2009
ANNUAL REPORT

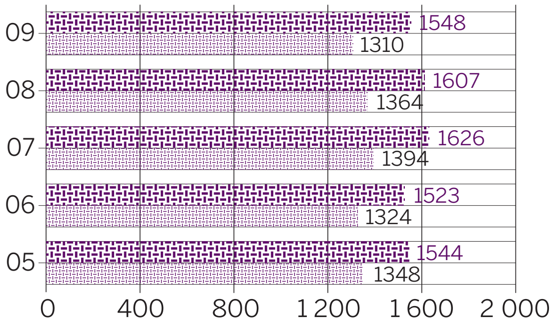
Charles Vögele
Switzerland

VISION

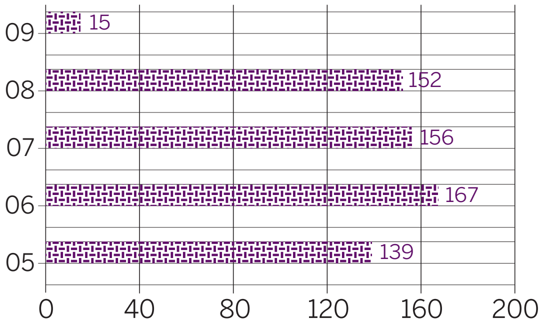
Charles Vögele is the number one choice
for people in the prime of their lives
who want to feel good and who are looking
for the latest fashions at great prices.

GROUP KEY FIGURES 2005 – 2009

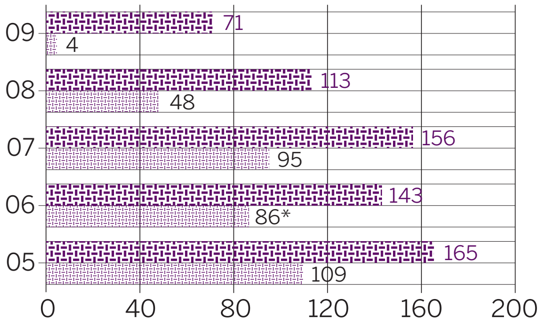
Gross sales in CHF million
Net sales in CHF million



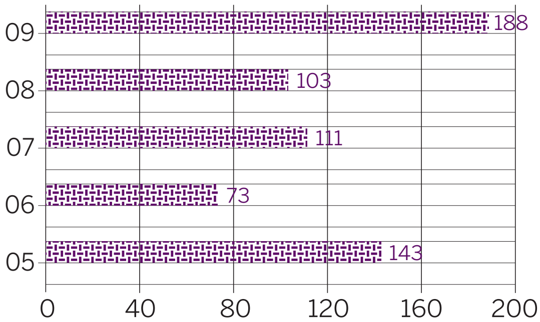
Net debt



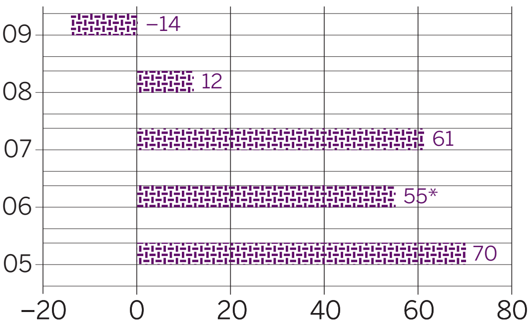
EBITDA in CHF million
EBIT in CHF million



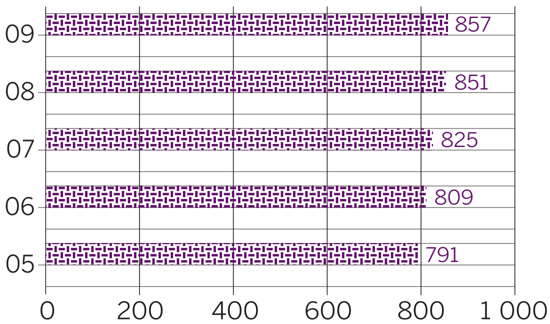
Cash flow from operating activities in CHF million



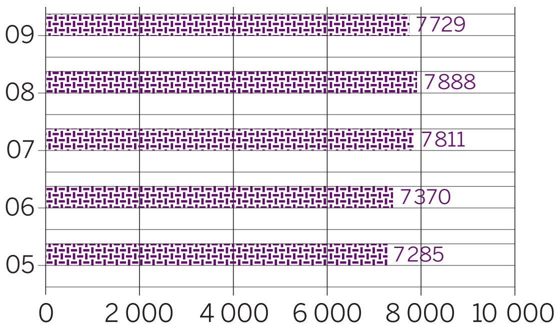
Net profit in CHF million



Branches



Employees



*before impairment of goodwill of CHF 74 million

GROUP KEY OPERATING FIGURES

CHF million	**2009**	2008	Change
Gross sales	1 548	1 607	(3.7%)
Change adjusted for currency in %	0.2%	1.0%	
Change adjusted for expansion and currency in %	(2.6%)	(2.1%)	
Net sales	1 310	1 364	(3.9%)
Operation earnings before depreciation and impairment (EBITDA)	71	113	(36.8%)
Operation earnings (EBIT)	4	48	(91.4%)
Net profit of the year	(14)	12	(211.3%)
Net cash flow from operating activities	188	103	81.4%
Net cash provided/ (used) in investing activities	(46)	(79)	(42.5%)
Free cash flow	142	24	485.7%
Number of stores at year-end	857	851	0.7%
Sales area at year-end in m²	670 985	666 162	0.7%
Number of employees at year-end[1)]	7 729	7 888	(2.0%)
Average number of full-time employees on an annual basis[1)]	5 036	5 071	(0.7%)
Net sales per average number of full-time employees in CHF[1)]	260 176	268 974	(3.3%)
Number of clothing articles sold in 1000	69 698	63 713	9.1%
Average net sales per article in CHF	18.8	21.4	(12.1%)
Share of turnover in %:			
– women‘s wear	58%	58%	–
– men‘s wear	32%	32%	–
– children‘s wear	10%	10%	–

CHF million		**31.12.2009**	31.12.2008
Net debt		15	152
Shareholders‘ equity		484	495
Balance sheet total		818	892s
Shareholders' equity in % of balance sheet total		59%	56%

1) Excluding apprentices

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FINANCIAL REPORT

KEY FINANCIALS

Currency-adjusted gross sales at previous year's level. With the economic environment still difficult, gross sales fell from CHF 1 607 million to CHF 1 548 million. After adjusting for currency influence, there was an increase of 0.2%, and after adjusting for both currency movements and changes in retail area there was a fall of 2.6%.

13

Inventories reduced by 13 million items during the year under review. During 2009, inventories were reduced by 13 million items, worth CHF 109 million. A modified discounting policy ensures that from the end of March 2010 there will be no articles older than 18 months.

Operating expenses reduced by CHF 19 million. Thanks to prompt cost-saving measures, currency-adjusted operating expenses were reduced by CHF 19 million to CHF 731 million.

EBITDA at CHF 71 million despite clear-out of old stock. The clear-out of old stock and the modified discounting policy knocked about CHF 40 million off gross profit. Despite the substantial stock clearance, EBITDA came to CHF 71 million.

Net result of CHF –14 million. The one-off, large-scale streamlining of inventories also had an effect on the net result, turning it into a loss of CHF –14 million.

142

Free cash flow up significantly to CHF 142 million. Free cash flow rose by CHF 118 million, from CHF 24 million to CHF 142 million, mainly thanks to the targeted reduction of old stock and cautious investment activity at a low level.

Solid equity ratio of 59%. The equity ratio rose from 56 to 59%, reflecting the very good balance sheet structure.

15

Net debt at lowest-ever CHF 15 million. Net debt was reduced from CHF 152 million to CHF 15 million. The company's CHF 250 million credit facility is available in full and is secured until mid-2012.

HIGHLIGHTS

Own sourcing offices in India and Bangladesh. At the beginning of November 2009, Charles Vögele Group took procurement in India and Bangladesh into its own hands. Purchasing activities in Hong Kong and Shanghai were brought in-house three years ago. This puts the company in control of another link in the value chain – a significant competitive advantage for a vertically integrated business.

Introduction of state-of-the-art store design concept. In September 2009, the new store design concept was introduced in the Metzingen store in Germany. Two more pilot stores were opened in Weinfelden and Lancy in Switzerland. The lessons learned from these stores are being put into practice at the end of March 2010 in the new flagship store in Zurich.

Advertising campaigns made more emotional for specific target groups. From autumn 2009, the company's advertising campaigns were made more emotional for specific target groups and the marketing mix was adjusted accordingly. The aim is to improve the image of the overall brand while also sharpening up the profile of the Casablanca, Biaggini and Kingfield brands.

CHAIRMAN'S MESSAGE

Dear shareholders

The 2009 financial year was marked by the continuing difficult economic climate in all European markets. Rising unemployment weighed down on consumer sentiment, and this had a particularly harsh effect on the clothing sector. Many of our competitors responded to this market environment with price cuts or further expansion to compensate for the decline in sales.

Business performance 2009

The fact that Charles Vögele Group managed to generate gross sales of CHF 1 548 million (previous year: CHF 1 607 million) in this highly competitive environment can be attributed not least to its positioning. In difficult economic times, customers attach particular importance to value for money; their purchasing tends to be driven more by need than by fashion. However, the substantial and exceptional clear-out of old stock and the switch to a new discounting policy resulted in a net loss for 2009 of CHF –14 million. This was expected and planned for: the massive clear-out is an essential precondition for the achievement of our strategic objectives.

Changes in the Board of Directors and Group Management

2009 was a year of change for Charles Vögele Group on all fronts. There were comings and goings on both senior management bodies. More detailed information about the changes made in the first half of the year was given in the 2009 half-year report. As announced, Markus Voegeli has been the new CFO since October 2009. He succeeds Dr. Felix Thöni. Dr. Dirk Seifert (COO) is also leaving the company, and the search for his successor has begun.

We would like to thank our departing colleagues for their hard work in the management team and for Charles Vögele Group in general. We wish them all the best for the future.

Implementing the findings from the strategic review

Following the Shareholders' Meeting of April 2009, the Board of Directors carried out a strategic review in collaboration with Group Management. Based on the findings of this review, strategic objectives were defined and numerous operational measures were initiated (see pages 9 to 12).

The branch portfolio is being reviewed as part of our potential-oriented expansion strategy. The greatest potential was identified in our main markets, and our declared goal is to keep building on our strong position in these markets, and to increase like-for-like sales.

Outlook

In view of the negative earnings position, and in line with the company's dividend policy, the Board of Directors will not be proposing a distribution of profits at the Shareholders' Meeting. The operating environment for the clothing market is unlikely to improve significantly this year. If unemployment continues to rise, this will have a noticeable impact on consumer behaviour. Nevertheless, the Board of Directors and Group Management are confident that the measures taken will move the group back into profit this financial year. The medium-term aim is an EBITDA margin of 10%.

In the name of the Board of Directors I would like to thank you for your trust and loyalty, and I would like to thank our employees for their commitment.

Yours sincerely

Alain Caparros, Chairman of the Board of Directors

CEO'S REPORT

Dear shareholders

2009 was one of the most turbulent years in Charles Vögele Group's 55-year history. The whole company underwent a thorough renewal at all levels. Some of the measures introduced since I entered my position in February 2009 have already been completed. At the beginning of November, for example, we took procurement in India and Bangladesh into our own hands. This puts Charles Vögele Group in control of another link in the value chain – a significant competitive advantage for a vertically integrated company like ours. No less important for us were the development of a new store design concept and the infusion of more emotion into our advertising.

Clear-out of old items reduces net profit

Gross sales fell from CHF 1 607 million to CHF 1 548 million. The sell-off of the superfluous old stock identified in March (12 million items) is proceeding as planned. Two-thirds have already been sold thanks to additional price reductions. The clear-out and the modified discounting policy cut gross profit by about CHF 40 million. The gross profit margin went down temporarily from 65.3% to 61.2%. We were able to cut operating costs (after adjusting for currency movements) by CHF 19 million to CHF 731 million by taking action promptly. Nevertheless it was impossible to stop EBITDA slipping from CHF 113 million to CHF 71 million, with the EBITDA margin going down from 8.3% to 5.4%. After deducting depreciation, EBIT came in at CHF 4 million (previous year CHF 48 million), a fall of CHF 44 million. Finance costs fell to CHF 8 million. Net profit for the year was CHF –14 million.

Strong free cash flow, low net debt

Cash flow increased by CHF 85 million from the previous year's CHF 103 million to CHF 188 million, thanks mainly to the clear-out of old stock. With investment activities at a low level, free cash flow was up by a substantial CHF 118 million, from CHF 24 million to CHF 142 million. There was a further reduction in net debt: at CHF 15 million, compared with CHF 152 million in the previous year, this item was lower than at any time since the company was first listed on the stock market. Its high equity ratio of 59% is further evidence of how solid the Group's finances are.

Changes to organisational and process structures

Thanks to its strong balance sheet, the group was able to fund all the measures it initiated along the whole value chain from its own resources. Not only will the changes to the organisational and process structures have a positive effect on costs, they will also make the group's processes faster and more efficient. This is allowing us to double the tempo of new collections from 4 to 8 a year, which in turn enables us continuously to present new colours and fashions on the sales floor.

Purchasing is being reorganised by core competence into three departments: Brand Management, Procurement and Merchandise Management. This will help us to meet the rising standards required in brand management and procurement. In addition, Merchandise Management and Logistics are being centralised, which will help to make processes faster and more efficient.

I would like to thank you, our valued shareholders, for your loyalty to the Charles Vögele Group. I would also like to thank all my colleagues for their great commitment and for their willingness to tackle the changes we face with such fortitude. Thanks also to our partners and suppliers for the good work we have done together.

Yours sincerely

André Maeder, CEO


From left to right:
Markus Voegeli, CFO
André Maeder, CEO
Werner Lange, CPO

RENEWAL AT ALL LEVELS

Since the end of March 2009, the company has been engaged in a massive, exceptional clear-out of old stock. This is the absolute prerequisite for a series of operational initiatives along the whole value chain.

The clear-out of old stock that began at the end of March 2009 was the absolute prerequisite for a series of measures initiated by the Board of Directors and Group Management in response to the findings of their strategic review.

Major streamlining of old stock

At the end of March 2009, around 12 million items of Charles Vögele's inventories – over 30% of the total – were old stock. Over the whole of 2009, additional discounts were used to reduce inventories across the group by 13 million items worth CHF 109 million. The modified discount management system will ensure that from the end of March 2010 onward there will be no items older than 18 months. The clear-out of old stock and the modified discounting policy reduced gross profit by about CHF 40 million.

Because old items will no longer have to be stored temporarily prior to their return to the stores, storage facilities that were used exclusively for the management of old stock can now be closed down. Furthermore, the way is now clear for operational measures that will help Charles Vögele Group secure sustainable success. These measures are changing organisational and process structures along the entire value chain – a renewal at all levels.

New specialisation in purchasing

Purchasing is being reorganised by core competence into three departments: Brand Management, Procurement and Merchandise Management. This will help us meet rising expectations of collection production and procurement. It has also resulted in clear responsibilities, simpler more efficient and faster processes, and an organisational structure more suited to growth.

Department 1: Brand Management

Changes to organisational and process structures have facilitated a doubling of the collection tempo from 4 to 8 a year for the three brands Casablanca, Biaggini and Kingfield. With fewer old items on the sales floors from now on, stores will always be able to present the very latest colours and fashions. Collections, organised by theme, will be more visible. The sales space that is being freed up can be used to expand existing ranges or introduce new ones: accessories to increase our fashion credentials, external brands as an additional, style-creating element in selected branches. In autumn 2010, Charles Vögele Group will be introducing its own underwear collection for the first time in its history. Socks have been offered as pick-up items since 2009.

Department 2: Procurement

The doubling of the collection tempo is having a profound influence on procurement. Specialisation is needed in this area too in order to increase capacity and speed. Specialisation also ensures that the actual manufacture of the collections is optimised in terms of supplier selection, quality and price.

>> VALUE CHAIN >>

BRAND MANAGEMENT/PROCUREMENT | MERCHANDISING

>> BASIS FOR THE INTRODUCTION OF OPERATIONAL MEASURES >>

SUBSTANTIAL CLEAR-OUT OF OLD STOCK

Since the end of March 2009, the company has been engaged in a massive, exceptional clear-out of old stock. This is the absolute prerequisite for a series of operational initiatives along the whole value chain. A modified discount management system will now ensure that no item is older than 18 months.

>> CLEAR AREAS OF RESPONSIBILITY AND FASTER PROCESSES

SPECIALISATION OF PURCHASING

Purchasing is being split into three core competences: Brand Management, Procurement and Merchandising.

>> IMPROVING FASHION CREDENTIALS

EXISTING RANGES ARE BEING EXPANDED

Accessories are being expanded to improve the company's fashion credentials. Additional external brands used as style-creating elements.

>> INCREASING THE AVERAGE SPEND PER VISIT

NEW RANGES ESTABLISHED

Vertical Grandiosa shops are being developed in most stores, socks offered as pick-up articles, and an own underwear collection will be launched in autumn 2010.

>> CONTINUOUS NEW COLOURS AND FASHIONS

COLLECTION TEMPO DOUBLED

The tempo of collections for the three brands Casablanca, Biaggini and Kingfield has been doubled from 4 to 8 a year.

>> IMPROVED QUALITY AND CONTROL

OWN SOURCING OFFICES OPENED IN INDIA AND BANGLADESH

At the start of November 2009, the procurement operations that were handled via external agents in India and Bangladesh were integrated into the group.

>> ENSURING THE AVAILABILITY OF ESSENTIALS

PROPORTION OF NEVER-OUT-OF-STOCK ITEMS IS DOUBLED

The proportion of essential articles (NOS) that always have to be available on the shop floor is being doubled to 15%.

>> FASHION THEMES MORE VISIBLE

FASHION THEMES ARE ALLOCATED TO BRANDS

Fashion themes are being allocated to brands on the sales floor.

>> FASTER AND MORE PRECISE STOCK CONTROL

MERCHANDISE MANAGEMENT IS BEING CENTRALISED

Merchandise Management is being centralised so that items can be allocated to branches quickly and flexibly (region-specific).

>> VALUE CHAIN >>

SUPPLY CHAIN MANAGEMENT

POS/EXPANSION

>> BASIS FOR THE INTRODUCTION OF OPERATIONAL MEASURES >>

>> FASTER AND MORE EFFICIENT DISTRIBUTION

LOGISTICS CENTRALISED

Logistics are being centralised. The flow of goods will in future be managed via three regional distribution centres. Delivery to individual stores is via distribution hubs.

>> NEW, HIGH-POTENTIAL DISTRIBUTION CHANNEL

INTRODUCTION OF E-COMMERCE

Fast-growing e-commerce is being introduced as a new distribution channel.

>> IMPROVING THE IMAGE AND SHARPENING THE BRAND PROFILE

EMOTIONALISED ADVERTISING

From autumn 2009, the company's advertising has been made more emotional for specific target groups and the marketing mix has been adjusted accordingly.

>> CUSTOMER-FRIENDLY AMBIENCE INCREASES FEEL-GOOD FACTOR

NEW STORE DESIGN CONCEPT

A state-of-the-art store design was introduced in September 2009. It is gradually being implemented throughout the store portfolio.

>> EXPANSION POTENTIAL DESPITE SATURATED MARKETS

NEW SMALLER STORE FORMAT

Stores of 300 to 500 m^2 offering part-ranges are being introduced in city locations and shopping centres.

>> LIKE-FOR-LIKE GROWTH AND QUALITY-DRIVEN EXPANSION

EXPANSION POTENTIAL IN ALL FORMATS AND LOCATIONS

The branch portfolio is being streamlined and expanded in line with a potential analysis and profitability guidelines. There is potential across all three size formats and in all locations.

Own sourcing offices in India and Bangladesh
At the beginning of November 2009, Charles Vögele Group took purchasing in India and Bangladesh into its own hands. For the previous 15 years, procurement had been handled through agents of Singapore-based Texline Associates Pte. Ltd. Procurement activities in Hong Kong and Shanghai were brought in-house three years ago. This integration into its own organisation puts Charles Vögele Group in control of another link in the value chain – a significant competitive advantage for a vertically integrated company like ours. About 85% of the clothing produced by Asian manufacturers will henceforth be managed through our own procurement offices, making processes more efficient and improving quality control at the manufacturers.

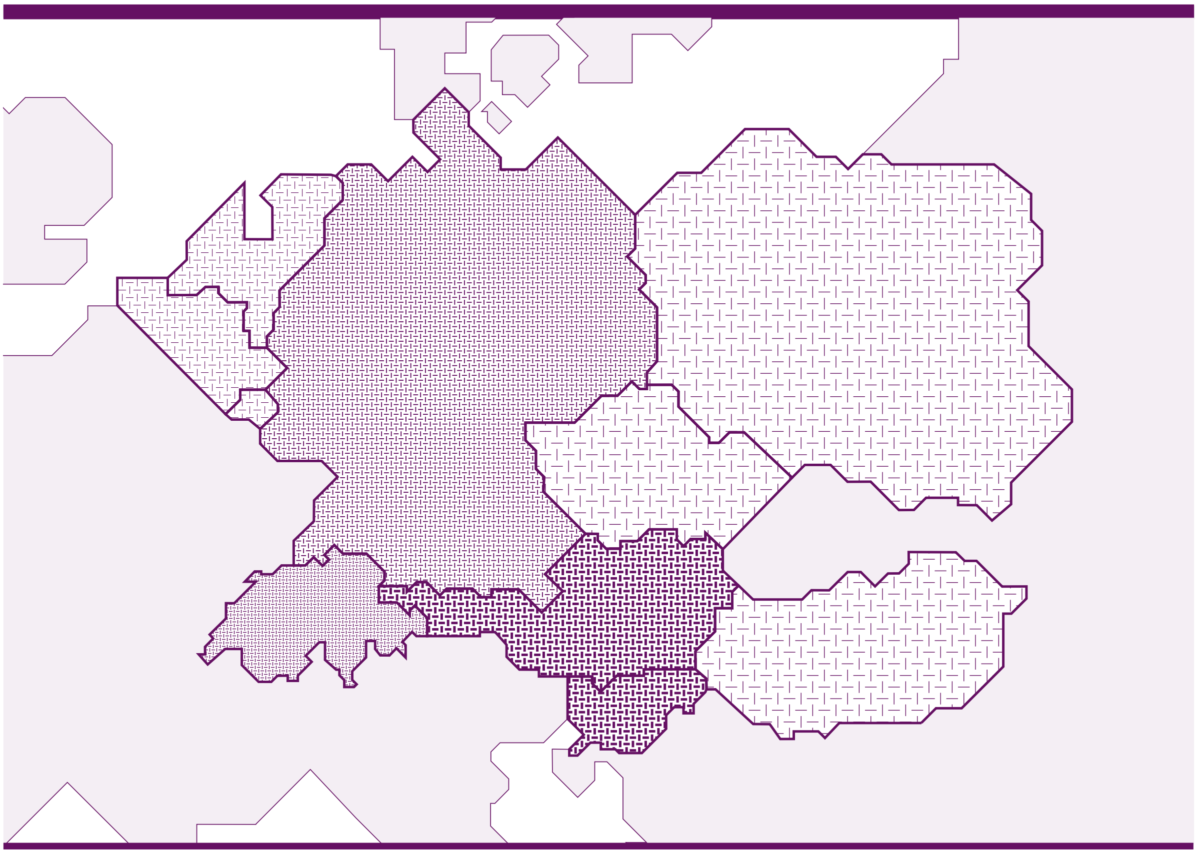
Department 3: Merchandising
Merchandise Management is being centralised so items can be allocated to branches quickly and flexibly (region-specific). The proportion of never-out-of-stock items is being doubled to 15%. The discounting policy is being modified to ensure that from the end of March 2010 there will be no stock older than 18 months on the sales floor.

Logistics
Like Merchandise Management, Logistics are also being centralised. This will not only make distribution faster and more efficient, but also more cost-effective. The planned doubling of the collection tempo will have a profound influence on logistics. Warehouse cycle times have to be reduced and items need to be delivered as and when they are needed. In order to meet these requirements, the decentralised warehousing for new articles is being phased out over the next two years and replaced by three regional distribution centres. The cargo ports in Koper (Slovenia) and Hamburg supply these centres directly with articles from the Far East. These are then sent out to the individual stores from the regional distribution centres via hubs.

Point of Sale/Expansion
From autumn 2009, the company's advertising campaigns were made more emotional for specific target groups, and the marketing mix was adjusted. The aim is to improve the image of the overall brand while also sharpening the profile of the Casablanca, Biaggini and Kingfield brands. In September 2009, a new store design concept was introduced for the first time in the new Metzingen store in Germany. Two more pilot stores were opened in Weinfelden and Lancy in Switzerland. Lessons learned from these stores are being put into practice at the end of March 2010 in the new flagship store in Zurich.

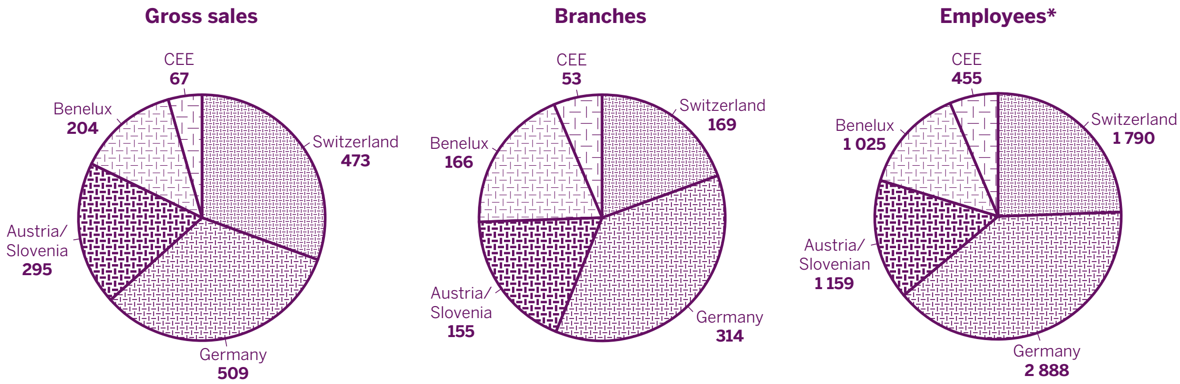
Further expansion potential
As well as the new presentation of collections on the sales floor and the new overall image, changes are taking place elsewhere in the business too. Charles Vögele's whole branch portfolio is being reviewed as part of its potential-oriented expansion strategy. The existing portfolio is being continuously optimised, with new locations being added especially in the main markets of Switzerland, southern and western Germany and Austria. In addition, store formats of 300 to 500 m^2 are being rented in city locations and shopping centres. These smaller stores offer partial ranges. Previously the store portfolio only included store formats larger than 800 m^2. The introduction of e-commerce adds another, forward-looking sales channel. All of these developments are allowing Charles Vögele Group to expand despite the fact that some markets are saturated.

OVERVIEW OF REGIONS

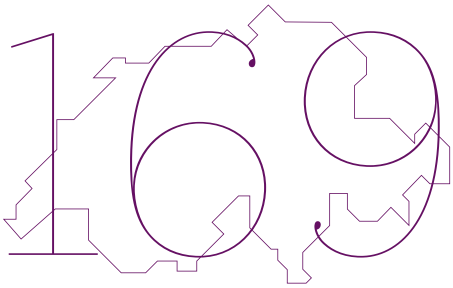


Charles Vögele Group is one of Europe's leading vertical fashion retailers. It offers the latest fashions at great prices to people in the prime of their lives who want to feel good. Attractively presented items, combined with friendly, knowledgeable advice, create a relaxed and enjoyable shopping experience. Charles Vögele has 857 outlets in five regions encompassing nine countries: Switzerland, Germany, Austria, Slovenia, the Netherlands, Belgium, Hungary, the Czech Republic and Poland. In 2009 the Group generated gross sales of CHF 1.5 billion with approximately 7 700 employees.

Charles Vögele Group (The 2009 financial year)



*without central services



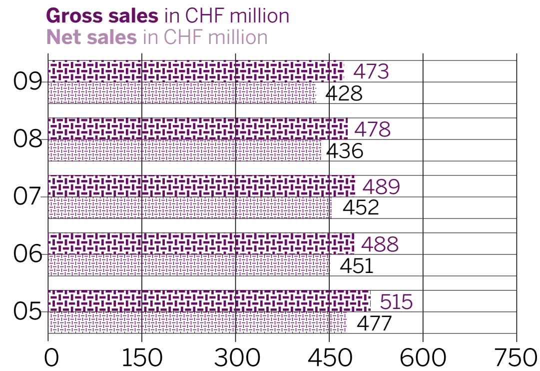
The overall market for outerwear in Switzerland shrank by 2.3% during the 2009 financial year. As leading clothing retailers continued to expand and consumers became very cautious in their behaviour, competitive pressure intensified. Good value for money became the crucial purchasing criterion for many people. Charles Vögele Group benefited from this trend owing to its positioning in the mid-price segment.

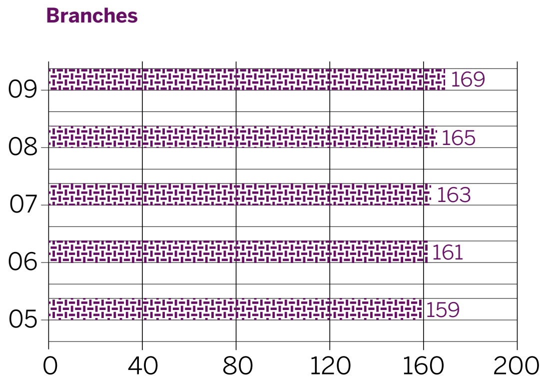
Expansion strategy for the Switzerland Region

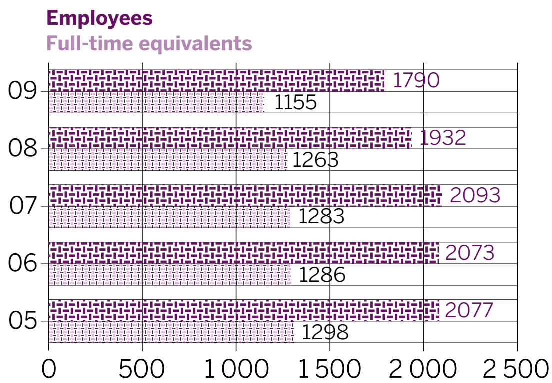
The Switzerland Region has good market penetration in its home market. Its main priority at the moment is to optimise its locations and add new ones in specific areas. The Switzerland Region generated gross sales of CHF 473 million, compared with CHF 478 million in 2008.

Developing the store portfolio

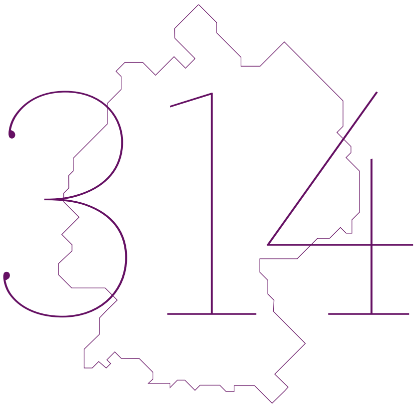
In 2009, four new stores were opened in Switzerland and one store was moved to a better location. The store portfolio increased from 165 to 169. The branches in Weinfelden (retail park) and Lancy (shopping centre) are pilots for the new store design concept. Lessons learned from these stores will be taken into account in the design of the new flagship store in Zurich.







GERMANY REGION



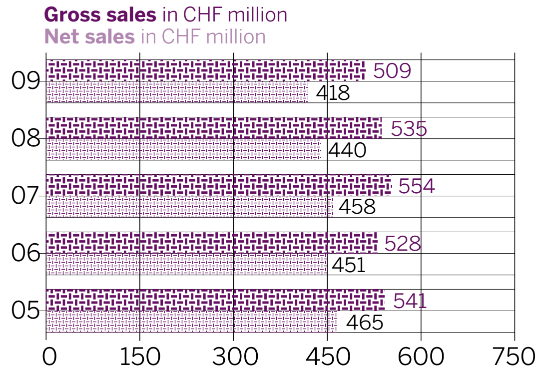
Germany's economic downturn was at its worst during the six months of winter 2008/2009. The economy shrank for the first time in six years – by 5%. The overall market for outerwear stagnated; famous companies like Karstadt, Hertie and Escada had to file for insolvency.

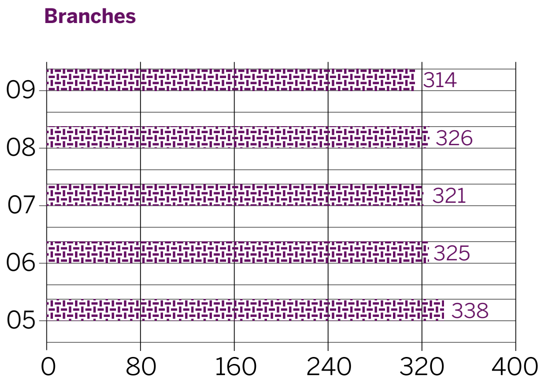
Expansion strategy for the Germany Region

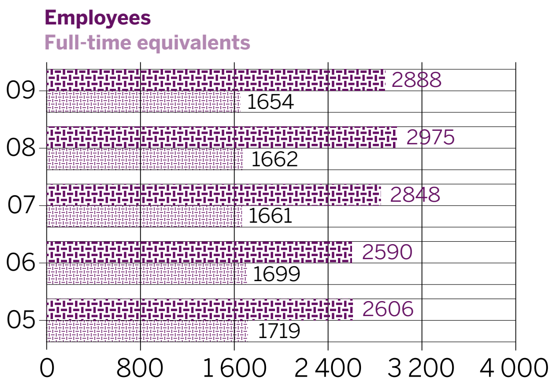
There is a lot of potential for expansion in southern and western Germany. This is where new locations are being developed. In the north and east of the country all locations have been evaluated and measures have been taken to increase profitability. In the case of unprofitable locations, stores have been closed. Gross sales in the Germany region fell during the period under review from CHF 535 million to CHF 509 million.

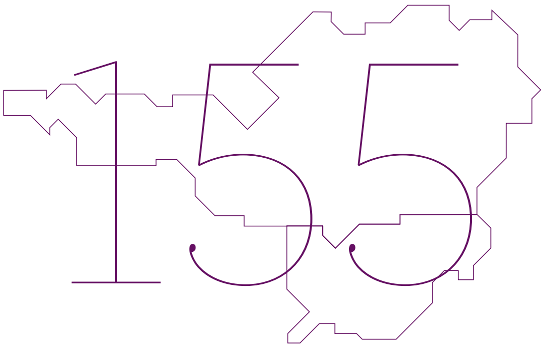
Developing the store portfolio

As part of the streamlining of the store portfolio, 23 branches were closed in the Germany Region in 2009, though 11 new stores were opened in southern and western Germany. The pilot project for the new store design was started in September 2009 in Metzingen.









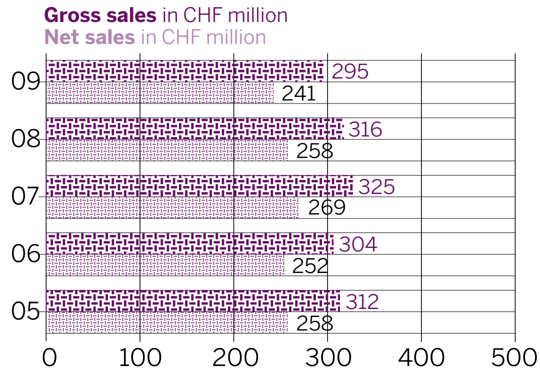
The economic downturn had a significant impact on the Austria/Slovenia Region too. Unemployment continued to go up, which depressed consumer sentiment. Lower purchasing power had a particularly direct effect on fashion retailing. In this difficult environment, Charles Vögele Group was able to maintain its market share, making it one of Austria's three leading clothes companies.

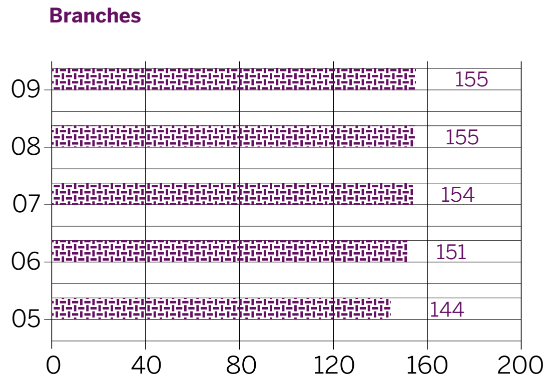
Expansion Strategy in the Austria/Slovenia Region

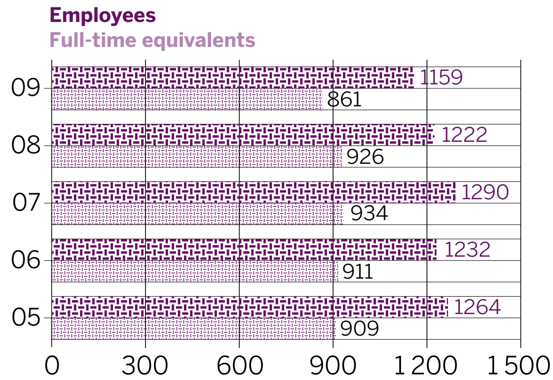
In the Austria/Slovenia Region, the streamlining of the store portfolio began in 2009. Unprofitable stores were either closed or moved to new locations with higher levels of passing trade. Gross sales fell by 7% from CHF 316 million to CHF 295 million.

Developing the store portfolio

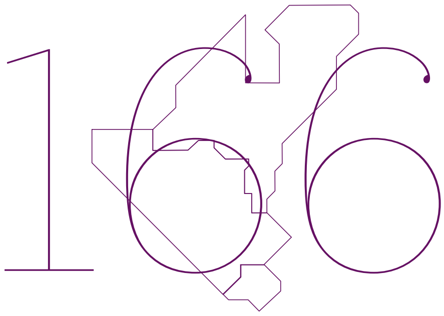
The branches in Oberwart, Leibnitz and Vösendorf were moved to better-frequented locations. In November 2009, a new store was opened in a shopping centre in Salzburg. Four unprofitable stores were closed during the year under review. At the end of 2009 the branch portfolio comprised 155 stores (previous year: 155)







BENELUX REGION



The entire market within the Benelux Region shrank. The outerwear market in Belgium only contracted by 0.2%, but the Dutch market was 3% smaller than in the previous year. Consumer sentiment was impaired by the continued rise in the unemployment rate.

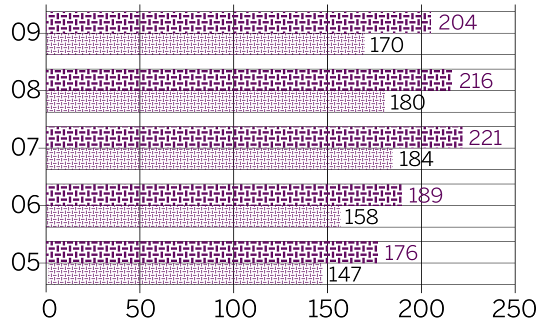
Expansion strategy for the Benelux Region

In the Benelux Region, the focus was on optimising the store portfolio. In the Netherlands in particular many stores are in poorly-frequented locations or are in need of renovation. Most of these unprofitable stores were closed. New openings in 2009 were primarily in Belgium. Gross sales fell from CHF 216 million to CHF 204 million.

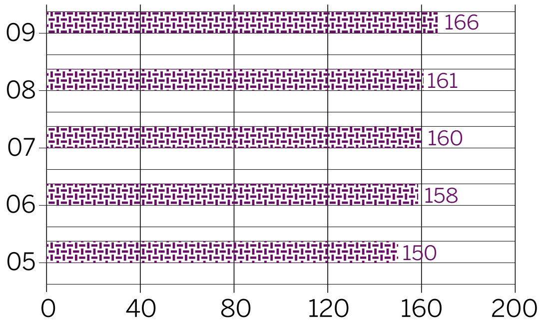
Developing the store portfolio

4 stores were closed and 9 opened in the Benelux Region during the year under review. 3 branches were turned into outlets prior to closure in the first quarter of 2010. At the end of the year under review, the branch portfolio consisted of 166 stores (previous year: 161).

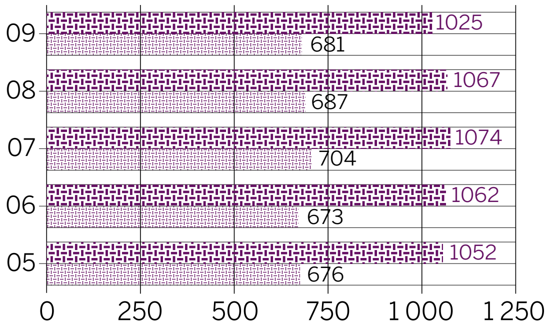
Gross sales in CHF million
Net sales in CHF million

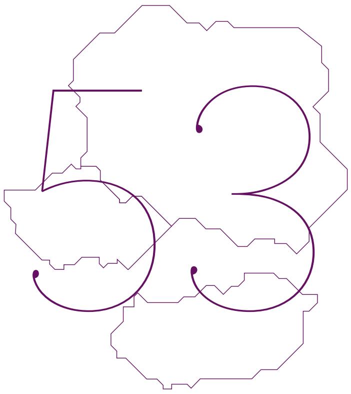


Branches



Employees
Full-time equivalents





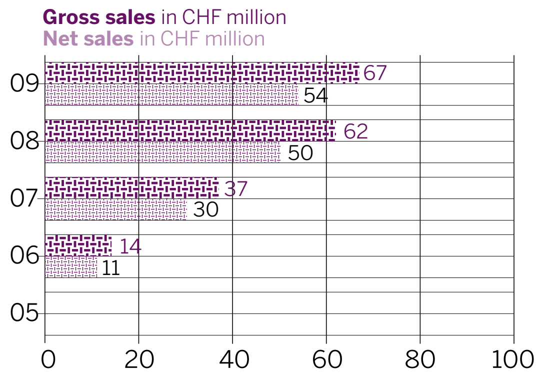
The economic environment in the CEE Region varied greatly from country to country. Poland found itself in the best position, and the Czech Republic also held up relatively well. Since it was already suffering a downturn before the crisis, Hungary was once again particularly hard hit by the economic and financial turbulence.

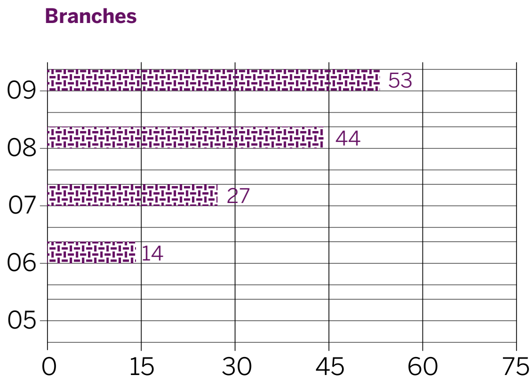
Expansion strategy for the CEE Region

Within the CEE Region, most growth is taking place in Poland. Following expansion especially in the first half of 2009, gross sales increased from CHF 62 million to CHF 67 million.

Developing the store portfolio

9 stores were opened in the CEE Region during the year under review. Rental contracts for these branches had already been concluded at the end of 2008. At the end of 2009, the branch portfolio comprised 53 stores (previous year: 44).





CORPORATE SOCIAL RESPONSIBILITY

Charles Vögele Group takes a conscientious approach to the use of natural resources and actively fulfils its social responsibilities. It has been supporting sustainable social projects in the countries where its clothes are manufactured for several years.

RESPECT FOR THE ENVIRONMENT

Collection development/procurement

In its 857 stores, the Charles Vögele Group mainly sells its own collections, which are produced by external manufacturers. Since the beginning of November 2009, Charles Vögele has had its own procurement offices in India and Bangladesh. Procurement activities in Hong Kong and Shanghai were brought in-house three years ago. Having these operations integrated into its own organisation represents a significant competitive advantage for a vertically integrated business, giving Charles Vögele control of an additional link in the value chain. This leads to more efficient processes and improved quality control. The group sources 85% of its clothes from South East Asia and 15% from Europe.

Supply chain

The clothes are nearly always taken from the production locations 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 regional distribution centres. From there the goods are distributed to individual stores by road or rail.

Charles Vögele Group's efforts to protect the environment focus mainly on the way it operates and maintains its stores, especially with regard to energy consumption. For example, we always use the latest and most energy-efficient in-store lighting systems.

In Switzerland and Germany, energy use in individual stores is subject to strict internal benchmarking to ensure that hidden or excessively high sources of consumption can be identified and dealt with as quickly as possible. Over the next few years this system will gradually be introduced in our other sales organisations too. Because the great majority of stores are housed in rented premises, the company has limited opportunity to influence environmental aspects when these buildings are being constructed.

Value-Added Statement

CHF 1000	**2009**	2008
Net sales	1 310 248	1 363 965
Other operating income	4 836	3 085
Financial income	386	929
Group services	**1 315 470**	**1 367 979**
Purchased materials and services	**(934 642)**	**(933 483)**
Gross value added	**380 828**	**434 496**
Depreciation and amortisation	(67 189)	(65 227)
Net value added	**313 639**	**369 269**
Distribution of net value added		
Employees	309 169	320 785
Government	10 835	20 717
Lenders	7 378	15 421
Shareholders (based on proposed appropriation of earnings by the Board of Directors)	–	4 191
Company	(13 743)	8 155
Total	**313 639**	**369 269**

In Switzerland, Charles Vögele is a member of the "Energie-Agentur der Wirtschaft" programme, which commits the company to active reduction of CO_2 emissions and optimised energy efficiency. The goals agreed within the programme are audited by the Swiss government.

Material flows

Charles Vögele Group uses its finely knit distribution network not only to get the clothes into its branches and to distribute consumables and marketing material, but also to set up intelligent material flows that help the company recycle waste. Internal transportation materials and interim packaging, such as boxes and plastic crates, are made to be reused as many times as possible within the system. On their return journeys, trucks that would otherwise be empty take plastic covers and other disposable packaging materials back to the sales organisations' central warehouses, where they are prepared for appropriate disposal.

Taking care of people and the environment

All suppliers that produce clothing for Charles Vögele Group have to follow strict, clearly defined guidelines with regard to manufacturing methods, materials and compliance with local environmental protection rules. These guidelines, based on the new version of Germany's consumer protection legislation of 23 December 1997, form an integral part of the suppliers' handbook and are binding for all supplier organisations. Charles Vögele regularly carries out spot tests and has the selected items analysed by external, independent laboratories to ensure that all regulations are adhered to and that all products are safe for customers.

SOCIAL RESPONSIBILITY

Employees

Charles Vögele Group employed 7 729 employees during the year under review (previous year: 7 888). The number of full-time equivalent posts came to 5 071 (previous year: 5 036).

HR development

The vast majority of Charles Vögele Group's employees are in direct daily contact with clients. Our people on the sales floor act as the company's calling cards. Their friendliness when serving customers and their accommodating and competent advice turn a visit to a Vögele store into a special shopping experience. This is why the company puts such emphasis on permanent training and development for its employees. Training and development help employees to reach their personal objectives and ensure that there is well-qualified young management talent available in all areas of the company. In addition to external training courses in various skills and specialisations, much attention is paid to internal training within the stores. Consequently, when new stores are opened, talented employees can be offered attractive career prospects. This also ensures that the corporate culture is extended to new locations.

Career prospects for trainees

Charles Vögele Group feels it is important to help young people embark upon a career in the clothing industry and to encourage talent in a targeted manner. During the year under review, 550 young people attended a relevant training programme (previous year: 557). The large number who successfully passed their final exams pays testament to the impressive achievements of these young employees, especially since they managed to gain these excellent results in such an intense working environment. The following achievements deserve special mention:

- Switzerland: 35 trainees scored higher than a 5 (out of a possible 6)
- Austria: 3 trainees passed with merit
- Germany: 15 trainees scored a 2 or higher

Social compliance

Charles Vögele Group is committed to socially fair production methods throughout the group. As far back as in 1996, the company issued binding guidelines on social matters and working conditions (Charles Vögele Code of Vendor Conduct), which had to be obeyed by all suppliers. During the second half of 2004, the Charles Vögele Code of Conduct was replaced by the BSCI Code of Conduct (see www.bsci-eu.com).

Business Social Compliance Initiative (BSCI)

The Business Social Compliance Initiative (BSCI) was established in Brussels on 26 March 2004. Under the overall management of the Foreign Trade Association (FTA), it is supported by European companies from various industries (food, non-food, etc.). The Initiative has been recognized by the relevant EU Commission since the early phases of its development, and since 2005 has also received active support in the form of EU development funding. Charles Vögele Group has been an official member of the FTA since 1 January 2004, but was already working with the association on developing the Business Social Compliance Initiative in 2003. As a founding member, Charles Vögele Group played a significant role in putting the BSCI into practice.

The BSCI Code of Conduct is based on the principle that companies producing goods for Charles Vögele must follow all the laws and regulations that apply in their home country. There are also detailed contractual stipulations covering the environment, discrimination, forced labour, child labour, working hours, wages, working conditions, employee accommodation and freedom of assembly. These comply with the International Labour Organisation's conventions, the United Nations' Universal Declaration of Human Rights, the UN Convention on Children's Rights, the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the UN Global Compact and OECD regulations. These rules, which also continue to be a fixed component of the Charles Vögele supplier contract, govern compliance with minimum social standards. Furthermore, Charles Vögele Group has been an official member of the New York-based human rights organisation Social Accountability International (SAI) since 2001. This organisation publishes and administrates the internationally recognized Social Accountability 8000 Social Standard.

Benefits of the Business Social Compliance Initiative (BSCI)

Many of the BSCI's 430 current member companies have signed up to the initiative, even though they had previously worked with their own codes of conducts, each of which differed slightly from the others. The aim of the initiative is to avoid duplication in the testing of suppliers that work for several producers.

BSCI members have agreed on the joint BSCI Code of Conduct, which is also based on the conventions of the International Labour Organisation (ILO) and which forms the basis for auditing. Audits are carried out using a uniform questionnaire formulated to reflect SA8000 guidelines. The resulting data is recorded centrally in the BSCI database and then made available to members.

This procedure creates a rational, uniform platform for auditing, and helps manufacturers and their clients save valuable resources. The whole process ensures compliance with a comprehensive set of minimum social standards.

BSCI workshops and audits in 2009

Since 2004, Charles Vögele Group has sent the new BSCI Code of Conduct to all its suppliers, and they have had to confirm their acceptance with a formal receipt. The BSCI Code of Conduct has thus become part of the standard supply contract. The company then sends all suppliers the BSCI Self Assessment Dossier, which contains key information about the supplier and serves as the basis for audits. The BSCI head office in Brussels regularly holds introductory workshops for clothing suppliers in various countries and cities. The following workshops were held in 2009:

– Mumbai (India), 2 February
– Chennai (India), 5 February
– Ho Chi Minh City (Vietnam), 19 May
– Hangzhou (China), 25 May
– Guangzhou (China), 1 June
– Dhaka (Bangladesh), 5 October
– Istanbul (Turkey), 21 October
– Ningbo (China), 2 November
– Guangzhou (China), 5 November

Charles Vögele Group invites its suppliers to workshops in the relevant locations. In parallel with these workshops, the company audits its own A and B suppliers. These audits are performed with SAI-certified specialist firms (Specialized Technology Resources [STR]; ALGI). Charles Vögele helps suppliers implement the BSCI Code of Conduct by paying the costs of the initial audit and the reaudit following implementation of any corrective measures (Corrective Action Plan). In accordance with the BSCI's extended specifications, since 2008 Charles Vögele Group has offered its suppliers active training to help them achieve the standards set out in the BSCI Code of Conduct. Individual training programmes are defined following the first re-audits and resulting Corrective Action Plans (CAP). The first of these programmes was carried out during the 2009 financial year. The training programmes are another way in which Charles Vögele helps suppliers comply with the required BSCI standards. Audits and reaudits were carried out in the following countries during the year under review: Bangladesh, China, India, Indonesia, Cambodia and Pakistan.

Social projects in 2009

Charles Vögele Group supports social projects in the countries where its clothes are manufactured. It pays particular attention to the sustainability of these activities: the company mainly supports projects that have self-supporting structures after the start-up phase and that can survive on their own in the longer run. One approach is to give direct backing to a selected project defined by a supplier or its employees; another is to support regional communities located close to several manufacturers. Projects are selected in close collaboration with local NGOs and workers' representatives. Areas such as health promotion, professional training, kindergartens and schools for young people are a particular priority.

In 2005, Charles Vögele Group decided to support community projects in Bangladesh that directly benefit the local population – and local textile workers in particular. The following projects run by the Swiss development organisation Swisscontact are currently being supported.

	2006	2007	2008	**2009**
Audits and reaudits	40	43	40	53

Health service in Kamrangir Char, Dhaka

This health project improves access to vital basic medical services in the slums of Dhaka. The aim is to provide as many slumdwellers as possible with access to a doctor and medicines in return for a small payment where feasible. With better healthcare, the local people, including textiles industry workers, stay healthier and so can earn a living. Since the project began in autumn 2005, health awareness in the slums of Kamrangir Char has improved. Training sessions have been held on health promotion and hygiene, as well as campaigns about seasonal diseases – how they affect people and how they can be prevented.

Information has also been distributed to increase health awareness among slumdwellers. Particular emphasis is put on healthcare for mothers and children. Mothers and pregnant women are given specific advice on hygiene. Demand for all the training and information was very high in 2009. In May 2009, additional health promotion campaigns were run in the slums. Project staff visited schools and religious institutions, as well as carrying out a door-to-door campaign.

Charles Vögele has supported the project since September 2005, and it has now been extended until 31 January 2011. In 2009, 20 000 people made use of the services offered.

Occupational training in the slums of Rayer Bazaar, Dhaka

This project, based in a training centre with its own shop, gives slum dwellers practical training in sewing, cutting and embroidery. Disadvantaged people learn valuable professional skills that will improve their lives for the long term. Once they have finished the training, they can start to earn their own living. More than 80% of those who have completed the course now have a regular income. Even while training, participants can earn money from private work in order to save up for a sewing machine. When they have finished they can apply to work at Charles Vögele's supplier companies.

There are two six-month training phases every year. The curriculum and the number and content of lessons are regularly reviewed and adjusted. Thanks to the introduction of new disciplines – printing and batik techniques – the number of participants and the capacity has been increased. Between 1. September 2005 and 31. December 2009, 780 peo-ple were trained on various courses, and now either work in the project's own workshop, have found a job elsewhere, or have set up their own business. The project, which Charles Vögele continues to support, has been extended until 31 August 2011.

CHARLES VÖGELE HOLDING AG

Key Figures

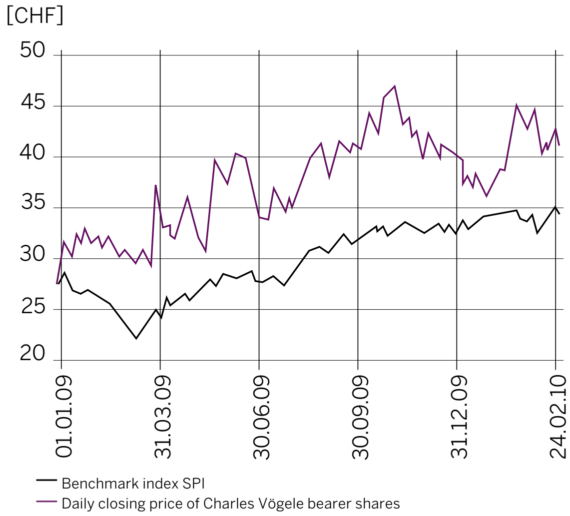
		31.12.2009	31.12.2008
Bearer shares	Number	8 800 000	8 800 000
Par value (reduction decided on April 1, 2009)	CHF	3.50	4.00
Share price as per closing date	CHF	37.00	27.50
Share price:			
– year high	CHF	48.05	98.90
– year low	CHF	28.00	27.50
Average trading volume per day	Number	19 692	22 780
Free Float [1]	%	90	95

Basic earnings per share	CHF	(1.64)	1.46
P/E Ratio	Factor	(22.60)	18.8
EV/EBITDA	Factor	4.8	3.5
Stock capitalization	CHF Mio.	326	242
Book value per share	CHF	55	57
Reduction of par value of shares	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 2009 to 24 February 2010:



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

CORPORATE GOVERNANCE

REPORT

Good corporate governance is an important component of our corporate policy. Charles Vögele Group is committed to transparency and clearly defined 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 Holding AG
Freienbach, CH
Share capital, CHF 30 800 000

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

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

Charles Vögele (Austria) AG
Kalsdorf, A
Share capital, EUR 1 453 457

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

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

Charles Vögele (Belgium) N.V.
Turnhout, B
Share capital, EUR 10 063 906

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, CH
Share capital, CHF 10 000 000

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

Prodress AG
Freienbach, CH
Share capital, CHF 100 000

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

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

Holding company
Sales organisation
Service organisation

As at 31 December 2009

Information on listing and stock market capitalisation as of 31 December 2009 can be found on page 26 of the Activity Report along with other key figures relating to the company's shares.

Charles Vögele Holding AG is the holding company for all group companies. Charles Vögele Trading AG is responsible for all group-wide services such as purchasing, IT, communications, accounts, financial control, legal services and risk management.

Charles Vögele Import GmbH is responsible for operational functions (storage logistics and quality control) at the distribution centre in Lehrte (D). Prodress AG is the internal advertising agency working exclusively for the Charles Vögele Group. Cosmos Mode AG owns the trademarks and administers the respective licenses. Charles Voegele Fashion (HK) Ltd. is the Charles Vögele Group's sourcing office in Asia. It coordinates the activities of the group's own sourcing offices in China, India and Bangladesh; it administers and monitors the local suppliers.

Segment reporting is on page 29, section 5 of the Financial Report, and the overview of all consolidated companies is on page 59 section 42 of the Financial Report.

1.2 Significant shareholders

For detailed information on the shareholder structure please refer to note 9 "Important shareholders" in the notes to the financial statements on page 67 of the Financial Report.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2 CAPITAL STRUCTURE

2.1 Share capital

As of 31 December 2009, the share capital of Charles Vögele Holding AG amounted to CHF 30 800 000 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 3.50 each.

As of 31 December 2009, the Charles Vögele Group held 434 907 of its own shares (as of 31 December 2008: 417 641 shares), which are earmarked to meet the obligations of the existing management share option plan. Detailed information on pur-chases and sales of shares and on the relevant opening and closing totals can be found on page 67 section 8 of the Financial Report.

2.2 Authorised and conditional capital

Charles Vögele Holding AG's articles of association include a provision authorising the Board of Directors to increase the company's share capital by a maximum of CHF 924 000, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 3.50 each. This authorisation lasts for an indefinite period of time. These shares are to be used exclusively for management share option plan participants (please also refer to note 35.1 "Management share option plan" in the notes to the consolidated financial statements on page 48 of the Financial Report).

2.3 Changes in capital

A condensed overview of changes to the company's capital during the financial years 2007–2009 can be found on page 9 of the Financial Report.

2.4 Shares and participation certificates

As of 31 December 2009, the share capital of Charles Vögele Holding AG amounted to 8 800 000 fully paid-up bearer shares (securities number: 693 777/ ISIN code: CH000 693 777) with a par value of CHF 3.50 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 Shareholders' Meeting. There are no participation certificates.

2.5 Bonus participation certificates

There are no bonus participation 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 (note 35.1, page 48 of the Financial Report).

From left to right:
Prof. Dr. Peter Littmann
Alain Caparros
Hans Ziegler
Jan C. Berger

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

Alain Caparros, 1956, French
Chairman since 1 April 2009,
term of office 2009-2010, first elected in 2007
Business economist. CEO of REWE Group since 2006. From 1991 Vice Chairman of Yves Rocher in Paris; from 1994 to 1999 Managing Director of Aldi France. 1999 CEO of ALDIS ASP in France and simultaneously Member of the Executive Board of BON APPETIT Group Switzerland from 2001. From 2003, CEO of the BON APPETIT Group Switzerland, which was subsequently taken over by REWE.

Hans Ziegler, 1952, Swiss
Vice Chairman since 1 April 2009,
term of office 2008-2010, first elected in 2008
Business economist. Independent management consultant since 1997 with international mandates in crisis management, restructurings and repositionings; Delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG. From 1988 to 1991 CFO and CIO at the Usego-Waro Group, and from 1991 to 1995 head of group finance, IT and group development at the Globus Group. From 1996 to 1997 Chairman of the Board of Directors and CEO of the Distefora Group (previously Interdiscount). From 2000 to 2005 CFO and Member of the Board of Directors of the Pragmatica Group. In 2003 CEO of the Erb Group.

Jan C. Berger, 1946, Dutch
Term of office 2008-2010, first elected in 2008
Studied marketing and science and attended various management courses at Babson College, Harvard and Nyenrode Business School. Independent retail consultant since 2006, and member of the boards of directors of several retail, educational and cultural organisations. From 1996 to 2006, CEO of the leading Dutch department store De Bijenkorf; this group includes department stores as well as clothing and DIY chains. Jan C. Berger is also a member of the advisory boards of the Amsterdam Fashion Institute and of Visual Retailing, an organisation that concentrates on the visual presentation of goods in the retail industry.

Prof. Dr. Peter Littmann, 1947, German
Term of office 2007-2010, first elected in 2006
Studied business administration and business 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. From 1993 to 1997, he was Chairman of the Managing Board of Hugo Boss AG; prior to this he worked from 1982 to 1993 for the international textiles company Vorwerk & Co, latterly as President and CEO. Member of the Board of Directors of Bata Shoe Corporation from 1996 to 2005.

Changes to the Board of Directors during the year under review:
Bernd H. J. Bothe, Dr. Felix R. Ehrat, Daniel Sauter and Carlo Vögele did not make themselves available for re-election at the Annual Shareholders' Meeting on 1 April 2009, so the size of the Board was reduced to the four above-mentioned Board Members. Alain Caparros has been Chairman since 1 April 2009.

None of the Members of the Board of Directors, except for Bernd H. J. Bothe, worked in any executive functions within the Group during the year under review or in the previous three years. Unless otherwise stated, the non-executive Members of the Board of Directors have no other significant links with the Group. With regard to the other business relationships and interests that link Members of the Board of Directors to the company, please refer to the Additional fees and remuneration section of note 39 Related party transactions in the notes to the consolidated financial statements on page 54 and 55 of the Financial Report.

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 or substantial. The company believes that the activities of the present Members of the Board of Directors are basically only significant if they relate to their work on management or supervisory bodies of listed Swiss or foreign companies, or unlisted and important Swiss or foreign companies in the clothing retail business or other industries. The Members of the Board of Directors are not involved in any other substantial activities or interests.

Alain Caparros

No other Board positions in listed companies or clothing retail companies.

Hans Ziegler

Chairman of the Board of Directors of Swisslog Holding AG and of Schlatter Holding AG. Delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG.

Jan C. Berger

Member of the Board of Directors of the Shopex Group, of NEVI, of the Centraal Museum in Utrecht and of the Koetsier Foundation.

Prof. Dr. Peter Littmann

Member of the Board of Directors of Rodenstock GmbH, Rabenhorst KG, Schleich AG, Ruckstuhl AG and Marc'O Polo AG.

In addition to these activities, some Members of the Board of Directors are involved in activities outside their fields of responsibility in corporations, institutions, and private and public sector foundations, as well as holding official functions and political offices, none of which, however, are of material significance to Charles Vögele Holding AG.

3.3 Elections and terms of office

The Board of Directors of Charles Vögele Holding AG consists of at least three and no more than nine members. Its members are elected singly by the 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 (details of initial appointment and term of office are included in section 3.1 Members of the Board of Directors on page 33).

3.4 Internal organisational structure

The Board of Directors passes resolutions on all matters affecting the company that the law, the articles of association or the organisational regulations do not assign to the responsibility of another corporate body. In particular, the Board of Directors' responsibilities include the stipulation and review of the company's strategy, the appointment and dismissal of persons to whom the overall management of the company is entrusted (especially the CEO), the organisational structure, and the financial and accounting system. The Board of Directors is also responsible for supervising the people charged with management of the company to ensure that their actions comply with the law, the articles of association, the regulations and directives. The Board of Directors is responsible for producing the annual report, as well as for reporting to the Annual Shareholders' Meeting and implementing its resolutions. It is authorised to prepare and execute the resolutions and to delegate the supervision of business to the committees of the Board of Directors or to individual Board Members. It can assign the management of the company's business in whole or in part to individual Board Members or to other people.

According to the organisational regulations, the Board of Directors meets as often as business requires, but at least four times in each financial year. Nine meetings, one of which was a two-day strategy meeting, and two telephone conferences were held during the year under review. Each meeting lasts for about a day. Members of Group Management are always present at the meetings; department heads and other employees or third parties attend as required.

The Board of Directors has had a permanent secretariat since 2004. In October 2009 the Board of Directors appointed the head of the newly created internal legal department as the Secretary to the Board. She takes the minutes of all full Board and committee meetings and advises the Board on legal issues, but she is not a Member of the Board.

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. The Chairman ensures good cooperation between the Board of Directors, its committees and 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 of the Board of Directors 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 of Charles Vögele Holding AG generally takes all of its decisions collectively. Since the Board was reduced to four members on 1 April 2009, the Members of the Board form the committees described below as a body. The committees' business is dealt with directly as part of the full Board meetings. The chairmen of each committee prepare the topics to be discussed in advance with Group Management and other internal specialists, present their recommendations to the Board of Directors as a whole for decision, and then are responsible for implementing these decisions and monitoring the resulting actions.

The committees are made up as follows and fulfil the following tasks stipulated in the organisational regulations:

– Audit Committee
  Hans Ziegler (Chairman 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 the company and by the Group companies that it directly or indirectly controls. The committee supervises internal and external auditing procedures, and also monitors adherence to statutory rules and regulations by ordering regular reports from management. If the external audit mandate comes up for review, the Audit Committee evaluates possible alternatives and submits a proposal to the Board of Directors. The Audit Committee also monitors the content and formal correctness of external communications on all financial matters. It normally meets three to five times a year for between half a day and a whole day. The CEO, the CFO and the Group auditors, as well as other Members of Group Management and department heads, are invited as required. In 2009 one half-day meeting and several work sessions were held.

– Nomination and Compensation Committee
  Prof. Dr. Peter Littmann (Chairman 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 Director, Group Management and senior 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. In 2009, there were no separate committee meetings. The topics dealt with by the Nomination and Compensation Committee were discussed at the full Board meetings.

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

The Strategy Committee periodically reviews Group 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 two or three times a year for at least a half or a full day. The CEO is asked to attend as required. During 2009, there were three half-day meetings and one two-day meeting with the whole Board.

3.5 Allocation of responsibilities to the Board of Directors and Group Management

The allocation of responsibilities to the Board of Directors and Group Management is defined in the organisational regulations of Charles Vögele Holding AG, which were completely revised as at 26 October 2009. The Board of Directors delegates the management and representation of the company entirely to Group Management under the leadership of the CEO, unless stipulated otherwise by the law, the articles of association or the organisational regulations.

In essence, the responsibilities and powers reserved for the Board of Directors by the internal organisational regulations are as follows: overall leadership of the company and the issuing of the necessary directives; defining and adjusting corporate strategy, financial and investment policy, the organisation and principles of accounting, financial control and planning; the appointment and dismissal of the persons entrusted with managing the Group and representing the company as set out in the Commercial Register entry, as well as succession planning for the Board of Directors and Group Management; supervision of Group Management, including with regard to compliance with the law, articles of association, regulations and directives; approval of business that the Group Management must or chooses to present to the Board; defining the payments made to Members of Group Management on the basis of a recommendation from the Nomination and Compensation Committee; approval of mass redundancies pursuant to Art. 335d of the Swiss Code of Obligations; and finally, the production of the Annual Report, preparations for the Annual Shareholders' Meeting and implementation of its resolutions.

Group Management has the authority to make decisions on the transactions assigned to it, although certain transactions require the consent of the Board of Directors if they are outside normal business operations or exceed the thresholds shown in the Competence Regulations. This mainly refers to the following types of business: changes in the company's strategic direction; entry into new markets, areas of activity or fundamentally important locations, and withdrawal from existing ones; medium-term planning, annual budgets and investment planning; purchase and sale of subsidiaries and divisions; property transactions; agreement, extension and alteration of long-term borrowings; acquisition of non-current assets and/or other capital spending outside the approved budget; agreeing, cancelling or amending contracts with major shareholders or related persons; selecting, appointing, setting salaries for, dismissing and making termination agreements with employees, and making agreements with employees that differ significantly from the internal guidelines; taking on long-term credit, loans (incl. mortgages) or issuing bonds; guarantee commitments, letters of comfort, security, indemnifications and assumptions of liability of any sort for other companies or other legal entities and natural persons (apart from group companies); granting credits or loans to third parties outside the group; conducting court actions, concluding settlements or waiving company claims.

3.6 Information and control instruments for Group Management

The Board of Directors receives a 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 organisations. 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. Any two Members of the Board of Directors and Group Management have collective signature power.

Group Internal Audit reports to the CFO in organisational terms, but has a direct functional link to the Audit Committee. Internal Audit's reports are submitted to the Audit Committee. Internal Audit's tasks continue to include branch audits, control functions relating to stocktaking, and training for branch heads. In addition, it is also responsible for process controlling with regard to procurement, distribution logistics and purchasing. Group Management and Internal Audit submit a report to the Audit Committee about the measures taken.

Every year, the Board of Directors reviews a risk overview presented by Group Management.
This overview details the main risks that could affect the company. It contains statements about the likelihood of the relevant risks occurring, as well as about the likely implications. This risk overview 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.

From left to right:
Markus Voegeli, CFO
André Maeder, CEO
Werner Lange, CPO

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 the Chief Executive Officer (CEO - from 18 August 2008 to 15 February 2009 Bernd H. J. Bothe; from 16 February 2009 André Maeder), the Chief Financial Officer (CFO - until 30 June 2009 Dr. Felix Thöni; from 1 October 2009 Markus Voegeli), as well as the Chief Operating Officer (COO - Dr. Dirk Seifert) and the Chief Purchasing Officer (CPO - Werner Lange). The CEO heads Group Management with authority to issue directives.

4.1 Members of Group Management

André Maeder
1959, Chief Executive Officer (CEO) since 16 February 2009, Swiss. Degree in retail business management. Member of the Group Executive Board of Hugo Boss from 2004 to 2009. Deputy CEO of S. Oliver Group 2002/2003; from 1995 to 2002, COO of Harrods. Worked for Charles Vögele from 1989 to 1995 in various functions including head of purchasing.

Markus Voegeli
1961, Chief Financial Officer (CFO) since 1 October 2009, Swiss. Degree in economics. Before working as a freelance financial consultant from 2004 to 2008, he was CFO of the listed 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 CFO of Nuance Global Traders in Australia and Asia.

Dr. Dirk Seifert
1970, Chief Marketing & Sales Officer since 1 January 2008, Chief Operating Officer (COO) from 1 March 2009, German Doctorate in economics. From mid-2005 until the end of 2007 Managing Director of Quelle GmbH and before that Global Chief Operating Officer of Esprit.

Werner Lange
1959, Chief Purchasing Officer (CPO) since 1 July 2007, German. Degree in retail business management. From 2003 to 2007, purchasing manager at Adler Modemärkte GmbH. Previously manager for purchasing and distribution in the menswear department at Karstadt. From 2000 to 2002, manager of the children and young fashion department at Karstadt.

Changes in Group Management

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

- As Chairman of the Board of Directors, Bernd H. J. Bothe took over the post of CEO on 18 August 2008 ad interim until 15 February 2009.
- André Maeder has been responsible for operational management of the Group as CEO since 16 February 2009.
- Dr. Felix Thöni was CFO from 1 January 2003 until 30 June 2009.
- Markus Voegeli was appointed CFO on 1 October 2009.

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 organised 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 COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Remuneration and profit-sharing programmes: content and procedures

The Board of Directors' Nomination and Compensation Committee is responsible for formulating compensation and profit-sharing programmes for Members of the Board of Directors and Group Management, and – with regard to the Management Share Option Plan – for members of the second level of management. The Committee recommends the levels at which compensation and profit shares should be set and submits these recommendations for decision by the Board of Directors.

Members of the Board of Directors have a right of co-determination with regard to their own compensation. When the Board of Directors as a whole is deciding on compensation and profit shares for the other Members of Group Management, the CEO participates in the discussion and has a vote.

Compensation for the Board of Directors and Group Management is reviewed every year by the whole Board of Directors as proposed by the Nomination and Compensation Committee unless contracts extend over several years. The basic aim when setting compensation for the Board of Directors and Group Management is to incentivise members of these bodies as effectively as possible to secure long-term increases in consolidated after-tax profit.

Compensation for the Board of Directors and Group Management is made up of a fixed and a variable component. For Members of the Board of Directors the fixed part is a cash payment that varies according to function (Chairman, Vice-Chairman, Member). For Members of Group Management the fixed part comprises a cash payment plus the use of a company car for business and private purposes. For Members of the Board of Directors the variable portion comprises a fixed percentage of 0.1 % of the after-tax consolidated profit. The variable portion paid to the Members of Group Management is partly defined by a fixed percentage of the after-tax consolidated profit, partly by their own individually agreed targets. The fixed element is paid out to Members of the Board of Directors every quarter, and to Members of Group Management twelve times a year.

In order to link the interests of the Members of the Board of Directors, Group Management and members of the second level of management with those of shareholders, a management share option plan was defined for these groups in 2002. For further details of the timing of this option scheme, allocation criteria and individual parameters such as subscription ratios, underlying values, strike prices, maturities and blocking periods, please see note 35.1 Management share option plan in the notes to the consolidated financial statements on page 48 of the financial section. Members of the Board of Directors, Group Management and the second level of management subscribed to options under the existing management share options plan during the year under review. Detailed information is given in note 39 Related party transactions in the notes to the consolidated financial statements on page 53 of the financial section.

Persons who left the Board of Directors or Group Management during the year under review received no additional payments or benefits in connection with their departure.

Further information is also available in the "Nomination and Compensation Committee" part of section 3.4 "Internal organisational structure" on page 36.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 Voting right 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.

6.2 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.

6.3 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).

6.4 Agenda items

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.

6.5 Entries in the share register

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

7 CHANGES IN CONTROL AND DEFENSIVE MEASURES

There are no provisions (such as opting-out or opting-up clauses), either in the articles of association or in contracts of employment, or in any other agreements or plans, that relate to changes in control of the Company or defensive measures to prevent such a change.

8 AUDITORS

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

The auditor for the Charles Vögele Group and Charles Vögele Holding AG is since April 2003 PricewaterhouseCoopers AG (PwC). It was confirmed as auditor for one year at the Annual Shareholders' Meeting of 1 April 2009. Since 29 April 2003, the mandate to audit Charles Vögele Group and Charles Vögele Holding AG has been managed by Matthias von Moos, partner at PwC, Zug.

8.2 Audit fee

The auditor of Charles Vögele Holding AG is paid a fee totalling CHF 624 000 for carrying out the audit mandate in the business year 2009 plus CHF 105 550 for additional audit-related services. The audit contract is for one year, and the appointment of Charles Vögele Holding AG's auditor must be decided by the Annual Shareholders' Meeting.

8.3 Additional fees

The Group auditor is paid a fee totalling CHF 97 600 for 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 Group's individual companies, and also audits the 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 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 Board of Directors. This contains the main points from the reports to the Audit Committee and Group Management. 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 accounts and the review of the half-year accounts, the external auditor analyses the strategic audit plan and examines internal processes. The results of these reviews are distributed in the form of a management letter to the Audit Committee and Group Management; the results are also discussed at a meeting with the Audit Committee. Where necessary, the external auditor may make recommendations or propose possible new audit requirements on the basis of these reviews.

Each year, the Audit Committee assesses the performance, fees and independence of the auditor and suggests to the Board of Directors which external auditor should be proposed to the Annual Shareholders' Meeting for election. Each year 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.

There were three meetings between the external auditor and the Audit Committee during the year under review. The CEO attended some of the time and the CFO all of the time. 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 and accounts in German and English: these are usually published in August each year.
- Annual results media and analysts' conference: this accompanies the presentation of the results, usually in March; there is also a conference on the interim results in August.
- Ad hoc media releases as necessary.
- Publication of media releases on the internet at www.charles-voegele.com under the Media Releases link.

Detailed information on the company is always available to shareholders and other interested members of the public on our website at www.charles-voegele.com.

An overview of contact addresses and the relevant timetable for shareholder information can be found on page xx of the Activity Report, as well as on our website at www.charles-voegele.com, under the Investor Relations or Financial Calendar links.

10 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2009

No significant events occurred after 31 December 2009.

FINANCIAL REPORT

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Despite a very difficult market environment, a fall in net sales (largely as a result of currency influences) and a comprehensive clear-out of old stock, Charles Vögele Group still managed to post positive operating earnings (EBIT) of CHF 4 million in 2009. This was made possible mainly by strict control of marketing expenditure and general operating costs. After finance costs and taxes, however, the company reported a net loss for 2009 of CHF 14 million. The sell-off of surplus old stock, which began in the second quarter, went as planned and made a significant contribution to the Group's excellent cash position. Net debt fell to the historically low level of CHF 15 million, while inventories were CHF 109 million lower than the previous year at CHF 173 million. This puts Charles Vögele in an excellent financial position to change its business model and modernize its image – and to fund these changes from its own resources.

> Group result

Net sales fell 3.9% to CHF 1 310 million in 2009. However, currency-adjusted sales were more or less comparable (– 0.2%). Expansion had a CHF 32 million, or 2.4%, impact on sales.

> Gross profit, inventories and cash flow all affected by the clear-out of old stock

In May 2009, the Board of Directors, in response to a proposal by Management, approved a fundamental change in the direction of the company's sell-off strategy. The revised discounting policy should ensure that in future all items are completely sold off within 18 months of their launch. This will open up more floor space for the latest seasonal items and create a broader product range. Another benefit is that the numerous warehouses for old stock, and the sorting and commissioning that go with them, will become superfluous. Approximately 12 million items, or more than a third of the inventory, worth more than CHF 80 million, were identified as surplus to requirements and should be cleared out by the end of March 2010. By the end of the year, two-thirds of the problem items were sold as plan-ned. **The larger discounts had a CHF 40 million negative impact on gross profit.** As well as the aggressive marketing of old items, the latest season's items were also sold off in line with the new discounting policy. Thanks to lower purchasing volumes of the latest items, these stocks were also reduced. The reduction of inventories was an important component in the much higher cash flow, which was up CHF 85 million to CHF 188 million.

Management focused on cost reductions throughout the year. Spending, especially on marketing and general operating expenses, was reduced significantly. Currency influences came to CHF 28 million, while the cost reductions associated with old items amounted to around CHF 7 million.

Given the circumstances, the Group's operating earnings (EBIT) of CHF 4 million can be seen as a positive result, despite being approximately CHF 43 million lower than the previous year's figure. After taxes, the Group posted a loss of CHF 14 million, a decline of CHF 26 million compared with profit recorded in 2008.

> Switzerland Region

In Switzerland, net sales fell by 1.9%, which is slightly better than the market as a whole (– 2.3%). In the course of the clear-out of old stock, the gross profit was down by approximately 6.0%, or CHF 15 million. More than half of the reduction was offset by lower costs. With income of CHF 49 million, Switzerland remains the Group's most important earner.

> Germany Region

Net sales in Germany fell 5.0% in Swiss franc terms to CHF 418 million. After ad-justing for currency movements, sales were practically the same as in the prior year (– 0.1%). Despite efforts on the costs side, it proved impossible to compensate for the margin-driven decline, resulting in EBIT of minus CHF 18 million for the year. At the same time, the branch portfolio was streamlined, with the number of stores going down by 12 to 314.

> Austria/Slovenia Region

Austria/Slovenia saw net sales decrease by a disappointing 6.5% in Swiss franc terms. In local currency terms the fall was – 1.8%, which was worse than the shrinkage of the overall market (– 0.3%). Including the effect of the clear-out of old stock, gross profit margin was 3.7% lower than the prior year. Thanks to cost savings, however, a positive operating result of CHF 2 million has been achieved in 2009. The expansion continued in Slovenia, with two new stores opening, while the number of stores in Austria went down by two.

> Benelux Region

Net sales in the Benelux Region in 2009 were 5.8% lower than in the prior year. However, after adjusting for currency influences, the market position remained more or less the same – 1%. The region suffered disproportionately from the reduction of old stock, reporting a negative EBIT of CHF – 14 million at the end of the year, despite cost cuttings by CHF 2 million (currency-adjusted). In Belgium, the number of branches increased by 6 to 52, while in the Netherlands there were 114 stores (previous year: 115).

> CEE Region

The CEE countries saw net sales go up by 7.2%, or 27% in local currency terms. However, most of this increase was driven by expansion, with the number of stores in all countries going up (from 44 to a total of 53). Negative currency effects on some cost components, the massive influence of the financial crisis on consumer behaviour, and price competition combined with the clear-out of old stock led to a further deterioration in EBIT to CHF – 15 million.

> Finance costs and taxes

Lower net debt and a favourable interest rate environment led to a CHF 8 million improvement in financial results. Even though the group posted a (pre-tax) net loss for the year, the remained tax expense is driven by the profitable Swiss Group companies.

> Liquidity, cash flow and balance sheet ratios

Consistent implementation of the decision to clear out old stock, and the simultaneous change in the policy on selling off items led to a reduction in inventories of 13 million items, or more than a third of the total. The capital tied up in inventories thus fell by CHF 109 million. Operating cash flow went up by CHF 85 million to CHF 188 million, and free cash flow went up to CHF 142 million thanks to the lower investment activity. Some of the cash that became available was used to reduce borrowings from the syndicated facility. As a result, the equity ratio was increased further to a healthy 59% despite the negative Group result.

> Outlook

In view of the negative earnings position, and in line with the company's dividend policy, the Board of Directors will not be proposing a dividend payment at the Shareholders' Meeting.

Over the next two years, management will be focusing on the following areas: measures derived from the strategic review to verticalize and improve business and supply chain processes; implementing the new image in the stores; continuing the range initiatives; and making the switch to the modified discounting policy. The portfolio of stores is being further streamlined, and new stores are only being planned selectively in the established main markets.

In a slowly recovering economic environment, management is planning to double the EBITDA margin to 10% in the medium term. A positive net profit is expected again in 2010, despite the fact that the clear-out of old stock will continue until March 2010.

from January 1 to December 31

CONSOLIDATED INCOME STATEMENT

CHF 1000	Note	2009	2008[1]
Net sales		**1 310 248**	**1 363 965**
Cost of goods	19.1	(508 232)	(473 191)
Personnel expenses	6	(309 169)	(320 785)
Rental expenses	7	(241 621)	(236 604)
Advertising and promotion expenses	8	(91 360)	(118 815)
General operating expenses	9	(93 129)	(104 474)
Other operating income	10	4 536	2 686
Operating earnings before depreciation and impairment (EBITDA)		**71 273**	**112 782**
In % of net sales		**5.4%**	**8.3%**
Depreciation and impairment	11	(67 189)	(65 227)
Operating earnings (EBIT)		**4 084**	**47 555**
In % of net sales		**0.3%**	**3.5%**
Financial income	12	386	929
Financial expenses	13	(7 826)	(10 526)
Exchange gains/(losses), net	14	448	(4 895)
Profit before income tax		**(2 908)**	**33 063**
In % of net sales		**(0.2%)**	**2.4%**
Income tax expenses	15	(10 835)	(20 717)
Net profit/(loss) of the year		**(13 743)**	**12 346**
In % of net sales		**(1.0%)**	**0.9%**
Basic earnings per share	16	**(1.64)**	**1.46**
Diluted earnings per share	16	**(1.64)**	**1.46**

The Notes on pages 10 to 59 are an integral part of these consolidated financial statements.
[1] Restatement see Note 2.2 to 2.3.

from January 1 to December 31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF 1000	2009	2008[1]
Net profit/(loss)	**(13 743)**	**12 346**
Currency translation differences of foreign subsidiaries	(897)	(21 165)
Change of fair value of cash flow hedges after taxes	6 662	644
Total other comprehensive income	**5 765**	**(20 521)**
Total comprehensive income	**(7 978)**	**(8 175)**

The Notes on pages 10 to 59 are an integral part of these consolidated financial statements.
[1] Restatement see Note 2.2 to 2.3.

as of December 31

CONSOLIDATED BALANCE SHEET

CHF 1000	Note	31.12.2009	31.12.2008[1]	1.1.2008
Assets				
Current assets				
Cash and cash equivalents	17	127 649	47 947	42 076
Receivables, advance payments and prepaid expenses	18	17 737	34 816	47 715
Derivative financial instruments	24	4 221	6 321	79
Inventories	19	173 022	282 628	288 741
Assets held for sale	20	5 983	–	–
Total current assets		**328 612**	**371 712**	**378 611**
Long-term assets				
Property, plant and equipment	21	400 354	428 414	443 402
Financial assets	22	600	1 157	712
Intangible assets	23	82 777	83 144	79 168
Deferred tax assets	15	5 638	7 240	15 115
Total long-term assets		**489 369**	**519 955**	**538 397**
Total assets		**817 981**	**891 667**	**917 008**
Liabilities and shareholders' equity				
Current liabilities				
Short-term financial liabilities	25, 27	3 383	2 845	19 085
Trade payables		47 926	53 303	61 714
Derivative financial instruments	31	4 255	12 268	10 416
Other liabilities and accruals	26	83 720	77 040	68 602
Short-term tax liabilities		9 431	8 127	9 684
Short-term provisions	28	6 063	456	535
Total current liabilities		**154 778**	**154 039**	**170 036**
Long-term liabilities				
Long-term lease liabilities	27	33 103	37 298	44 333
Long-term provisions	28	6 747	6 874	7 273
Deferred tax liabilities	15	32 708	38 629	40 431
Mortgages	29	106 500	110 000	95 000
Loans	30	–	49 458	39 303
Total non current liabilities		**179 058**	**242 259**	**226 340**
Shareholders' equity				
Share capital	32	30 800	35 200	52 800
Treasury shares	33	(33 784)	(33 428)	(31 106)
Other reserves		173 789	173 789	173 789
Retained earnings		313 340	319 808	325 149
Total shareholders' equity		**484 145**	**495 369**	**520 632**
Total liabilities and shareholders' equity		**817 981**	**891 667**	**917 008**

The Notes on pages 10 to 59 are an integral part of these consolidated financial statements.
[1] Restatement see Note 2.2 to 2.3.

from January 1 to December 31

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1000	Note	2009	2008[1]
Net profit/(loss) for the year		**(13 743)**	**12 346**
Adjustments:			
– Tax expenses	15	10 835	20 717
– Net financial expenses	12, 13, 14	6 992	14 492
– Depreciation and impairment	11	67 189	65 227
– Profit on disposal of assets		(49)	(300)
– Other non-cash expenses		1 659	3 019
Change in long-term provisions		5 495	311
Change in inventories		109 881	(13 057)
Change in net working capital		10 895	33 317
Operating earnings after changes in net working capital		**199 154**	**136 072**
Financial income received		2 523	929
Financial expenses paid		(6 956)	(16 618)
Taxes paid		(7 033)	(16 929)
Cash flow from operating activities		**187 688**	**103 454**
Investments in intangible assets	23.1	(3 324)	(6 956)
Disposals of intangible assets	23.1	40	–
Investments in property, plant and equipment	21.1	(44 627)	(72 259)
Disposals of property, plant and equipment		2 291	529
(Investments in)/Disposals of financial assets		80	(500)
Net cash provided/(used) by investing activities		**(45 540)**	**(79 186)**
Change in bank loans	30	(50 000)	10 000
Change in finance lease liabilities		(3 663)	(4 797)
Purchase of treasury shares	33	(6 509)	(6 223)
Disposals of treasury shares	33	5 795	3 048
Change in mortgages	29	(3 500)	15 000
Distribution to shareholders	34	(4 191)	(16 932)
Net cash provided/(used) by financing activities		**(62 068)**	**96**
Net increase/(decrease) in cash and cash equivalents		**80 080**	**24 364**
Net cash and cash equivalents at the beginning of the period	17	**47 947**	**27 128**
Effect of exchange rate changes		(378)	(3 545)
Net increase/(decrease) in cash and cash equivalents		80 080	24 364
Net cash and cash equivalents at the end of the period	17	**127 649**	**47 947**

The Notes on pages 10 to 59 are an integral part of these consolidated financial statements.

[1] Restatement see Note 2.2 to 2.3.

from January 1 to December 31

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 31.12.2007	32	**52 800**	**(31 106)**	**173 789**	**335 970**	**(4 697)**	**(6 824)**	**3 350**	**523 282**
Effect of changes in accounting policies	2.2	–	–	–	(2 634)	(16)	–	–	(2 650)
Balance 31.12.2007 restated		**52 800**	**(31 106)**	**173 789**	**333 336**	**(4 713)**	**(6 824)**	**3 350**	**520 632**
Comprehensive income[1]		–	–	–	12 346	(21 165)	644	–	(8 175)
Value of granted options	35	–	–	–	–	–	–	3 019	3 019
Value of exercised/ expired options	35	–	–	–	506	–	–	(506)	–
Disposals of treasury shares	33	–	3 233	–	(185)	–	–	–	3 048
Purchase of treasury shares	33	–	(6 223)	–	–	–	–	–	(6 223)
Par value reduction	34	(17 600)	668	–	–	–	–	–	(16 932)
Balance 31.12.2008	32	**35 200**	**(33 428)**	**173 789**	**346 003**	**(25 878)**	**(6 180)**	**5 863**	**495 369**
Balance 31.12.2008	32	**35 200**	**(33 428)**	**173 789**	**346 003**	**(25 878)**	**(6 180)**	**5 863**	**495 369**
Comprehensive income		–	–	–	(13 743)	(897)	6 662	–	(7 978)
Value of granted options	35	–	–	–	–	–	–	1 659	1 659
Value of exercised/ expired options	35	–	–	–	1 169	–	–	(1 169)	–
Disposals of treasury shares	33	–	5 944	–	(149)	–	–	–	5 795
Purchase of treasury shares	33	–	(6 509)	–	–	–	–	–	(6 509)
Par value reduction	34	(4 400)	209	–	–	–	–	–	(4 191)
Balance 31.12.2009	32	**30 800**	**(33 784)**	**173 789**	**333 280**	**(26 775)**	**482**	**6 353**	**484 145**

The Notes on pages 10 to 59 are an integral part of these consolidated financial statements.
[1] Restatement see Note 2.2 to 2.3.

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, Germany, the Netherlands, Belgium, Austria, Slovenia, Poland, Hungary and the Czech Republic.

Charles Vögele Holding AG is a corporation that is domiciled in Pfäffikon 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 January 1, 2009, affect these annual financial statements and have been applied:

- IFRS 1: First-time adoption of International Financial Reporting Standard (amendment)
- IFRS 7: Financial instruments (amendment)
- IFRS 8: Operating segments (new)
- IAS 1: Presentation of financial statements (amendment)
- IFRIC 13: Customer loyalty programmes (new)

The changes that have a material effect on these 2009 financial statements are explained below.

> IFRS 8: Operating segments

Based on the new IFRS 8 standard, valid from January 1, 2009, segment reporting has been restated and now is inline with the company's internal reporting to the Board of Directors and Group Management. In order to give a more comprehensive view of the individual segments' financial performances, net income previously shown under central services has been allocated proportionately to the individual segments. The new segment reporting covers the five segments Switzerland, Germany, Austria/Slovenia, Benelux and CEE (Poland, Hungary and Czech Republic). The new standard affects the structure of segment reporting but has no effect on the Group's asset, financial or earnings situation. The comparative figures shown in the segment reporting have been adjusted accordingly.

> IFRIC 13: Customer loyalty programmes

According to the new interpretation IFRIC 13 (Customer loyalty programmes), which was made compulsory from January 1, 2009, unused vouchers distributed as part of a loyalty card programme must be deferred according to the "deferred revenue method" at fair value. Instead of deferring the purchase cost, which has been the practice previously, deferral must now be based on revenue. This change has increased the liabilities shown for loyalty card programmes in previous periods, leading to a retrospective adjustment in the previous year's figures (see Note 2.3).

> Changes to IFRS standards valid for future reporting periods

The Charles Vögele Group has assessed the potential impact of new standards and interpretations which became or will become effective after January 1, 2009. The Group concluded that with the exception of IFRS 9 "Financial Instruments – Classification and Measurement" 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 January 1, 2013. This standard will change the classification and measurement of financial instruments and hedging requirements. The Charles Vögele Group is evaluating the potential impact of this new standard on the consolidated financial statements.

2.3 Overview of changes and corrections in the prior period

The retrospective changes and corrections in the prior period described in Note 2.2 are shown in the following overviews:

Consolidated Income Statement

CHF 1000	2008 published	IFRIC 13	2008 restated
Net sales	**1 368 874**	**(4 909)**	**1 363 965**
Cost of goods	(474 785)	1 594	(473 191)
Personnel expenses	(320 785)	–	(320 785)
Rental expenses	(236 604)	–	(236 604)
Advertising and promotion expenses	(118 815)	–	(118 815)
General operating expenses	(104 474)	–	(104 474)
Other operating income	2 686	–	2 686
Operating earnings before depreciation and impairment (EBITDA)	**116 097**	**(3 315)**	**112 782**
In % of net sales	**8.5%**		**8.3%**
Depreciation and impairment	(65 227)	–	(65 227)
Operating earnings (EBIT)	**50 870**	**(3 315)**	**47 555**
In % of net sales	**3.7%**		**3.5%**
Financial income	929	–	929
Financial expenses	(10 526)	–	(10 526)
Exchange gains/(losses), net	(4 895)	–	(4 895)
Profit before income tax	**36 378**	**(3 315)**	**33 063**
In % of net sales	**2.7%**		**2.4%**
Income tax expenses	(20 937)	220	(20 717)
Net profit/(loss) of the year	**15 441**	**(3 095)**	**12 346**
In % of net sales	**1.1%**		**0.9%**
Basic earnings per share	**1.83**		**1.46**
Diluted earnings per share	**1.83**		**1.46**

Consolidated Balance Sheet (condensed)

CHF 1000	31.12.2008 published	IFRIC 13	31.12.2008 restated
Assets			
Total current assets	371 712	–	371 712
Total long-term assets	519 955	–	519 955
Total assets	**891 667**	**–**	**891 667**
Liabilities and shareholders' equity			
Current liabilities (accruals)	148 202	5 837	154 039
Long-term liabilities (deferred tax liabilities)	242 690	(431)	242 259
Shareholders' equity (retained earnings)	500 775	(5 406)	495 369
Total liabilities and shareholders' equity	**891 667**	**–**	**891 667**

Consolidated Statement of Cash Flows (condensed)

CHF 1000	2008 published	IFRIC 13	2008 restated
Net profit for the year	**15 441**	**(3 095)**	**12 346**
Adjustments: – Tax expenses	20 937	(220)	20 717
– Net financial expenses	14 492	–	14 492
– Depreciation and impairment	65 227	–	65 227
– Profit on disposal of assets	(300)	–	(300)
– Other non-cash expenses	3 019	–	3 019
Change in long-term provisions	311	–	311
Change in inventories	(13 057)	–	(13 057)
Change in net working capital	30 002	3 315	33 317
Financial income received	929	–	929
Financial expenses paid	(16 618)	–	(16 618)
Taxes paid	(16 929)	–	(16 929)
Cash flow from operating activities	**103 454**	**–**	**103 454**

Consolidated statement of Comprehensive Income

This table has been applied for the first time in these financial statements because of the changes in IAS 1 (Presentation of financial statements).

CHF 1000	2008	IFRIC 13	2008 restated
Net profit/(loss)	**15 441**	**(3 095)**	**12 346**
Currency translation differences of foreign subsidiaries	(21 504)	339	(21 165)
Change of fair value of cash flow hedges after taxes	644	–	644
Total other comprehensive income	**(20 860)**	**339**	**(20 521)**
Comprehensive income	**(5 419)**	**(2 756)**	**(8 175)**

2.4 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 interest of minority 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 minority interests.

The Charles Vögele Group does not have any associated companies (minority stake 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 sope of consolidation are listed in Note 42.

2.5 Scope of consolidation

There were no changes in the scope of consolidation in the 2009 financial year.

Change in 2008: Charles Voegele Romania SRL was founded as part of the effort to establish Romania as a pilot market. It is 100% owned by Charles Vögele Holding AG and is fully consolidated. This company is inactive because the expansion in Romania is not going ahead.

2.6 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 five segments Switzerland, Germany, Austria/Slovenia, Benelux and CEE (Poland, Hungary, Czech Republic).

2.7 Foreign currency translation

The consolidated financial statements are prepared in CHF. 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. The average rates of exchange for the year are not significantly different from the transaction rates. Foreign currency differences arising from the valuation of long-term 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:

2009	**ISO code**	**Unit**	**Balance sheet**	**Income statement**
Euro	EUR	1	1.48	1.51
Hong Kong	HKD	1	0.13	0.14
China	CNY	1	0.15	0.16
USA	USD	1	1.03	1.09
Hungary	HUF	100	0.55	0.54
Poland	PLN	100	36.10	34.95
Czech Republic	CZK	100	5.51	5.72
Romania	RON	100	35.03	35.23

2008	ISO code	Unit	Balance sheet	Income statement
Euro	EUR	1	1.49	1.59
Hong Kong	HKD	1	0.14	0.14
China	CNY	1	0.15	0.16
USA	USD	1	1.06	1.08
Hungary	HUF	100	0.56	0.63
Poland	PLN	100	35.67	45.17
Czech Republic	CZK	100	5.59	6.36
Romania	RON	100	37.08	43.14

2.8 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.

2.9 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.

2.10 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. 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.

2.11 Financial expenses

Interest costs are charged directly to the income statement.

2.12 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 as of December 31.

2.13 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.

2.14 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.

2.15 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.

2.16 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 2.19). This valuation is periodically checked 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 leasehold 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 2.19). The depreciation period is carried out using the straight-line method and is normally based on their estimated useful live as follows:

Building and equipment such as fixtures and fittings of stores, warehouses and offices:	10 years
Computer hardware:	5 years

2.17 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 2009 and 2008 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 2009 and 2008 are recorded under this category (see Note 22).

2.18 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. Goodwill is tested annually for impairment (see Note 2.19).

> 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 2.19). IT software is depreciated using the straight-line method over five years; licenses and trademarks are depreciated over their estimated useful life.

2.19 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 2.18). 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.

2.20 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.

2.21 Trade payables

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

2.22 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.

2.23 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 a 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.

2.24 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 21.2). Acquisition costs are depreciated using the straight-line method over the useful life or contractual life of the asset, 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.

2.25 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 reissued, the difference between the proceeds and the original purchase price is included in equity with no effect on the income statement.

2.26 Valuation of share option plan

The Group operates an equity-settled, share-based compensation plan (see Note 35). 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 inline 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	HKD/CHF	CZK/CHF
Total group foreign currency exposures 31.12.2009	120 396	(5 379)	4 748	(1 675)	1 596
Average between annual high and low exchange rate compared to balance sheet rate	3.0%	11.0%	11.0%	10.0%	10.0%
Total effect on group earnings in 2009 at increasing foreign currency rate	**3 612**	**(592)**	**522**	**(168)**	**160**
Total effect on group earnings in 2009 at declining foreign currency rate	**(3 612)**	**592**	**(522)**	**168**	**(160)**
Derivative financial instruments as cash flow hedges	(194 784)	166 122			
Total effect on consolidated group equity as of 31.12.2009 at increasing foreign currency rate	**(5 844)**	**18 273**	**–**	**–**	**–**
Total effect on consolidated group equity as of 31.12.2009 at declining foreign currency rate	**5 844**	**(18 273)**	**–**	**–**	**–**

CHF 1000	EUR/CHF	USD/CHF	PLN/CHF	HUF/CHF	EUR/HUF
Total group foreign currency exposures 31.12.2008	60 827	(4 000)	1 809	3 697	(2 154)
Average between annual high and low exchange rate compared to balance sheet rate	7.0%	11.0%	21.0%	17.0%	11.0%
Total effect on group earnings in 2008 at increasing foreign currency rate	**4 258**	**(440)**	**380**	**628**	**(237)**
Total effect on group earnings in 2008 at declining foreign currency rate	**(4 258)**	**440**	**(380)**	**(628)**	**237**
Derivative financial instruments as cash flow hedges	(111 704)	170 258			
Total effect on consolidated group equity as of 31.12.2008 at increasing foreign currency rate	**(7 819)**	**18 728**	**–**	**–**	**–**
Total effect on consolidated group equity as of 31.12.2008 at declining foreign currency rate	**7 819**	**(18 728)**	**–**	**–**	**–**

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. The loans outstanding 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 as the products are sold. At the end of the year, most financial liabilities had fixed interest rates, so changes in interest rates had no significant effect on the income statement or shareholders' equity.

The Group Management sets itself the goal of covering on average about 50% of its borrowing needs with long-term fixed-rate instruments. Interest rate hedging transactions are used where necessary.

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. Financial institutions and financial services providers usually have to have at least an “A” rating before Charles Vögele Group will consider using them for banking business. 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 or third-party personnel has been reduced further by the installation of 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 2.13).

3.4 Liquidity risks

Subject to seasonal fluctuations in monthly revenues and the pre-financing of goods purchasing, cash flow varies greatly across the financial year. A continuously updated liquidity plan is in place to manage these liquidity risks. This plan is based on the annual budgeted figures for sales, costs and investments. In order to meet the necessary short-term liabilities, Charles Vögele Group keeps a permanent liquidity reserve of about CHF 30 to 50 million.

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

CHF 1000	**31.12.2009**	31.12.2008
Net cash and cash equivalents at the end of the period	127 649	47 947
Syndicated credit line agreement	250 000	250 000
./. Credit lines used	–	(50 000)
Additional credit lines	22 256	22 334
./. Credit lines used	–	–
Total cash reserves and unused credit lines	**399 905**	**270 281**

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

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Short-term bank liabilities	–	–	–	–
Trade payables	47 926	–	–	47 926
Other liabilities and accruals (excl. vouchers)	64 497	–	–	64 497
Finance lease liabilities, gross	4 795	20 040	20 460	45 295
Mortgages	28 161	85 590	–	113 751
Loans	–	–	–	–
Total as of 31.12.2009	**145 379**	**105 630**	**20 460**	**271 469**

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Short-term bank liabilities	–	–	–	–
Trade payables	53 303	–	–	53 303
Other liabilities and accruals (excl. vouchers)	58 671	–	–	58 671
Finance lease liabilities, gross	4 610	28 745	17 123	50 478
Mortgages	3 581	55 113	63 000	121 694
Loans	132	50 000	–	50 132
Total as of 31.12.2008	**120 297**	**133 858**	**80 123**	**334 278**

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

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Balance 31.12.2009				
Derivative for cash flow hedges: – Cash outflow (contract value)	48 512	–	–	48 512
– Cash inflow (fair value)	(56 013)	–	–	(56 013)
Derivative for trading purposes: – Cash outflow (contract value)	–	–	–	–
– Cash inflow (fair value)	–	–	–	–

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Balance 31.12.2008				
Derivative for cash flow hedges: – Cash outflow (contract value)	77 879	–	–	77 879
– Cash inflow (fair value)	(68 886)	–	–	(68 886)
Derivative for trading purposes: – Cash outflow (contract value)	16 067	–	–	16 067
– Cash inflow (fair value)	(14 149)	–	–	(14 149)

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. Net debt itself is calculated as the sum of short- and long-term loans from financial institutions, mortgages and lease liabilities, less cash and cash equivalents. Charles Vögele Group's goal is to ensure that the relation between net debt and EBITDA does not exceed factor two. At the balance sheet date, the key figures were as follows:

CHF 1000	**31.12.2009**	31.12.2008
Short-term financial liabilities	3 383	2 845
Finance lease liabilities	33 103	37 298
Mortgages	106 500	110 000
Loans	–	49 458
Cash and cash equivalents	(127 649)	(47 947)
Net liability	**15 337**	**151 654**
EBITDA	71 273	112 782
Net liability/EBITDA (factor)	**0.22**	**1.34**
Shareholders' equity	484 145	495 369
Net liability/Shareholders' equity (factor)	**0.03**	**0.31**

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	–	4 221	–	4 221
Derivative financial instruments in liabilities	–	4 255	–	4 255

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 the goodwill previously 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 2.18 and 2.19, 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 flow (see Note 23.2).

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 28). 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 Note 2.14 and 19.1).

5 Segment information

	Switzerland		Germany		Austria/Slovenia	
CHF 1000	**2009**	2008	**2009**	2008	**2009**	2008
Gross sales	473 443	478 275	508 706	534 741	294 908	315 611
Net sales	427 639	435 767	418 380	440 323	240 822	257 623
Segment profit (EBITDA)	69 977	74 729	3 704	18 206	11 081	19 977
EBITDA in % of net sales	16.4%	17.1%	0.9%	4.1%	4.6%	7.8%
Depreciation and impairment	(21 362)	(19 597)	(21 696)	(22 798)	(9 380)	(9 743)
Segment profit (EBIT)	48 615	55 132	(17 992)	(4 592)	1 701	10 234
EBIT in % of net sales	11.4%	12.7%	(4.3%)	(1.0%)	0.7%	4.0%
	31.12.2009	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Net inventories	50 650	83 097	64 352	97 749	28 945	50 146

	Benelux		CEE[1]		Group	
CHF 1000	**2009**	2008	**2009**	2008	**2009**	2008
Gross sales	204 010	215 993	66 873	62 174	1 547 940	1 606 794
Net sales	169 732	180 162	53 675	50 090	1 310 248	1 363 965
Segment profit (EBITDA)	(3 281)	4 951	(10 208)	(5 081)	71 273	112 782
EBITDA in % of net sales	(1.9%)	2.7%	(19.0%)	(10.1%)	5.4%	8.3%
Depreciation and impairment	(10 397)	(10 383)	(4 354)	(2 706)	(67 189)	(65 227)
Segment profit (EBIT)	(13 678)	(5 432)	(14 562)	(7 787)	4 084	47 555
EBIT in % of net sales	(8.1%)	(3.0%)	(27.1%)	(15.5%)	0.3%	3.5%
Net financial income	–	–	–	–	(6 992)	(14 492)
Profit before income tax	–	–	–	–	(2 908)	33 063
Tax expenses	–	–	–	–	(10 835)	(20 717)
Net profit	–	–	–	–	(13 743)	12 346
	31.12.2009	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Net inventories	24 999	37 457	9 318	12 788	178 264	281 237
Goods in transit	–	–	–	–	41 657	49 162
Group eliminations	–	–	–	–	(47 186)	(48 217)
Total Group inventories, net[2]	–	–	–	–	172 735	282 182

[1] CEE: Poland, Hungary, Czech Republic.
[2] Difference to the balance sheet value of TCHF 287 (2008: TCHF 446) is related to heating oil.

6 Personnel expenses

CHF 1000	**2009**	2008
Wages and salaries	253 351	261 197
Social security costs	44 048	44 058
Other personnel expenses	11 770	15 530
Total	**309 169**	**320 785**

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 2.3 million in 2009 and CHF 2.2 million in 2008.

6.2 Defined benefit retirement plans

All Swiss Group companies have legally separate pension schemes with an independent external provider who carries full reinsurance cover. According to local law these are defined contribution plans, but under IFRS they are treated as defined benefit plans. Pensioner data was recorded and assessed for the first time during the revaluation dated December 31, 2008. 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:

	2009	2008
Discount rate	3.5%	3.5%
Expected return on plan assets	4.3%	4.3%
Expected future salary increases	1.0%	1.0%
Expected future pension increases	0.5%	0.5%
Actuarial base	EVK 2000	EVK 2000
Average retirement age in years	M65 / F64	M65 / F64
Life expectancy at assumed retirement age in years	M18 / F21	M18 / F21

The pension liabilities and plan assets are as follows:

CHF 1000	**2009**	2008
Present value of funded obligation (DBO), as of January 1	**(95 774)**	**(87 221)**
Pension obligations (disability, spouse and child pensions)	0	(9 503)
Service cost	(7 961)	(7 961)
Interest cost	(3 326)	(3 114)
Benefits paid	17 433	12 445
Actuarial gain/(loss) on obligations	–	(420)
Present value of funded obligation (DBO), as of December 31	**(89 628)**	**(95 774)**
Fair value of plan assets, as of January 1	**82 439**	**87 231**
Actuarial capital for pension obligations (disability, spouse and child pensions)	0	9 503
Expected return on plan assets	3 133	3 443
Employees' contributions	3 781	3 955
Employer's contributions	4 652	4 491
Benefits paid	(17 433)	(12 445)
Actuarial gain/(loss) on plan assets	4 016	(13 739)
Fair value of plan assets, as of December 31	**80 588**	**82 439**

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	**2009**	2008
Service cost	7 961	7 961
Interest cost	3 326	3 114
Expected return on plan assets	(3 133)	(3 443)
Amortization of actuarial losses/(gains)	536	824
Increase/(decrease) of the unrecognised surplus	–	(10)
Net periodic pension cost	**8 690**	**8 446**
Employees' contributions	(3 781)	(3 955)
Expenses recognized in the income statement	**4 909**	**4 491**

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

The surpluses and deficits shown in the balance sheet for coverage of pension liabilities of defined benefit retirement plans are as follows:

CHF 1000	**31.12.2009**	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of funded obligations (DBO)	(89 628)	(95 774)	(87 221)	(85 379)	(80 929)
Fair value of plan assets	80 588	82 439	87 231	88 620	83 426
Over-/(under-)coverage	**(9 040)**	**(13 335)**	**10**	**3 241**	**2 497**
Not capitalized portion of the over-coverage	–	–	(10)	(3 241)	(2 497)
Not recognized actuarial gains/(losses)	8 783	13 335	–	–	–
Net asset/(liability) in balance sheet, as of December 31	**(257)**	**–**	**–**	**–**	**–**
Experience-based-adjustments on plan liabilities	–	(420)	–	–	–
Experience-based-adjustments on plan assets	4 016	(13 739)	(3 865)	300	3 317
Total actuarial gains/(losses)	**4 016**	**(14 159)**	**(3 865)**	**300**	**3 317**

The under- and overfundings shown above refer to the Swiss pension scheme. The unrecorded actuarial losses of CHF 8.8 million recognized as at December 31, 2009 do not exceed the corridor (10% of assets or pension obligations, whichever is higher) of CHF 9.0 million. No amortisation of the deficit is therefore required in 2010.
Movements in the net liabilities for the defined benefit retirement plan shown in the balance sheet are as follows:

CHF 1000	**2009**	2008
Net liability in balance sheet, as of January 1	–	–
Expense recognized in the profit and loss statement	4 909	4 491
Employer's contributions	(4 652)	(4 491)
Net liability in balance sheet, as of December 31	**257**	**–**

The asset allocation for pension assets is as follows:

	2009	2008
Cash	5.8%	7.8%
Bonds	41.5%	46.3%
Equities	22.9%	22.0%
Property	8.3%	8.5%
Reinsurer (pensions)	10.1%	10.7%
Other	11.4%	4.7%
Total	**100.0%**	**100.0%**

The Pension fund assets as at December 31, 2009, and December 31, 2008, do not include any of the company's own shares.

The effective return on assets amounted to CHF 7.1 million (previous year: loss on assets of CHF 10.3 million). The expected employer payments for the 2010 financial year are estimated at CHF 4.7 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 16 employees (2008: 17 employees). No contributions from the Group company were booked in 2009.

7 Rental expenses

CHF 1000	**2009**	2008
Rent	181 274	178 588
Incidental expenses, cleaning, maintenance	60 347	58 016
Total	**241 621**	**236 604**

The CHF 5.0 million year-on-year increase in rental expenses is due primarily to the expansion of the branch network, index adjustments and price increases related to incidental expenses.

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 27.5 million reduction compared to prior year is mainly due to the optimisation of the marketing mix and to cost-saving measures. Charles Vögele Group also decided not to stage any major events.

9 General operating expenses

General operating expenses include operating lease expenses amounting to CHF 3.9 million (2008: CHF 3.8 million). Operating leases mainly concern vehicles.

10 Other operating income

CHF 1000	**2009**	2008
Operating real estate income, net	1 722	1 625
Redemption compensation less costs for store closings	817	722
Insurance payments	1 013	–
Energy cost refunds of previous years	932	–
Other income	52	339
Total	**4 536**	**2 686**

11 Depreciation and impairment

CHF 1000	**2009**	2008
Depreciation	63 860	64 702
Impairment losses for store fixtures and fittings (see Note 21.1)	3 329	525
Total	**67 189**	**65 227**

12 Financial income

CHF 1000	**2009**	2008
Interest income	333	921
Interest income from securities	53	8
Total	**386**	**929**

13 Financial expenses

CHF 1000	**2009**	2008
Interest expenses on current accounts and loans	1 498	4 445
Interest charges on mortgages	3 813	3 610
Interest on leases	2 040	2 471
Impairment of financial assets	475	–
Total	**7 826**	**10 526**

14 Foreign exchange differences

CHF 1000	**2009**	2008
(Expense)/income from foreign exchange contracts	240	409
Other exchange gains/(losses)	208	(5 304)
Total (expense)/income from exchange gains/(losses)	**448**	**(4 895)**

15 Income tax

15.1 Composition of income tax expense

CHF 1000	**2009**	2008
Current income taxes	15 682	15 778
Change in deferred income taxes	(5 957)	5 529
Income tax from previous years	1 110	(590)
Total income tax expense	**10 835**	**20 717**

15.2 Analysis of tax expense

CHF 1000	**2009**	2008
Profit before income taxes	(2 908)	33 063
Taxes on current profit calculated on the expected group tax rate of 21% (2008: 22%)	(611)	7 274
Reconciliation: – Effect of profits and losses with different tax rates	(6 042)	(4 864)
– Adjustments of deferred taxes from previous years	(942)	921
– Effect of deferred tax assets not capitalized	16 876	11 757
– Impairment of capitalized tax loss carry-forwards	–	5 555
– Effect of other non-taxable transactions	444	664
– Taxes payable (refunds) from previous years	1 110	(590)
Total tax expense	**10 835**	**20 717**

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-capitalisation of deferred tax assets of CHF 16.9 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	**31.12.2009 Assets**	**31.12.2009 Liabilities**	31.12.2008 Assets	31.12.2008 Liabilities
Deferred taxes from:				
– Various receivables	–	–	1	–
– Inventories	5 596	(8 580)	7 316	(15 990)
– Goodwill	18 015	–	20 568	–
– Other long-term assets	67	(12 906)	7	(13 924)
– Real estate	–	(9 852)	–	(9 864)
– Derivative financial instruments	63	(697)	1 180	(2 297)
– Intercompany loans	2 369	–	2 377	–
– Accruals	154	–	585	–
– Provisions	1 226	–	1 302	–
– Treasury shares	–	(2 553)	–	(332)
– Loss carry-forwards	121 620	–	103 975	–
Total deferred taxes, gross	**149 110**	**(34 588)**	**137 311**	**(42 407)**
Impairment of deferred tax assets	(141 592)	–	(126 293)	–
Total deferred taxes	**7 518**	**(34 588)**	**11 018**	**(42 407)**
Offset of assets and liabilities	(1 880)	1 880	(3 778)	3 778
Total deferred taxes, net	**5 638**	**(32 708)**	**7 240**	**(38 629)**

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	**2009**	2008
Total deferred tax assets/(liabilities), net, as of January 1	**(31 389)**	**(25 527)**
Recognized in income statement: – Change in tax rates from previous years	(21)	836
– Adjustments of deferred taxes from previous years	(14)	(86)
– Impairment of capitalized tax loss carry-forwards	–	(5 555)
– Changes in temporary differences	5 561	(513)
Recognized in shareholders' equity: – Changes in deferred taxes on valuation of financial instruments (see Note 37.1)	(1 176)	(113)
Effect of exchange rates	(31)	(431)
Total deferred tax assets/(liabilities), net, as of December 31	**(27 070)**	**(31 389)**

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

15.5 Tax-relevant loss carry-forwards

CHF 1000	**31.12.2009**	31.12.2008
Expiring in the next 5 years	62 499	49 151
Expiring in 5 to 9 years	52 453	47 146
Available without limitation	329 488	271 579
Total tax loss carry-forwards	**444 440**	**367 876**
Calculated potential tax assets thereof	122 828	103 975
Valuation allowances	(122 828)	(103 975)
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. During the 2008 financial year, capitalized net tax assets from tax loss carry-forwards in Germany totalling CHF 5.6 million were written down in full (see Note 15.2).

The new deferred tax assets from tax loss carry-forwards arising in the 2009 and 2008 financial years were not capitalized as it is not certain that they can be used in the foreseeable future.

16 Earnings per share

		2009	2008
Net income	CHF 1 000	(13 743)	12 346
Weighted average number of shares	number	8 376 485	8 427 649
Adjustment for potentially dilutive share options	number	–	31 354
Weighted average number of shares for diluted earnings per share	number	8 376 485	8 459 003
Basic earnings per share	**CHF**	**(1.64)**	**1.46**
Diluted earnings per share	**CHF**	**(1.64)**	**1.46**

17 Cash and cash equivalents

CHF 1000	**31.12.2009**	31.12.2008
Petty cash, postal account balances and cash at banks	127 671	47 440
Clearing accounts of points of sale	(22)	507
Total cash and cash equivalents recognized in the balance sheet	**127 649**	**47 947**

The average interest rate on postal account balances and cash at banks, which have maturities of less than three months, was 0.125% (2008: 0.3%).

18 Receivables, advance payments and prepaid expenses

CHF 1000	**31.12.2009**	31.12.2008
Receivables:		
– Tax refunds (value added tax)	3 414	10 571
– Income taxes	79	7 968
– Other receivables	8 587	6 830
– Credit card sales	2 901	2 878
– Reclaimable withholding taxes	21	51
Total receivables, gross	**15 002**	**28 298**
Value adjustments	(910)	(325)
Total receivables, net	**14 092**	**27 973**
Advance payments and prepaid expenses:		
– Advance payments for advertising campaigns	–	2 596
– Other advance payments and prepaid expenses	3 645	4 247
Total advance payments and prepaid expenses	**3 645**	**6 843**
Total receivables, advance payments and prepaid expenses	**17 737**	**34 816**

18.1 Value adjustments on receivables

CHF 1000	**2009**	2008
Balance 1.1.	**(325)**	**(210)**
Payments	21	–
Receivables written off during the year as uncollectible	110	23
(Creation)/release of impairments	(715)	(149)
Effect of exchange rates	(1)	11
Balance 31.12.	**(910)**	**(325)**

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 card 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. No receivables were overdue on the balance sheet date.

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	**31.12.2009**	31.12.2008
Current inventory, gross	142 169	267 161
Inventory valuation allowance	(37 668)	(59 823)
Current inventory (current and previous seasons), net	**104 501**	**207 338**
Upcoming season	68 234	74 844
Heating oil	287	446
Total	**173 022**	**282 628**

19.1 Value adjustments on inventories

CHF 1000	**2009**	2008
Balance, as of January 1	**(59 823)**	**(69 098)**
(Creation)/Release of value adjustments affecting cost of goods, net	22 353	4 298
Effect of exchange rates	(198)	4 977
Balance, as of December 31	**(37 668)**	**(59 823)**

The release of CHF 22.4 million of value adjustments during the 2009 financial year (previous year: CHF 4.3 million) resulted mainly from the substantial and exceptional clearance of old stock begun at the start of April 2009. The net realizable value of some of the inventories was adjusted on December 31, 2009, by means of an additional value adjustment of CHF 10 million.

20 Assets held for sale

This position concerns a property in Switzerland that will no longer be needed for operations.

21 Property, plant and equipment

21.1 Changes in values

CHF 1000	Land	Buildings	Equipment	Total
Balance 1.1.2008				
Acquisition cost	60 645	219 544	563 688	843 877
Accumulated depreciation/impairment	(9 399)	(91 793)	(299 283)	(400 475)
Net book amount 1.1.2008	**51 246**	**127 751**	**264 405**	**443 402**
Year 2008				
Opening net book amount	51 246	127 751	264 405	443 402
Effect of exchange rates	(675)	(4 001)	(20 095)	(24 771)
Additions	–	1 256	71 003	72 259
Disposals	–	(25)	(3 474)	(3 499)
Depreciation	–	(5 524)	(52 928)	(58 452)
Impairment	–	–	(525)	(525)
Reclassification	–	(13)	13	–
Closing net book amount	**50 571**	**119 444**	**258 399**	**428 414**
Balance 31.12.2008				
Acquisition cost	59 970	214 387	537 888	812 245
Accumulated depreciation/impairment	(9 399)	(94 943)	(279 489)	(383 831)
Net book amount 31.12.2008	**50 571**	**119 444**	**258 399**	**428 414**
Year 2009				
Opening net book amount	50 571	119 444	258 399	428 414
Effect of exchange rates	(21)	(94)	(809)	(924)
Additions	–	28	44 599	44 627
Disposals	–	(41)	(3 767)	(3 808)
Depreciation	–	(5 406)	(52 187)	(57 593)
Impairment	–	–	(3 329)	(3 329)
Reclassification	(4 760)	(2 273)	–	(7 033)
Closing net book amount	**45 790**	**111 658**	**242 906**	**400 354**
Balance 31.12.2009				
Acquisition cost	55 189	209 678	558 642	823 509
Accumulated depreciation/impairment	(9 399)	(98 020)	(315 736)	(423 155)
Net book amount 31.12.2009	**45 790**	**111 658**	**242 906**	**400 354**

See Note 11 for information about impairment costs in respect of planned shop closings.

As of December 31, 2009, CHF 114.0 million of the land and buildings are pledged as security for mortgages (December 31, 2008: CHF 117.5 million).

The fire insurance value of physical assets is CHF 775.4 million as at December 31, 2009, (December 31, 2008: CHF 747.9 million).

21.2 Finance leases

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

CHF 1000	Land	Buildings	Equipment	Total
Acquisition cost	5 917	53 995	6 118	66 030
Accumulated depreciation	–	(19 018)	(4 006)	(23 024)
Balance 31.12.2008	**5 917**	**34 977**	**2 112**	**43 006**
Additions 2008	–	–	–	–
Reclassification	–	–	–	–
Acquisition cost	5 896	53 807	6 099	65 802
Accumulated depreciation	–	(20 509)	(4 682)	(25 191)
Balance 31.12.2009	**5 896**	**33 298**	**1 417**	**40 611**
Additions 2009	–	–	–	–
Reclassification	–	–	–	–

Financial leases for land and buildings includes 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". As in 2008, there were no additions or disposals in 2009.

22 Financial assets

CHF 1000	**31.12.2009**	31.12.2008
Investments	115	170
Loans	485	987
Total Financial assets	**600**	**1 157**

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

23 Intangible assets

23.1 Changes intangible assets

CHF 1000	Goodwill	Other intangible assets	Total
Balance 1.1.2008			
Acquisition cost	72 919	24 117	97 036
Accumulated depreciation	–	(17 868)	(17 868)
Net book amount 1.1.2008	**72 919**	**6 249**	**79 168**
Year 2008			
Opening net book amount	72 919	6 249	79 168
Effect of exchange rates	–	–	–
Additions	–	6 956	6 956
Disposals	–	–	–
Depreciations	–	(2 980)	(2 980)
Impairments	–	–	–
Closing net book amount	**72 919**	**10 225**	**83 144**
Balance 31.12.2008			
Acquisition cost	72 919	25 664	98 583
Accumulated depreciation	0	(15 439)	(15 439)
Net book amount 31.12.2008	**72 919**	**10 225**	**83 144**
Year 2009			
Opening net book amount	72 919	10 225	83 144
Effect of exchange rates	–	–	–
Additions	–	3 324	3 324
Disposals	–	(40)	(40)
Depreciations	–	(3 651)	(3 651)
Impairments	–	–	–
Closing net book amount	**72 919**	**9 858**	**82 777**
Balance 31.12.2009			
Acquisition cost	72 919	26 992	99 911
Accumulated depreciation	0	(17 134)	(17 134)
Net book amount 31.12.2009	**72 919**	**9 858**	**82 777**

23.2 Impairment test on goodwill

CHF 1000	**31.12.2009**	31.12.2008
Goodwill share Switzerland	36 728	–
Goodwill share Germany	6 520	–
Goodwill share Austria	29 671	–
Total of LBO	**72 919**	**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)	6.6%	7.3%
Germany:		
– Growth rate of the residual	1.5%	1.5%
– Pre-tax discount rate (WACC)	9.2%	7.9%
Austria:		
– Growth rate of the residual	1.5%	1.5%
– Pre-tax discount rate (WACC)	7.7%	7.7%

Following the redefinition of the segments (IFRS 8) the goodwill previously managed at Group level was divided up and allocated to the cash-generating units.

Value in use was calculated using the discounted free cash flow model. The free cash flow projections are based on the budget and two-year plan approved by Group Management and the Board of Directors. These reflect Management's estimates of operating results. The various measures initiated to increase like-for-like sales and to improve profitability were taken into account. Cash flows that go beyond this planning period were extrapolated using the above parameters.

Even after incorporating a sensitivity analysis of sales and results, the test showed that the disclosed goodwill has retained its value.

23.3 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.

24 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	127 649	–	–	–	–	127 649
Receivables, advance payments and prepaid expenses	14 092	–	–	–	3 645	17 737
Derivative financial instruments	–	–	4 221	–	–	4 221
Financial assets (see Note 22)	485	–	–	115	–	600
Balance 31.12.2009	**142 226**	**–**	**4 221**	**115**	**3 645**	**150 207**
Cash and cash equivalents	47 947	–	–	–	–	47 947
Receivables, advance payments and prepaid expenses	27 973	–	–	–	6 843	34 816
Derivative financial instruments	–	1 918	4 403	–	–	6 321
Financial assets (see Note 22)	987	–	–	170	–	1 157
Balance 31.12.2008	**76 907**	**1 918**	**4 403**	**170**	**6 843**	**90 241**

The maximum risk of default is equal to the assets shown in the balance sheet.

25 Short-term financial liabilities

CHF 1000	**31.12.2009**	31.12.2008
Short-term lease liabilities (see Note 27)	3 383	2 845
Total	**3 383**	**2 845**

26 Other liabilities and accruals

CHF 1000	**31.12.2009**	31.12.2008
Sales tax	19 566	16 216
Vouchers	19 223	18 369
Accruals:		
– Personnel expenses	22 246	19 881
– Rental expenses	5 313	5 004
– Other accruals	17 372	17 570
Total	**83 720**	**77 040**

27 Finance lease liabilities

CHF 1000	Residual term < 1 year	Residual term 1–5 years	Residual term > 5 years	Total
Lease commitments, gross	4 794	20 040	20 461	45 295
Discounted	(1 411)	(4 941)	(2 457)	(8 809)
Balance 31.12.2009	**3 383**	**15 099**	**18 004**	**36 486**
Lease commitments, gross	4 609	28 745	17 123	50 477
Discounted	(1 764)	(5 643)	(2 927)	(10 334)
Balance 31.12.2008	**2 845**	**23 102**	**14 196**	**40 143**

CHF 1000	**31.12.2009**	31.12.2008
Disclosure:		
– Short-term financial liabilities (due < 1 year; see Note 25)	3 383	2 845
– Lease liabilities	33 103	37 298
Total	**36 486**	**40 143**

The average discount rate of finance lease commitments amounted to 5.7% (2008: 5.6%).

28 Provisions

CHF 1000	Personnel provisions	Other provisions	Total
Balance 1.1.2008	**7 543**	**265**	**7 808**
Increase	320	526	846
Usage	(124)	(27)	(151)
Decrease	(181)	(203)	(384)
Reclassification	–	–	–
Effect of exchange rates	(761)	(28)	(789)
Balance 31.12.2008	**6 797**	**533**	**7 330**
Increase	3 001	3 286	6 287
Usage	(130)	–	(130)
Decrease	(443)	(460)	(903)
Reclassification	242	–	242
Effect of exchange rates	(33)	17	(16)
Balance 31.12.2009	**9 434**	**3 376**	**12 810**

CHF 1000	**31.12.2009**	31.12.2008
Disclosure:		
– Short-term provisions	6 063	456
– Long-term provisions	6 747	6 874
Total	**12 810**	**7 330**

“Personnel provisions” are mainly associated with pension liabilities and settlements 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.

29 Mortgages

CHF 1000	
Balance 1.1.2008	**95 000**
Increase in mortgages	15 000
Balance 31.12.2008	**110 000**
Repayment of mortgages	(3 500)
Balance 31.12.2009	**106 500**

The mortgages reflect long-term fixed-interest bank loans with residual terms between one and five years. The average interest rate on mortgages amounted to 3.5% in 2009 (2008: 3.6%).

30 Loans

CHF 1000	**31.12.2009**	31.12.2008
Long-term loans, gross	–	50 000
Credit procurement costs	–	(542)
Long-term loans, net	**–**	**49 458**

The financial costs incurred in connection with the loan agreements (see below) are amortized in accordance with the residual term to maturity and credit utilization over the remaining lifetime of the loan contract.

The carrying amount of the loans outstanding as at December 31, 2008, is approximately in line with market value as the interest rates are adjusted annually. The annual adjustment of the margin reflects the market's risk assessment of the company.

At the end of June 2007, Charles Vögele Group signed a new syndicated credit agreement of CHF 250 million. The loan is for a term of five years. The utilized credit line at the balance sheet date, is shown in the chart about liquidity reserves (see Note 3.4). 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; see also the overview of cash reserves in Note 3.5). The target ratio was met on the balance sheet date. The average interest rate in the year under review was 1.1% (2008: 3.3%).

31 Financial instruments by category (liabilities)

CHF 1000	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Other non-financial liabilities	Total
Trade payables	–	–	47 926	–	47 926
Other liabilities and accruals	–	–	64 497	19 223	83 720
Derivative financial instruments	–	4 255	–	–	4 255
Mortgages	–	–	106 500	–	106 500
Loans	–	–	–	–	–
Balance 31.12.2009	**–**	**4 255**	**218 923**	**19 223**	**242 401**
Trade payables	–	–	53 303	–	53 303
Other liabilities and accruals	–	–	58 671	18 369	77 040
Derivative financial instruments	–	12 268	–	–	12 268
Mortgages	–	–	110 000	–	110 000
Loans	–	–	49 458	–	49 458
Balance 31.12.2008	**–**	**12 268**	**271 432**	**18 369**	**302 069**

32 Share capital

The reduction in the share capital is due to the Annual Shareholders' Meeting's decision on April 1, 2009, to reduce the par value of Charles Vögele Holding AG shares by CHF 0.50 per share, from CHF 4.00 to CHF 3.50. The remaining share capital comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.50 each.

The articles of association of Charles Vögele Holding AG include a provision authorizing the Board of Directors to make a conditional increase in the share capital of up to CHF 0.9 million, divided into 264 000 fully paid-in bearer shares with a par value of CHF 3.50 each, without giving rise to any pre-emptive rights for existing shareholders. These shares may only be used for the management share option plan (see Note 35 on the management share option plan).

33 Treasury shares

As of December 31, 2009, treasury shares comprise 434 907 shares (December 31, 2008: 417 641) held by the Charles Vögele Group and earmarked for share participations by the Management of the Charles Vögele Group (see Note 35).

34 Distribution to shareholders

For the 2008 financial year, on July 3, 2009, a par value reduction of CHF 0.50 (for the 2007 financial year on July 4, 2008, a par value reduction of CHF 2.00) was paid for each Charles Vögele Holding AG bearer share.

At the Annual Shareholders' Meeting on April 14, 2010, the Board of Directors will propose that no dividend be paid for the 2009 financial year because of the net loss.

35 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.

35.1 Management share option plan 2002

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 as of 1.1.2009**	Number of granted options	Number of expired options	Number of exercised options	**Number of outstanding options as of 31.12.2009**	Exercise price in CHF	Duration until	Vesting period until
2004	46 734	–	(43 734)	(3 000)	0	41.05	2009	2007
2005	74 917	–	(10 300)	–	64 617	95.55	2010	2008
2006	95 780	–	(14 538)	–	81 242	90.00	2011	2009
2007	96 110	–	(19 937)	–	76 173	119.00	2012	2010
2008	100 000	–	(5 825)	–	94 175	65.05	2013	2011
2009	–	118 700	–	–	118 700	39.50	2014	2012
Total	**413 541**	**118 700**	**(94 334)**	**(3 000)**	**434 907**			

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 10 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:

	2009 Weighted average exercise price in CHF	**2009 Number of options**	2008 Weighted average exercise price in CHF	2008 Number of options
Balance 1.1.	**86.18**	**413 541**	**88.45**	**368 246**
Granted options	39.50	118 700	65.05	100 000
Expired options	68.48	(94 334)	104.34	(11 905)
Exercised options	41.05	(3 000)	51.30	(42 800)
Balance 31.12.	**76.72**	**434 907**	**86.18**	**413 541**
Exercisable as at 31.12.	**92.46**	**145 859**	**74.61**	**121 651**

The weighted average share price for options exercised during the reporting period can be seen on the following table:

Granting year of tranche	Exercise period	Number of exercised options	Weighted average share price during exercise period in CHF
2003	1.1. – 29.8.2008	32 500	83.08
2004	1.1. – 31.12.2008	10 300	75.45
Total 2008		**42 800**	
2004	1.1. – 24.8.2009	3 000	35.79
Total 2009		**3 000**	

The above-mentioned tranches are serviced exclusively by treasury shares purchased by the Charles Vögele Group for this purpose (see Note 33).

The weighted average remaining contractual term of the 434 907 options outstanding on December 31, 2009 was 36 months (previous year 413 541 options and 36 months). Exercise prices ranged between CHF 39.50 and CHF 119.00 per option (previous year: between CHF 41.05 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
24.08.2004	36.50	34.27%	1.94%	1.46%	6.86
29.08.2005	93.00	34.01%	1.57%	1.51%	20.40
26.08.2006	90.00	35.96%	2.49%	1.73%	23.39
23.08.2007	117.50	30.55%	3.01%	1.71%	27.12
22.08.2008	61.80	35.99%	2.96%	1.71%	14.93
21.08.2009	40.00	48.53%	1.39%	1.72%	12.48

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 12.48 (previous year CHF 14.93).

During the year under review CHF 1.7 million (previous year CHF 3.0 million) was charged through personnel expenses for the proportional fair value of options.

36 Contingent liabilities

36.1 Outstanding merchandise orders and letters of credit

As of December 31, 2009, future commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 136.2 million (December 31, 2008: CHF 124.6 million). As of December 31, 2009, letters of credit not included in the balance sheet amounted to CHF 31.2 million (December 31, 2008: CHF 26.4 million).

37 Forward foreign exchange contracts

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

37.1 Derivatives for cash flow hedges

As at December 31, 2009, open forward foreign exchange contracts for cash flow hedges were as follows: CHF 199.7 million (previous year: CHF 213.7 million) for purchase of merchandise in USD and to cover the exchange rate risks for purchasing merchandise for the following year's collection; CHF 255.7 million (previous year CHF 135.8) 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 1.1.2008	
Valuation financial instruments before tax	(8 028)
Deferred tax	1 204
Valuation financial instruments net of tax 1.1.2008	**(6 824)**
Year 2008	
Opening balance	(6 824)
Disposal through purchase of goods recognized in cost of goods in income statement	8 028
Valuation of outstanding financial instruments as of 31.12.2008	(7 271)
Change in deferred tax	(113)
Valuation net of tax 31.12.2008	**(6 180)**
Closing balance 31.12.2008	
Valuation financial instruments before tax	(7 271)
Deferred tax	1 091
Valuation financial instruments net of tax 31.12.2008	**(6 180)**
Year 2009	
Opening balance	(6 180)
Disposal through purchase of goods recognized in cost of goods in income statement	7 271
Valuation of outstanding financial instruments as of 31.12.2009	567
Change in deferred tax	(1 176)
Valuation financial instruments net of tax 31.12.2009	**482**
Closing balance 31.12.2009	
Valuation financial instruments before tax	567
Deferred tax	(85)
Valuation financial instruments net of tax 31.12.2009	**482**

37.2 Derivatives for trading purposes

The valuation of currency swaps and forward foreign exchange contracts at fair value resulted in a profit of CHF 0.4 million as of December 31, 2009 (December 31, 2008: profit of CHF 1.9 million), which was included in the income statement under “Exchange gains or losses”.

38 Rental commitments

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

CHF 1000	**31.12.2009**	31.12.2008
Maturity < 1 year	180 070	174 970
Maturity 1 – 5 years	494 241	478 087
Maturity > 5 years	224 308	225 160
Total	**898 619**	**878 217**

39 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
2009	Number of members as of 31.12.2009	4	4	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000[1)]	819	3 868	4 687
	Number of Management options	17 200	49 300	66 500
	Value of Management options in CHF 1 000[2)]	216	615	831
2008	Number of members as of 31.12.2008	8	4	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000	1 210	3 720	4 930
	Number of Management options	34 400	26 400	60 800
	Value of Management options in CHF 1 000[2)]	512	394	906

1) Salary of the timely overlap from three months between the employment and resignation of two members of Group Management is included.
2) Valuation: fair value according IFRS, details see page 50.

Details of total payments to members of the Board of Directors pursuant to the Swiss Code of Obligations (CO) for the 2009 financial year:

CHF 1000	Alain Caparros Chairman[1]	Hans Ziegler Vice-Chairman[2]	Jan C. Berger Member	Peter Littmann Member	Total Board of Directors
Salaries (gross)	251	161	93	93	598
Bonus (gross)	–	–	–	–	–
Employer's social security costs	–	14	10	10	34
Lump-sum expenses	2	2	2	2	8
Management options[3]	54	54	54	54	216
Consultancy fees	–	–	41[4]	–	41
Total payments 2009 to the remaining members of the Board of Directors	**307**	**231**	**200**	**159**	**897**

CHF 1000	Bernd H.J. Bothe Chairman[1]	Dr. Felix R. Ehrat Vice-Chairman[2]	Daniel J. Sauter Member	Carlo Vögele Member	Total Board of Directors
Salaries (gross)	76	46	23	23	168
Bonus (gross)	–	–	–	–	–
Employer's social security costs	–	2	1	4	7
Lump-sum expenses	1	1	1	1	4
Management options[3]	–	–	–	–	–
Total payments 2009 to the resigned members of the Board of Directors, excluding consultancy fees	**77**	**49**	**25**	**28**	**179**
Consultancy fees	–	119[5]	–	–	119
Total payments 2009 to the resigned members of the Board of Directors	**77**	**168**	**25**	**28**	**298**

1) Bernd H.J. Bothe was Chairman until April 1, 2009.
After his resignation Alain Caparros took over the position.
2) Dr. Felix R. Ehrat was Vice-Chairman until April 1, 2009.
After his resignation Hans Ziegler took over the position.
3) Valuation: fair value according IFRS, details see page 50.
4) Fees from Retailize BV
5) Fees from Bär & Karrer AG until April 1, 2009

Details of total payments to members of the Board of Directors pursuant to the Swiss Code of Obligations (CO) for the 2008 financial year:

CHF 1000	Alain Caparros Member	Hans Ziegler Member	Jan C. Berger Member	Peter Littmann Member	Total Board of Directors
Salaries (gross)	93	70	70	93	326
Bonus (gross)	15	12	12	15	54
Employer's social security costs	–	11	11	12	34
Lump-sum expenses	2	2	2	2	8
Management options[1]	64	64	64	64	256
Total payments 2008 to the remaining members of the Board of Directors	**174**	**159**	**159**	**186**	**678**

CHF 1000	Bernd H.J. Bothe Chairman	Dr. Felix R. Ehrat Vice-Chairman	Daniel J. Sauter Member	Carlo Vögele Member	Total Board of Directors
Salaries (gross)	303	183	93	93	672
Bonus (gross)	15	15	15	15	60
Employer's social security costs	–	17	12	19	48
Lump-sum expenses	2	2	2	2	8
Management options[1]	64	64	64	64	256
Total payments 2008 to the resigned members of the Board of Directors, excluding consultancy fees	**384**	**281**	**186**	**193**	**1 044**
Consultancy fees	–	281[2]	–	–	281
Total payments 2008 to the resigned members of the Board of Directors	**384**	**562**	**186**	**193**	**1 325**

1) Valuation: fair value according IFRS, details see page 50.
2) Fees from Bär & Karrer AG

Details of total payments to the Top Management pursuant to the Swiss Code of Obligations (CO) for the 2009 financial year:

CHF 1000	André Maeder CEO	Total Top Management[1]
Salaries (gross)	785	2 599
Bonus (gross)	709	784
Employer's social security and insurance costs	146	443
Lump-sum expenses	–	12
Company car[2]	4	30
Management options[3]	286	615
Total 2009	**1 930**	**4 483**

[1] Salary of Bernd H.J. Bothe for his function as interim CEO for the period of January to mid February 2009 is included.
Salary of the timely overlap between the employment and resignation of two members of Group Management is included.
[2] Private use (tax value: 9.6% of acquisition value).
[3] Valuation: fair value according IFRS, details see page 50.

Details of total payments to the Top Management pursuant to the Swiss Code of Obligations (CO) for the 2008 financial year:

CHF 1000	Daniel Reinhard CEO[1]	Total Top Management[2]
Salaries (gross)	938	2 679
Bonus (gross)	135	620
Employer's social security and insurance costs	97	375
Lump-sum expenses	–	12
Company car[3]	10	34
Management options[4]	–	394
Total 2008	**1 180**	**4 114**

[1] Three monthly salaries for the year 2009 are included.
[2] Salary of Bernd H.J. Bothe for his function as interim CEO for the period of mid August to December 2008 is included.
[3] Private use (tax value: 9.6% of acquisition value).
[4] Valuation: fair value according IFRS, details see page 50.

Disclosure of Board of Directors' shareholdings pursuant to the Swiss Code of Obligations (CO) as at December 31, 2009:

2009	Alain Caparros Chairman	Hans Ziegler Vice-Chairman	Jan C. Berger Member	Peter Littmann Member	Total Board of Directors
Number of shares	–	–	–	–	–
In percentage of share capital	–	–	–	–	–
Value of shares in CHF 1 000	–	–	–	–	–
Number of Management options	12 900	8 600	8 600	17 200	47 300
In percentage of share capital	0.15%	0.10%	0.10%	0.19%	0.55%
Value of Management options in CHF 1 000[1]	37	37	37	38	149

[1] Valuation: according to Swiss tax rules.

Disclosure of Board of Directors' shareholdings pursuant to the Swiss Code of Obligations (CO) as at December 31, 2008:

2008	Bernd H.J. Bothe Chairman	Dr. Felix R. Ehrat Vice-Chairman	Jan C. Berger Member	Alain Caparros Member	Peter Littmann Member
Number of shares	7 500	10 500	–	–	–
In percentage of share capital	0.09%	0.12%	–	–	–
Value of shares in CHF 1 000	206	289	–	–	–
Number of Management options	16 300	19 300	4 300	8 600	12 900
In percentage of share capital	0.19%	0.22%	0.05%	0.10%	0.15%
Value of Management options in CHF 1 000[1]	7	8	6	6	7

2008		Daniel J. Sauter Member	Carlo Vögele Member	Hans Ziegler Member	Total Board of Directors
Number of shares		6 500	195 877	100	220 477
In percentage of share capital		0.07%	2.23%	0.00%	2.51%
Value of shares in CHF 1 000		179	5 387	3	6 064
Number of Management options		19 300	16 300	4 300	101 300
In percentage of share capital		0.22%	0.19%	0.05%	1.17%
Value of Management options in CHF 1 000[1]		8	7	6	55

[1] Valuation: according to Swiss tax rules.

Disclosure of Group Management's shareholdings pursuant to the Swiss Code of Obligations (CO) as at December 31, 2009:

2009	André Maeder CEO	Werner Lange CPO	Dr. Dirk Seifert COO	Markus Voegeli CFO	Total Top Management
Number of shares	–	–	–	1 200	1 200
In percentage of share capital	–	–	–	0.01%	0.01%
Value of shares in CHF 1 000	–	–	–	44	44
Number of Management options	22 900	26 400	17 600	8 800	75 700
In percentage of share capital	0.26%	0.30%	0.20%	0.10%	0.86%
Value of Management options in CHF 1 000[1]	148	77	76	57	358

[1] Valuation: according to Swiss tax rules.

Disclosure of Group Management's shareholdings pursuant to the Swiss Code of Obligations (CO) as at December 31, 2008:

2008	Werner Lange CPO	Dr. Dirk Seifert COO	Dr. Felix Thöni CFO	Total Top Management
Number of shares	–	–	8 100	8 100
In percentage of share capital	–	–	0.09%	0.09%
Value of shares in CHF 1 000	–	–	223	223
Number of Management options	17 600	8 800	39 400	65 800
In percentage of share capital	0.20%	0.10%	0.45%	0.75%
Value of Management options in CHF 1 000[1]	13	12	15	40

[1] Valuation: according to Swiss tax rules.

40 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.

41 Post balance sheet events

The present financial statements take into consideration events occurring between the balance sheet date and March 4, 2010. There were no significant post balance sheet events. The 2009 financial statements, which were discussed between the Audit Committee and representatives of Group Management and approved by the Charles Vögele Holding AG Board of Directors on March 4, 2010, are published on March 9, 2010, and presented to the Annual Shareholders' Meeting on April 14, 2010, for approval.

42 Structure of the Charles Vögele Group as of December 31, 2009

	Company	Currency	Share/ Partnership capital
	Charles Vögele Holding AG Pfäffikon SZ, CH Holding	CHF	30 800 000
100 %	**Charles Vögele Trading AG** Pfäffikon SZ, CH Central services	CHF	10 000 000
100 %	**Charles Vögele Store Management AG** Pfäffikon SZ, CH Central services (dormant)	CHF	250 000
100 %	**Prodress AG** Pfäffikon SZ, CH Central services	CHF	100 000
100 %	**Cosmos Mode AG** Pfäffikon SZ, CH Central services	CHF	100 000
100 %	**Mac Fash GmbH** Pfäffikon SZ, CH Central services (dormant)	CHF	20 000
100 %	**Charles Vögele Import GmbH** Lehrte, DE Central services	EUR	25 000
100 %	**Charles Vögele Fashion (HK) Ltd.** Hongkong, HK Central services	HKD	100 000
100 %	**Charles Vögele Mode AG** Pfäffikon 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.** Turnhout, BE Sales organization	EUR	10 063 906[1)]
100 %	**Charles Vögele (Austria) AG** Kalsdorf, AT Sales organization	EUR	1 453 457
100 %	**Charles Voegele trgovina s tekstilom d.o.o.** Lubljana, 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.** Vecsés, HU Sales organization	HUF	240 000 000
100 %	**Charles Voegele Ceska s.r.o.** Prague, CZ Sales organization	CZK	30 000 000
100 %	**Charles Voegele Romania SRL** Bucaresti, RO Sales organization (dormant)	RON	4 000 000

Changes in the scope of consolidation, see Note 2.5.
[1)] Decreased by EUR 2 725 393 following refinancing in 2008.

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

> Report of the statutory auditors on the consolidated financial statements

As statutory auditors, 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, statement of changes in equity and notes (pages 6 to 59), for the year ended December 31, 2009.

> 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 December 31, 2009, 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 AG

Matthias von Moos Audit expert	Hanspeter Abegg Audit expert

Auditor in Charge

Zurich, March 4, 2010

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from January 1 to December 31

INCOME STATEMENT HOLDING

CHF 1000	Note	2009	2008
Income			
Dividends		1	35 001
Financial income	2	12 955	13 870
Total income		**12 956**	**48 871**
Expenses			
Administration expenses		(2 196)	(2 889)
Financial expenses	2	(7 181)	(20 469)
Impairment of loans to subsidiaries	3	(6 472)	(5 271)
Exchange loss, net		(2 199)	(14 401)
Total expenses		**(18 048)**	**(43 030)**
(Loss)/profit before income tax		**(5 092)**	**5 841**
Tax expenses		(19)	(22)
Net (loss)/profit of the year		**(5 111)**	**5 819**

as of December 31

BALANCE SHEET HOLDING

CHF 1000	Note	**31.12.2009**	31.12.2008
Assets			
Current assets			
Cash and cash equivalents	4	13 939	2 377
Receivables from subsidiaries	5	38 267	64 739
Other receivables and prepaid expenses		87	7 124
Total current assets		**52 293**	**74 240**
Long-term assets			
Loans to subsidiaries	5	373 015	381 602
Investments	6	582 912	574 662
Total long-term assets		**955 927**	**956 264**
Total assets		**1 008 220**	**1 030 504**
Liabilities and shareholders' equity			
Short-term liabilities			
Accounts payable third parties		63	7
Accounts payable subsidiaries	5	644 248	656 455
Accrued liabilities		62	684
Current tax liabilities		17	17
Total short-term liabilities		**644 390**	**657 163**
Shareholders' equity			
Share capital	7	30 800	35 200
Legal reserves		173 789	173 789
Free reserves		110 000	110 000
Reserve for treasury shares	8	33 784	33 428
Retained earnings: – Retained earnings as of January 1		20 924	17 428
– Decrease/(Increase) of reserve for treasury shares		(356)	(2 323)
– Net profit of the year		(5 111)	5 819
Total retained earnings		15 457	20 924
Total shareholders' equity		**363 830**	**373 341**
Total liabilities and shareholders' equity		**1 008 220**	**1 030 504**

1 Basis for the financial statements

Charles Vögele Holding AG is based in Pfäffikon, 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 and third parties.

3 Impairment of loans to subsidiaries

Impairments of loans to Group companies concern value adjustments on Group loans to subsidiaries in Germany and Poland.

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 42 of the Notes to the consolidated financial statements.

7 Share capital

The reduction in the share capital is due to the Annual Shareholders' Meeting's decision on April 1, 2009, to reduce the par value of Charles Vögele Holding AG shares by CHF 0.50 per share, from CHF 4.00 to CHF 3.50. The remaining share capital comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.50 per share.

The company's articles of association include a provision authorizing the Board of Directors to carry out a conditional increase of the share capital of up to CHF 0.9 million, divided into 264 000 fully paid-in bearer shares with a par value of CHF 3.50 each, without giving rise to any pre-emptive rights for existing shareholders. The shares may only be used for the management share option plan (see Note 35 on the management share option plan in the Notes to the consolidated financial statements).

8 Movement in treasury shares

		Price in CHF	Number of shares
Treasury shares 31.12.2007			**370 546**
Disposal of treasury shares by Charles Vögele Trading AG	February–June 2008	47.00 – 87.00	(47 449)
Purchase of treasury shares by Charles Vögele Trading AG	June 2008	86.17	10 649
Disposal of treasury shares by Charles Vögele Trading AG	August–September 2008	45.00 – 84.72	(20 205)
Purchase of treasury shares by Charles Vögele Trading AG	September 2008	59.78	104 100
Treasury shares 31.12.2008			**417 641**
Purchase of treasury shares by Charles Vögele Trading AG	August 2009	39.36	17 266
Treasury shares 31.12.2009			**434 907**

For the holdings of treasury shares in the Charles Vögele Group as of December 31, 2009, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 33.8 million (December 31, 2008: CHF 33.4 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.

Shareholders	**Share of capital as of 31.12.2009[1)]**	Share of capital as of 31.12.2008[1)]	As announced on
Laxey Partners Ltd., Onchan, Isle of Man, IM3 1NA, GB[2)]	<3%	10.38%	01.10.2009
Bestinver Gestion S.G.I.I.C. S.A., Madrid, Spain	10.30%	10.30%	14.12.2007
Classic Global Equity Fund / Braun, von Wyss & Müller AG, Zürich, Switzerland	9.3%[3)]	9.3%[3)]	28.03.2002
Cheyne Special Situations Fund, Grand Cayman, Cayman Islands[2)]	<3%	6.39%	11.06.2009
Migros-Genossenschafts-Bund, Zürich, Schweiz	10.33%	5.18%	30.07.2009
JPMorgan Chase & Co. 270 Park Avenue, New York	–	4.93%	11.09.2007
UBS Fund Management (Switzerland) AG, Basel, Switzerland	3.07%	4.80%	09.01.2009
Sterling Strategic Value Ltd., Tortola, British Virgin Islands[2) 4)]	4.79%	3.00%	02.04.2009

1) According to information submitted by shareholders to the company until the specified date.
2) On April 16, 2008, these 3 shareholders together with Mr. Massimo Pedrazzini, Lugano, Switzerland, have reported a concert party with a shareholding of 23.85%.
On April 2, 2009, the group reported its dissolution.
3) As stated in the annual report.
4) 100% controlled by Dr. Tito Tettamanti, London.

10 Contingent liabilities

CHF 1000	**31.12.2009**	31.12.2008
Rental- and other guarantees to third parties	29 078	31 728
Guarantees to financing banks	384 359	384 723

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 30 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 39).

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 (Note 40) of this annual report.

as of December 31, 2009

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes to the Annual Shareholders' Meeting of April 14, 2010, to carry forward the retained earnings of CHF 15.5 million.

CHF 1000	
Retained earnings as of 31.12.2009	15 457
Balance to be carried forward	**15 457**

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

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

> Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Charles Vögele Holding AG, which comprise the income statement, balance sheet and Notes (pages 64 to 68), for the year ended December 31, 2009.

> 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 rea-sonable 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 December 31, 2009, 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 AG

Matthias von Moos Auditor expert	Hanspeter Abegg Auditor expert
Auditor in charge	

Zurich, March 4, 2010

FINANCIAL CALENDAR/CONTACTS

APRIL 14, 2010
GENERAL MEETING OF SHAREHOLDERS
BUSINESS YEAR RESULTS 2009

AUGUST 24, 2010
MEDIA AND ANALYST CONFERENCE
HALF-YEAR RESULTS 2010

MARCH 8, 2011
MEDIA AND ANALYST CONFERENCE
BUSINESS YEAR RESULTS 2010

APRIL 13, 2011
GENERAL MEETING OF SHAREHOLDERS
BUSINESS YEAR RESULTS 2010

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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printed climate neutrally
www.nsgroup.ch

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Charles Vögele Holding AG
8808 Pfaeffikon SZ
Switzerland

DESIGN
hilda design matters, Zurich

PHOTOGRAPHY
Charles Vögele, Fashion Photos
Andreas Mader, Zell, Pages 10/12/14/38/44

TYPESETTING AND PRINTING
Neidhart + Schön Group, Zurich

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