

The HUGO BOSS Group

HUGO BOSS

Outstanding products, professional logistics systems and an excellent product presentation have made HUGO BOSS the global market leader in the up-market clothing segment. We intend to build on this position and further expand our market potential in the future.

We have convinced customers all around the world of our brand strength. With fashions for the most varied target groups, for the most exacting demands and for every occasion, we have been able to maintain our market leadership throughout 2003.

Our brands are the key to our success.

BOSS

Our core brand BOSS, with an extensive women's collection and three independent men's collections, offers fashion for every occasion to quality-conscious men and women.

BOSS Woman

Versatility is the keynote of our BOSS Woman collection. The cosmopolitan and self-confident BOSS Woman customer can express her very personal style with an outfit of outstanding quality in perfect taste. The collection offers feminine tailoring, excellent fit, high-quality materials, refined details and unobtrusive elegance.

BOSS Black

Assurance is provided by BOSS Black with a collection that consistently offers the right outfit. Up-to-date styling, sophisticated tailoring and superior quality meet the high demands of the successful man, at home in the world's metropolises. BOSS Black, with a focus on youthful design and high-quality workmanship, links sophisticated elegance with value for money.

BOSS Orange

Trends are set by the sporty BOSS Orange line with its men's collection for individualists by making a distinct fashion statement in the casual market. Attention to detail and a variety of combination possibilities provide a new interpretation of the usual BOSS quality.

BOSS Green

Function is addressed by the BOSS Green collection for the modern, active man. Technically optimized sportswear and sporty daily wear is combined with functional fabrics in stylish multi-functional clothing of the highest standard for dynamic outdoor and the latest leisure activities.

HUGO

Avantgarde is the word for the trendy HUGO collection for men and women. The cut emphasizes the body, fabrics are innovatively combined and the look is unconventional. This is fashion for individualists who want to make a statement with their outfit.

BALDESSARINI

Exclusivity is embodied in the BALDESSARINI collection, supplemented by top quality home accessories. BALDESSARINI customers share a passion for detail, superior quality and the finest fabrics.

Licenses

Lifestyle accessories, manufactured and sold under license, complete the HUGO BOSS brand collections.

In the world of fragrance, our cooperation with Procter&Gamble, established in 1984, was again successful in 2003. HUGO BOSS is a market leader in the exclusive fragrance segment in all key markets. This position was expanded this past year with the successful launch of "BOSS Intense." The extension of this licensing agreement represents the foundation for long-term dynamic growth in the fragrances market.

Simultaneously, textile licenses are being integrated into the HUGO BOSS value creation process. Following the previous year's integration of the bodywear and socks product lines into our internal business processes, the takeover of licenses for knitwear, shoes and leather goods, already initiated, will continue in 2004. These measures serve to further strengthen our core competencies.

Creation and production

HUGO BOSS creative teams continuously develop new collection themes and products aimed both at reflecting zeitgeist and satisfying a demand for innovation. Extensive global

research and product testing are conducted for this purpose. HUGO BOSS creates exclusive designs and colors as well as special finishes in outer fabrics. The model team transforms these ideas into prototypes supported by up-to-date CAD software. HUGO BOSS production sites, like our plant in Izmir, Turkey, then quickly manufacture models, which are shown in the international showrooms as sales samples. Our quality assurance department monitors the entire production process, uniformly applying high standards. It also ensures the ongoing specialist training of staff.

Infrastructure

Seamless provision of our products to retailers is assured by an efficient, globally networked infrastructure. Trading partners receive seasonal collection components in several delivery windows each year, allowing a prompt and flexible response to customer needs. Moreover, in the case of individual re-orders, our partners can obtain delivery of goods in stock within 24 hours in Germany and 48 hours within Europe.

Integrated IT systems support this process at all HUGO BOSS warehousing and sales locations. We will continue to focus on the constant adaptation of our technologies to ongoing market developments and internal corporate requirements in the future.

Distribution policy

Despite the difficult economic situation, HUGO BOSS will continue to intensify the transformation of its brands into international life-style brands with worldwide recognition. Our sales policy is based on two strategies: On the one hand, distribution via so called mono-brand shops serves to reinforce the brand experience and create a global image. On the other hand, we rely on our long-term close cooperation with strong trading partners to enable us to convey the fascination of our brands to the final customer. The goal of distributing via up-market fashion retailers is to contribute to joint synergy and focus more sharply on customer convenience.

As a result of this distribution policy, customers from 108 countries currently trust our brands and products. Unique customer and market proximity is achieved by HUGO BOSS subsidiary representation in core markets. In smaller markets, we service our customers directly from our headquarters in Metzingen.

HUGO BOSS Shops

Fashion is an international, visual and, last but not least, a life-style phenomenon. HUGO BOSS shops are designed to give customers the possibility to experience the brands. Contributing to this experience are shop concepts that have a common global theme and are customized for the BOSS (Black, Orange, Green and Woman), HUGO (Man and Woman) and BALDESSARINI brands. These mono-brand shops serve as the showcase for the HUGO BOSS brand world. They ensure optimum merchandise display and promote sales.

The number of shops operated directly by HUGO BOSS will continually be increased in the future. This will enable us to establish in-house retail expertise, which is increasingly important in a competitive environment.

Trade marketing

Various trade marketing activities worldwide bring the HUGO BOSS brands to life at the point of sale and provide support to retailers.

These activities involve decorating retail areas for the individual brands, changing window-decoration monthly, and developing promotion and advertising materials for our retail partners. The range of trade marketing services is complemented by retailing events and professional internal training programs for the sales force.

Communication

Corporate and brand communication for HUGO BOSS is managed globally from Group headquarters in Metzingen. International PR agencies and in-house PR offices in HUGO BOSS subsidiaries are coordinated to support our public image in core markets.

Corporate communication concentrates on media reports, press conferences as well as events such as the Annual Shareholders' Meeting. Corporate communication also assures an internationally consistent presentation and public image for the Group by developing and shaping a HUGO BOSS corporate identity.

Brand communication supports and strengthens the images of the individual brands of BOSS, HUGO and BALDESSARINI. Editorials and photo spreads in leading fashion and life-style magazines are an important component here, as well as interviews with designers and articles about fashion shows. In addition, the brands are emotionally charged by wardrobing films and celebrities with HUGO BOSS products.

Worldwide print ads are coordinated at Company headquarters with the assistance of professional media agencies. Seasonally changing advertising campaigns permit brand visualization and assure a uniform public image worldwide.

The HUGO BOSS Internet presence is of overarching significance in communication. Comprehensive, up-to-date information, financial disclosures and special sales promotions provide an information source for customers, retailers, the press and shareholders alike.

Sponsorship and events

HUGO BOSS' cultural involvement in the sphere of contemporary fine arts has become established in the Company as well as in the public domain. We see this as the optimal connection between fashion and art as well as a bridge that strengthens and communicates the aesthetic message of the HUGO BOSS brands.

We benefit from a similar image transfer through sport sponsorship activities. HUGO BOSS is engaged in dynamic sports that impressively convey the values of the BOSS core brand: internationalism, perfection and success.

Activities in the world of sports as well as big fashion events in the world's major cities allow us to demonstrate our fashion expertise and permit our brands to be identified with emotional experiences.

E-Business

The new media are consistently used by the HUGO BOSS Group and our trading partners to increase flexibility, make processes more transparent, improve logistical operations and communicate as promptly and seamlessly as possible. It is our objective to satisfy customer needs, which are changing ever more rapidly. In addition to nurturing personal customer contact, HUGO BOSS has been involved in the e-sales arena since 2001 and has continued to conduct business to business activities in the current reporting period with growing success. For example, product descriptions used for online orders were supplemented with a "virtual stock book." This stock book is a response to the wishes of many trading partners to provide visualization, using graphics of the products available via the e-sales application. Part of a multi-channel strategy, the e-business solution at HUGO BOSS is imbedded in an extranet created in-house, which allows our customers convenient access to sales-related information.