

ANNUAL RESULTS 2011

Charles
Vögele
S w i t z e r l a n d



Charles
Vögele
S w i t z e r l a n d

- REVIEW OF 2011
- ANNUAL RESULTS 2011
- OUTLOOK FOR 2012



- **REVIEW OF 2011**
- ANNUAL RESULTS 2011
- OUTLOOK FOR 2012



KEY FACTS 2011

Turbulent year influenced by external and internal factors

- Consumers made reticent by difficult economic situation and euro crisis
- Stronger Swiss franc: euro more than 10% weaker
- Unusually warm autumn
- Management changes
- Revitalization of Charles Vögele brand
- Teething trouble with logistical change: to three regional distribution centres and simultaneous outsourcing to two external providers (South and North)
- Charles Vögele's unclear positioning confused customers
- Weakness in the collections, especially ladies' range

KEY FIGURES 2011

Clear fall in sales leads to consolidated loss

- Net sales fall by 15% (CHF -182 million) to CHF 1 016 million.
 - of which CHF 86 million owing to currency influences (mainly euro)
- Net sales down 8% after adjusting for exchange rates and floorspace (like-for-like)
 - First half year of 2011 at prior-year level
 - Sharp fall in sales especially in 3rd quarter
- Gross profit margin of 61.5% (fall of -5.4 percentage points)
- Operating expenses reduced by CHF 45 million to CHF 646 million thanks to exchange rates
- Goodwill impairment in Germany and Austria of CHF 36 million
- Consolidated result of CHF -119 million

STRATEGY ADJUSTMENT 2011

FASCINATION

GROWTH

PROCESSES

Charles Vögele 2008

- + Expert advice
- Stale image
- No association with fashion, modernity, diversity

Charles Vögele 2011

- + Modernized market image (store design/ advertising)
- + Expert advice
- Unclear positioning
- Customers confused

Causes of negative effects in 2011

- Promises not kept in stores
- Merchandise layout doesn't match customer shopping habits (products placed in multiple places)


STRATEGY ADJUSTMENT 2011

FASCINATION

GROWTH

PROCESSES

Charles Vögele 2008

- Conservative range
 - One-dimensional sales channel
 - Complete organizational structure in all countries
 - Unclear expansion
- 

Charles Vögele 2011

- + New collection structure
- + Introduction of e-commerce
- + Countries grouped into 4 regions
- + Format & expansion strategy
- No clear distinction between three main brands in terms of shopping behaviour
- Declining footfall

Causes of negative effects in 2011

- Weakness in the collections, especially ladies' range
- Suboptimal pricing structure
- Strong franc
- Weak economy


STRATEGY ADJUSTMENT 2011

FASCINATION

GROWTH

PROCESSES

Charles Vögele 2008

- Procurement through agents
 - Decentralized logistics / merchandise management
- 

Charles Vögele 2011

- + Verticalization
- + Centralization of logistics / merchandise management
- Gaps in availability of goods
- Complex process and procurement structure

Causes of negative effects in 2011

- Teething trouble with logistics changes
- No opportunity to respond flexibly to trends / fast-sellers
- Strong dependency on Asia

WHAT OUR CUSTOMERS SAY

The sales assistants are very friendly and always there for you

I always shop at CV, they always have trousers that suit me just right

The value for money is just right

I want Charles Vögele to provide fashionable clothes for older people

I can't find my way around any more. The trousers used to be in one place, the blouses in another, the jackets in another. Now it's all mixed up.

Some things have become expensive

For me Charles Vögele means fashion at good prices and nice stores

Everything is grey and black and there's often nothing in my size



- REVIEW OF 2011
- **ANNUAL RESULTS 2011**
- OUTLOOK 2012



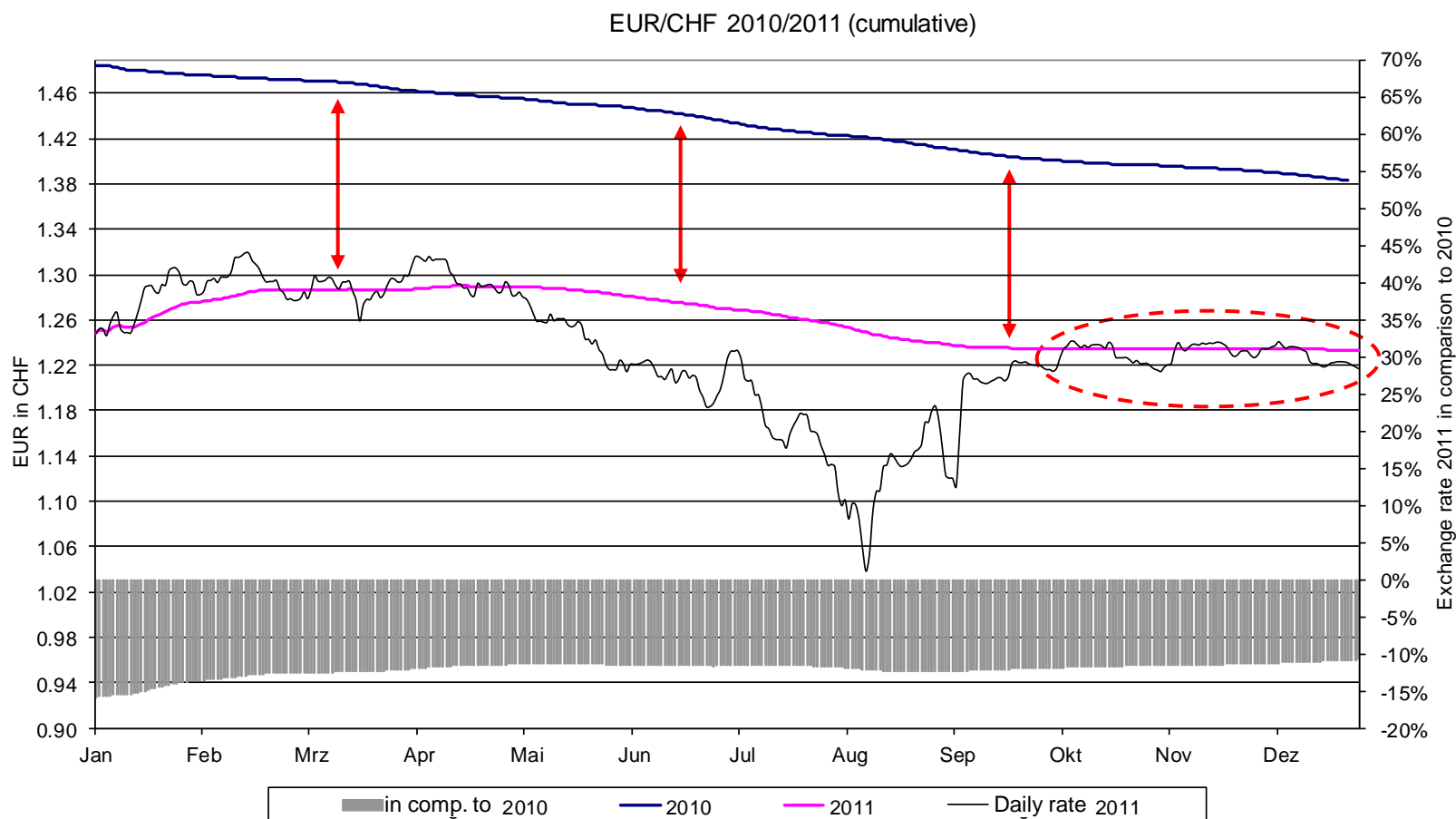
INCOME STATEMENT

Fall in operating results made worse by euro depreciation and goodwill impairment

(CHF million)	2011	2010	△	△ in %	
Gross sales	1'207	1'416	(209)	(15%)	◀◀
Net sales	1'016	1'198	(182)	(15%)	
Gross profit	625	801	(176)	(22%)	
as % of net sales	61.5%	66.9%			
Total operating expenses	(646)	(691)	+45	+7%	
as % of net sales	63.6%	57.7%			
EBITDA	(21)	110	(131)	(119%)	
as % of net sales	-2.1%	9.2%			
EBIT	(114)	38	(152)		
as % of net sales	-11.2%	3.2%			
Net profit/(loss)	(119)	18	(137)		

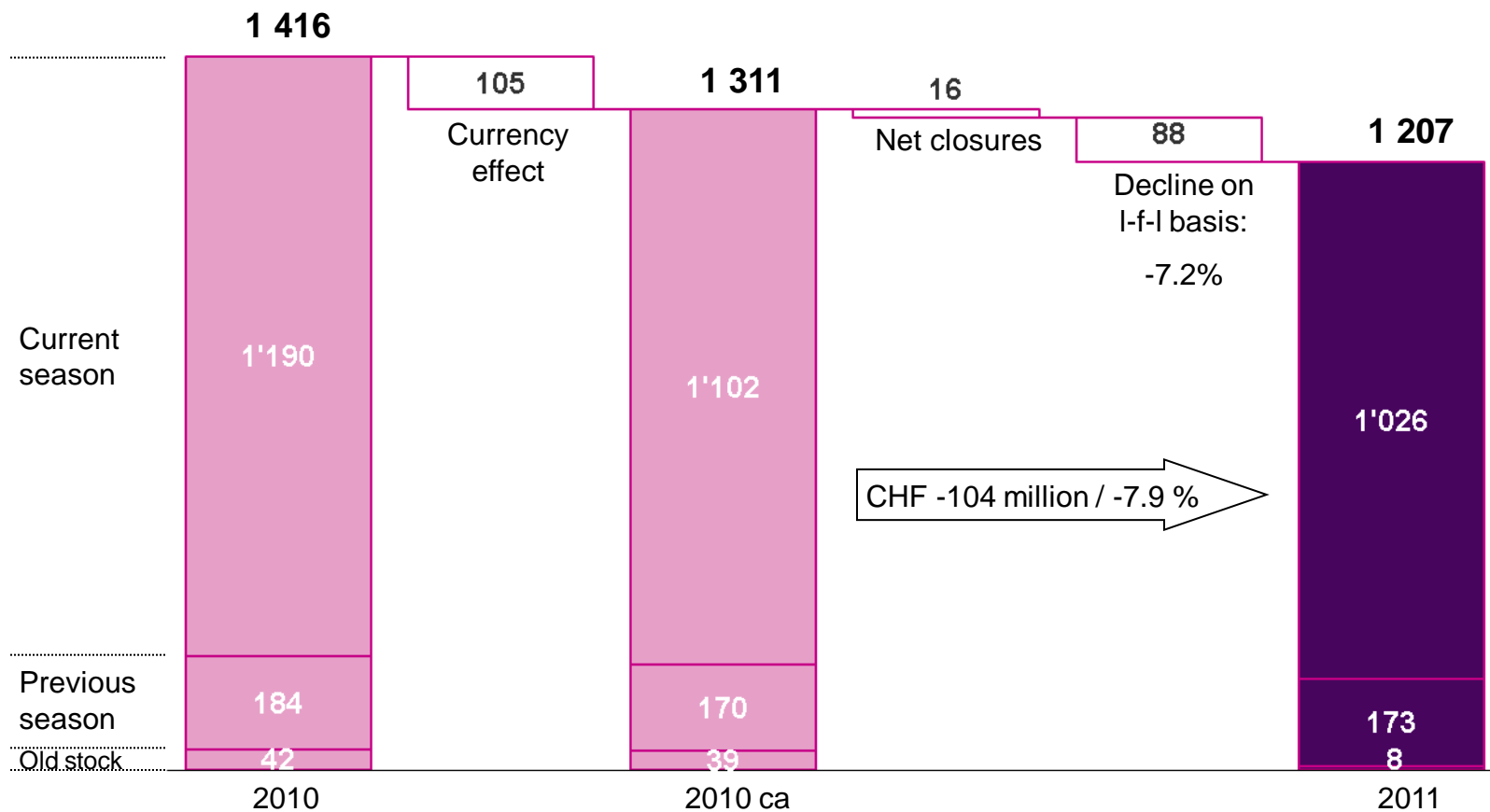
EUR/CHF EXCHANGE RATE

EUR/CHF around 10% lower than a year ago – currency stabilized only from October



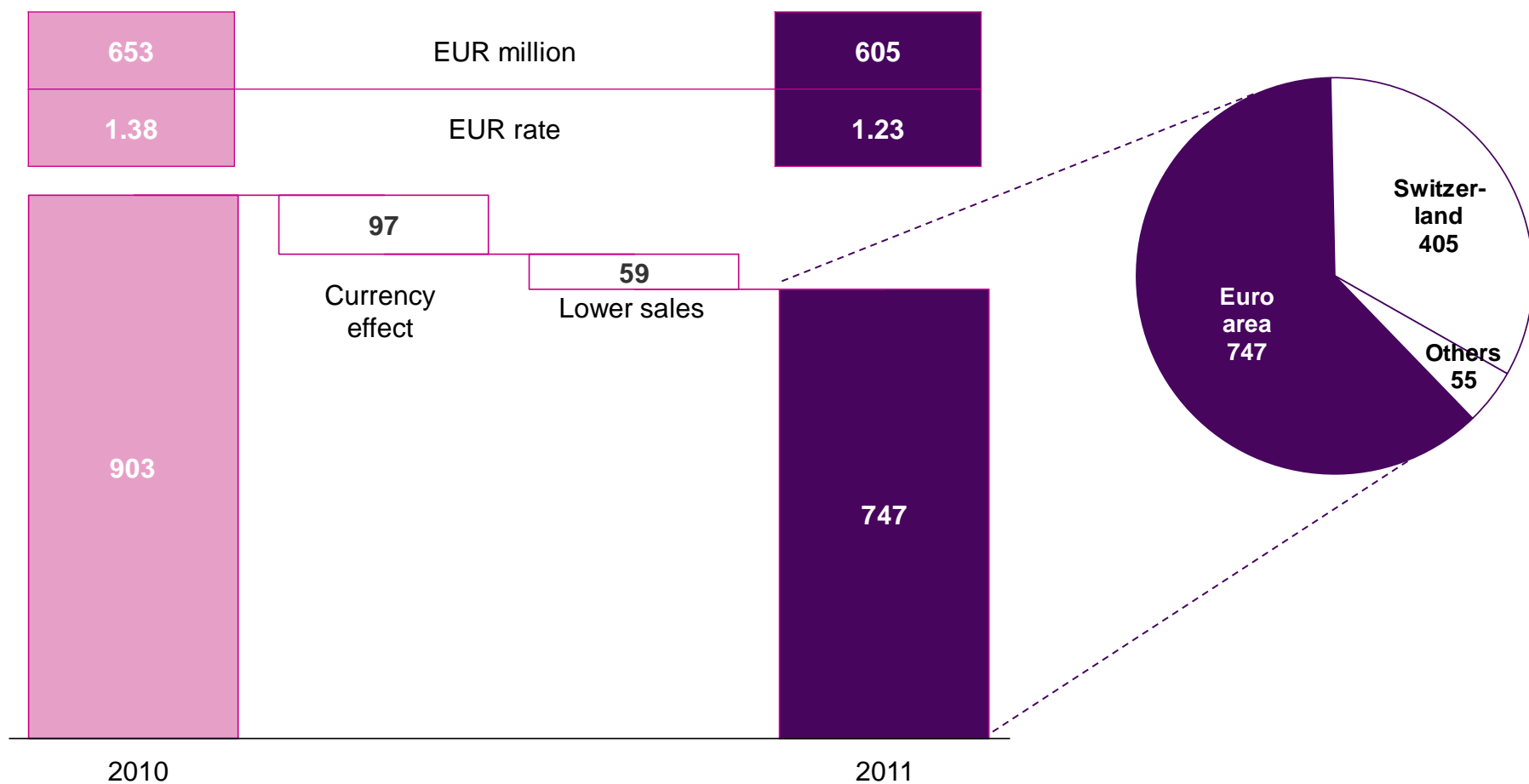
CONSOLIDATED GROSS SALES (in CHF million)

Gross sales down by more than CHF 200 million



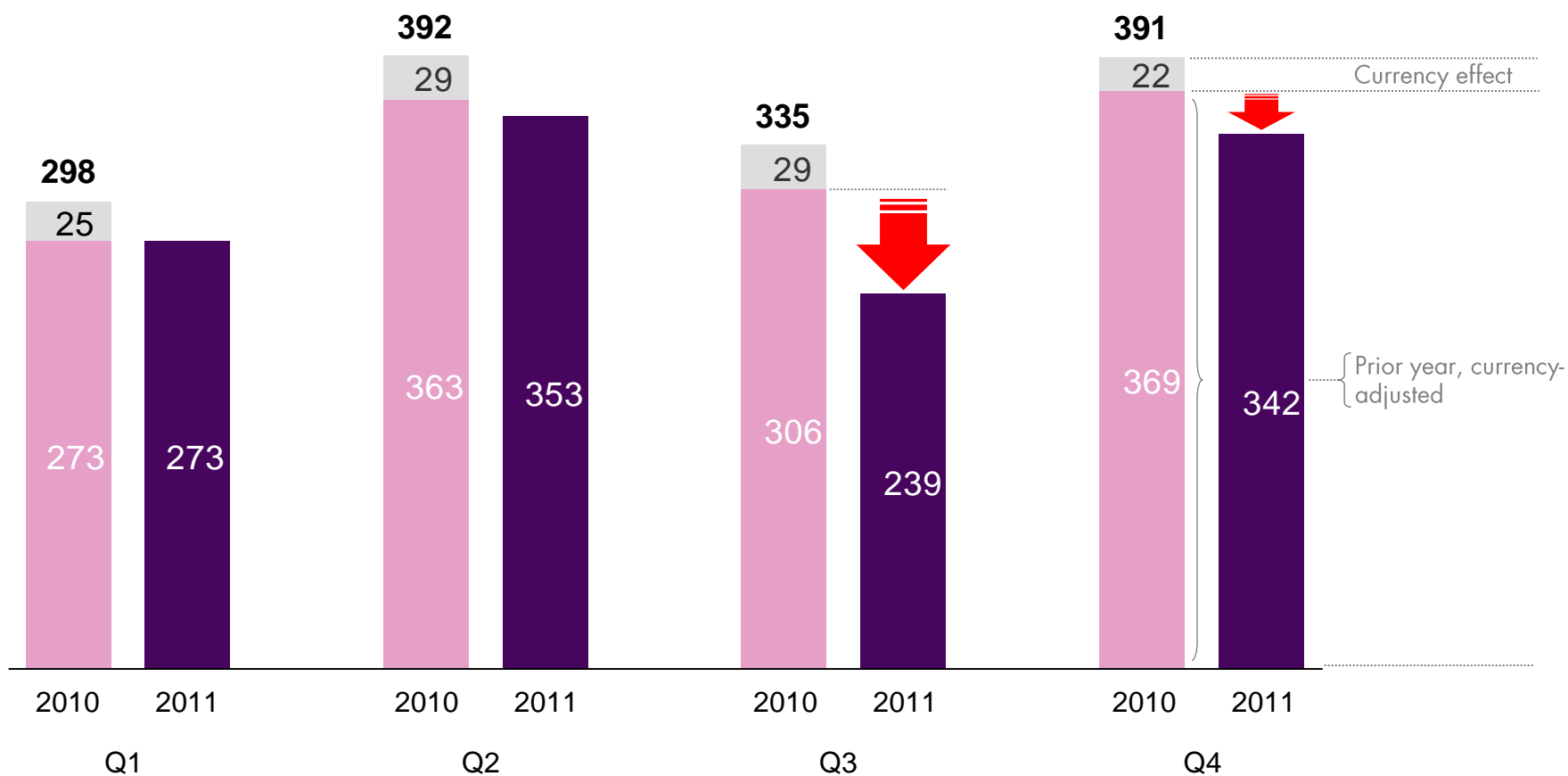
CURRENCY EFFECT ON GROSS SALES (in CHF million)

Currency-adjusted drop in sales of around 6.5% in Eurozone



GROSS SALES BY QUARTER (in CHF million)

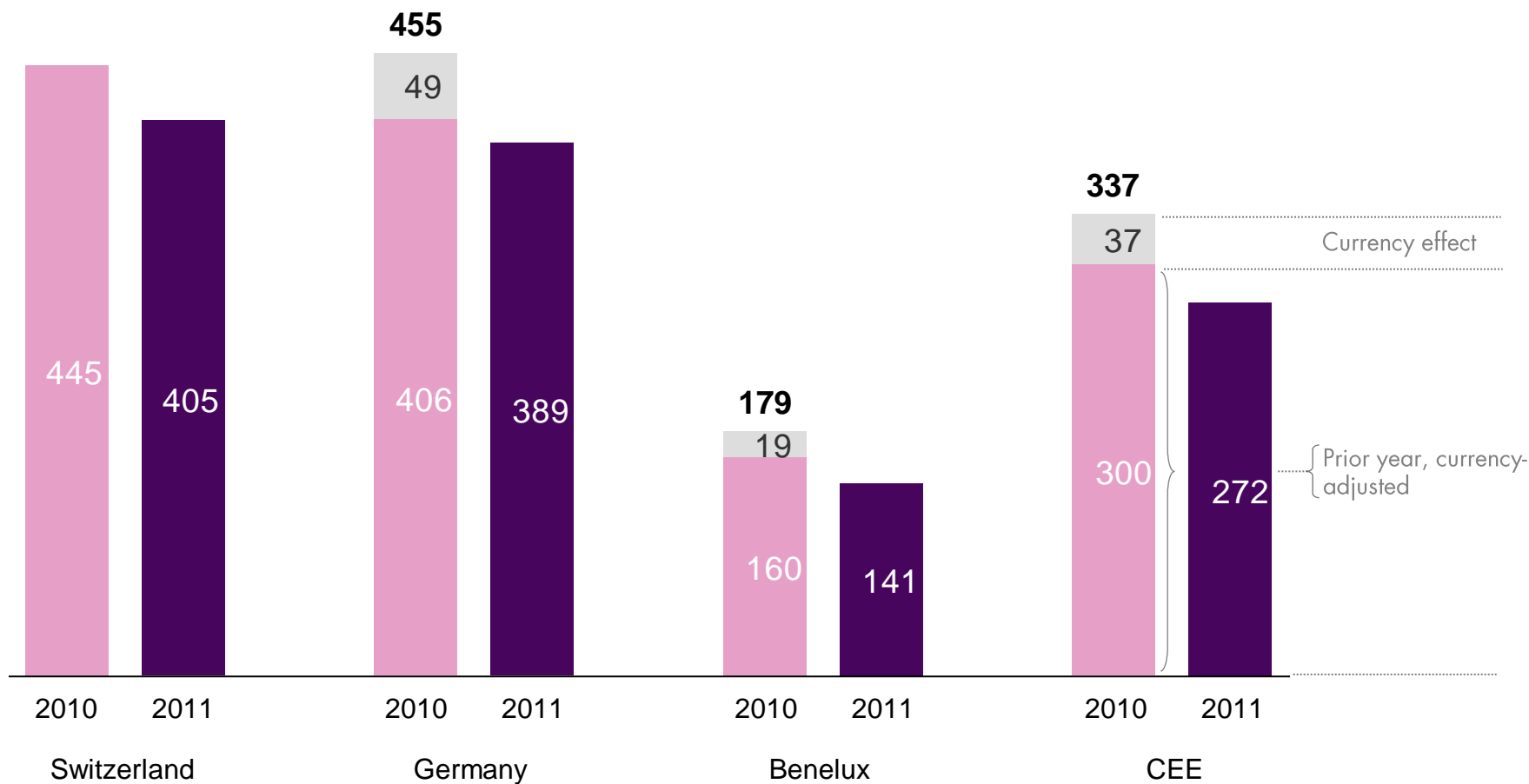
Sales* greatly influenced by negative effects in Q3 (and to some extent Q4)



* calculated at cumulative annual rates

CONSOLIDATED GROSS SALES BY REGION (in CHF million)

The impact of the difficulties in the second half of the year affected all regions



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Lower volume and falling margin reduce gross profit

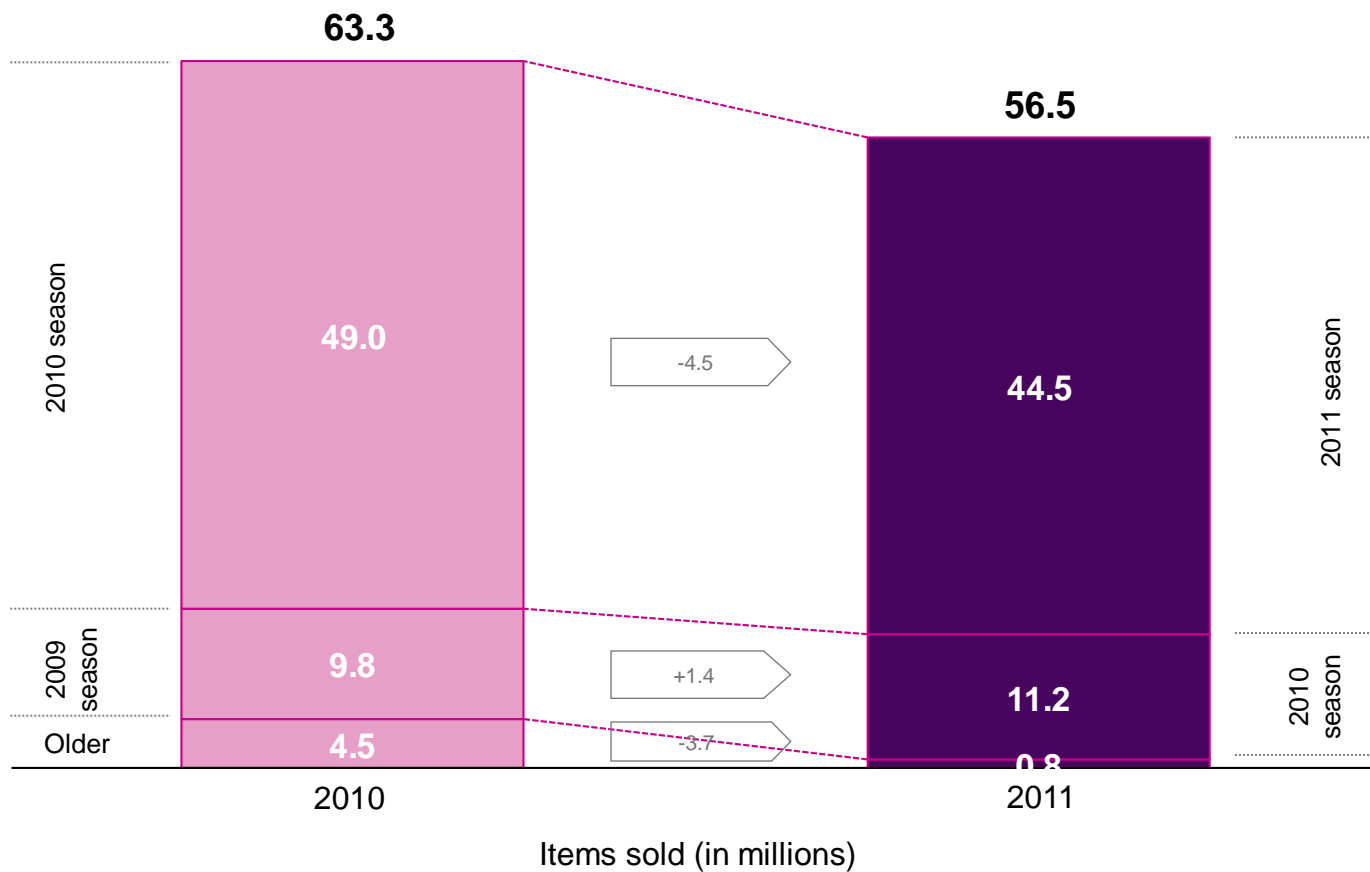
- Decline of CHF 176 million (from CHF 801 million to CHF 625 million)
 - Volumes & currency effect: CHF 121 million
 - Margin effect: CHF 55 million

Main influences:

- Lower sales - fewer items sold owing to decline in footfall
- Discounting still at a high level in order to limit build-up of inventory
- Lower margins owing to rising cotton prices and higher production costs in Asia (primarily wage costs)
- Build-up of inventories leads to value adjustments on stocks - previous year's results benefited from opposite trend

ITEMS SOLD

Weak ranges hurt 2011 collection

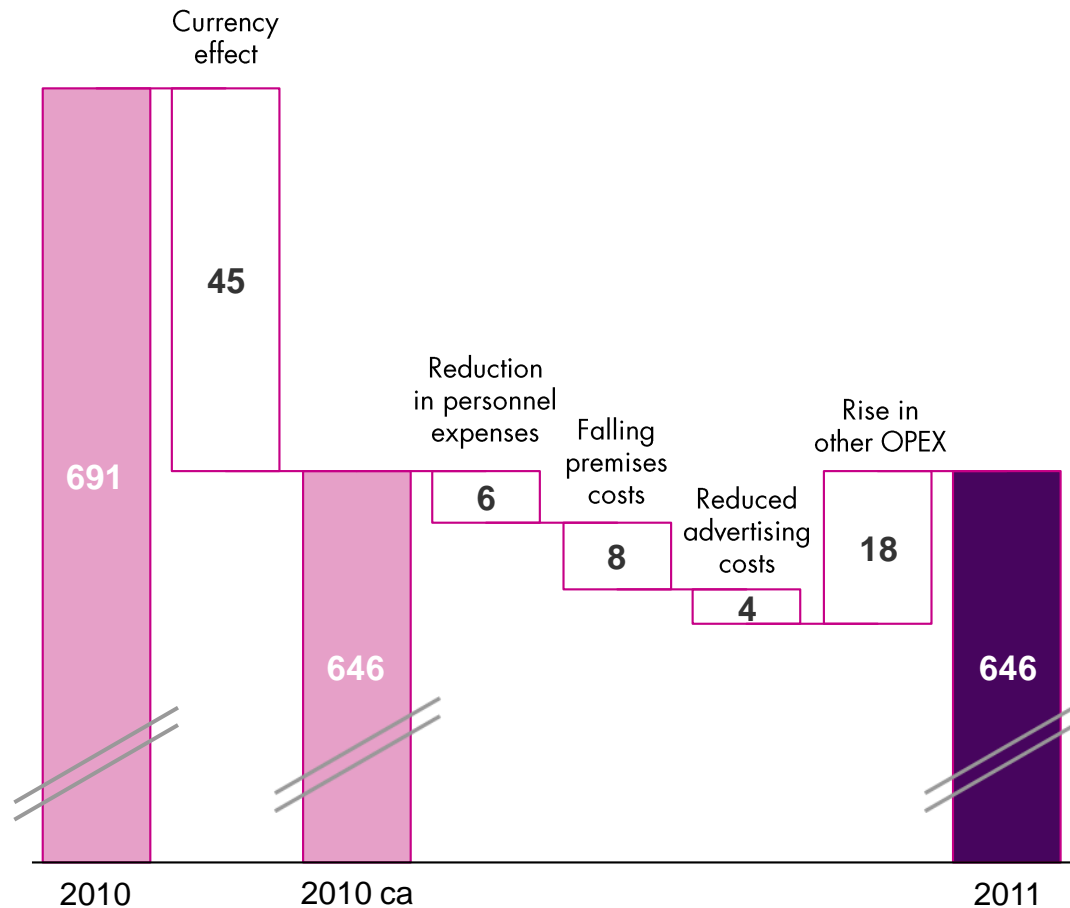


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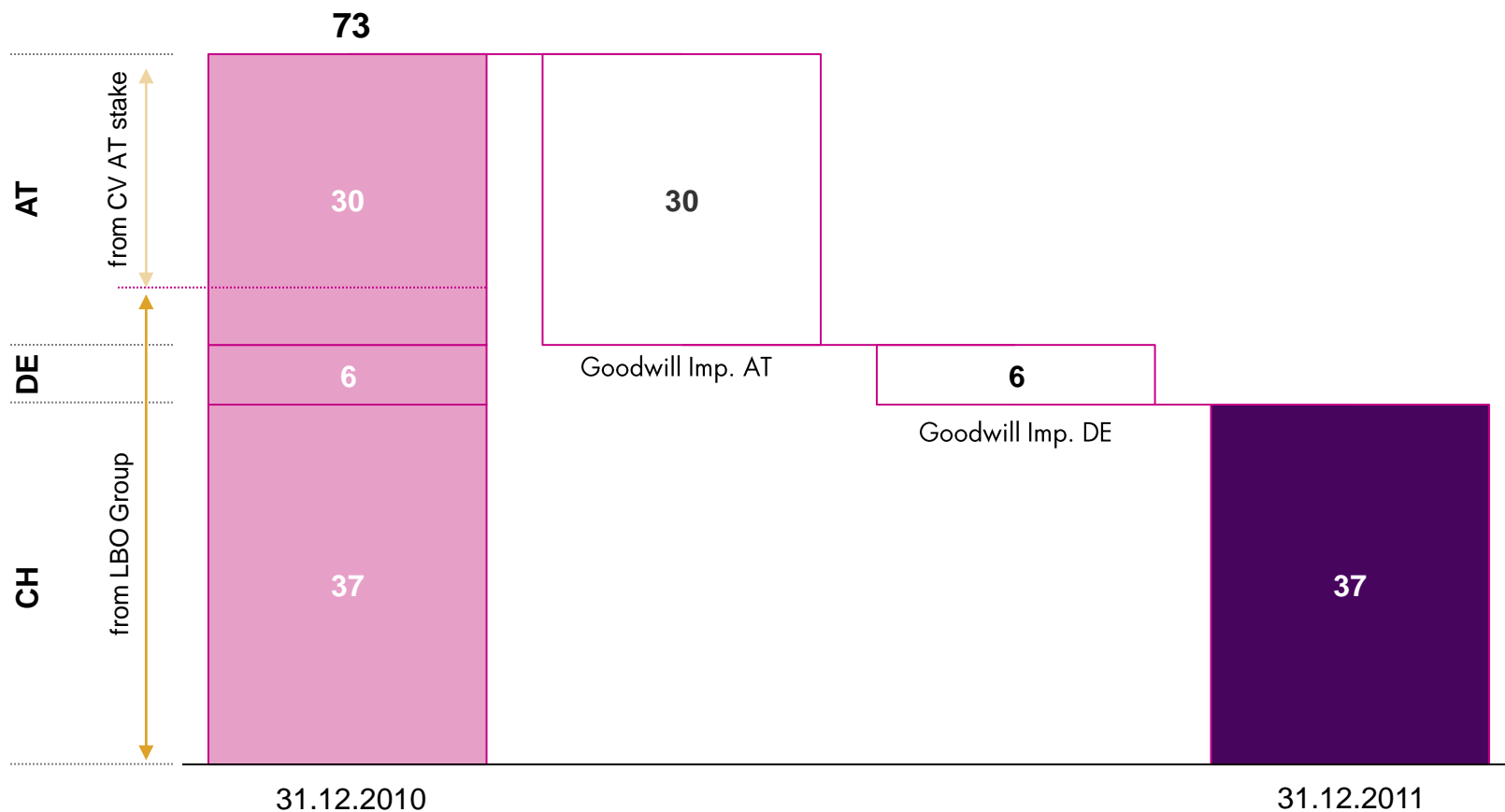
OPERATING EXPENSES (in CHF million)

Costs remain constant despite strengthening of central functions



GOODWILL IMPAIRMENT DE & AT (in CHF million)

Adjustment of planning to current conditions led to goodwill impairment in first half

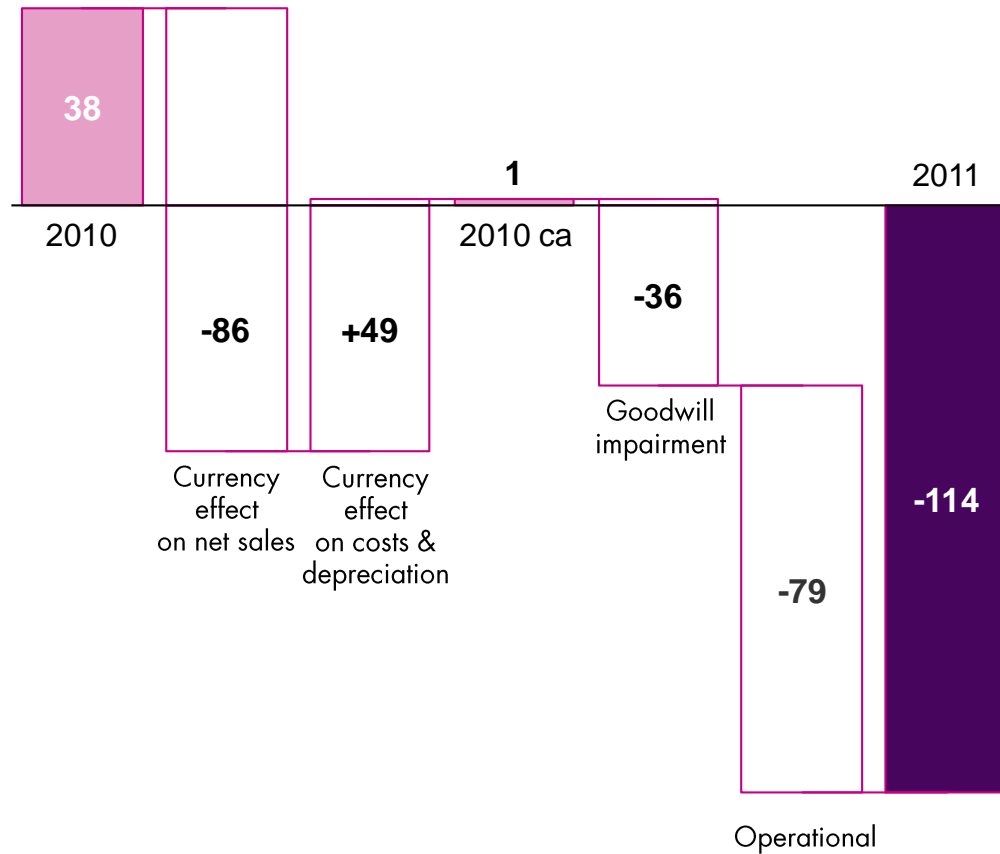


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COMPARING EBIT TO YEAR-BACK FIGURE

Euro and one-time effects have a significant influence on EBIT



OVERVIEW OF EBIT TO NET PROFIT

Reduced financial and tax expenses

(CHF million)	2011	2010	△	Remarks
EBIT	(114)	38	(152)	
as % of net sales	-11.2%	3.2%		
Financial expenses	(3)	(5)	+2	- Debt burden & interest rates on low level
Exchange losses	(1)	(4)	+3	- Devaluation of foreign currency positions in PY
Tax expenses	(1)	(11)	+10	- Most of the group companies recorded a los in 2011 and the others just a minor profit. Therefore tax expenses were reduced significantly.
Net profit/(loss)	(119)	18	(137)	
as % of net sales	-11.7%	1.5%		

REGIONAL PERFORMANCES

Fall in EBIT most evident in Switzerland

Region Switzerland

(in CHF million)	2011	2010
Net sales	363	402
EBIT	8	54
Store portfolio at 1 January	168	169
<i>Openings</i>	5	2
<i>Closings</i>	(5)	(3)
Store portfolio at 31 December	168	168

Region Benelux

(in CHF million)	2011	2010
Net sales	117	149
EBIT	(24)	(11)
Store portfolio at 1 January	161	166
<i>Openings</i>	1	5
<i>Closings</i>	(8)	(10)
Store portfolio at 31 December	154	161

Region Germany

(in CHF million)	2011	2010
Net sales	318	374
EBIT*	(33)	(4)
Store portfolio at 1 January	294	314
<i>Openings</i>	11	8
<i>Closings</i>	(12)	(28)
Store portfolio at 31 December	293	294

Region CEE

(in CHF million)	2011	2010
Net sales	218	273
EBIT*	(29)	(1)
Store portfolio at 1 January	203	208
<i>Openings</i>	7	8
<i>Closings</i>	(8)	(13)
Store portfolio at 31 December	202	203

*without Goodwill-impairment

KEY FACTORS IN THE REGIONS

Switzerland Region:

- Difficult market environment – outerwear market shrank by 5% in 2011
- High competitive pressure
- Strong CHF put pressure on prices
- Consumers increasingly insecure

Germany Region:

- Consumer spending up by inflation-adjusted 1.5%
- Continuing euro crisis had negative effect on sales
- High market penetration by clothing discounters
- Price-sensitive consumers

Benelux Region:

- Consumer spending fell 7% in the Netherlands
- 1% market growth in Belgium thanks to strong spring and summer season
- Sluggish market
- Comparison is with high prior-year figures owing to sell-off of old stock

CEE Region (especially Austria):

- Cautious consumer sentiment in the CEE Region
- Euro crisis unsettled consumers and made them cautious about spending
- Only Slovenia, thanks to expansion, was able to increase sales
- Cost reductions facilitated by merging country organizations

Investment volumes below previous year

(CHF million)	2011	2010	△	Remarks
Store openings	9	12	(3)	- Selective new opening
Refurbishments/renovation	25	28	(3)	- Implementation of new store design concept
Other	5	7	(2)	- VM-Concept, Air-con, etc.
Total regions	39	47	(8)	
Group infrastructure	10	8	+2	- New cash desks, IT-systems (hard- & software)
Total Group	49	55	(6)	
Divestment	0	(9)	+9	- In the previous year: Sale of a property no longer needed for operations
Total Group, net	49	46	+3	

Cash flow mainly influenced by earnings and change in inventories

(CHF million)	2011	2010	△
EBITDA	(21)	110	(131)
Net change in inventory	(63)	2	(65)
Other non-cash positions	(7)	(3)	(4)
Net financial & tax expenses	(17)	(21)	+4
Cash flow from operating activities	(108)	88	(196)
Cash flow from investing activities	(49)	(46)	(3)
Free Cash Flow	(157)	42	(199)
Cash flow from financing activities	138	(35)	+173
Net change in cash & cash equivalents	(19)	7	(26)

KEY BALANCE SHEET FIGURES

Balance sheet trends determined by unsatisfactory annual result

(CHF million)	31.12.2011	31.12.2010	△
Cash and cash equivalents	110	130	(20)
Inventories	212	150	+62
Tangible assets	341	353	(12)
Net cash/(net debt)	(134)	26	(160)
Total assets	742	756	(14)
Shareholders' equity	356	473	(117)
Equity ratio	48%	62%	(14%)

FUNDING SECURED

Liquidity required to implement strategy has been secured

- Broad-based bank syndicate (lead arrangers **UBS**, CS, DB)
- Credit facility of CHF 255 million
- Runs till September 2015
- Market-standard covenants

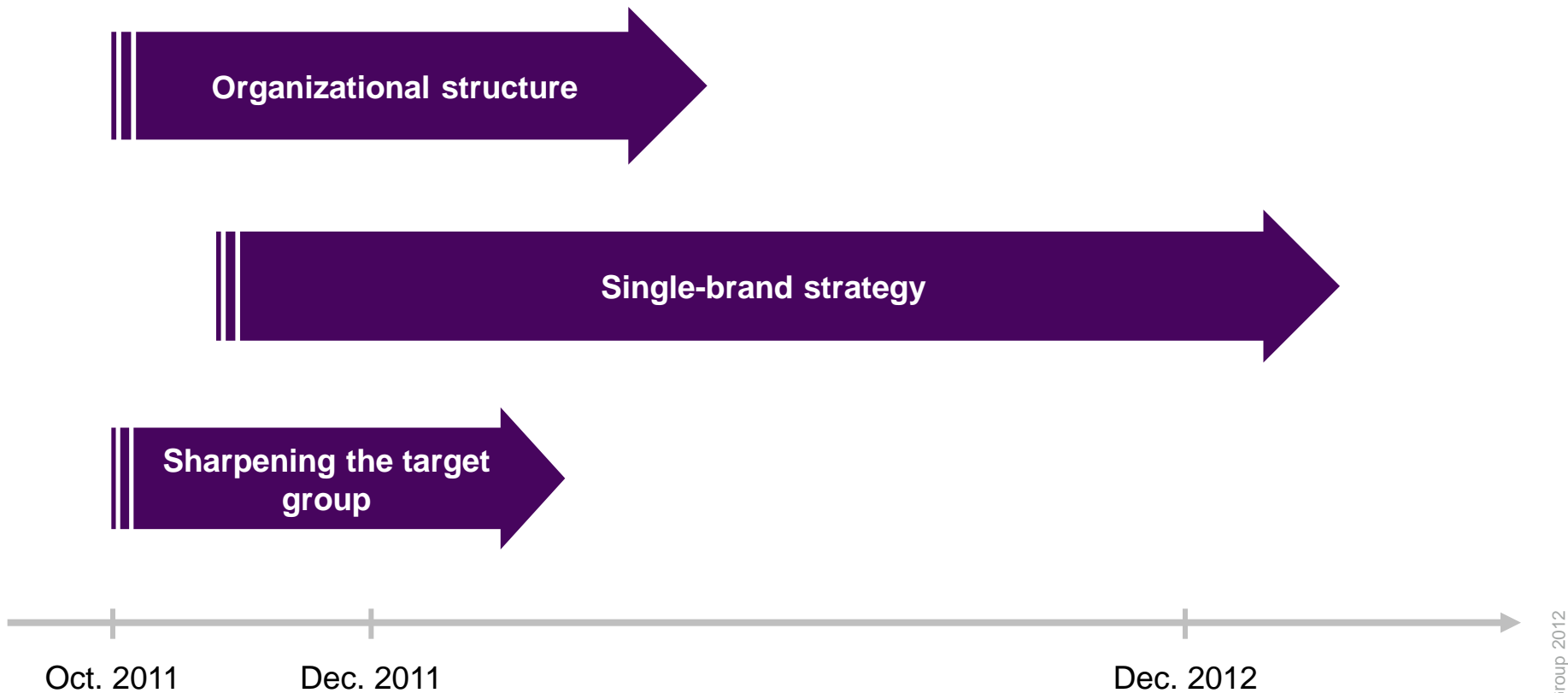
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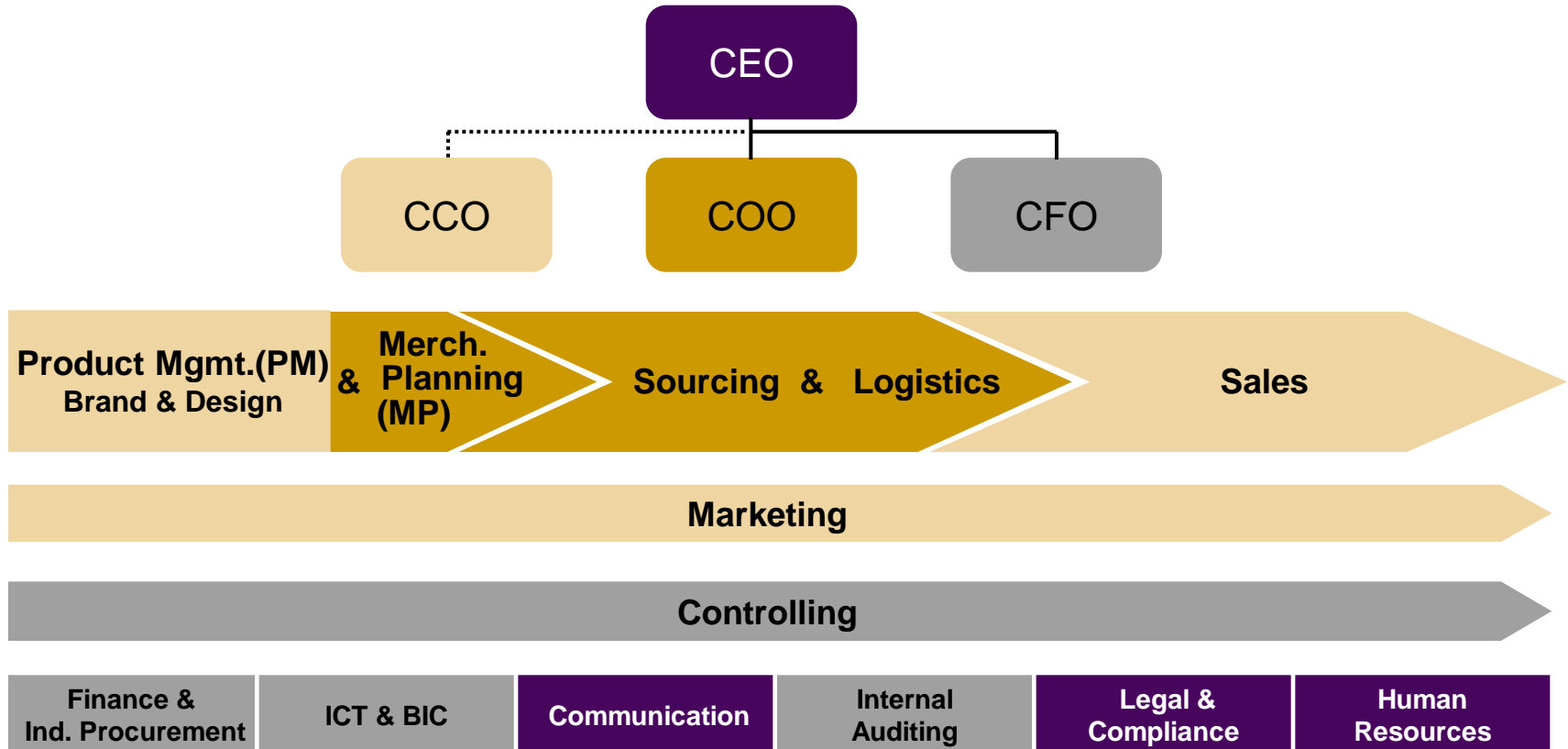
IMPLEMENTATION OF STRATEGY

Major alterations in the implementation of strategy already started



ORGANIZATIONAL STRUCTURE

Organizational structure and areas of responsibility along the process map



CEO = Chief Executive Officer

CCO = Chief Commercial Officer
(in Personalunion CEO)

COO = Chief Operating Officer

CFO = Chief Financial Officer

ORGANIZATIONAL STRUCTURE

Core elements of organizational structures

- Central group structure divided into 3 areas of responsibility
 - CCO: Product development, sales, marketing, expansion
 - COO: Planning, procurement, supply chain, goods management
 - CFO: Finance, information & communication technology, resources
- Central purchasing/ service and management structure
- Procurement organization in Asia with offices in China, India and Bangladesh
- 10 national sales markets grouped into 4 sales organizations (CH, D, CEE, BX) with legally autonomous sales organizations
- Expansion, visual merchandising, marketing and e-commerce centrally managed for all regions

SINGLE-BRAND STRATEGY

"Charles Vögele" single brand strategy

- Discontinuation of the main brands Casa Blanca, Biaggini, Kingfield
- Goods differentiated by styles of clothing



SINGLE-BRAND STRATEGY

DIFFERENTIATION OF CLOTHING SYLES

- Goods are clearly differentiated from each other by style of clothing
- A modern and a classic line are clearly displayed

PRICING STRUCTURE

- Customer and item-focused pricing structure/ value for money assured
- Charles Vögele Selection rounds out the price structure at the top end

CLEAR GOODS STRUCTURE






- The way goods are set out leads customers logically through the store
- The main departments include both modern and classic lines - a changing series of themed ranges are displayed on the shop floor (coordinates)

CLEAR APPEAL TO CUSTOMERS

- Advertising focuses on the Charles Vögele brand
- Appeal to customers is based on store structure and behaviour of target groups

SHARPENING THE TARGET GROUP

Charles Vögele's target group is growing

Country	Population in millions (2010) *	Spending on clothes p.c. in EUR (2009) **	Percentage of population 40+ in 2010**	CAGR pop. 40+ 2010 – 2020
	7.8	981	52%	0.6%
	81.7	712	57%	0.3%
	8.4	867	53%	0.4%
	16.6	679	51%	0.4%
	10.9	598	51%	0.2%

Source:

* Weltbank

** BfS CH, Eurostat, Verdict

SHARPENING THE TARGET GROUP

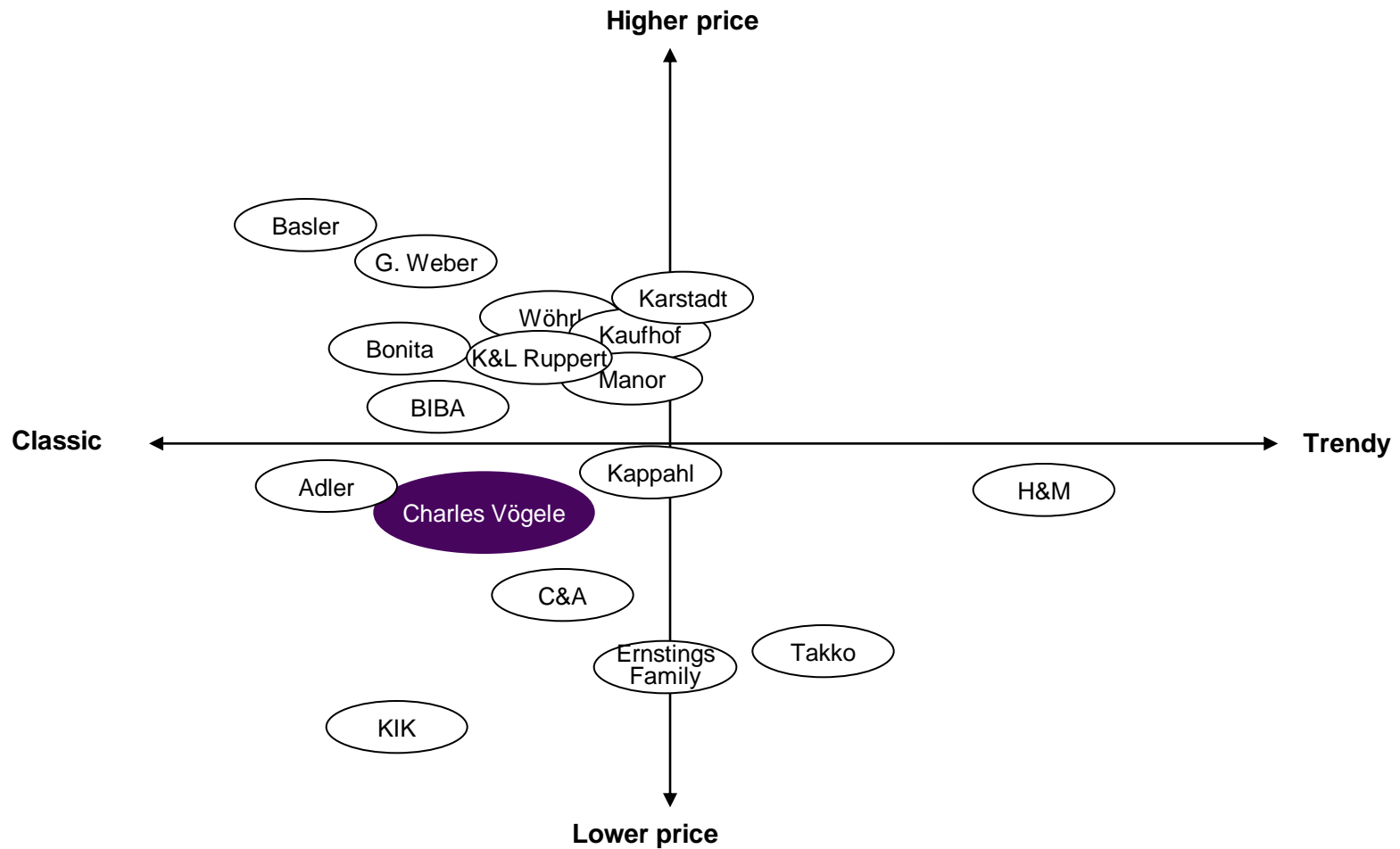
Charles Vögele provides straightforward access to fashionable clothing in the lower to mid price segment for people aged 40+. At

**Charles Vögele Group I can expect a friendly atmosphere
competent advice, reliable quality and good value-for-money.**

“That’s me”

SHARPENING THE TARGET GROUP

Charles Vögele is clearly positioned among its competitors



STRATEGIC OBJECTIVES

FASCINATION

GROWTH

PROCESSES

Charles Vögele 2012

- Clear positioning
- Customer appeal tailored to target groups
- Strengthening key departments / coordinates displays
- Expert advice
- Fulfilling the promise

Effect

- Sharper image
- More effective advertising
- Greater customer loyalty, more customers
- Well structured goods presentation
- Confidence in Charles Vögele

STRATEGIC OBJECTIVES

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PROCESSES

Charles Vögele 2012

- Single-brand strategy
- Up-to-date, target group-focused range
- Depth of range
- Expand CRM programme
- Expand e-commerce
- Clear pricing structure
- Focused expansion (main markets)

Effect

- Long-term customer satisfaction
- Good value for money
- Reduced discounts (< 29%)
- Increased turnover
- Greater efficiency by adjusting organizational structure
- Growth from existing and additional floor space

STRATEGIC OBJECTIVES

FASCINATION

GROWTH

PROCESSES

Charles Vögele 2012

- Stable supply of goods
- Costs can be varied
- Flexible procurement structure
- Optimized incoming goods planning, sales planning and goods management

Effect

- Improved availability of goods
- Reduction in costs per item
- Increased options for responding to market situation
- Stable gross profit margin
- Increased sales ratio (~ 85%)

WE ARE ON THE RIGHT TRACK

2012

Stop the bleeding - Balanced free cash flow

2013

Back to black - Balanced consolidated result

2014

Back to profit - At least CHF 10 million net profit

THANK YOU VERY MUCH

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- Shareholders' meeting on 2011 financial year 4 April 2012
- Media and analyst conference on first half 2012 21 August 2012
- Media and analyst conference on 2012 full-year results 5 March 2013
- Shareholders' meeting on 2012 financial year 10 April 2013

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