilities, to the extent that they are currently relevant to the HUGO BOSS Group, are classified into the following categories:

a / Financial assets at fair value through profit or loss (FAHfT)
b / Loans and receivables (LaR)
c / Financial liabilities at fair value through profit or loss (FLHfT)
d / Other financial liabilities measured at amortized cost using the effective interest method (FLAC)
e / Available-for-sale assets at fair value (AFS).

If there is no active market and fair value cannot be reliably determined, equity instruments are measured at amortized cost.

Financial assets and liabilities are designated to the above categories upon initial recognition. If permitted and necessary, any reclassifications are made at the end of the fiscal year.

FINANCIAL ASSETS

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset.

Financial assets are recognized initially at fair value. For all financial assets that are not measured at fair value through profit or loss, directly attributable transaction costs are also taken into account.

As a rule, the fair values recognized in the statement of financial position are the market prices of the corresponding financial assets. If these are not available, fair value is determined using generally accepted valuation models by reference to current market parameters. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, or discounted cash flow analysis and other valuation models.

Cash and cash and cash equivalents recognized in the statement of financial position comprise cash in hand, balances with banks and other short-term deposits with an original term of less than three months; they are measured at amortized cost.

Trade receivables and other loans and receivables are subsequently measured at amortized cost (less any impairment losses), using the effective interest method where applicable. Gains and losses are recognized through profit or loss when the receivables are derecognized, impaired or settled.

Financial assets are measured at fair value through profit or loss if they were acquired for the purpose of selling them in the near future. This includes derivative financial instruments that are not designated to an effective hedging relationship in accordance with IAS 39. Gains and losses from financial assets measured at fair value through profit or loss are always posted to profit or loss.

Financial assets that are not measured at fair value through profit or loss are tested for impairment at every reporting date. If the carrying amount of a financial asset exceeds its fair value, it is reduced to the fair value. This decrease constitutes an impairment loss that is posted through profit or loss. An impairment loss recognized in profit or loss in a prior period is reversed if this is necessary on account of events occurring after it was originally recognized.

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset expire or are transferred. In the latter case, substantially all the significant risks and rewards of ownership of the financial assets must be transferred or control over the asset must be transferred.

FINANCIAL LIABILITIES

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

Derivatives that are not designated to an effective hedging relationship are measured at fair value through profit or loss. Negative fair values are reported under other financial liabilities. Gains and losses from subsequent measurement are recognized in profit or loss.

Trade payables and interest-bearing loans are subsequently measured at amortized cost using the effective interest method. Any resulting gains and losses are posted to profit or loss when the liabilities are derecognized or extinguished.

A financial liability is derecognized when the obligation underlying the liability is discharged, canceled or expires.

DERIVATIVE FINANCIAL INSTRUMENTS

In the HUGO BOSS Group, derivative financial instruments are solely used to hedge interest rate and currency risks from the operating business.

When hedges are entered into, specific derivatives are allocated to hedged items. The requirements of IAS 39 for the designation of hedges are satisfied.

Pursuant to IAS 39, all derivative financial instruments are measured at fair value through profit or loss irrespective of the purpose or intention for which they were concluded. Changes in the fair value of derivative financial instruments are recognized in profit or loss.

To the extent that the financial instruments used are effective hedges as part of a hedging relationship in accordance with the requirements of IAS 39 (cash flow hedges), fair value fluctuations during the term of the derivative do not affect profit or loss for the period. Instead, fair value fluctuations are recognized in equity in the corresponding reserve item. The cumulative amounts recognized in equity are recycled through profit or loss in the same period during which the hedged cash flows affect profit or loss.

Fair value generally corresponds to the market value or quoted price. If there is no active market, fair value is determined using generally accepted valuation models and bank valuations. In the HUGO BOSS Group all financial instruments that are not quoted in an active market are measured using observable measurement parameters.

It is the Group's policy to solely enter into effective derivatives for the purpose of hedging interest and currency risks. The substantive and formal requirements of IAS 39 for hedge accounting were satisfied both at the inception of the hedges and on the reporting date.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets (property, plant and equipment and intangible assets including goodwill) are assessed at every reporting date as to whether there is an indication of impairment ("triggering events"). If there is any such indication, the recoverable amount of the asset is estimated. Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives (key money and brand rights) and goodwill acquired in a business combination are tested for impairment annually. The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. The value in use is the present value of the expected cash flows. The expected cash flows are discounted using the after-tax weighted average cost of capital that reflects the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account based on external appraisals, if available. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest identifiable group of assets to which the asset belongs (cash-generating unit – CGU) is determined.

If the carrying amount of the asset or CGU exceeds the corresponding recoverable amount, an impairment loss is immediately recognized through profit or loss. If a CGU is impaired, the carrying amount of any goodwill allocated to the unit is reduced first. Any remaining impairment loss reduces the other non-current assets of the cash-generating unit pro rata.

If, following an impairment loss recognized in prior periods, an asset or CGU has a higher recoverable amount, the impairment loss is reversed to the lower of the recoverable amount or the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. The impairment loss is reversed through profit or loss. Reversals of impairment losses recognized on goodwill are not permitted.

INCOME TAXES

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are recognized for all temporary differences between the tax bases and the carrying amounts for financial reporting purposes of the separate entities and the carrying amounts in the consolidated financial statements in accordance with IFRSs and for certain consolidation entries. Deferred tax assets and deferred tax liabilities are recognized using the liability method.

Deferred tax assets also include tax credits that result from the expected utilization of existing unused tax losses in subsequent years and the realization of which can be assumed with reasonable assurance.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse. Deferred tax liabilities are recognized on the retained earnings of foreign subsidiaries to the extent that it is likely that these will be distributed in the future.

Deferred tax assets and deferred tax liabilities are presented on a net basis to the extent that the Group has a right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity. Deferred taxes relating to items recognized directly in equity are likewise recognized directly in equity.

FINANCE LEASE LIABILITIES

Finance lease liabilities are initially recognized at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The liability is subsequently amortized and measured using the effective interest method.

The interest component of the lease liabilities is reported in the consolidated income statement over the term of the lease.

OWN SHARES

If the Group reacquires own equity instruments, those instruments are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if sold or reissued, is recognized as a share premium. The Group cannot exercise the voting rights of own shares. Moreover, they are not allocated dividends.

PROVISIONS

Provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions with a term of more than one year are discounted using a risk-free interest rate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

RESTRUCTURING EXPENSES

Restructuring expenses are recognized in the period in which they are incurred or in which the above criteria for the recognition of a provision are satisfied. Early termination payments are recognized as an expense and an obligation if the Company has verifiably made a commitment under a formal plan by either offering termination benefits intended as an incentive for voluntary redundancy or has committed to early termination before the normal retirement age is reached.

PROVISIONS FOR PENSIONS

Provisions for pensions are measured using with the projected unit credit method required under IAS 19R for defined benefit plans, which takes into account future adjustments to salaries and pensions. The year-end present value determined using the projected unit credit method was compared to the fair value of plan assets in external funds to the extent that offsetting is permissible (asset ceiling). Actuarial gains and losses are immediately posted in full to other comprehensive income. Actuarial gains and losses are not reclassified from other comprehensive income to consolidated net income in subsequent years. The same applies to all effects of the asset ceiling. Net interest determined by multiplying the net defined benefit liability by the discount rate underlying the net defined benefit obligation (DBO) is reported in the financial result. The difference between the interest income on plan assets and the originally anticipated return on plan assets is posted to other comprehensive income. The remaining components of pension expenses are reported in the operating result.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognized. They are disclosed in the notes to the financial statements, unless an outflow of resources embodying economic benefits is very unlikely. Contingent assets are likewise not recognized. They are disclosed in the notes to the financial statements if an inflow of economic benefits is probable.

SEGMENT REPORTING

In accordance with the management approach, the HUGO BOSS Group's segment reporting is based on the internal organizational and reporting structure. The data used to determine the internal indicators are derived from the financial statements prepared in accordance with IFRSs.

EXERCISE OF JUDGMENT AND ESTIMATES WHEN APPLYING ACCOUNTING POLICIES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. These estimates and assumptions are made to obtain a fair presentation of the Group's net assets, financial position and results of operations. The underlying assumptions are continually revised. However, actual amounts can deviate from the original estimates.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a/ Impairment of non-financial assets

Specific fundamental assumptions were made to determine the recoverable amount when assessing the recoverability of intangible assets (goodwill, brand rights with indefinite useful lives, key money with finite and indefinite useful lives) and property, plant and equipment of the Group's own retail business. In this context, the expected cash flows used in impairment testing are derived from budgets from medium-term planning for each respective CGU. Management assumes that the assumptions and estimates underlying the discounted cash flows are appropriate. However, changes in the economic environment and the industry-specific growth assumptions can have consequences for impairment testing resulting in the need to recognize additional impairment losses or to reverse impairment losses in the future.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 13.

Impairment losses of EUR 13,881 thousand (2012: EUR 10,567 thousand) and reversals of impairment losses of EUR 2,248 thousand (2012: EUR 0 thousand) were recognized as of the reporting date. Further explanations are provided in Notes 10 to 13.

b/ Individual bad debt allowances

The recoverability of trade receivables is assessed based on the estimated likelihood of default. Accordingly, receivables from customers on whose assets insolvency proceedings have been initiated are written off in full (to the extent that any collateral provided is not recoverable) by recognizing individual bad debt allowances. Individual bad debt allowances ranging between 1% and 100% are recognized on overdue receivables. All subsidiaries of the HUGO BOSS Group have to prepare an analysis of the aging structure of their trade receivables. This permits the recognition of risk-adjusted valuation allowances. External appraisals on the value of collateral were also obtained in the course of assessing the recoverability of receivables.

In the event of the customer's financial position deteriorating, the amounts actually derecognized can exceed the valuation allowances recognized, which can have an adverse impact on the results of operations.

Impairment losses of EUR 15,126 thousand (2012: EUR 16,628 thousand) were recognized as of the reporting date. Further explanations are provided in Note 16.

c / Inventory measurement

Write-downs provide for inventory risks from slow-moving goods and the resulting decrease in the recoverability.

Write-downs ranging between 1% and 95 % are recognized on raw materials based on analyses of range of coverage and movement rate. Work in progress is not written down. Finished goods and merchandise are measured based on the net realizable value through the Group's own sales channels.

Merchandise and finished goods are tested for impairment on the basis of analyses of movement rate, range of coverage, and net realizable value. Impairment losses recognized to account for lower expected sales prices both at the level of the distribution companies and from the perspective of the Group are anticipated through these write-down routines.

Inventories of EUR 82,312 thousand (2012: EUR 87,537 thousand) were recognized at fair value less costs to sell as of the reporting date. In fiscal year 2013, impairment losses of EUR 13,004 thousand were recognized (2012: EUR 41,891 thousand). These are explained in Note 15.

d / Provisions

As the HUGO BOSS Group has operating activities in numerous countries, it is subject to many different legal conditions. Owing to the complexity of international requirements, differences arising between the actual events and the assumptions made or any adjustments to such assumptions could necessitate future adjustments to provisions recognized by the Group. Based on reasonable estimates, provisions are recognized for the potential ramifications of legal issues. Such assessment also takes into account the estimation of local, external experts such as lawyers and tax advisors. Any deviations between the original estimates and the actual outcome can impact the Group's net assets, financial position and results of operations in the given period.

Other provisions of EUR 122,812 thousand (2012: EUR 113,212 thousand) were recognized as of the reporting date. Further explanations are provided in Note 24.

Since 2012, a tax field audit is in progress for the assessment periods 2007 through 2011 at HUGO BOSS AG, which has not been completed yet. Based on the findings available so far and the audit notes of the ongoing tax field audit, the Company has identified potential tax risks from issues recognized and issues not recognized on the face of the statement of financial position as well from structural changes. As the tax field audit had not been completed at the time of preparing the financial statements, new findings in connection with tax field audit could lead to changes in the risks provided for as liabilities as of December 31, 2013.

Income tax liabilities of EUR 63,372 thousand (2012: EUR 51,198 thousand) were recognized as of the reporting date. These include provisions relating to risks from the tax field audit for the years 2007 through 2011. Further explanations are provided in Note 7.

e / Provision for pensions

The expense from defined benefit plans is determined based on actuarial calculations. This involves making assumptions about discount rates, the expected return on plan assets, future salary increases, mortality rates and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds. The expected long-term return on plan assets is determined by reference to historical long-term yields and the portfolio structure. As these plans are of a long-term nature, such assumptions are subject to a high degree of uncertainty.

Provisions for pensions of EUR 29,795 thousand (2012: EUR 31,237 thousand) were recognized as of the reporting date. Reference is made to Note 25 for further details.

f / Deferred taxes on unused tax losses

Deferred tax assets are recognized on unused tax losses to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilized. In this regard, management exercises judgment as to the expected timing and the amount of the taxable profits and measures deferred tax assets on unused tax losses accordingly.

As of the reporting date, deferred taxes were recognized on unused tax losses amounting to EUR 10,295 thousand (2012: EUR 5,090 thousand). Reference is made to Note 7 for further details.

g / Accounting treatment of business combinations/acquisitions of other business units

Goodwill is disclosed in the statement of financial position in connection with business combinations and the acquisition of other business units. This constitutes the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the assets acquired and the liabilities assumed.

All identifiable assets and liabilities are recognized at fair value upon first-time consolidation. The fair values recognized constitute a significant estimate. If intangible assets are identified, the fair value is determined using appropriate valuation methods taking their nature into account. These measurements are based on various input factors and are partially associated with assumptions of management about the future development of the value of the respective asset and the discount rates used.

Goodwill from the business combinations recognized in fiscal year 2013 amounted to EUR 572 thousand. Additional explanations are presented in the notes on business combinations.

CHANGES IN ACCOUNTING POLICIES/CORRECTIONS

IAS 19 – EMPLOYEE BENEFITS (REVISED 2011, IAS 19R)

As of January 1, 2013, the HUGO BOSS Group adopted IAS 19, Employee Benefits (revised 2011, IAS 19R), which the IASB published in June 2011. The standard is effective for fiscal years beginning on or after January 1, 2013. The standard was applied retroactively. The amendment was endorsed by the EU into European law in June 2012. The following amendments of IAS 19R have an effect on the net assets, financial position and results of operations of the HUGO BOSS Group:

IAS 19R replaces the interest cost and expected return on plan assets with a net interest amount. This is calculated by multiplying the net pension obligation with the discount rate underlying the measurement of the defined benefit obligation (DBO). The net interest on the net defined benefit liability (asset) comprises the return on plan assets and the interest cost on the DBO. The difference between the return on plan assets and the actual return on plan assets is recognized in the consolidated statement of comprehensive income under other comprehensive income.

IAS 19R also clarifies the term of risk sharing between employee and employer. This clarification has an effect on the calculation of pension obligations of benefit plans with future employee contributions effectively increasing over the remaining service period. This mainly relates to pension plans that allow a higher level of benefit increase in later years. The former IAS 19 provided for a calculation of the total obligations including future employee-funded benefit increases. In accordance with IAS 19R, the allocation of vested benefits is calculated on the basis of the net obligation excluding the future employee-funded benefit increases. This led to a reduction in the DBO and the service cost was distributed differently over the service period.

A smaller effect results from the recognition of administration expenses upon rendering the service that are unrelated to the administration of plan assets.

The recognition of non-vested past service cost as incurred instead of recognizing it over the vesting period does not affect the HUGO BOSS Group.

Similarly, the elimination of the corridor method does not result in any need to make adjustments at HUGO BOSS.

The new regulation to recognize top-up amounts for phased retirement agreements also results in a change in the recognition and classification of expenses. Previously, top-up amounts were immediately accrued in full upon concluding a contract for a phased retirement agreement and classified as termination benefits. The regulations of IAS 19R clarify that top-up amounts no longer represent severance payments but instead employees gain the right to the top-up through their work. As a result, the provision accrues over the vesting period. This resulted in a reduction in the provision for top-up amounts previously recognized in full as well as an accrual over the vesting period of the phased retirement arrangement.

The retrospective adoption of IAS 19R has the following effect on the opening statement of financial position as of January 1, 2012, as well as the prior-year period:

(in EUR thousand)

	Dec. 31, 2012			1. Jan. 2012		
	Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
Assets	**1,584,518**	**(244)**	**1,584,274**	**1,425,866**	**(126)**	**1,425,740**
thereof deferred tax assets	66,974	(244)	66,730	56,086	(126)	55,960
Current liabilities	**794,523**	**(310)**	**794,213**	**470,291**	**(63)**	**470,228**
thereof current provisions	90,270	(310)	89,960	89,822	(63)	89,759
Non-current liabilities	**152,088**	**(699)**	**151,389**	**432,338**	**(282)**	**432,056**
thereof non-current provisions	55,188	(699)	54,489	40,880	(282)	40,598
Group equity	**637,907**	**765**	**638,672**	**523,238**	**219**	**523,457**
thereof retained earnings	286,208	792	287,000	206,944	219	207,163
thereof net income	311,520	(40)	311,480	291,362	0	291,362
thereof other comprehensive income	5,406	13	5,419	12,068	0	12,068

The retrospective application of IAS 19R had only an immaterial effect on the consolidated income statement and the statement of comprehensive income in fiscal year 2013 as well as in the comparative period 2012. The effects as of December 31, 2013 were similar in magnitude to those seen in the prior year. The effect on earnings per share from the change in accounting policy in the fiscal year 2012 is less than EUR 0.01. The retrospective application of IAS 19R led to immaterial reclassifications within cash flow from operating activities. However, the retrospective application did not have any impact on cash inflows and outflows.

DEFINITION AND DELIMITATION OF COSTS OF CONVERSION

To adequately present in the income statement the optimization of the organizational structure that commenced in the summer of 2012 and the calculation of the costs of conversion of inventories, production and labor overheads that had previously been included in the costs of conversion of inventories were reassessed in the reporting period.

As of 2013, all costs that cannot be directly allocated to the production process are no longer included in the costs of conversion of inventories but instead expensed as incurred. This concerns in particular the development costs pertaining to the first and second phases of the collection creation process reported under administration expenses (design and pattern development).

The cost of technical product development in the third phase of the collection creation process that can be allocated to products ready for series production and thus qualify as product-related costs together with the overhead costs incurred by the product implementation and procurement units are still proportionately included in the calculation of the cost of finished goods and work in process. As of 2013, these are included in cost of sales.

The calculation of production cost is restated retrospectively in accordance with requirements of IAS 8.42. The retrospective restatement has the following effect on the opening statement of financial position as of January 1, 2012, as well as the prior-year period:

(in EUR thousand)

	Dec. 31, 2012			Jan. 1, 2012		
	Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
Assets	**1,584,518**	**(7,104)**	**1,577,414**	**1,425,866**	**(6,179)**	**1,419,687**
thereof inventories	430,297	(9,137)	421,160	457,913	(7,726)	450,187
thereof deferred tax assets	66,974	2,033	69,007	56,086	1,547	57,633
Group equity	**637,907**	**(7,104)**	**630,803**	**523,238**	**(6,179)**	**517,059**
thereof retained earnings	286,208	(6,179)	280,029	206,944	(6,179)	200,765
thereof net income	311,520	(903)	310,617	291,362	0	291,362
thereof other comprehensive income	(5,195)	(22)	(5,217)	(9,478)	0	(9,478)

In addition, as of reporting year 2013, direct selling expenses are reported in selling and distribution expenses. Direct selling expenses contain sales-linked commission, freight out, customs costs and credit card charges and are thus special direct selling costs, which links them directly to the Company's sales performance.

Also reallocated were the costs incurred by the function within procurement designed to continually optimize the supplier structure. As of 2013, the costs of the pertinent specialist departments are allocated to general administrative expenses.

In addition, as of fiscal year 2013, other operating expenses/income are no longer reported in the line item "administrative expenses and operating expenses/income", but rather in a separate line item of the income statement.

In accordance with the requirements of IAS 8.42, the disclosures were retrospectively restated in line with the presentation in the reporting period. The restated presentation affected the prior-year income statement as follows:

(in EUR thousand)

	2012		
	Before adjustment	Adjustment	After adjustment
Gross profit	**1,453,245**	**(9,189)**	**1,444,056**
Selling and distribution expenses	**(808,868)**	**16,976**	**(791,892)**
thereof direct selling expenses	0	(43,471)	(43,471)
thereof logistics expenses	(126,172)	60,447	(65,725)
Administration expenses	**(211,176)**	**(5,011)**	**(216,187)**
thereof general administrative expenses	(143,301)	(16,208)	(159,509)
thereof research and development costs	(63,712)	7,033	(56,679)
Other operating income and expenses	**0**	**(4,163)**	**(4,163)**
Income taxes	**(98,109)**	**484**	**(97,625)**
Consolidated net income	**311,520**	**(903)**	**310,617**

Through the retrospective correction of the delimitation of costs of conversion of inventories, earnings per share for fiscal year 2012 decreased by EUR 0.01 to EUR 4.44. The retrospective correction in connection with the new delimitation of costs of conversion of inventories led to immaterial reclassifications within cash flow from operating activities. However, the retrospective correction did not have any impact on cash inflows and outflows. The retrospective correction of the delimitation of costs of conversion of inventories also led to changes in segment profits of the operating segments.

BUSINESS COMBINATIONS

In fiscal year 2013, the HUGO BOSS Group took over a total of ten stores and the associated assets in asset deals from former franchise partners in Australia, the United States and Singapore. In addition, one store was taken over in France under a share deal. The takeovers are intended to support the expansion of the Group's own retail business.

The following overview shows the allocation of the purchase price to the acquired assets as well as the resulting goodwill:

(in EUR thousand)

	2013
Purchase consideration transferred	
Agreed purchase price	12,556
Liabilities incurred	(552)
Total purchase price	**12,003**
Fair value of the acquired assets and liabilities assumed	
Intangible assets	8,532
Property, plant and equipment	2,875
Inventories	1,870
Cash and cash equivalents	92
Other assets	254
Total assets	**13,622**
Financial liabilities	933
Trade payables	530
Other liabilities	728
Total liabilities	**2,191**
Goodwill	**572**

Control over the assets in each case was achieved through payment of the agreed purchase price.

In the case of stores acquired during the fiscal year, the acquisition was recognized based on the preliminary purchase price allocation which is finalized within twelve months of the acquisition date in each case.

As part of the purchase price allocations, intangible assets were identified on a preliminary basis in the form of reacquired rights. These are rights to use the HUGO BOSS brand name which HUGO BOSS had granted to the respective franchise partners for the respective stores under franchise agreements. The reacquired franchise agreements were concluded at arm's length conditions.

Goodwill is attributable to Asia and contains non-separable intangible assets and expected synergy effects. The goodwill is not expected to be tax deductible. In accordance with IAS 36, this is not amortized but is instead tested for impairment annually.

Total transaction costs amounted to EUR 301 thousand which were recognized immediately through profit or loss in the consolidated income statement.

As not all of the information needed for complete recognition of the business combination is available at present, a purchase price allocation was performed on a preliminary basis.

If the business combinations had taken place as of January 1, 2013, Group sales would have been EUR 7,596 thousand higher. The change in consolidated net income would have been immaterial.

The additional consolidated sales generated by the business combinations came to EUR 6,751 thousand in fiscal year 2013.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1| SALES

(in EUR thousand)

	2013	2012
Sale of goods	2,374,270	2,289,342
Royalties	57,863	56,512
TOTAL	**2,432,133**	**2,345,854**

2| COST OF SALES

(in EUR thousand)

	2013	2012[1]
Cost of purchase	737,734	786,817
Cost of conversion	62,597	63,709
Capitalized overheads	52,252	51,272
TOTAL	**852,583**	**901,798**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/Corrections", page 170).

Cost of purchase contains the cost of materials, which corresponds to the amount of inventories expensed in the fiscal year. The line item also includes freight-in and customs costs.

In fiscal year 2013, impairment losses on inventories and the reversal of impairment losses previously charged resulted in net income of EUR 9,509 thousand (2012: net expense of EUR 3,866 thousand). This is included in the cost of sales.

Capitalized overhead cost contains the cost of technical product development incurred in the third phase of the collection creation process together with the overhead costs incurred by the product implementation and procurement units.

3| SELLING AND DISTRIBUTION EXPENSES

(in EUR thousand)

	2013	2012[1]
Expenses for Group's own retail business, indirect sales and marketing organization	647,064	545,236
Marketing expenses	137,498	135,613
Logistic expenses	59,680	65,725
Direct Selling expenses	45,740	43,471
Bad debt allowances/losses	1,606	1,847
TOTAL	**891,588**	**791,892**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/Corrections", page 170).

The expenses for the Group's own retail business and indirect sales and marketing organization mostly relate to personnel and rental expenses for wholesale distribution and retail services.

The marketing expenses comprise expenses of EUR 154,283 thousand (2012: EUR 152,040 thousand) and income from the allocation of marketing expenses of EUR 16,785 thousand (2012: EUR 16,427 thousand). Income from the allocation of marketing expenses mainly contains costs for the allocation of the cost of store fittings, marketing materials and advertising and sponsorship activities.

In total, selling and distribution expenses contain other taxes of EUR 2,834 thousand (2012: EUR 2,878 thousand).

Selling expenses primarily contains sales-based commission, freight-out and customs costs as well as credit card charges.

4| ADMINISTRATION EXPENSES

(in EUR thousand)

	2013	2012[1]
General administrative expenses	169,835	159,283
Research and development costs	58,683	56,679
TOTAL	**228,518**	**215,962**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/Corrections", page 170).

Administration expenses primarily comprise rent for premises, maintenance expenses, IT operating expenses and legal and consulting fees as well as personnel expenses in these functions.

Research and development costs in the HUGO BOSS Group primarily relate to the creation of collections. Total expenditure on research and development of EUR 58,683 thousand (2012: EUR 56,679 thousand) breaks down as follows: personnel expenses of EUR 40,447 thousand (2012: EUR 39,526 thousand) amortization of EUR 1,675 thousand (2012: EUR 1,673 thousand), and other operating expenses of EUR 16,561 thousand (2012: EUR 15,480 thousand).

Significant income was generated in the area of administration expenses by cross-charging of other costs and services amounting to EUR 6,629 thousand (2012: EUR 9,216 thousand) and from the reversal of provisions EUR 11,360 thousand (2012: EUR 3,581 thousand).

In total, administration expenses contain other taxes of EUR 2,677 thousand (2012: EUR 2,545 thousand).

5| OTHER OPERATING EXPENSES AND INCOME

In fiscal year 2013, other operating expenses and income led to a net expense of EUR 3,291 thousand. This essentially relates to the organizational adjustments made in Europe. In the prior year, the net expense of EUR 4,163 thousand was attributable to the simplification of the brand structures and the bundling of creative areas under the BOSS brand.

Other operating expenses and income include income of EUR 381 thousand (2012: EUR 3,683 thousand). Of this amount, EUR 270 thousand stems from the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG. As in the prior year, the remaining income of EUR 111 thousand is largely attributable to the reversal of provisions.

6| FINANCIAL RESULT

(in EUR thousand)

	2013	2012[1]
Interest income on bank deposit	539	1,400
Other interest income	1,455	1,259
Interest income	**1,994**	**2,659**
Interest expenses from financial liabilities	(10,013)	(18,761)
Other interest expenses	(6,409)	(1,919)
Interest expense	**(16,422)**	**(20,680)**
Net interest income/expense	**(14,428)**	**(18,021)**
Exchange rat gains/losses from receivable and liabilitites	(19,027)	(6,680)
Gains/losses from hedging transactions	10,449	4,169
Other financial expenses/income	319	(3,315)
Other financial items	**(8,259)**	**(5,826)**
Financial result	**(22,687)**	**(23,847)**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/Corrections", page 170).

The interest expense from financial liabilities contain expenses in connection with interest rate swaps amounting to EUR 5,791 thousand (2012: EUR 13,086 thousand). Other interest expenses contain the net interest amount from pension provisions as well effects from the measurement of other non-current provisions at present value amounting to EUR 2,865 thousand (2012: EUR 1,919 thousand). In addition, the other interest expenses item contains interest on non-financial liabilities such as tax liabilities. The prior-year figure was adjusted in connection with the amendments to IAS 19.

The exchange rate losses from receivables and liabilities comprise exchange rate gains of EUR 21,468 thousand (2012: EUR 16,301 thousand) and exchange rate losses of EUR 40,495 thousand (2012: EUR 22,981 thousand). The result from hedging transactions contains the effects from the fair value measurement of foreign exchange forwards and swaps.

7 | INCOME TAXES

(in EUR thousand)

	2013	2012[1]
Current taxes	122,332	110,688
Deferred taxes	(22,225)	(13,072)
TOTAL	**100,107**	**97,616**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

Income taxes report corporate income tax plus solidarity surcharge and trade tax of German Group companies together with the comparable income taxes of foreign group companies.

At HUGO BOSS AG, the domestic income tax rate still comes to 28.0% (2012: 28.0%). As in the prior year, the tax rates abroad range between 0% and 40%.

In fiscal year 2013, current income taxes include expenses relating to other periods amounting to EUR 16,181 thousand (2012: EUR 809 thousand). These include expenses relating to the recognition of provisions for risks from the tax field audit for the years 2007 through 2011 including subsequent effects. This is counterbalanced by income relating to other periods of EUR 760 thousand (2012: EUR 4,106 thousand).

Deferred taxes are calculated based on the tax rates enacted or substantively enacted by the reporting date that apply or are expected to apply in the countries concerned at the time of realization.

The following table presents a reconciliation of the expected income tax expense that would be theoretically incurred if the current domestic income tax rate of 28.0% (2012: 28.0%) were applied at a Group level to the current income tax expense reported by the Group. The domestic income tax rate applied takes into account a corporate income tax rate (including solidarity surcharge) of 15.8% (2012: 15.8%) and a trade tax rate of 12.2% (2012: 12.2%).

(in EUR thousand)

	2013	2012[1]
Pre-tax result	**433,466**	**408,192**
Anticipated income tax	121,371	114,294
Tax effect of permanent items	(4,107)	2,022
Tax rate-related deviation	(19,342)	(19,066)
Thereof effects of changes in tax rates	1,076	(128)
Thereof effects of addback deduction for local taxes	(6,993)	(6,743)
Thereof adjustment of tax amount to diverging local tax rate	(13,425)	(12,195)
Tax refund/back taxes	15,421	(3,296)
Deferred tax effects from prior years	(6,087)	0
Valuation allowance on deferred tax assets	(8,070)	2,752
Tax effects from distributable profit of subsidiaries	1,696	657
Other deviations	(775)	253
Income tax expenditure reported	**100,107**	**97,616**
Income tax burden	23 %	24 %

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, “Changes in accounting policies/corrections”, page 170).

The income tax burden was reduced by tax free income of EUR 2,163 thousand (2012: EUR 1,164 thousand). The opposite tax effects as a result of the non-deductible business expenses come to EUR 5,074 thousand (2012: EUR 2,966 thousand), while other permanent effects stand at EUR 7,019 thousand (2012: EUR 220 thousand).

Tax effects from the addback/deduction for local taxes amounting to EUR 6,993 thousand (2012: EUR 6,743 thousand) stem for the most part from the requirements on trade tax additions and deductions for the calculation of the trade tax assessment basis.

Additional deviations related to the tax rate amounting to EUR 13,425 thousand (2012: EUR 12,195 thousand) are attributable to the difference between the nominal income tax rate of 28% in Germany and the effective tax rates abroad.

In addition to the effects from the origination or reversal of temporary differences between carrying amounts in the consolidated financial statements and the tax bases, the deferred tax expense includes expenses from the impact of changes in tax rates of EUR 1,076 thousand (2012: income of EUR 128 thousand).

Deferred tax income from prior years of EUR 6,087 thousand was recognized in fiscal year 2013 (2012: EUR 0 thousand). This is mainly attributable to the derecogntion of deferred tax liabilities and the recognition of deferred tax assets attributable to corrections in prior years.

Other comprehensive income includes deferred taxes amounting to EUR 924 thousand (2012: EUR 601 thousand). Of this amount, EUR 1,487 thousand (2012: EUR 2,722 thousand) is attributable to the recognition directly in equity of fluctuations in the fair value of derivatives designated to hedging relationships and income of EUR 563 thousand (2012: income of EUR 2,121 thousand) from the recognition of actuarial gains and losses from provisions for pensions in equity.

Deferred tax assets and liabilities are presented on a net basis if they pertain to the same taxable entity and the same taxation authority. Deferred taxes in the consolidated statement of financial position are relate to the following items:

(in EUR thousand)

	2013		2012[1]	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	33,375	(99)	30,352	(54)
Unused tax losses	23,070	0	26,719	0
Inventory measurement	39,835	(3,298)	43,355	(2,998)
Recognition and measurement of non-current assets	9,922	(16,878)	7,426	(19,356)
Receivables measurement	4,842	(2,153)	5,991	(300)
Market valuation of financial instruments	1,793	(5,121)	435	(9,627)
Retained earnings of subsidiaries	0	(7,334)	0	(5,824)
Other differences in recognition and measurement	132	(1,507)	3,060	(3,182)
	112,969	**(36,390)**	**117,338**	**(41,341)**
Impairments[2]	(13,348)	0	(26,872)	0
Netting	(18,928)	18,928	(21,703)	21,703
TOTAL	**80,693**	**(17,462)**	**68,763**	**(19,638)**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

[2] Including unrecognized unused tax losses.

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

Of the deferred tax assets, EUR 29,111 thousand (2012: EUR 27,199 thousand) are non-current, while EUR 28,441 thousand (2012: EUR 30,855 thousand) of the deferred tax liabilities are non-current. The full amount is reported as non-current in the statement of financial position.

If there is uncertainty as to their future recoverability, deferred taxes on unused tax losses and temporary differences are not recognized or are written down. Such write-downs are determined by taking into account all positive and negative factors influencing the generation of sufficient future profit.

Deferred taxes were written down by EUR 12,775 thousand (2012: EUR 21,629 thousand) due to unused tax losses that are not expected to be usable in the future and by EUR 573 thousand (2012: EUR 5,243 thousand) due to temporary differences.

Distributable profits at foreign subsidiaries are to be paid out in the coming years, partly to Germany. The tax expense attributable to the distribution amounting to EUR 1,200 thousand (2012: EUR 1,200 thousand) was recognized as a deferred tax liability. In addition, deferred taxes were recognized for distributable profits from subsidiaries paid out to other subsidiaries to the extent that withholding tax is payable on future dividends. Deferred tax liabilities of EUR 6,134 thousand (2012: EUR 4,624 thousand) were recognized for these withholding tax expenses.

Further deferred tax liabilities were not recognized on distributable profits at subsidiaries amounting to EUR 509,582 thousand (2012: EUR 503,817 thousand) as the present intention is to permanently reinvest these profits. If the profits were to be distributed in Germany, 5% would be subject to taxation in Germany or possibly trigger withholding tax in other countries. Distributions thus as a rule lead to an added tax expense. Estimation of unrecognized deferred tax liabilities on undistributed profits would require an unreasonable effort.

Unused income tax losses mainly pertain to foreign Group companies and break down as follows:

(in EUR thousand)

	2013	2012
Expiry within		
1 year	2,222	2,830
2 years	8,687	1,091
3 years	1,082	444
4 years	8,366	1,395
5 years	7,123	47,386
After 5 years	33,544	23,551
unlimited carryforward	14,844	9,898
TOTAL	**75,868**	**86,595**

As in prior fiscal years, a corresponding deferred tax asset of EUR 10,295 thousand was recognized on unused tax losses as of December 31, 2013 (2012: EUR 5,090 thousand). In fiscal year 2013, no deferred taxes were recognized on unused tax losses of EUR 43,260 thousand (2012: EUR 70,893 thousand).

8| NON-CONTROLLING INTERESTS IN CONSOLIDATED NET INCOME

The consolidated financial statements include companies in which HUGO BOSS AG has a shareholding that is less than 100%. In accordance with IAS 27, non-controlling interests are reported in the statement of financial position within equity, separately from equity attributable to equity holders of the parent company. Net income attributable to non-controlling interests is likewise reported separately in the consolidated income statement.

9| EARNINGS PER SHARE

In accordance with IAS 33, earnings per share is determined by dividing earnings attributable to the equity holders of the parent company by the weighted average number of shares outstanding during the fiscal year.

The stock option program did not have any dilutive effect in the reporting period presented. The participation rights from the stock appreciation rights program can only be settled in cash and do not entitle the holder to any HUGO BOSS AG shares. No stock appreciation rights remained as of December 31, 2013.

There were no shares outstanding that could have diluted earnings per share as of December 31, 2013, or December 31, 2012.

(in EUR thousand)

	2013	2012[1]
Net income attributable to equity holders of the parent company	328,965	306,450
Average number of shares outstanding[2]	69,016,167	69,016,167
Earnings per share (EPS) in EUR[3]	4.77	4.44

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, “Changes in accounting policies/corrections”, page 170).
[2] Not including own shares.
[3] Basic and diluted earnings per share.

10| ADDITIONAL DISCLOSURES TO THE CONSOLIDATED INCOME STATEMENT

PERSONNEL EXPENSES

(in EUR thousand)

	2013	2012[1]
Cost of sales and direct selling expenses	84,354	83,159
Selling and distribution expenses	267,817	239,068
Administrative expenses	128,650	125,037
Other operating expenses/income	2,244	2,844
TOTAL	**483,065**	**450,108**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, „Changes in accounting policies/corrections“, page 170).

The other items in fiscal year 2013 amounting to EUR 2,244 thousand mainly relate to the organizational adjustments made in Europe.

The special effects in fiscal year 2012 amounting to EUR 2,844 thousand mainly relate to expenses in connection with termination benefits as a result of the simplification of brand structures and the bundling of creative areas under the BOSS core brand.

(in EUR thousand)

	2013	2012[1]
Wages and salaries	411,383	385,321
Social security	65,837	60,466
Expenses and income for retirement and other employee benefits	5,845	4,321
TOTAL	**483,065**	**450,108**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, „Changes in accounting policies/corrections", page xxx).

Employees as of December 31:

	2013	2012
Industrial employees	4,234	4,303
Commercial and administrative employees	8,262	7,549
TOTAL	**12,496**	**11,852**

The headcount is determined based on the number of employees as of December 31 taking into account part-time employees on a pro rata basis.

Annual average headcount:

	2013	2012
Industrial employees	4,246	4,134
Commercial and administrative employees	7,779	7,169
TOTAL	**12,025**	**11,303**

AMORTIZATION AND DEPRECIATION

(in EUR thousand)

	2013	2012[1]
Cost of sales and direct selling expenses	5,461	5,242
Selling and distribution expenses	78,799	67,844
Administrative costs	21,002	18,850
TOTAL	**105,262**	**91,936**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/corrections", page xxx).

Amortization of intangible assets and depreciation of property plant and equipment amount to EUR 105,262 thousand (2012: EUR 91,936 thousand). A breakdown of amortization and depreciation to the corresponding positions of the statement of financial position is presented in the following notes to the consolidated statement of financial position.

COST OF MATERIALS

In the past fiscal year, the cost of materials came to EUR 706,211 thousand (2012: EUR 714,687 thousand).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in EUR thousand)

	Property, plant and equipment	Intangible assets	TOTAL
Cost of acquisition			
January 1, 2012	**684,883**	**221,616**	**906,499**
Change in the basis of consolidation	0	0	0
Currency translation effects	(3,876)	1,616	(2,260)
Additions	147,800	18,002	165,802
Disposals	(15,360)	(2,069)	(17,429)
Transfers	(6,527)	(1,137)	(7,664)
December 31, 2012	**806,920**	**238,028**	**1,044,948**
Change in the basis of consolidation	(55,567)	2,453	(53,114)
Currency translation effects	(20,390)	(4,253)	(24,643)
Additions	163,045	20,196	183,241
Disposals	(26,158)	(9,108)	(35,266)
Transfers	4,101	(8,363)	(4,262)
December 31, 2013	**871,951**	**238,953**	**1,110,904**
Amortization, depreciation and impairment			
January 1, 2012	**399,353**	**80,518**	**479,871**
Change in the basis of consolidation	0	0	0
Currency translation effects	(3,051)	(94)	(3,145)
Amortization and depreciation	64,501	16,868	81,369
Impairment	8,894	1,673	10,567
Disposals	(13,703)	(2,010)	(15,713)
Transfers	(6,528)	(1,137)	(7,665)
December 31, 2012	**449,466**	**95,818**	**545,284**
Change in the basis of consolidation	554	0	554
Currency translation effects	(12,825)	(911)	(13,736)
Amortization and depreciation	76,160	17,469	93,629
Impairment	10,644	989	11,633
Disposals	(23,503)	(6,500)	(30,003)
Transfers	2,873	(7,135)	(4,262)
December 31, 2013	**503,369**	**99,730**	**603,099**
Carrying amount December 31, 2013	**368,582**	**139,223**	**507,805**
Carrying amount December 31, 2012	**357,454**	**142,210**	**499,664**

Land charges in connection with land and buildings amount to EUR 45,019 thousand (2012: EUR 47,079 thousand).

11| INTANGIBLE ASSETS

(in EUR thousand)

	Software, patents and licenses[1]	Brand rights	Key Money	Internally developed Software	Goodwill	TOTAL
Cost of acquisition						
January 1, 2012	**137,242**	**14,992**	**26,684**	**5,603**	**37,095**	**221,616**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	12	0	(262)	0	1,866	1,616
Additions	14,184	0	3,818	0	0	18,002
Disposals	(1,900)	0	(169)	0	0	(2,069)
Transfers	(2,991)	0	1,854	0	0	(1,137)
December 31, 2012	**146,547**	**14,992**	**31,925**	**5,603**	**38,961**	**238,028**
Change in the basis of consolidation	(525)	0	2,978	0	0	2,453
Currency translation effects	(1,208)	0	(1,045)	0	(2,000)	(4,253)
Additions	19,444	0	218	0	534	20,196
Disposals	(5,956)	0	(3,152)	0	0	(9,108)
Transfers	(8,515)	0	152	0	0	(8,363)
December 31, 2013	**149,787**	**14,992**	**31,076**	**5,603**	**37,495**	**238,953**
Amortization/impairment						
January 1, 2012	**66,044**	**0**	**7,678**	**5,603**	**1,193**	**80,518**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	(77)	0	(4)	0	(13)	(94)
Amortizazion	14,854	0	2,014	0	0	16,868
Impairment	160	0	1,513	0	0	1,673
Disposals	(1,841)	0	(169)	0	0	(2,010)
Transfers	(2,991)	0	1,854	0	0	(1,137)
December 31, 2012	**76,149**	**0**	**12,886**	**5,603**	**1,180**	**95,818**
Change in the basis of consolidation	0	0	0	0	0	0
Currency translation effects	(495)	0	(369)	0	(47)	(911)
Amortizazion	15,554	0	1,915	0	0	17,469
Impairment	30	0	959	0	0	989
Disposals	(5,531)	0	(969)	0	0	(6,500)
Transfers	(7,071)	0	(64)	0	0	(7,135)
December 31, 2013	**78,636**	**0**	**14,358**	**5,603**	**1,133**	**99,730**
Carrying amount December 31, 2013	**71,151**	**14,992**	**16,718**	**0**	**36,362**	**139,223**
Carrying amount December 31, 2012	**70,398**	**14,992**	**19,039**	**0**	**37,781**	**142,210**

[1] And similar rights and licenses.

The item software, patents and licenses mainly contains software and software licenses as well as intangible assets identified in the course of purchase price allocations.

SOFTWARE AND SOFTWARE LICENSES

The Columbus IT project launched in fiscal year 2003 led to the acquisition of new software covering all areas of enterprise resource management. This affected systems for procurement, production management, logistics, distribution and financial systems (worldwide). Over the full duration of the project, intangible assets totaling EUR 68,223 thousand (2012: EUR 65,037 thousand) were capitalized in connection with Columbus for the ERP system, comprising the industry solution SAP AFS and SAP Retail for the company's own retail business. Of this total cost, EUR 42,883 thousand had already been amortized as of the reporting date (2012: EUR 34,472 thousand). The remaining amortization period is a further 3.0 years. Apart from the aforementioned software, other software licenses totaling EUR 26,670 thousand (2012: EUR 22,228 thousand) are included, whose remaining amortization period is 6.6 years. The disposals from the change in the basis of consolidation stems from the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG. Additional disclosures on deconsolidated entities are presented in the section "Changes in basis of consolidation".

INTANGIBLE ASSETS FROM PURCHASE PRICE ALLOCATIONS

In addition, the line item software, patents and licenses contains intangible assets from purchase price allocations. As part of the acquisition accounting of the joint venture entities in the fiscal year 2010, some of the items capitalized included business licenses and franchise agreements that had a net carrying amount of EUR 12,475 thousand as of December 31, 2013 (2012: EUR 13,774 thousand) and a remaining amortization period of 11.5 years. The franchise agreements identified as part of the purchase price allocation of the mono-brand stores of the franchise partner Moss Bros in Great Britain in 2011 are reported at a net carrying amount of EUR 1,760 thousand as of the reporting date (2012: EUR 3,831 thousand). The remaining amortization period is a further 1.1 years. The franchise agreements identified in fiscal year 2013 are presented in the section "Business combinations".

BRAND RIGHTS

The reported brand rights amounting to EUR 14,992 thousand (2012: EUR 14,992 thousand), which are primarily attributable to the rights for the use of the brand names BOSS, HUGO and HUGO BOSS in the United States, are also classified as assets with indefinite useful lives.

KEY MONEY

Key money totaling EUR 16,718 thousand (2012: EUR 19,039 thousand) was recognized as of the reporting date. Of that amount, EUR 5,776 thousand (2012: EUR 6,872 thousand) pertains to key money with an indefinite useful life and EUR 10,942 thousand (2012: EUR 12,167 thousand) to key money with a finite useful life. At present, key money with an indefinite useful life only concerns France at EUR 5,776 thousand (2012: EUR 3,330 thousand); the increase is largely due to additions due a change in the basis of consolidation in connection with a business combination. The key money with an indefinite useful life for a retail store location in Denmark had been written off in full as of the reporting date. Key money with a finite useful life primarily concerns Switzerland, Brazil and Australia. An amortization period of 5.7 years remains.

Further information on the impairment losses can be found in in Note 13.

12| PROPERTY, PLANT AND EQUIPMENT

(in EUR thousand)

	Lands and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Construction in progress	TOTAL
Cost of acquisition					
January 1, 2012	**223,374**	**83,799**	**371,503**	**6,207**	**684,883**
Change in the basis of consolidation	0	0	0	0	0
Currency translation effects	(1,354)	(68)	(2,462)	8	(3,876)
Additions	36,045	4,096	84,320	23,339	147,800
Disposals	(1,281)	(861)	(13,121)	(97)	(15,360)
Transfers	(157)	111	(1,762)	(4,719)	(6,527)
December 31, 2012	**256,627**	**87,077**	**438,478**	**24,738**	**806,920**
Change in the basis of consolidation	(17,849)	0	1,071	(38,789)	(55,567)
Currency translation effects	(5,629)	(413)	(14,235)	(113)	(20,390)
Additions	25,351	3,754	100,968	32,972	163,045
Disposals	(3,923)	(1,812)	(20,423)	0	(26,158)
Transfers	8,127	19	9,440	(13,485)	4,101
December 31, 2013	**262,704**	**88,625**	**515,299**	**5,323**	**871,951**
Depreciation/impairment					
January 1, 2012	**101,169**	**60,172**	**238,011**	**1**	**399,353**
Change in the basis of consolidation	0	0	0	0	0
Currency translation effects	(883)	(74)	(2,094)	0	(3,051)
Depreciation	12,805	5,339	46,356	1	64,501
Impairment	3,437	106	5,351	0	8,894
Disposals	(1,274)	(827)	(11,602)	0	(13,703)
Transfers	(11)	(814)	(5,701)	(2)	(6,528)
December 31, 2012	**115,243**	**63,902**	**270,321**	**0**	**449,466**
Change in the basis of consolidation	0	0	554	0	554
Currency translation effects	(3,130)	(404)	(9,291)	0	(12,825)
Depreciation	15,069	5,084	56,007	0	76,160
Impairment	(380)	0	11,024	0	10,644
Disposals	(3,238)	(1,619)	(18,646)	0	(23,503)
Transfers	0	0	2,870	3	2,873
December 31, 2013	**123,564**	**66,963**	**312,839**	**3**	**503,369**
Carrying amount December 31, 2013	**139,140**	**21,662**	**202,460**	**5,320**	**368,582**
Carrying amount December 31, 2012	**141,384**	**23,175**	**168,157**	**24,738**	**357,454**

Impairment losses of EUR 10,644 thousand (2012: EUR 8,894 thousand) were recognized on property, plant and equipment, which have been allocated to the corresponding functions in the consolidated income statement. Most of the impairment losses were recognized after impairment testing of property, plant equipment in connection with the Group's own retail business. Impairment losses on land and buildings comprise an impairment reversal of EUR 2,248 thousand (2012: EUR 0 thousand) and an impairment loss of EUR 1,868 thousand (2012: EUR 3,437 thousand). Further information on the impairment losses can be found in Note 13.

The changes to the basis of consolidation concern the deconsolidation of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG and the business combination in France, which are discussed in more detail in the section "Changes in the basis of consolidation".

13| IMPAIRMENT TESTING IN THE HUGO BOSS GROUP

Non-financial assets (property, plant and equipment and intangible assets including goodwill) are assessed at every reporting date as to whether there is an indication of impairment ("triggering events"). Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives (key money and brand rights) and goodwill acquired in a business combination are tested for impairment annually. As of the reporting date December 31, 2013, the following non-current assets were tested for impairment in the course of annual impairment testing or in response to a triggering event:

- Depreciatied property, plant and equipment and amortized intangible assets at the Group's own retail stores level
- Other intangible assets with indefinite useful lives (key money)
- Brand rights with indefinite useful lives
- Goodwill

The assessment of impairment is based on detailed planning of results of operations, of the statement of financial position and of investments for all units of the Group prepared annually in the company-wide budget planning process, taking account of the current business situation. For periods beyond the planning horizon of the budget, a long-term growth rate is set to project future cash flows. The long-term growth rates used for this purpose are consistent with external sources of information. Investment and trade net working capital planning is based on budget planning data and is extrapolated on the basis of historical experience. The cost of capital for the HUGO BOSS Group determined using an after-tax WACC model that discounts all forecast cash flows in local currency, while factoring in both general market and country-specific risk mark-ups (sovereign risk mark-ups) as well as a currency risk mark-up (inflation risk mark-up). The after-tax cost of capital rate used as of December 31, 2013 is based on a risk-free interest rate of 2.75% (2012: 2.25%) and a market risk mark-up of 5.5% (2012: 6.0%).

DEPRECIATED PROPERTY, PLANT AND EQUIPMENT AND AMORTIZED INTANGIBLE ASSETS AT THE GROUP'S OWN RETAIL STORES LEVEL

In the HUGO BOSS Group, **the directly operated stores (DOS)** have been identified as a CGU, i.e., the smallest group of assets that can independently generate cash flows. Flagship stores are a particular type of directly operated store. Owing to their size and exclusivity, these have an impact on the HUGO BOSS brand image beyond their location and create sales incentives for other stores. Consequently, flagship stores do not constitute independent CGUs.

The DOS assets amortized or depreciated on a systematic basis are tested for impairment if there are indications or changes to planning assumptions suggesting that the carrying amount of the assets is not recoverable. For this purpose, after preparing the annual budget planning, HUGO BOSS conducts a triggering event test at DOS level. If defined year-on-year sales and profitability indicators are not reached, the non-current assets of the DOS in question are tested for impairment.

The recoverable amount of the DOS is determined by calculating the value in use based on a discounted cash flow method. The planned cash outflows from the bottom-up planning approved by management of HUGO BOSS AG is used for this purpose. The forecast period is derived based on the expected useful lives for all DOSs and is reassessed annually. After the bottom-up planning, the values for the remaining useful lives are determined based on sales and cost developments specific to each country and CGU. The growth rates used for this purpose are based on the nominal, expected retail growth in each respective market for the corresponding planning year. Single-digit growth rates were thus determined for most DOSs. Low double-digit growth rates were determined for some emerging markets. At the end of the residual useful life, it is assumed that the respective DOS is wound up and that sales proceeds are obtained equivalent to the residual value of the operating assets. In the calculation of the value in use of the DOS, cash flows were discounted using a weighted average cost of capital of between 4.5% and 16.5% (2012: between 6.6% and 24.7%).

DOS impairment testing in the past fiscal year resulted in impairment losses of EUR 13,178 thousand (2012: EUR 7,036 thousand), which were immediately recognized in the income statement under selling and distribution expenses. In response to negative developments in the profitability of individual locations, impairment losses had to be recognized on the non-current assets of certain DOSs following impairment testing. The increase is primarily attributable to retail store locations in Europe. Impairment losses in the Americas and in Asia/Pacific were slightly up on the prior-year level.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The following table presents the main assumptions underlying the calculation of the value in use of the goodwill and intangible assets with indefinite useful lives assigned to each group of CGUs:

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	Intangible assets with indefinite useful life	WACC	Long-term growth rate
2013				
Europe	**259**	**5,776**	**8.1 – 8.6 %**	**2.8 – 4.1 %**
Sales unit UK – various DOS from takeover Moss Bros Group PLC	259	0	8.6 %	4.1 %
Key money France – various DOS	0	5,776	8.1 %	2.8 %
Key Money Denmark – one DOS	0	0	7.7 %	1.9 %
Asia/Pacific	**17,399**	**0**	**8.0 – 9.8 %**	**4.1 – 6.0 %**
„Joint-Venture“- sales unit Shenzhen	4,219	0	9.8 %	6.0 %
„Joint-Venture“- sales unit Macao	5,214	0	8.0 %	4.1 %
Sales unit Australia	7,782	0	9.4 %	4.9 %
Sales unit Singapore – various DOS	184	0	8.2 %	4.2 %
Royalties	**0**	**14,992**	**8.4 – 10.7 %**	**1.6 – 4.1 %**
Brand rights U.S.A.	0	13,615	8.4 %	4.1 %
Brand rights Italy	0	1,377	10.7 %	1.6 %
Corporate Units	**18,710**	**0**	**10.7 %**	**1.9 %**
Business unit shoes and leather accessories	18,710	0	10.7 %	1.9 %
TOTAL	**36,368**	**20,768**	**8.1 – 10.7 %**	**1.6 – 6.0 %**
2012				
Europe	**265**	**3,330**	**7.5 – 8.6 %**	**1.9 – 4.1 %**
Sales unit UK – various DOS from takeover Moss Bros Group PLC	265	0	8.0 %	4.1 %
Key money France – various DOS	0	3,330	8.6 %	2.8 %
Key money Denmark – one DOS	0	0	7.5 %	1.9 %
Asia/Pacific	**18,807**	**0**	**9.6 – 10.0 %**	**4.0 – 5.7 %**
„Joint-Venture“- sales unit Shenzhen	4,295	0	10.0 %	5.7 %
„Joint-Venture“- sales unit Macao	5,445	0	9.6 %	4.0 %
Sales unit Australia	9,066	0	9.7 %	5.0 %
Royalties	**0**	**14,992**	**7.8 – 13.3 %**	**1.6 – 4.2 %**
Brand rights U.S.A.	0	13,615	7.8 %	4.2 %
Brand rights Italy	0	1,377	13.3 %	1.6 %
Corporate Units	**18,710**	**0**	**13.3 %**	**1.6 %**
Business unit shoes and leather accessories	18,710	0	13.3%	1.6%
TOTAL	**37,781**	**18,322**	**7.5 – 13.3 %**	**1.6 – 5.7 %**

In the table, **goodwill** was allocated to Europe and Asia/Pacific and linked to the corporate units and the relevant CGU. The acquisition of the mono-brand stores in fiscal year 2011 from Moss Bros Group PLC, the most important franchise partner in Great Britain, gave rise to goodwill that is allocable to the sales unit UK. In Asia/Pacific, goodwill acquired in business combinations stems from the acquisition of the shares in the joint venture sales units Lotus (Shenzhen) Commerce Limited and Lotus Concept Trading (Macau) Co., Ltd. in fiscal year 2010. Goodwill from the acquisition of shares in the Australia sales unit in 2002 as well as the takeover of a retail store operated by a franchise partner in 2013 are allocated to the Australia sales unit. Goodwill also arose in fiscal year 2013 from the takeover of a franchise partner in Singapore. The goodwill allocated to the corporate units results from the acquisition of shares in the companies of the shoes and leather accessories business unit in fiscal year 2004.

The table presents the combined **intangible assets with indefinite useful lives** for all countries in Europe. The key money with an indefinite useful life is allocable to various retail locations in the markets France and Denmark; viewed individually, these are not material. Brand rights for the use of the brands, mainly for the U.S. and Italian markets, are allocated to the royalties segment.

The procedure used to assess the recoverability of goodwill and intangible assets with indefinite useful lives at CGU level is presented below:

OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE (KEY MONEY)

Key money with an indefinite useful life paid in connection with the conclusion of a rental agreement is tested for impairment once a year or if there are indications of impairment. The recoverable amount of the CGU is determined with the assistance of external appraisals that calculate either the fair value less costs to sell or the value in use using discounted cash flow models.

For DOS to which key money with an indefinite useful life was allocated, impairment losses of EUR 605 thousand was recognized in fiscal year 2013 based on the calculation of fair value by external experts (2012: EUR 240 thousand). In 2013, this mainly concerns the key money of two DOS in France, caused by the change in the local real estate market.

BRAND RIGHTS WITH AN INDEFINITE USEFUL LIFE

The brand rights with an indefinite useful life are primarily attributable to rights acquired in 1997 for the use of the brands BOSS, HUGO and HUGO BOSS in the United States and the brand rights acquired in Italy. The indefinite useful life stems from the estimate of an indefinite use of the registered brand name.

The recoverable amount of brand rights with an indefinite life is determined based on fair value less costs to sell. This is based on a sales forecast for the respective market approved by management as part of the budget process. Country-specific sales growth rates are also used. After the five-year detailed planning phase, planned sales are extrapolated using a growth rate ranging between 1.6% and 4.1% (2012: between 1.6% and 4.2%). The growth rate corresponds to the long-term nominal retail growth in each market. Depending on the intangible assets being measured, the after-tax cost of capital used ranges between 8.4% and 10.7% (2012: between 7.8% and 13.3%).

No impairment losses were recognized on the brand rights with indefinite useful lives in fiscal years 2013 and 2012.

GOODWILL

The recoverable amount of the respective CGUs was derived from the value in use determined using cash flow projections based on financial budgets approved by management. Restructuring to which the Group has not yet committed to and investment to improve or enhance the earnings power of the tested CGU that is not allocable to current business operations are not taken into account. After the detailed planning phase, country-specific sales growth rates derived from normal retail growth are used. The last planning year is extrapolated at the long-term growth rate, which ranges between 1.9% and 6.0% (2012: between 1.6% and 5.7%). Depending on the goodwill being measured, the after-tax cost of capital used ranges between 8.2% and 10.7% (2012: between 9.6% and 13.3%).

As in the prior year, no impairment losses were recognized on any goodwill in fiscal year 2013.

OTHER IMPAIRMENTS

Apart from the above, impairment losses of EUR 99 thousand were recognized on non-current assets due to the planned closure of individual DOSs (2012: EUR 3,291 thousand). In the prior year, an impairment loss of EUR 2,248 thousand was recognized on a warehouse logistics property.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The following key assumptions, estimation uncertainty and judgments by management underlie the calculation of the value in use of the aforementioned assets:

- Nominal, long-term retail growth
- Gross profit margin
- Fixed cost trend
- Discount rates
- Expected useful life of DOS

Estimation of growth rate – Growth rates are derived from published market research for the industry that is based on country-specific nominal retail growth. These growth rates were mainly factored in after the detailed planning phase and in the terminal value used to calculate the value in use.

Estimating gross profit margin – The planned gross profit margin factors in both efficiency improvements and margin shifts due to differences in the sales mix of the various channels. A constant gross profit margin was assumed after the detailed planning phase.

Cost trends – The cost trends are derived from growth of real gross domestic product in each country and the inflation rate in each country.

Discount rates – The discount rates reflect current market assessments of the risks specific to each CGU. This takes into account the interest effect and the risks specific to the assets. Country-specific costs of capital are taken into account for individual CGUs, which factor in sovereign risk and a currency risk mark-ups. The after-tax weighted average cost of capital (WACC) takes into account both debt and equity. In addition, the beta factor, the cost of borrowed capital and the capital structure are derived by reference to a peer group in accordance with IAS 36 and calculated based on publicly available market data.

Useful life of DOS – The forecast period underlying the impairment testing of non-current assets at DOS level amortized or depreciated on a systematic basis is based on the average remaining terms of the lease agreements. These are determined and reassessed annually. Prolongation options are taken into account when determining the average remaining terms if management can exercise the option without incurring significant costs.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

As of December 31, 2013, scenarios for critical measurement parameters such as the discount rates used and the growth rates underlying forecast cash flows were determined to verify the values in use determined. Management of the HUGO BOSS Group considers it plausible for the discount rate to increase by 10.0% on average in relative terms. In addition, for the DOS under review and the CGUs to which goodwill is allocated, an annual relative divergence in growth rates of 15.0% is deemed plausible. Furthermore, for the CGUs to which goodwill is allocated, a 15.0% decrease in the relative sales growth rates underlying the extrapolation of cash flows after the detailed planning phase is deemed plausible.

A 10.0% increase in the discount rate would result in an additional impairment of EUR 102 thousand of the DOS under review. Under the above assumption, the value of use of all items of goodwill would exceed their respective carrying amounts.

In the event of a 15.0% reduction of the annual growth rates in the detailed planning phase, it would be necessary to recognize an additional impairment loss of EUR 923 thousand for the DOS under review; by contrast, the value in use of all items of goodwill would exceed their carrying amounts.

In the event of a 15.0% reduction in the growth rate of sales used to extrapolate the cash flow forecast after the detailed planning period, the value in use of all items of goodwill would exceed their carrying amounts.

14| FINANCIAL AND OTHER ASSETS

(in EUR thousand)

	2013			2012		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Financial assets	40,685	23,323	17,362	40,198	26,541	13,657
Tax refund claims and prepayments	11,437	9,743	1,694	14,253	12,113	2,140
Other assets	63,612	59,659	3,953	51,733	49,234	2,499
Other financial assets	38	0	38	1,002	0	1,002
TOTAL	**115,772**	**92,725**	**23,047**	**107,186**	**87,888**	**19,298**

Financial assets include positive market values of currency hedges amounting to EUR 5.026 thousand (2012: EUR 7,846 thousand), interest hedges of EUR 1,252 thousand (2012: EUR 0 thousand) and rent deposits for the Group's own retail stores of EUR 12,956 thousand (2012: EUR 15,067 thousand). Financial assets also include receivables from credit card companies amounting to EUR 16,302 thousand (2012: EUR 16,494 thousand).

The tax refund claims and tax prepayments are mostly VAT receivables.

Other assets contain bonus receivables from supplier arrangements and prepayments for service agreements and leases.

Impairment losses of EUR 266 thousand were recognized on other assets in the past fiscal year (2012: EUR 93 thousand).

Other financial assets contain the investment carried at amortized cost in the subsidiary HUGO BOSS Finland OY, Helsinki, Finland, which was founded in fiscal year 2013 but not consolidated. In the prior year, other financial assets contained shares in the subsidiary HUGO BOSS RUS LLC, Moscow, Russia, which was not consolidated.

In addition, other financial assets contain the investment in Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG, which has been measured using the equity method since July 1, 2013. A summary of financial information for Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG is presented in the table below.

(in EUR thousand)

Assets	**2013**
Current assets	72,222
Non-current assets	29,488
Prepaid expenses	1,542
Losses not covered by capital contributions	66
TOTAL	**103,318**
Equity and liabilities	
Equity	(577)
Liabilities	103,895
thereof liabilities due to banks	103,463
TOTAL	**103,318**

In fiscal year 2013, the company generated an immaterial result, as its operating activities will not commence until the flat-packed goods distribution center goes into operation in 2014.

15| INVENTORIES

(in EUR thousand)

	2013	2012[1]
Finished goods and merchandise	379,600	360,550
Raw materials and supplies	54,025	54,273
Work in progress	7,212	6,337
TOTAL	**440,837**	**421,160**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

Inventories carried at fair value less costs to sell amount to EUR 82,312 thousand (2012: EUR 87,537 thousand). In fiscal year 2013, impairment losses of EUR 13,004 thousand (2012: EUR 41,891 thousand) were recognized, mainly on finished goods and raw materials, and reported within cost of sales. This was counterbalanced by reversals of impairment losses of EUR 22,513 thousand (2012: EUR 38,025 thousand) following the sale of finished goods and raw materials on which impairment losses had previously been recognized.

16| TRADE RECEIVABLES

(in EUR thousand)

	2013	2012
Trade receivables, gross	**241,330**	231,527
Accumulated allowance	(15,126)	(16,628)
Trade receivables, net	**226,204**	**214,899**

Trade receivables are non-interest bearing and are generally due between 30 and 90 days.

All recognizable risks are provided for by appropriate valuation allowances. Actual default leads to derecognition of the receivables in question.

Valuation allowances on doubtful debts developed as follows:

(in EUR thousand)

	2013	2012
Allowances for doubtful accounts as of January 1	**16,628**	**33,521**
Additions	4,632	7,466
Use	(1,829)	(10,680)
Release	(4,009)	(13,677)
Currency differences	(296)	(2)
Allowances for doubtful accounts as of December 31	**15,126**	**16,628**

Any expenses and income from allowances on trade receivables are reported under selling and distribution expenses.

As at December 31, the ageing analysis of trade receivables is as follows:

(in EUR thousand)

	2013	2012
Trade receivables, net	**226,204**	**214,899**
Thereof neither overdue, nor impaired	**160,287**	**142,672**
Thereof overdue, but not impaired	**56,489**	**64,434**
≤ 30 days	34,793	43,150
> 30 to 60 days	14,658	14,593
> 60 to 90 days	7,038	6,691
> 90 to 120 days	0	0
> 120 to 180 days	0	0
> 180 to 360 days	0	0
> 360 days	0	0
Thereof: overdue and impaired	**9,428**	**7,793**

As regards receivables that were neither overdue nor impaired, there were no indications as of the reporting date that the debtors would not settle their payment obligations. Specific valuation allowances ranging between 1% and 100% are recognized on trade receivable.

Pursuant to the general terms and conditions for sales, ownership of the goods supplied is transferred to wholesale partners upon complete payment of all receivables. No collateral has been provided in the Group for individual receivables.

17| CASH AND CASH EQUIVALENTS

(in EUR thousand)

	2013	2012
Balances with banks and other cash items	108,890	245,611
Checks/ec-cash	863	852
Cash in hand	9,489	8,143
TOTAL	**119,242**	**254,606**

Apart from liquid assets in the narrow sense – i.e. checks, cash in hand, balances with banks –, cash and cash equivalents contain short-term deposits that can be converted to cash and cash equivalents at any time and are only subject to insignificant fluctuations in value.

As of the end of the reporting date, the line item balances with banks contains short-term deposits of EUR 25,000 thousand (2012: EUR 130,000 thousand).

18| SUBSCRIBED CAPITAL

The fully paid in share capital of HUGO BOSS AG amounts to EUR 70,400,000 thousand as of December 31, 2013. The shares have an imputed nominal value of EUR 1 each. The share capital is divided into 70,400,000 registered shares:

(in thousand)

	2013	2012
Shares	70,400	70,400
TOTAL	**70,400**	**70,400**

The total number of ordinary share contains 34,540,000 former preferred shares which were converted into ordinary shares as part of the conversion performed after the close of trading on June 15, 2012. The Annual Shareholders' Meeting of HUGO BOSS AG had approved the conversion of preferred shares into ordinary shares and the conversion from bearer shares to registered shares on May 3, 2012. Since then, the share capital of the company has been divided into 70,400,000 no par value registered ordinary shares.

Until May 13, 2014, the Managing Board of HUGO BOSS AG has authorized capital of EUR 35,200,000 at its disposal, subject to the approval of the Supervisory Board. The Managing Board is authorized to raise the share capital once or several times by issuing new registered ordinary shares and/or registered preferred shares without voting rights equivalent to the registered preferred shares without voting rights already issued.

CAPITAL MANAGEMENT

Equity comprises the equity attributable to the equity holders of the parent.

The primary objective of the HUGO BOSS Group's capital management is to secure the financial headroom to make value-enhancing investments for further business growth and, in turn, to increase the enterprise value in a sustainable manner.

To increase the enterprise value, the Group focuses on maximizing free cash flow. Maintaining positive free cash flow in the long term secures the Group's financial independence and its solvency at all times. The main levers for improving free cash flow are increasing sales and EBITDA (earnings before interest, taxes, depreciation and amortization) before special items. Strict management of trade net working capital and value-oriented investment activities support the development of free cash flow. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made to the objectives, policies and methods as of December 31, 2013 and December 31, 2012.

In addition, efficient use of capital and the capital structure are regularly monitored based on the leverage ratio, i.e., the ratio of net financial liabilities to EBITDA before special items:

(in EUR thousand)

	2013	2012
Liabilities due to banks	176,250	385,054
Cash and cash equivalents	(119,242)	(254,606)
Net financial liabilities	**57,008**	**130,448**
Operating profit	**564,700**	**528,100**
Financing strength	**0.1**	**0.2**

The leverage ratio improved further year on year driven by the positive development of the operating result and the improvement in net financial liabilities. The indicator was reduced from 0.2 in the prior year to 0.1 as of the reporting date.

The syndicated loan agreement refinanced in the fiscal year 2013 contains standard covenants requiring the maintenance of the leverage ratio. As in prior fiscal years, HUGO BOSS substantially exceeded the required minimum value as of December 31, 2013.

19| OWN SHARES

The number of own shares remains unchanged compared to the prior year:

	2013	2012
Shares	1,383,833	1,383,833
Share of subscribed capital in %	2.0	2.0

At the Annual Shareholders' Meeting of June 21, 2010 a resolution was passed to authorize the Managing Board until June 20, 2015 to redeem registered ordinary shares and/or registered preferred shares without voting rights of the Company up to 10% in total of the current share capital.

20| CAPITAL RESERVE

The capital reserve contains premiums on the issue of shares.

21| RETAINED EARNINGS

Retained earnings contain profits that have not been distributed and that were generated in the past by the entities included in the consolidated financial statements, effects on earnings from consolidation entries in prior periods as well as effects from the revaluation of pension provisions.

22| OTHER COMPREHENSIVE INCOME

Differences from the currency translation without effect on income of financial statements of foreign subsidiaries amounting to EUR -16,699 thousand (2012: EUR -5,205 thousand) and the effects the measurement of financial instruments directly in equity after taxes are reported in other comprehensive income. Deferred taxes on the measurement of financial instruments recognized directly in equity amount to EUR -313 thousand (2012: EUR 1,174 thousand).

Reference is made to the consolidated statement of comprehensive income as regards the income and expenses recognized directly in equity.

23| DIVIDEND

Pursuant to the AktG [“Aktiengesetz”: German Stock Corporation Act], the dividend that can be distributed to the shareholders is measured based on the unappropriated surplus reported in the financial statements of HUGO BOSS AG amounting to EUR 235,136 thousand. The net retained profit of HUGO BOSS AG for 2013 proposed to the Annual Shareholders’ Meeting for distribution amounts to EUR 230,514 thousand. This corresponds to EUR 3.34 per share. It is also proposed to the Annual Shareholders’ Meeting that the dividend attributable to own shares totaling EUR 4,622 thousand be carried forward to new account.

In 2013, a dividend of EUR 215,330 thousand was paid out for shares outstanding for fiscal year 2012 (in 2012 for 2011: EUR 199,103 thousand). This corresponds to EUR 3.12 per ordinary share for fiscal year 2012 (2011: EUR 2.88 per ordinary share and EUR 2.89 per preferred share).

24| PROVISIONS

(in EUR thousand)

	2013	2012[1]
Provisions for pensions	29,795	31,237
Other non-current provisions	22,944	23,252
Non-current provisions	**52,739**	**54,489**
Current provisions	**99,868**	**89,960**
TOTAL	**152,607**	**144,449**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, “Changes in accounting policies/corrections”, page 170).

Other provisions of EUR 122,812 thousand (2012: EUR 113,212 thousand) comprise current provisions of EUR 99,868 thousand (2012: EUR 89,960 thousand) and other non-current provisions of EUR 22,944 thousand (2012: EUR 23,252 thousand).

In fiscal year 2013, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2013	**Currency differences**	**Compounding**	**Addition**	**Use**	**Release**	**Balance on Dec. 31, 2013**
Provisions for personnel expenses	60,537	(599)	(1,663)	38,921	(37,672)	(6,143)	53,381
Costs of litigation, pending legal disputes	8,168	(19)	0	3,601	(1,808)	(1,434)	8,508
Miscellaneous provisions	44,507	(614)	(65)	43,732	(21,712)	(4,925)	60,923
thereof refund for goods	13,689	(148)	0	19,837	(13,971)	757	20,164
thereof provisions for rebuild obligations	3,898	(415)	(65)	4,544	1,542	(402)	9,102
TOTAL	**113,212**	**(1,232)**	**(1,728)**	**86,254**	**(61,192)**	**(12,502)**	**122,812**

	Balance on Jan, 1. 2012	Currency differences	Compounding	Addition	Use	Release	Balance on Dec, 31. 2012
Provisions for personnel expenses[1]	55,178	(148)	(1,271)	49,701	(34,813)	(8,110)	60,537
Costs of litigation, pending legal disputes	7,570	(10)	21	3,592	(1,759)	(1,246)	8,168
Miscellaneous provisions	47,228	(100)	(111)	17,955	(10,106)	(10,359)	44,507
thereof refund for goods	14,643	45	0	4,221	(2,026)	(3,194)	13,689
thereof provisions for rebuild obligations	110	(149)	(111)	848	3,200	0	3,898
TOTAL	**109,976**	**(258)**	**(1,361)**	**71,248**	**(46,678)**	**(19,715)**	**113,212**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/corrections", page 170).

The provisions for personnel expenses mainly concern the provisions for profit participation and bonuses, severance payment claims, accrued vacation not yet taken as well as wages and salaries.

Overall, it is expected that the provisions for personnel expenses of EUR 12,562 thousand (2012: EUR 19,137 thousand) will be paid out in more than 12 months.

The provisions for costs of litigation and pending legal disputes include litigation costs for the protection of brand rights. These provisions are classified as current.

Miscellaneous provisions mainly contain provisions for goods returned, that are largely expected to be completed within 12 months for the most part. In addition, miscellaneous provisions contain non-current provisions for rebuild obligations. Based on reasonable estimates, provisions were also recognized for the potential ramifications of legal and tax issues.

The risk-free interest rates used to discount non-current provisions range between 1.1% and 4.9% (prior year: between 1.1% and 7.8%) depending on the term and currency zone in question.

25| PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are recognized for obligations from future and current post-employment benefits to eligible current and former employees of the HUGO BOSS Group. The benefits agreed under the pension plans depend for the most part on the length of service of the eligible employee. In general, company pension plans are classified into two types of plans: defined contribution plans and defined benefit plans. In the HUGO BOSS Group most of the plans are defined benefit plans. In the past year, the main defined benefit plans were granted in Germany, Switzerland and Turkey. The characteristics of these plans are described in the following.

DEFINED BENEFIT PLANS

GERMANY

In Germany, there are direct and indirect pension obligations. A distinction is also made between general and individually agreed benefits. Under the general benefits granted, each employee who joined the Company prior to July 1, 2012 is entitled to benefits from company pension plans. Excluded are employees whose service first leads to benefits under the plan upon reaching the age of 50 or who have temporary employment agreements. Benefits comprise a retirement benefit in the form of an old-age pension, an early-retirement benefit or a disability benefit or a surviving dependents’ benefit in the form of a dependent child benefits. The retirement benefits, early-retirement benefits and dependent child benefits are indirectly granted through a welfare fund, while HUGO BOSS grants the disability benefit directly.

Individually agreed benefits are only granted to active and former members of the Managing Board. Benefits can take the form of retirement benefits as old-age pensions or disability annuities and take the form of surviving dependents’ benefits as a surviving spouse or child benefit.

In addition, the HUGO BOSS Group offers the Managing Board and executives the option of acquiring additional pension benefits under deferred compensation arrangements. This supplementary pension plan can take the form of retirement benefits or, alternatively, the form of occupational incapacity benefits and/or surviving dependents’ benefits and/or the form of a lump-sum death grant. The pension benefits take the form of monthly payments, while surviving dependents’ benefits can also be granted in the form of a lump-sum capital payment.

In Germany, the company pension plan for individually agreed benefits and deferred compensation agreements is funded by plan assets for which there is employer’s pension liability insurance which is a qualifying insurance policy within the meaning of IAS 19.8 in conjunction with IAS 19.113 et seq. The assets concerned can be classified as non-marketable assets. Employer’s pension liability insurance has not been taken out for general benefits granted.

SWITZERLAND

In Switzerland, employee pension plans must be allocated to a pension fund that is separate from the employer. The BVG ["Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge": Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans] imposes minimum benefits. HUGO BOSS uses a collective foundation to provide for its employees against the economic consequences of old age, disability and death. Under this model, the foundation assets are the plan assets. The board of trustees of the collective foundation is responsible for the investment policy; at present the majority of plan assets are invested in fixed interest securities such as sovereign bonds. The supreme governing body of the collective foundation comprises an equal number of employer and employee representatives. The plans are financed by employer and employee contributions, which are defined as a percentage of the insured wage. The old-age pension is calculated as the retirement assets accumulated upon reaching a pensionable age multiplied by the conversion rates specified in the fund regulations. Employees can opt to receive their pension benefits as a lump-sum payment from the retirement assets. The benefit payments under the Swiss plans encompass old-age pensions, disability benefits and surviving dependents' benefits. The collective foundation can change its financing system (contributions and future benefits) at any time. In addition, the collective foundation can terminate the affiliation agreement with HUGO BOSS; in such an event, the latter would have to join another welfare fund. Depending on the conditions of the affiliation agreement and the current partial liquidation rules, a deficit and the risks of increasing life expectancy (current pensions) can be transferred.

TURKEY

In Turkey, severance payment commitments have been made to employees, which have to be recognized as defined benefit plans in accordance with IAS 19. The severance payment that must be paid by HUGO BOSS complies with the legally required benefits of up to one month per year of service and is granted upon retirement, in the event of employment termination by the employer without due cause, upon marriage, in the event of death or conscription to military service. Employees are entitled to benefits after one year of service. The monthly salary used as a basis to calculate the obligation is capped at an amount set by the Turkish authorities. Obligations in Turkey are funded by provisions.

The pension obligations of the HUGO BOSS Group break down as follows:

(in EUR thousand)

	2013	2012[1]	January 1, 2012[1]
Germany	15,928	15,984	8,281
Switzerland	8,824	9,458	7,333
Turkey	2,868	3,693	2,813
Others[2]	2,175	2,102	1,953
TOTAL	**29,795**	**31,237**	**20,380**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

[2] Additional defined benefit plans are in place in Italy, France and Mexico

The amount of the pension obligations was determined using actuarial methods in accordance with IAS 19, Employee Benefits (revised 2011, IAS 19R). Adoption of IAS 19R led to changes with consequences for the HUGO BOSS Group's net assets, financial position and results of operations that are explained in more detail in section "Changes in accounting policies/corrections" of these notes to the consolidated financial statements.

In fiscal year 2013, the funding status of benefit obligations pursuant to IAS 19(R) was as follows:

(in EUR thousand)

	2013	2012[1]
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	100,374	82,118
Currency differences	(1,241)	156
Service cost	5,804	5,143
Interest cost	3,227	3,033
Remeasurement of the carrying amount		
Actuarial gains/losses	(2,341)	11,590
Experience adjustments	398	362
Benefits paid	(3,361)	(6,461)
Contribution by participants of the plan	4,296	4,423
Past service cost	0	0
Other changes in benefit obligation	135	10
Present value of benefit obligation on December 31	**107,291**	**100,374**
Changes in plan assets		
Fair value of plan assets on January 1	69,137	61,738
Currency differences	(284)	103
Offsetting with plan assets	0	0
Expected return on plan assets	2,254	2,806
Expected return on plan assets (without interest income)	(160)	(1,490)
Benefits paid	(2,647)	(5,753)
Contribution by the employer	6,846	2,207
Contribution by participants of the plan	4,296	4,423
Asset ceiling pursuant to IAS 19.58	(1,946)	5,103
Other changes in benefit obligation	0	0
Fair value of plan assets on December 31	**77,496**	**69,137**
Funding status of the benefits funded by plan assets	**29,795**	**31,237**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

As of December 31, 2013, EUR 96,164 thousand (2012: EUR 88,816 thousand) of the present value of the defined benefit obligations was funded through employer's pension liability insurance, while EUR 11,127 thousand (2012: EUR 11,558 thousand) was unfunded.

ACTUARIAL ASSUMPTIONS UNDERLYING THE CALCULATION OF THE PRESENT VALUE OF THE PENSION OBLIGATION AS OF DECEMBER 31, 2013

The following premises were defined:

Actuarial assumptions	**2013**	2012
Discount rate		
Germany	3.50 %	3.50 %
Switzerland	2.20 %	2.00 %
Turkey	10.50 %	8.78 %
Rate of compensation increase		
Germany	1.75 %	1.75 %
Switzerland	0.00 %	0.00 %
Turkey	0.00 %	0.00 %
Expected salary increase		
Germany	2.50 %	2.50 %
Switzerland	4.00 %	4.00 %
Turkey	5.00 %	5.00 %

Pension benefits in Germany are determined on the basis of biometric principles in accordance with the 2005 G mortality tables of Prof. Dr. Klaus Heubeck. The BVG 2010 mortality tables are used to measure the obligations of Swiss companies. The pension obligations in Turkey are determined using the CSO 1980 mortality tables.

SENSITIVITY ANALYSIS OF KEY ACTUARIAL ASSUMPTIONS

The HUGO BOSS Group is exposed to special risks in connection with the aforementioned defined benefit plans. The funding status of pension obligations is influenced by both changes in the present value of the defined benefit obligations and changes in the fair value of plan assets. These are determined using actuarial methods that make assumptions concerning discount rates, future pension increases, future wage and salary increases and mortality rates. Future deviations between actual conditions and the underlying assumptions can lead to an increase or a decrease in the present value of the defined benefit obligations or the fair value of plan assets.

In addition, future amendments to the accounting standards governing the accounting treatment of pension obligations can affect the pertinent items of net assets, financial position and results of operations of the HUGO BOSS Group.

A change in the key actuarial parameters according to the scenarios presented below has the effects presented in the table below on the present value of the pension obligations as of December 31, 2013.

When conducting the sensitivity analysis, each parameter was altered ceteris paribus and not in combination with changes in other assumptions, thus excluding interdependencies between parameters. In addition, only ranges of values were selected deemed to be reasonably plausible up to the date of preparing the HUGO BOSS Group's next set of consolidated financial statements.

Actuarial assumptions	**present value of the defined benefit obligations**
Discount rate	
December 31, 2013	
Increase of 75 basis points	(12,407)
Decline of 75 basis points	15,188
Rate of compensation increase	
December 31, 2013	
Increase of 25 basis points	1,980
Decline of 25 basis points	(1,178)
Expected salary increase	
December 31, 2013	
Increase of 50 basis points	1,675
Decline of 50 basis points	(1,564)
Life expectancy	
December 31, 2013	
Increase of 10 basis points	(1,349)
Decline of 10 basis points	1,199

BREAKDOWN OF THE PENSION EXPENSES IN THE PERIOD

The pension expenses recognized in the consolidated income statement comprise the current service cost and the net interest expense. In addition, remeasurement effects from the change in financial assumptions and experience adjustments together with the return on plan assets that is not included in interest expenses and interest income are recognized in other comprehensive income in the consolidated statement of comprehensive income. The net effect from the asset ceiling is also recognized in other comprehensive income in accordance with IAS 19.58.

(in EUR thousand)

	2013	2012[1]
Current service costs	5,804	5,143
Net interest costs	973	227
Recognized pension expenses in the comprehensive statement of income	**6,777**	**5,370**
Expense from plan assets (without interest effects)	160	1,490
Recognized actuarial gains/losses	(1,943)	11,952
Asset ceiling (without interest effects of asset ceiling)	1,695	(5,373)
Recognized remeasurement of the carrying amount in the comprehensive statement of income	**(88)**	**8,070**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page xxx).

The net interest expense is calculated by multiplying the net pension obligation by the discount rate underlying the measurement of the defined benefit obligation (DBO).

The actual return on plan assets for fiscal year 2013 comes to EUR 2,094 thousand (2012: EUR 1,316 thousand). This corresponds to the accumulated return on plan assets recognized in the consolidated statement of comprehensive income together with the interest on plan assets contained in the net interest expense.

In the case of deferred compensation commitments, current service cost is only incurred in the year of deferral. An increase in the service rendered does not increase the benefits granted.

In fiscal year 2013, employee contributions to defined benefit plans came to EUR 4,296 thousand (2012: EUR 4,423 thousand). For fiscal year 2014, the Group anticipates employee contributions to defined benefit plans of EUR 3,589 thousand (2013: EUR 3,758 thousand).

For fiscal year 2014, the Group expects employer contributions to plan assets of EUR 2,296 thousand (2013: EUR 2,276 thousand).

DURATION

The duration of the defined benefit plans of the HUGO BOSS Group in the reporting year stood at:

	Duration in years
Germany	18
Switzerland	17
Turkey	12

DEFINED CONTRIBUTION PLANS

Employer contributions to defined contribution plans totaled EUR 17,093 thousand in the fiscal year (2012: EUR 14,337 thousand) and are reported under personnel expenses in the income statement. The HUGO BOSS Group's main defined contribution plans are in Germany, the United States, the Benelux countries, Scandinavia and Hong Kong. Significant components of the amounts recognized in the income statement are contributions to statutory pension insurance and the employer's contribution to employer-funded direct insurance in Germany.

PHASED RETIREMENT OBLIGATIONS

In Germany there also obligations from phased retirement agreements entered into in the past. All employees who have reached the age of 57 and who have been employed at HUGO BOSS for at least 5 years without interruption are entitled to a phased retirement arrangement.

26| FINANCIAL LIABILITIES

All interest-bearing and non-interest bearing obligations as of the respective reporting date are reported under financial liabilities. They break down as follows:

(in EUR thousand)

	2013	2012
Non-current financial liabilities	164,768	63,265
Current financial liabilities	14,653	332,177
TOTAL	**179,421**	**395,442**

(in EUR thousand)

	2013	**with remaining term up to 1 year**	2012	with remaining term up to 1 year
Financial liabilities due to banks	176,250	13,889	385,054	325,071
Other financial liabilities	3,171	764	10,388	7,105
TOTAL	**179,421**	**14,653**	**395,442**	**332,176**

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 3,051 thousand (2012: EUR 10,208 thousand). As in the prior year, there were no liabilities from finance lease agreements.

The following tables show the terms and conditions of financial liabilities:

LIABILITIES DUE TO BANKS

	2013		2012	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	3.84%	13,889	0.89%	325,071
1 to 5 years	1.45%	135,861	1.53%	29,228
More than 5 years	3.54%	26,500	3.41%	30,755

Unlike in the prior year, the majority of financial liabilities due to banks are classified as non-current following the refinancing of the syndicated line of credit in fiscal year 2013.

OTHER FINANCIAL LIABILITIES

	2013		2012	
Remaining term	**Weighted average interest rate**	**Carrying amount EUR thous.**	Weighted average interest rate	Carrying amount EUR thous.
Up to 1 year	4.16%	764	3.37%	7,105
1 to 5 years	5.10%	1,722	5.11%	2,138
More than 5 years	5.48%	685	5.58%	1,145

By contrast to the prior year, the share of non-interest bearing financial liabilities has once again decreased significantly. As of the reporting date, they mainly contain interest derivatives with negative market values.

The table below shows the contractually agreed undiscounted cash flows for non-derivative financial liabilities and for derivative financial instruments with a negative fair value:

(in EUR thousand)

2013		**Expected cash flows**			
Non-derivative financial liabilities	**Carrying amount**	**Total cash flows**	**< 1 year**	**1 - 5 years**	**> 5 years**
Financial liabilities due to banks	176,250	195,312	24,578	140,667	30,067
Liabilities from finance leases	0	0	0	0	0
Derivative financial liabilities					
Undesignated derivatives	3,051	3,170	765	1,636	769
Derivatives subject to hedge accounting	0	0	0	0	0
Other financial liabilities	120	120	0	120	0
TOTAL	**179,421**	**198,602**	**25,343**	**142,423**	**30,836**
2012					
Non-derivative financial liabilities					
Financial liabilities due to banks	385,054	397,873	343,246	19,770	34,857
Liabilities from finance leases	0	0	0	0	0
Derivative financial liabilities					
Undesignated derivatives	5,513	5,638	2,411	1,982	1,246
Derivatives subject to hedge accounting	4,695	4,696	4,696	0	0
Other financial liabilities	180	180	0	180	0
TOTAL	**395,442**	**408,387**	**350,353**	**21,931**	**36,103**

27| OTHER LIABILITIES

(in EUR thousand)

	2013			2012		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Other liabilities	112,889	81,922	30,967	107,301	93,303	13,998
From taxes	29,063	29,063	0	27,277	27,277	0
From social security	5,688	5,749	(61)	5,586	5,586	0

Apart from VAT liabilities and social security liabilities, other liabilities mainly contain accruals of rental obligations for the Group’s own retail business as well as overtime and accrued vacation.

28| TRADE PAYABLES

(in EUR thousand)

	2013	2012
Trade payables	235,286	227,575

Trade payables contain payments on account of EUR 4,964 thousand (2012: EUR 3,965 thousand) and are due within one year.

29| ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

CARRYING AMOUNTS AND FAIR VALUES BY CATEGORY OF FINANCIAL INSTRUMENTS

(in EUR thousand)

		2013		2012	
Assets	IAS 39 category	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	LaR	119,242	119,242	254,606	254,606
Trade receivables	LaR	226,204	226,204	214,899	214,899
Other financial assets		40,698	40,698	41,201	41,201
Thereof:					
Available for sale investments	AfS	13	13	1,002	1,002
Undesignated derivatives	FAHfT	5,026	5,026	7,846	7,846
Derivatives subject to hedge accounting	n.a.	1,252	1,252	0	0
Other financial assets	LaR	34,407	34,407	32,353	32,353
Liabilities					
Financial liabilities due to banks	FLAC	176,250	179,492	385,054	389,238
Trade payables	FLAC	235,286	235,286	227,575	227,575
Other financial liabilities		3,171	3,171	10,388	10,388
Thereof:					
Liabilities from financial leases	n.a.	0	0	0	0
Undesignated derivatives	FLHfT	3,051	3,051	5,513	5,513
Derivatives subject to hedge accounting	n.a.	0	0	4,695	4,695
Other financial liabilities	FLAC	120	120	180	180
Total for categories of financial instruments according to IAS 39:					
Loans and Receivables	LaR	379,853	379,853	501,858	501,858
Financial Assets Held for Trading	FAHfT	5,026	5,026	7,846	7,846
Financial Liabilities Measured at Amortized Cost	FLAC	411,656	414,898	612,809	616,993
Financial Liabilities Held for Trading	FLHfT	3,051	3,051	5,513	5,513

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, other financial assets, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is calculated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Financial transactions with parties with a lower credit rating require the approval of the Managing Board and are concluded only to a limited degree. Derivatives valued using valuation techniques with observable market data are mainly interest rate swaps and forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit worthiness of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying base rates.

As of December 31, 2013, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The credit risk of the counterparty did not lead to any significant effects.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2013, as in the prior year, all financial instruments measured at fair value in the categories FAHfT, FLHfT and derivatives designated to a hedge relationship were assigned to level 2. During fiscal year 2013, there were no transfers between level 1 and level 2 as well as beyond level 3. The financial instruments measured at fair value comprised forward exchange contracts, currency swaps and interest derivatives. These were assigned to the categories FAHfT, FLHfT as well as derivatives used for hedging. The assets amounted to EUR 6,278 thousand, liabilities to EUR 3,051 thousand. The fair value of financial instruments carried at amortized cost in the statement of financial position was likewise determined using a level 2 method.

INTEREST RISK HEDGES

To hedge against interest risks, the HUGO BOSS Group enters into interest hedging transactions in some areas to mitigate risk. As of the reporting date, EUR 111,495 thousand (2012: EUR 312,039 thousand) in variable interest finance liabilities were hedged. EUR 100,000 thousand (2012: EUR 300,000 thousand) thereof was designated as an effective hedging instrument. The change in unrealized gains/losses from marking hedges to market in other comprehensive income amounted to income of EUR 4,460 thousand (2012: EUR 7,860 thousand).

NET RESULT BY MEASUREMENT CATEGORY

(in EUR thousand)	**Interest income and expenses**	**Changes in fair value**	**Currency translation**	**Bad debt losses**	**Disposal of financial instruments**	**2013**	2012
Derivatives (FAHfT and FLHfT)	0	5,828	0	0	5,908	11,736	11,793
Loans and Receivables (LaR)	1,995	0	(13,263)	(1,606)	0	(12,874)	(2,120)
Financial liabilities measured at amortized cost (FLAC)	(11,144)	0	(5,764)	0	0	(16,908)	(24,024)

Interest on financial instruments is reported in the interest result (cf. notes to the consolidated income statement, Note 6).

The bad debt allowances recognized on trade receivables allocable to the loans and receivables measurement category are reported under selling and distribution expenses.

Exchange gains and losses from the translation of foreign currency receivables and liabilities as well as fair value changes and effects of disposals of exchange rate hedges are reported in the other financial result.

The effect of the change in the fair value of call options to hedge the SAR provisions are recorded in personnel expenses or other financial result (cf. note 37 Share-based payments).

30| OFFSETTING OF FINANCIAL INSTRUMENTS

(in EUR thousand)

	Gross amounts recognized assets	Gross amounts offset liabilities	Net asset amounts disclosed in statement of fin. pos.	Liabilities not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
2013						
Cash and cash equivalents	119,242	0	119,242	0	0	119,242
Trade receivables	239,006	(12,802)	226,204	0	0	226,204
Other financial assets	40,698	0	40,698	(126)	0	40,572
Thereof available-for-sale	13	0	13	0	0	13
Thereof derivatives	6,278	0	6,278	(126)	0	6,152
Thereof other financial assets	34,407	0	34,407	0	0	34,407
TOTAL	**398,933**	**(12,802)**	**386,131**	**(126)**	**0**	**386,005**
2012						
Cash and cash equivalents	254,606	0	254,606	0	0	254,606
Trade receivables	232,043	(17,144)	214,899	0	0	214,899
Other financial assets	41,201	0	41,201	(335)	0	40,866
Thereof available-for-sale	1,002	0	1,002	0	0	1,002
Thereof derivatives	7,846	0	7,846	(335)	0	7,511
Thereof other financial assets	32,353	0	32,353	0	0	32,353
TOTAL	**526,848**	**(17,144)**	**509,704**	**(335)**	**0**	**509,369**

(in EUR thousand)

	Gross amounts recognized liabilities	Gross amounts offset assets	Net liabilities amounts disclosed in statement of fin. pos.	Assets not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
2013						
Liabilities due to banks	176,250	0	176,250	0	0	176,250
Trade payables	241,898	(6,612)	235,286	0	0	235,286
Other financial assets	3,171	0	3,171	(126)	0	3,045
Thereof derivatives	3,051	0	3,051	(126)	0	2,925
Thereof other financial liabilities	120	0	120	0	0	120
TOTAL	**421,319**	**(6,612)**	**414,707**	**(126)**	**0**	**414,581**
2012						
Liabilities due to banks	385,054	0	385,054	0	0	385,054
Trade payables	232,437	(4,862)	227,575	0	0	227,575
Other financial assets	10,388	0	10,388	(335)	0	10,053
Thereof derivatives	10,208	0	10,208	(335)	0	9,873
Thereof other financial liabilities	180	0	180	0	0	180
TOTAL	**627,879**	**(4,862)**	**623,017**	**(335)**	**0**	**622,682**

The liabilities of EUR 12,802 thousand (2012: EUR 17,144 thousand) offset against trade receivables as of the reporting date are outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes of the HUGO BOSS Group. These amounted to EUR 6,612 thousand (2012: EUR 4,862 thousand).

Standard master agreements for financial future contracts are in place between the HUGO BOSS Group and its counterparties governing the offsetting of derivatives. These prescribe that derivative assets and derivative liabilities with the same counterparty can be combined into a single offsetting receivables.

OTHER NOTES

31| CONTINGENT LIABILITIES

As in the prior year, there were no contingent liabilities as of the reporting date (2012: EUR 0 thousand).

32| OTHER FINANCIAL OBLIGATIONS

OPERATING LEASES

A substantial number of rental agreements have been entered into which qualify as operating leases based on their substance, such that the leased asset is attributable to the lessor.

Operating leases concern in particular the rental agreements for the real estate used by the retail stores operated by the Group, warehouse and office space used by the Group companies, most of which are based on minimum lease payments. Lease arrangements are also in place that contain agreements on contingent rents (particularly rents linked to sales).

Rental expenses under operating leases of EUR 260,463 thousand were recognized in fiscal year 2013 (2012: EUR 178,613 thousand). Contingent rental expenses amounted to EUR 104,220 thousand (2012: EUR 50,143 thousand).

The following minimum lease payments under operating leases fall due in subsequent periods:

(in EUR thousand)

2013	**Due 2014**	**Due 2015–2018**	**Due after 2018**	**TOTAL**
Sum of future minimum lease payments (operating lease)	188,973	588,737	373,573	**1,151,283**
Other obligations	1,526	2,824	522	**4,872**
TOTAL	**190,499**	**591,561**	**374,095**	**1,156,155**

2012	Due 2013	Due 2014–2017	Due after 2017	**TOTAL**
Sum of future minimum lease payments (operating lease)	140,716	425,110	240,844	**806,670**
Other obligations	11,987	1,737	615	**14,339**
TOTAL	**152,703**	**426,847**	**241,459**	**821,009**

The other obligations line item contains other service and maintenance agreements.

In fiscal year 2013, the Group earned income of EUR 282 thousand from subleases (2012: EUR 481 thousand). Total future minimum lease payments from subleases as of the reporting date December 31, 2013 expected to be received as they pertain to non-cancellable leases amount to EUR 1,871 thousand (2012: EUR 1,552 thousand).

FINANCE LEASES

In the fiscal year 2013 and in the prior year, property, plant and equipment did not contain any land whose economic ownership would be attributable to the Group in accordance with IAS 17. Nor were there any items of operating and office equipment that qualify (2012: EUR 0 thousand).

OTHER FINANCIAL OBLIGATIONS

The HUGO BOSS Group has entered into advertising and sponsorship agreements that result in other financial obligations. This leads to the following payments in subsequent years:

(in EUR thousand)

2013	**Due 2014**	**Due 2015–2018**	**Due after 2018**	**TOTAL**
Advertising and sponsorship contracts	10,734	15,477	0	**26,211**
TOTAL	**10,734**	**15,477**	**0**	**26,211**

2012	Due 2013	Due 2014–2017	Due after 2017	TOTAL
Advertising and sponsorship contracts	12,565	8,830	0	**21,395**
TOTAL	**12,565**	**8,830**	**0**	**21,395**

In addition, there are purchase obligations for investments amounting to EUR 2,188 thousand (2012: EUR 76,656 thousand). Of this amount, EUR 699 thousand is attributable to property, plant and equipment (2012: EUR 73,500 thousand) and EUR 1,419 thousand (2012: EUR 3,156 thousand) to intangible assets. The obligations as of December 31, 2013 fall due within one year. As of December 31, 2012, the purchase obligations were due in fiscal years 2013 and 2014 and mainly contained the obligations of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG which as deconsolidated as of June 30, 2013. There are no other financial obligations.

33| HEDGING POLICY AND FINANCIAL DERIVATIVES

The following presentation shows the nominal amounts and the fair value of derivative financial instruments:

(in EUR thousand)

	2013		2012	
Assets	**Nominal-values**	**Fair values**	Nominal-values	Fair values
Currency hedging contracs	91,716	5,026	76,768	4,926
Interest hedging contracts	100,000	1,252	0	0
Call option (SAR-Hedges)	0	0	2,550	2,920
Liabilities				
Currency hedging contracs	(19,505)	(185)	(31,606)	(1,789)
Interest hedging contracts	(11,495)	(2,866)	(312,039)	(8,419)
Call option (SAR-Hedges)	0	0	0	0
TOTAL	**160,717**	**3,227**	**(264,326)**	**(2,362)**

The nominal values are the amount hedged by the corresponding hedge. The fair values of derivative financial instruments are recognized as other financial assets or as other financial liabilities. They do not necessarily correspond to the amounts that will be generated in the future under normal market conditions.

In addition, financial assets contain call options for hedging the stock appreciation rights program with fair values of EUR 0 thousand (2012: EUR 2,920 thousand).

Of the reported fair value from derivative financial instruments, an amount of EUR 1,975 thousand (2012: EUR 2,333 thousand) stems from financial assets and liabilities that were classified as held for trading.

After deducting deferred taxes, positive effects from the fair value measurement of interest hedges of EUR 939 thousand were recognized in other comprehensive income as of December 31, 2013 (2012: EUR -3,552 thousand). Of the amount recognized in other comprehensive income, interest hedges of EUR -3,873 thousand after tax expenses were recycled through the income statement in fiscal year 2013 (2012: expenses of EUR -9,376 thousand). This breaks down into an interest expense of EUR -5,164 thousand (2012: EUR -12,501 thousand) and income from deferred taxes of EUR 1,291 thousand (2012: EUR 3,125 thousand). The fair value changes came to EUR 588 thousand (prior year: EUR -1,517 thousand). As in the prior fiscal year, no effects from currency hedges were reclassified from equity into profit for the period in fiscal year 2013.

As a group with international operations, HUGO BOSS is exposed to risks from exchange rate and interest fluctuations in connection with its operating activities. Derivative financial instruments are used to mitigate such risks. Only marketable instruments with adequate liquidity are used. At HUGO BOSS, use of derivative financial instruments is subject to internal policies and control mechanisms.

In its use of derivative financial instruments, the HUGO BOSS Group is exposed to the risk of counterparty default. This risk is countered by only entering into contracts with excellent to good credit ratings.

CURRENCY RISKS

The disclosures required under IFRS 7 on currency risks and a corresponding sensitivity analysis are presented in detail in the risk report section of the management report. As in the prior year, currency risk is determined based on currency exposure already recognized as the hedging strategy still aims to mitigate accounting risks.

INTEREST RATE RISKS

The disclosures required under IFRS 7 on interest risks and a corresponding sensitivity analysis are presented in detail in the risk report section of the management report.

34| NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows of the HUGO BOSS Group shows the change in cash and cash equivalents over the reporting period using cash transactions. In accordance with IAS 7, the cash flows from operating, investing and financing activities are divided according to their source and utilization. The cash inflows and outflows from operating activities are calculated indirectly on the basis of the Group’s net profit for the period. By contrast, cash flows from investing and financing activities are directly derived from the cash inflows and outflows.

Changes in the changes in the Group's cash and cash equivalents are the result of the development of the individual cash flows after exchange rate effects.

The cash and cash equivalents presented in the statement of cash flows contain all cash and cash equivalents shown in the statement of financial position, i.e., apart from liquid assets in the narrow sense – checks, cash in hand, balances with banks –, cash and cash equivalents contain short-term investments that can be converted to cash and cash equivalents at any time and are only subject to insignificant fluctuations in value. Cash and cash equivalents are measured at amortized cost.

Non-cash expenses and income concern in particular unrealized exchange rate gains and losses, fair value changes of derivative financial instruments recognized in profit or loss and non-cash changes in financial liabilities.

35| SEGMENT REPORTING

The Managing Board of HUGO BOSS AG manages the company by geographic areas. The HUGO BOSS national companies are responsible for the sale of all HUGO BOSS products that are not sold as licensed products by third parties in their respective sales territories. The managing directors of the national companies report to the regional directors in charge in each case, who in turn report to the Managing Board of HUGO BOSS AG. This organizational structure enables the direct implementation of Group objectives while taking into account specific market conditions.

Accordingly, the operating segments are organized into the three regions Europe, Americas and Asia/Pacific, in addition to the royalties division. The regions are allocated to the corresponding distribution companies of the HUGO BOSS Group, while the complete royalties business of HUGO BOSS with third parties is allocated to the royalties division.

The Managing Board of HUGO BOSS AG is the chief operating decision maker of the HUGO BOSS Group.

Management of the regional business units is aligned to the value added contribution at Group level.

The most important earnings indicator used by the Managing Board to make decisions about resources to be allocated to segments is EBITDA before special items. The segment result is thus defined as EBITDA before special items of the sales units plus the gross profit margin of the sourcing units and intercompany royalty sales.

Group financing (including interest income and expenses) and income taxes are managed on a Group-wide basis and are not allocated to operating segments.

Management of the operating figures inventories and trade receivables is assigned to the sales territories. These items are regularly reported to the Managing Board. Consequently, segment assets only contain trade receivables and inventories.

Liabilities are not part of internal management reporting. The segment liabilities are therefore not disclosed.

The accounting rules applied in the segment information are in line with the accounting rules of the HUGO BOSS Group as described in the accounting policies.

The Managing Board regularly reviews certain effects recognized in the statement of comprehensive income, including in particular amortization, depreciation and impairment losses.

Capital expenditure is also regularly reported to the Managing Board as part of internal reporting, making it a component of segment reporting.

All expenses and assets that cannot be directly allocated to the sales territories or the royalties segment are reported in the reconciliations below under corporate units/consolidation. All Group-wide central functions are pooled in the corporate units. The remaining expenses of the procurement, production, and R&D units make up an operating cost center. No operating income is allocated to the corporate units.

(in EUR thousand)

	Europe[2]	**Americas**	**Asia/Pacific**	**Royalties**	**Total operating segments**
2013					
Sales	**1,457,389**	**570,104**	**346,777**	**57,863**	**2,432,133**
Segment profit	**498,049**	**152,013**	**117,291**	**49,301**	**816,654**
In % of sales	34.2	26.7	33.8	85.2	33.6
Segment assets	209,729	143,200	79,360	17,623	449,912
Capital expenditure	53,013	39,110	33,603	1	125,727
Impairments	(9,125)	(2,661)	(2,095)	0	(13,881)
Thereof property, plant and equipment	(8,188)	(2,661)	(2,043)	0	(12,892)
Thereof intangible assets	(937)	0	(52)	0	(989)
Depreciation/amortization	(27,862)	(17,687)	(16,709)	0	(62,258)
SAR expenses and hedging	0	0	0	0	0
2012					
Sales	**1,377,934**	**558,725**	**352,683**	**56,512**	**2,345,854**
Segment profit[1]	**475,034**	**140,357**	**118,807**	**50,402**	**784,600**
In % of sales[1]	34.5	25.1	33.7	89.2	33.4
Segment assets[1]	182,434	169,279	72,158	17,764	441,635
Capital expenditure	43,743	28,511	25,769	8	98,031
Impairments	(5,111)	(1,684)	(1,523)	0	(8,318)
Thereof property, plant and equipment	(3,890)	(1,420)	(1,336)	0	(6,646)
Thereof intangible assets	(1,221)	(264)	(187)	0	(1,672)
Depreciation/amortization	(24,507)	(13,501)	(15,017)	0	(53,025)
SAR expenses and hedging	0	0	0	0	0

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

[2] Including Middle East/Africa.

RECONCILIATION

SALES

(in EUR thousand)

	2013	2012
Sales – operating segments	**2,432,133**	**2,345,854**
Corporate Units	0	0
Consolidation	0	0
TOTAL	**2,432,133**	**2,345,854**

OPERATING INCOME

(in EUR thousand)

	2013	2012[1]
Segment profit – operating segments	**816,654**	**784,600**
Depreciation/amortization – operating segments	(62,258)	(53,025)
Impairments – operating segments	(13,881)	(8,318)
Special items – operating segments	(3,010)	(157)
Operating income (EBIT) – operating segments	**737,505**	**723,100**
Corporate units	(287,047)	(301,555)
Consolidation	5,695	10,494
Operating income (EBIT) HUGO BOSS Group	**456,153**	**432,039**
Net interest income/expenses	**(14,428)**	**(18,021)**
Other financial items	**(8,259)**	**(5,826)**
Earnings before taxes HUGO BOSS Group	**433,466**	**408,192**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for more details see notes to the Consolidated Financial Statements, "Changes in accounting policies/corrections", page 170).

CAPITAL EXPENDITURES

(in EUR thousand)

	2013	2012
Capital expenditure – operating segments	**125,727**	**98,031**
Corporate units	59,577	67,771
Consolidation	0	0
TOTAL	**185,304**	**165,802**

DEPRECIATION/AMORTIZATION

(in EUR thousand)

	2013	2012
Depreciation/amortization – operating segments	**62,258**	**53,025**
Corporate units	31,371	28,344
Consolidation	0	0
TOTAL	**93,629**	**81,369**

IMPAIRMENTS

(in EUR thousand)

	2013	2012
Impairment – operating segments	**13,881**	**8,318**
Corporate units	(2,248)	2,249
Consolidation	0	0
TOTAL	**11,633**	**10,567**

SAR-EXPENSES AND HEDGING

(in EUR thousand)

	2013	2012
SAR-expenses and hedging – operating segments	**0**	**0**
Corporate units	(295)	(86)
Consolidation	0	0
TOTAL	**(295)**	**(86)**

SEGMENT ASSETS

(in EUR thousand)

	2013	2012[1]
Segment assets – operating segments	**449,912**	**441,635**
Corporate units	217,129	194,424
Consolidation	0	0
Current tax receivables	10,781	10,891
Current financial assets	23,323	26,541
Other current assets	69,402	61,347
Cash and cash equivalents	119,242	254,606
Current assets HUGO BOSS Group	**889,789**	**989,444**
Non-current assets	611,545	587,726
Total assets HUGO BOSS Group	**1,501,334**	**1,577,170**

[1] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, "Changes in accounting policies/corrections", page 170).

GEOGRAPHIC INFORMATION

(in EUR thousand)

	Third party sales		Non-current assets	
	2013	2012	**2013**	2012
Germany	416,541	400,676	177,813	201,539
Other European markets	1,039,163	976,293	172,910	164,405
U.S.A.	447,504	433,582	54,191	40,221
Other North, Central and South American markets	123,162	125,190	14,527	16,795
China	211,761	211,365	38,823	38,080
Other Asian markets	136,139	142,236	40,180	29,201
Royalties	57,863	56,512	15,046	15,065
TOTAL	**2,432,133**	**2,345,854**	**513,490**	**505,306**

In the 2013 reporting period, 4% of consolidated net sales were generated with one customer (prior year: 4%). This was allocable to the Americas. The second and third-largest customers accounted for 3% (prior year: 3%) and 2% (prior year: 2%) respectively and were allocable to Europe and the royalties segment.

36| RELATED PARTY DISCLOSURES

All entities and persons who fulfill the preconditions of IAS 24.9 are deemed to be related parties.

In the reporting period from January 1 to December 31, 2013, the following transactions were conducted with related parties requiring disclosure:

PARENT COMPANY

In fiscal year 2010, HUGO BOSS AG and Red & Black Holding GmbH, Oberursel (Taunus), as the direct parent company of HUGO BOSS AG, concluded a service agreement. This service agreement governs the preparation of quarterly and annual financial statements as well as the consolidated financial statements of Red & Black Holding GmbH, Oberursel (Taunus). In return, HUGO BOSS AG receives an adequate annual fee at arm's length conditions amounting to EUR 50 thousand (2012: EUR 50 thousand). Effective July 1, 2013, Red & Black Holding GmbH, Oberursel (Taunus) was merged into Red & Black Lux S.à.r.l., Luxembourg. As of December 31, 2013, the Group had a receivable of EUR 50 thousand from this business transaction (December 31, 2012: EUR 50 thousand).

In the period from January 1 to December 31, 2013, legal transactions were conducted with Permira Holdings Limited, Guernsey, as the ultimate parent company of the HUGO BOSS Group, and with companies affiliated with this company; these pertained to the supply of goods amounting to EUR 0 thousand (2012: EUR 0 thousand). There were no open items relating to these business transactions as of December 31, 2013.

NON-CONSOLIDATED SUBSIDIARIES

No transactions were conducted with the non-consolidated subsidiary HUGO BOSS Finland OY in fiscal year 2013. In the prior year, sales from supplies amounting to EUR 486 thousand were performed with the subsidiary HUGO BOSS RUS LLC, which was not consolidated at the time; this led to outstanding receivables in the same amount as of December 31, 2012. The company has been included in the basis of consolidation since fiscal year 2013.

ASSOCIATES

A construction support services agreement is in place between Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG and HUGO BOSS AG. This encompasses the preparation, execution and monitoring of construction projects including planning, preparation of building applications, validation of invoicing and the conclusion of agreements on behalf and for the account of Distributionszentrum Vermietungsgesellschaft mbH & Co. Objekt HUGO BOSS Filderstadt KG in connection with the establishment of a flat-packed goods distribution center in Filderstadt. For the provision of construction support services, HUGO BOSS AG receives a fixed fee of EUR 250 thousand, that falls due when the facility goes into operation.

RELATED PARTIES

Related parties comprise members of the Managing Board and Supervisory Board. Members of the Supervisory Board and Managing Board are reported on pages 252 to 253.

Compensation of active members of the managing board

The compensation within the meaning of IAS 24 for active members of the Managing Board is as follows:

The expense for short-term employee benefits totaled EUR 4,321 thousand in 2013 (2012: EUR 3,303 thousand). In 2013, the service cost of EUR 1,638 thousand was incurred for company pension plans (2012: EUR 1,793 thousand). An expense of EUR 1,596 thousand was incurred for other long-term employee benefits reportable in 2013 (2012: EUR 5,583 thousand). As in the prior year, no expenses were incurred from termination benefits relating to members of the Managing Board active in the reporting year. There are no obligations to make share-based payments to active members of the Managing Board, nor were there any in the prior year.

By resolution of the Annual Shareholders' Meeting of June 21, 2010, the individual amounts paid to members of the Managing Board are not disclosed. Accordingly, the disclosures required under Sec. 285 Sentence 1 No. 9 a) Sentences 5 to 8 HGB and Sec. 314 (1) No. 6 a) Sentences 5 to 8 HGB are not made for a period of five years. This applies to the fiscal year beginning on January 1, 2010 and the following four fiscal years, i.e., until December 31, 2014. As a consequence, the total remuneration is disclosed as an aggregate amount and broken down into the individual compensation components.

Total compensation of the members of the Managing Board with the meaning of Sec. 314 (1) No. 6 a) Sentences 1 to 4 HGB came to EUR 5,211 thousand in fiscal year 2013 (prior year: EUR 7,053 thousand). Of this amount, EUR 3,466 thousand was attributable to fixed salary components including fringe benefits (2012: EUR 3,303 thousand). An amount of EUR 855 thousand (2012: EUR 0 thousand) is allocable to the annual bonus agreed for fiscal year 2013; this will be paid in fiscal year 2014 within a week of the Supervisory Board approving the consolidated financial statements for 2013. In addition, the compensation for fiscal year 2013 contains an amount of EUR 890 thousand (2012: EUR 3,750 thousand) that is related to the multiple-year bonus for 2010–2012 determined based on actual target realization and constitutes the difference between the amount of EUR 4,640 thousand paid out in 2013 and the amount of EUR 3,750 thousand proportionately provided for in prior years.

In fiscal year 2013, no loans were granted to nor contingent liabilities assumed in favor of members of the Managing Board.

Compensation of former members of the Managing Board
In 2013, former members of the Managing Board and their surviving dependents received total remuneration of EUR 3,967 thousand (2012: EUR 15,226 thousand). This contains payments of EUR 3,774 thousand to former members of the Managing Board in connection with post-employment benefits and the exercise of outstanding participation rights from the stock appreciation rights program of EUR 3,774 thousand (2012: EUR 15,035 thousand). Through the sale of the purchase option obtained to hedge against the participation rights there is no additional cash outflow for the Group.

There are pension obligations of EUR 22,811 thousand for former members of the Managing Board and their surviving dependents (2012: EUR 22,909 thousand). The corresponding plan assets in the form of employer's liability insurance amounts to EUR 17,390 thousand (2012: EUR 17,101 thousand).

Former members of the Managing Board do not hold any participation rights from the tranches of the stock appreciation rights program issued in the fiscal years 2001 to 2009 (2012: 68,760). Accordingly, the fair value of the outstanding participation rights tranche 8 comes to EUR 0 thousand as of the reporting date (December 31, 2012: EUR 2,967 thousand). The options had a fair value of EUR 0 thousand when they were exercised. Owing to the 1:1 hedging of participation rights using call options, the effects on earnings from changes in the fair value of participation rights and call options offset each other. Detailed disclosures on share-based payments required by GAS 17.73 are presented in Note 37.

Compensation of the Supervisory Board
The Supervisory Board received remuneration for its activities in 2012 amounting to EUR 2,058 thousand. For fiscal year 2013, total remuneration is expected to come to EUR 2,163 thousand. This figure includes a provision for the variable component of EUR 1,408 thousand (2012: EUR 1,259 thousand), which is measured in the amount of the earnings per share in the consolidated financial statements. The total compensation of the Supervisory Board falls due in the short term.

In total, the members of the Managing Board and Supervisory Board hold less than 1% (2012: less than 1%) of the shares issued by HUGO BOSS AG.

Members of the Managing Board and Supervisory Board purchase HUGO BOSS products as part of the compensation in kind granted to them supplementary to their salary and for their personal use. Besides this, no significant transactions were concluded between companies of the HUGO BOSS Group and key management personnel and their close family members.

In addition, a type of share-based payment was introduced in 2008 for members of the Managing Board and for second-tier executives with the management participation program (MPP). Under the MPP, managers can obtain a direct investment in Red & Black TopCo S.à.r.l., Luxembourg, which is a related party within the meaning of IAS 24.9. Reference is made to Note 37 as regards the framework conditions of the MPP.

37| SHARE-BASED PAYMENTS

STOCK APPRECIATION RIGHTS PROGRAM

In fiscal 2001, HUGO BOSS AG introduced a stock appreciation rights program for Managing Board members and executives.

Under the stock appreciation rights program executives of HUGO BOSS AG and its subsidiaries are granted a certain number of participation rights, which allowed them to benefit from increases in the value of the HUGO BOSS AG share. The participation rights can only be settled in cash and do not entitle the holder to any HUGO BOSS AG shares.

1) Program change 2009

In order to avoid additional expenses in connection with hedging instruments, management of HUGO BOSS AG decided in December 2009 to revise the general terms and conditions of the stock appreciation rights program. Effective December 14, 2009, all eligible executives were therefore offered the following revised program:

1 / Waiver of the participation rights and all rights from the tranches issued in the years 2005 through 2008 in exchange for cash compensation
2 / Adjustment of the exercise conditions for the tranche issued in 2009

The compensation payment for the waiver of the rights relating to tranches 5 to 8 corresponded to the sum of the option value of each tranche multiplied by the number of participation rights. The option value factored into the calculation was determined as of December 14, 2009 by external banks engaged by HUGO BOSS AG using a valuation model as is customary in the sector. The reference value used for the share price was the unweighted average closing price of preferred shares of HUGO BOSS AG in the Xetra index of the Frankfurt stock exchange on the five trading days immediately preceding December 14, 2009.

To limit upside and downside effects from extraordinary and unforeseeable share price developments, the revised program set floors and caps on the exercise premium possible per option for the participation rights in tranche 9. In effect, the remuneration granted corresponded to at least the difference between the imputed market capitalization allocable to a preference share of HUGO BOSS AG for the five trading days immediately preceding December 14, 2009 and the strike price of the preferred share, but no more than EUR 33.20. In addition, effective December 14, 2009, the revised program allowed eligible parties to exercise up to one third of the participation rights of tranche 9 early prior to the expiry of the vesting period. This was possible for the first time as of December 14, 2009. The exercise gain in such an event corresponded to the aforementioned minimum remuneration of EUR 11.77.

Under the revised program, the holding period was prolonged to a period of three years ending December 31, 2011, (a two-year period was set prior to the revision of the program); accordingly, the exercise period was shortened to a period of two years ending December 14, 2013, (a three-year exercise period was set prior to the revision of the program). The total term of the tranche 9 issued in fiscal year 2009 remained unchanged at 5 years.

Following the continuous increase in the share price, the maximum possible exercise gain per option for the participation rights of tranche 9 had already been reached in October of fiscal year 2010. Under the program revised in 2009, tranche 9 could be fully exercised for the first time at the beginning of 2012.

2) Early termination of tranche 9

As the stock appreciation rights program causes a considerable administrative expense in both the HR and Finance departments of the HUGO BOSS Group, management of HUGO BOSS AG decided to terminate tranche 9 early and offered all holders of participation rights in tranche 9 a payout of the maximum exercise gain possible per option exercised as of December 15, 2010. Early termination of the program did not result in any additional expenses, provided the share price did not exceed EUR 45.00 at the end of 2011. The expenses from the pro rata additions to provisions for tranche 9 relating to 2011 were merely brought forward to 2010.

As of December 31, 2010, the share price of the preferred shares stood at EUR 56.50 and was thus significantly above the share price of EUR 45.00 that would entail the maximum possible exercise gain.

Under the revised program, any remaining participating rights of tranche 8 could still be exercised under the rules of the original option conditions.

3) General terms and conditions of stock appreciation rights program

With the exception of the replaced tranches 9, the other tranches of the stock appreciation rights program had a term of six years. The four-year exercise period began upon expiry of the lock-in period of two years. Under the revised program in 2009, any remaining participating rights of tranches 5 to 8 could still be exercised under the regulations governing the rules of the original option conditions.

If the development of the market capitalization of HUGO BOSS AG exceeded the development of the MDAX by 5 percentage points (exercise hurdle) at the end of the lock-up period or during the subsequent exercise period, participation rights in tranche 8 could be exercised. The remuneration payable was determined by reference to the difference between the market capitalization allocable to a preferred share of HUGO BOSS based on the average share price during the five trading days preceding the date of exercise and the strike price of the preferred share pursuant to the underlying terms and conditions. The strike price corresponded to the average price of a preferred share of HUGO BOSS AG during the 20 trading days preceding the date of issue.

In order to limit the risk arising from share price fluctuations in connection with the stock appreciation rights program and hence the potential impact on the cash flow and earnings of HUGO BOSS AG, a corresponding hedging program was entered into at the end of 2007 with effect as of fiscal year 2008. Under the hedging program, HUGO BOSS AG purchased in the first quarter of fiscal year 2008 from independent banks U.S. call options for HUGO BOSS preferred shares with the same terms as the stock appreciation rights (SAR) granted. The subscription right was 1:1, i.e., each option corresponded to one preferred share. The total investment volume was just under EUR 33 million.

If the corresponding call options were sold back to the issuing bank when the stock option rights were exercised by employees, the outflow of funds from the exercise of stock option rights was offset by an inflow of funds from the sale of call options.

The obligations arising from the SARs for HUGO BOSS AG which were recognized in the form of corresponding provisions and the call options used as hedging instruments were recognized at fair value though profit or loss as of each reporting date. The measurement of the call options and SAR obligation was based on the market values provided by the issuing banks. As the value of the call options and the corresponding SARs were identical at the reporting date, the resulting effects on earnings largely offset each other.

Changes in the value of SARs with effect on profit or loss within the exercise period together with the corresponding hedging transaction were netted against the personnel expenses of the function administration expenses and other operating expenses/income.

In fiscal year 2013, as in the prior year, the stock appreciation rights did not affect personnel expenses, as the hedging transactions offset the expenses from the remeasurement of the SAR provision.

Income from the measurement and derecognition of hedging transactions are reported in the financial result at EUR 295 thousand (2012: EUR 73 thousand).

For fiscal year 2013, expenses totaling EUR 295 thousand (2012: EUR 86 thousand) resulted in connection with stock appreciation rights. No stock appreciation rights remained as of December 31, 2013. The provisions were utilized in full in connection with the amounts paid out in fiscal year 2013 (2012: EUR 2,967 thousand). The intrinsic value (2012: EUR 2,961 thousand) and fair value (2012: EUR 6 thousand) of the participation rights were therefore no longer recognized. There were no derivatives used for hedging purposes left in the portfolio (2012: fair value of EUR 2,920 thousand).

At the Annual Shareholders' Meeting of HUGO BOSS AG on May 8, 2008 a resolution was passed by majority vote to pay out a special dividend. The SAR parameters were adjusted to the EUREX conditions in line with the prevailing exercise conditions of the SAR program. An R-factor of 87.24% was used in this context, which means that the previous strike prices (100%) and quantities were adjusted by this factor. This results in the following adjusted strike prices:

	Tranche 7	**Tranche 8**
Date of issue	**Januar 2007**	**Januar 2008**
Strike price (EUR) pre special dividend	39.08	42.11
Strike price (EUR) post special dividend	34.09	36.74

The stock appreciation rights program developed as follows in 2013 and 2012:

	2013	**WASP 2013[1] (EUR)**	2012	WASP 2012[1] (EUR)
Number of SARs on Jan. 1	68,760	36.74	118,093	35.63
Newly granted SARs	0	0.00	0	0.00
Forfeited SARs	0	0.00	0	0.00
Exercised SARs	(68,760)	36.74	(48,760)	34.09
Expired SARs	0	0.00	(573)	34.09
Replaced SARs	0	0.00	0	0.00
Number of SARs on Dec. 31	0	0.00	68,760	36.74
Number of SARs exercisable on Dec. 31	0	0.00	68,760	36.74

[1] WASP = Weighted average strike price.

All remaining options were exercised in 2013. Derivatives held for hedging purposes were sold in connection with the exercise.

In fiscal year 2013, EUR 3,774 thousand in connection with the stock appreciation rights program was paid out to eligible executives (2012: EUR 2,397 thousands).

MANAGEMENT PARTICIPATION PROGRAM

Under the management participation program (MPP) introduced in 2008, members of the Managing Board and second tier executives were given the opportunity to invest indirectly in Red & Black TopCo S.à r.l. in exchange for a payment. Since the restructuring performed at the end of 2009, Red & Black TopCo S.à r.l. holds through Red & Black Lux S.à r.l. an indirect investment in HUGO BOSS AG and a directly 100% of the shares in Valentino Fashion Group S.p.A. To this extent, management of HUGO BOSS has not only invested in the HUGO BOSS Group, but also in the companies of the Valentino Fashion Group not controlled or influenced by HUGO BOSS.

The indirect investment in Red & Black TopCo S.à r.l. is held via a German partnership: Red & Black Management Beteiligungs GmbH & Co. KG" („MPP KG"). MPP KG holds a 0.07% investment in the voting capital of Red & Black TopCo S.à r.l. and holds what are referred to as „Class D shares". The partnership agreement has been concluded for an indefinite period of time, but at least until the end of 2024. The legal position of the managers in the MPP KG is governed by the partnership agreement. The maximum investment in MPP KG is set individually. The managers are the limited partners in MPP KG filed in the commercial register.

At the end of 2010, the MPP was modified for managers who already held an investment (hereinafter „old managers"), and managers who did not yet hold and investment (hereinafter „new managers") were again offered the opportunity to invest in MPP KG.

The new managers acquired the limited partnership interests in MPP KG in December 2010 at the attributable fair value at the time. The old managers continue to hold the shares MPP KG they acquired in 2008. The shares in MPP KG held by the old managers are neither exchanged nor sold.

Following the restructuring of MPP, in the event of an IPO or the sale of the HUGO BOSS Group (hereinafter „exit"), management of HUGO BOSS is to participate through the MPP KG only in the exit proceeds allocable to HUGO BOSS (hereinafter „HB AG proceeds"). All proceeds and costs allocable to Valentino Fashion Group S.p.A. would be eliminated in the process of determining the HB AG proceeds. The right to participate in these HB AG proceeds arises pro rata temporis over a multi-year vesting period ending on December 31, 2014.

As part of the modification of the MPP, the subordination to the individual financial instruments and the ratchet of these class D shares no longer apply. With respect to the partnership agreement, the restructuring led to the creation of what is referred to as liquidity preferences. These give priority for certain capital before distribution of the HB AG proceeds to the limited partners and serve as financial compensation for investors for the decline in value of the class D shares in the interim compared to the current fair value.

If MPP shares attributable to managers are sold as part of any exit, the manager is entitled to a proportionate amount of the HB AG proceeds generated net of liabilities and liquidation preferences. The managers' entitlement to payouts of the proportionate residual sales proceeds is tied to the condition that the manager concerned has not left the HUGO BOSS Group at the time of the exit. The only restrictions on the entitlement to payouts of the proportionate exit proceeds pertain to managers that leave the Company before an exit. If a manager leaves the company prematurely, Red & Black TopCo S.à r.l. has the right to acquire the interests held by the manger concerned. The manager leaving is classified as what is referred to as a „good leaver" or a „bad leaver" when determining the acquisition price.

If the planned exit is executed, future profit distributions and future gains on disposal are allocated to participating members of the Managing Board and executives based on their position as partners. In such cases HUGO BOSS would not incur any staff costs that would have to be posted to profit or loss.

As in the prior year, in 2013, the MPP did not affect the profit or loss of the HUGO BOSS Group, as no exits or comparable transactions have been entered into since the introduction of the MPP that would have required measurement at fair value. No assets or liabilities were recognized in connection with the MPP as of December 31, 2010 and as of the reporting date.

38| SUBSEQUENT EVENTS

Between the end of the fiscal year 2013 and the release for publication of this report on February 19, 2014 there were no significant macroeconomic, socio-political, industry-related or company-specific changes which management expects to have a material impact on the Company's results of operations, net assets and financial position.

39| GERMAN CORPORATE GOVERNANCE CODE

In December 2013, the Managing Board and Supervisory Board of HUGO BOSS AG issued the declaration of compliance prescribed by Sec. 161 AktG. It is available for shareholders on the Company's website.

40| AUDITOR FEES

(in EUR thousand)

	2013	2012
Audit services	384	328
Tax advisory services	118	76
Other services	192	176
Other assurance services	5	23
TOTAL	**699**	**603**

INFORMATION CONCERNING THE MAJORITY SHAREHOLDER

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

"Referring to our notification of March 12, 2003, we hereby inform you that on September 28, 2005 the Company changed its name from Marzotto International N.V. to V.F.G. International N.V.

We continue to hold 78.76% of the voting share capital."

Metzingen, October 2005
The Managing Board

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

7. RED & BLACK HOLDCO S.À R.L.

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

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

8. RED & BLACK HOLDCO 2 S.À R.L.

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

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

9. P4 SUB L.P.1

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

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

10. PERMIRA IV L.P.1

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

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

11. PERMIRA IV MANAGERS L.P.

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

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

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

12. PERMIRA IV MANAGERS LIMITED
Permira IV Managers Limited notified us of the following:

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

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

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

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

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

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

15. PERMIRA INVESTMENTS LIMITED

Permira Investments Limited notified us of the following:

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

16. PERMIRA IV GP L.P.

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

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

17. PERMIRA IV GP LIMITED

Permira IV GP Limited notified us of the following:

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

18. PERMIRA NOMINEES LIMITED

Die Permira Nominees Limited notified us of the following:

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

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

  "On March 11, 2008 Red & Black 2 S.r.l., Milan (Address: via San Paolo 10, 20121 Milan, Italy) was merged into Red & Black S.r.l., Milan (Address: via San Paolo 10, 20121 Milan, Italy). Thereby Red & Black 2 S.r.l. has lapsed.

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

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

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

Metzingen, March 14, 2008
The Managing Board

- On March 25, 2008, HUGO BOSS was notified of the following voting rights announcements pursuant to section 21 paragraph 1 and section 22 WpHG (German Securities Trading Act) of Red & Black S.p.A.:

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

Metzingen, March 26, 2008
The Managing Board

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

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

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

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

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

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

Metzingen, April 24, 2008
The Managing Board

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

1. On May 1, 2008 Valentino Fashion Group S.p.A., Milan, Italy registered in the company register on February 15, 2005 under the number 047403870962 (hereinafter referred to as "Valentino Old") was merged into Red & Black S.p.A., Milan, Italy. Thereby Valentino Old has lapsed. Legal successor is Red & Black S.p.A., Milan, Italy.

2. In the course of the above mentioned merger the company Red & Black S.p.A. was renamed Valentino Fashion Group S.p.A. (hereinafter referred to as "Valentino New") on May 1, 2008.

3. Against the background of the above mentioned merger and renaming, Valentino New pursuant to section 21 paragraph 1 and section 22 WpHG makes the following notification:

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

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

Metzingen, May 2, 2008
The Managing Board

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

  The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, exceeded the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% und 3% on August 04, 2008 and has stood at 89.49% of the voting rights since this day (32,092,026 shares). A proportion of voting rights of 88.02% (31,563,471 voting rights) of the shares held by V.F.G. International N.V. is attributable to Permira Holdings LLP, pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act). V.F.G. International N.V. is a company controlled by Permira Holdings LLP indirectly via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira Nominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l. and Valentino Fashion Group SpA. A further proportion of voting rights of 1.47% (528,555 shares) is attributable to Permira Holdings LLP of the own shares held by HUGO BOSS AG via Permira Holdings Limited, Permira IV Managers Limited, Permira IV Managers L.P., Permira IV GP Limited, Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black HoldCo 2 S.à r.l., Permira IV L.P.2, P4 Co-Investments L.P., Permira Investments Limited, Permira ominees Limited, Red & Black HoldCo S.à r.l., Red & Black TopCo S.à r.l., Red & Black Lux S.à r.l., Valentino Fashion Group S.p.A and V.F.G. International N.V. pursuant to section 22 paragraph 1 sentence 1 no. 1 in conjunction with sentence 3 WpHG (German Securities Trading Act).

Metzingen, August 7, 2008
The Managing Board

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

The proportion of voting rights of Permira Holdings LLP, London, UK, held in HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany, fell below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on September 21, 2009 and now stands at 0.00% (no voting rights).

For clarification, please note that the proportion of voting rights of all other companies for which their current proportion of voting rights subject to reporting requirements that have up to now been attributable to HUGO BOSS AG remain unaffected by the fact that the party obligated to report has gone below the limits as reported above. Permira Holdings Limited, and not Permira Holdings LLP, is now the controlling company in the existing structure.

Metzingen, September 25, 2009
The Managing Board

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

1. Valentino Fashion Group S.p.A.
Valentino Fa8shion Group S.p.A., Milan, Italy, notified us of the following: We, the Valentino Fashion Group S.p.A., hereby inform you pursuant to section 21 paragraph 1 WpHG (German Securities Trading Act) that on December 23, 2009 our proportion of voting rights held in HUGO BOSS AG went below the limits of 75%, 50%, 30%, 25%, 20%, 15%, ,10%, 5% and 3% and now amounts to 0.00% (0 voting rights). For clarification, please note that the proportion of voting rights of all other companies to which their current proportion of Valentino Fashion Group S.p.A. voting rights attributable to HUGO BOSS AG shares remain unaffected by the fact that the Valentino Fashion Group S.p.A. has gone below the limits as reported above. Permira Holdings Limited remains the controlling company in the existing structure.

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

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

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

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

Metzingen, December 28, 2009
The Managing Board

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

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

2. Red & Black Holding GmbH (formerly Blitz F09-vier-sechs GmbH), München, Germany:
On March 23, 2010 the proportion of voting rights of (formerly Blitz F09-vier-sechs GmbH), München, Germany held in HUGO BOSS AG, Metzingen, Germany, amounts still to more than 75% of the voting rights, namely 89,49% of the voting rights (32.092.026 shares). Thereof a proportion of voting rights of 88,02% (31.563.471 shares) of Red & Black Holding GmbH pursuant to § 21 Abs. 1 WpHG are held directly.

A further proportion of voting rights of 1,47% (528,555 shares), own shares held by HUGO BOSS AG, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, shall be attributable to Red & Black Holding GmbH.

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

Metzingen, March 26, 2010
The Managing Board

- On March 15, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 25a and section 41 paragraph 4d WpHG (German Securities Trading Act) of UniCredit Bank AG:

  UniCredit Bank AG, as at 1 February 2012 directly held financial and other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables us to acquire up to 88.02% of the voting rights (31,563,471 out of 35,860,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. The instruments com-prise loan collaterals that were granted to us in connection with our lending business in 2009, i.e. a call option which enables us to acquire up to 44.01% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event enable us to acquire up to 88.02% of the voting rights.

  Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above.

Metzingen, March 20, 2012
The Managing Board

- On March 15, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 25a and section 41 paragraph 4d WpHG (German Securities Trading Act) of UniCredit S.p.A.:

UniCredit S.p.A., via our German subsidiary UniCredit Bank AG, as at 1 February 2012 indirectly held fi-nancial and other instruments pursuant to section 25a para. 1 WpHG which are struc-tured in a manner that enables UniCredit Bank AG to acquire up to 88.02% of the voting rights (31,563,471 out of 35,860,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. The instruments comprise loan collaterals that were granted in connection with its lending business in 2009, i.e. a call option which enables UniCredit Bank AG to acquire up to 44.01% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event enable UniCredit Bank AG to acquire up to 88.02% of the voting rights.

The instruments are held via the following controlled undertaking:

UniCredit Bank AG.

Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above.

Metzingen, March 20, 2012
The Managing Board

- On March 15, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 25a and section 41 paragraph 4d WpHG (German Securities Trading Act) of Mediobanca – Banca di Credito Finanziario S.p.A.:

  Mediobanca – Banca di Credito Finanziario S.p.A., as at 1 February 2012 directly held a financial instrument pursuant to section 25a para. 1 WpHG which is structured in a manner that enables us to acquire up to 44.01% of the voting rights (15,781,735 out of 35,860,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. The instrument is a call option granted to us in connection with our lending business in 2009 that enables us to acquire up to 44.01% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions.

  Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above.

Metzingen, March 20, 2012
The Managing Board

- On April 12, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 41 paragraph 4d WpHG (German Securities Trading Act) of PFC Srl, Vicenza, Italy:

  PFC Srl held/would have held on 1st February 2012 by aggregating a voting rights proportion of 88.34% (equals: 31,680,229 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 35,860,000.

  - voting rights from common shares, we are enabled under certain circumstances to indirectly acquire on the basis of a directly held instrument pursuant to sec. 25a para. 1 sentence 1 WpHG, and

- voting rights held by us pursuant to sec. 21 WpHG

In detail,

- our voting rights proportion pursuant to sec. 21 WpHG amounts to 0.33% (equals: 116,758 voting rights), and

- our voting rights proportion indirectly acquirable on the basis of a directly held instru-ment pursuant to sec. 25a para. 1 sentence 1 WpHG amounts to 88.02% (equals: 31,563,471 voting rights).

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and ZETA FINANCE S.A. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco").

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG.

Metzingen, April 13, 2012
The Managing Board

- On April 12, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 41 paragraph 4d WpHG (German Securities Trading Act) of Zeta Finance S.A., Luxemburg, Luxemburg:

  Zeta Finance S.A. held on 1st February 2012 an instrument pursuant to sec. 25a para. 1 sen-tence 1 WpHG enabling us under certain circumstances to indirectly acquire voting rights in the proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 35,860,000.

  The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and PFC S.r.l. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding com-pany Red & Black Topco S.à r.l. ("Topco").

  The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG.

Metzingen, April 13, 2012
The Managing Board

- On April 12, 2012 HUGO BOSS was notified of the following voting rights announcements pursuant to section 41 paragraph 4d WpHG (German Securities Trading Act) of Zignago Holding S.p.A., Fossalta di Portogruaro (VE), Italy:

  Zignago Holding S.p.A. held on 1st February 2012 indirectly an instrument pursuant to sec. 25a para. 1 sentence 1 WpHG under which ZETA FINANCE S.A. is enabled to indirectly acquire voting rights in the proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 35,860,000.

  The instrument indirectly held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between ZETA FINANCE S.A. and PFC S.r.l. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco"). The instrument indirectly held by us is directly held by ZETA FINANCE S.A. which is directly controlled by us.

  The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable ZETA FINANCE S.A. – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 88.02% (equals: 31,563,471 voting rights) in HUGO BOSS AG.

Metzingen, April 13, 2012
The Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

- On June 18, 2012, HUGO BOSS AG received the following voting rights notifications in accordance with Sections 21 (1) and 22 WpHG from the companies specified below:

  1. Red & Black Holding GmbH
  On June 15, 2012, the share of voting rights held by Red & Black Holding GmbH, Oberursel, Germany, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is held by Red & Black Holding GmbH directly in accordance with Section 21 (1) WpHG. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

  2. Red & Black Lux S.à r.l.
  On June 15, 2012, the share of voting rights held by Red & Black Lux S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Lux S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled by Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Lux S.à r.l. via Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

3. Red & Black Topco S.à r.l.

On June 15, 2012, the share of voting rights held by Red & Black Topco S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Topco S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Red & Black Topco S.à r.l. via Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Topco S.à r.l. via Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

4. Red & Black Holdco S.à r.l.

On June 15, 2012, the share of voting rights held by Red & Black Holdco S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Holdco S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Red & Black Holdco S. à r.l. via Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Holdco S.à r.l. via Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

5. Red & Black Holdco 2 S.à r.l.

On June 15, 2012, the share of voting rights held by Red & Black Holdco 2 S.à r.l., Luxembourg, Luxembourg, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Red & Black Holdco 2 S.à r.l. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Red & Black Holdco 2 S.à r.l. via Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Red & Black Holdco 2 S.à r.l. via Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

6. P4 Sub L.P.1

On June 15, 2012, the share of voting rights held by P4 Sub L.P.1, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to P4 Sub L.P.1 from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by P4 Sub L.P.1 via Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to P4 Sub L.P.1 via Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

7. Permira IV L.P.1

On June 15, 2012, the share of voting rights held by Permira IV L.P.1, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV L.P.1 from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV L.P.1 via P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV L.P.1 via P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

8. Permira IV Managers L.P.

On June 15, 2012, the share of voting rights held by Permira IV Managers L.P., St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV Managers L.P. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV Managers L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV Managers L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à 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. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

9. Permira IV Managers Limited

On June 15, 2012, the share of voting rights held by Permira IV Managers Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV Managers Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV Managers Limited via Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV Managers Limited via Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

10. Permira IV L.P.2

On June 15, 2012, the share of voting rights held by Permira IV L.P.2, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV L.P.2 from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV L.P.2 via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV L.P.2 via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

11. P4 Co-Investment L.P.

On June 15, 2012, the share of voting rights held by P4 Co-Investment L.P., St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to P4 Co-Investment L.P. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by P4 Co-Investment L.P. via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to P4 Co-Investment L.P. via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

12. Permira Investments Limited

On June 15, 2012, the share of voting rights held by Permira Investments Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira Investments Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira Investments Limited via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira Investments Limited via Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

13. Permira IV GP L.P.

On June 15, 2012, the share of voting rights held by Permira IV GP L.P., St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV GP L.P. from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV GP L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV GP L.P. via Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

14. Permira IV GP Limited

On June 15, 2012, the share of voting rights held by Permira IV GP Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira IV GP Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira IV GP Limited via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira IV GP Limited via Permira IV GP L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

15. Permira Nominees Limited

On June 15, 2012, the share of voting rights held by Permira Nominees Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira Nominees Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira Nominees Limited via Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira Nominees Limited 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. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

16. Permira Holdings Limited

On June 15, 2012, the share of voting rights held by Permira Holdings Limited, St Peter Port, Guernsey, Channel Islands, in HUGO BOSS AG, Metzingen, Germany, fell below the threshold of 75% due to a change in the total number of voting rights as a result of the conversion of preferred shares without voting rights into ordinary shares with voting rights. Its share of the voting rights now amounts to 67.53% (47,540,145 voting rights). Of this amount, a 65.56% share of the voting rights (46,156,312 voting rights) is attributed to Permira Holdings Limited from shares held by Red & Black Holding GmbH in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG. Red & Black Holding GmbH is controlled indirectly by Permira Holdings Limited via Permira IV GP Limited, Permira IV GP L.P., Permira IV Managers Limited, Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Permira Nominees Limited, Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l. and Red & Black Lux S.à r.l. A further share of the voting rights of 1.97% (1,383,833 voting rights) is attributed to Permira Holdings Limited via Permira IV GP Limited, Permira IV GP L.P., Permira IV Managers Limited, Permira IV Managers L.P., Permira IV L.P.1, P4 Sub L.P.1, Red & Black Holdco 2 S.à r.l., Permira IV L.P.2, P4 Co-Investment L.P., Permira Nominees Limited, Permira Investments Limited, Red & Black Holdco S.à r.l., Red & Black Topco S.à r.l., Red & Black Lux S.à r.l. and Red & Black Holding GmbH from treasury shares held by HUGO BOSS AG in accordance with Section 22 (1) Sentence 1 No. 1 in conjunction with Sentence 3 WpHG.

Metzingen, June 21, 2012
The Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

- HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by PFC S.r.l., Vicenza, Italy, on June 18, 2012:

"We herewith notify pursuant to sec. 25a para. 1 WpHG that on 15 June 2012 by aggregating

- voting rights from common shares, we are enabled under certain circumstances to indirectly acquire on the basis of a directly held instrument pursuant to sec. 25a para. 1 sentence 1 WpHG, and

- voting rights held by us pursuant to sec. 21 WpHG we held/would have held a voting rights proportion of 65.93% (equals: 46,413,470 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 70,400,000. As per this date we would have fallen below the threshold of 75% of voting rights.

In detail:

- our voting rights proportion pursuant to sec. 21 WpHG amounts to 0.37% (equals: 257,158 voting rights), and

- our voting rights proportion indirectly acquirable on the basis of a directly held in-strument pursuant to sec. 25a para. 1 sentence 1 WpHG amounts to 65.56% (equals: 46,156,312 voting rights).

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten An-gebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and ZETA FINANCE S.A. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco").

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 65.56% (equals: 46,156,312 voting rights)."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

- HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by UniCredit Bank AG on June 19, 2012:

„We hereby notify you pursuant to section 25a para. 1 WpHG that on 15 June 2012 we, UniCredit Bank AG, have fallen below the threshold of 75% of the voting rights in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. We directly hold financial and other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables us to acquire up to 65,56% of the voting rights (46,156,312 out of 70,400,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. Falling below the threshold is a consequence of the change of number of voting rights. The instruments comprise loan collaterals that were granted to us in connection with our lending business in 2009, i.e. a call option which enables us to acquire up to 32,78% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event anable us to acquire up to 65,56% of the voting rights.

Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

- HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by UniCredit S.p.A. on June 19, 2012:

"We hereby notify you pursuant to section 25a para. 1 WpHG that on 15 June 2012 we, UniCredit S.p.A., have fallen below the threshold of 75% of the voting rights in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. Via our German subsidiary UniCredit Bank AG we indirectly hold financial and other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables UniCredit Bank AG to acquire up to 65,56% of the voting rights (46,156,312 out of 70,400,000 common shares) in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen, Germany. Falling below the threshold is a consequence of the change of number of voting rights. The instruments comprise loan collaterals that were granted in connection with its lending business in 2009, i.e. a call option which enables UniCredit Bank AG to acquire up to 32,78% of the voting rights and may be exercised in December 2015, provided that the exercise period is not postponed due to certain contractual provisions, and pledges which in an enforcement event enable UniCredit Bank AG to acquire up to 65,56% of the voting rights.

The instruments are held via the following controlled undertaking: UniCredit Bank AG.

Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

- HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by Zeta Finance S.A., Luxembourg, Luxembourg on June 18, 2012:

"We herewith notify pursuant to sec. 25 para. 1 sentence 1 WpHG that on 15 June 2012 we held an instrument pursuant to sec. 25a para. 1 sentence 1 WpHG enabling us under certain circumstances to indirectly acquire voting rights in the proportion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 70,400,000. As per this date we would have fallen below the threshold of 75% of voting rights.

The instrument held by us relates to a right of first offer (Recht zur Abgabe eines ersten An-gebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between our company and PFC S.r.l. as minority shareholders and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority shareholders of the holding company Red & Black Topco S.à r.l. ("Topco").

The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable us – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such subsidiary which in turn – among other assets – currently indirectly holds a voting rights proportion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG."

Metzingen, June 21, 2012
Managing Board

Notification of voting rights pursuant to Article 26 Section 1 WpHG (German Securities Trading Act)

- HUGO HUGO BOSS AG received the following information referring to notification pursuant to sec. 25a para. 1 WpHG by Zignago Holding S.p.A., Fossalta, Italy, on June 18, 2012:

  "We herewith notify pursuant to sec. 25a para. 1 WpHG that on 15 June 2012 we indirectly held an instrument pursuant to sec. 25a para. 1 sentence 1 WpHG under which ZETA FINANCE S.A. is enabled to indirectly acquire voting rights in the proportion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG calculated from the total amount of voting rights in HUGO BOSS AG in the amount of 70,400,000. As per this date we would have fallen below the threshold of 75% of voting rights.

  The instrument indirectly held by us relates to a right of first offer (Recht zur Abgabe eines ersten Angebots) contained in a Shareholders Agreement, which was signed in 2007 and ends on 02 August 2017, between ZETA FINANCE S.A. and PFC S.r.l. as minority sharehold-ers and Red & Black Holdco S.à r.l. and Red & Black Holdco 2 S.à r.l. as majority sharehold-ers of the holding company Red & Black Topco S.à r.l. ("Topco"). The instrument indirectly held by us is directly held by ZETA FINANCE S.A. which is directly controlled by us.

  The right of first offer does not directly relate to shares in HUGO BOSS AG but does only enable ZETA FINANCE S.A. – subject to the majority shareholders of Topco intending to sell their controlling stake in Topco or its immediate subsidiary and under certain other conditions and only in certain limited circumstances – to make an offer and, if the majority shareholders accept such offer, to acquire the majority of the shares in Topco or such sub-sidiary which in turn – among other assets – currently indirectly holds a voting rights pro-portion of 65.56% (equals: 46,156,312 voting rights) in HUGO BOSS AG."

Metzingen, June 21, 2012
Managing Board

Notification pursuant to section 26 WpHG (German Securities Trading Act)

- On January 24, 2013 HUGO BOSS was notified of the following voting rights announcement pursuant to section 25a WpHG (German Securities Trading Act) of Mediobanca – Banca di Credito Finanziario S.p.A., Milan, Italy:

  "We hereby notify you pursuant to section 25a para. 1 WpHG that since 21 January 2013 we no longer hold any financial or other instruments pursuant to section 25a para. 1 WpHG which are structured in a manner that enables us to acquire voting rights in HUGO BOSS AG. Therefore, on 21 January 2013 we have fallen below the thresholds of 30%, 25%, 20%, 15%, 10% and 5% pursuant to section 25a para. 1 WpHG.

  Further shares of voting rights that need to be notified in accordance with sections 21, 22, 25 WpHG are neither held by nor attributable to us. The aggregate number of shares of voting rights that need to be notified in accordance with sections 21, 22, 25, 25a WpHG corresponds to the number disclosed above."

Metzingen, January 25, 2013
The Managing Board

Notification of voting rights pursuant to sec. 26 para. 1 WpHG (German Securities Trading Act)

- HUGO BOSS AG received the following information referring to notification pursuant to sec. 21 para. 1 WpHG in connection with sec. 22 para. 1 sentence 1 No. 6 WpHG by Capital Research and Management Company, Los Angeles, USA on November 29, 2013:

  „On November 26, 2013 Capital Research and Management Company exceeded the threshold of 3% of the voting rights in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen. Capital Research and Management Company held 3,03% (2.134.075 common shares) of the voting rights in HUGO BOSS AG on the day aforementioned.

  3,03% of the voting rights (2.134.075 common shares) in HUGO BOSS AG are valuated to Capital Research and Management Company according to sec. 22 para. 1 sentence 1 No. 6 WpHG. No independent fund is holding more than 3% of the voting rights in HUGO BOSS AG."

Metzingen, December 3, 2013
The Managing Boar

Notification of voting rights pursuant to sec. 26 para. 1 WpHG (German Securities Trading Act)

- HUGO BOSS AG received the following information referring to notification pursuant to sec. 21 para. 1 WpHG in connection with sec. 22 para. 1 sentence 1 No. 6 WpHG and sec. 22 para. 1 sentence 2 and sentence 3 WpHG by The Capital Group Companies, Inc., Los Angeles, USA on November 29, 2013:

  „On November 26, 2013 The Capital Group Companies, Inc. exceeded the threshold of 3% of the voting rights in HUGO BOSS AG, Dieselstraße 12, 72555 Metzingen. The Capital Group Companies, Inc. held 3,03% (2.134.075 common shares) of the voting rights in HUGO BOSS AG on the day aforementioned.

  3,03% of the voting rights (2.134.075 common shares) in HUGO BOSS AG are valuated to The Capital Group Companies, Inc. according to sec. 22 para. 1 sentence 1 No. 6 WpHG in connection with sec. 22 para. 1 sentence 2 and sentence 3 WpHG. No independent fund is holding more than 3% of the voting rights in HUGO BOSS AG."

Metzingen, December 3, 2013
The Managing Board

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

MANAGING BOARD

CLAUS-DIETRICH LAHRS
Stuttgart, Germany

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

MARK LANGER
Stuttgart, Germany

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

CHRISTOPH AUHAGEN
Stuttgart, Germany

Responsible for
Brand Management,
Creative Management,
Sourcing and
Manufacturing

SUPERVISORY BOARD

DR. HELLMUT ALBRECHT
Munich, Germany

Management Consultant
Chairman of the Supervisory Board

ANTONIO SIMINA
Metzingen, Germany

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

GERT BAUER
Reutlingen, Germany

First Authorized Representative of the German Metalworkers´ Union (IG Metall),
Reutlingen/Tübingen, Germany
Employee representative

HELMUT BRUST
Bad Urach, Germany

Senior Head of Social Affairs
HUGO BOSS AG,
Metzingen, Germany
Employee representative

BERND SIMBECK
Metzingen, Germany

Administrative employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

SINAN PISKIN
Metzingen, Germany

Administrative Employee
HUGO BOSS AG,
Metzingen, Germany
Employee representative

DR. MARTIN WECKWERTH
Frankfurt/Main, Germany

Partner
Permira Beteiligungsberatung GmbH,
Frankfurt/Main, Germany

MONIKA LERSMACHER
Kornwestheim, Germany

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

DAMON MARCUS BUFFINI
Surrey, Great Britain

Managing Director
Permira Advisers LLP,
London, Great Britain

LUCA MARZOTTO
Venice, Italy

Chief Executive Officer
Zignago Holding S.p.A.,
Fossalta di Portogruaro, Italy

GAETANO MARZOTTO
Milan, Italy

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

DR. KLAUS MAIER
Stuttgart, Germany

Management Consultant

ADDITIONAL DISCLOSURES ON THE MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGING BOARD

The members of HUGO BOSS' Supervisory Board are also members of an executive body at the following companies:[1]

Dr. Hellmut Albrecht	MME Moviement AG[2]	Berlin, Germany
Gert Bauer	ElringKlinger AG	Dettingen/Erms, Germany
Monika Lersmacher	Berthold Leibinger GmbH	Ditzingen, Germany
Dr. Klaus Maier	Diehl Stiftung & Co. KG Titan X Holding AB[2] Galeria Kaufhof GmbH	Nuremberg, Germany Mjällby, Sweden Cologne, Germany
Gaetano Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A.[2] Zignago Vetro S.p.A. Alpitour S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Turin, Italy
Luca Marzotto	Zignago Holding S.p.A. Santa Margherita S.p.A. H. Farm Ventures S.p.A.[2] New High Glass Inc. Centervue S.p.A.[2] Vetri Speciali S.p.A. Zignago Vetro S.p.A. Kettmeir S.p.A.	Fossalta di Portogruaro, Italy Fossalta di Portogruaro, Italy Roncade, Italy Miami, FL, U.S.A. Padova, Italy Trent, Italy Fossalta di Portogruaro, Italy Caldaro Sulla Strada del Vino, Italy
Dr. Martin Weckwerth	Valentino Fashion Group S.p.A.	Milan, Italy

[1] The members not named have no seats on executive or advisory bodies at other companies.
[2] Memeber holds position of chairman.

The Managing Board is also member of an executive body at the following company:[1]

Claus-Dietrich Lahrs	Ravensburger AG	Ravensburg, Germany

[1] The members not named have no seats on executive or advisory bodies at other companies.

PUBLICATION

The annual and consolidated financial statements of HUGO BOSS AG are published in the electronic German Federal Gazette and on the website of HUGO BOSS.

Metzingen, February 19, 2014

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

RESPONSIBILITY STATEMENT

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

Metzingen, February 19, 2014

HUGO BOSS AG
The Managing Board

Claus-Dietrich Lahrs
Christoph Auhagen
Mark Langer

AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report, which has been combined with the management report of the Company:

"We have audited the consolidated financial statements prepared by HUGO BOSS AG, Metzingen, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statements of cash flows and changes in equity and the notes to the consolidated financial statements, together with the group management report, which has been combined with the management report of the Company, for the fiscal year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, February 19, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok
Wirtschaftsprüfer
[German Public Auditor]

Koch
Wirtschaftsprüfer
[German Public Auditor]

ADDITIONAL

5

ADDITIONAL

GENERAL INFORMATION

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

HUGO BOSS AG
Investor Relations
Dieselstraße 12
72555 Metzingen

Phone +49 (0) 7123 94 – 80903
Email investor-relations@hugoboss.com

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.

GLOSSARY

B

BRAND

With its brand world including the BOSS core brand, the brand BOSS Green, the brand BOSS Orange and the brand HUGO, HUGO BOSS targets different, clearly differentiated groups.

C

CALL OPTION

A call option gives the buyer the right to acquire an underlying security at a price and quantity agreed in advance. The buyer generally only exercises the right if the price of the underlying security exceeds the strike price. The seller undertakes to deliver the underlying security in exchange for an option premium.

CASH FLOW STATEMENT

The aim of the cash flow statement is to create transparency regarding changes in a company's liquidity funds. It describes in detail the type, amount and sources of the cash flows.

CASH POOLING

Daily liquidity management uses efficient cash management systems to channel liquidity surpluses of individual Group companies to other companies with financial requirements (cash pooling). This intercompany financial balancing system reduces external financial requirements and optimizes net interest expenses.

COLLECTION COMPLEXITY

Collection complexity describes the number of color, shape, theme and fabric concepts that a collection comprises.

COMP STORE SALES DEVELOPMENT

Sales trend within the Group´s own retail business (cf. Group´s own retail business) for comparable areas, i.e. not including newly opened or recently closed points of sale.

COMPLIANCE

Compliance means to undertake all reasonable measures in order to ensure adherence to the laws, statutory regulations and the Company's internal policies and their observance by Group companies.

CONCESSION MODEL

With the concession model, the Group directly operates HUGO BOSS shop-in-shops on the sales floor of retail partners. HUGO BOSS sells product in its own name and for its own account.

CORE RANGE

The core range is a pre-defined range developed in line with the requirements of each collection. The core range is at the heart of every collection and largely defines its fashion statement.

CORPORATE GOVERNANCE

Corporate Governance defines the principles and legal framework for management and monitoring at the Company. In Germany, these principles are set out in the Corporate Governance Code.

COVENANTS
Covenants are clauses in a loan agreement or contractual obligations given by a borrower for the term of a loan agreement. They generally relate to the observation of upper and/or lower limits for certain key financial performance indicators.

D

DAYS INVENTORY OUTSTANDING
Time between receiving goods as inventory and the sale of the finished product.

DAYS PAYABLES OUTSTANDING
Time between receiving an invoice and making payment on trade payables.

DAYS SALES OUTSTANDING
Time between issuing an invoice and receiving payment on trade receivables.

DERIVATIVES
A derivative is a financial instrument, whose change in value is linked to an underlying asset such as shares, bonds, currencies or commodities or to market indexes and which is settled at a future date. It does not require an initial net investment or a comparatively low initial net investment.

DIRECTLY OPERATED STORES (DOS)
Directly operated stores are monobrand stores (cf. monobrand sales format) and shops operated directly by HUGO BOSS.

DIVERSITY
Diversity refers to heterogeneity and differences among employees, executives and members of the Supervisory Board of HUGO BOSS AG. For example, diversity can relate to the nationality, gender or age of specific groups of people.

DOW JONES SUSTAINABILITY INDEX (DJSI)
The Dow Jones Sustainability Index (DJSI) is a stock index that lists the particularly sustainable companies in each industry. Listing is based on a thorough assessment of economic, environmental and social criteria for each company.

E

EBIT
Earnings before interest and taxes. EBIT is a key business performance indicator which shows a company´s operating profit in a certain period not including taxes and interest.

EBITDA BEFORE SPECIAL ITEMS
EBITDA before special items refers to Earnings before interest, taxes, depreciation and amortization not including special items. EBITDA is a key performance indicator which measures operating profitability before depreciation and amortization effects from investment activity. EBITDA before special items is the most important performance indicator for the HUGO BOSS Group.

(ADJUSTED) EBITDA MARGIN
The (adjusted) EBITDA margin describes the ratio of EBITDA (before special items) (cf. EBITDA before special items) to sales.

EMPLOYER BRANDING
Employer branding refers to a company's strategic positioning as an appealing employer in the labor market. It draws on marketing concepts, particularly branding. The aim of employer branding is to establish an employer brand that make a positive contribution to employee recruitment and retainment.

F

FLAGSHIP STORE
Flagship stores are a particular type of directly operated stores. Because of their size and exclusivity, they have an effect beyond their respective locations on the HUGO BOSS brand image and provide sales incentives for other stores.

FREE CASH FLOW
Free cash flow is calculated by adding up the cash flow from operating activities and the cash flow from investing activities. To increase its enterprise value, HUGO BOSS focuses on maximizing free cash flow.

FREE FLOAT
Shares of the HUGO BOSS AG in free float are continuously available for trading on the equity market. Shares that are held in order to pursue long-term strategic objections are not available for daily trading.

G

GLOBAL REPORTING INITIATIVE (GRI)
The Global Reporting Initiative (GRI) supports organizations' and companies' sustainability reporting. Companies can measure their economic, environmental and social performance on the basis of the principles published by the GRI.

GOODWILL
Goodwill resulting from a business combination represents the difference between the consideration transferred plus the amount of the shares without a controlling influence, and the assets acquired and liabilities assumed.

GREENHOUSE GAS PROTOCOL (GHG PROTOCOL)
The Greenhouse Gas Protocol (GHG Protocol) is an internationally recognized tool for the quantification and management of CO_2 emissions. The GHG Protocol helps businesses account for their CO_2 emissions within different scopes.

GROUP'S OWN RETAIL BUSINESS

In the Group's own retail business, sales of HUGO BOSS products are made directly to the end customer via directly operated stores (cf. directly operated stores), outlet stores and the HUGO BOSS online store, in contrast to sales in wholesale business (cf. wholesale).

I

INTEREST RATE SWAPS

An interest rate swap is an interest derivative. Under an interest rate swap, two contractual parties agree to exchange interest payments at a specified future point in time on a specified nominal amount. They are used to hedge against interest rate risks.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

IAS are international financial reporting standards which were issued from the predecessor institute of the International Accounting Standard Board (IASB), the International Accounting Standards Committee (IASC).They are still valid and will be expanded by IFRS (cf. IFRS).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRS are international financial reporting standards for companies that are issued by the International Accounting Standards Board (IASB). They provide worldwide transparent and comparable accounting of consolidated financial statements, and make it easier to compare publicly traded companies.

ISO 9001

ISO 9001 determines the criteria for a quality management system. It can be employed by any organization, regardless of size and sector.

ISO 50001

ISO 50001 is an international standard to support organizations in establishing systematic energy management. Organizations can decide freely whether to implement this standard.

M

MADE TO MEASURE

As part of the BOSS core brand, the Made to Measure line offers particularly high-quality bespoke suits. The Made to Measure line emphasizes the exclusivity of the BOSS core brand while focusing on the desire for individual style.

MONO-BRAND SALES FORMAT

Mono-brand sales formats are used to sell the products of only one brand at one particular point of sale.

MSCI WORLD TEXTILES, APPAREL & LUXURY GOODS INDEX

The MSCI World Textiles, Apparel & Luxury Goods Index is defined by Morgan Stanley Capital International (MSCI) and tracks the stock price of companies active in the apparel and luxury goods industry. It is a subcategory of the MSCI World Index that tracks the development of stocks worldwide.

MULTI-BRAND SALES FORMAT
Multi-brand sales formats are used to offer different brands at one point of sale.

MULTI-CHANNEL
Multi-channel refers to the customers' ability to buy goods via different distribution channels such as offline and online stores

N

NET FINANCIAL LIABILITIES
Net financial liabilities comprise all interest-bearing financial and other liabilities less non-operating cash and cash equivalents and short-term investments.

O

OUT-OF-HOME MEDIA
Out-of-home media refers to forms of advertising which reach customers outside their homes and offices. This includes traditionally for example advertising pillars and billboards, but also advertisement on busses, telephone boxes or at airports.

P

PLAIN VANILLA CURRENCY OPTION
A plain vanilla option is defined as a standard option in securities business without special features or product design.

POINT OF SALE (POS)
All businesses where HUGO BOSS products are sold - i.e. stores (cf. store), shop-in-shops (cf. shop-in-shop) and the online store - are points of sale. They can be operated directly by the Group (cf. Group's own retail business) or by wholesale partners (cf. wholesale).

PREORDER
Preorders are orders received for future deliveries. Wholesale partners place orders on a seasonal basis in the HUGO BOSS showrooms (cf. showroom) for the collection presented there. In addition, goods can be reordered irrespective of season using the HUGO BOSS replenishment (cf. replenishment).

PUBLICATIONS PERSUANT TO SECTION 15A GERMAN TRADING ACT
Publications pursuant to Section 15a WpHG are notifiable securities transactions, so called directors' dealings. Directors' dealings are own-account transactions entered into by members of the management with HUGO BOSS AG securities. Pursuant to Section 15a WpHG, members of the management are required to disclose such transactions.

R

REPLENISHMENT
Replenishment of goods which allows HUGO BOSS to react to short-time surges in demand from trading partners.

RESTRICTED SUBSTANCES LIST (RSL)
The RSL is valid worldwide and lists chemicals and other substances that a product may not contain or may contain only to a restricted degree.

ROYALTIES

A royalty is the permission to use another's trademark for commercial purposes in exchange for the payment of a sum of money (royalty fee). Granting of royalties enables HUGO BOSS to benefit from the expertise and potentially different distribution structure of the licensee. Products manufactured for HUGO BOSS by licensees include fragrances, eyewear, watches, children's fashion, home textiles and mobile accessories.

S

SEASON

A collection is delivered and sold over a particular period of time (season).

SEGMENTS

Under IFRS 8 (cf. IFRS), a segment is a component of an entity that engages in non-derivative business activities from which it may earn revenues. The operating segment results (cf. EBITDA before special items) are regularly reviewed by a company's responsible governing body. The HUGO BOSS Group has defined the following segments: Europe, Americas, Asia/Pacific and Royalties (cf. royalties).

SHOP-IN-SHOP

A shop-in-shop is sales space in department stores designed according to the shop concept of the Group's own retail stores and in which only HUGO BOSS products are offered.

SHOWROOM

At the showroom the collection is presented and sold to the wholesale customers (cf. wholesale).

SPECIAL ITEMS

HUGO BOSS defines special items as expenses with no direct connection to the business activity. This includes for example expenses relating to strategic realignment or reorganization of individual business segments.

STORE

A store is a sale area with its own entrance, selling exclusively HUGO BOSS products via appropriate shop concept. Stores can be operated directly by the Group (cf. directly operated stores) or by a wholesale partner (cf. wholesale)

T

TRADE NET WORKING CAPITAL

Trade net working capital is calculated as the total of inventories and trade receivables less trade payables.

W

WHOLESALE

In contrast to the direct sale of goods via the Group's own retail business (cf. Group's own retail business), sales in the wholesale business are made indirectly via retail partners' sales space. Wholesale purchases HUGO BOSS goods either through traditional preorder (cf. preorder) business or via replenishment (cf. replenishment) and sells them on to the end customer.

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ARTISTS AND ARTWORKS
BIRDHEAD by Welcome to BIRDHEAD World Again 2013–Shanghai, Elektropastete by Digital Fragments, Elisa Strozyk by Fading Red, Guvenc Ozel by Cerebral Hut, Li Wei by I´m Calm, Pedro Cabrita by Reis, Sonice Development by Emerging Colorspace

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FINANCIAL CALENDAR 2014

13

MARCH

Press and Analysts' Conference

7

MAY

Publication of the
First Quarter Report 2014

13

MAY

Annual Shareholders' Meeting

31

JULY

Publication of the
First Half Year Report 2014

4

NOVEMBER

Publication of the
Nine Months Report 2014

HUGO BOSS TEN-YEAR-OVERVIEW

	2013	2012
Net sales (in EUR million)	2,432.1	2,345.9
Net sales by segments[1]		
Europe incl. Middle East and Africa	1,457.3	1,378.0
Americas	570.1	558.7
Asia/Pacific	346.8	352.7
Royalties	57.9	56.5
Net sales by distribution channel		
Group's own retail business	1,314.1	1,149.7
Wholesale	1,060.1	1,139.7
Royalties	57.9	56.5
Results of operations (in EUR million)		
Gross profit[2,3]	1,579.6	1,444.1
Gross profit margin in %[2,3]	64.9	61.6
EBITDA[3]	561.4	523.9
EBITDA before special items[3]	564.7	528.1
Adjusted EBITDA margin in %[3,4]	23.2	22.5
EBIT[3]	456.2	432.0
Net income attributable to equity holders of the parent company[3]	329.0	306.5
Net assets and liabiltiy structure as of December 31 (in EUR million)		
Trade net working capital[3]	431.8	408.5
Non-current assets[3]	611.5	587.7
Equity[3]	740.3	631.6
Equity ratio in %[3]	49.3	40.0
Total assets[3]	1,501.3	1,577.2
Financial position and dividend (in EUR million)		
Free cash flow	230.0	220.6
Net financial liabilities (as of December 31)[5]	57.0	130.4
Capital expenditure	185.3	165.8
Depreciation/amortization	105.3	91.9
Total leverage (as of December 31)[6]	0.1	0.2
Amount distributed	230.5[7]	215.3
Additional key figures		
Employees (as of December 31)	12,496	11,852
Personnel expenses (in EUR million)	483.1	450.1
Number of Group's own retail stores	1,010	840
Shares (in EUR)		
Earnings per share		
Ordinary share[3]	4.77	4.44
Preferred share	–	–
Dividend per share		
Ordinary share	3.34[7]	3.12
Preferred share	–	–
Last share price (as of December 31)		
Ordinary share	103.50	79.80
Preferred share	–	–
Number of shares (as of December 31)	70,400,000	70,400,000
Ordinary share	70,400,000	70,400,000
Preferred share	0	0

[1] Figures until 2008 were adjusted due to changes in presentation of segment reporting in 2008.

[2] Figures until 2009 were adjusted due to changes in presentation of the consolidated income statement from using nature of costs method to using the cost of sales method.

[3] Due to the changes in accounting policies and the corrections made, certain amounts shown here do not correspond to the figures reported in prior years (for details see Notes to the consolidated financial statements, „Changes in accounting policies/Corrections“, page 170 ff.)

2011	2010	2009	2008	2007	2006	2005	2004
2,058.8	1,729.4	1,561.9	1,686.1	1,632.0	1,495.5	1,309.4	1,168.4
1,245.4	1,073.2	1,041.3	1,170.0	1,151.1	1,056.8	925.8	–
454.8	380.7	312.2	307.0	298.0	273.1	233.2	–
309.3	230.4	164.7	162.1	134.0	122.5	109.0	–
49.3	45.1	43.7	47.0	48.9	43.1	41.4	40.4
924.2	691.1	510.3	455.8	416.1	358.2	285.9	233.7
1,085.3	993.2	1,007.9	1,183.3	1,167.0	1,094.3	982.1	894.3
49.3	45.1	43.7	47.0	48.9	43.1	41.4	40.4
1,252.0	1,022.4	836.2	891.0	845.0	759.8	644.5	551.3
60.8	59.1	53.5	52.8	51.8	50.8	49.2	47.2
468.0	340.1	226.5	235.8	284.2	235.3	207.9	173.8
469.5	353.7	269.2	272.2	271.8	235.3	207.9	173.8
22.8	20.5	17.2	16.1	16.7	15.7	15.9	14.9
394.6	267.9	157.4	174.8	216.8	186.3	166.6	136.4
284.9	188.9	105.5	112.0	152.0	130.3	110.8	88.9
399.6	322.7	295.6	458.3	421.7	339.6	329.6	311.7
503.2	454.5	435.0	463.0	400.5	397.9	360.6	331.9
517.3	361.2	205.5	202.9	550.7	499.9	467.8	415.6
36.4	26.9	19.3	17.5	53.0	53.0	54.8	51.3
1,419.6	1,342.8	1,065.4	1,161.6	1,039.3	943.1	854.0	810.4
194.9	246.3	299.5	48.1	33.0	76.1	115.0	62.3
149.1	201.1	379.1	583.2	168.2	112.1	102.5	149.8
108.5	55.6	48.3	118.8	84.7	98.5	76.6	57.3
73.4	72.2	69.1	61.0	67.4	49.0	41.3	37.4
0.3	0.6	1.4	2.1	0.6	0.5	0.5	0.9
199.1	139.7	66.6	94.9	100.4[8]	82.5	70.2	59.2
11,004	9,944	9,027	9,593	9,123	8,441	7,584	6,942
373.7	364.5	329.4	353.0	302.6	275.5	234.5	197.2
622	537	438	390	333	249	183	129
4.12	2.73	1.52	1.62	2.20	1.88	1.59	1.26
4.13	2.74	1.53	1.63	2.21	1.89	1.60	1.27
2.88	2.02	0.96	1.37	1.45[8]	1.19	1.00	0.84
2.89	2.03	0.97	1.38	1.46[8]	1.20	1.01	0.85
55.19	49.23	20.22	17.30	39.60	41.00	30.50	23.45
56.90	56.50	24.55	14.40	39.00	38.92	29.70	24.50
70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000
35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000	35,860,000
34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000	34,540,000

[4] EBITDA before special items/Sales.
[5] Figures until 2008 were adjusted by liabilities from finance lease.
[6] Net financial liabilities/EBITDA before special items and expenses for the stock appreciation rights program.
[7] Dividend proposal.
[8] Special dividend payment of EUR 345.1 million and EUR 5.00 per ordinary and preferred share.