ANNUAL REPORT 2011

Charles Vögele Switzerland


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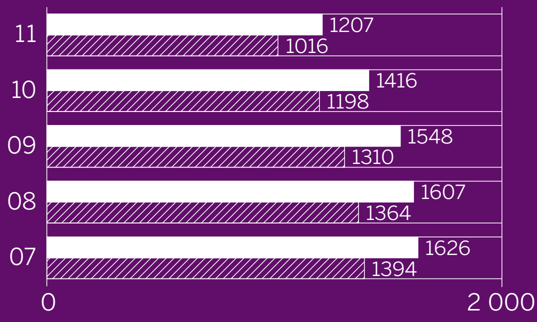
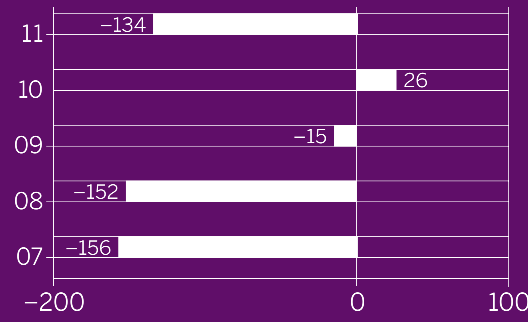
FIVE-YEAR OVERVIEW 2007–2011

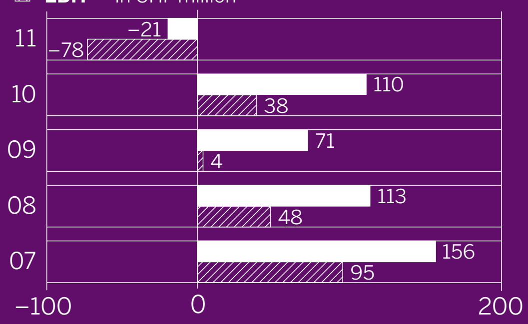
■ **Gross sales** in CHF million
▨ **Net sales** in CHF million



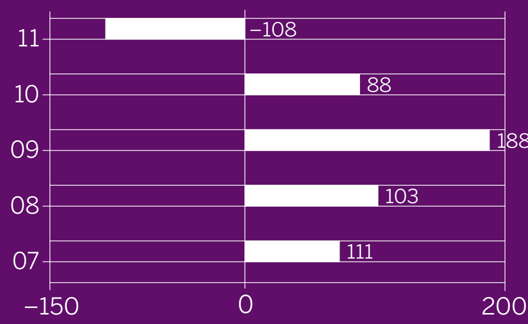
■ **Net cash/(net debt)**



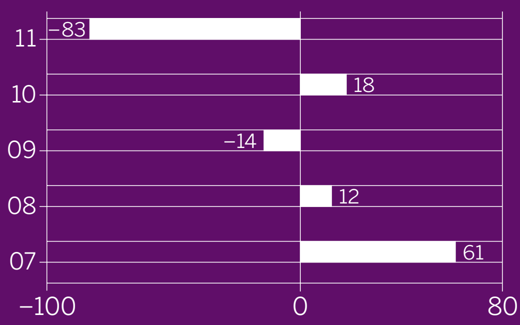
■ **EBITDA** in CHF million
▨ **EBIT**** in CHF million



■ **Cash flow from operating activities** in CHF million

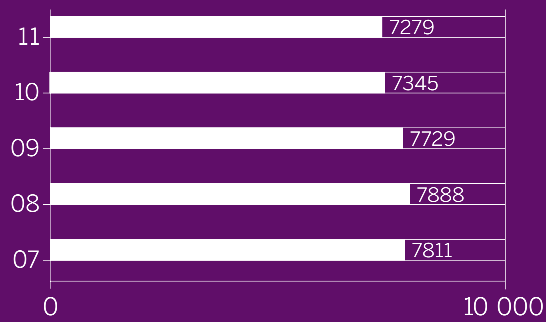


■ **Net profit**** in CHF million



■ **Branches**

■ **Employees***



* without apprentices
** without goodwill impairment of CHF 36 million in 2011

GROUP KEY FIGURES

CHF million	**2011**	2010	Change
Gross sales	1 207	1 416	(14.8 %)
Change adjusted for currency in %	(7.9 %)	(3.0 %)	
Change adjusted for expansion and currency in %	(7.2 %)	(2.5 %)	
Net sales	1 016	1 198	(15.2 %)
Operating earnings before depreciation and impairment (EBITDA)	(21)	110	
Operating earnings (EBIT)	(114)	38	
Net profit of the year	(119)	18	
Net cash flow from operating activities	(108)	88	
Net cash provided/(used) by investing activities	(49)	(46)	7.1 %
Free cash flow	(157)	42	

	2011	2010	Change
Number of stores at year-end	817	826	(1.1 %)
Sales area at year-end in m²	640 703	647 752	(1.1 %)
Net sales per average sales area in CHF	1 586	1 812	(12.5 %)
Number of employees at year-end[1)]	7 279	7 345	(0.9 %)
Average number of full-time employees on an annual basis[1)]	4 690	4 861	(3.5 %)
Net sales per average number of full-time employees in CHF[1)]	216 679	246 498	(12.1 %)
Number of clothing articles sold in 1000	56 498	63 306	(10.8 %)
Average net sales per article in CHF	18.0	18.9	(5.0 %)
Share of turnover in %:			
– Women's wear	58 %	59 %	
– Men's wear	34 %	32 %	
– Children's wear	8 %	9 %	

CHF million	**31.12.2011**	31.12.2010
Net cash/(net debt)	(134)	26
Shareholders' equity	356	473
Balance sheet total	742	756
Shareholders' equity in % of balance sheet total	48 %	62 %

1) Excluding apprentices

KEY FINANCIALS

The challenging market environment, the weak euro and the warm autumn exacerbated internal problems with product design and goods supply.

Net sales fell in 2011 by 15 % to CHF 1 016 million (previous year: CHF 1 198 million). In local currency terms the decline was 9 %, or 8 % after adjusting for currency movements and floorspace changes (like-for-like). The consolidated loss including goodwill impairments came to CHF 119 million (previous year CHF +18 million).

DECLINE IN GROSS PROFIT MARGIN
Rising procurement costs in Asia, especially in the second half of the year, led to an appreciable reduction in the gross profit margin to 62 %. The weakness of the euro against the US dollar (the key procurement currency) placed a further strain on margins.

RIGOROUS COST MANAGEMEMENT
Helped by the weaker euro and a rigorous cost management the operating expenses of CHF 646 million (previous year CHF 691 million) remain on a low level.

REDUCED FINANCIAL EXPENSES AND LOWER TAXES
Thanks to lower interest rates and positive cash and cash equivalents in the first half of the year, financial expenses went down again to CHF 4 million. The group tax bill fell to just under CHF 1 million.

GOODWILL IMPAIRMENT
The decline in sales and the fall in value of the euro against the Swiss franc required a goodwill impairment in Germany and Austria of CHF 36 million.

EQUITY RATIO MAINTAINED AT A COMFORTABLE LEVEL
Despite the negative net result and reduced goodwill position, the equity ratio stood at 48 %.

FINANCING SECURED
Charles Vögele's finances have been secured till mid-2015 thanks to a CHF 255 million credit facility arranged with a broad consortium of banks at the start of 2012.

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That's us.

Our customers

Our customers are women and men aged 40 and over. We offer them up-to-date fashion, outstanding value for money and expert advice. Within the single-brand strategy, the presentation of goods and the communication that goes with them will in future be more target-group specific, so that the different styles of clothing are easy for customers to identify.

"The annual results for 2011 mark something of a setback in the comprehensive modernization of the Charles Vögele Group, but the conditions are in place for the Company to develop positively in future. The job now is to optimize internal processes and focus the company rigorously on the needs of its customers."

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

2011 was a difficult year for Charles Vögele. In addition to the challenging economic environment, the strong Swiss franc and the unusually warm autumn, certain internal factors also caused problems. In particular, weak logistics processes led to bottlenecks in the availability of merchandise. Operating results deteriorated significantly again in the second semester as a result of all the above factors. The marked fall in net sales and profit in the 2011 financial year represented a setback in our efforts to comprehensively modernize the Charles Vögele Group. The Board of Directors and Group Management decided to continue with the basic corporate strategy based on three pillars- fascination, processes and growth. However, this strategy needs to be adjusted to current market conditions and customer requirements.

Immediate corrective measures: new Group Management structure and single brand strategy
Faced by a disappointing performance, the Board of Directors introduced far-reaching corrective measures in September. Owing to differences of opinion about the implementation of corporate strategy, Charles Vögele parted company with André Maeder and appointed Frank Beeck as its new CEO. In addition, the Board of Directors appointed me as its new Chairman. Since then I have been working closely with Group Management in order to ensure a smooth transition and to implement the necessary corrective measures as quickly as possible. In the first phase, we defined a new structure for Group Management and revised the brand strategy. Within Group Management there needs to be clearly defined responsibility for each of the three core processes, so the current Group Management team, consisting of CEO Frank Beeck and CFO Markus Voegeli, is being augmented by a COO (Chief Operating Officer) and a CCO (Chief Commercial Officer). The CCO function will be handled until further notice by Frank Beeck in tandem with his CEO role.

The clear positioning and focusing of the Charles Vögele brand is crucial. Our customers have to be able to see what we stand for and what our strengths are. The three separate brands Casa Blanca, Biaggini and Kingfield are not distinct enough from each other in shoppers' eyes. This is why we have decided to concentrate in future on the overall Charles Vögele brand, and dispense with the separate brands.

Foundations in place for a successful future
Without wishing to gloss over the latest results: I do want to emphasize that plenty is going well for the Charles Vögele Group too. The company is well positioned internationally and maintains a presence in some very promising growth markets. André Maeder liberated Charles Vögele from its outmoded image and put it back on the radar of the modern fashion world. He gave the group back its sense of self-worth and increased its fashion expertise. The Board of Directors and Group Management would like to thank André Maeder for his valuable work.

The top priority now is to focus the company consistently on the needs of its customers, and on the enduring stabilization of the logistics and the related processes. The group is full of teams of very capable and highly motivated employees. They are all ready to tackle the current challenges and master them successfully. I would like to thank all of our employees for the great work that they do every day. I would also like to thank our customers for their loyalty, and you our shareholders, for your trust and patience. I can assure you that we are all fully committed to improving the Company's operational performance.

With best wishes,
Hans Ziegler, Chairman of the Board of Directors

"Our core target groups are women and men aged 40 and over. By providing an up-to-date range, excellent value and expert advice, we aim to give these people straightforward access to fashionable clothing. Our customers can rely on our fashion expertise."

CEO'S REPORT

DEAR SHAREHOLDERS

In 2011 Charles Vögele pushed ahead with the implementation of its 3-pillar strategy. The necessary processes for the centralization were stabilized and the brand Charles Vögele stands for fashion expertise again. However, the positive effects of this were overshadowed by negative external and internal factors. Tougher operating conditions presented a particular challenge in the company's restructuring. Coupled with difficulties in implementing the modernization strategy, a weakness in our ladies collection and uncertainty amongst customers about just where Charles Vögele is positioned, led to results that fell well short of expectations.

Strong Swiss franc, euro crisis, unusual warm autumn

2011 was marked particularly by a challenging economic environment with a strong Swiss franc. In Charles Vögele's home market Switzerland this led to a reduction in spending and uncertainty amongst customers. This was compounded by an outflow of spending in the neighbouring countries and a drop in visitor numbers to Switzerland. Both factors had a further negative effect on the market and Charles Vögele. In the euro region the economic prospects deteriorated further during the course of the heightening debt crisis. Last but not least, an unseasonably warm autumn led to a fall in sales of essentials in the key winter business.

Logistical problems, customer uncertainty, weakness in collections

The external problems should not distract us from the internal difficulties. The optimization of logistics, involving a reduction from nine to three regional distribution centres and simultaneous outsourcing to two external providers in the south and north of Europe, presented a challenge. The timetable was too ambitious, leading to massive teething troubles in the third quarter and a shortage of merchandise supplies. The stabilization of the processes therefore represented a key priority in the fourth quarter. The umbrella brand campaign, Charles Vögele's updated image and its new store design, caused a sensation in the fashion world. However, it also made customers uncertain about just where Charles Vögele is positioned. Particularly in its ladies collection Charles Vögele was unable to fulfil the fashion claims to the extent implied by the new image.

Significant fall in sales and consolidated loss

Net sales fell during the 2011 financial year by 15 % to CHF 1 016 million (previous year: CHF 1 198 million). Approximately CHF 86 million of this fall was due to the sharp depreciation of foreign currencies (mainly the euro) against the Swiss franc. In local currency terms, the decline in sales was 9 %, or CHF 96 million, and after adjusting for changes in exchange rates and floorspace (like-for-like) 8 %, or CHF 82 million. The fall in sales was mainly due to the performance in the second half-year. Increasing procurement prices as well as increasing labour costs reduced gross margin to 62 % (previous year 67 %). Helped by the weaker euro operating expenses were reduced by CHF 45 million to CHF 646 million (previous year: CHF 691 million). The fall in the value of the euro against the Swiss franc prompted a revaluation of the goodwill position in Germany and Austria. A goodwill impairment of CHF 36 million had to be made in the first half of 2011, resulting in operating earnings of CHF – 114 million (previous year CHF 38 million) and a consolidated loss of CHF 119 million (previous year: CHF + 18 million).

Outlook: return to profitable growth
Management's aim is to return the company to profitable growth over the next three years. This means concentrating on the following core tasks:

– **Focussing on the core target groups** The needs of our core target customers rank first. We focus on women and men aged 40 plus. By providing an up-to-date range and expert advice, we want to provide straightforward access to fashionable clothing. Charles Vögele wants to appeal to customers who would like to be well dressed and who like to get value for their money. In our coordinates departments we display whole outfits and trends for our target group. In parallel we are strengthening our competence in the main departments. The presentation of goods is backed up by a revised modular shop concept that can be adjusted to suit the size of the sales floor and meet specific regional needs. Implementation of the new brand strategy should be completed by the time the 2013 spring/summer collection arrives.

– **Optimization of logistics processes**
We have to stabilize our logistics processes permanently and put them on a sustainable footing, investing heavily in qualitative as well as quantitative improvements. Charles Vögele also wants to take better account of fluctuations in the flow of goods by switching to a logistics system based on unit costs.

– **Reducing complexity**
The focus on one target group and the resulting one-brand strategy allows us to bundle capacities in our purchasing organization. We don't just want this to make us more cost-efficient, but also make it easier for us to react quickly to customer requirements and bring the right products onto the sales floor promptly.

– **Realization of further savings potential**
The lower degree of complexity and the completion of the centralization will allow us to manage costs more effectively in future. We are also steadily expanding strategic procurement of non-traded goods, known as "indirect procurement." There is further potential to improve logistics and to optimize the branch network.

In 2012 we want to stabilize the company and its business performance by efficiently implementing the new brand strategy and completing the reorganization required for this. In 2013 we will focus on increasing floorspace productivity with the aim of breaking even at the operational level. Finally, in 2014 all of our sales space should have been changed over to the flexible shop concept, and we should return to profitability on the back of inorganic and organic growth.

I firmly believe that with the measures we have initiated, we have put Charles Vögele on course for a successful future. The entire of the Charles Vögele team will put in the hard work that will take the company further forward in its modernization and establish it as one of Europe's leading vertical fashion retailers.

With best wishes,
Frank Beeck, CEO

Gabriella, 53

Charles Vögele Store Seedamm-Center, Pfaeffikon/Switzerland

"At Charles Vögele I always find something, that suits me."

Filippo, 44

Charles Vögele Store Seedamm-Center, Pfaeffikon/Switzerland

"Charles Vögele offers varied fashion and a good quality."

ANNUAL REVIEW

Ordered clothes from the Charles Vögele online shop can be delivered conveniently at home or to a store of choice.

FEBRUARY 2011:

– Opening of the Charles Vögele online shop Our new online shop opens its virtual doors. To start with, selected ranges are offered in Switzerland, Germany and Austria. From autumn 2011, in parallel with the introduction of centralized logistics, the whole of Charles Vögele's range is made available, and the online shop is launched in Benelux too. Ordered clothes are delivered to the customer's home or a branch of their choice within a few days. A big benefit for customers is the full integration of the online shop into the Charles Vögele Customer Relationship Management (CRM) system. This means that if customers find the clothes they ordered are not quite right, they can return them to any store in the country concerned. The opening of the online shop has turned Charles Vögele into a multichannel provider with a strong foothold in the high-potential e-commerce growth market.

March 2011:

– Penélope and Mónica Cruz's collection available for the first time Charles Vögele launches the spring/summer collection designed by Penélope and Mónica Cruz under the label Biaggini Violett.

June 2011:

– Centralization of logistics With the opening of two regional distribution centres in Germany and Austria, Charles Vögele centralizes its logistics within the EU. Goods distribution for the whole of the EU is now managed from these two locations. Both distribution centres are equipped with state-of-the-art storage technology, and the one in Austria also offers integrated e-commerce processing. After a challenging start-up phase, optimizing processes and interfaces, and improving the speed and flexibility of goods supply become the priorities for 2012.

September 2011:

– Til Schweiger's collection launched Charles Vögele launches the first collection designed by international movie star and producer Til Schweiger in 400 selected stores.

– Management change at Charles Vögele Group Owing differences of opinion about the implementation of corporate strategy, Charles Vögele parts company with CEO André Maeder. The Board of Directors appoints Frank Beeck, formerly Chief Sales Officer at Charles Vögele, as his successor. Hans Ziegler takes over as Chairman of the Board of Directors from Alain Caparros, who remains as a Board member.

The country merchandise managers know their markets and customers best of all. Their influence on creating ranges and in the planning phase is crucial.

October 2011:

– Second tier of management strengthened Johannes Schuller (50) joins the Charles Vögele Group as Vice President Sourcing, while Wolfgang H. Zumkeller (34) joins the Company as Vice President Business Information Centre. Charles Vögele thus adds two more internationally experienced managers to its team.

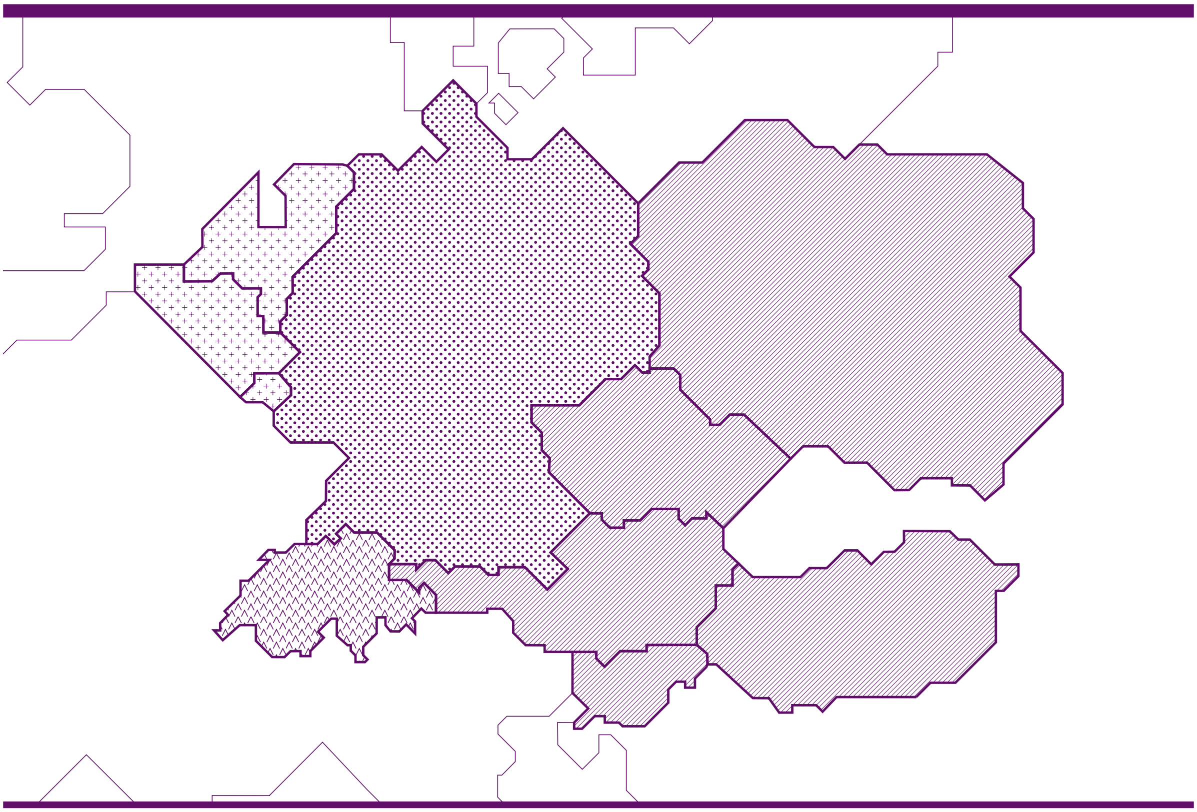
– Country merchandise management strengthened Responsibility for operational management of our merchandise in the sales organizations is transferred to the country merchandise managers. This ensures that country-specific interests can be factored in when ranges are put together and when plans are made for specific product groups. The principle of centralized merchandise management remains in place, however.

November 2011

– Til Schweiger in the spotlight at the second Charles Vögele Fashion Days in Zurich On the opening night, Til Schweiger takes to the catwalk to show off the collection he has designed. Pop and soul singer Sarah Connor provides the evening's musical entertainment. Swiss models Leijla Hodzic, Ronja Furrer and Anouk Manser are joined on the catwalk by reigning Miss Austria, Carmen Stamboli, and the former face of Nivea, Pia Pauli.

– New group management structure and amended brand strategy As part of the ongoing implementation of the 3-pillar strategy, the Board of Directors and Group Management announce the addition of a COO (Chief Operating Officer) and a CCO (Chief Commercial Officer), as well as the introduction of a single-brand strategy. In future Charles Vögele will dispense with the separate Casa Blanca, Biaggini and Kingfield brands and concentrate on the "Charles Vögele" umbrella brand.

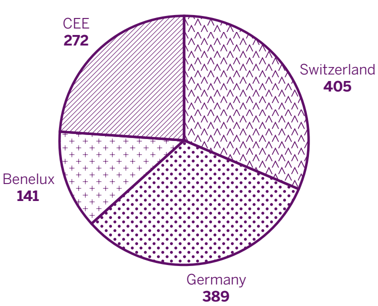
OVERVIEW OF REGIONS



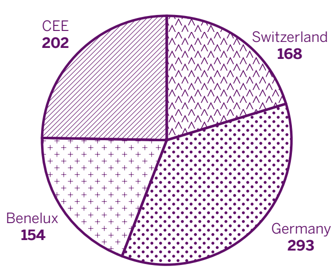
Charles Vögele is the leading fashion retailer in Europe, offering up-to-date trends and outstanding value for money for men and women aged 40 plus. As at 31 December 2011, the Group had 817 retail outlets in four regions spanning ten countries: Switzerland, Liechtenstein, Germany, Benelux (Netherlands and Belgium) and CEE (Austria, Slovenia, Poland, Hungary and the Czech Republic). In 2011 Charles Vögele and its approximately 7 300 employees generated gross sales of more than CHF 1.2 billion. The 2011 financial year was characterized by an extremely challenging market environment. Charles Vögele opened online shops in Switzerland, Germany and Austria. At the same time it optimized its branch portfolio in all four regions.

Charles Vögele Group

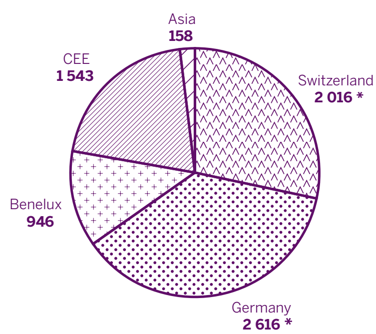
Gross sales in CHF million



Branches



Employees without apprentices



* incl. 398 administration in CH and 4 in Germany

A difficult environment and great competitive pressure lead to a marked fall in net sales. Pilot scheme with redesigned store based on the new brand strategy goes well.

The overall market for outerwear in Switzerland shrank by 5 % in 2011. This is the worst fall in sales for 15 years. The main factors behind the decline were the unfavourable operating conditions and the cautious mood of consumers in the face of weak economic activity and a rising unemployment rate. In addition, many customers decided to go to neighbouring countries in the euro zone to do their shopping, while a lot of tourists stayed away.

Business performance declines

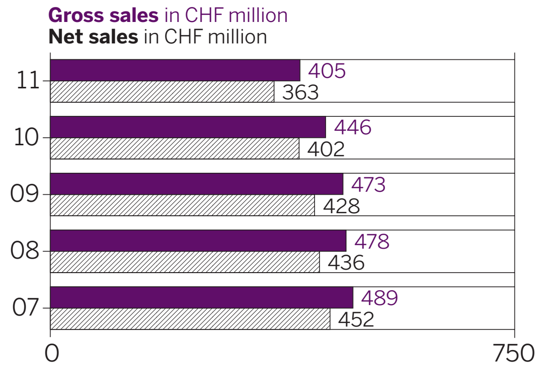
Charles Vögele's gross sales in Switzerland fell by 9.1 % in 2011, or by 9.7 % after adjusting for changes in floorspace. Intense competitive pressure and internal logistics problems also made business difficult. The logistics problems caused delays in deliveries and bottlenecks in the availability of certain items.

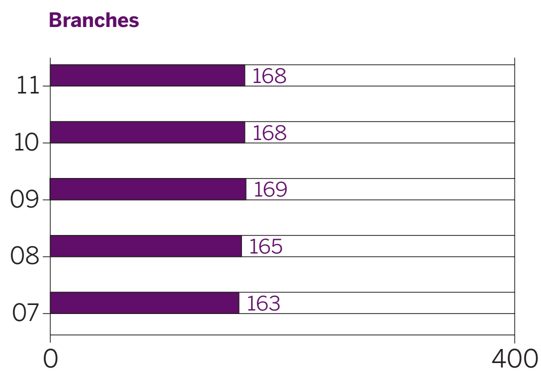
Developing the branch portfolio: new pilot

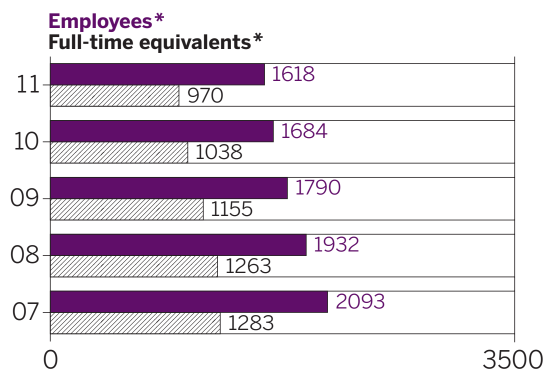
In Weinfelden, Switzerland, a pilot store based on the new "Charles Vögele" single-brand strategy was set up in the fourth quarter using the adjusted store concept. As a result, skills in the main departments were strengthened, and greater clarity was established about the different styles in the coordinates departments. By the end of 2011, 48 outlets were fitted out in the new store design (previous year 23). The total number of stores came to 168 at year-end.

Natural fluctuation in workforce

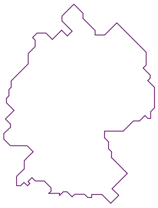
In 2011, Charles Vögele employed an average of 970 employees in the Switzerland sales organization on a full-time basis (2010: 1 038). The fall in numbers was a result of natural fluctuation and some vacancies that have not yet been filled. In 2011, 226 apprentices were in training.







*without apprentices



Warm autumn puts the brakes on clothes retailing despite general economic growth. In the middle of the year, Charles Vögele's currency adjusted sales were significantly higher than a year previously.

Germany's inflation-adjusted GDP rose by 3 % in 2011. Consumer spending, the key figure for the retail sector, was 1.5 % higher in real terms. Thanks to healthy sales in December, the clothing retail sector closed the year surprisingly well, matching the results posted in the record year of 2010.

Performance pulled back by euro crisis

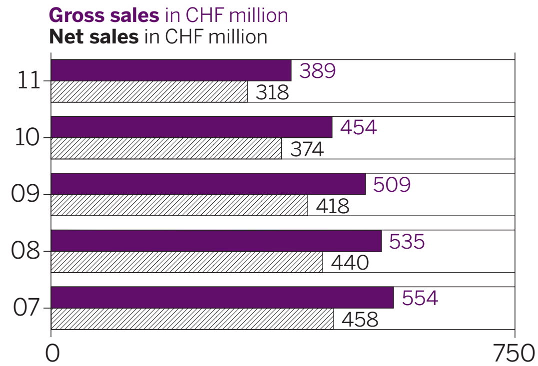
Over 2011 as a whole Charles Vögele saw total sales in Germany decline by 4.2 %, or 2.4 % after adjusting for changes in exchange rates and retail floorspace (like for like). In the second half of the year the extremely mild temperatures and the continuing euro crisis had a negative impact on sales. In September and October, it proved difficult to sell off all the items from the winter collection.

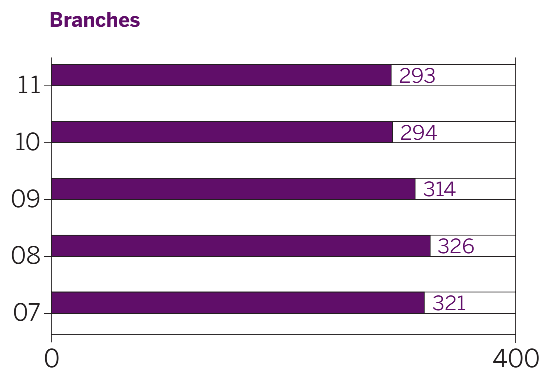
Developing the branch portfolio: additional new temporary stores

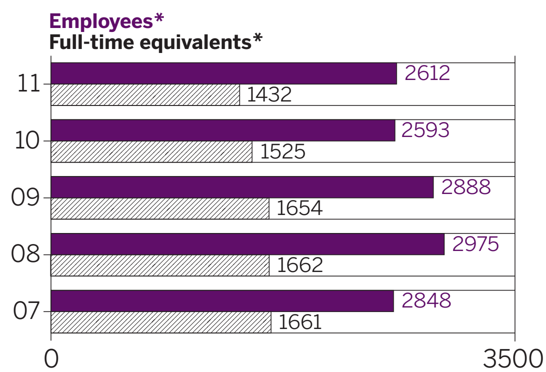
During the year under review eleven new stores were opened, while twelve were closed. By the end of 2011 a total of 55 stores were fitted out in the new design. In addition, 70 stores have been refitted in line with the new visual merchandising concept. At the end of 2011 there were 293 shops in operation (previous year 294), plus six "temporary stores."

Employee numbers: logistics outsourced

In 2011, Charles Vögele employed an average of 1 432 employees in Germany on a full-time basis (previous year 1 525). The reduction is due to the outsourcing of all logistics operations and to the optimization of the branch portfolio. In 2011, 150 apprentices were in training.





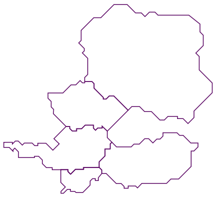


*without apprentices

Jakub, 48

Charles Vögele Store Wola Park, Warsaw/Poland

"I like the clear presentation of the goods
– I like shopping at Charles Vögele."



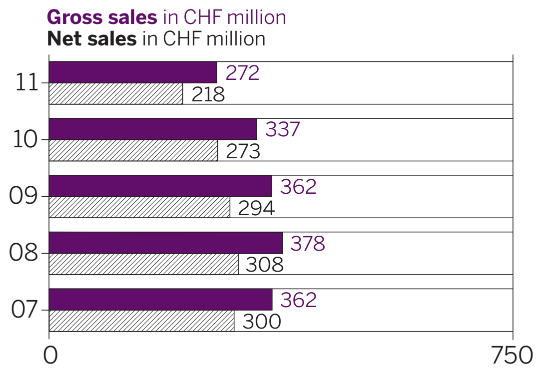
Business hampered by difficult operating conditions and supply bottlenecks. Further cost reductions facilitated by centralization of country organizations.

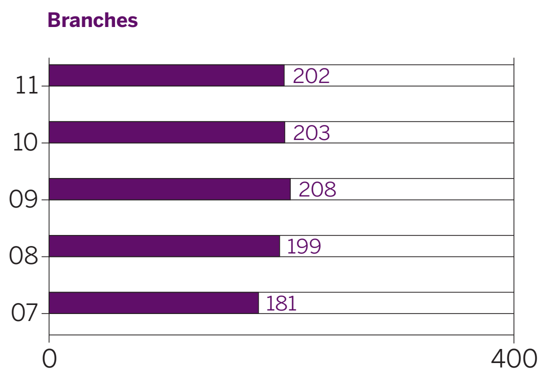
During the year under review, general economic conditions and, consequently, consumer sentiment were subdued in the countries that make up the CEE region: Austria, Slovenia, Poland, Hungary and the Czech Republic. As in other regions, fear of recession and uncertainty relating to the euro crisis had a dampening effect on private spending.

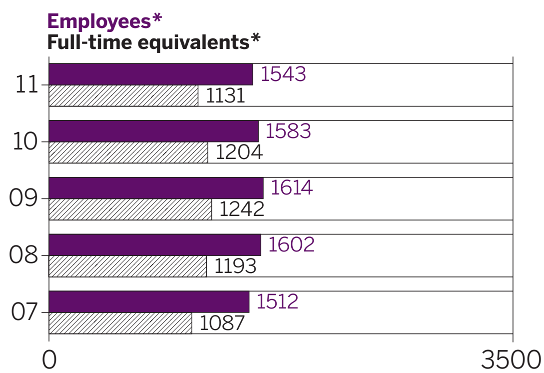
Business performance: Slovenia on a growth path
In the CEE region in 2011, Charles Vögele saw total sales decline by 9.3 % in local currency terms. After adjusting for exchange rate movements and changes in floorspace, the fall was 9.1 %. Only Slovenia, thanks to expansion, was able to increase sales. The move from separate country organizations to a central CEE office in Austria was continued, resulting in further cost reductions.

Branch portfolio
In 2011 Charles Vögele opened seven new branches across the region. Another twelve outlets, mostly in Austria, were fitted out with the new visual merchandising concept. Eight branches were closed. By the end of 2011 a total of 34 stores had the new store design. Meanwhile the total number of stores in the CEE Region was down from 203 at end 2010 to 202.

Employee numbers
In 2011, Charles Vögele employed an average of 1 131 employees in the CEE Region on a full-time basis (previous year 1 204). The decrease in staff numbers was largely due to optimization of the regional branch network as well as the outsourcing of the logistics personnel.







*without apprentices

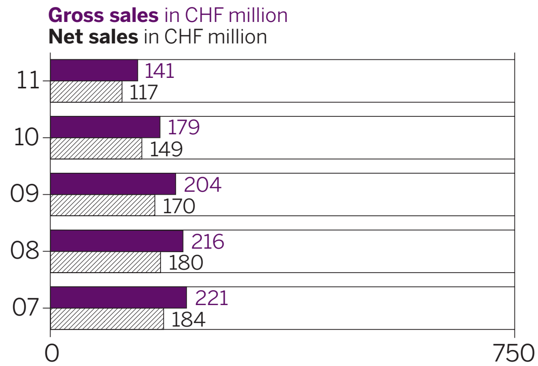
Lack of confidence in the economy inhibits consumer sentiment. Slow business results in weak sales, especially in the autumn.

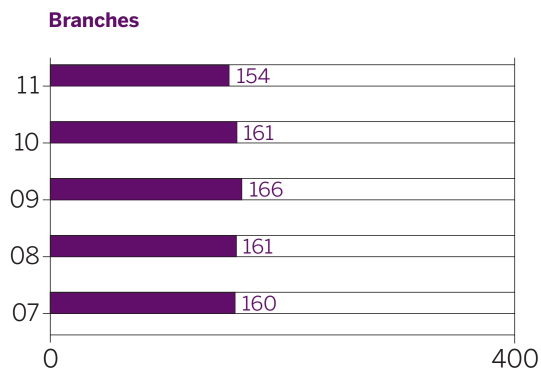
Owing to the difficult economic environment and declining private spending on consumption, the clothing market in the Netherlands shrunk by 7 % in 2011. Meanwhile, the market in Belgium increased by 1 % thanks to a strong spring and summer season.

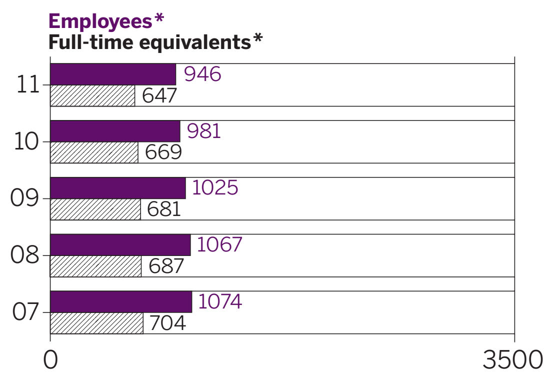
Business performance: slow autumn
Gross sales in the Benelux region shrank by 11.7 % after adjusting for currency movements, or by 8.4 % after adjusting for exchange rates and floorspace (like-for-like). This was due in particular to the sluggish mood on the market – with weak sales especially in September and November – and to the contrast with the high prior year figures, which were boosted by the sell-off of old stock.

Branch portfolio: expansion of new shop design
In 2011 Charles Vögele opened one new branch in the Benelux region. Eight shops were closed. In addition, the company refurbished another seven outlets in line with the new store design concept. By the end of 2011, a total of 47 shops were fitted out in the new design. The total number of stores in the Benelux region at the end of 2011 was 154 (previous year 161).

Employee numbers: slight decline
In 2011, Charles Vögele employed an average of 647 employees in the Benelux region on a full-time basis (previous year 669). The reduction is due to continued optimization of the branch network.







*without apprentices

CORPORATE SOCIAL RESPONSIBILITY

Charles Vögele aims to bring social responsibility, environmental awareness and financial success together.

Dorota, 48

Charles Vögele Store Wola Park, Warsaw/Poland

"I shop regularly at Charles Vögele – the value for money is perfect."

CORPORATE SOCIAL RESPONSIBILITY

"We are a company with a long tradition, and within our complex global market environment we take our responsibilities to society, our customers, employees, suppliers and the environment very seriously. Every day we strive to combine financial success, social responsibility and environmental awareness."

FRANK BEECK, CEO

CHARLES VÖGELE'S APPROACH TO CORPORATE RESPONSIBILITY

Taking into account the needs of our key stakeholder groups, Charles Vögele has defined five topics that impact directly on sustainable business success. The following report is structured in line with these topics:

KEY FOCUS	THEMES	*Achievements in 2011*	AIMS FOR 2012
Responsibility to customers, product quality	– Customer satisfaction – Quality assurance	*– Further improvement of product integrity thanks to streamlining of organizational structure*	– Continual improvement of processes to strengthen product integrity
Supplier management	– Environmental and social standards – BSCI guidelines – Training/education – Selecting new suppliers	*– More suppliers checked by BSCI auditors* *– Constant improvement in audit results*	– Expand portfolio of suppliers that are BSCI or SAI certified – Extend processes for removing irregularities – Efficient support for implementation and maintenance of BSCI standards
Our employees	– Employee development – Employee satisfaction – Diversity	*– Internal training carried out* *– Successfully completed apprenticeships* *– Introduction of a Group-wide ombudsman*	– Employee survey – Increased employee satisfaction – Corporate responsibility sensitization activities – Focus strengths on core competencies (sales)
Social commitment	– Support for training projects in Bangladesh	*– Successful training of 4 000 poverty-stricken people as part of the Swisscontact project since 2005*	– Evaluation of new projects – Work with local population – Improve living conditions of people who have done the Swisscontact training course
Environment and climate protection	– Environmental principles – Sustainable operations – Reduced energy consumption and emissions – Increased energy efficiency – Transport, recycling	*– Group-wide CO_2 savings of 12 000 tonnes through greater use of renewable energy sources and energy-efficient lighting* *– 20 % CO_2 savings through improved logistics*	– Modernize lighting system – Improve efficiency of transport – Energy monitoring tests

1 CUSTOMER RESPONSIBILITY AND PRODUCT QUALITY

Security and health are top priorities for Charles Vögele. The Company is doing all it can to ensure that the dyes, additives, fibres and stitching it uses in products cannot cause skin irritation or other undesirable health issues. Charles Vögele requires all its suppliers to follow strict guidelines with regard to their manufacturing methods, the additives they use and their compliance with local environmental protection rules. Charles Vögele also avoids using sand-blasting techniques on its denim products and does not sell items containing animal fur. The norms laid down by the European Union for children's clothes are, of course, respected and followed. All items go through inline and final inspections in the country of manufacture, as well as a strict incoming goods inspection when they reach Germany, Austria or Switzerland. Charles Vögele regularly carries out spot tests and has the selected items analyzed by external, independent laboratories to ensure that all regulations are adhered to and that products are always safe for customers.

2 SUPPLIER MANAGEMENT

Charles Vögele Group sources all of its clothes from external suppliers. Most items are commissioned directly from manufacturers in Asia and Europe, and then sold under Charles Vögele's own brand. This presents the Company with particular challenges. Charles Vögele works hard to ensure that every product, no matter where it is produced, meets high standards with regard to quality, ethics and environmental impact. It gives particular priority to compliance with social and ethical principles in its work with suppliers.

Producer countries

Goods are manufactured within the parameters of Charles Vögele's vertically organized global procurement strategy. While collection design, purchasing and logistics are all centralized at our head office in Pfaeffikon (Switzerland), our complex procurement structures extend all over the world. Around 90 % of goods come from Asian countries. Consequently we have set up our own procurement offices in Hong Kong, China, Bangladesh and India. These offices function as local interfaces with Asian producers, and their jobs include creating transparency about our suppliers and

Breakdown of goods manufacture by country

	2011			2010		
	ASIA/EUROPE SPLIT		AS % OF TOTAL	ASIA/EUROPE SPLIT		AS % OF TOTAL
ASIA	89.4 %	China	37.60 %	88 %	China	45 %
		Bangladesh	36.17 %		Bangladesh	25 %
		India	8.55 %		India	9 %
		Pakistan	1.51 %		Pakistan	2 %
		Indonesia	1.74 %		Indonesia	2 %
		Other countries in Asia	3.78 %		Other countries in Asia	5 %
EUROPE	10.6 %	European countries	10.6 %	12 %	European countries	12 %
		TOTAL	100 %		TOTAL	100 %

their production structures, as well as improving procurement processes. The following table provides details of where Charles Vögele's products originate from:

Member of BSCI and SAI

Charles Vögele Group has been a member of the non-governmental organization (NGO) Social Accountability International (SAI) since 2001. SAI promotes better social and working conditions within transnational companies. In 2004 Charles Vögele became one of the founding members of the Business Social Compliance Initiative (BSCI) in an effort to intensify work on improving compliance with social and environmental guidelines (e.g. on freedom of assembly, non-discrimination, wages, working hours) in the global supply chain. The standard BSCI Code of Conduct is now a fixed component of all Charles Vögele supplier contracts. This Code is based on numerous agreements, including the conventions of the International Labour Organization (ILO), the UN Global Compact and OECD guidelines.

The BSCI process and Charles Vögele

As a member of the BSCI, Charles Vögele is committed to implementing the BSCI system, regularly arranging audits of its own suppliers, and encouraging improvements in their performance. For all of Charles Vögele Group's suppliers, the BSCI Code of Conduct and compliance with BSCI standards are prerequisites for a working relationship. Before the audit process and self-certification begin, the suppliers and in particular the employees at production facilities are supported with specific training, which the BSCI regularly carries out locally in local languages. In addition, staff at our local procurement offices are asked to give suppliers help and advice to support their efforts to implement the standards.

All our suppliers are audited according to BSCI standards by independent SAI-certified companies. To help suppliers implement the BSCI Code of Conduct, Charles Vögele pays the costs of the initial audit. If suppliers fail to meet the BSCI standards in the first audit, the auditors work with the suppliers to define corrective measures. Charles Vögele also helps suppliers as much as possible with imple-

BSCI process

Value-Added Statement

CHF 1000	**2011**	2010
Net sales	1 016 225	1 198 226
Other operating income	4 343	5 113
Financial income	717	723
Group services	**1 021 285**	**1 204 062**
Purchased materials and services	**(773 777)**	**(801 826)**
Gross value added	**247 508**	**402 236**
Depreciation and impairment	(92 547)	(71 897)
Net value added	**154 961**	**330 339**
Distribution of net value added		
Employees	267 932	291 980
Government	656	11 220
Lenders	5 519	9 368
Shareholders (based on proposed appropriation of earnings by the Board of Directors)	–	4 182
Company	(119 146)	13 589
Total	**154 961**	**330 339**

menting the "Corrective Action Plan" (CAP). Suppliers are then re-audited within a year at most.

Charles Vögele's long-term aim is to ensure that all suppliers comply with the BSCI Code. Charles Vögele sees the achievement of qualitative, social and environmental standards as a gradual learning process, which is why it invests in the training and development of suppliers who show an interest and commitment.

Number of employees and full-time posts

	2011		2010	
	NUMBER OF PERSONS (without apprentices)	NUMBER OF FULL-TIME POSTS	NUMBER OF PERSONS (without apprentices)	NUMBER OF FULL-TIME POSTS
TOTAL	7 279	4 690	7 345	4 861
SWITZERLAND	2 016	1 325	2 039	1 321
GERMANY	2 616	1 436	2 598	1 530
CEE REGION	1 543	1 131	1 583	1 204
BENELUX REGION	946	647	981	669
ASIA	158	151	144	137

Steffanie, 42

Charles Vögele Store, Landgraaf/the Netherlands

"Charles Vögele offers great fashion. The shop is nice and I feel very comfortable here."

3 OUR EMPLOYEES

Our employees' know-how and commitment are central to Charles Vögele's success.

Employee structure

At end-2011 the Charles Vögele Group had a total of 7 300 employees of whom 4 690 worked full time. Charles Vögele has a widespread and diverse workforce. Germany and Switzerland are the biggest sales organizations, accounting for around a third each of total headcount. The remainder are split between the CEE and Benelux regions. Charles Vögele is committed to basic training and in 2011 employed 592 apprentices. Our employees come from almost 60 different nations, and their average age is 40. The vast majority of employees (91.84 %) are women, most of whom work in sales. We are very pleased that 79 % of management positions in sales are also occupied by women.

Personal development and career prospects for trainees

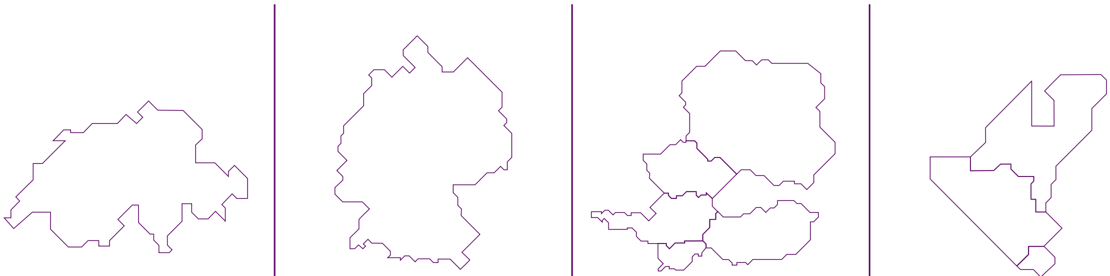
The majority of Charles Vögele Group's employees are in daily contact with clients. Our people on the sales floor act as the company's calling cards. This is why the company puts such emphasis on continuous training and development for its employees, viewing this task as a core investment in the future of the Group. With the aim of improving the qualification of the employees, Charles Vögele supports them by providing specific trainings. The company also feels it is important to help young people embark upon a career in the clothing industry and to encourage talent in a targeted manner. The large number of young employees who successfully passed their final exams pays testament to their impressive achievements.

Ombudsman unit

In 2011 Charles Vögele set up an ombudsman unit for all employees, business partners and customers. These groups can anonymously report any illegal activity to the ombudsman. The ombudsman unit handles all enquiries and bases its response on the company's Code of Conduct, which is in turn based on the principles of the "VIOLETT" strategy. The unit is managed by a law firm in Zurich.

Number of different nationalities in each sales organization 2011

2011



~ 30	~ 35	~ 15	~ 10
SWITZERLAND	GERMANY	CEE REGION	BENELUX REGION

4 SOCIAL COMMITMENT

Charles Vögele has a long-term partnership with Swisscontact. Since 2005, the organizations have worked together to support various social projects in Bangladesh, Charles Vögele's second largest supplier country. Bangladesh is one of the world's poorest countries, and most of the population of its capital, Dhaka, live in slums. Women in particular have barely any access to the labour market, often because they have no education.

This is where the "Entering the world of work through training in the clothing industry" project comes in. The project, which Charles Vögele has supported since 2005, aims to train poverty-stricken people, especially women, in practical skills needed by the clothing industry, including tailoring, sewing, embroidery and printing techniques. The aim of the project is to help participants find an income-generating occupation and thus create a better standard of living for themselves.

Since the project began in 2005, it has trained 4 000 people from the Dhaka slums. Six training centres have also benefited. 75 % of those taking the course go on to find a position in the clothing industry or in sales, or work with other NGOs, or set up their own businesses.

5 ENVIRONMENT

Charles Vögele Group is not a resource-intensive company. Nevertheless, it regards global climate change as one of the essential indicators of the current overexploitation of resources, which is why it has launched various measures to promote climate awareness in its operational activity, as well as environmentally sound products. Across the group as a whole, Charles Vögele has managed to make CO_2 savings amounting to 12 000 tonnes just by the use of electricity from renewable hydroelectricity and by implementing energy-efficient lighting. Charles Vögele also works hard to sensitize the general public to the relevant issues. On environmental and climate matters, the company adheres to the following principles:

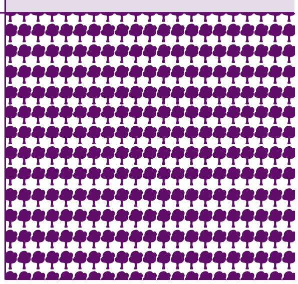
Energy efficiency

ELECTRICITY FROM 100 % RENEWABLE HYDROELECTRICITY

SAVINGS OF CO_2 10 373 TONNES

* Based on: Electricity mix in Germany: CO_2: 494g/kWh
** Based on: 80 beeches/tonne CO_2

FOREST OF 829 920 BEECH TREES



ENERGY-EFFICIENT LIGHTING

SAVINGS OF CO_2 1 358 TONNES

* Based on: Electricity mix in Germany: CO_2: 494g/kWh

FOREST OF 108 640 BEECH TREES

Climate friendly operations
- We are increasingly using renewable sources of energy
- We are converting our stores to energy-efficient lighting
- We are making transportation of our goods as environmentally friendly as possible

Environmentally friendly products
- We re-use transportation materials and transit packaging as often as possible and recycle waste
- We use environmental criteria as part of our supplier selection process

Public awareness and dialogue
- We are committed to public debate about the environment and climate change

Climate-aware operations
Charles Vögele is committed to climate-friendly operations, with the aim of reducing CO_2 emissions. Because the great majority of its stores are housed in rented premises, the company has limited opportunities to influence environmental aspects when these buildings are being constructed. However, Charles Vögele does the following things to help make the operation of its business more climate friendly:

– Increasingly converting to renewable electricity sources. In 2011, 85 % of Charles Vögele's German stores were powered by renewable hydroelectricity. This switchover has led to CO_2 savings of 10 373 tonnes. This is equivalent to a forest of 829 920 beech trees.

– Reducing energy consumption by using more efficient lighting During the period under review Charles Vögele refitted 90 stores, mainly in Germany, with energy-efficient lighting. This led to a 45 % reduction in energy consumption, equivalent to a saving of 1 358 tonnes of CO_2, or 108 640 beech trees. Over the next few years the new lighting system will gradually be rolled out to our other sales organizations.

– Greener transportation Goods are nearly always transported to Europe by boat, which is the most environmentally friendly form of transportation. External logistics partners ship the containers from various ports in South East Asia directly to one of the two European distribution centres –

Environment

CLIMATE FRIENDLY OPERATIONS	ENVIRONMENTALLY FRIENDLY PRODUCTS	PUBLIC AWARENESS AND DIALOGUE
"We are increasingly using renewable sources of energy."	"We re-use transportation materials and transit packaging as often as possible and recycle waste."	"We are committed to public debate about the environment and climate change."
"We are converting our stores to energy-efficient lighting."	"We use environmental criteria as part of our supplier selection process."	
"We are making transportation of our goods as environmentally friendly as possible."		

Hamburg (Germany) and Koper (Slovenia). From there, the goods are distributed to individual stores by rail or road. Stores generally receive deliveries at least twice a week.

Deliveries to Southern European countries were reconfigured in mid-2011. Since then stores in Southern Europe have received goods directly from the port of Koper, which cuts the total sea route by a third. This also means that the overland journey of approximately 1 000 kilometres from the north (Hamburg) to the south of Europe is no longer necessary. The new delivery strategy has led to CO_2 savings of around 20 %.

Rail transport is used for local distribution of goods wherever this is possible and sensible. In large countries where long journeys are required, the use of lorries is further optimized by using the largest possible trucks for a greater number of stores within a local hub. Local distribution is then managed from this hub. At this local level, transport service providers are required to use vehicles with the lowest possible emissions.

Climate friendly products

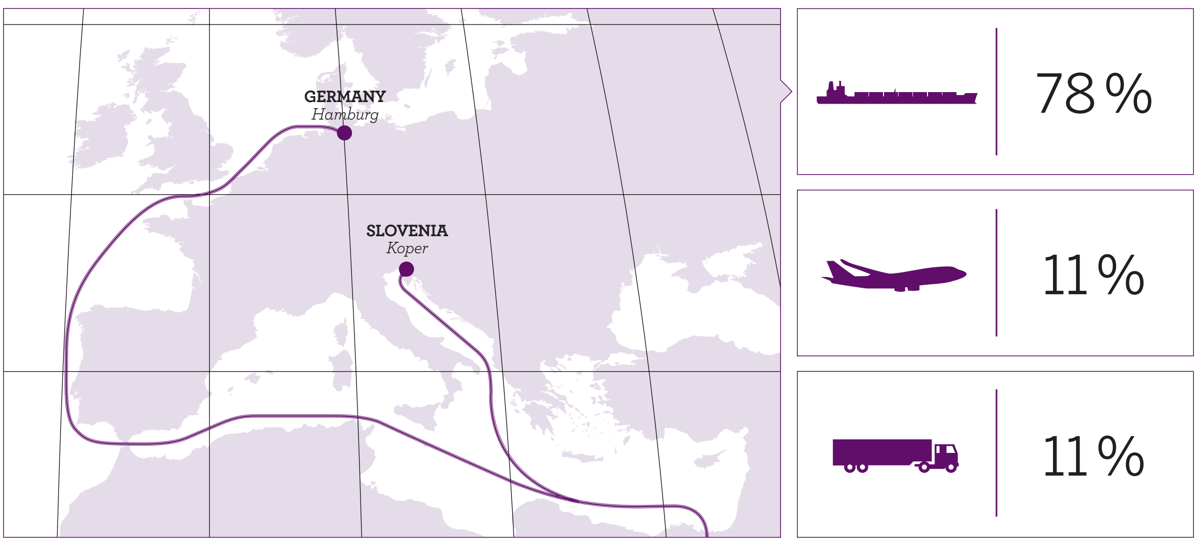
Recycling

Clothes hangers are managed in a carefully regulated cycle, with each one being returned to the distribution centres for use with new clothes. If any hangers are defective, they are removed from the cycle and granulated. The granules are used to make new hangers.

The stores return paper, card and plastic wrappings to the logistics centres, where they are disposed of professionally. For goods that are displayed folded in piles, delivery is gradually being switched to reusable plastic containers, thus reducing the need for cardboard significantly.

Any cardboard boxes received as part of the procurement process are flattened and sent for recycling.

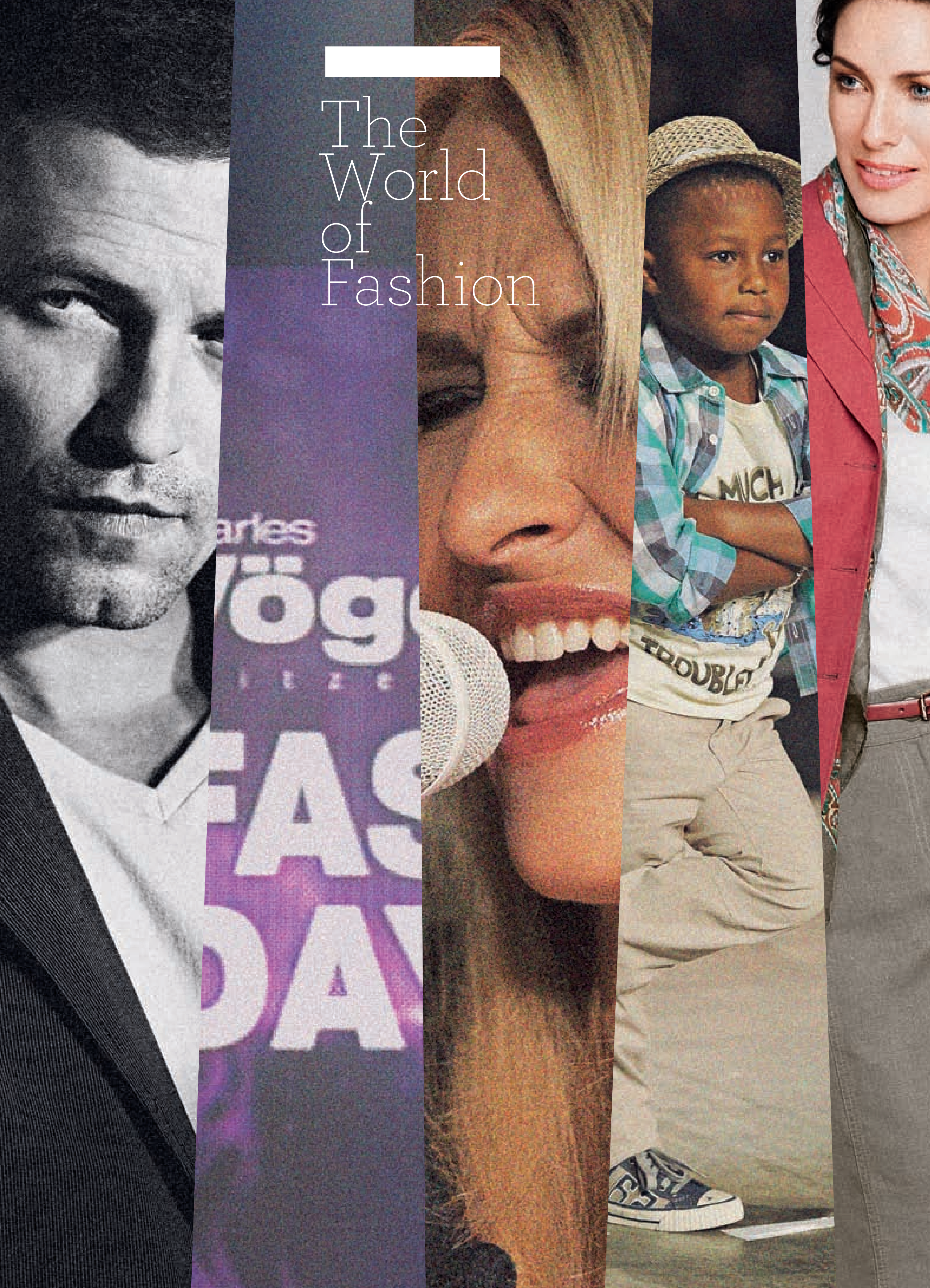
Transportation



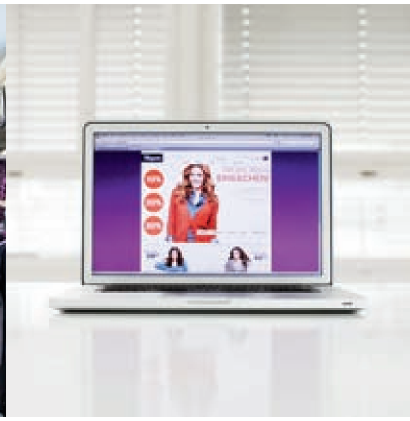
Environmental criteria in the supplier selection process
The production of clothing by our suppliers has a substantial environmental impact, which is why Charles Vögele tries to promote careful use of environmental resources by its suppliers. This issue will become increasingly important in future.

Public awareness and dialogue
Charles Vögele is a member of "Agence de l'energie pour l'economie"
This commits Charles Vögele to active reduction of CO_2 emissions and optimized energy efficiency. Through clever use of modern lighting concepts, Charles Vögele has managed to reduce its electricity consumption over the years, even though it stores' opening hours have generally lengthened. It has also managed to reduce CO_2 emissions from fuel use, though this is insignificant in volume terms.

The World of Fashion



NEWS



Stores worldwide

By the end of 2011, 160 outlets – approximately 20 % of the total – boasted the new store design. Attractive advertising spaces, including decorative frames and photowall elements that can be changed each season, now establish the connection between the advertising campaigns and the latest collections. To make it easier for customers to find their way around the stores, the corporate colour, violet, is used to indicate fixed points such as cash desks and changing rooms.

The new store concept continues to be rolled out. In 2012, 16 new stores will be opened and approximately 60 will be given a make-over.

Online shop

The Charles Vögele online shop opened for business in main markets Switzerland, Germany and Austria on 1 February 2011. And since October 2011, customers in Belgium and the Netherlands have also been able to shop online. Slovenia, Poland, the Czech Republic and Hungary follow in early 2012.

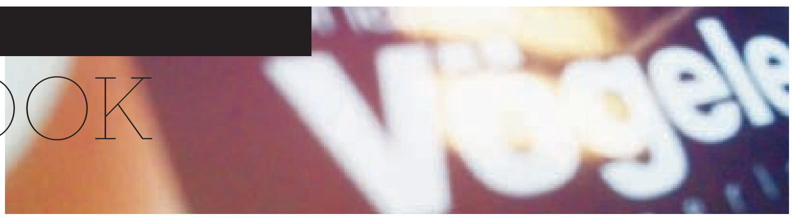
More
>

Trends 2012

2012 is the year of colours: in spring it is all about strong shades of pink and blue, followed by floral prints in different colours and strong contrasts for summer. Fitted blazers and coats in combination with warm yellow and berry shades provide a feminine touch for autumn. Men's clothes are also making a colourful statement with chinos, check shirts and bright shirts under a suit.

Spring collection, more on page 34

OUTLOOK



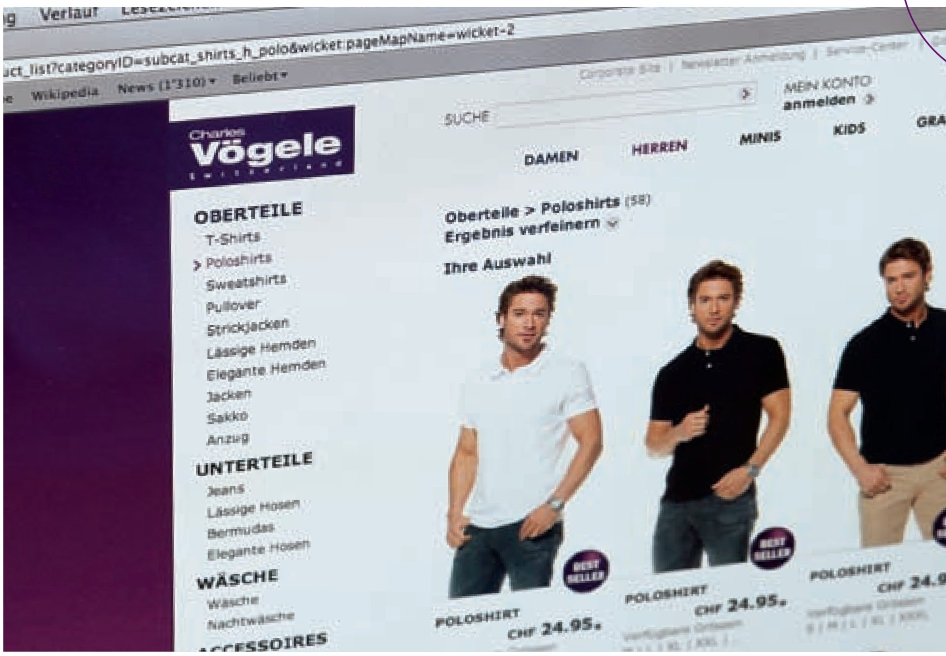
AMENDED BRAND STRATEGY

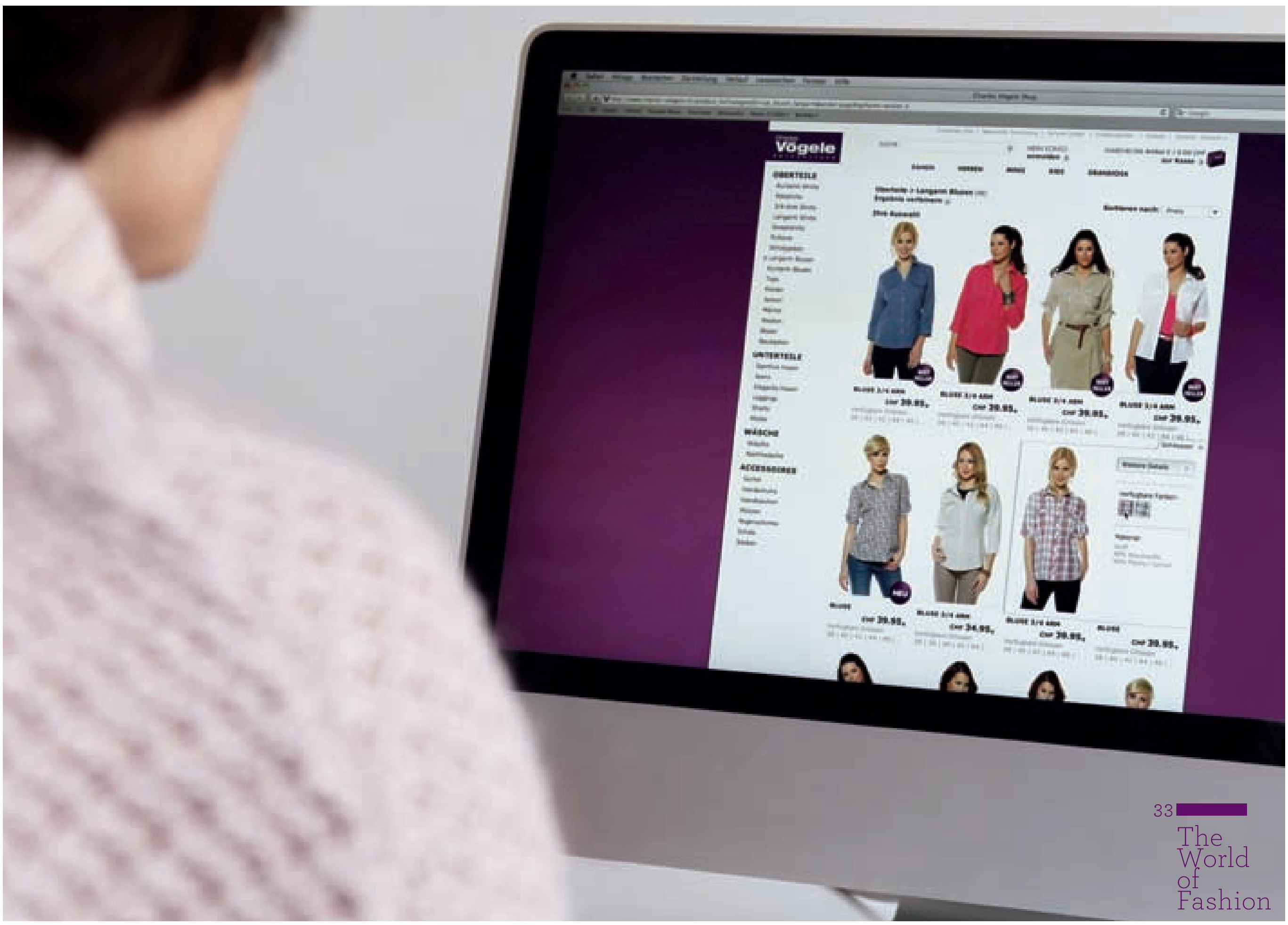
In order to sharpen Charles Vögele's profile and to position the brand clearer in the market, the company has decided to concentrate in future on the strong overall Charles Vögele brand. All collections will be run under the Charles Vögele brand. The different styles of clothing will be distinguished by the way they are presented in the stores. There will still be different styles of clothes in the stores, but they will all appear under the same brand name. Implementation of this new brand strategy should be completed by the time the 2013 spring/summer collection arrives.

ONLINE SHOPPING

Charles Vögele is following a multi-channel approach with its online shop, which means that customers can use their "Charles Vögele FashionCard" and collect bonus points online. Gift vouchers can also be used online. Items are delivered to the customer's home or a branch of their choice within a few days. Orders can be returned to any branch in the same country or by post.

Online shop:
www.charles-voegele.ch





The spring collection "California" is influenced by the 1980s. The comfortable and easygoing styles are worn with oversized pieces. Slim jeans, preferably stonewashed, not only in blue but also in colours right across the spectrum with pink, turquoise and yellow, are combined with oversized tops. It is the individuality, that is all-important: all pieces can be combined with another – blazers and cardigans with t-shirts, blouses, chinos, maxi dresses and miniskirts.

NEW COLLECTION SPRING

In line with the slogan "Happy Sun," girl's fashion is romantic: playful dresses in shades of pink and rose, detailed floral and butterfly prints on blouses and hot pants are the main themes. For boys, it's all about the great outdoors: single-colour Bermuda shorts with side pockets, or a military print, and worker pants are combined with check shirts and t-shirts with casual prints.

Jeans and chinos in strong colours are worn with oversized tops, asymmetric blazers and trench coats. Suitable accessories are narrow belts, hats, colourful scarves and denim bags with leather details. This gives a casual look: always a little underdressed, never overdressed.

Til Schweiger behind the scenes

Since September 2011 the self-designed collection by the internationally famous actor and producer Til Schweiger is available in selected stores. Til Schweiger was involved in every stage of the Biaggini Violett collection for the fashion retailer, from the first sketch to the finished garments. The cut and quality of each piece of clothing was discussed intensively. Christian Braun, Head of Designer Men's Wear Charles Vögele, says, "Til makes a strong contribution with his fashion sense. It is important to him that every single item in the Biaggini Violett collection could come from his wardrobe."

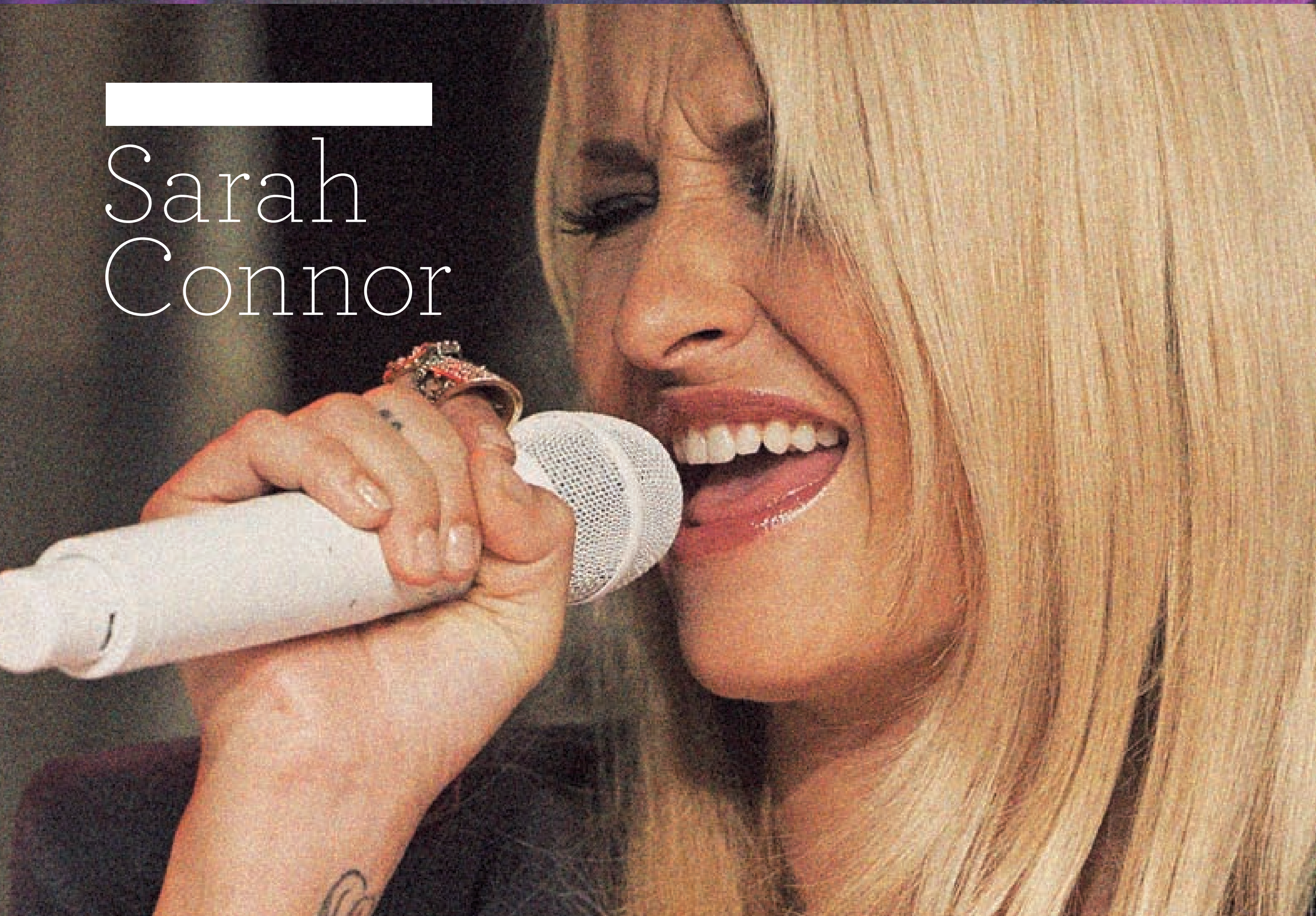

DRS

CHARLES VÖGELE BY NUMBERS

7 300 employees
592 apprentices
640 703 m^2 of sales space
462 million fashion magazines per year
3 million customer cards
27 million customer transactions

16 million t-shirts a year
31 000 ties a month
3,7 million pairs of jeans a year
1,5 million items of lingerie a year
8 800 suits per month
4,7 million accessories a year
163 000 jackets a month

Charles Vögele Switzerland



Sarah Connor

On stage

The second edition of Charles Vögele Fashion Days was a resounding success. More than 6000 guests came to see the fashion spectacular at Puls 5 in Zurich between 9 and 12 November 2011. The new Casa Blanca and Biaggini Violett collections, designed by Penélope and Mónica Cruz and Til Schweiger, made a big splash on the opening night of the Charles Vögele Fashion Days 2011. Til Schweiger came onto the catwalk to present his spring/summer collection to 950 fashion fans. Other VIP guests included Swiss models Leijla Hodzic, Ronja Furrer and Anouk Manser, the former face of Nivea, Pia Pauli, and reigning Miss Austria, Carmen Stamboli. Further highlights of the evening included the appearance of German pop and soul singer Sarah Connor. Charles Vögele's second appearance came on Saturday. During a charming "Kids Show," 50 children aged between three and twelve presented some very trendy fashions.









HARD

CORPORATE GOVERNANCE

Charles Vögele Group is committed to transparency and a clear definition of responsibilities.

Angelique, 43

Charles Vögele Store, Landgraaf/the Netherlands

"I find Charles Vögele modern and fresh. And the employees are always friendly and helpful."

CORPORATE GOVERNANCE

Good corporate governance is an important component of our company policy. Charles Vögele Group is committed to transparency and a clear definition of responsibilities. It follows the Swiss Code of Best Practice for Corporate Governance, fulfilling all the statutory requirements as well as the applicable rules and standards of the SIX Swiss Exchange.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

Charles Vögele Mode AG
Freienbach SZ, CH
Share capital, CHF 26 400 000

Charles Vögele Mode AG
Freienbach SZ, CH
Share capital, CHF 20 000 000

Charles Vögele Deutschland GmbH
Sigmaringen, DE
Partnership capital, EUR 15 340 000

Charles Vögele (Austria) GmbH
Kalsdorf, AT
Partnership capital EUR 1 453 457

Charles Voegele trgovina s tekstilom d.o.o.
Ljubljana, SI
Partnership capital, EUR 667 668

Charles Vögele (Belgium) N.V.
Turnhout, BE
Share capital, CHF 10 063 906

Charles Vögele (Netherlands) B.V.
Utrecht, NL
Partnership capital EUR 1 000 200

Charles Voegele Polska Sp. z o.o.
Warsaw, PL
Partnership capital, PLN 4 000 000

Charles Vögele Hungária Kereskedelmi Kft.
Budapest, HU
Partnership capital, HUF 240 000 000

Charles Voegele Ceská s.r.o.
Prague, CZ
Partnership capital, CZK 30 000 000

Charles Vögele Trading AG
Freienbach SZ, CH
Share capital, CHF 10 000 000

Cosmos Mode AG, Pfaeffikon
Freienbach SZ, CH
Share capital, CHF 100 000

Charles Vögele Import GmbH
Lehrte, DE
Partnership capital, EUR 25 000

Charles Voegele Fashion (HK) Ltd.
Hong Kong, HK
Share capital, HKD 100 000

═ Holding Company
— Sales organization
- - Service organization
As at 31 December 2011

Charles Vögele Holding AG is the holding company for all of the Group's companies.

Charles Vögele Trading AG is responsible for all Group-wide services, including purchasing, IT, marketing and communications, accounts, financial control, insurance, legal services, compliance and risk management.

Comos Mode AG, Pfaeffikon, is the owner of all the Group's brands and domain names.

Charles Vögele Import GmbH handles operational functions associated with customs clearance and storage logistics.

Charles Vögele Fashion (HK) Ltd. is Charles Vögele Group's sourcing office in China. It coordinates the activities of the Group's own sourcing offices in China, India and Bangladesh.

1.2 Significant shareholders

Charles Vögele provides information about significant shareholders where disclosures are made during the year under review pursuant to art. 20 of the Federal Act on Stock Exchanges and Securities Trading. The duty to disclose shareholdings arises when people, entities or groups reach, exceed or fall below the thresholds of 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3 percent of voting rights in Charles Vögele Holding AG. For disclosures made in 2011 see note 9 of the Financial Report.

There are no shareholder agreements.

1.3 Cross shareholdings

There are no cross shareholdings between Charles Vögele Holding AG and other joint stock corporations.

2 CAPITAL STRUCTURE

2.1 Share capital

As at 31 December 2011, the share capital of Charles Vögele Holding AG amounted to CHF 26 400 000 and was made up of 8 800 000 fully paid-up bearer shares (securities number: 693 777/ISIN code: CH000 693 777) with a par value of CHF 3.00 each.

As at 31 December 2011, Charles Vögele Holding AG held 395 409 of its own shares (31 December 2010: 436 143), which are earmarked to meet the obligations of the existing management share option plan. For detailed information on purchases and sales of shares and on the relevant opening and closing totals see note 8 of the Financial Report.

2.2 Conditional and authorized capital

The Board of Directors is authorized to increase the company's share capital by a maximum of CHF 792 000, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 3.00 each (conditional capital, art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in management share option plan (see note 34.1 of the Financial Report). The Board of Directors can also increase the share capital at any time up to 14 April 2012 by a maximum of CHF 2.4 million through the issue of max. 800 000 shares with a par value of CHF 3.00 each. Increases in instalments are also allowed. Restrictions on or removal of shareholders' subscription rights are allowed in the cases defined in the Articles of Association (authorized capital, art. 5bis Articles of Association). The complete latest edition of Charles Vögele Holding AG's articles of association can be viewed on the company's website at www.charles-voegele.com at any time.

2.3 Changes in capital

See balance sheet and note 7 of notes to the financial statements of the Charles Vögele Holding AG on page 63 and 64 of the Financial Report.

2.4 Shares and participation certificates

As of 31 December 2011, the share capital of Charles Vögele Holding AG amounted to 8 800 000 fully paid-up bearer shares with a par value of CHF 3.00 each. There are no restrictions on the transfer of shares. As stipulated in art. 659a of the Swiss Code of Obligations, every share entitles the holder to receive dividends and to vote at the Annual Shareholders' Meeting. There are no participation certificates.

2.5 Dividend-right certificates

There are no dividend-right certificates.

2.6 Restrictions on transferability and nominee registrations

There are no restrictions on transferability or nominee registrations.

2.7 Convertible bonds and options

There are no convertible bonds. The only options are those associated with the management share option plan (see note 34.1 of the Financial Report).

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

Hans Ziegler, 1952, Swiss
Chairman since 13 September 2011, Vice Chairman from 1 April 2009 to 12 September 2011,
term of office 2008-2012, first elected 2008
Business economist. Since 1997 independent management consultant with international mandates in crisis management, restructurings and repositionings. From August 2009 to May 2010 Delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG. 2000 to 2005 CFO of the Pragmatica Group. In 2003 CEO of the Erb Group. 1991 to 1995 Head of group finance, IT and group development at the Globus Group, and 1988 to 1991 CFO and CIO at the Usego-Waro Group.

Jan C. Berger, 1946, Dutch
Vice Chairman since 13 September 2011
term of office 2008-2012, first elected 2008
Studied marketing and science and attended various management courses at Babson College, Harvard, and Nyenrode Business School. Since 2006 independent retail consultant. 1996 to 2006 CEO of the leading Dutch department store De Bijenkorf; Jan C. Berger is Vice Chairman of NEVI (Dutch Association for Procurement and Supply Chain), Chairman of the Meester Koetsier Foundation, member of the Advisory Boards of the Amsterdam Fashion Institute, of the Centraal Museeum Utrecht and of Visual Retailing, an organization that concentrates on the visual presentation of goods in the retail industry.

Alain Caparros, 1956, French
Chairman from 1 April 2009 to 12 September 2011,
term of office 2007-2012, first elected in 2007
Business economist. CEO of REWE Group since 2006. From 2003 until the takeover by REWE, CEO of the BON APPETIT Group, Switzerland. From 2001, member of the Executive Board of BON APPETIT Group Switzerland. From 1999 President of ALDIS ASP in France. 1994 to 1999 Managing Director of Aldi France and from 1991 Vice Chairman of Yves Rocher in Paris.

Prof. Dr. Peter Littmann, 1947, German
Term of office 2006-2011, first elected in 2006
Qualified in business management and engineering. Peter Littmann is the Managing Partner of Brandinsider Strategic Brand Consulting GmbH in Hamburg, and since 1993 has been Honorary Professor in the Marketing Faculty of the University of Witten/Herdecke (Germany). He is also a member of the Board of Directors of Nyenrode University, the Netherlands, and a member of the Harvard University Art Museum's Visiting Committee, Cambridge, USA. 1996 to 2005 Member of the Board of Directors of Bata Shoe Corporation. 1992 to 1997 Chairman of the Managing Board of Hugo Boss AG; prior to this he worked from 1982 to 1992 for the international textiles company Vorwerk & Co, latterly as President and CEO.

During the year under review a new Chairman and Vice Chairman took office as detailed above, but otherwise the make-up of the Board of Directors remained unchanged in 2011.

After taking over as Chairman of the Board of Directors, Hans Ziegler helped the Executive Committee in operational matters for a transitional period of a few weeks following the departure of the CEO. None of the other members of the Board of Directors worked in any executive functions within the Group during the year under review or during any of the three previous years.

3.2 Other activities and interests

Under the Corporate Governance Directive, the other activities and interests of the Members of the Board of Directors only have to be listed if they are significant. The Company believes that the activities of the present members of the Board of Directors are basically only significant if they relate to work on management or supervisory bodies of listed Swiss or foreign companies, or unlisted and major Swiss or foreign retail companies or institutions. Otherwise, the members of the Board of Directors are not involved in any other substantial activities or interests.

BOARD OF DIRECTORS

Alain Caparros

Hans Ziegler, Chairman of the Board of Directors

Jan C. Berger

Prof. Dr. Peter Littmann

Hans Ziegler
Chairman of the Board of Directors of Swisslog Holding AG, member of the Board of Directors and from August 2009 to May 2010 delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG.

Jan C. Berger
Chairman of the Meester Koetsier Foundation, Bloemendaal (Netherlands), Vice Chairman of NEVI (Dutch Association for Procurement and Supply Chain), Zoetermeer (Netherlands), member of the Advisory Board of Visual Retailing NL-Haarlem (Netherlands), member of the Advisory Board of the Centraal Museum Utrecht.

Alain Caparros
CEO of REWE-Zentral AG, Cologne (Germany), CEO of REWE-Zentral Finanz e.G. Cologne (Germany), Chairman of the Supervisory Board of REWE International AG, Wiener Neudorf (Austria), partner with personal liability of REWE-Deutscher Supermarkt KGaA, Cologne (Germany), Chairman/member of the Board of Directors of COOPERNIC Société coopératve à responsabilité limitée, Brussels (Belgium), member of the Board of Directors of transGourmet SE, Basel, member of the Board of the Committee on Eastern European Economic Relations, Berlin (Germany), co-opted member of the Board of the BVL-Bundesverband des Deutschen Lebensmittelshandels e.V., Berlin (Germany).

Prof. Dr. Peter Littmann
Member of the Board of Directors of Marc'O Polo AG, Stephanskirchen (Germany) and member of the Board of Directors of Ruckstuhl AG.

3.3 Elections and terms of office

The Board of Directors of Charles Vögele Holding AG has four members. The members are elected singly by the Annual Shareholders' Meeting for a term of office of one year, a "year in office" being defined as the period between two Annual Shareholders' Meetings. Reelection is permitted. If a Member departs before the end of his or her term of office, his or her successor takes over for the remainder of the departing member's term of office. The Board of Directors designates a Chairman and a secretary, neither of whom has to be a member of the Board of Directors or a shareholder.

3.4 Internal organisation

The Board of Directors meets as often as is required by the Company's activities, but at least four times a year. Ten ordinary meetings, one of which was a two-day strategy meeting, and various telephone conferences were held in 2011. All members of the Board of Directors were present at all ten ordinary meetings during the year under review. Depending on the agenda, the ordinary meetings lasted between 1.5 and 6 hours. Members of Group Management and the Board secretary are always present at the Board meetings; other employees or third parties are brought in as required.

Chairman of the Board of Directors

The Chairman of the Board of Directors is always appointed by the Board at the end of the Annual Shareholders' Meeting for a one-year term of office. He ensures that efficient processes are in place for preparing meetings, consulting, passing resolutions and implementing resolutions. He is also responsible for convening, conducting and documenting Board meetings, and sets the agenda and sequence of the meetings. The Chairman, working with the Company's other management bodies, ensures that the Board of Directors has all the information it requires to take decisions about all matters relating to the company and to perform its role as the ultimate supervisory body. He monitors implementation of the Board's resolutions and is in regular contact with the CEO.

Vice-Chairman of the Board of Directors

The Vice Chairman of the Board of Directors is always appointed by the Board after the Annual Shareholders' Meeting for a one-year term of office. The Vice Chairman supports the Chairman of the Board of Directors and can be given specific responsibilities by the full Board.

Board of Directors' committees

The Board of Directors elects the Chairs of its standing committees from among its members. The members of the Board of Directors as a whole form the committees and their meetings are usually held within the regular meetings of the Board of Directors. Each committee Chair is responsible for preparing, documenting and conducting his committee meetings. He independently conducts work sessions as necessary, bringing in internal specialists or, with the Chairman's prior consent, external specialists. Committee Chairs have no independent decision making powers and must report to the Board as a whole.

- Audit Committee
  Hans Ziegler (Chair since 1 April 2009)

The Audit Committee helps the Board of Directors supervise the accounting and financial reporting systems, and monitor compliance with the law by Charles Vögele Holding AG and by the Group Companies that it directly or indirectly controls. The committee supervises internal and external auditing procedures, and monitors adherence to statutory rules and regulations. The Audit Committee monitors the content and formal correctness of external communications on all financial matters and receives a quarterly report about current legal disputes. Working meetings of the Chair of the Audit Committee, the CFO and the heads of Group Finance, Controlling, Legal, Compliance and Internal Audit are held at regular intervals with all present, as well as in the form of bilateral discussions about specific topics (e.g. Internal Audit). The auditors, other members of Group Management and other department heads are invited by the Chair of the Audit Committee as required. Eight working meetings took place in 2011.

– Nomination and Compensation Committee
Prof. Dr. Peter Littmann (Chair since 1 April 2009)

The Nomination and Compensation Committee reviews the performance of the CEO and the other members of Group Management. Together with the CEO it evaluates any new members of the most senior level of management and submits proposals accordingly to the Board of Directors. It also submits proposals to the Board of Directors about remuneration for Group Management and members of the Board of Directors. It formulates management share option plans for the Board of Directors, Group Management and other managers, and is the Group Management's point of contact for all major human resources issues in the Charles Vögele Group. The CEO and the Head of Human Resources are asked to attend as required. No separate committee meetings were held in 2011. The subjects covered by the Nomination and Compensation Committee were discussed and decided on by the full Board.

– Strategy Committee
Jan C. Berger (Chair since 1 April 2009)

The Strategy Committee periodically reviews Charles Vögele Group's strategy and the implementation by Group Management of the Board of Directors' strategic guidelines. Working in close collaboration with Group Management, it submits proposals to the Board of Directors on changes to Group strategy as well as on major new additional business activities for the Group and/or the relinquishment of existing activities. It meets at regular intervals for about a half a day. The CEO always takes part in its work sessions, and other members of Group Management and department heads are invited as required. Eight work sessions took place in 2011, some involving store visits. A two-day strategy meeting of the full Board of Directors was also held.

3.5 Division of responsibilities between the Board of Directors and Group Management

The Board of Directors delegates the management and representation of the company entirely to Group Management to the extent allowed by the law and the Articles of Association and excluding the tasks which art. 716a SCO reserves exclusively for the Board of Directors. Matters outside the normal course of business, and especially the following if they exceed the threshold sums (in brackets), must be submitted by Group Management to the Board of Directors for approval:

- changes in the company's strategic direction, including changes to the Vögele Group's corporate identity;
- entry into or exit from major markets, areas of activity or locations;
- medium-term planning, annual budget, investment plan;
- founding, acquiring, encumbering, merging, selling, winding up and shutting down companies or parts of companies, and/or acquiring and selling stakes in companies (acquisition value > CHF 500 000);
- acquiring, mortgaging or selling land and similar property rights, as well as the associated compulsory transactions (outside budget: > CHF 1 million; within budget > CHF 2 million);
- acquisition of fixed assets and/or other capital expenditure (outside budget: > CHF 1 million; within budget > CHF 2 million);
- taking on, extending and amending long-term debt obligations (outside budget: > CHF 1 million a year; within budget > CHF 2 million a year);
- concluding, terminating or amending agreements with major shareholders (> 10 % shareholding), members of Group Management or the Board of Directors or their dependents, relatives or in-laws. Approval is also required for agreements with legal entities or other associations of individuals in which the above-mentioned people have shares or financial interests;
- selection, hiring, and dismissal of, as well as salary arrangements for and termination agreements with, employees (gross salary > CHF 500 000), and agreements with employees that deviate substantially from Vögele's Human Resources guidelines.
- taking on long-term credit facilities and loans (incl. mortgages) or issuing bonds (> CHF 10 million each);
- guarantees, letters of comfort, collateral, deeds of release and indemnities (> CHF 500 000 each) of any type for other companies or other legal entities and private individuals (apart from Group companies);
- granting credit facilities and loans to parties outside the Group (> CHF 500 000 each);
- conducting court cases, concluding settlements or waiving company claims (disputed amount > CHF 1 million).

3.6 Information from and control over Group Management

The Board of Directors receives a detailed monthly written report from Group Management that includes, among other items, the latest monthly figures, a financial statement up to the relevant month-end, plus further key figures relating to business activities. The Board of Directors also receives weekly sales figures for the individual sales organizations. The CEO informs the Chairman of the Board of Directors regularly in person about the current state of business and other key matters. At each Board meeting, Group Management informs the full Board of Directors about the current course of business. Group Management also makes available any additional information requested by the Board of Directors. This reporting is based on the budget approved by the Board of Directors, which is compared every month against the latest business performance. Investments are approved en masse as part of the budget process, though single investments of more than CHF 2 million must be approved by the Board of Directors on an individual basis before they are made definitively.

Group Internal Audit reports to the CFO in organizational terms, but has a direct functional link to the Audit Committee. Internal Audits reports are always discussed by the Chair of the Audit Committee and the Head of Internal Audit and then forwarded to the full Board of Directors for information and any decisions required. Group Management and the Internal Auditors periodically submit a report to the Audit Committee about the implementation of measures decided.

Internal Audit's tasks continue to include branch audits, control functions relating to stocktaking and training for new branch heads. In addition, it is also responsible for Charles Vögele Group's process controlling.

Group Management and the Management team periodically draw up a risk portfolio showing the top 30 risks faced by the company. The identified top risks are grouped into the following categories: "strategic", "financial", "operational" and "compliance" and ranked on one hand according to their financial impact on EBITDA (small: < CHF 10 million, medium: CHF 10 – 20 million, high: > CHF 20 million) and on the other hand on the likelihood of actually occuring (small: < 10 %, medium: 10 % – 40 %, large: > 40 %). This document forms the basis for a list of measures that Group Management proposes and the Board of Directors approves. The implementation of these measures is reviewed annually by the Board.

GROUP MANAGEMENT

Markus Voegeli,
CFO

Frank Beeck,
CEO

4 GROUP MANAGEMENT

Group Management is responsible for the operational management of the Charles Vögele Group. During the year under review, Group Management consisted of André Maeder (Chief Executive Officer until 12 September 2011), Frank Beeck (Chief Executive Officer from 13 September 2011, previously Chief Sales Officer), Markus Voegeli (Chief Financial Officer) and Werner Lange (Chief Purchasing Officer until 30 June 2011).

The CEO heads Group Management with authority to issue directives.

4.1 Members of Group Management

Frank Beeck
1967, Chief Executive Officer (CEO) since 13 September 2011, Chief Sales Officer (CSO) from 1 July 2010 to 12 September 2011, German citizen, Commercial Diploma and Master of Finance. From 2006 to 2010 Country Manager for Mango, responsible for seven Central European countries. Before that he spent two years as General Manager Europe for wholesale and retail business at Koton Textile Group. From 1993 to 2003 he worked in various management roles at Windsor, Eduard Kettner and Peek & Cloppenburg.

Markus Voegeli
1961, since 1 October 2009 Chief Financial Officer (CFO), Swiss, degree in economics. Before becoming a freelance financial consultant, from 2004 to 2008 he was CFO of listed company Valora Group, and from 2000 until 2004 he was CFO and then CEO of the start-up company Mediservice AG. Prior to this he worked for various Swissair group companies for 13 years, including a stint as CFO of Nuance Global Traders in Australia and Asia.

Changes in Group Management

During the year under review the following changes were made within Group Management:

- André Maeder was Chief Executive Officer of Charles Vögele Group from 16 February 2009 to 12 September 2011;
- Werner Lange worked at Charles Vögele Group as Chief Purchasing Officer from 1 July 2007 to 30 June 2011.

4.2 Other activities and interests

The members of Group Management do not conduct any major additional activities outside their areas of responsibility in corporations, institutions, or foundations organized under private or public law. Neither do they have any permanent executive or advisory functions in any major Swiss or foreign companies, interest groups, or political parties, or hold official posts or political offices.

4.3 Management contracts

There are no management contracts.

5 MANAGEMENT ORGANIZATIONAL STRUCTURE

CEO

- Legal & Compliance*
- Communications
- Business Development
- Human Resources

CCO***
- Product Management DOB/Acc.
- Product Management HAKA/KIKO
- Marketing
- Sales
- CH
- D
- CEE
- Benelux

COO (to be appointed)
- Sourcing
- Purchasing Operations
- Merchandise Planning
- Supply Chain Management**

CFO
- Finance
- Controlling
- Indirect Procurment
- Information & Communication Technology
- Business Information Center
- Internal Auditing*

* Reports additionally to the Board of Directors
** Managed by CFO currently
*** Managed by the CEO until further notice

6 COMPENSATION, SHAREHOLDINGS AND LOANS

6.1 Basic principles

The principles of Charles Vögele's salary policy are defined by the Board of Directors as a whole on the basis of preparations by the Chair of the Nomination and Compensation Committee. These principles are periodically assessed against international benchmarks. Compensation is based on function, individual performance, training and experience, as well as on the company's position and the competitive situation on the relevant local labour markets and in specific areas of expertise. Charles Vögele pays competitive industry-benchmarked remuneration in order to attract skilled and motivated employees and retain them for the long term. For management and sales functions, variable elements of compensation tied to personal targets are designed to help the company reach its strategic and financial objectives and to serve as a management tool during implementation of the reorganization. For management functions, two Company growth targets (consolidated gross profit and EBIT) are set within the parameters of a standardized Group-wide process, and a personal target is defined between employee and line manager. At the end of the measurement period, the resulting bonus is calculated on the basis of the past year's results (with 33.3 % allocated for each target) and paid out after approval by the Annual Shareholders' Meeting.

The share option plan in place for the Board of Directors, Group Management and Management Team since 2002 provides these senior figures with a direct financial interest in the medium-term performance of Charles Vögele shares and links the interests of managers with those of shareholders. For further details of the options plan's timetable, allocation criteria and individual parameters, please see note 34.1 Management Share Options Plan in the notes to the Group Financial Statements of the Financial Report.

Specialized legal and tax consultants were brought in during the year under review to review the salary policy and the existing remuneration programme.

6.2 Decision-making powers

The Board of Directors defines the basic compensation of its members and of Group Management, as well as the variable performance-related component for Group Management, at its discretion and in accordance with the principles set out under 6.1 above. Payment of variable remuneration to the Group Management is in cash following approval of the annual financial statements by the Annual Shareholders' Meeting. The allocation of options to the Board of Directors, Group Management and the Management team is decided once a year by the Board of Directors at its discretion.

6.3 Compensation for the Board of Directors

From 2009 until September 2011, compensation for the Board of Directors was always function-related and consisted of fixed and performance-related cash components, as well as options as defined in the Share Option Plan, which was reviewed periodically by the Board of Directors led by the Nomination and Compensation Committee. Because Charles Vögele Group is currently in a reorganization phase, the Board of Directors decided in September 2011 to reduce compensation for all its members to the annual basic compensation for an ordinary member, i.e. to CHF 95 000 (incl. CHF 2 000 fixed expenses) plus expenses, and to abolish the variable component, which had been 0.1% of the annual profit shown in the annual report for each member, until the company has successfully achieved a turnaround. Options continued to be allocated as before according to the current share option plan.

Additional services performed for the company by a member of the Board are, if the Board as a whole approves, still possible and are compensated at a rate of EUR 3 000 to CHF 3 500 per day. Such additional services were performed during the year under review by Hans Ziegler and Jan C. Berger (for details see note 38 of the Financial Report).

6.4 Compensation for Group Management

In line with Charles Vögele Group's salary policy, remuneration for members of Group Management consists of a fixed basic salary and a variable performance-related portion, as well as benefits in kind and additional benefits (in particular, a company car). The Chair of the Nomination and Remuneration Committee regularly reviews the remuneration paid to Group Management and recommends adjustments as required to the Board of Directors. The CEO can make requests with regard to the remuneration paid to other members of Group Management. The amount of fixed remuneration that the Board of Directors defines at its discretion for members of Group Management is based on the market value of the position, on the responsibilities and actual scope of activity attached to the function and on individual performance. The variable component is based on the corporate goals defined each year by the Board of Directors, which serve as reference points for all managers.

During the year under review the Board of Directors defined at its discretion to make the two on 31 December 2011 active members of the Group Management an extraordinary payment of 50 % of their basic salary as a retention bonus due to the current reorganization.

6.5 Changes in control and defensive measures

There are no provisions, either in the Articles of Association or in other agreements or plans, concerning any change of control or defence mechanisms to prevent one. In the interests of good corporate governance, employment contracts with Members of Group Management do not include unusually long notice periods or termination payments.

6.6 Compensation to former Members of the Board of Directors or Group Management

The members of Group Management who left the company during the year under review received the contractually agreed salary payments, but no severance payments, additional services or benefits. All compensation relating to 2012 was booked in full to the 2011 financial year.

6.7 Loans and credit facilities

During the year under review, the Company did not grant any collateral, loans, advances or credit facilities to former or current members of the Board of Directors or Group Management, or to related persons.

7 SHAREHOLDERS' PARTICIPATION RIGHTS

7.1 Voting rights: restrictions and representation

The company's articles of association contain no restrictions on voting rights and comply with the law with regard to proxy voting.

7.2 Statutory quorums

The Annual Shareholders' Meeting passes resolutions and conducts votes, unless mandatory statutory regulations dictate otherwise, by an absolute majority of the shareholders' votes legally represented and validly cast, excluding spoilt votes and regardless of the number of shareholders present and the number of votes they represent. Each share entitles the holder to one vote at the Annual Shareholders' Meeting.

7.3 Calling the Annual Shareholders' Meeting

The Annual Shareholders' Meeting takes place no later than six months after the end of each company financial year. It is called by the Board of Directors. Shareholders are invited to the meeting by an invitation published in due time in the daily and financial media and the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt).

7.4 Inclusion of items on the agenda

Shareholders who represent at least 0.5 % of the share capital can make a request no later than 45 days prior to the day of the meeting for items to be added to the agenda. The request has to be made in writing and state the motion that is to be put to the vote. One or more shareholders who between them represent at least 10 % of the share capital can call an Extraordinary Shareholders' Meeting between annual meetings.

7.5 Entry in the share register

The share capital of Charles Vögele Holding AG consists exclusively of bearer shares, so no there is no share register.

8 AUDITORS

8.1 Duration of the mandate and term of office of the lead auditor

The auditor for the Charles Vögele Group and Charles Vögele Holding AG has been PricewaterhouseCoopers AG (PwC) since April 2003. It was confirmed as auditor for another year at the Annual Shareholders' Meeting of 13 April 2011. Since 14 April 2010, the audit mandate has been managed by Sandra Böhm, partner at PwC, Zurich.

8.2 Auditing fees

The auditor of Charles Vögele Holding AG is paid a fee of CHF 600 000 for the audit and audit-related services. The audit contract is for one year, and Charles Vögele Holding AG's auditor must be chosen by the Annual Shareholders' Meeting.

8.3 Additional fees

The Charles Vögele Group's auditor also billed a total of CHF 81 000 for additional tax consultancy services.

8.4 Supervisory and control instruments for the auditors

The external auditor carries out the statutory audit of Charles Vögele Holding AG and the individual companies, and also audits Charles Vögele Group's consolidated accounts under IFRS. The external auditor does all this through an interdisciplinary team with international IFRS expertise and knowledge of the retail sector. Audit results for the individual companies and the Group are discussed twice a year with Group Management and the managements of the individual companies, as well as with the Chair of the Audit Committee. A comprehensive report is prepared for Charles Vögele Holding AG and for the Group in accordance with art. 728b, para. 1 of the Swiss Code of Obligations and submitted to the full Board of Directors. This contains the main points from the audit reports. In addition, recommendations are made to the Shareholders' Meeting to adopt the annual financial statements and the consolidated financial statements.

In addition to the audit of the annual financial statements and the review of the half-year financial statements, the external auditor analyzes the strategic audit plan and examines internal processes. Points arising from these reviews are distributed in the form of a management letter to Group Management and the Chair of the Audit Committee and discussed in a meeting. Where necessary, the external auditor may make recommendations or propose possible new audit requirements on the basis of these reviews. Each year, the Chair of the Audit Committee assesses the performance, fees and independence of the auditor and suggests to the full Board of Directors which external auditor should be proposed to the Annual Shareholders' Meeting for election. Each year the Chair of the Audit Committee also assesses the scope of external auditing, the audit plans and the relevant processes and discusses the results of the audit with the external auditors.

According to the statutory provisions, the external audit company's lead auditor must be rotated at least every seven years.

9 INFORMATION POLICY

The Charles Vögele Group follows a transparent and open communications policy and is bound by the rules on ad hoc publicity. Shareholders are regularly and continually kept informed by the following means:

– Annual Report in German and English. This is published in accordance with statutory provisions no later than 20 days prior to the Annual Shareholders' Meeting, and is held at the company's registered offices.
– Half-year report in German and English. This is usually published in August each year.
– Media and analysts' conference to present the annual results, usually in March; there is also a conference on the interim results, normally in August.
– Ad-hoc media releases as necessary.
– Publication of detailed information about the company: www.charles-voegele.com/group-information/investor-relations/
– Subscription service for interested parties: www.charles-voegele.com/nc/en/group-information/media/service-subscription/

An overview of contact addresses and the relevant dates for shareholder information can be found on page 71 of the Financial Report.

10 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2011

For significant events after 31 December 2012 see note 40 of the Financial Report.

FINANCIAL REPORT

CONTENT

FINANCIAL COMMENTARY

2011 was a turbulent and demanding year for the Charles Vögele Group. The highest priority now is to achieve a breakeven result.

2011 was a turbulent and demanding year for the Charles Vögele Group, which faced a series of internal and external challenges. The negative effects of a very warm autumn and difficulties within the company with product design and the supply chain were compounded by further depreciation of the euro and a generally subdued retail environment at the start of the second half of the year. Following a balanced first half of the year, net sales for the full year after currency adjustment were significantly below the previous year's. This weaker turnover was reflected in a substantial increase in inventory at the group level. A positive trend on the costs side was not enough to prevent a fall in gross profit, and with an additional CHF 36 million goodwill impairment at the half-year stage, Charles Vögele Group was left with a triple-digit negative consolidated net result at the end of the year.

Charles Vögele's finances have been secured till mid-2015 thanks to a CHF 255 million syndicated facility arranged at the start of 2012.

> Group result

Net sales fell by approximately 15 %, or CHF 182 million, in 2011. Nearly half of this decline, or CHF 80 million, is attributable to the sharp depreciation of the euro. 2011 saw a slight reduction in floorspace across the store portfolio; after adjusting for exchange rates and floorspace, the fall was 7.9 %.

Rising procurement costs in Asia, especially in the second half of the year, led to an appreciable reduction in the gross profit margin. The weakness of the euro against the US dollar (the key procurement currency) placed a further strain on the margin, which fell from 66.8 % in the previous year to 61.5 %.

Helped by the weaker euro and a rigorous cost management the operating expenses of CHF 646 million (previous year CHF 691 million) remain on a low level. However, there was no positive result at EBITDA level. EBITDA came in at CHF –21 million.

Owing to a further CHF 36 million increase in depreciation caused by impairment of goodwill positions booked in the Eurozone, EBIT was also negative at CHF –114 million, and the net loss came to CHF –119 million.

> Switzerland Region

In 2011, Charles Vögele's gross sales in Switzerland fell by 9.1 %, or CHF 40 million, to CHF 405 million. The main reasons for this were the shrinking market for outerwear (– 5 %), continuing media coverage of shopping opportunities across the border, the unusually warm autumn, and problems with the availability of some items caused by teething trouble at the Logistics Centre South. The negative influences on EBIT had their greatest impact in the normally very profitable Swiss market. The Switzerland region closed the year with EBIT of CHF 8 million. One positive point was the opening of the Weinfelden pilot store. This has a stronger core department and will serve as a test platform for the new single-brand strategy.

> Germany Region

After a good start in the first half year, with a market-beating 1.3 % rise in gross sales after currency adjustment, the mild autumn temperatures greatly affected our German customers' desire to buy new clothes for the season. As a result, gross sales for the year slipped by 2.4 % after adjusting for exchange rates and floorspace. With a narrower gross profit margin, gross profits fell even further, and though this was partially offset by cost savings, a CHF 6 million impairment of goodwill booked in Germany led overall to a negative segment result (EBIT) of CHF – 40 million. After the comprehensive streamlining of the store portfolio in 2010, the number of stores stabilized in 2011 at 293.

> Benelux Region

The Netherlands in particular felt the effects of very shaky consumer sentiment in 2011. Sales fell by 8.4 % after adjusting for exchange rates and floorspace. Savings on operating costs were not sufficient to compensate for the lower gross profit, leaving EBIT for the region down CHF 13 million at CHF – 24 million.

> CEE Region

In the second half of the year, CEE felt the biggest impact of the distribution problems at the new Logistic Centre South. In addition, economic conditions in most CEE countries were very subdued. The result was a 9.3 % decline in gross sales after currency adjustment. The consolidation of the country organizations under a single regional management led to further cost savings (also helped by the currency situation). However, the overall regional result was further hampered by a CHF 30 million impairment of goodwill in Austria, leading to a final EBIT figure of CHF – 58 million.

> Financial expenses and taxes

Financial expenses went down again to CHF 4 million thanks to lower interest rates and positive cash and cash equivalents in the first half of the year. In addition, the negative currency influences on non-merchandise business (mainly short-term assets in foreign currencies) was further reduced (CHF – 1 million).

The loss situation in most of the national companies meant that the group tax bill for 2011 fell to less than CHF 1 million. Owing to the mostly negative influences during the year under review, the consolidated net result came to CHF – 119 million.

> Liquidity, cash flow and balance sheet key figures

The steep fall in sales in the third quarter also had a major effect on the group's liquidity position. Inventories increased by approximately CHF 62 million. Despite the significant reduction in investment and major efforts on the costs side, free cash flow was negative at CHF – 157 million. Net debt went back up to CHF 134 million by the end of 2011. The increase in inventories is being factored into goods orders for 2012 deliveries.

Despite the negative net result and reduced goodwill position, the equity ratio remains at a comfortable 48 %.

> Outlook

Charles Vögele's highest priority is to achieve a breakeven result. Provided there is no serious deterioration in economic conditions this will be possible by the end of 2013. Net sales will increase at a low single-figure percentage rate. Thanks to numerous measures on the costs side and cautious purchasing plans, no significant increase in net debt is expected for 2012. In 2013 product lines will completely match the new single-brand strategy for the first time, and with numerous support measures on the marketing and merchandise supply side, management plans to achieve a balanced net result. From 2014, it expects to secure a double-digit net profit. The refinancing agreement recently concluded with a broad consortium of banks will ensure that Charles Vögele can master the challenges of the next few years.

From 1 January to 31 December

CONSOLIDATED INCOME STATEMENT

CHF 1000	Note	2011	2010
Net sales		**1 016 225**	**1 198 226**
Cost of goods	19.1	(391 268)	(397 628)
Personnel expenses	6	(267 932)	(291 980)
Rental expenses	7	(198 813)	(223 789)
Advertising and promotion expenses	8	(86 633)	(96 340)
General operating expenses	9	(96 811)	(83 533)
Other operating income	10	4 091	4 577
Operating earnings before depreciation and impairment (EBITDA)		**(21 141)**	**109 533**
In % of net sales		(2.1 %)	9.1 %
Depreciation and impairment	11	(92 547)	(71 897)
Operating earnings (EBIT)		**(113 688)**	**37 636**
In % of net sales		(11.2 %)	3.1 %
Financial income	12	717	723
Financial expenses	13	(4 183)	(5 206)
Exchange gains/(losses), net	14	(1 336)	(4 162)
Profit before income tax		**(118 490)**	**28 991**
In % of net sales		(11.7 %)	2.4 %
Income tax expenses	15	(656)	(11 220)
Net profit/(loss) of the year		**(119 146)**	**17 771**
In % of net sales		(11.7 %)	1.5 %
Basic earnings per share	16	**(14.23)**	**2.12**
Diluted earnings per share	16	**(14.23)**	**2.12**

The Notes on pages 10 to 57 are an integral part of these consolidated financial statements.

From 1 January to 31 December

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF 1000	2011	2010
Net profit/(loss)	**(119 146)**	**17 771**
Currency translation differences of foreign subsidiaries	(5 680)	(27 331)
Change of fair value of cash flow hedges after taxes	9 863	(3 229)
Total other comprehensive income	**4 183**	**(30 560)**
Total comprehensive income	**(114 963)**	**(12 789)**

The Notes on pages 10 to 57 are an integral part of these consolidated financial statements.

At 31 December

CONSOLIDATED BALANCE SHEET

CHF 1000	Note	**31.12.2011**	31.12.2010
Assets			
Current assets			
Cash and cash equivalents	17	109 553	129 529
Receivables, advance payments and prepaid expenses	18	19 242	17 364
Derivative financial instruments	3.6, 23	9 252	18 336
Inventories	19	211 974	150 365
Total current assets		**350 021**	**315 594**
Long-term assets			
Property, plant and equipment	20	340 846	352 827
Financial assets	21	115	759
Intangible assets	22	45 195	82 409
Deferred tax assets	15	5 567	4 857
Total long-term assets		**391 723**	**440 852**
Total assets		**741 744**	**756 446**
Liabilities and shareholders' equity			
Current liabilities			
Short-term financial liabilities	24, 26, 28, 29	227 650	38 705
Trade payables		37 473	40 725
Derivative financial instruments	3.6, 30	524	16 499
Other liabilities and accruals	25	62 226	69 313
Short-term tax liabilities		1 588	8 261
Short-term provisions	27	1 310	9 254
Total current liabilities		**330 771**	**182 757**
Long-term liabilities			
Long-term lease liabilities	26	15 842	19 159
Long-term provisions	27	6 581	6 201
Deferred tax liabilities	15	32 603	30 200
Mortgages	28	–	45 500
Loans	29	–	–
Total non current liabilities		**55 026**	**101 060**
Shareholders' equity			
Share capital	31	26 400	30 800
Treasury shares	32	(23 454)	(30 268)
Other reserves		173 789	173 789
Retained earnings		179 212	298 308
Total shareholders' equity		**355 947**	**472 629**
Total liabilities and shareholders' equity		**741 744**	**756 446**

The Notes on pages 10 to 57 are an integral part of these consolidated financial statements.

From 1 January to 31 December

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1000	Note	**2011**	2010
Net profit/(loss) for the year		**(119 146)**	**17 771**
Adjustments:			
– Tax expenses	15	656	11 220
– Net financial expenses	12, 13, 14	4 803	8 644
– Depreciation and impairment	11	92 547	71 897
– Profit on disposal of assets		(12)	(2 987)
– Other non – cash expenses		1 104	1 330
Change in long – term provisions		(7 254)	4 878
Change in inventories		(62 788)	2 224
Change in net working capital		(428)	(6 617)
Financial income received		717	723
Financial expenses paid		(5 995)	(7 396)
Taxes paid		(12 279)	(13 609)
Cash flow from operating activities		**(108 075)**	**88 078**
Investments in intangible assets	22.1	(2 799)	(3 834)
Disposals of intangible assets	22.1	27	–
Investments in property, plant and equipment	20.1	(46 462)	(50 823)
Disposals of property, plant and equipment		143	9 094
(Investments in)/disposals of financial assets		–	(260)
Net cash provided/(used) by investing activities		**(49 091)**	**(45 823)**
Proceeds from/(repayment of) loans	24	129 403	597
Increase/(decrease) in finance lease liabilities		(2 118)	(11 111)
Purchase of treasury shares	32	(1 276)	(186)
Disposals of treasury shares	32	2 635	129
Proceeds from mortgages	28	50 000	–
Repayment of mortgages	28	(36 000)	(25 000)
Distribution to shareholders	33	(4 182)	–
Net cash provided/(used) by financing activities		**138 462**	**(35 571)**
Net increase/(decrease) in cash and cash equivalents		**(18 704)**	**6 684**
Cash and cash equivalents at the beginning of the period	17	**129 529**	**127 649**
Effect of exchange rate changes		(1 272)	(4 804)
Net increase/(decrease) in cash and cash equivalents		(18 704)	6 684
Cash and cash equivalents at the end of the period	17	**109 553**	**129 529**

The Notes on pages 10 to 57 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF 1000	Note	Share capital	Treasury shares	Share premium reserve	Retained earnings	Currency translation differences	Valuation financial instruments	Valuation share option plan	Total
Balance at 1 Jan. 2010	31	**30 800**	**(33 784)**	**173 789**	**333 280**	**(26 775)**	**482**	**6 353**	**484 145**
Comprehensive income		–	–	–	17 771	(27 331)	(3 229)	–	(12 789)
Value of granted options	34	–	–	–	–	–	–	1 330	1 330
Value of exercised/ expired options	34	–	–	–	1 398	–	–	(1 398)	–
Disposals of treasury shares	32	–	3 702	–	(3 573)	–	–	–	129
Purchase of treasury shares	32	–	(186)	–	–	–	–	–	(186)
Par value reduction		–	–	–	–	–	–	–	–
Balance at 31 Dec. 2010	31	**30 800**	**(30 268)**	**173 789**	**348 876**	**(54 106)**	**(2 747)**	**6 285**	**472 629**
Balance at 1 Jan. 2011	31	**30 800**	**(30 268)**	**173 789**	**348 876**	**(54 106)**	**(2 747)**	**6 285**	**472 629**
Comprehensive income		–	–	–	(119 146)	(5 680)	9 863	–	(114 963)
Value of granted options	34	–	–	–	–	–	–	1 104	1 104
Value of exercised/ expired options	34	–	–	–	1 977	–	–	(1 977)	–
Disposals of treasury shares	32	–	7 872	–	(5 237)	–	–	–	2 635
Purchase of treasury shares	32	–	(1 276)	–	–	–	–	–	(1 276)
Par value reduction	33	(4 400)	218	–	–	–	–	–	(4 182)
Balance at 31 Dec. 2011	31	**26 400**	**(23 454)**	**173 789**	**226 470**	**(59 786)**	**7 116**	**5 412**	**355 947**

The Notes on pages 10 to 57 are an integral part of these consolidated financial statements.

1 General information

Charles Vögele Holding AG, together with its subsidiary companies, forms the Charles Vögele Group, an independent European fashion retail group with sales outlets in Switzerland, Liechtenstein, Germany, the Netherlands, Belgium, Austria, Slovenia, Poland, Hungary and the Czech Republic.

Charles Vögele Holding AG is a corporation that is domiciled in Freienbach SZ, Switzerland, and listed on the SIX Swiss Exchange.

2 Summary of significant accounting policies

2.1 Preparation of the financial statements

The consolidated financial statements in this report are based on the individual financial statements of Charles Vögele Group companies, which are all prepared in accordance with standard Group guidelines. The Group's accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) on the basis of historical cost convention, except derivative financial instruments which are recorded at fair value. Note 4 explains the most important accounting assumptions and estimates.

2.2 Changes in accounting policies

> New IFRS standards and interpretations

The following new IFRS standards, changes to existing standards and interpretations of existing standards, valid since 1 January 2011, have been applied but do not have a material effect on these annual financial statements:

- IFRS 1: First-time adoption of International Financial Reporting Standard (amendment)
- IAS 24: Related party disclosures (amendment)
- IAS 32: Financial instruments: recognition and measurement (amendment)
- IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (amendment)
- IFRIC 19: Extinguishing financial liabilities with equity instruments (new)
- Improvement programme 2010 (various minor adjustments of existing standards)

The Group refrained from any permitted early adoption of new standards.

> Changes to IFRS standards valid for future reporting periods

The Charles Vögele Group has assessed the potential impact of new standards and interpretations which have to be applied from financial year 2012 on or later. The Group concluded that with the exception of IFRS 9 Financial Instruments – “Classification and Measurement,” and IAS 19 “Employee benefits” (amendment) none of the standards or interpretations which have been published by the time of the release of these financial statements will have a significant effect on the Group's result and financial position. IFRS 9 needs to be adopted by 1 January 2015 and will change the classification and measurement of financial instruments and hedging requirements. IAS 19 (amendment) needs to be adopted by 1 January 2013. The discontinuation of the corridor method might have the most significant impact on the consolidated financial statements. The Charles Vögele Group is evaluating the impact of this new standards on the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Charles Vögele Holding AG and its Swiss and international Group companies.

The Capital consolidation is performed using the purchase method in accordance with the new valuation method, meaning that the acquisition cost of investments due for consolidation is set off against their proportionate operating equity capital at the time of acquisition.

Assets and liabilities as well as the expenses and income of the companies which Charles Vögele Holding AG controls directly or indirectly, and in which it has a voting interest exceeding 50 %, are included in full in the consolidated financial statements. The non controlling interest of shareholders in net assets and net income is disclosed separately in the consolidated balance sheet and income statement. The Charles Vögele Group does not have any non-controlling interests.

The Charles Vögele Group does not have any associated companies (non controlling interest with voting rights of 20 – 50 %).

Intercompany receivables and payables, income and expenses between companies included in the consolidation, and intercompany profits within the Group are eliminated.

The companies included in the scope of consolidation are listed in Note 41.

2.4 Scope of consolidation

There were no changes in the scope of consolidation in the 2011 financial year.

In the course of the centralization in 2010, Prodress AG was merged into the Charles Vögele Trading AG. Furthermore the 2008 founded Charles Vögele Romania SRL was liquidated due to a modified expansion strategy.

2.5 Segment reporting

The Charles Vögele Group is a centrally managed group with a flat organizational structure operating solely in the fashion trade. The centralization and scalability of the concept are fundamental cornerstones of the Group's strategy.

Segment reporting matches the internal reporting to the Board of Directors and Group Management (CODM), it covers the four segments Switzerland, Germany, Benelux and CEE (Austria, Slovenia, Poland, Hungary, Czech Republic).

2.6 Foreign currency translation

The consolidated financial statements are prepared in Swiss franc. For the individual Group companies, the respective local currency is the functional currency.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the date of the transaction. Gains and losses that result from foreign currency transactions, or from the translation at the year-end rate of monetary assets and liabilities denominated in foreign currencies, are recorded in the income statement.

On consolidation, all assets and liabilities in balance sheets prepared in foreign currencies are translated into the Group's reporting currency using year-end exchange rates. Income and expenses recorded in income statements prepared in foreign currencies are translated into the Group's reporting currency at average exchange rates for the year. Exchange differences arising from those translations are allocated directly to retained earnings in the balance sheet. Foreign currency differences arising from the valuation of longterm loans with equity character between Group companies are – like net investments in a foreign operation – recorded in equity, with no effect in the income statement, until repayment.

When a Group company is sold, the currency translation differences booked to equity are offset against the net sales proceeds and charged to the income statement.

The following CHF exchange rates are used for the Group's major currencies:

2011	**ISO code**	**Unit**	**Balance sheet**	**Income statement**
Euro	EUR	1	1.22	1.23
Hong Kong	HKD	1	0.12	0.11
China	CNY	1	0.15	0.14
USA	USD	1	0.94	0.89
Hungary	HUF	100	0.39	0.44
Poland	PLN	100	27.52	29.87
Czech Republic	CZK	100	4.73	5.02

2010	ISO code	Unit	Balance sheet	Income statement
Euro	EUR	1	1.25	1.38
Hong Kong	HKD	1	0.12	0.13
China	CNY	1	0.14	0.15
USA	USD	1	0.94	1.04
Hungary	HUF	100	0.45	0.50
Poland	PLN	100	31.61	34.51
Czech Republic	CZK	100	4.99	5.46
Romania	RON	100	29.21	32.86

2.7 Net sales and revenue recognition

Net sales include all revenues from the sale of goods and commission business, less discounts, sales tax and deductions including credit card commissions and other price discounts. Earnings are recorded at the cash desk when the goods are handed over to customers.

> Customer loyalty programme

Award credits granted in connection with the customer loyalty programme are recognized as reductions in sales at the time granted. Discount vouchers that have not yet been redeemed are shown on the balance sheet as liabilities.

2.8 Cost of goods

The cost of goods sold includes the purchase price less discounts for products sold in the current period, transport costs, inventory differences, changes in value adjustments on inventory and the cost of conditioning new goods. This item includes no personnel costs.

2.9 Employee pension plans

Within the Charles Vögele Group there are various defined benefit and defined contribution pension plans based on the regulations of the different countries concerned.

For defined benefit pension plans the coverage surplus or deficit recorded in the balance sheet is equivalent to the present value of defined benefit obligations (DBO) on the balance sheet date less the fair value of plan assets, adjusted for unrecorded actuarial gains and losses and for unrecognized past service costs. The DBO is calculated at least every three years by an independent actuary using the projected unit credit method. Actuarial gains and losses as well as alterations to asset limits are booked to the income statement over the employees' remaining average employment period as long as they exceed 10 % of the value of plan assets or 10 % of benefit-related liabilities (the higher of the two values is decisive). If there is a surplus, the future economic benefit of this surplus is assessed and if required capitalized and value adjusted in further periods.

For defined contribution plans, the Group pays contributions to a public or private pension insurance scheme either on the basis of a legal or contractual obligation, or voluntarily. The Group has no further payment obligations beyond the payment of these contributions. Contributions are recorded under personnel expenses when they fall due.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash held at stores and cash balances from current business activity with original maturities of less than three months. Cash held on sight at banks is managed through a Group-wide cash-pooling system. Foreign currency positions are valued at the exchange rate at 31 December.

2.11 Receivables and advance payments

Charles Vögele Group normally does not carry customer receivables since the vast majority of sales to customers are cash sales. Receivables and advance payments are recognized initially at fair value (normally the nominal value) less necessary value adjustments. A value adjustment is made when it becomes probable that the receivable cannot be collected. Receivables are usually derecognized in full if the creditor is subject to insolvency or bankruptcy proceedings.

2.12 Inventories

Inventories are valued at the lower of cost or net realizable value. Purchase costs include the actual purchase price plus transport and other procurement costs, less discounts received, and are defined on the basis of the average cost method. The net realizable value is the estimated sales revenue that can be achieved in normal business, less the necessary cost to sell. An inventory valuation system is used to take into account the ageing structure of the inventory. Purchases of goods in foreign currencies are converted at the exchange rate on the date of the transaction or at the hedged exchange rate of the goods purchased.

2.13 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date of purchase and subsequently remeasured at their fair value. With the exception of derivative financial instruments which meet the requirements of a cash flow hedge, all adjustments are recognized in financial income or expense.

In order to recognize a transaction as a hedge, the Charles Vögele Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, including the risk management strategy and an assessment of effectiveness.

The Charles Vögele Group uses hedge accounting for cash flow hedges which are classified as highly effective, for which the effect can be measured reliably and for which future cash flows have a high probability to occur.

The effective portion of changes in the fair value of the hedging instrument, designated as a cash flow hedge, is recognized in equity. The ineffective portion of the change in value is recognized in the income statement.

The amounts shown under shareholders' equity are charged to the income statement in the period in which the underlying transaction is also booked, except in the case of non-monetary assets in the initial valuation on purchase costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the underlying transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative recorded gain or loss in equity is immediately transferred to the income statement.

2.14 Property, plant and equipment

> Land and buildings

Land and buildings include properties in Switzerland that are used mainly as stores, as well as distribution centres in Switzerland, Germany and Austria. Land and buildings are recognized at acquisition cost less accumulated depreciation for buildings and any impairments (see Note 2.17). This valuation is periodically checked on its recoverability by an independent external expert. Buildings are depreciated on a straight-line basis over a period of 40 years. Buildings in leasehold are depreciated over the lease-hold period up to a maximum of 40 years. Land is not depreciated.

> Equipment

Equipment includes store fittings, technical warehouse equipment, computer hardware, office fixtures and fittings and other tangible assets used in operations. They are capitalized if the company derives a future economic benefit associated with them. Valuation is at acquisition cost less accumulated depreciation and impairments if necessary (see Note 2.17). The depreciation is carried out using the straight-line method and is normally based on their estimated useful life within a range of 5 to 15 years.

2.15 Financial instruments (assets)

All purchases and sales of financial assets are recognized on the day the Group commits to the purchase or sale. Financial assets that are not recorded in the income statement at fair value are recognized on purchase at fair value plus transaction costs. Financial assets that are recorded in the income statement at fair value are initially recognized at fair value, which is usually equivalent to the purchase price, and transaction costs are charged to the income statement. Financial assets are derecognized as soon as the rights to cash flows from the asset expire or are transferred and the Group has assigned all the material risks and benefits associated with ownership thereof.

Financial assets are divided into the following four categories. The choice of category depends on the purpose for which the financial asset was acquired.

> Financial assets at fair value through profit or loss

This category includes derivative financial instruments that are not designated to hedge accounting. Any changes in value are recognized in the income statement.

> Loans and receivables

Loans and receivables are non-derivative financial assets with determinable payments that are not quoted on an active market. They are shown under current assets provided their maturity is not more than twelve months after the balance sheet date. Otherwise they are shown as long-term assets. In the Group balance sheet, the position "Receivables, advance payments and prepaid expenses" (see Note 18) is recorded under this category. Loans and receivables are recognized at amortized cost.

> Financial assets held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that Charles Vögele Group has the positive intention and ability to hold to maturity. Charles Vögele Group did not hold any assets in this category in the 2011 and 2010 financial years.

> Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been assigned to this category or that have not been assigned to any of the other categories. They are carried as long-term assets unless there is a plan to sell them within twelve months of the balance sheet date. The investments shown for 2011 and 2010 are recorded under this category (see Note 21).

2.16 Intangible assets

> Goodwill

Goodwill represents the excess of the cost of an acquisition of a company or of business activities in the form of net assets over the fair value of the Group's share of the net identifiable assets of the acquired company or business activities at the date of acquisition. Any possible acquisition costs will be recognized directly in profit or loss. Goodwill is tested annually for impairment (see Note 2.17).

> Other intangible assets

Other intangible assets include IT software, trademarks and licenses. They are capitalized if the company derives a future economic benefit from them, and if their historical purchase costs can be valued reliably.

Other intangible assets have a defined useful life and are carried at cost less accumulated depreciation and any impairments (see Note 2.17). IT software is depreciated using the straight-line method over five years; licenses and trademarks are depreciated over their estimated useful life.

2.17 Impairment of assets

All capitalized assets are reviewed annually for indications that the carrying amount may not be recoverable. When there is evidence of impairment, an impairment test is carried out. An impairment test is also carried out on goodwill positions even if there is no evidence of impairment (see Note 2.16). This test identifies the recoverable amount; if this is less than the carrying amount, an impairment cost equivalent to the difference between the carrying amount and the recoverable amount is charged to the income statement as an impairment cost.

> Recoverable amount

The recoverable amount is the higher of the value in use and the fair value less costs to sell.

> Value in use

The value in use is the present value of estimated future cash flow that can be expected from the continued use of the asset and from its disposal at the end of its useful life.

> Fair value less cost to sell

The fair value less costs to sell is the amount for which an asset can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less cost to sell.

2.18 Deferred taxes

Deferred taxes, which are calculated using the liability method, are used for all temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the IFRS financial statements. Deferred taxes are determined using tax rates (and tax laws) that apply on the balance sheet date, or that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets from loss carry-forwards are recognized to the extent that it is probable that a taxable profit will be available in the foreseeable future against which the temporary differences can be utilized.

Deferred tax liabilities arising from temporary differences relating to investments in subsidiaries are applied, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

2.19 Trade payables

Trade payables are valued at the foreign exchange rate as of 31 December.

2.20 Financial liabilities

Financial liabilities include short-term financial liabilities, liabilities from finance leases, mortgages and loans. They are recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as financial income or expense in the income statement over the period of the borrowings using the effective interest method.

Financial liabilities are classified as short-term liabilities as long as the contractual term is less than twelve months and the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.21 Provisions

Provisions are recognized in the balance sheet when a present legal or constructive obligation based on an event which has occurred in the past, when it is likely that an outflow of resources will occur if the liability is met, and when the amount of the liability can be assessed reliably.

If interest represents a significant part of the expected expenses, the provisions are recognized on a discounted value basis.

2.22 Leasing

> Finance leasing

Leasing objects that are financed over the estimated useful life of the asset, and where ownership is transferred to the Group after expiry of the usually non-cancellable contract, are shown as finance leases and under tangible assets (see Note 20.2). Acquisition costs are depreciated using the straight-line method over the useful life whichever is shorter. The liabilities are recorded on the balance sheet at discounted present value. All other leasing commitments are classified as operating leasing.

> Operating leasing

Operating leasing includes leases where all risks and rewards associated with ownership of the asset rest with an independent third party. Operating lease payments are charged to the income statement.

2.23 Treasury shares

The costs of treasury shares of Charles Vögele Holding AG purchased by any Group company are deducted from the Group's shareholders' equity (see "Treasury shares" under the consolidated statement of changes in Group equity) until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or re-issued, the difference between the proceeds and the original purchase price is included in equity with no effect on the income statement.

2.24 Valuation of share option plan

The Group operates an equity-settled, share-based compensation plan (see Note 34). The fair value of issued options is recognized proportionally over the vesting period under personnel expenses in the income statement and under shareholders' equity. Fair value is assessed using the "Enhanced American Model" (EA Model), which is in line with generally accepted valuation methods for determining share option prices and which takes into account all the factors and assumptions that reasonable contracting market participants would consider when setting prices. When options are exercised or expire, the fair value originally booked to shareholders' equity is charged against retained earnings.

3 Financial risk management

Charles Vögele Group is exposed to various financial risks, including market risks (currency and interest rate risks), credit risks and liquidity risks. Charles Vögele Group's general risk management is focused on the unpredictability of developments on the financial market and its aim is to reduce the potential negative impact on financial results. The tools that the Group uses to do this include derivative financial instruments.

Financial risk management is carried out by the Treasury Department. The Group Treasurer identifies, values and hedges the financial risks within the given guidelines.

3.1 Currency risks

Charles Vögele Group's main currency exposures are to the USD and EUR. The USD risk is limited to the purchase of goods since only purchases and no sales are made in USD. In order to reduce this risk the Group enters into forward foreign exchange contracts and currency swaps. These cover almost 100 % of USD requirements based on planned purchases of goods for the spring/summer and autumn/winter seasons. The EUR and other foreign currencies are consolidated at Group level, continuously monitored and hedged where necessary.

Subsequent sensitivity analyses show the material foreign currency risks to which Charles Vögele Group is exposed on the balance sheet date, as well as the implications for the consolidated result and shareholders' equity.

CHF 1000	EUR / CHF	USD / CHF	HUF / CHF	PLN / CHF	CZK / CHF
2011 in income statement					
Total group foreign currency exposures at 31 December	209 678	(2 195)	(1 635)	12 514	2 445
Average between annual high and low exchange rate compared to balance sheet rate	13.0 %	14.0 %	15.0 %	16.0 %	12.0 %
Effect on group earnings at increasing foreign currency rate	**27 258**	**(307)**	**(245)**	**2 002**	**293**
Effect on group earnings at declining foreign currency rate	**(27 258)**	**307**	**245**	**(2 002)**	**(293)**

CHF 1000	EUR / CHF	USD / CHF	HUF / CHF	HKD / CHF	CZK / CHF
2010 in income statement					
Total group foreign currency exposures at 31 December	57 783	(3 958)	14 084	1 680	(5 767)
Average between annual high and low exchange rate compared to balance sheet rate	10.0 %	13.0 %	12.0 %	12.0 %	10.0 %
Effect on group earnings at increasing foreign currency rate	**5 778**	**(515)**	**1 690**	**202**	**(577)**
Effect on group earnings at declining foreign currency rate	**(5 778)**	**515**	**(1 690)**	**(202)**	**577**

CHF 1000	EUR / CHF	USD / CHF
2011 in equity		
Derivative financial instruments as cash flow hedges	(25 728)	112 291
Average between annual high and low exchange rate compared to balance sheet rate	13.0 %	14.0 %
Effect at increasing foreign currency rate	**(3 345)**	**15 721**
Effect at declining foreign currency rate	**3 345**	**(15 721)**
2010 in equity		
Derivative financial instruments as cash flow hedges	(79 567)	103 245
Average between annual high and low exchange rate compared to balance sheet rate	10.0 %	13.0 %
Effect at increasing foreign currency rate	**(7 957)**	**13 422**
Effect at declining foreign currency rate	**7 957**	**(13 422)**

3.2 Interest risks

Charles Vögele Group has no significant interest-bearing assets, so changes in market interest rates have little effect on earnings or operating cash flows.

Charles Vögele Group's interest rate risk stems mainly from its bank loans, mortgages and leasing liabilities. Long-term interest-bearing financial liabilities with variable interest rates expose the Group to a cash flow interest risk, while fixed-rate liabilities represent a fair value interest risk. The mortgages, leasing liabilities and loans are mainly fixed-rate liabilities. Outstanding loans at the end of the year are not representative of the year as a whole. The company's funding requirements increase at the start of a selling season as products are purchased, and then decline proportionally towards the end of the season (1 March and 1 September respectively) as the products are sold. At the end of the year, due to the renewal of the syndicated credit agreement, the financial liabilities with variable interest rates were exceptionally high. Based on the low interest rate level modified rates would neither have a significant impact on the income statement nor the statement of changes in equity.

3.3 Credit risks

Credit risks can arise from the following balance sheet positions: cash and cash equivalents, receivables and advance payments, and financial assets. Charles Vögele Group is not exposed to any material credit risk since the vast majority of sales to customers are settled in cash or by the major debit and credit cards. Processing and payment is carried out through local financial services providers within two or three days. Any risks arising from cash and cash equivalents are further minimized by the use of a variety of local financial services providers rather than a single banking institution.

Risks can arise from cash at the stores and in transporting these cash takings to the financial institutions. Cash holdings (takings, change) in the stores are kept in safes and kept to a minimum through regular or as-needed transfers of the cash takings. The risk of theft by own personnel or third-parties is reduced by an effective internal control system. Cash holdings in the safes are insured to an appropriate level against theft and acts of God, and are replaced if lost. When choosing firms to transport money and valuables, Charles Vögele Group's selection criteria are based on quality, transparency, security and comprehensive insurance protection.

Receivables from tax refunds (value added tax) are secured by regularly verifying that declarations are formally correct and by submitting the necessary declarations on time. Prepayments to suppliers and other claims are checked regularly and any identified credit risk is taken into account through a value adjustment (see Note 2.11).

3.4 Liquidity risks

Subject to seasonal fluctuations in monthly revenues and the financing of goods purchases, cash flow varies greatly across the financial year. A continuously up-dated liquidity plan is in place to manage these liquidity risks. This plan is based on the annual budgeted figures for sales, costs and investments.

On the balance sheet date, Charles Vögele Group had the following liquidity reserves:

CHF 1000	**31.12.2011**	31.12.2010
Net cash and cash equivalents at the end of the period	109 553	129 529
Syndicated credit line agreement	250 000	250 000
./. Credit lines used	(130 000)	–
Additional credit lines	6 080	6 256
./. Credit lines used	–	–
Total cash reserves and unused credit lines	**235 633**	**385 785**

The following future cash outflows (including interest) are expected from the financial liabilities shown at the balance sheet date:

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Short – term loans (see Note 24)	130 143	–	–	130 143
Trade payables	37 473	–	–	37 473
Other liabilities and accruals (excl. vouchers)	41 008	–	–	41 008
Finance lease liabilities, gross	2 971	11 381	6 715	21 067
Mortgages (see Note 28)	95 820	–	–	95 820
Long – term loans	–	–	–	–
Total at 31 December 2011	**307 415**	**11 381**	**6 715**	**325 511**

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Short – term loans (see Note 24)	597	–	–	597
Trade payables	40 725	–	–	40 725
Other liabilities and accruals (excl. vouchers)	49 978	–	–	49 978
Finance lease liabilities, gross	3 037	12 634	9 527	25 198
Mortgages (see Note 28)	38 822	47 460	–	86 282
Long – term loans	–	–	–	–
Total at 31 December 2010	**133 159**	**60 094**	**9 527**	**202 780**

The following future cash outflows are expected from the forward currency contracts outstanding at the balance sheet date:

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Balance at 31 December 2011				
Derivative for cash flow hedges: – Cash outflow (contract value)	92 153	–	–	92 153
– Cash inflow (fair value)	8 636	–	–	8 636
Derivative for trading purposes: – Cash outflow (contract value)	(98 511)	–	–	(98 511)
– Cash inflow (fair value)	92	–	–	92

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Balance at 31 December 2010				
Derivative for cash flow hedges: – Cash outflow (contract value)	(5 229)	–	–	(5 229)
– Cash inflow (fair value)	1 837	–	–	1 837
Derivative for trading purposes: – Cash outflow (contract value)	–	–	–	–
– Cash inflow (fair value)	–	–	–	–

3.5 Capital risks

The primary aim of capital management is to ensure that Charles Vögele Group can continue to operate sustainably and so meet the needs of its various stakeholders over the long term. The Company's capital structure takes appropriate account of the business risks inherent in the Group's business model.

In order to achieve these objectives, Charles Vögele Group can adjust its dividend payments, capital refunds to shareholders, issue new shares, take out loans with financial institutions, pay such loans back ahead of schedule, place financing on the capital market or sell assets in order to reduce debts.

Charles Vögele Group monitors its capital structure on the basis of net debt and net cash respectively. This key figure itself is calculated as the sum of short- and long-term loans from financial institutions, mortgages and lease liabilities, less cash and cash equivalents.

At the balance sheet date, the key figures were as follows:

CHF 1000	**31.12.2011**	31.12.2010
Short – term financial liabilities	227 650	38 705
Finance lease liabilities	15 842	19 159
Mortgages	–	45 500
Loans	–	–
Cash and cash equivalents	(109 553)	(129 529)
(Net cash)/net debt	**133 939**	**(26 165)**
EBITDA	(21 141)	109 533
(Net cash)/net debt / EBITDA (factor)	**(6.34)**	**(0.24)**
Shareholders' equity	355 947	472 629
(Net cash)/net debt / shareholders' equity (factor)	**0.38**	**(0.06)**

3.6 Determining fair value

The publicly quoted market price on the balance sheet date is used to determine the fair value of financial instruments that are traded on an active market (Level 1).

If no quotations from an active market are available for financial instruments, their fair value is determined using valuation methods or models, though the underlying assumptions must wherever possible be based on observable market prices or other market quotations (Level 2).

For financial instruments whose fair value cannot be determined directly from an active market or indirectly using valuation methods or models, valuation methods that give the most realistic possible valuation must be used (Level 3).

The following overview shows the financial instruments valued at fair value on the balance sheet date:

CHF 1000	Level 1	Level 2	Level 3	Total
Derivative financial instruments in assets	–	9 252	–	9 252
Derivative financial instruments in liabilities	–	524	–	524

Short-term financial receivables and liabilities are recognized at nominal value less any value adjustments. Owing to the short-term maturities involved, this is roughly equivalent to the fair value.

4 Critical accounting estimates and assumptions

When preparing the consolidated financial statements, estimates and assumptions have to be made which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates and assumptions are continuously reviewed. Estimates have to be revised when the circumstances on which they were based change, or if new information or additional findings are available. Such changes are made in the reporting period in which the estimate were revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Goodwill

Following the implementation of IFRS 8 in the financial year 2009 the goodwill until then managed at Group level was divided up and allocated to the cash-generating units.

In accordance with the accounting and valuation methods stated in Notes 2.16 and 2.17, the Group tests annually whether the goodwill carried in the balance sheet has suffered an impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on assumptions about the expected free cash flows, the discount rate (WACC) and the long-term growth rate (see Note 22.2).

4.2 Income tax

In order to determine the assets and liabilities from current and deferred income taxes, estimates have to be made because there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Some of these estimates are based on interpretation of existing tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made (see Note 15).

4.3 Legal cases

Charles Vögele Group is involved in a number of legal cases. It sets up provisions for ongoing and pending lawsuits if independent experts are of the opinion that a financial risk is probable and the amount at risk can be estimated reliably (see Note 27). The estimated risk connected with these pending lawsuits is covered in full.

4.4 Inventories

At the balance sheet date, estimations have to be made for the valuation of inventories. Beside the existing inventory valuation system, which takes into account the ageing structure of the inventory, the net realizable value is estimated. The estimations are considering planned sales promotions and are based on the most reliable evidence available to estimate the net realizable amount (see Notes 2.12 and 19.1).

5 Segment information

CHF 1000	Switzerland 2011	Switzerland 2010	Germany 2011[3]	Germany 2010
Gross sales	405 052	445 603	388 774	454 388
Net sales	362 949	402 108	317 929	374 016
Segment profit (EBITDA)	30 349	77 426	(17 382)	15 959
EBITDA in % of net sales	8.4 %	19.3 %	(5.5 %)	4.3 %
Depreciation and impairment	(22 228)	(23 379)	(22 591)	(20 281)
Segment profit (EBIT)	8 121	54 047	(39 973)	(4 322)
EBIT in % of net sales	2.2 %	13.4 %	(12.6 %)	(1.2 %)
	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010
Net inventories	63 824	51 343	60 555	50 050

CHF 1000	Benelux 2011	Benelux 2010	CEE[1] 2011[3]	CEE[1] 2010	Group 2011	Group 2010
Gross sales	141 288	179 173	272 078	336 852	1 207 192	1 416 016
Net sales	116 848	149 379	218 499	272 723	1 016 225	1 198 226
Segment profit (EBITDA)	(16 883)	365	(17 225)	15 783	(21 141)	109 533
EBITDA in % of net sales	(14.4 %)	0.2 %	(7.9 %)	5.8 %	(2.1 %)	9.1 %
Depreciation and impairment	(7 234)	(11 566)	(40 494)	(16 671)	(92 547)	(71 897)
Segment profit (EBIT)	(24 117)	(11 201)	(57 719)	(888)	(113 688)	37 636
EBIT in % of net sales	(20.6 %)	(7.5 %)	(26.4 %)	(0.3 %)	(11.2 %)	3.1 %
Net financial income	–	–	–	–	(4 802)	(8 645)
Profit before income tax	–	–	–	–	(118 490)	28 991
Tax expenses	–	–	–	–	(656)	(11 220)
Net profit	–	–	–	–	(119 146)	17 771
	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Net inventories	24 679	19 260	35 312	31 119	184 370	151 772
Goods in transit	–	–	–	–	24 940	28 612
Centralized inventory	–	–	–	–	38 928	1 267
Group eliminations	–	–	–	–	(36 533)	(31 617)
Total Group inventories, net[2]	–	–	–	–	211 705	150 034

1) CEE: Austria, Slovenia, Poland, Hungary, Czech Republic.
2) Difference to the balance sheet value of TCHF 269 (2010: TCHF 331) is related to heating oil.
3) Depreciation and impairment includes the goodwill impairment (see note 22.2).

5.1 Entity-wide information

The group is domiciled in Switzerland. The net sales in Switzerland and all foreign countries are disclosed on the previous page. Austria, part of the segment CEE, realized net sales of CHF 161.9 million in 2011 (previous year: CHF 204.3 million).

The total of non-current assets other than financial instruments and deferred tax assets located in Switzerland is CHF 196.6 million (previous year: CHF 197.7 million), and the total of such non-current assets located in other countries is CHF 144.5 million (previous year: CHF 191.3 million).

6 Personnel expenses

CHF 1000	**2011**	2010
Wages and salaries	220 008	238 630
Social security costs	36 288	40 657
Other personnel expenses	11 636	12 693
Total	**267 932**	**291 980**

6.1 Defined contribution retirement plans

The Dutch Group company has an independent industry pension plan. As there is no reliable basis for allocating the plan's assets to the individual participating companies, this plan is treated in these financial statements as a defined contribution plan.

The cost of pension liabilities charged through personnel expenses in Belgium and the Netherlands amounted to CHF 1.7 million in 2011 and CHF 1.9 million in 2010.

6.2 Defined benefit retirement plans

All Swiss Group companies have legally separate pension schemes with an independent external provider. According to local law these are defined contribution plans, but under IFRS they are treated as defined benefit plans. A revaluation was carried out at 31 December 2011.

If the pension insurance contract is terminated, all pensioners except old-age pensioners (i.e. people receiving disability, spouse or child pensions) will be transferred to the new pension scheme. Consequently, the relevant policy reserve was included in the calculation of pension obligations and of pension assets at the end of the current year.

The actuarial valuations are based on the following weighted average assumptions:

	2011	2010
Discount rate	2.3 %	2.8 %
Expected return on plan assets	3.8 %	4.3 %
Expected future salary increases	1.0 %	1.0 %
Expected future pension increases	0.5 %	0.5 %
Actuarial base	BVG 2010	EVK 2000
Average retirement age in years	M65/F64	M65/F64
Life expectancy at assumed retirement age in years	M20/F23	M18/F21

The pension liabilities and plan assets are as follows:

CHF 1000	**2011**	2010
Present value of funded obligation (DBO), at 1 January	**(90 835)**	**(89 628)**
Service cost	(8 686)	(8 051)
Interest cost	(2 627)	(3 216)
Benefits paid	7 970	11 574
Actuarial gain/(loss) on obligations	2 766	(1 514)
Present value of funded obligation (DBO), at 31 December	**(91 412)**	**(90 835)**
Fair value of plan assets, at 1 January	**79 895**	**80 588**
Expected return on plan assets	3 226	3 179
Employees' contributions	3 891	3 788
Employer's contributions	4 888	4 750
Benefits paid	(7 970)	(11 574)
Actuarial gain/(loss) on plan assets	(3 483)	(836)
Fair value of plan assets, at 31 December	**80 447**	**79 895**

The expenses recognized in the income statement that result from the actuarial calculation of the liabilities of defined benefit retirement plans are as follows:

CHF 1000	**2011**	2010
Service cost	8 686	8 051
Interest cost	2 627	3 216
Expected return on plan assets	(3 226)	(3 179)
Amortization of actuarial losses/(gains)	692	193
Increase/(decrease) of the unrecognised surplus	–	–
Net periodic pension cost	**8 779**	**8 281**
Employees' contributions	(3 891)	(3 788)
Expenses recognized in the income statement	**4 888**	**4 493**

Premiums owed are actuarially calculated and are based on prevailing conditions.

The net assets/liabilities shown in the balance sheet for defined benefit retirement plans are as follows:

CHF 1000	**31.12.2011**	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of funded obligations (DBO)	(91 412)	(90 835)	(89 628)	(95 774)	(87 221)
Fair value of plan assets	80 447	79 895	80 588	82 439	87 231
Over-/(under-)coverage	**(10 965)**	**(10 940)**	**(9 040)**	**(13 335)**	**10**
Not capitalized portion of the over – coverage	–	–	–	–	(10)
Not recognized actuarial (gains)/losses	10 965	10 940	8 783	13 335	–
Net asset/(liability) in balance sheet, at 31 December	**–**	**–**	**(257)**	**–**	**–**
Experience & assumptions adjustments on plan liabilities	2 766	(1 514)	–	(420)	–
Experience – based – adjustments on plan assets	(3 483)	(836)	4 016	(13 739)	(3 865)
Total actuarial gains/(losses)	**(717)**	**(2 350)**	**4 016**	**(14 159)**	**(3 865)**

Movements in the net assets/liabilities shown in the balance sheet for defined benefit retirement plans are as follows:

CHF 1000	**2011**	2010
Net asset/(liability) in balance sheet, at 1 January	–	(257)
Expense recognized in the profit and loss statement	(4 888)	(4 493)
Employer's contributions	4 888	4 750
Net asset/(liability) in balance sheet, at 31 December	**–**	**–**

The asset allocation for pension assets is as follows:

	2011	2010
Cash	8.1 %	12.0 %
Bonds	44.5 %	41.7 %
Equities	22.1 %	21.9 %
Property	11.1 %	9.4 %
Reinsurer (pensions)	14.2 %	10.4 %
Other	0.0 %	4.6 %
Total	**100.0 %**	**100.0 %**

The effective return on assets amounted to CHF – 0.3 million (previous year: return on assets of CHF 2.3 million). The expected employer payments for the 2012 financial year are estimated at CHF 4.9 million.

The pension liability of the German Group company is governed by national regulations and is a defined benefit scheme. No additional calculation based on IFRS accounting principles of provisions for future liabilities are made, because in the context of the consolidated financial statements the liabilities relate to an immateriel group of 14 employees (2010: 15 employees). No contributions from the Group company were booked in 2011 as well as 2010.

7 Rental expenses

CHF 1000	**2011**	2010
Rent	149 641	167 955
Incidental expenses, cleaning, maintenance	49 172	55 834
Total	**198 813**	**223 789**

The CHF 25.0 million year-on-year decrease in rental expenses is due primarily to currency-exchange effects and branch network clearing ups.

8 Advertising and promotion expenses

Advertising and promotion expenses include costs for product-oriented advertising, sales promotions, public relations and market research by external providers. The CHF 9.7 million decrease compared to 2010 is due to optimised marketing activities and currency-exchange effects.

9 General operating expenses

General operating expenses include operating lease expenses amounting to CHF 3.3 million (2010: CHF 3.6 million). Operating leases mainly concern vehicles.

10 Other operating income

CHF 1000	**2011**	2010
Operating real estate income, net	2 838	1 398
Redemption compensation less costs for store closings	555	324
Insurance payments	615	–
Energy cost refunds of previous years	130	204
Profit of disposal of a non operating property	–	2 698
Other income	(47)	(47)
Total	**4 091**	**4 577**

11 Depreciation and impairment

CHF 1000	**2011**	2010
Depreciation	54 356	64 367
Impairment losses mainly for warehouse fixtures and fittings and planned store closings (see Notes 20.1/22.1)	2 000	7 530
Impairment loss on goodwill (see Notes 22.1/22.2)	36 191	–
Total	**92 547**	**71 897**

12 Financial income

CHF 1000	**2011**	2010
Interest income	713	719
Interest income from securities	4	4
Total	**717**	**723**

13 Financial expenses

CHF 1000	**2011**	2010
Interest expenses on current accounts and loans	549	526
Interest charges on mortgages	2 461	3 150
Interest on leases	1 173	1 530
Impairment of financial assets	–	–
Total	**4 183**	**5 206**

14 Foreign exchange differences

CHF 1000	**2011**	2010
(Expense)/income from foreign exchange contracts	(193)	73
Other exchange gains/(losses)	(1 143)	(4 235)
Total (expense)/income from exchange gains/(losses)	**(1 336)**	**(4 162)**

15 Income tax

15.1 Composition of income tax expense

CHF 1000	**2011**	2010
Current income taxes	1 436	13 535
Change in deferred income taxes	279	(1 635)
Income tax from previous years	(1 059)	(680)
Total income tax expense	**656**	**11 220**

15.2 Analysis of tax expense

CHF 1000	**2011**	2010
Profit before income taxes	(118 490)	28 991
Taxes on current profit calculated on the expected group tax rate of 18 % (2010: 20 %)	(21 328)	5 798
Reconciliation: – Effect of profits and losses with different tax rates	(9 988)	(3 323)
– Effect of non – taxable amortisation of goodwill	6 514	–
– Adjustments of deferred taxes from previous years	99	(1 982)
– Effect of deferred tax assets not capitalized	26 245	11 206
– Effect of other non – taxable transactions	173	201
– Taxes payable (refunds) from previous years	(1 059)	(680)
Total tax expense	**656**	**11 220**

The above table shows the transition from expected tax expense to reported tax expense. The expected Group tax rate is calculated from a normalized expected profit structure for all Group companies. The pronounced difference in the year under review between reported and expected tax expense is due primarily to the non-capitalization of deferred tax assets of CHF 26.2 million from Group companies posting losses (see Note 15.5). The reported tax expense results mainly from profit making subsidiaries.

15.3 Deferred taxes in the balance sheet

CHF 1000	**31.12.2011 Assets**	**31.12.2011 Liabilities**	31.12.2010 Assets	31.12.2010 Liabilities
Deferred taxes from:				
– Various receivables	–	–	–	–
– Inventories	5 539	(9 078)	4 753	(6 568)
– Goodwill	10 529	–	13 100	–
– Other long – term assets	349	(12 935)	156	(12 833)
– Real estate	–	(8 226)	–	(8 420)
– Derivative financial instruments	–	(1 309)	–	(2 750)
– Intercompany loans	1 941	–	1 998	–
– Accruals	172	–	176	–
– Provisions	1 207	–	1 256	–
– Treasury shares	–	(2 512)	–	(895)
– Loss carry – forwards	129 513	–	112 022	–
Total deferred taxes, gross	**149 250**	**(34 060)**	**133 461**	**(31 466)**
Impairment of deferred tax assets	(142 226)	–	(127 338)	–
Total deferred taxes	**7 024**	**(34 060)**	**6 123**	**(31 466)**
Offset of assets and liabilities	(1 457)	1 457	(1 266)	1 266
Total deferred taxes, net	**5 567**	**(32 603)**	**4 857**	**(30 200)**

The deferred tax assets on goodwill shown in the table relate to acquisitions of business activities (in the form of net assets) in Germany and the Netherlands. This goodwill was already completely amortized or written off in previous years under IFRS. Goodwill amortization is accepted under tax rules.

15.4 Change in deferred taxes, net

CHF 1000	**2011**	2010
Total deferred tax assets/(liabilities), net, at 1 January	**(25 343)**	**(27 070)**
Recognized in income statement: – Change in tax rates from previous years	(99)	1 945
– Adjustments of deferred taxes from previous years	–	37
– Impairment of capitalized tax loss carry – forwards	–	–
– Changes in temporary differences	(180)	(347)
Recognized in shareholders' equity: – Changes in deferred taxes on valuation of financial instruments (see Note 36.1)	(1 741)	570
Effect of exchange rates	326	(478)
Total deferred tax assets/(liabilities), net, at 31 December	**(27 037)**	**(25 343)**

The calculation of deferred taxes is based on future (if known) national tax rates.

15.5 Tax-relevant loss carry-forwards

CHF 1000	**31.12.2011**	31.12.2010
Expiring in the next year	18 779	6 085
Expiring in the next 2 till 5 years	52 500	57 678
Expiring in 5 to 9 years	62 286	51 475
Available without limitation	350 102	299 903
Total tax loss carry – forwards	**483 667**	**415 141**
Calculated potential tax assets thereof	129 513	112 022
Valuation allowances	(129 513)	(112 022)
Net tax asset from loss carry – forwards	**–**	**–**

The table above shows the tax-relevant loss carry-forwards, which largely represent market entry costs and are capitalized if sufficient taxable profit is likely to be generated in the foreseeable future.

The new deferred tax assets from tax loss carry-forwards arising in the 2011 and 2010 financial years were not capitalized as it is not certain that they can be used in the foreseeable future.

16 Earnings per share

		2011	2010
Net income	CHF 1 000	(119 146)	17 771
Weighted average number of shares	number	8 373 707	8 366 112
Adjustment for potentially dilutive share options	number	10 503	20 912
Weighted average number of shares for diluted earnings per share	number	8 384 210	8 387 024
Basic earnings per share	**CHF**	**(14.23)**	**2.12**
Diluted earnings per share	**CHF**	**(14.23)**	**2.12**

17 Cash and cash equivalents

CHF 1000	**31.12.2011**	31.12.2010
Petty cash, postal account balances and cash at banks	109 553	129 529
Total cash and cash equivalents recognized in the balance sheet	**109 553**	**129 529**

The average interest rate on postal account balances and cash at banks, which have maturities of less than three months, was 0.45 % (2010: 0.50 %).

18 Receivables, advance payments and prepaid expenses

CHF 1000	**31.12.2011**	31.12.2010
Receivables:		
– Tax refunds (value added tax)	454	5 785
– Income taxes	5 276	26
– Other receivables	6 592	6 450
– Credit card sales	4 070	2 605
– E-Commerce transactions	507	–
– Reclaimable withholding taxes	28	27
Total receivables, gross	**16 927**	**14 893**
Value adjustments	(399)	(532)
Total receivables, net	**16 528**	**14 361**
Advance payments and prepaid expenses	**2 714**	**3 003**
Total receivables, advance payments and prepaid expenses	**19 242**	**17 364**

18.1 Value adjustments on receivables

CHF 1000	**2011**	2010
Balance at 1 January	**(532)**	**(910)**
Payments	8	133
Receivables written off during the year as uncollectible	–	38
(Creation)/release of impairments	124	190
Effect of exchange rates	1	17
Balance at 31 December	**(399)**	**(532)**

Charles Vögele Group normally does not carry customer receivables since the vast majority of sales to customers are cash sales. Sales transacted by debit and credit cards are paid by the local financial institutions and service providers within two to three days. Payments are monitored systematically and continuously. Many years of experience show that credits from credit card sales shown at the balance sheet date have a good credit rating, accordingly no value adjustments are necessary.

Receivables from tax refunds (value added tax) are secured by carrying out regular verifications and by submitting the necessary declarations on time. For existing receivables at balance sheet date all necessary declarations were issued. Therefore the payments can be expected for the following year.

Other receivables are not related to regular sales of goods but to various individual items that are monitored periodically and notice is given where necessary. On the balance sheet date they were tested for impairment and written down where necessary.

The book value of receivables and advance payments is equivalent to their fair value.

19 Inventories

CHF 1000	**31.12.2011**	31.12.2010
Current inventory, gross	155 344	100 057
Inventory valuation allowance	(20 445)	(11 201)
Current inventory (current and previous seasons), net	**134 899**	**88 856**
Upcoming season	76 806	61 178
Heating oil	269	331
Total	**211 974**	**150 365**

19.1 Value adjustments on inventories

CHF 1000	**2011**	2010
Balance at 1 January	**(11 201)**	**(37 668)**
(Creation)/Release of value adjustments affecting cost of goods, net	(9 628)	24 297
Effect of exchange rates	384	2 170
Balance at 31 December	**(20 445)**	**(11 201)**

The creation of CHF 9.6 million of value adjustments during the 2011 financial year (previous year: release of CHF 24.3 million) results mainly from the historically low level of inventories at the beginning of the year and sales of new merchandise that fell short of planned figures.

20 Property, plant and equipment

20.1 Changes in values

CHF 1000	Land	Buildings	Equipment	Total
Balance at 1 January 2010				
Acquisition cost	55 189	209 678	558 642	823 509
Accumulated depreciation / impairment	(9 399)	(98 020)	(315 736)	(423 155)
Net book amount at 1 January 2010	**45 790**	**111 658**	**242 906**	**400 354**
Year 2010				
Opening net book amount	45 790	111 658	242 906	400 354
Effect of exchange rates	(938)	(5 087)	(24 507)	(30 532)
Additions	–	–	50 823	50 823
Disposals	–	–	(7 463)	(7 463)
Depreciation	–	(5 220)	(48 279)	(53 499)
Impairment	–	–	(6 856)	(6 856)
Reclassification	–	–	–	–
Closing net book amount	**44 852**	**101 351**	**206 624**	**352 827**
Balance at 31 December 2010				
Acquisition cost	54 251	200 818	495 770	750 839
Accumulated depreciation / impairment	(9 399)	(99 467)	(289 146)	(398 012)
Net book amount at 31 December 2010	**44 852**	**101 351**	**206 624**	**352 827**
Year 2011				
Opening net book amount	44 852	101 351	206 624	352 827
Effect of exchange rates	(142)	(735)	(4 874)	(5 751)
Additions	–	291	46 171	46 462
Disposals	–	–	(3 552)	(3 552)
Depreciation	–	(5 071)	(42 069)	(47 140)
Impairment	–	–	(2 000)	(2 000)
Reclassification	–	–	–	–
Closing net book amount	**44 710**	**95 836**	**200 300**	**340 846**
Balance at 31 December 2011				
Acquisition cost	54 109	199 764	489 036	742 909
Accumulated depreciation / impairment	(9 399)	(103 928)	(288 736)	(402 063)
Net book amount at 31 December 2011	**44 710**	**95 836**	**200 300**	**340 846**

As of 31 December 2011, CHF 111.6 million of the land and buildings are pledged as security for mortgages (31 December 2010: CHF 83.6 million).

The fire insurance value of physical assets is CHF 682.2 million as at 31 December 2011 (31 December 2010: CHF 689.0 million).

20.2 Finance leases

The carrying amount of tangible assets includes the following leased assets:

CHF 1000	Land	Buildings	Equipment	Total
Acquisition cost	4 972	45 374	–	50 346
Accumulated depreciation	–	(18 610)	–	(18 610)
Balance at 31 December 2010	**4 972**	**26 764**	**–**	**31 736**
Additions 2010	–	–	–	–
Reclassification	–	–	(837)	(837)
Acquisition cost	4 832	44 094	–	48 926
Accumulated depreciation	–	(19 361)	–	(19 361)
Balance at 31 December 2011	**4 832**	**24 733**	**–**	**29 565**
Additions 2011	–	–	–	–
Reclassification	–	–	–	–

Financial leases for land and buildings include Charles Vögele Group's distribution centres in Lehrte and Sigmaringen in Germany, as well as in Kalsdorf in Austria. Furnishings and fittings relating to the warehouses and offices of these locations are included in leased assets and classified as "Equipment." The reclassifications in the financial year 2010 are related to expired lease contracts of warehouse fixtures and fittings and IT-systems which were transferred to property.

21 Financial assets

CHF 1000	**31.12.2011**	31.12.2010
Investments	115	115
Loans	–	644
Total financial assets	**115**	**759**

The position "Investments" comprises interests in non-consolidated companies (mainly parking garages) with shareholdings below 20 %.

22 Intangible assets

22.1 Changes intangible assets

CHF 1000	Goodwill	Other intangible assets	Total
Balance at 1 January 2010			
Acquisition cost	72 919	26 992	99 911
Accumulated depreciation	–	(17 134)	(17 134)
Net book amount at 1 January 2010	**72 919**	**9 858**	**82 777**
Year 2010			
Opening net book amount	72 919	9 858	82 777
Effect of exchange rates	–	–	–
Additions	–	3 834	3 834
Disposals	–	–	–
Depreciations	–	(3 528)	(3 528)
Impairments	–	(674)	(674)
Closing net book amount	**72 919**	**9 490**	**82 409**
Balance at 31 December 2010			
Acquisition cost	72 919	30 489	103 408
Accumulated depreciation	–	(20 999)	(20 999)
Net book amount at 31 December 2010	**72 919**	**9 490**	**82 409**
Year 2011			
Opening net book amount	72 919	9 490	82 409
Effect of exchange rates	–	–	–
Additions	–	2 799	2 799
Disposals	–	(27)	(27)
Depreciations	–	(3 795)	(3 795)
Impairments	(36 191)	–	(36 191)
Closing net book amount	**36 728**	**8 467**	**45 195**
Balance at 31 December 2011			
Acquisition cost	36 728	29 405	66 133
Accumulated depreciation	–	(20 938)	(20 938)
Net book amount at 31 December 2011	**36 728**	**8 467**	**45 195**

22.2 Impairment test on goodwill

CHF 1000	**31.12.2011**	31.12.2010
Goodwill share Switzerland	36 728	36 728
Goodwill share Germany	–	6 520
Goodwill share Austria	–	29 671
Total of LBO	**36 728**	**72 919**
The test is based on the following assumptions:		
Switzerland:		
– Growth rate of the residual	1.0 %	1.0 %
– Pre-tax discount rate (WACC)	8.6 %	6.4 %
Germany:		
– Growth rate of the residual	–	1.5 %
– Pre-tax discount rate (WACC)	–	7.3 %
Austria:		
– Growth rate of the residual	–	1.5 %
– Pre-tax discount rate (WACC)	–	8.2 %

The goodwill of CHF 72.9 million disclosed in prior years was generated by a leveraged buyout through which Charles Vögele Holding AG firstly acquired the shares of the Charles Vögele Group from the company's founder and sole shareholder in 1997, and secondly acquired the minority shares in Charles Vögele (Austria) GmbH in 1998.

Following the implementation of IFRS 8 in the financial year 2009 the goodwill until then managed at Group level was divided up and allocated to the cash-generating units Switzerland, Germany and Austria (part of the Segment CEE). For all parts of the goodwill the functional currency remained CHF given that the transaction had taken place before the effective date of IAS 21 (revised, 1 January 2005).

The carrying value of the Charles Vögele Group's equity as at 30 June 2011 was significantly higher than its market capitalization, which according to IAS 36 ("Impairment of assets") could be an impairment indication. In addition, the currency situation weighed down on sales figures. On the procurement side, cost increases, especially for materials and wages, led to lower initial margins. As a result of all this, the impairment test carried out on goodwill normally at the end of the year was brought forward to 30 June 2011.

The impairment test is carried out using value in use calculations based on the discounted free cash flow model. This model is in turn based on future free cash flows for the next three years of business plans authorized by management. These three-year cash flows are extrapolated by means of a constant growth rate (these growth rates reflect the commonly accepted growth rates). The discount rates used (WACC) take into consideration the specific risks relating to the cash-generating units. The discount rates are calculated using the Capital Asset Pricing Model (CAPM). This latter comprises the weighted cost of own equity and of external borrowing costs. The discount rates are based on the risk free rates for ten year bonds of the country concerned. A risk premium for the country risk and one for small cap companies are then added.

The inflow of funds is derived from the EBITDA margin based on market forecasts and rigorous implementation of the corporate strategy. Because the currency situation has reduced the expected segment results in Germany and Austria, and because this has been exacerbated by continuing uncertainty about economic conditions and by a highly intense competition, there was an impairment charge of CHF 36.2 million for the portion of goodwill attributable to these two markets.

At the end of the year the impairment test for the remaining goodwill of the cash-generating unit Switzerland was updated. It shows, even after incorporating sensitivity analysis (WACC +/– 0.75 percentage points, growth rate +/– 0.75 percentage points, revenue +/– 15 %, EBITDA-margin +/– 3 percentage points), that the disclosed goodwill has retained its value.

22.3 Other intangible assets

"Other intangible assets" covers brand rights, licences and software. Brand rights and licences have already been fully written down in previous years. The recorded net book value reflects IT software exclusively.

23 Financial instruments by category (assets)

CHF 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale / others	Other non financial assets	Total
Cash and cash equivalents	109 553	–	–	–	–	109 553
Receivables, advance payments and prepaid expenses	19 242	–	–	–	–	19 242
Derivative financial instruments	–	–	9 252	–	–	9 252
Financial assets (see Note 21)	–	–	–	115	–	115
Balance at 31 December 2011	**128 795**	**–**	**9 252**	**115**	**–**	**138 162**
Cash and cash equivalents	129 529	–	–	–	–	129 529
Receivables, advance payments and prepaid expenses	17 364	–	–	–	–	17 364
Derivative financial instruments	–	–	18 336	–	–	18 336
Financial assets (see Note 21)	644	–	–	115	–	759
Balance at 31 December 2010	**147 537**	**–**	**18 336**	**115**	**–**	**165 988**

24 Short-term financial liabilities

CHF 1000	**31.12.2011**	31.12.2010
Short – term loans (see Note 29)	130 000	597
Short – term lease liabilities (see Note 26)	2 150	2 108
Short – term mortgages (see Note 28)	95 500	36 000
Total	**227 650**	**38 705**

25 Other liabilities and accruals

CHF 1000	**31.12.2011**	31.12.2010
Sales tax	11 396	14 407
Vouchers	21 218	19 335
Accruals:		
– Personnel expenses	16 025	17 205
– Rental expenses	3 871	4 220
– Other accruals	9 716	14 146
Total	**62 226**	**69 313**

26 Finance lease liabilities

CHF 1000	Residual term < 1 year	Residual term 1 – 5 years	Residual term > 5 years	Total
Lease commitments, gross	2 971	11 381	6 715	21 067
Discounted	(821)	(1 789)	(465)	(3 075)
Balance at 31 December 2011	**2 150**	**9 592**	**6 250**	**17 992**
Lease commitments, gross	3 037	12 634	9 527	25 198
Discounted	(929)	(2 256)	(746)	(3 931)
Balance at 31 December 2010	**2 108**	**10 378**	**8 781**	**21 267**

CHF 1000	**31.12.2011**	31.12.2010
Disclosure:		
– Short – term financial liabilities (due < 1 year; see Note 24)	2 150	2 108
– Lease liabilities	15 842	19 159
Total	**17 992**	**21 267**

The average discount rate of finance lease commitments amounted to 4.9 % (2010: 5.7 %).

27 Provisions

CHF 1000	Personnel provisions	Other provisions	Total
Balance at 1 January 2010	**9 434**	**3 376**	**12 810**
Increase	8 225	663	8 888
Usage	(1 022)	(462)	(1 484)
Decrease	(2 055)	(470)	(2 525)
Reclassification	–	–	–
Effect of exchange rates	(1 737)	(497)	(2 234)
Balance at 31 December 2010	**12 845**	**2 610**	**15 455**
Increase	780	676	1 456
Usage	(6 055)	(315)	(6 370)
Decrease	(340)	(2 000)	(2 340)
Reclassification	–	–	–
Effect of exchange rates	(270)	(40)	(310)
Balance at 31 December 2011	**6 960**	**931**	**7 891**

CHF 1000	**31.12.2011**	31.12.2010
Disclosure:		
– Short-term provisions	1 310	9 254
– Long-term provisions	6 581	6 201
Total	**7 891**	**15 455**

"Personnel provisions" are mainly associated with pension liabilities and settlements, according to local laws, to be paid to employees of various Group companies.

The increases and decreases are attributable to alterations to pension and settlement liabilities recognized in the income statement. Usage reflects the annual pension payments that are offset by the provisions. The decreases in the year under review and previous year were mainly attributable to provisions that were no longer required.

"Other provisions" mainly includes estimated cash outflows connected with legal matters.

The precise timing of the estimated outflows of funds from "Other provisions" is difficult to ascertain and largely out of the company's control. The Management assumes that the outflow will occur within the next one to three years.

28 Mortgages

CHF 1000	
Balance at 1 January 2010	**106 500**
Repayment of mortgages	(25 000)
Balance at 31 December 2010	**81 500**
Increase in mortgages	50 000
Repayment in mortgages	(36 000)
Balance at 31 December 2011	**95 500**

CHF 1000	**31.12.2011**	31.12.2010
Disclosure:		
– Short-term financial liabilities (due < 1 year; see Notes 24, 40)	95 500	36 000
– Mortgages	–	45 500
Total	**95 500**	**81 500**

The mortgages reflect long-term fixed-interest bank loans with residual terms of a maximum of four years. As they are part of the new syndicated credit agreement (see note 40), they are disclosed as short-term financial liabilities as at the balance sheet date. The average interest rate on mortgages amounted to 3.3 % in 2011 (2010: 3.4 %).

29 Loans

The utilized credit line at the balance sheet date is shown in the chart about liquidity reserves (see Note 3.4 and 24). The loans used in the year under review had an average interest rate of 0.34 % (no loans were used in 2010, therefore the declaration of an average interest rate is not applicable).

This syndicated credit agreement of CHF 250 million was signed by the end of June 2007. The loan is for a term of five years. The interest rate is based on LIBOR plus a margin of between 30 and 115 basis points depending on a key financial ratio of the Group (net debt/EBITDA).

This existing syndicated credit agreement was replaced in February 2012 by a new one (see Note 40).

30 Financial instruments by category (liabilities)

CHF 1000	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amort-ized cost	Other non-financial liabilities	Total
Trade payables	–	–	37 473	–	37 473
Other liabilities and accruals	–	–	41 008	21 218	62 226
Derivative financial instruments	–	524	–	–	524
Mortgages	–	–	95 500	–	95 500
Loans	–	–	130 000	–	130 000
Balance at 31 December 2011	**–**	**524**	**303 981**	**21 218**	**325 723**
Trade payables	–	–	40 725	–	40 725
Other liabilities and accruals	–	–	49 978	19 335	69 313
Derivative financial instruments	–	16 499	–	–	16 499
Mortgages	–	–	81 500	–	81 500
Loans	–	–	–	–	–
Balance at 31 December 2010	**–**	**16 499**	**172 203**	**19 335**	**208 037**

31 Share capital

The reduction in the share capital is due to the Annual Shareholders' Meeting's decision on 13 April 2011, to reduce the par value of Charles Vögele Holding AG shares by CHF 0.50 per share, from CHF 3.50 to CHF 3.00. The remaining share capital comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.00 each

The Board of Directors is authorized to increase the company's share capital by a maximum of CHF 792 000, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 3.00 each (conditional capital, Art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in the management share option plan (please also refer to note 34.1). The Board of Directors can also increase the share capital at any time up to 14 April 2012 by a maximum of CHF 2.4 million through the issue of max. 800 000 shares with a par value of CHF 3.00 each. Increases in instalments are also allowed. Restrictions on or removal of shareholders' subscription rights are allowed in the cases defined in the Articles of Association (authorized capital, Art. 5 bis Articles of Association). The complete latest edition of Charles Vögele Holding AG's articles of Association can be viewed on the company's website at www.charles-voegele.com at any time.

32 Treasury shares

As of 31 December 2011, treasury shares comprise 395 409 shares (31 December 2010: 436 143) held by the Charles Vögele Group and earmarked for share participations by the Management of the Charles Vögele Group (see Note 35).

33 Distribution to shareholders

For the 2010 financial year, on 30 June 2011, a par value reduction of CHF 0.50 was paid for each Charles Vögele Holding AG bearer share (in the previous year there was no dividend distribution for the 2009 financial year).

At the Annual Shareholders' Meeting on 4 April 2012, the Board of Directors will propose that no dividend be paid for the 2011 financial year because of the net loss.

34 Incentive and share ownership plans

In order to link the interests of the members of its Board of Directors, Group Management and employees with those of its shareholders, the Group offered a number of opportunities for certain employees to purchase shares.

34.1 Management share option plan

The 2002 option plan for members of the Board of Directors, Group Management and the second management level replaced all former management share option plans. The option plan (equity-based remuneration settled through equity instruments) is financed through treasury shares. The award of options is proposed by the Personnel and Compensation Committee and approved by the Board of Directors. Allocation criteria are based on the rank and function of the individual employees. Each option entitles the holder to acquire one share. Initially the number of shares that could be issued under this plan was limited to 3 % of the company's ordinary share capital, but this was increased in 2005 by the Board of Directors of Charles Vögele Holding AG to 5 % of the available shares. The duration of the option plan is not limited. The duration of the options of each tranche expires after five years, with a vesting period of three years from the date they are awarded. On leaving the Board of Directors, board members receive their allocated options in full. On leaving the company, members of Group Management and the second level of management receive their allocated options pro rata temporis on the basis of the three- year vesting period. However, the three-year vesting period continues to apply in all cases.

The annual tranches still outstanding are detailed in the following table:

Granting year of tranche	Number of outstanding options at 1 Jan. 2011	Number of granted options	Number of expired options	Number of exercised options	Number of outstanding options at 31 Dec.2011	Exercise price in CHF	Duration until	Vesting period until
2011	–	89 267	–	–	89 267	33.90	2016	2014
2010	103 644	–	(4 003)	–	99 641	42.85	2015	2013
2009	104 321	–	(1 043)	–	103 278	39.50	2014	2012
2008	84 233	–	(172)	–	84 061	65.05	2013	2011
2007	76 021	–	–	–	76 021	119.00	2012	2010
2006	81 242	–	(81 242)	–	–	90.00	2011	2009
Total	**449 461**	**89 267**	**(86 460)**	**–**	**452 268**			

Further allocations under this plan are usually determined at the meeting held by the Board of Directors to discuss the half-year financial statements. The exercise price is determined by the volume-weighted closing price on the 30 trading days prior to the allocation date and the ten trading days after this date.

The changes in the number of outstanding share options and the relevant weighted average exercise prices are shown in the following table:

	2011 Weighted average exercise price in CHF	**2011 Number of options**	2010 Weighted average exercise price in CHF	2010 Number of options
Balance at 1 January	**67.64**	**449 461**	**76.72**	**434 907**
Granted options	33.90	89 267	42.85	103 644
Expired options	87.16	(86 460)	83.14	(89 090)
Exercised options	–	–	–	–
Balance at 31 December	**57.24**	**452 268**	**67.64**	**449 461**
Exercisable at 31 December	**99.51**	**160 082**	**100.13**	**157 263**

In the 2011 financial year as well as in the previous financial year no options were exercised. Therefore a disclosure of corresponding weighted average share prices is inapplicable.

The above-mentioned tranches are serviced exclusively by treasury shares purchased by the Charles Vögele Group for this purpose (see Note 32).

The weighted average remaining contractual term of the 452 268 options outstanding on 31 December 2011 was 33 months (previous year 449 461 options and 34 months). Exercise prices ranged between CHF 33.90 and CHF 119.00 per option (previous year: between CHF 39.50 and CHF 119.00).

The fair value of the options as determined by the "Enhanced American Model" was calculated using the following key parameters:

Tranche	Share price at granting day in CHF	Expected volatility	Risk – free interest rate	Expected dividend yield	Fair value per option in CHF
18.08.2011	33.35	41.80 %	0.35 %	1.75 %	8.67
19.08.2010	44.00	39.73 %	0.87 %	1.99 %	11.47
21.08.2009	40.00	48.53 %	1.39 %	1.72 %	12.48
22.08.2008	61.80	35.99 %	2.96 %	1.71 %	14.93
23.08.2007	117.50	30.55 %	3.01 %	1.71 %	27.12
26.08.2006	90.00	35.96 %	2.49 %	1.73 %	23.39

The expected volatility was determined from the mean value of the average implied volatility and historical volatility over six months.

The weighted average of the fair values of options issued during the year under review is CHF 8.67 (previous year CHF 11.47).

During the year under review CHF 1.1 million (previous year CHF 1.3 million) was charged through personnel expenses for the proportional fair value of options.

35 Contingent liabilities

35.1 Outstanding merchandise orders and letters of credit

As of 31 December 2011, future commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 102.2 million (31 December 2010: CHF 177.9 million). At 31 December 2011, letters of credit not included in the balance sheet amounted to CHF 26.0 million (31 December 2010: CHF 25.1 million).

36 Forward foreign exchange contracts

The forward foreign exchange contracts open on the balance sheet date are shown in Note 3.4 under liquidity risks.

36.1 Derivatives for cash flow hedges

At 31 December 2011, open forward foreign exchange contracts for cash flow hedges were as follows: CHF 122.9 million (previous year: CHF 138.0 million) for purchase of merchandise in USD and to cover the exchange rate risks for purchasing merchandise for the following year's collection; CHF 30.8 million (previous year CHF 143.2 million to hedge intra-Group deliveries of goods in EUR to sales organizations in the eurozone.

These derivative financial instruments are valued at their replacement value. Any changes in the fair value arising from the valuation on the balance sheet date are recognized under equity as "Valuation financial instruments" until the hedged underlying transaction has occured.

The valuation difference from ineffective hedge transactions is debited or credited directly to "Exchange gains/(losses)" in the income statement. There were no material ineffective hedge transactions during the year under review.

Movement in valuation differences not affecting income statement

CHF 1000	Equity
Balance at 1 January 2010	
Valuation financial instruments before tax	567
Deferred tax	(85)
Valuation financial instruments net of tax at 1 January 2010	**482**
Year 2010	
Opening balance	482
Disposal through purchase of goods recognized in cost of goods in income statement	(567)
Valuation of outstanding financial instruments at 31 December 2010	(3 232)
Change in deferred tax	570
Valuation net of tax at 31 December 2010	**(2 747)**
Closing balance at 31 December 2010	
Valuation financial instruments before tax	(3 232)
Deferred tax	485
Valuation financial instruments net of tax at 31 December 2010	**(2 747)**
Year 2011	
Opening balance	(2 747)
Disposal through purchase of goods recognized in cost of goods in income statement	3 232
Valuation of outstanding financial instruments at 31 December 2011	8 372
Change in deferred tax	(1 741)
Valuation financial instruments net of tax at 31 December 2011	**7 116**
Closing balance at 31 December 2011	
Valuation financial instruments before tax	8 372
Deferred tax	(1 256)
Valuation financial instruments net of tax at 31 December 2011	**7 116**

36.2 Derivatives for trading purposes

The valuation of currency swaps and forward foreign exchange contracts at fair value resulted in a profit of CHF 0.1 million as of 31 December 2011 (31 December 2010: profit of CHF 5.1 million), which was included in the income statement under "Exchange gains or losses."

37 Rental commitments

For rental contracts (operating leasing) with fixed rental terms, the following minimum payments are to be expected (excluding renewal options):

CHF 1000	**31.12.2011**	31.12.2010
Maturity < 1 year	148 850	154 654
Maturity 1 – 5 years	383 239	416 539
Maturity > 5 years	129 931	160 986
Total	**662 020**	**732 179**

38 Related party transactions

The Board of Directors of Charles Vögele Holding AG and the Top Management of Charles Vögele Group constitute the key management personnel pursuant to IAS 24.

The amounts reported or deferred in these annual financial statements were used to calculate the payments shown below.

The remuneration of the Board of Directors and Group Management amounted to:

		Board of Directors	Top Management	Total
2011	Number of members at 31 December 2011	4	2	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000[1]	607	5 325	5 932
	Number of Management options	17 200	21 700	38 900
	Value of Management options in CHF 1 000[3]	148	188	336
2010	Number of members at 31 December 2010	4	4	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000[2]	783	4 417	5 200
	Number of Management options	17 200	39 300	56 500
	Value of Management options in CHF 1 000[3]	196	451	647

1) In the financial year the CEO and another member of the group management were released. The contractually agreed salaries for the 2012 financial year were completely recorded in the 2011 financial year.
2) Salary of the timely overlap from six months between the employment and resignation of two members of Group Management is included.
3) Valuation: fair value according IFRS, details see page 49.

Details of total payments to members of the Board of Directors pursuant to the Swiss Code of Obligations (CO)

2011 CHF 1000	Hans Ziegler Chairman[1]	Jan C. Berger Vice Chairman[2]	Alain Caparros Member[1]	Peter Littmann Member	Total Board of Directors
Salaries (gross)	166	98	217	93	574
Bonus (gross)	–	–	–	–	–
Employer’s social security costs	11	8	–	7	26
Lump – sum expenses	2	2	1	2	7
Management options[3]	37	37	37	37	148
Consultancy fees[4]	36	26	–	–	62
Total 2011	**252**	**171**	**255**	**139**	**817**

1) Alain Caparros was Chairman until 13 September 2011. At this date Hans Ziegler took over the position.
2) Hans Ziegler was Vice – Chairman until 13 September 2011. At this date Jan C. Berger took over the position.
3) Valuation: fair value according IFRS, details see page 49.
4) Fees from think & act AG (H. Ziegler) and Retailize BV. (J. Berger).

2010 CHF 1000	Alain Caparros Chairman	Hans Ziegler Vice-Chairman	Jan C. Berger Member	Peter Littmann Member	Total Board of Directors
Salaries (gross)	303	183	93	93	672
Bonus (gross)	18	18	18	18	72
Employer’s social security costs	–	13	9	9	31
Lump – sum expenses	2	2	2	2	8
Management options[1]	49	49	49	49	196
Consultancy fees[2]	–	–	38	–	38
Total 2010	**372**	**265**	**209**	**171**	**1 017**

1) Valuation: fair value according IFRS, details see page 49.
2) Fees from Retailize BV.

Details of total payments to the Top Management pursuant to the Swiss Code of Obligations (CO)

2011 CHF 1000	André Maeder CEO	Total Top Management
Salaries (gross)[1)]	1 800	4 023
Bonus (gross)	–	700
Employer’s social security and insurance costs	194	553
Lump – sum expenses	–	–
Company car[2)]	21	49
Management options[3)]	–	188
Total 2011	**2 015**	**5 513**

1) In the financial year the CEO and another member of the group management were released. The contractually agreed salaries for the 2012 financial year 2012 were completely recorded in the 2011 financial year.
2) Private used (tax value: 9.6 % of acquisition value).
3) Valuation: fair value according IFRS, details see page 49.

2010 CHF 1000	André Maeder CEO	Total Top Management[1)]
Salaries (gross)	900	3 071
Bonus (gross)	115	843
Employer’s social security and insurance costs	122	444
Lump – sum expenses	–	24
Company car[2)]	10	35
Management options[3)]	148	451
Total 2010	**1 295**	**4 868**

1) Salary of the timely overlap from six months between the employment and resignation of two members of Group Management is included.
2) Private used (tax value: 9.6 % of acquisition value).
3) Valuation: fair value according IFRS, details see page 49.

Disclosure of Board of Directors' shareholdings pursuant to the Swiss Code of Obligations (CO)

Balance, at 31 December 2011	Hans Ziegler Chairman	Jan C. Berger Vice-Chairman	Alain Caparros Member	Peter Littmann Member	Total Board of Directors
Number of shares	–	3 500	–	–	3 500
In percentage of share capital	–	0.04 %	–	–	0.04 %
Value of shares in CHF 1 000	–	64	–	–	64
Number of Management options	17 200	17 200	21 500	21 500	77 400
In percentage of share capital	0.20 %	0.20 %	0.24 %	0.24 %	0.88 %
Value of Management options in CHF 1 000[1]	15	15	15	15	60

[1] Valuation: according to Swiss tax rules.

Balance, at 31 December 2010	Alain Caparros Chairman	Hans Ziegler Vice-Chairman	Jan C. Berger Member	Peter Littmann Member	Total Board of Directors
Number of shares	–	–	3 500	–	3 500
In percentage of share capital	–	–	0.04 %	–	0.04 %
Value of shares in CHF 1 000	–	–	188	–	188
Number of Management options	17 200	12 900	12 900	21 500	64 500
In percentage of share capital	0.20 %	0.15 %	0.15 %	0.24 %	0.74 %
Value of Management options in CHF 1 000[1]	128	128	128	128	512

[1] Valuation: according to Swiss tax rules.

Disclosure of Group Management's shareholdings pursuant to the Swiss Code of Obligations (CO)

Balance, at 31 December 2011	Frank Beeck CEO	Markus Voegeli CFO	André Maeder ex – CEO	Werner Lange ex – CPO	Total Top Management
Number of shares	–	700	–	–	700
In percentage of share capital	–	0.01 %	–	–	0.01 %
Value of shares in CHF 1 000	–	13	–	–	13
Number of Management options	21 700	26 400	35 800	35 200	119 100
In percentage of share capital	0.24 %	0.30 %	0.41 %	0.40 %	1.35 %
Value of Management options in CHF 1 000[1]	31	31	29	15	106

[1] Valuation: according to Swiss tax rules.

Balance, at 31 December 2010	André Maeder CEO	Frank Beeck CSO	Werner Lange CPO	Markus Voegeli CFO	Total Top Management
Number of shares	–	–	–	1 700	1 700
In percentage of share capital	–	–	–	0.02 %	0.02 %
Value of shares in CHF 1 000	–	–	–	91	91
Number of Management options	35 800	8 800	35 200	17 600	97 400
In percentage of share capital	0.41 %	0.10 %	0.40 %	0.20 %	1.11 %
Value of Management options in CHF 1 000[1]	459	99	262	220	1 040

[1] Valuation: according to Swiss tax rules.

39 Risk assessment according to the Swiss Code of Obligations

Financial risk assessment and management is an integral part of the Charles Vögele Group-wide enterprise risk management and is governed by policies reviewed by the Board of Directors. The policies provide guidance on operational risk limits and monitoring procedures. Such monitoring procedures contain regular review of accounting policy, significant accounting matters, and items requiring significant management judgments and estimates. The implementation of the accounting policy, the adherence to the regulation and the monitoring on a daily risk basis are carried out by the relevant financial departments. Regular reporting on the review of the financial risk situation is performed by the relevant accounting and controlling functions.

Charles Vögele Group has established a fully integrated risk process that captures and evaluates the Group's most important external and internal risks. The key risks are entered in a risk matrix that shows both the potential degree of impact and likelihood of each individual risk. Based on the company's risk tolerance, Group Management either initiates measures to reduce the degree of impact and/or the likelihood of the risk occurring, or deliberately takes on specific risks. Group Management periodically evaluates and updates the key risks. Charles Vögele Holding AG's Board of Directors evaluates the effectiveness of the risk management system every year.

40 Post balance sheet events

The present financial statements take into consideration events occurring between the balance sheet date and 5 March 2012.

In February 2012, the existing 2007 syndicated credit agreement was replaced before maturity by a new syndicated credit agreement with a credit line of CHF 255 million (old credit line: CHF 250 million). The duration of this new credit line ends in September 2015. The interest rate is based on LIBOR plus a margin of between 100 and 375 basis points depending on financial ratios of the Group.

The 2011 financial statements, which were discussed between the Audit Committee and Group Management and approved by the Charles Vögele Holding AG Board of Directors on 5 March 2012 are presented to the Annual Shareholders' Meeting on 4 April 2012 for approval.

41 Structure of the Charles Vögele Group as of 31 December 2011

Company		ISO code	Share/ Partnership capital
Charles Vögele Holding AG Freienbach SZ, CH Holding		CHF	26 400 000
100 %	**Charles Vögele Trading AG** Freienbach SZ, CH Central services	CHF	10 000 000
100 %	**Charles Vögele Store Management AG** Freienbach SZ, CH Central services (dormant)	CHF	250 000
100 %	**Cosmos Mode AG** Freienbach SZ, CH Central services	CHF	100 000
100 %	**Mac Fash GmbH** Freienbach SZ, CH Central services (dormant)	CHF	20 000
100 %	**Charles Vögele Import GmbH** Lehrte, DE Central services	EUR	25 000
100 %	**Charles Voegele Fashion (HK) Ltd.** Hong Kong, HK Central services	HKD	100 000
100 %	**Charles Vögele Mode AG** Freienbach SZ, CH Sales organization	CHF	20 000 000
100 %	**Charles Vögele Deutschland GmbH** Sigmaringen, DE Sales organization	EUR	15 340 000
100 %	**Charles Vögele (Netherlands) B.V.** Utrecht, NL Sales organization	EUR	1 000 200
100 %	**Charles Vögele (Belgium) N.V.** Erembodegem, BE Sales organization	EUR	10 063 906
100 %	**Charles Vögele (Austria) GmbH** Kalsdorf, AT Sales organization	EUR	1 453 457
100 %	**Charles Voegele trgovina s tekstilom d.o.o.** Ljubljana, SI Sales organization	EUR	667 668
100 %	**Charles Voegele Polska Sp. z o.o.** Warsaw, PL Sales organization	PLN	4 000 000
100 %	**Charles Vögele Hungária Kereskedelmi Kft.** Budapest, HU Sales organization	HUF	240 000 000
100 %	**Charles Voegele Ceska s.r.o.** Prague, CZ Sales organization	CZK	30 000 000

Changes in the scope of consolidation, see Note 2.4.

Report of the statutory auditors to the general meeting of Charles Vögele Holding AG, Freienbach SZ

> Report of the statutory auditors on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Charles Vögele Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement and statement of changes in equity and notes (pages 6 to 57), for the year ended 31 December 2011.

> Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

> Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

> Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

> Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Sandra Böhm Uglow Auditor expert	Thomas Bihrer Auditor expert
Auditor in charge	

Zurich, 5 March 2012

CONTENT

From 1 January to 31 December

INCOME STATEMENT HOLDING

CHF 1000	Note	**2011**	2010
Income			
Dividends		–	70 000
Financial income	2	15 660	12 000
Total income		**15 660**	**82 000**
Expenses			
Administration expenses		(2 019)	(1 994)
Financial expenses	2	(3 479)	(6 866)
Impairment of loans to subsidiaries	3	(55)	(5 460)
Exchange loss, net		(11 958)	(63 943)
Total expenses		**(17 511)**	**(78 263)**
Profit/(loss)/ before income tax		**(1 851)**	**3 737**
Tax expenses		(3)	(20)
Net profit / (loss) of the year		**(1 854)**	**3 717**

At 31 December

BALANCE SHEET HOLDING

CHF 1000	Note	**31.12.2011**	31.12.2010
Assets			
Current assets			
Cash and cash equivalents	4	11 412	8 819
Receivables from subsidiaries	5	96 871	36 790
Other receivables and prepaid expenses		82	27
Total current assets		**108 365**	**45 636**
Long – term assets			
Loans to subsidiaries	5	260 415	304 241
Investments	6	607 330	601 485
Total long – term assets		**867 745**	**905 726**
Total assets		**976 110**	**951 362**
Liabilities and shareholders' equity			
Short – term liabilities			
Accounts payable third parties		26	21
Accounts payable subsidiaries	5	614 584	583 540
Accrued liabilities		206	237
Current tax liabilities		–	17
Total short – term liabilities		**614 816**	**583 815**
Shareholders' equity			
Share capital	7	26 400	30 800
Legal reserves to contribution of capital	7	173 789	173 789
Free reserves		110 000	110 000
Reserve for treasury shares	8	23 454	30 268
Retained earnings: – Retained earnings at 1 January		22 690	15 457
– Decrease/(Increase) of reserve for treasury shares		6 815	3 516
– Net profit of the year		(1 854)	3 717
Total retained earnings		27 651	22 690
Total shareholders' equity		**361 294**	**367 547**
Total liabilities and shareholders' equity		**976 110**	**951 362**

1 Basis for the financial statements

Charles Vögele Holding AG is based in Pfaeffikon, municipality of Freienbach, in the Canton of Schwyz, Switzerland, and its purpose is the holding and administration of investments of the Charles Vögele Group.

The financial statements are presented in accordance with Swiss law.

The integration of the financial statements of Charles Vögele Holding AG into the consolidated financial statements of the Charles Vögele Group has been made in accordance with the accounting principles explained in the Notes to the consolidated financial statements.

2 Financial income and expenses

The financial income arises largely from the interest income from cash pooling and from interest on loans granted to subsidiary companies. These are counterbalanced by financial expenses in the form of interest on cash pooling and on interest on accounts payable to subsidiary companies.

3 Impairment of loans to subsidiaries

Impairments of loans to Group companies concern value adjustments on Group loans to the subsidiary in Poland. For the group loan of the Charles Vögele Deutschland GmbH, interest has to be paid since 1 January 2011.

4 Cash and cash equivalents

This position includes sight deposits at banks.

5 Receivables from and liabilities to subsidiaries

Current asset receivables and short-term payables due from and to Group companies are resulting mainly from the Group's cash pooling system.

Loans to Group companies serve to finance various subsidiaries and are value adjusted if necessary (see Note 3).

6 Investments

The complete structure of the Charles Vögele Group's long-term investments is documented in Note 41 of the Notes to the consolidated financial statements.

7 Equity

The reduction in the share capital is due to the Annual Shareholders' Meeting's decision on 13 April 2011, to reduce the par value of Charles Vögele Holding AG shares by CHF 0.50 per share, from CHF 3.50 to CHF 3.00. The remaining share capital comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.00 each.

The CHF 173.8 million disclosed as other legal reserves include CHF 2.9 million capital contributions not accepted by the SFTA (Swiss Federal Tax Administration).

The explanations about the statutory designated conditional and authorized capital increases can be found in the notes to the consolidated financial statements (see Note 31).

8 Movement in treasury shares

		Price in CHF	Number of shares[1]
Treasury shares at 1 January 2010			**434 907**
Disposal of treasury shares	Q1 2010	–	–
Purchase of treasury shares		–	–
Disposal of treasury shares	Q2 2010	49.98 – 53.07	(2 525)
Purchase of treasury shares		–	–
Disposal of treasury shares	Q3 2010	–	–
Purchase of treasury shares		–	–
Disposal of treasury shares	Q4 2010	–	–
Purchase of treasury shares		49.70	3 761
Treasury shares at 31 December 2010			**436 143**
Disposal of treasury shares	Q1 2011	54.75 – 55.60	(854)
Purchase of treasury shares		56.13 – 56.39	2 000
Disposal of treasury shares	Q2 2011	62.90 – 68.15	(255)
Purchase of treasury shares		–	–
Disposal of treasury shares	Q3 2011	26.90 – 46.25	(34 441)
Purchase of treasury shares		26.94 – 39.99	33 184
Disposal of treasury shares	Q4 2011	19.59 – 27.89	(50 368)
Purchase of treasury shares		19.54 – 20.50	10 000
Treasury shares at 31 December 2011			**395 409**

[1] All of the transactions were executed by Charles Vögele Trading AG

For the holdings of treasury shares in the Charles Vögele Group as of 31 December 2011, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 23.5 million (31 December 2010: CHF 30.3 million).

9 Major shareholders

All of the company's shares are bearer shares. Consequently, the company maintains no share register. The following is based on information supplied to the company under stock exchange regulations and other information available to the company. http://www.six-exchange-regulation.com/publications/published_notifications/major_shareholders_en.html

Shareholders	Share of capital as of 31.12.2011[1]	Share of capital as of 31.12.2010[1]
Migros – Genossenschafts – Bund, Zürich, Schweiz	25.17 %	22.06 %
Bestinver Gestion S.G.I.I.C. S.A., Madrid, Spain	4.74 %	9.95 %
Classic Global Equity Fund, Triesen, Liechtenstein[2]	5.6 %	9.3 %
Sterling Strategic Value Ltd., Tortola, British Virgin Islands	5.93 %	4.79 %
Blackrock Inc., 40 East 52nd Street, New York 10022, USA	3.36 %	<3 %

1) According to information submitted by shareholders to the company until the specified date.
2) As stated in the annual report.

10 Contingent liabilities

CHF 1000	31.12.2011	31.12.2010
Rental- and other guarantees to third parties	19 519	23 474
Guarantees to financing banks	356 754	355 572

In addition, letters of comfort were issued to subsidiary companies.

11 Pledged assets

In connection with the syndicated refinancing agreement signed in June 2007 (see Note 29 in the notes to the consolidated financial statements), Charles Vögele Holding AG issued a guarantee towards the lending banks.

12 Board of Directors and Group Management: total payments and shareholdings

Disclosure of total payments and shareholdings pursuant to the Swiss Code of Obligations (CO) is made in the Notes to the consolidated financial statements (see Note 38).

13 Risk assessment according to the Swiss Code of Obligations

Charles Vögele Holding AG is fully integrated into the Group-wide risk assessment process of the Charles Vögele Group. This Group risk assessment process addresses the nature and scope of business activities and its specific risks. For detailed information refer to the disclosure in the consolidated financial statements (see Note 39) of this Annual Report.

14 Post balance sheet events

In connection with the new syndicated credit agreement (see Note 40 of the consolidated financial statements) Charles Vögele Holding AG is acting as a guarantor together with further group companies.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes to the Annual Shareholders' Meeting of 4 April 2012, to carry forward the retained earnings of CHF 27.7 million.

CHF 1000	
Retained earnings at 31 December 2011	27 651
Balance to be carried forward	**27 651**

Since the legal reserves have reached 20 % of the share capital, there will be no further allocation to the legal reserves.

At the Annual Shareholders' Meeting on 4 April 2012, the Board of Directors will propose that no dividend be paid for the 2011 financial year because of the net loss.

Report of the statutory auditors to the general meeting of Charles Vögele Holding AG, Freienbach SZ

> Report of the statutory auditors on the financial statements

As statutory auditor, we have audited the financial statements of Charles Vögele Holding AG, which comprise the income statement, balance sheet and notes (pages 62 to 67), for the year ended 31 December 2011.

> Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

> Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

> Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

> Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Sandra Böhm Uglow Auditor expert Auditor in charge	Thomas Bihrer Auditor expert

Zurich, 5 March 2012

SHARE INFORMATION

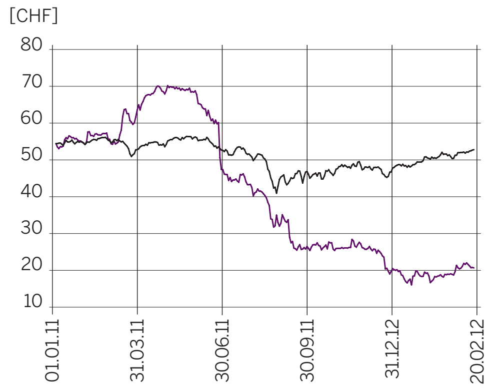
		31.12.2011	31.12.2010
Bearer shares	number	8 800 000	8 800 000
Par value (reduction decided on 13 April 2011)	CHF	3.00	3.50
Share price as per closing date	CHF	18.40	53.70
Share price:			
– year high	CHF	70.50	57.50
– year low	CHF	15.80	35.70
Average trading volume per day	number	28 691	13 837
Free float[1]	%	75	78

Basic earnings per share	CHF	(14.23)	2.12
P / E ratio	factor	(1.30)	25.3
EV / EBITDA	factor	(14.1)	4.1
Stock capitalization	CHF mil.	162	473
Book value per share	CHF	40	54
Reduction of par value of shares[2]	CHF	–	0.50

[1] According to free – float declaration SIX.
[2] Proposal to the Annual Shareholders' Meeting.

Share performance

Price performance of Charles Vögele Holding AG bearer shares from 1 January 2011 to 20 February 2012:



— Benchmark index SPI
— Daily closing price of Charles Vögele bearer shares

Listing: SIX Swiss Exchange, Zurich
Security number: 693 777
ISIN code: CH 000 693 777
Abbreviation: VCH
Bloomberg: VCH SW
Reuters: VCHZ.S

FINANCIAL CALENDAR/CONTACTS

4 APRIL 2012
GENERAL MEETING OF SHAREHOLDERS
BUSINESS YEAR RESULTS 2011

21 AUGUST 2012
MEDIA AND ANALYST CONFERENCE
HALF-YEAR RESULTS 2012

5 MARCH 2013
MEDIA AND ANALYST CONFERENCE
BUSINESS YEAR RESULTS 2012

10 APRIL 2013
GENERAL MEETING OF SHAREHOLDERS
BUSINESS YEAR RESULTS 2012

The Annual Report of the Charles Vögele Group is published in **English** and **German**. The original language is German.

All statements in this report which do not refer to historical facts are statements related to the future which offer no guarantee with regard to future performance; they are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

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CONTACTS

PUBLISHER
Charles Vögele Holding AG
8808 Pfaeffikon SZ
Switzerland

CONCEPTION/DESIGN
hilda design matters, Zurich

PHOTOGRAPHY
Charles Vögele, Fashion Photos
Christoph Läser
Ruben Wyttenbach

TYPESETTING AND PRINTING
Neidhart + Schön Group, Zurich

CONTACT
Charles Vögele Holding AG
Investor Relations
P.O. Box 58
Gwattstrasse 15
8808 Pfaeffikon SZ
Switzerland
T + 41 55 416 71 00
F + 41 55 410 12 82

investor-relations@charles-voegele.com
www.charles-voegele.com


Charles Vögele
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Charles
Vögele
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