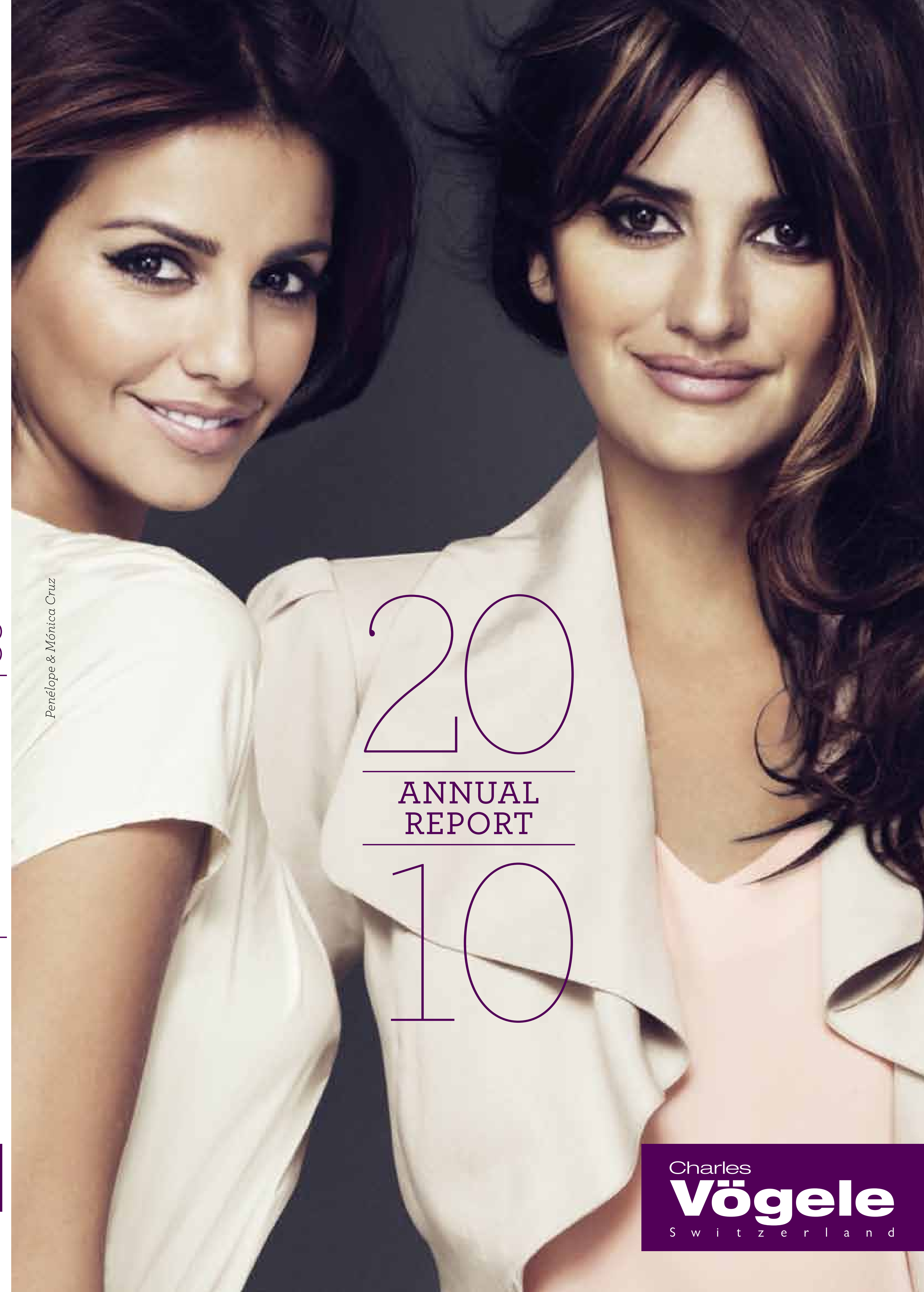
Til Schweiger

20 10 | ANNUAL REPORT |



Penélope & Mónica Cruz

20 ANNUAL REPORT 10

Charles Vögele
Switzerland

GROUP KEY FIGURES

CHF million	**2010**	2009	Change
Gross sales	1 416	1 548	(8.5%)
Change adjusted for currency in %	(3.0%)	0.2%	
Change adjusted for expansion and currency in %	(2.5%)	(2.6%)	
Net sales	1 198	1 310	(8.6%)
Operating earnings before depreciation and impairment (EBITDA)	110	71	
Operating earnings (EBIT)	38	4	
Net profit of the year	18	(14)	
Net cash flow from operating activities	88	188	
Net cash provided/(used) by investing activities	(46)	(46)	
Free cash flow	42	142	

	2010	2009	Change
Number of stores at year – end	826	857	(3.6%)
Sales area at year – end in m²	647 752	670 985	(3.5%)
Net sales per average sales area in CHF	1 812	1 954	(7.3%)
Number of employees at year – end[1]	7 345	7 729	(5.0%)
Average number of full – time employees on an annual basis[1]	4 861	5 036	(3.5%)
Net sales per average number of full – time employees in CHF[1]	246 498	260 176	(5.3%)
Number of clothing articles sold in 1000	63 306	69 698	(9.2%)
Average net sales per article in CHF	18.9	18.8	0.7%
Share of turnover in %:			
– women's wear	59%	58%	
– men's wear	32%	32%	
– children's wear	9%	10%	

CHF million	**31.12.2010**	31.12.2009	
Net cash/(net debt)	26	(15)	
Shareholders' equity	473	484	
Balance sheet total	756	818	
Shareholders' equity in % of balance sheet total	62%	59%	

[1] Excluding apprentices

KEY FINANCIALS

18

Charles Vögele Group recorded a net profit of CHF 18 million for the 2010 financial year. This pleasing result is built mainly on the initial successful outcomes of strategic measures taken in 2009 to modernize every aspect of the company.

Net sales below prior-year figure.

After adjusting for currency movements and changes in floorspace, Charles Vögele's like-for-like sales were only 2.7%, or CHF 31 million.

Depletion of old stock completed.

Since mid-2010 all our stock has been less than 18 months old. The percentage of sales accounted for by new-season items went up to 84% in 2010 (previous year 75%).

Improved gross profit margin.

Higher sales of latest-season stock and prompt hedging of the main currencies, the euro and US dollar, helped increase the gross profit margin to 66.9% (previous year 61.2%).

110

Charles Vögele's EBITDA earnings figure of CHF 110 million once again clearly surpassed the 100 million mark. At 9.2% of net sales, the figure also represented an important step on the way to the medium-term objective of 10%.

26

Charles Vögele transformed the previous year's net debt of CHF 15 million into net liquidity of CHF 26 million by 31. December 2010. The Group continues to have a comfortable level of liquidity.

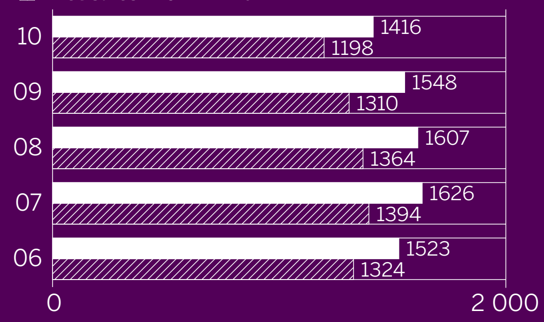
Planned repayment of par value.

Given the pleasing liquidity situation and the solid equity ratio of 62%, the Board of Directors proposes to the Annual Shareholders' Meeting that a par value repayment of CHF 0.50 per share be distributed to shareholders.

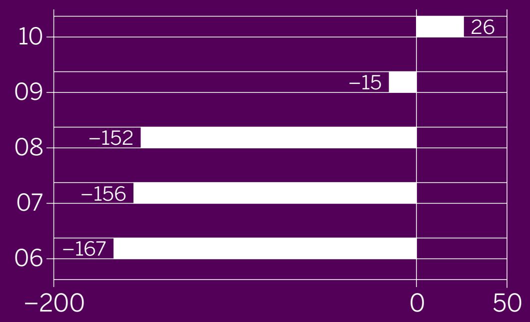

FASCINATION
Charles Vögele is the number one choice for people in the prime of their lives who want to feel good and who are looking for the latest fashions at great prices.
GROWTH
PROCESSES

FIVE-YEAR OVERVIEW 2006 – 2010

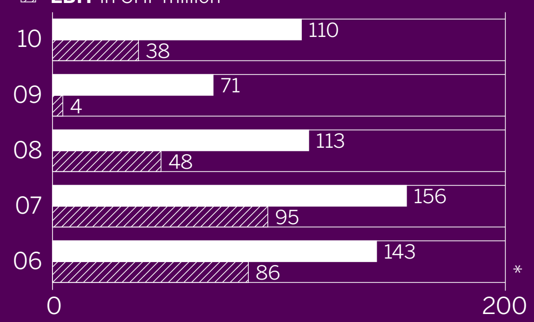
Gross sales in CHF million
Net sales in CHF million



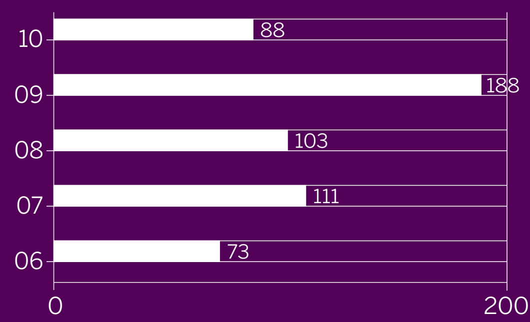
Net cash/(net debt)



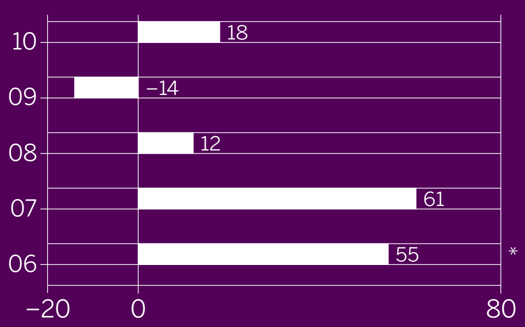
EBITDA in CHF million
EBIT in CHF million



Cash flow from operating activities in CHF million

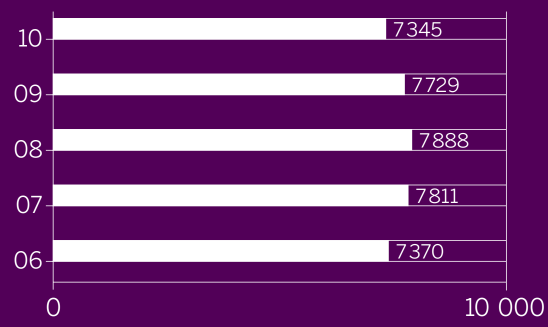


Net profit in CHF million



Branches

Employees**



* before impairment of goodwill of CHF 74 million
** without apprentices

CONTENTS

1 KEY FINANCIALS

4 WORLD OF FASHION

7 Chairman's Message

9 CEO's Report

10 3-Pillar Strategy

15 Overview of Regions

16 Switzerland Region

17 Germany Region

19 Central & Eastern Europe Region (CEE)

20 Benelux Region

23 Corporate Social Responsibility

33 CORPORATE GOVERNANCE

FINANCIAL REPORT

We Represent Charles Vögele

Andreas Hink
Vice President E-Commerce
Page 11

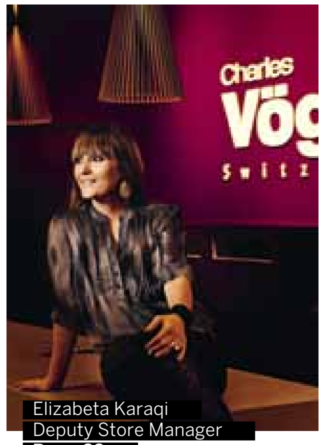
Corinna Fischer-Sturm
Head of Merchandise Management
Page 22

Maia Surber
Head of Brand Casa Blanca
Page 5 (Financial Report)

Martin Furrer
Head of Supply Chain Competence Center
Page 27

Redouan Krösing
Regional Sales Manager
Seite 41

Anita Olijve
Head of Accessoires
Page 13



Elizabeta Karaqi
Deputy Store Manager
Page 29

Mimoza Marki
Apprentice
Page 50

Michael Fenzl
Vice President Visual Merchandising
Page 18

Christian Braun
Head of Designer Men's Wear
Page 32

Rosemarie Grob
Sales Associate
Page 60 (Financial Report)

WORLD OF FASHION

2010 was a year of beginnings: Penélope and Mónica Cruz and Til Schweiger joined us as brand ambassadors, Charles Vögele launched a lingerie collection, and we signed on as title sponsor of Zurich's Fashion Days until 2012.

PENÉLOPE & MÓNICA CRUZ

Hollywood stars Penélope and Mónica Cruz have been Charles Vögeles brand ambassadors since autumn 2010. As part of their work with us, the Spanish sisters are developing high quality designer collections under the Biaggini Violett brand. They are inspired by everyday life, the fashion world and by movies and models from the 1950s to 1970s.

CHARLES VÖGELE FASHION DAYS ZURICH

At the start of last November, Zurich transformed itself into an absolute fashion hotspot when it played host to its first ever "Fashion Days".

Main sponsor: Charles Vögele, which kicked off the event with an exuberant opening show. In front of 1 000 spectators, the evening began with the Casa Blanca collection for the coming spring and summer, accompanied by impressive lighting effects and music. The second section of the show was devoted to a cheeky, sexy presentation of Charles Vögele's new lingerie collection. Following music from English pop queen Alesha Dixon, guests were shown Biaggini Violett, the cocktail and eveningwear collection, and the 2011 spring and summer collection designed by Penélope and Mónica Cruz.

LINGERIE

Since September 2010, lingerie has been available at 500 Charles Vögele stores across Europe. At the start of the 2011 spring/summer collection, the dominant colours are grey and dark blue combined with contrasting colours like pink, berry shades and yellow. Grey replaces black and creates a classy, timeless image. In the high summer of 2011, grey gives way to pastels, also combined with bright colours.

Elastic inserts – whether same colour, contrasting or two-tone – help feminize the lingerie. The fashion highlights of the collection include jacquard and striped designs as well as millefleurs prints. Vest tops, bravests and bra tops are still very popular in combination with panties. Alongside the cheeky eye-catchers, the versatile lingerie collection also includes timeless, elegant styles in subdued colours and prints.

ACCESSORIES

In 2010 Charles Vögele greatly expanded its range of accessories and made them more fashionable. Every six weeks the colour scheme in the stores is changed; scarves, belts, bags, gloves, umbrellas, socks, sunglasses and headwear of the right colour and style are featured.

Ladies fashion trends for 2011 are generally discreet, natural, simple and feminine. Powdery pastels come to the fore, expressing a desire for well-being. Decorative rivets on belts and handbags play an important role.

For men, natural colours like beige, khaki and brown communicate comfort and individual lifestyles. Young men express creative courage and independence using, for example, fashionable colour mixes and colourful checks.

CHAIRMAN'S MESSAGE

Dear shareholders

The 2010 financial year was characterized by a challenging macroeconomic environment. In many markets operating conditions remained difficult. Consumer sentiment was muted by the uncertain outlook and fears of a slide back into recession.

Return to profit

The company is undergoing a process of transformation. Comprehensive modernization is beginning to reap rewards. The Group managed to return to profit in 2010, although results for the first half of the year were dented by the final sell-off of old stock. Our international sales were also hit by mounting upward pressure on the Swiss franc against the euro.

The second half of the year was the first sales season free of our old stock. Sales trends were not yet as strong as expected. Despite that, we were more than able to make up for the losses incurred in the first six months. This initial surge was a result of the higher proportion of sales attributable to new stock and the cost savings brought by our strategic restructuring and centralizing measures. After adjustments for exchange rates and changes in available retail floor space, the year-on-year dip in sales was a mere 2.7%. Sales of the current season's merchandise increased by more than 7%. This figure illustrates the significant impact of exchange rates and the clear improvement in sales quality brought about by the shift from old to new stock. In streamlining the branch portfolio, the Group closed more than 50 unprofitable outlets and opened 23 new branches.

Our gratifying results, the clear approval shown by customers and the keen enthusiasm of our employees show the huge future potential of our new business strategy, which is based on three pillars: fascination, growth, processes. We are on the right course. We can be proud of what we have achieved, although there is still much to be done. Further effort and changes will be required. The description of our strategy on pages 10 – 14 of this report shows where we are now and what the Group's future objectives are.

Increasing sales competence

The Board of Directors appointed Frank Beeck as the new Chief Sales Officer and Member of Group Management. In July 2010 he took charge of all distribution channels, including responsibility for expanding the new online shop. Frank Beeck replaces Dr. Dirk Seifert, whom the Board of Directors would like to thank for his dedication to the Charles Vögele Group.

Focus on internal growth

2011 will be a decisive year for Charles Vögele. The task will be to consolidate the early successes of the new strategy. The Group will initially strive for internal growth by strengthening its position in its main markets, expanding its product range and optimizing the branch network. The Board of Directors and Group Management expect to turn the sales trend around in 2011 and steer the Group back onto a growth track. At the same time, Management continues to aim for an EBITDA margin of 10% over the medium term. In view of the encouraging success of the new strategy and the Group's return to profit, the Board of Directors is delighted to propose to the Annual Shareholders' Meeting a reduction in nominal value and repayment of CHF 0.50 per share.

On behalf of the Board of Directors I would like to thank the shareholders for their confidence and their support for our new strategy. We are also indebted to all our employees for their flexibility and readiness to deliver excellent work in every situation.

Yours sincerely
Alain Caparros, Chairman of the Board of Directors

CEO'S REPORT

Dear shareholders

2010 was an exciting, intense and eventful year. We are in the middle of transforming ourselves into a vertically structured lifestyle provider offering modern, good-value fashion, lingerie and accessories.

As a precondition for the rigorous implementation of our strategy, we have completed the sell-off of our old stock. Since mid-2010 all our stock has been less than 18 months old. Building on this, senior management made further progress with a Group-wide programme of measures throughout the supply chain. Three outstanding highlights – one each from the cornerstones of the new strategy: fascination, growth and processes – were:

Penélope and Mónica Cruz sign up as brand ambassadors. The collaboration between Charles Vögele and the internationally famous actresses captured the attention of customers and business partners alike. As brand ambassadors their charisma, joie de vivre, philosophy and fashion kudos make them ideally suited to Charles Vögele.

Launch of own lingerie collection. In autumn 2010 Charles Vögele launched its new, stylish collections of lingerie with a high feel-good factor.

Merchandise organization restructured and centralized. Areas of responsibility were reorganized along the core competencies of collection development, central stock planning and control, and procurement. From autumn 2010 onwards this simplification and streamlining of processes is allowing us to double the rate of collection release, from four to eight collections a year.

New strategy begins to make its mark

We are delighted with the Group's positive results, especially as the period saw heavy investment in comprehensive modernization of the company. We were able to cut general operating costs. The decision to centralize logistics began to produce benefits.

Second tier of management strengthened

In the period under review Charles Vögele recruited a number of seasoned industry professionals to strengthen our second tier of management in the e-Commerce, Visual Merchandising, Marketing and Sales divisions. As of February 2010 Andreas Hink took charge of the newly created e-Commerce division. Michael Fenzl became Vice President of Visual Merchandising in April 2010. Since July 2010 the Marketing division has been led by Rudolf Peter Scheben. And since November 2010 Martin Schulte im Rodde has been responsible as Vice President Retail for optimizing and expanding the branch portfolio.

Challenges in 2011

The fraught exchange rate situation is likely to continue this year and there will be fierce competition in the procurement markets. The predicted further rises in the price of cotton will further intensify competition among producers and distributors.

The Charles Vögele Group is heading in the right direction, but stamina is now called for. Implementation of the new structural and process organization will take until the end of 2012. Earnings should continue to improve as the expansion of our ranges, the optimization of our branch portfolio and measures taken to modernize our image increasingly take effect.

The new dynamism can be felt throughout the company. We have received a lot of positive feedback from customers and sector analysts. This encourages us to redouble our efforts in the direction we have chosen. I would like to thank all our employees for their hard work and commitment. I also wish to thank you, our shareholders and customers, for your support.

Yours sincerely
André Maeder, CEO

3-PILLAR STRATEGY

The strategic review carried out by the Board of Directors and Group Management identified a need for action in the areas of fascination, growth and processes. Based on the review findings, management formulated a 3-pillar strategy.

PILLAR 1: FASCINATION
Fascination motivates, enthuses and inspires feel-good factor. It is precisely this feeling that Charles Vögele aims to arouse in its customers.

Landmarks reached in 2010

Systematic structural shakeout of stock
Charles Vögele systematically depleted its old stock and in parallel implemented a dynamic discounting strategy. Since mid-2010 all our stock has been less than 18 months old.

Successful introduction of new shop design
In March and October 2010, the new-look flagship stores in Zurich and Berne opened their doors. By the end of 2010 more than 70 shops Group-wide were fitted out according to the new design concept.

Penélope and Mónica Cruz sign up to Vögele
The engagement by Charles Vögele of these world-famous actresses caused a huge splash in the industry and among customers. This collaboration will go a long way toward emotionalizing communications with customers.

Launch of our own lingerie collection
The fashionable new collections offer a strong feel-good factor and have been available in more than 500 branches since September 2010.

Dynamic website goes live
Charles Vögele expanded the online information it provides on the company and the current collection. The online presentation was also adapted in line with user requirements.

Extensive image campaign to mark 55 years in business
To coincide with the start of the 2010 spring/summer season, Charles Vögele ran 20-second TV ads by star Danish director Jonas Arnby in Switzerland and Austria.

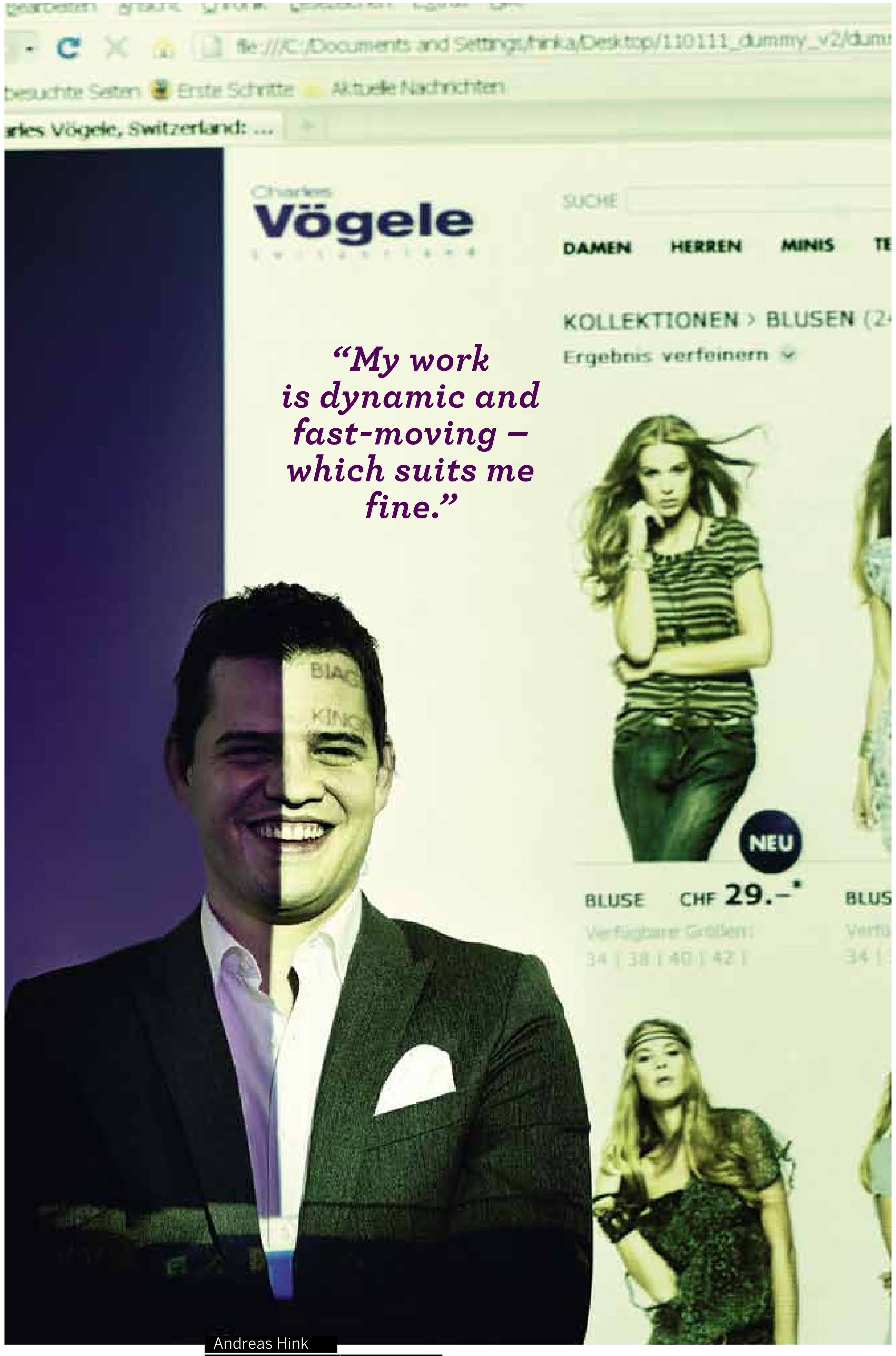
Headline sponsorship of the Zurich Fashion Days show 2010–2012
This show provides an ideal platform to demonstrate Charles Vögele's fashion credentials to the fashion world and a broad public. On the 2010 opening night Charles Vögele presented Biaggini Violett, the new collection designed by Penélope and Mónica Cruz.

Next steps

Til Schweiger, the masculine face of our image campaign
From spring 2011 Til Schweiger will be the male face of our Group-wide image campaign. His popularity among both men and women makes him the ideal complement to Penélope and Mónica Cruz. He rounds out the brand ambassador strategy perfectly.

Refurbishment of branches with new interior design and visual merchandising
The switch to the new interior design concept is continuing apace throughout the Group. The aim is for all the Group's stores to conform to the new visual merchandising concept by 2012. By 2013, 50% of stores should be fitted out according to the new design.

Launch of new fashion magazine
In the spring of 2011 Charles Vögele is to launch a new fashion magazine. This promotional title will demonstrate and document the appreciable increase in our fashion expertise. There will be 30 issues per year.



"My work is dynamic and fast-moving – which suits me fine."

Andreas Hink
Vice President E-Commerce

PILLAR 2: GROWTH

Innovation and growth are among the foremost objectives of Charles Vögele. They provide a foundation for sustainable corporate development.

Landmarks reached in 2010

Focus on the main Swiss, German and Austrian markets

Charles Vögele concentrates its growth efforts on its home market and the neighbouring German-speaking countries. Charles Vögele currently has a presence in nine European countries.

Optimizing the branch portfolio

In 2010 Charles Vögele opened 23 new branches. 54 shops were closed. In addition, Charles Vögele refurbished its flagship stores in Zurich and Bern and a further 70 shops according to the new interior design. As a result, productivity per retail square metre was increased in most locations. At end-2010 the Group had a total of 826 outlets.

Expansion of product range

The product range was expanded with the introduction of the lingerie collection in September 2010 and the launch of the Biaggini Violett collection. In addition, the range of existing brands was selectively expanded to take account of the latest fashion trends.

Next steps

Growth in core markets

Charles Vögele aims to continue vigorously pursuing its strategy of expansion by focussing on its core markets. Future growth is to be driven by the fresh market image and new shop design and by further optimizing the branch network.

Expansion of the Charles Vögele online shop

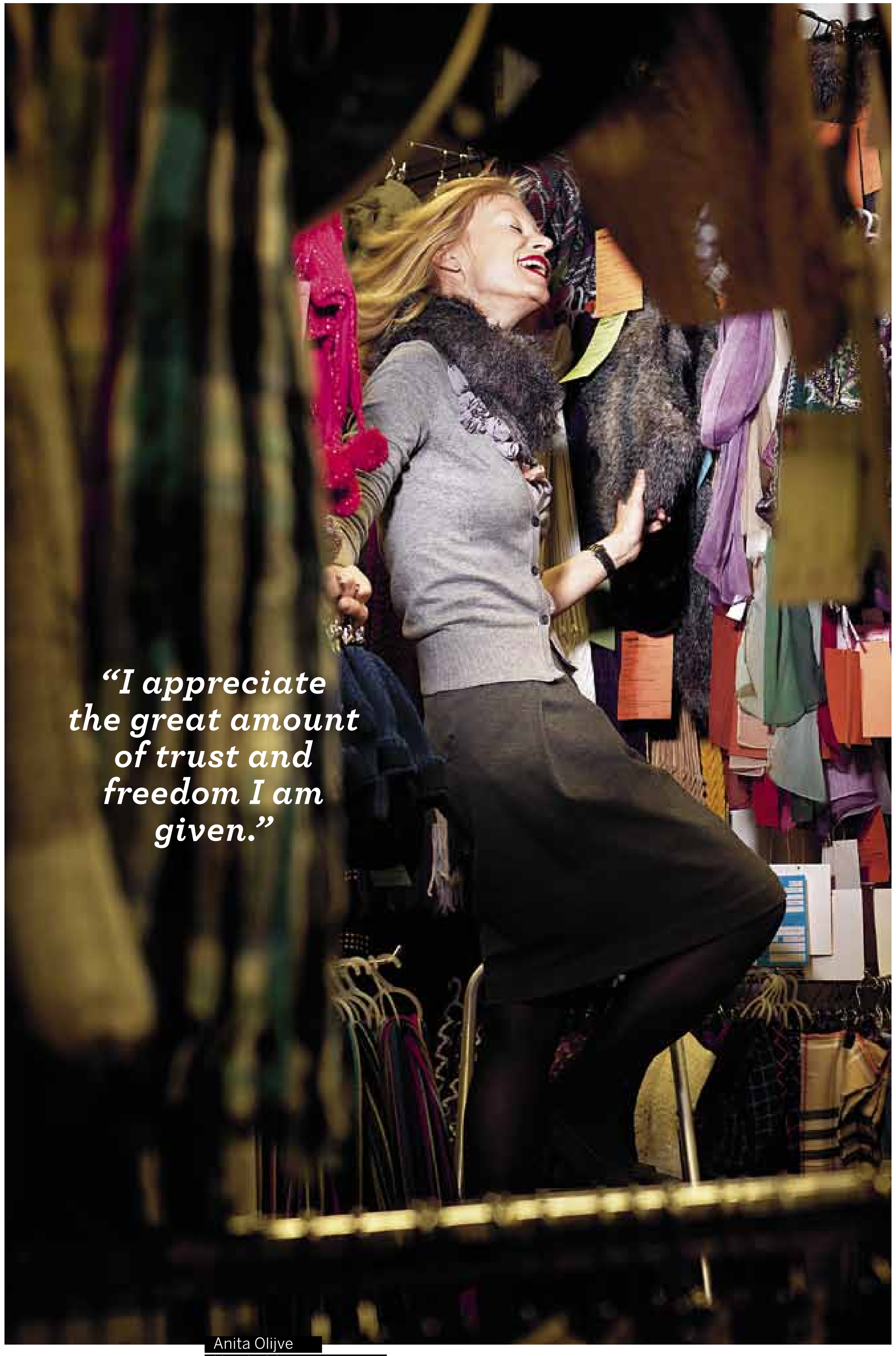
The new Charles Vögele online shop, which opened in spring 2011 in Switzerland, Germany and Austria, will expand the range of products it offers. Initially it will focus on the Casa Blanca brand and the lingerie collection, before widening its scope in the second half of 2011 to include the entire range and launching in the Netherlands and in Belgium.

Transformation into vertical lifestyle provider

Charles Vögele is pushing ahead with its comprehensive modernization programme and transforming itself from a traditional clothing chain into a vertical lifestyle provider. Preparations are under way for the introduction of additional product lines, most notably shoes and accessories. In parallel, our lingerie collection will be made available in more of our branches. By 2013 it should contribute some 5% of total Group sales.

Launch of a men's designer collection

In autumn 2011 Charles Vögele will launch the men's Biaggini Violett collection, designed by Til Schweiger. It will aim to capture his style in an authentic, masculine manner. The collection will first be presented at the opening night of the 2011 Charles Vögele Fashion Days show.



Anita Olijve
Head of Accessoires

PILLAR 3: PROCESSES

Charles Vögele attaches great importance to process efficiency throughout the supply chain. Efficient processes pave the way for operational excellence and strong creativity. Particular emphasis is placed on the need for the best possible structure and organization of every part of the company.

Landmarks reached in 2010

Merchandising organization optimized and streamlined

Charles Vögele systematically reorganized duties and responsibilities according to the core competencies of design, branding, stock management and procurement. At the same time, a number of specialists with international experience were recruited to strengthen team management. From autumn 2010 onwards this simplification and streamlining of processes allowed us to double the rate of collection release from four to eight per year and to shorten the time to market.

Marketing and central services strengthened

Marketing and the teams performing various central services were selectively expanded and their management was integrated into Head Office.

Developing design expertise

By setting up specialist teams, Charles Vögele increased its fashion and design expertise while at the same time accelerating development of the new collections.

Centralizing logistics

Charles Vögele began the process of centralizing its logistics with the phased consolidation of warehousing into three regional distribution centres, from which stock can be delivered quickly and efficiently to the branches.

Market structures streamlined into four regions

To enable the firm to act faster on the markets, four sales regions were set up: Switzerland, Germany, Benelux and the Central and Eastern Europe region (Austria, Slovenia, Poland, Hungary and the Czech Republic).

Consolidation of procurement offices opened in India and Bangladesh in 2009

These offices complement and supplement the teams in Hong Kong and Shanghai, and secure direct access to the major procurement markets of Asia.

Next steps

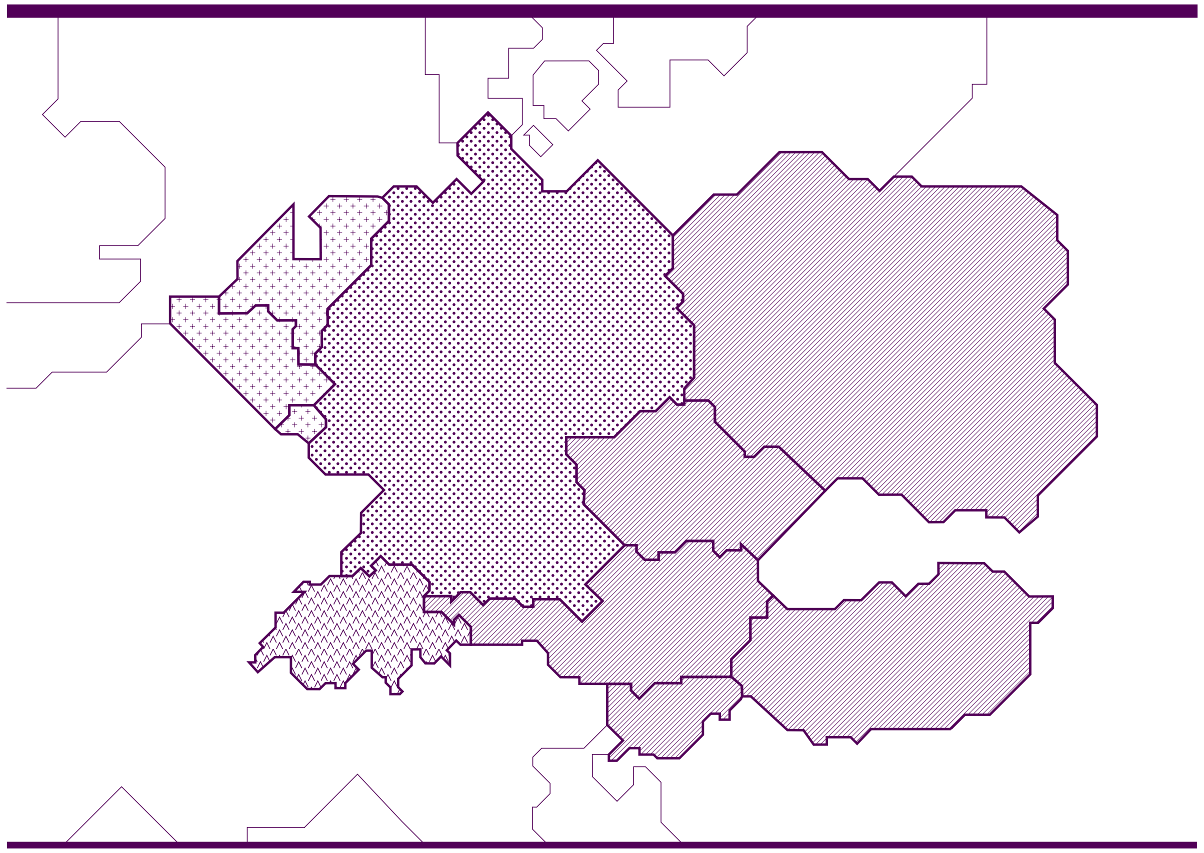
Systematic implementation of vertical organization

The Group will push ahead systematically with implementation of its vertical processes, from raw material to the point of sale. It also plans to further shorten the time to market with a view to ensuring that new colour and fashion themes are always available in the retail outlets.

Ongoing centralization of logistics

Changes to ensure that all stock is distributed via three regional distribution centres and a number of distribution hubs will be completed by the end of 2012.

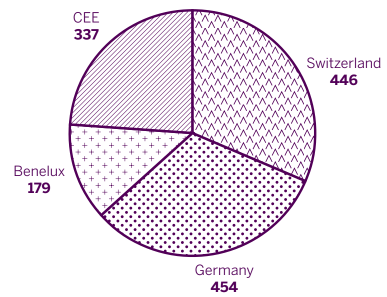
OVERVIEW OF REGIONS



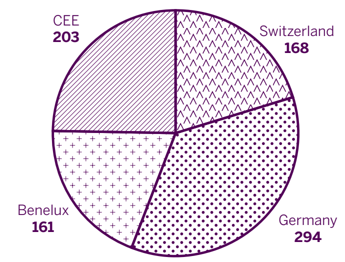
The Charles Vögele Group is one of Europe's leading vertical fashion retailers. Charles Vögele currently has 826 retail outlets in four regions spanning nine countries: Switzerland, Germany, Benelux and the Central and Eastern Europe region (Austria, Slovenia, Poland, Hungary and the Czech Republic). In 2010 Charles Vögele grouped the nine countries into four regions with a view to enhancing process efficiency and organizational effectiveness. In 2010 the Group and its approximately 8 000 employees generated gross sales of more than CHF 1.4 billion. In all four of its regions Charles Vögele optimized its branch portfolio. The strategic reorientation and the changes ushered in by implementation of the Group's new strategy also had a pronounced impact on business in 2010.

Charles Vögele Group

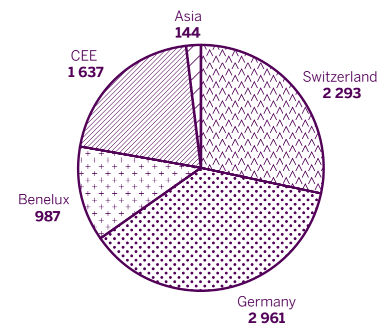
Gross sales in CHF million



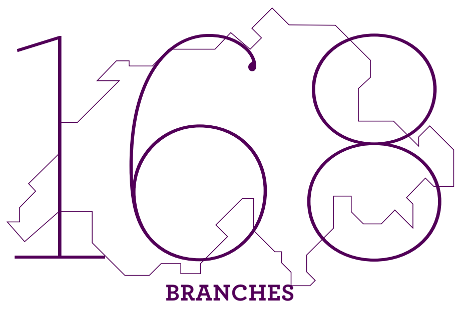
Branches



Employees incl. apprentices



SWITZERLAND REGION



Swiss consumer sentiment in Charles Vögele's market segment was cautious in 2010.

In the first six months, sales fell 7.8% year-on-year owing to the continuing drive to clear old stock, as well as refurbishment work in several key locations. It was not possible to make up this decline in the second half, leaving gross sales 5.9% lower for the year as a whole.

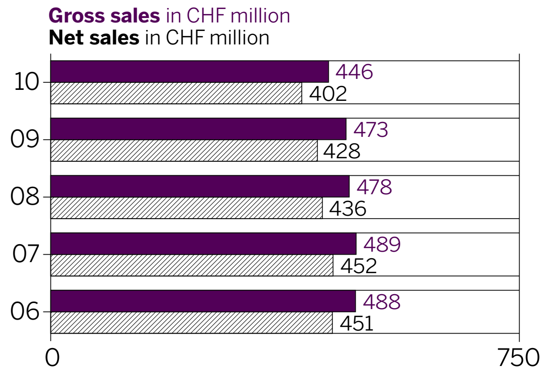
Thanks mainly to the implementation of collection development measures as part of the 3-pillar strategy, sales grew in all of the segments that were revised for the autumn/winter 2010 season. Customer focus was improved with the creation of a Head of Sales position and the reorientation of regional sales management. The visual merchandising team was also strengthened.

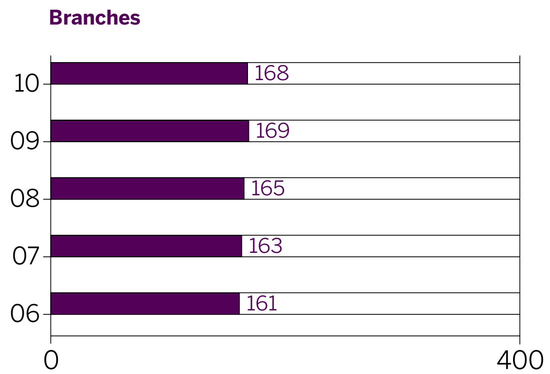
Branch portfolio: targeted optimization

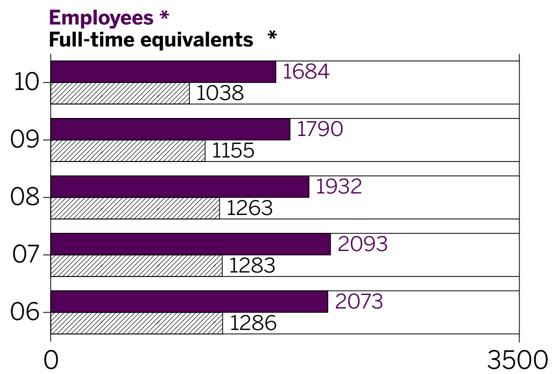
Among the highlights of 2010 was the opening of our new-look shops, including the re-opening of the flagship stores in Zurich and Berne. By the end of 2010, 23 shops were fitted out in the new design. As at year-end the Group had 168 outlets (2009: 169).

Personnel

2010 Charles Vögele employed an average of 1038 people (full-time equivalent) in the Switzerland sales region (2009: 1155). The around 10% decrease was largely the result of the disposal of warehousing facilities and outlets for the old stock. At 2010 there were 254 apprentices in training.







* without apprentices

GERMANY REGION

In real terms, Germany's gross domestic product (GDP) grew by 3.6%, the highest rate recorded since reunification. Consumer spending, the key figure for the retail sector, was 0.5% higher in real terms. Germany's textile trade managed an impressive 3% growth.

Business performance: positive trend

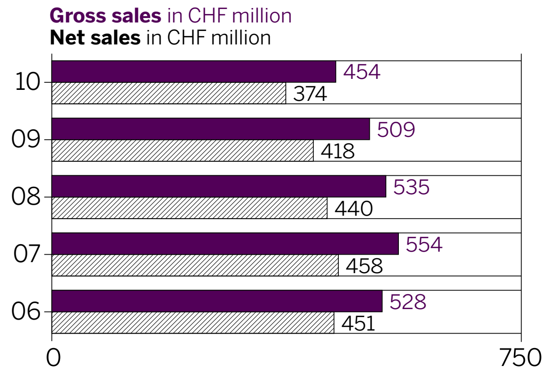
Over 2010 as a whole Charles Vögele saw total sales in Germany decline by 2.4%, after currency adjustments, or 0.3% after adjustments for currency effects and for changes in retail floorspace. The key factors here were the 5.6% reduction in retail space and the weak take-up of the spring season. However, the trend for the second half of the year was positive, despite a difficult December caused by bad weather.

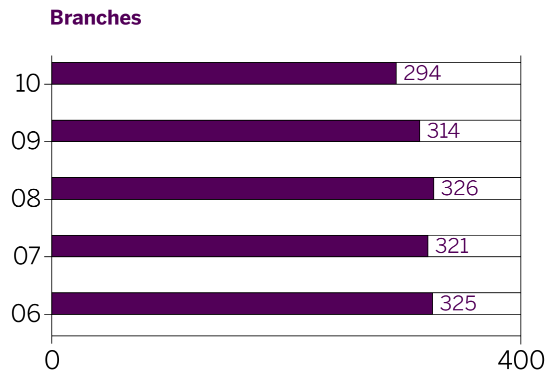
Branch portfolio: new shop design implemented

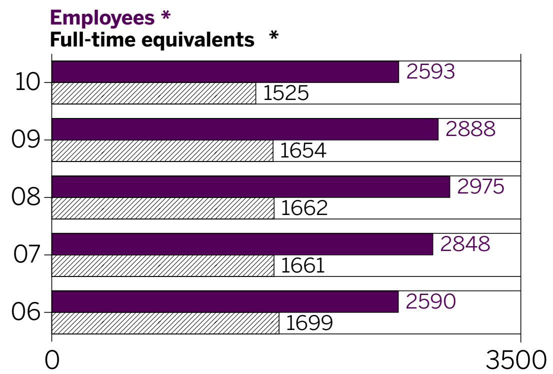
In Germany, as elsewhere, Charles Vögele optimized much of its branch portfolio. Eight new stores were opened and nine renovated, against 28 closures. At the end of 2010 there were 294 Charles Vögele shops in Germany (2009: 314).

Personnel: slight reduction

2010 Charles Vögele had an average of 1525 employees (full-time equivalent) in Germany (2009: 1654). This 7.8% decrease was the result of the clearance of old stock and the branch optimization programme. 2010 there were 363 apprentices in training.







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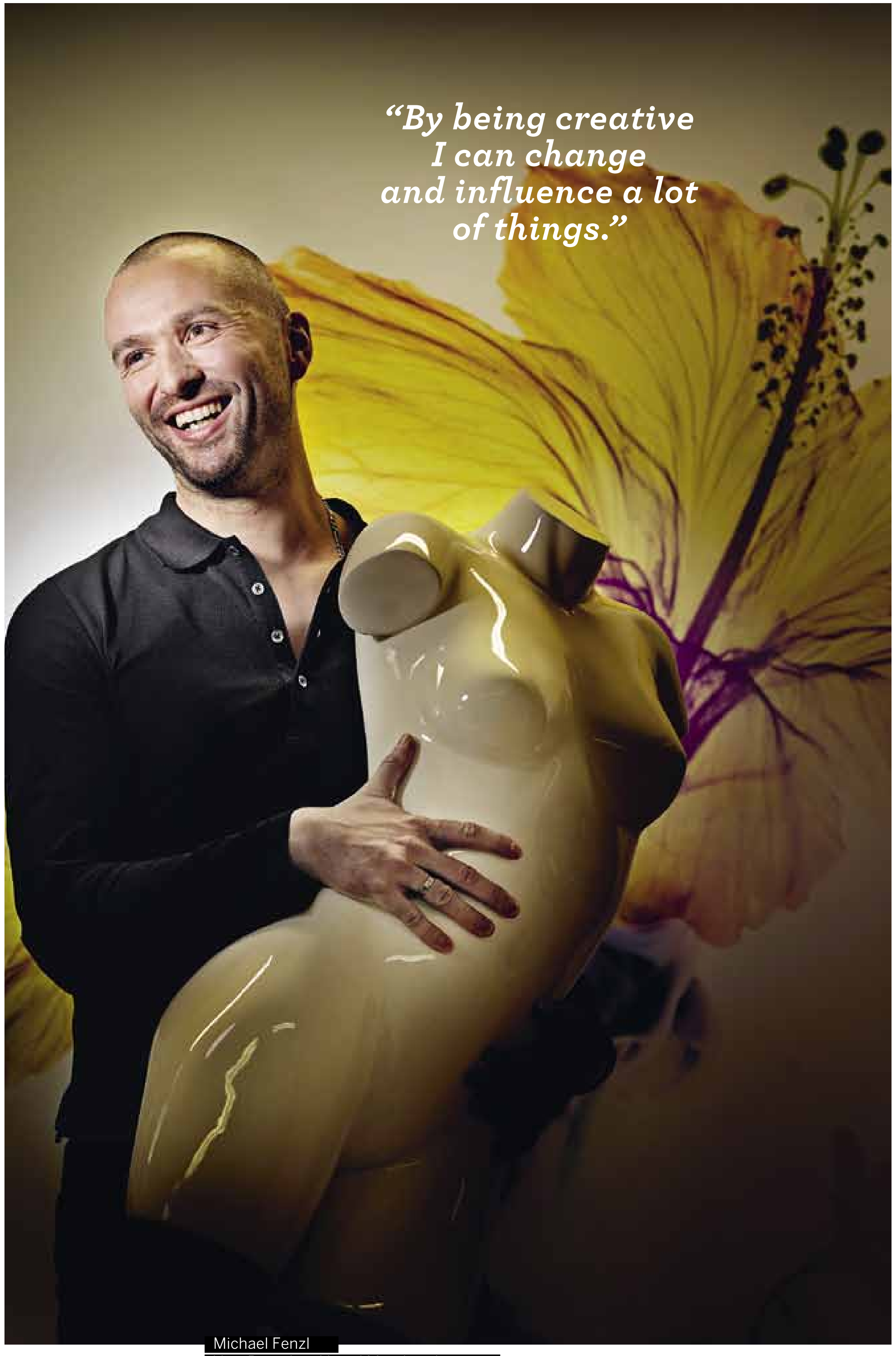
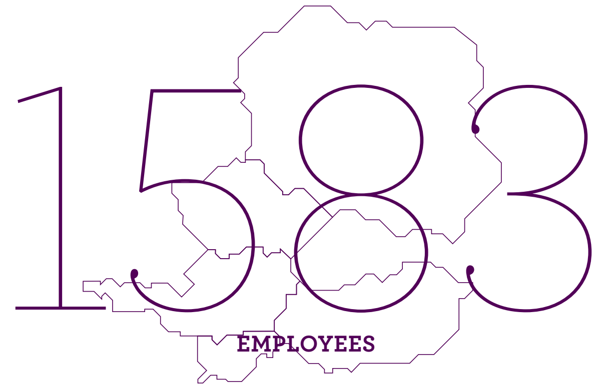


Michael Fenzl
Vice President Visual Merchandising

CENTRAL & EASTERN EUROPE (CEE) REGION



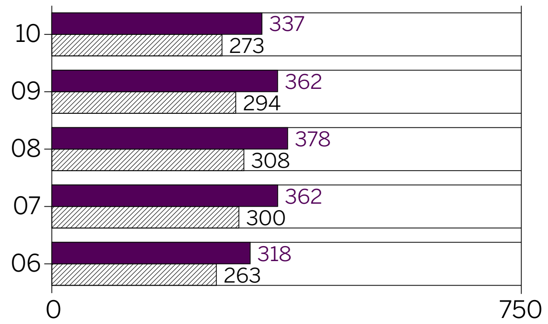
In 2010 Charles Vögele combined its activities in Austria, Slovenia, Poland, Hungary and the Czech Republic into the new CEE Region. In the period under review these markets remained in thrall to the recent economic crisis. As the recovery gathered pace, however, patterns of consumption improved.

Business performance: targeted advertising
In the CEE Region in 2010 Charles Vögele saw its total sales rise by 1% after adjustments for currency movements. In Austria Charles Vögele posted growth above the market average, while in Slovenia sales were down 4% after adjustments for currency effects and floorspace. Charles Vögele invested especially heavily in advertising to boost sales and turnover in Poland, Hungary and the Czech Republic which made a positive mark on the sales figures from the final quarter onwards.

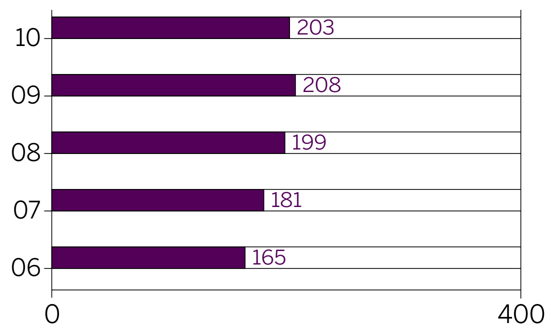
Branch portfolio: new shops opened
Throughout the CEE Region Charles Vögele opened eight new branches in 2010, five of them in Poland. Another seven outlets, mostly in Austria, were fitted out in the new design. A total of 13 branches were closed. At the end of 2010 there were 203 Vögele shops in the CEE Region (2009: 208).

Personnel: branch optimization
2010 Charles Vögele had an average of 1204 employees (full-time equivalent) in the Central Eastern Europe Region (2009: 1242). The 3.1% decrease in staff numbers was largely due to optimization of the branch network.

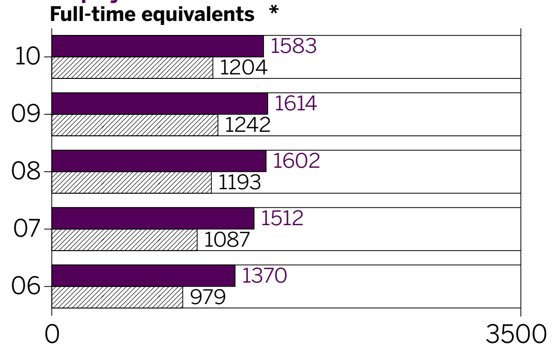
Gross sales in CHF million
Net sales in CHF million



Branches



Employees *
Full-time equivalents *



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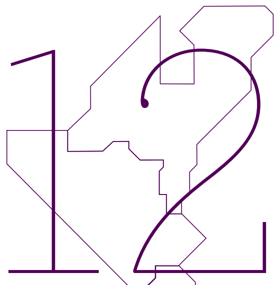


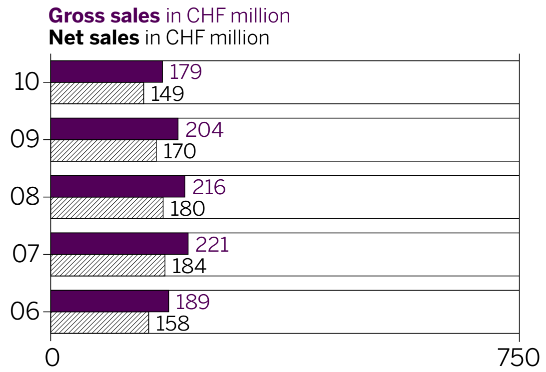
BRANCHES IN THE NEW DESIGN

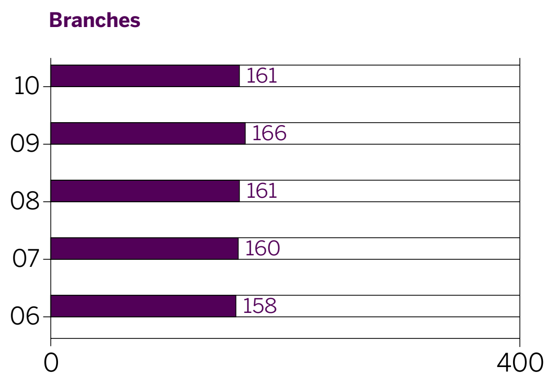
Amalgamating the country structures for the Netherlands and Belgium paved the way for process standardization and cost savings. The new organization allowed us to achieve more efficient stock management. Retail trade in the Region grew by approximately 0.2% in 2010. The market for outerwear registered a slight −0.4% decline.

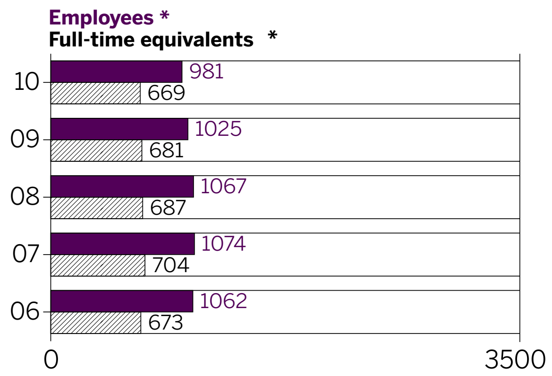
Business performance: higher sales from new stock
Gross sales in the Benelux Region shrank by 3.9% after adjustments for currency effects and floorspace. This decrease was attributable to the transition away from marketing our old stock. By contrast, sales generated by the new stock were 7.1% up. Performance in the second half of the year was boosted by the higher quality stock and the new marketing campaign.

Branch portfolio: twelve branches in the new design
In 2010 Charles Vögele opened five new branches in the Benelux Region. In addition, the company refurbished another seven outlets in line with the new design concept. Ten shops were closed. As at end-2010 the network in the Benelux Region had shrunk slightly to 161 stores (2009: 166).

Personnel: slight reduction
2010 Charles Vögele had an average of 669 employees (full-time equivalent) in the Benelux Region (2009: 681). The 1.8% decrease in staff numbers was largely due to optimization of the branch network.







* without apprentices

Corinna Fischer-Sturm
Head of Merchandise Management

CORPORATE SOCIAL RESPONSIBILITY

"Charles Vögele has a long tradition of living up to its responsibilities. We feel we have a duty to customers, employees and suppliers. Our aim is to bring social responsibility, environmental awareness and financial success together. Charles Vögele is committed to mastering the challenge of sustainable corporate development – always with the aim of turning risks into opportunities."

André Maeder, CEO

EMPLOYEE MANAGEMENT

Charles Vögele's success is built substantially on the expertise and commitment of its employees. And employee satisfaction has a direct impact on the quality and appeal of the collection, as well as on the friendliness of the customer advisory experience.

In 2011 an "ombudsman unit", managed by a respected legal firm in Zurich, was set up so that employees, business partners and customers all over the world can report perceived breaches of the law within the company, anonymously and in confidence. The ombudsman unit handles all enquiries and is guided by the new Charles Vögele Group Code of Conduct, also introduced in 2011, which is in turn based on the principles of the "VIOLETT" strategy. (Additional information: www.charles-voegele.com/en/group-information/about-the-group/code-of-conduct/).

Employee structure

At the end of the year Charles Vögele Group employed a total of 7 345 people during the year under review (previous year: 7 729). The average number of full-time-equivalent staff came to 4 861 (previous year: 5 036).

In 2010 Charles Vögele employed 677 trainees (previous year: 550), accounting for approximately 8% of the total workforce (previous year 7%).

Staff 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 approach to client care turn a visit to a Charles Vögele store into a special shopping experience. This is why the company puts such emphasis on continuous training and development for its employees, viewing this task as a core investment in the future of the Group. Training and development help employees reach their personal objectives and ensure there is well-qualified young management talent available throughout all areas of the company. Training and development in all the company's core competences are encouraged and supported in order to increase employee' skills and specialist knowledge. For Charles Vögele, supporting staff means motivating and guiding them to perform at a high level.

Value-Added Statement

CHF 1000	2010	2009
Net sales	1 198 226	1 310 248
Other operating income	5 113	4 836
Financial income	723	386
Group services	**1 204 062**	**1 315 470**
Purchased materials and services	**(801 826)**	**(934 642)**
Gross value added	**402 236**	**380 828**
Depreciation and impairment	(71 897)	(67 189)
Net value added	**330 339**	**313 639**
Distribution of net value added		
Employees	291 980	309 169
Government	11 220	10 835
Lenders	9 368	7 378
Shareholders (based on proposed appropriation of earnings by the Board of Directors)	4 182	–
Company	13 589	(13 743)
Total	**330 339**	**313 639**

Much attention is paid to external training courses in various skills and specializations. Consequently, when new stores are opened, talented employees can be offered attractive career prospects, while the company can ensure that its 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. The large number of young employees who successfully passed their final exams pays testament to their impressive achievements, especially since they managed to gain these excellent results while coping with an intense working life.

Employee survey

In August 2010 Charles Vögele Group carried out the first ever survey of its employees. Questions focused on strategy, marketing, product range and satisfaction at work. Around 37% of the workforce took part in the survey.

Initial analysis of the responses shows that sales staff are very satisfied with their day-to-day work, and that they feel a strong emotional bond with Charles Vögele. While about half of all employees rate the changes to the company over recent months, including the renewal of the whole range, as positive, 30% have reservations about the change and the adjustments to the range.

Country managers have analyzed the results in detail, together with their staff, and used them to formulate targeted development measures. Charles Vögele aims to carry out employee surveys annually in future. The next survey is scheduled for summer 2011.

SUPPLIER MANAGEMENT

Charles Vögele Group sources all of its clothes from external suppliers. Most of the items are commissioned directly from manufacturers in Asia and Europe, and then sold under Charles Vögele's own brand. The purchasing operation is centralized at head office in Pfaeffikon. Charles Vögele runs its own procurement offices in China, Hong Kong, India and Bangladesh. Local procurement activities were integrated into the Group's organization between 2006 and 2009, which creates a significant competitive advantage for Charles Vögele as a vertically integrated company, giving it control of an additional link in the value chain. This makes processes more efficient and improves quality control at the manufacturers. Despite challenging conditions on the procurement markets, the system means that security of supply and cost efficiency can be maintained.

Origin of goods

Within the Group's vertically organized, global procurement strategy, around 90% of its stock is manufactured in South East Asia and around 10% in Europe.

Purchasing volumes

China	45%
Bangladesh	25%
India	9%
Indonesia	2%
Pakistan	2%
Rest of Asia	5%
Eastern Europe	4%
Turkey	3%
Other	5%

Compliance with BSCI and SAI guidelines

Charles Vögele is committed to socially fair production methods throughout the group, so a proactive approach is essential for the Charles Vögele Group. As far back as in 1996, Charles Vögele Group issued binding rules for its suppliers as part of its own Supplier Code of Conduct. With the aim of ensuring compliance with this Code in manufacturing countries, in 2004 Charles Vögele Group became a founder member of the Business Social Compliance Initiative (BSCI). Today, the BSCI Code of Conduct is a fixed component of all Charles Vögele's supplier contracts. Charles Vögele Group has also been a member of the New York-based human rights organization Social Accountability International (SAI) since 2001. This organization publishes and administrates the internationally recognized Social Accountability 8000 Social Standard.

BSCI

The BSCI Code of Conduct is based on the International Labour Organization'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 the OECD's regulations for multinational companies. The BSCI Code of Conduct follows the principle that companies producing goods for Charles Vögele must follow all the laws and regulations that apply in their home country. In particular, the Code contains detailed contractual stipulations covering the environment, discrimination, forced labour, child labour, working hours, wages, working conditions, accommodation and freedom of assembly. It is up to the suppliers to ensure that their subcontractors also follow the Code.

Additional information www.bsci-eu.org

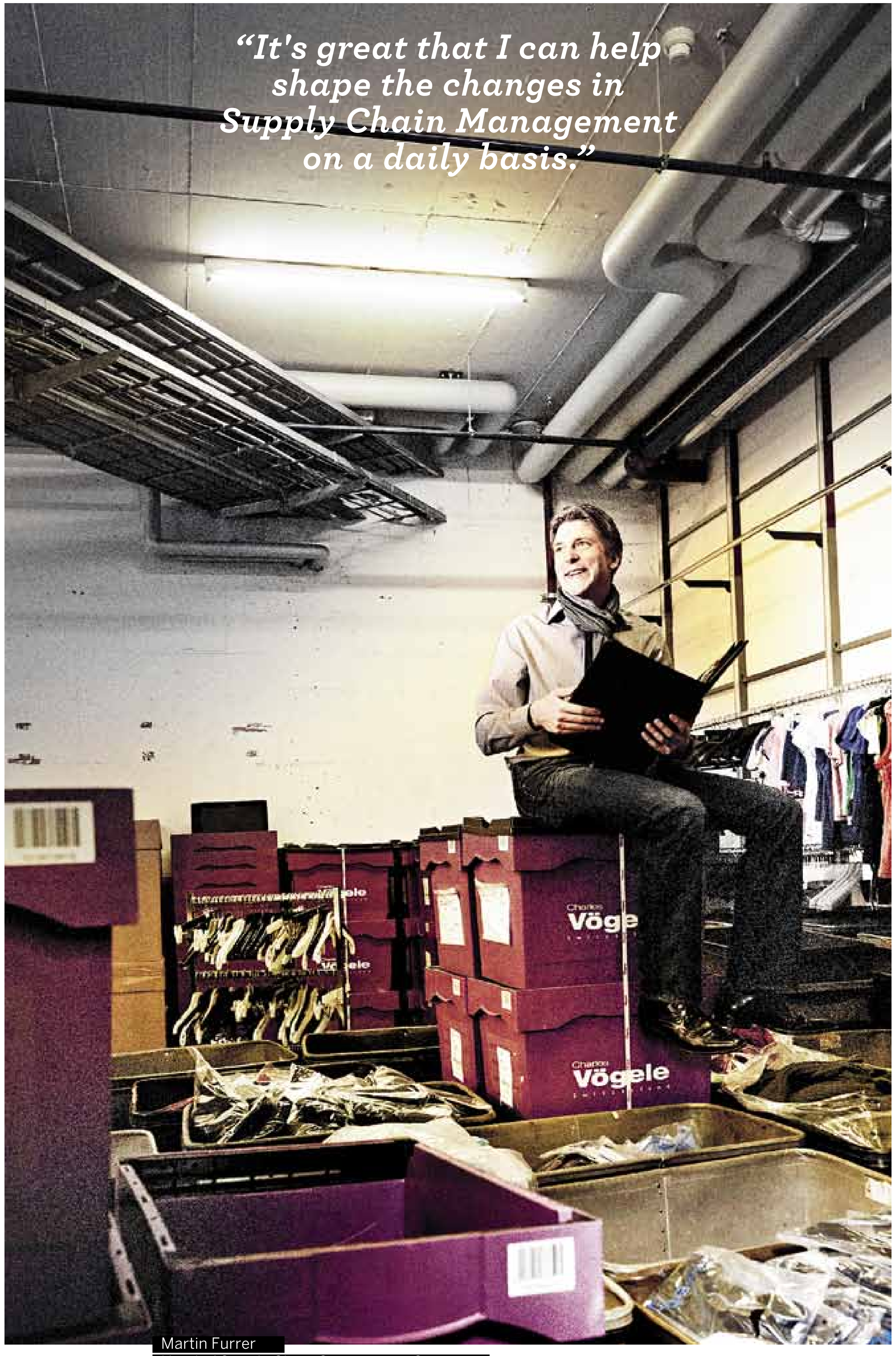
SAI
SAI publishes and administrates the internationally recognized SA8000 Social Standard and focuses on improving employment conditions for white collar employees, manual workers and contract workers. It sets out minimum standards for international companies in terms of employment and workplace conditions.
Additional information www.sa8000.org

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. Auditing is 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 standards.

BSCI audits and training
Our suppliers are audited according to BSCI standards and helped to implement improvements.

All suppliers to Charles Vögele Group are given the BSCI Code of Conduct and must confirm their compliance with BSCI standards. Charles Vögele invites all its suppliers to introductory workshops. Charles Vögele helps suppliers implement the BSCI Code of Conduct by paying the costs of the initial audit. Charles Vögele also offers suppliers active training support so they can achieve the standards demanded by the BSCI Code of Conduct.

Staff in our procurement offices are asked to give suppliers help and advice to support their efforts to implement the standards. Subsequent supplier audits are carried out by independent, SAI-certified companies on behalf of either Charles Vögele itself or other BSCI members. The audit will rate suppliers as "good", "improvement needed" or "critical". In the case of "improvement needed", measures are defined in collaboration with our local staff. Local Charles Vögele employees also help suppliers implement these measures. A re-audit takes place within a year to give an independent assessment of how successful these measures have been. In the case of a "critical" audit judgement, Charles Vögele holds meetings with the suppliers to emphasize the importance of the issue and, hopefully, to sort out the problems together with the management.



Martin Furrer
Head of Supply Chain Competence Center

PRODUCT QUALITY AND SECURITY

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

ENVIRONMENT

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 Organizations 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. Charles Vögele is a member of the "Agence de l'energie pour l'economie" programme, which commits the Company to active reduction of CO_2 emissions and optimized energy efficiency. The goals agreed within the programme are audited by the Swiss government.

Transportation

The clothes are nearly always taken to Europe by boat, which is the most environmentally friendly form of transportation. External logistics partners ship the containers from various ports in South East Asia directly to one of the four regional distribution centres. From there, the goods are distributed to individual stores by road or rail. Stores generally receive deliveries at least twice a week. Wherever there is an appropriate rail connection, stock is also delivered by train. For long journeys, the largest, fullest possible vehicles are used in order to reduce environmental impact. Our transport service providers are requested to use vehicles with the lowest possible emissions.

Elizabeta Karaqi
Deputy Store Manager

Recycling, reusing
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 closed material flows that help the company return waste to the resource cycle. Internal transportation materials and interim packaging are made in such way that they can be reused as many times as possible. On their return journeys, trucks that would otherwise be empty take disposable packaging materials back to the Sales Organizations' central warehouses, where they are prepared for appropriate disposal.

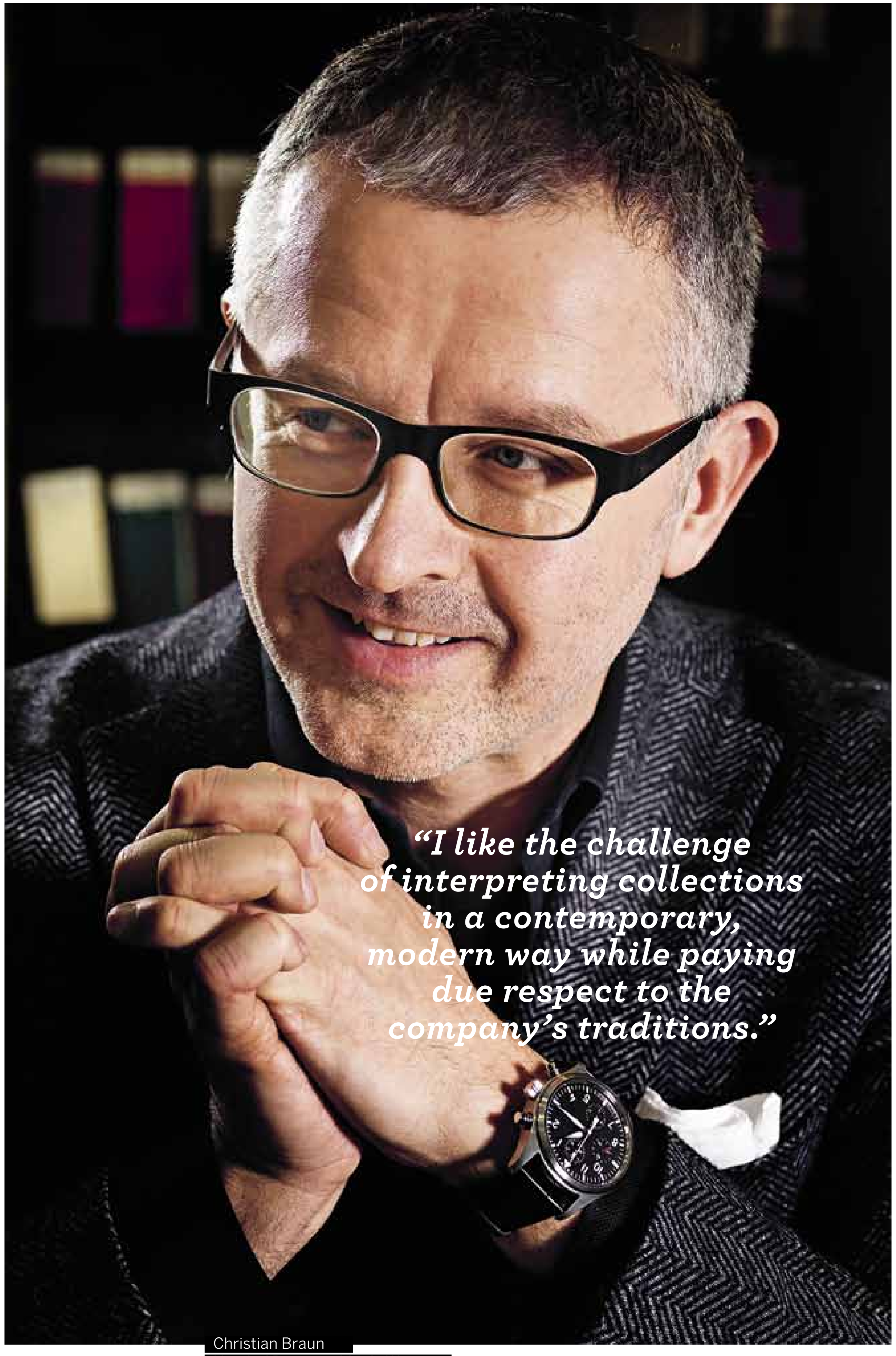
SOCIAL COMMITMENT
Since 2005, Charles Vögele Group, working closely with Swisscontact, has supported two social projects dealing with labour market integration and health promotion in Bangladesh. Both projects are aimed primarily at local slum-dwellers.

Swisscontact
Swisscontact, the Swiss foundation for technical development cooperation, runs various projects to help reduce poverty in developing countries and Eastern Europe. Following the principle of "helping people to help themselves," projects are implemented in close collaboration with local partners.
Additional information www.swisscontact.ch/

Poverty reduction by training women in Rayer Bazaar, Dhaka
A large portion of Dhaka's population lives in slums. The people, and especially the women, of city's Rayer Bazaar suburb have barely any access to the labour market. Lack of education means they don't have the necessary knowledge and skills. This is where Charles Vögele's work with Swisscontact comes in: poverty reduction through education.

Since the project began in 2005, it has trained 1026 people in cutting, sewing, knitting and printing techniques. Nearly everyone who has done the six-month training course has gone on to make a decent living by getting a job or building up their own business. All of them are also given the skills they need to apply for work at Charles Vögele's supplier companies.

Health project in Kamrangir Char, Dhaka
In Bangladesh a lot of sickness is caused by lack of hygiene. This is usually either because people don't know enough about hygiene, or because there is inadequate access to clean drinking water and sanitary equipment. Poor air quality and generally unhealthy living conditions are also serious problems. The Swisscontact health project that Charles Vögele is supporting gave 31000 slum dwellers in Dhaka access to cheap medical care in 2010. As well as general treatment and prevention of illness, particular emphasis is put on healthcare for mothers and children. The project also encompasses various health awareness and health education campaigns.



Christian Braun
Head of Designer Men's Wear

CORPORATE GOVERNANCE

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

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

Charles Vögele Holding AG
Freienbach SZ, CH
Share capital, CHF 30 800 000

Sales organization	Sales organization	Service organization
Charles Vögele Mode AG Freienbach SZ, CH Share capital, CHF 20 000 000	**Charles Vögele (Belgium) N.V.** Turnhout, BE Share capital, EUR 10 063 906	**Charles Vögele Trading AG** Freienbach SZ, CH Share capital, CHF 10 000 000
Charles Vögele Deutschland GmbH Sigmaringen, DE Company capital, EUR 15 340 000	**Charles Vögele (Netherlands) B.V.** Utrecht, NL Company capital, EUR 1 000 200	**Prodress AG**[2] Freienbach SZ, CH Share capital, CHF 100 000
Charles Vögele (Austria) GmbH[1] Kalsdorf, AT Company capital, EUR 1 453 457	**Charles Voegele Polska Sp. z o.o.** Warsaw, PL Company capital, PLN 4 000 000	**Cosmos Mode AG, Pfäffikon** Freienbach SZ, CH Share capital, CHF 100 000
Charles Voegele trgovina s tekstilom d.o.o. Ljubljana, SI Company capital, EUR 667 668	**Charles Vögele Hungária Kereskedelmi Kft.** Budapest, HU Company capital, HUF 240 000 000	**Charles Vögele Import GmbH** Lehrte, DE Company capital, EUR 25 000
	Charles Voegele Ceská s.r.o. Prague, CZ Company capital, CZK 30 000 000	**Charles Voegele Fashion (HK) Ltd.** Hong Kong, HK Share capital, HKD 100 000

═ Holding company
— Sales organization
- - Service organization

As at 31 December 2010

[1] Reincorporation from AG into GmbH through resolution on 23 September 2010
[2] Wound up/merged on 10 May 2010 with Charles Vögele Trading AG

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

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

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

Charles Vögele Import GmbH is responsible for operational functions (storage logistics and quality control) at the distribution centre in Lehrte (D).

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

1.2 Significant shareholders

Charles Vögele provides information about significant shareholders where disclosures are made during the year under review pursuant to Art. 20 of the Federal Act on Stock Exchanges and Securities Trading. The duty to disclose shareholdings arises when people, entities or groups reach, exceed or fall below the thresholds of 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3% of voting rights in Charles Vögele Holding AG. The disclosures made in 2010 are shown on page 65, note 9 of the Financial Report.

There are no shareholder agreements.

1.3 Cross-shareholdings

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

2 CAPITAL STRUCTURE

2.1 Share capital

As of 31 December 2010, 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 2010, the Charles Vögele Group held 436 143 of its own shares (31 December 2009: 434 907 shares), which are earmarked to meet the obligations of the existing management share option plan. Detailed information on purchases and sales of shares and on the relevant opening and closing totals can be found on page 65 note 8 of the Financial Report.

2.2 Conditional and authorized capital

The Board of Directors is authorized to increase the company's share capital by a maximum of CHF 924 000, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 3.50 each (conditional capital, Art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in management share option plan (see also note 35.1 on page 46 of the Financial Report). The Board of Directors can also increase the share capital at any time up to 14 April 2012 by a maximum of CHF 2.8 million through the issue of max. 800 000 shares with a par value of CHF 3.50 each. Increases in instalments are also allowed. Restrictions on or removal of shareholders' subscription rights are allowed in the cases defined in the Articles of Association (authorized capital, Art. 5bis Articles of Association). The complete latest edition of Charles Vögele Holding AG's articles of association can be viewed on the company's website at www.charles-voegele.com at any time.

2.3 Changes in capital

An overview of changes to the company's capital during the financial years 2009 – 2010 can be found on page 9 of the Financial Report.

2.4 Shares and participation certificates

As of 31 December 2010, the share capital of Charles Vögele Holding AG amounted to 8 800 000 fully paid-up bearer shares with a par value of CHF 3.50 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 Annual Shareholders' Meeting. There are no participation certificates.

2.5 Dividend-right certificates

There are no dividend-right certificates.

2.6 Restrictions on transferability and nominee registrations

There are no restrictions on transferability or nominee registrations.

2.7 Convertible bonds and options

There are no convertible bonds. The only options are those associated with the management share option plan (note 35.1, page 46 of the Financial Report).

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

Alain Caparros, 1956, French
Chairman since 1 April 2009,
Term of office 2007–2011, first elected in 2007
Master of Business Administration. Since 2010 Chairman of the Supervisory Board of Karstadt Warenhaus GmbH. CEO of REWE Group since 2006. From 2003 until the takeover by REWE, CEO of the BON APPETIT Group Switzerland. From 2001, member of the Executive Board of BON APPETIT Group Switzerland. From 1999 President of ALDIS ASP in France. 1994 to 1999 Managing Director of Aldi France, and from 1991 Vice Chairman of Yves Rocher in Paris.

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

Jan C. Berger, 1946, Dutch
Term of office 2008–2011, first elected 2008
Studied marketing and science and attended various management courses at Babson College, Harvard and Nyenrode Business School. Since 2006 independent retail consultant. 1996 to 2006 CEO of the leading Dutch department store De Bijenkorf; this group includes department stores as well as clothing and DIY chains. Jan C. Berger is a member of the advisory boards of the Amsterdam Fashion Institute and of Visual Retailing, an organization that concentrates on the visual presentation of goods in the retail industry.

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

There were no changes in the Board of Directors during the year under review.

None of the members of the Board of Directors worked in any executive functions within the Group during the year under review or during any of the three previous years.

3.2 Other activities and interests

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

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

Alain Caparros
Wiener Neudorf (Austria), CEO of REWE-Zentral AG, Cologne (Germany), CEO of REWE-Zentral Finanz e.G., Cologne (Germany), Chairman of the Supervisory Board of Karstadt Warenhaus GmbH, Essen (Germany), CEO and member of the Board of Directors of COOPERNIC Société coopérative à responsabilité limitée, Brussels (Belgium), member of the Board of Directors of trans-Gourmet SE, Basel, member of the Board of the Committee on Eastern European Economic Relations, Berlin (Germany), coopted member of the Board of the BVL-Bundesverband des Deutschen Lebensmittelshandels e.V., Berlin (Germany).

Hans Ziegler
Chairman of the Board of Directors of Swisslog Holding AG and Schlatter Holding AG (until March 2010). Member of the Board of Directors and from August 2009 to Mai 2010 delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG.

Jan C. Berger
Chairman of Stichting Mr. Koetsier Fonds, Bloemendaal (The Netherlands), Vice Chairman of NEVI (Dutch Association for Procurement and Supply Chain), Zoetermeer (The Netherlands), member of the Advisory Board of Visual Retailing, Haarlem (The Netherlands).

Prof. Dr. Peter Littmann
Member of the Board of Directors of Rodenstock GmbH, Munich (Germany), Rabenhorst KG, Unkel (Germany), Schleich AG, Schwäbisch-Gmünd (Germany), Marc'O Polo AG, Stephanskirchen (Germany) and member of the Board of Directors of Ruckstuhl AG.

3.3 Elections and terms of office
The Board of Directors of Charles Vögele Holding AG has four members. The members are elected singly by the Annual Shareholders' Meeting for a term of office of one year, a "year in office" being defined as the period between two Annual Shareholders' Meetings. Reelection is permitted. If a member departs before the end of his or her term of office, his or her successor takes over for the remainder of the departing member's term of office. The Board of Directors designates a chairman and a secretary, who need not be a Member of the Board of Directors or a shareholder.

3.4 Internal organizational structure
The Board of Directors meets as often as is required by the company's activities, but at least four times a year. Nine meetings, one of which was a two-day strategy meeting, and two telephone conferences were held during 2010. During the reporting period all Members of the Board of Directors attended the meetings. Each meeting lasts about seven hours. Members of Group Management and the Board Secretary are always present at the meetings; other employees or third parties attend as required.

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

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

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

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

The Audit Committee helps the Board of Directors supervise the accounting and financial reporting systems, and monitor compliance with the law by Charles Vögele Holding AG and by the group companies that it directly or indirectly controls. The committee supervises internal and external auditing procedures, and monitors adherence to statutory rules and regulations 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 CFO and the heads of Group Finance, Controlling and Legal always take part in these work sessions. The auditors, other members of Group Management and other department heads are invited as required. Four work sessions were held in 2010.

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

The Nomination and Compensation Committee reviews the performance of the CEO and the other members of Group Management. Together with the CEO it evaluates any new members of the most senior level of management and submits proposals accordingly to the Board of Directors. It also submits proposals to the Board of Directors about remuneration for Group Management and members of the Board of Directors. It formulates management share option plans for the Board of Directors, Group Management and other managers, and is the Group Management's point of contact for all major human resources issues in the Charles Vögele Group. The CEO and the Head of Human Resources are asked to attend as required. No separate committee meetings were held in 2010. The subjects covered by the Nomination and Compensation Committee were discussed within the Board as a whole.

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

The Strategy Committee periodically reviews Charles Vögele Group's strategy and the implementation by Group Management of the Board of Directors' strategic guidelines. Working in close collaboration with Group Management, it submits proposals to the Board of Directors on changes to Group strategy as well as on major new additional business activities for the Group and/or the relinquishment of existing activities. It meets at regular intervals for between a half and a full day. The CEO always takes part in its work sessions, and other members of Group Management are invited as required. During 2010, there were nine work sessions, some of which involved visits to branches, and a two-day meeting with the whole Board.

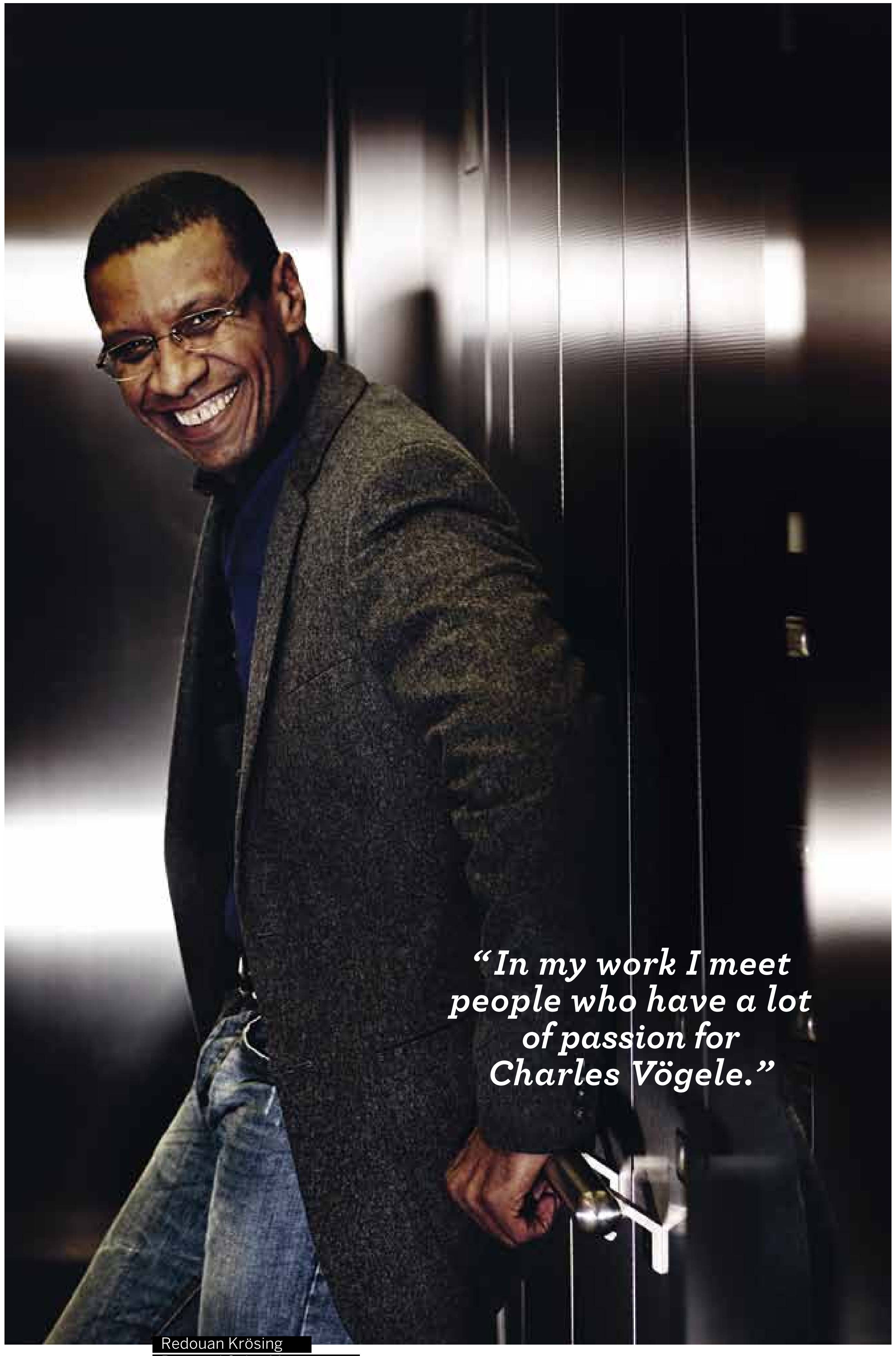
3.5 Division of responsibilities between the Board of Directors and Group Management
The Board of Directors delegates the management and representation of the company entirely to Group Management to the extent allowed by the law and the Articles of Association and excluding the tasks which Art. 716a SCO reserves exclusively for the Board of Directors. Matters outside the normal course of business, and especially the following if they exceed the threshold sums (in brackets), must be submitted by Group Management to the Board of Directors for approval:
– Changes in the company's strategic direction, including changes to the Vögele Group's corporate identity;
– Entry into or exit from major markets, areas of activity or locations;
– Medium-term planning, annual budget, investment plan;
– Founding, acquiring, encumbering, merging, selling, winding up and shutting down companies or parts of companies, and/or acquiring and selling stakes in companies acquisition value (>CHF 500 000);
– Acquiring, mortgaging or selling land and similar property rights, as well as the associated compulsory transactions (outside budget: >CHF 1 million; within budget >CHF 2 million);
– Acquisition of fixed assets and/or other capital expenditure (outside budget: >CHF 1 million; within budget >CHF 2 million);
– Taking on, extending and amending long-term debt obligations (outside budget: >CHF 1 million a year; within budget >CHF 2 million a year);
– Concluding, terminating or amending agreements with major shareholders (>10% shareholding), members of Group Management or the Board of Directors or their dependents, relatives or in-laws. Approval is also required for agreements with legal entities or other associations of individuals in which the above-mentioned people have shares or financial interests;
– Selection, hiring, and dismissal of, as well as salary arrangements for and termination agreements with, employees (gross salary >CHF 500 000), and agreements with employees that deviate substantially from Vögele's HR guidelines.

- Taking on long-term credit facilities and loans (incl. mortgages) or issuing bonds (>CHF 10 million each);
- Guarantees, letters of comfort, collateral, deeds of release and indemnities (>CHF 500 000 each) of any type for other companies or other legal entities and private individuals (apart from Group Companies);
- Granting credit facilities and loans to parties outside the Group (>CHF 500,000 each);
- Conducting court cases, concluding settlements or waiving company claims (disputed amount >CHF 1 million).

3.6 Information from and control over Group Management

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

Group Internal Audit reports to the CFO in organizational terms, but has a direct functional link to the Audit Committee. Internal 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 new 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. Group Management and the Management Team periodically draw up a risk portfolio showing the main risks faced by the company. This risk portfolio includes statements about the likelihood of risks actually occurring, and the implications if they do, as well as details of responsibilities and measures to be taken for each risk. This document forms the basis for a list of measures that Group Management proposes and the Board of Directors approves. The implementation of these measures is reviewed annually.



Redouan Krösing
Regional Sales Manager

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

4 GROUP MANAGEMENT

Group Management is responsible for the operational management of the Charles Vögele Group. During the year under review, Group Management consisted of André Maeder (Chief Executive Officer), Markus Voegeli (Chief Financial Officer), Werner Lange (Chief Purchasing Officer) and Dr. Dirk Seifert (Chief Operating Officer to February 2010)/Frank Beeck (Chief Sales Officer from July 2010). The CEO heads Group Management with authority to issue directives.

4.1 Members of Group Management

André Maeder
1959, since 16 February 2009 Chief Executive Officer (CEO), Swiss, degree in retail business management. From 2004 to 2009 Member of the Managing Board of Hugo Boss AG. From 2002 to 2003 deputy CEO of S. Oliver Group; from 1995 to 2002 COO of Harrods; and from 1989 to 1995 worked for Charles Vögele in various posts, including head of purchasing.

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

Werner Lange
1959, since 1 July 2007 Chief Purchasing Officer (CPO), German. From 2003 to 2007, purchasing manager at Adler Modemärkte GmbH. Previously head of menswear purchasing and distribution at Karstadt. From 1994, head of purchasing for various ranges.

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

Changes in Group Management

During the year under review the following changes were made within Group Management:
– Dr. Dirk Seifert worked for Charles Vögele Group as COO until February 2010.
– Until Frank Beeck started work on 1 July 2010, the CSO's area of responsibility was managed on an interim basis by the CEO.

4.2 Other activities and interests

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

4.3 Management contracts

There are no management contracts.

5 MANAGEMENT TEAM

During the period under review, Charles Vögele Group's second tier of management consisted of 24 Vice Presidents (three women and 21 men), whose areas of responsibility reported into Group Management as follows:

CEO:
Human Resources, Communications, Marketing, Business Development, Legal*.

CFO:
Finance, Controlling, Information Technology, Supply Chain Management, Internal Auditing*.

CPO:
Women's Wear, Men & Children's Wear, Sourcing, General Management Asia, Merchandise Management, Purchasing Operations.

CSO:
General Management Switzerland, Germany, CEE, Benelux, E-Commerce, Sales, Visual Merchandizing, Store Development.

* with additional direct reporting line into Board of Directors.

Charles Vögele Group's Management Team regularly meets at the invitation of the CEO to discuss current operational and strategic topics with Group Management. In 2010 Group Management met the Management Team nine times. In addition there was a two-day seminar entitled "Make VIOLETT happen!" attended by approximately 170 Charles Vögele managers from all over the world.

6 COMPENSATION, SHAREHOLDINGS AND LOANS

6.1 Principles

The principles of Charles Vögele's salary policy are defined by the Board of Directors as a whole on the basis of preparations by the Nomination and Compensation Committee. These principles are periodically assessed against international benchmarks. Compensation is based on function, individual performance, company results and the labour market at the specific location. Charles Vögele pays competitive remuneration in order to attract skilled and motivated employees and retain them for the long term. For management and sales functions, variable elements of compensation tied to personal targets are designed to help the company reach its objectives and implement the reorganization.

The share option plan in place for the Board of Directors, Group Management and Management Team since 2002 provides these senior figures with a direct financial interest in the medium-term performance of Charles Vögele shares and links the interests of managers with those of shareholders. For further details of the options plan's timetable, allocation criteria and individual parameters, please see note 35.1 management share options plan in the notes to the Group Financial Statements on page 46 of the Financial Report.

No external consultants are used to help design salary policy or compensation programmes.

6.2 Decision-making powers

The Board of Directors defines the basic compensation of its members and of Group Management, as well as the allocation of options, in accordance with the principles set out under 6.1 above and in the share option plan. Variable, performance-related pay for Group Management and the Board of Directors is always defined in the subsequent year once the consolidated annual accounts are available and after a review by the Nomination and Compensation Committee. This element of compensation is based on goals defined for the reporting year. Payment of variable remuneration to the Board of Directors and Group is in cash following approval of the annual financial statements by the Annual Shareholders' Meeting. The allocation of options is proposed by the Compensation Committee and approved by the Board of Directors.

6.3 Compensation for the Board of Directors

Compensation for the Board of Directors, which has remained the same since July 2009 and consists of fixed and performance-related cash components, as well as options as defined in the share option plan, is reviewed periodically by the Board of Directors led by the Nomination and Compensation Committee. Compensation takes account of the responsibility and scope of activity of each Board member. Fixed payments differ according to function within the Board of Directors. The Chairman receives annual basic remuneration of CHF 305 000, The Vice Chairman CHF 185 000 and the other members CHF 95 000 (each sum includes CHF 2 000 of fixed expenses). The variable component for each member is 0.1% of the annual profit shown in the annual report. In addition, the members of the Board of Directors receive compensation for actual costs incurred when performing their mandate, as well as transport to Board meetings. Additional services performed for the company by a member of the Board are, if the Board as a whole approves, compensated at a rate of EUR 3 000 per day. Only Jan C. Berger performed such services during the year under review (for details see note 39 on pages 52/53 of the Financial Report).

6.4 Compensation for Group Management

In line with Charles Vögele's salary policy, remuneration for members of Group Management consists of a fixed basic salary and a variable performance-related portion that combines the individual Member's objectives (max. ⅓ of total bonus component) and corporate objectives, as well as benefits in kind and additional benefits (in particular, a company car). In addition, the Board of Directors can pay a special bonus at its discretion to reward outstanding achievement. The Nomination and Remuneration Committee regularly reviews the remuneration paid to Group Management and recommends adjustments as required to the Board of Directors. The CEO can make requests with regard to the remuneration paid to other members of Group Management. The amount of fixed remuneration that the Board of Directors defines for members of Group Management is based on the market value of the position, on the responsibilities and actual scope of activity attached to the function, on individual performance and on the performance of the company during the member's time in office. There is also a variable component of remuneration, which is determined by different parameters depending on the area of responsibility and by achievement of personal objectives. Depending on the degree to which goals are achieved, the CEO receives a variable payment equivalent to up to 150% of basic salary; the other members of Group Management receive a variable payment of up to 75% of basic salary if they achieve their goals. The amount of bonus paid out depends on the degree to which the goals set by the Board of Directors are achieved. If members miss their agreed targets by more than 20%, the bonus can be reduced to 0.

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

6.6 Compensation to former members of the Board of Directors or Group Management
During the year under review, no person leaving the company received any termination payments, additional services or benefits.

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

7 SHAREHOLDERS' PARTICIPATION RIGHTS

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

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

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

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

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

8 AUDITORS

8.1 Duration of the mandate and term of office of the lead auditor
The auditor for the Charles Vögele Group and Charles Vögele Holding AG is PricewaterhouseCoopers AG (PwC). It was confirmed as auditor for one year at the Annual Shareholders' Meeting of 14 April 2010. Since 14 April 2010, the mandate has been managed by Sandra Böhm, partner at PwC, Zurich.

8.2 Auditing fees
The auditor of Charles Vögele Holding AG is paid a fee totalling CHF 634 000 for carrying out the audit mandate in the business year 2010 plus CHF 68 700 for additional audit-related services. The audit contract is for one year, and Charles Vögele Holding AG's auditor must be chosen by the Annual Shareholders' Meeting.

8.3 Additional fees
Charles Vögele Group's auditor invoiced CHF 80 500 in total 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 individual companies, and also audits Charles Vögele Group's consolidated accounts under IFRS. The external auditor does all this through an interdisciplinary team with international IFRS expertise and knowledge of the retail sector. Audit results for the individual companies and the Group are discussed twice a year with Group Management and the managements of the individual companies, as well as with the 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 audit reports. In addition, recommendations are made to the Shareholders' Meeting to adopt the annual financial statements and the consolidated financial statements.

In addition to the audit of the annual financial statements and the review of the half-year financial statements, the external auditor analyzes the strategic audit plan and examines internal processes. Points arising from these reviews are distributed in the form of a management letter to Group Management and the Audit Committee and discussed in a meeting. Where necessary, the external auditor may make recommendations or propose possible new audit requirements on the basis of these reviews.

Each year, the 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.

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

9 INFORMATION POLICY

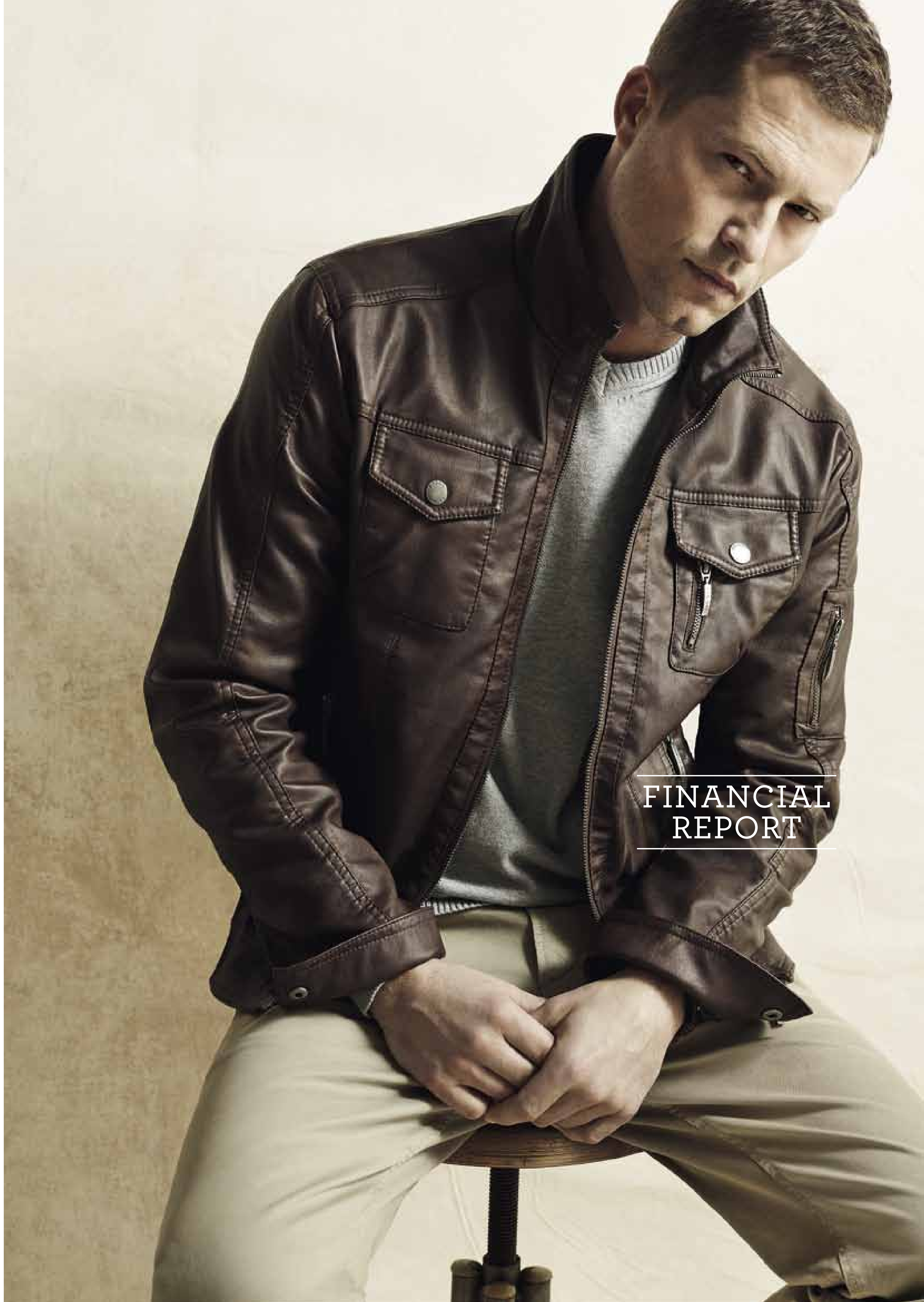
The Charles Vögele Group follows a transparent and open communications policy and is bound by the rules on ad hoc publicity. Shareholders are regularly and continually kept informed by the following means:

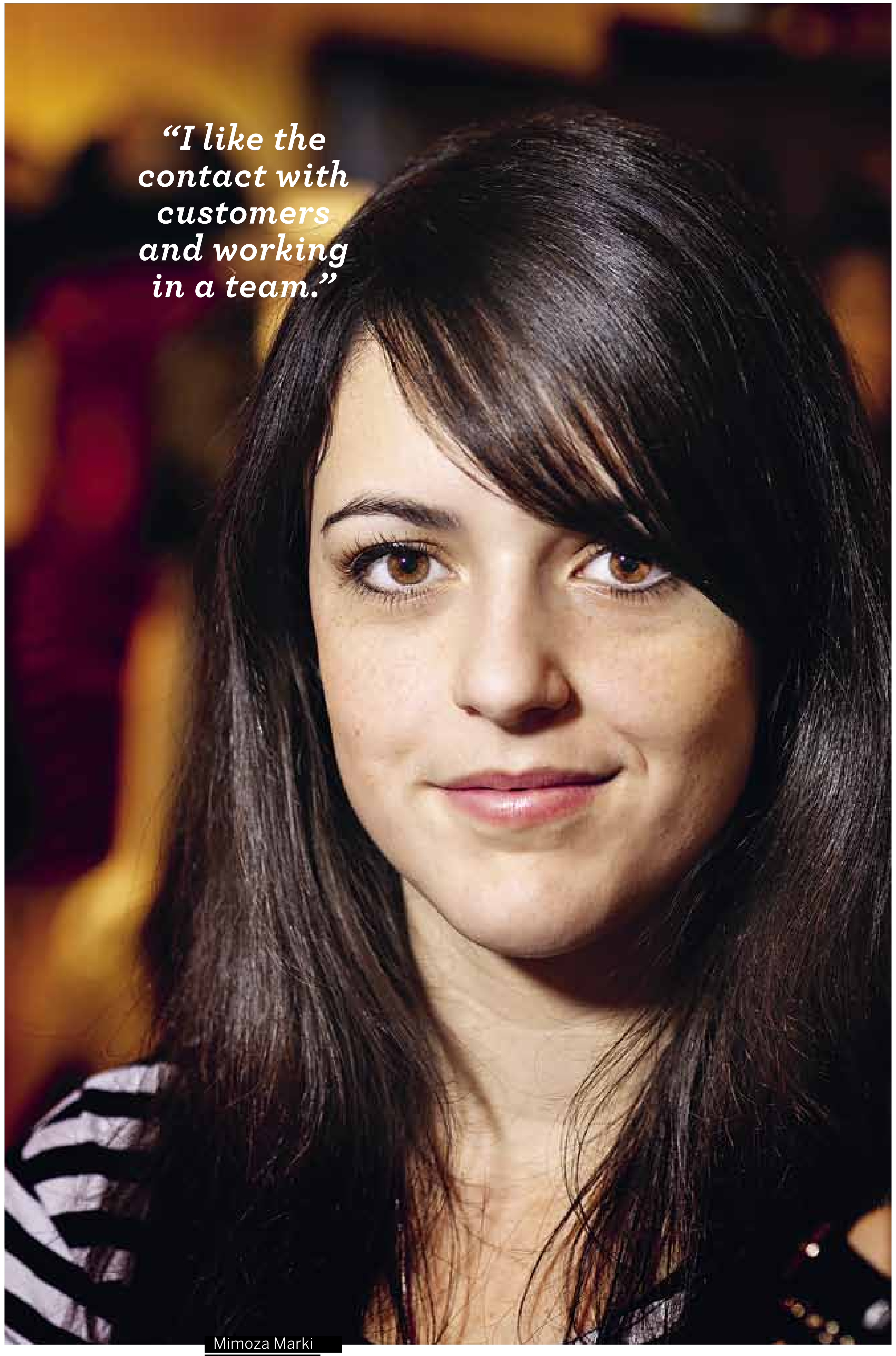
– Annual report in German and English: this is published in accordance with statutory provisions no later than 20 days prior to the Annual Shareholders' Meeting, and is held at the company's registered offices.
– Half-year report in German and English: this is usually published in August each year.
–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

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

10 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2010

No significant events have occurred since 31 December 2010.





CONTENT

Financial commentary	2
Consolidated income statement	6
Consolidated statement of comprehensive income	6
Consolidated balance sheet	7
Consolidated statement of cash flows	8
Consolidated statement of changes in equity	9
Notes to the consolidated financial statements	10
1 General information	10
2 Summary of significant accounting policies	10
3 Financial risk management	20
4 Critical accounting estimates and assumptions	25
5 Segment information	27
6 Personnel expenses	28
7 Rental expenses	31
8 Advertising and promotion expenses	31
9 General operating expenses	31
10 Other operating income	31
11 Depreciation and impairment	32
12 Financial income	32
13 Financial expenses	32
14 Foreign exchange differences	32
15 Income tax	32
16 Earnings per share	35
17 Cash and cash equivalents	35
18 Receivables, advance payments and prepaid expenses	36
19 Inventories	37
20 Assets held for sale	37
21 Property, plant and equipment	38
22 Financial assets	39
23 Intangible assets	40
24 Financial instruments by category (assets)	42
25 Short-term financial liabilities	42
26 Other liabilities and accruals	42
27 Finance lease liabilities	43
28 Provisions	43
29 Mortgages	44
30 Loans	45
31 Financial instruments by category (liabilities)	45
32 Share capital	46
33 Treasury shares	46
34 Distribution to shareholders	46
35 Incentive and share ownership plans	46
36 Contingent liabilities	49
37 Forward foreign exchange contracts	49
38 Rental commitments	51
39 Related party transactions	52
40 Risk assessment according to the Swiss Code of Obligations	56
41 Post balance sheet events	56
42 Structure of the Charles Vögele Group as of 31 December 2010	57
Report of the statutory auditors	58

FINANCIAL COMMENTARY

In 2010 Charles Vögele Group successfully finished streamlining its stock structure and, thanks to a good second-half, generated net profit of CHF 18 million. Net sales were lower (-8.6%), mainly because of currency movements, but gross profit was kept at the previous year's level. Although currency influences also had a negative impact on the financial result, a sustainably low cost structure ensured healthy net profit for the year. Cash and cash equivalents improved, leaving the Group with net cash of CHF 26 million at the end of the year under review. The Group's equity ratio was very comfortable at 62%. Overall, Charles Vögele Group is in a good financial position to continue the successful implementation of its strategy in 2011.

> Group result

Net sales fell 8.6% to CHF 1 198 million in 2010. Approximately CHF 74 million, or 5%, was due to the sharp depreciation of foreign currencies (mainly the euro) against the Swiss franc. After adjusting for currency movements and changes in floorspace, like-for-like sales were down 2.7%, or CHF 31 million. Owing to the new sell-off strategy, much less old stock (poor quality sales) was sold than in the previous year. The percentage of sales accounted for by new-season items went up to 84% (previous year 75%). Currency influence on the gross profit figure was largely neutralized thanks to prompt hedging of the main currencies, the euro and US dollar. As a result, the gross profit margin improved to 66.8% (previous year 61.2%).

Exchange rate influences helped push down operating costs by CHF 40 million from the 2009 figure to CHF 691 million. 2010 was the first full year in which the Group benefited from having removed old stock from the cost structure. Charles Vögele's EBITDA of CHF 110 million once again clearly surpassed the 100 million mark. At 9.1% of net sales, the figure also marked an important step towards the medium-term objective of 10%. Streamlining of the branch portfolio and the consolidation of logistics locations were the main reasons for the temporary CHF 5 million increase in depreciation. Operating earnings (at the EBIT level) came to CHF 38 million, an increase of over CHF 30 million compared to the previous year.

> Switzerland Region

Switzerland remains the Group's biggest sales market. The region posted net sales of CHF 402 million (previous year CHF 428 million) and operating earnings of CHF 54 million (previous year CHF 49 million). The decline in sales was mainly due to the fact that sales of old stock had been heavily forced in the previous year. In 2010 they were only compensated for by sales of new items in the final quarter. The branch portfolio of 168 stores remained more or less stable. One store was closed in 2010.

> Germany Region

The euro's weakness against the Swiss franc removed about CHF 35 million from the Germany region's net sales figure when converted into francs for the consolidated accounts. The final figure was CHF 374 million (previous year CHF 418 million). After adjusting for currency movements, net sales were down 2% on the previous year, though on a like-for-like basis, the region's sales were at the same level as in 2009. EBIT for the year under review was CHF -4 million, an improvement of CHF 14 million (previous year CHF -18 million). In 2010 the branch portfolio was reduced by a net 20 stores from 314 to 294. Eight new stores were opened, while 28 were closed.

> Benelux Region

Net sales in the Benelux countries came to CHF 149 million (previous year CHF 170 million). Adjusted for currencies, the decline was -4%. The Benelux Region improved its gross profit margin and continued to reduce costs. Its EBIT was nevertheless negative at CHF -11 million (previous year CHF -14 million). As part of the streamlining of the Benelux branch portfolio, five new stores were opened and ten closed. Charles Vögele now has 48 stores in Belgium and 113 in the Netherlands.

> CEE Region

The CEE countries increased net sales after currency adjustments by another 1% to CHF 273 million. In this region too the branch portfolio was cut by five branches overall, with eight openings and 13 closures. Although the region put in a positive performance overall, it missed breaking even at the EBIT level by CHF 1 million. However, the loss was much smaller than the previous year's CHF 13 million.

> Financial expenses and taxes

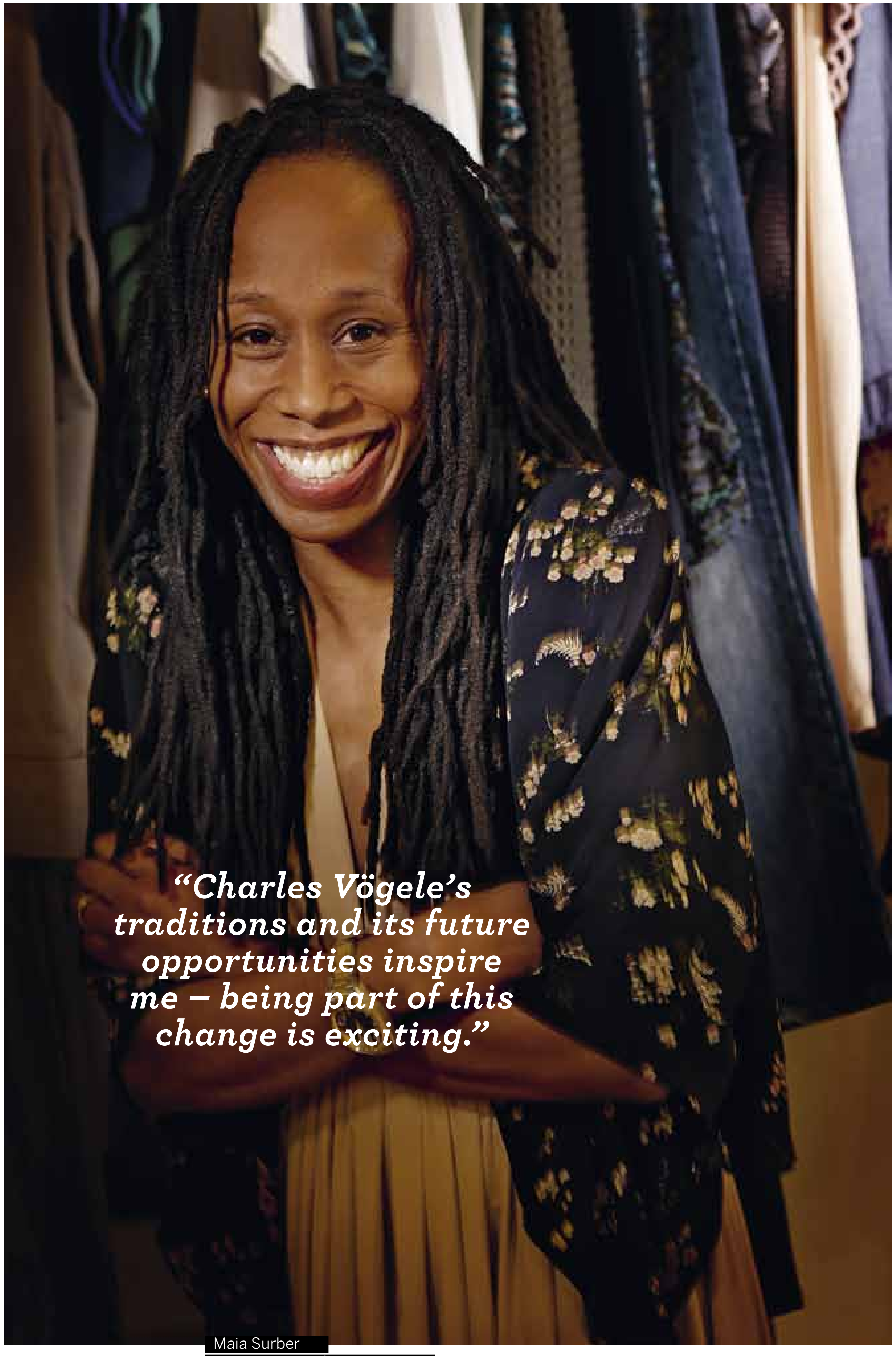
Owing to the record low level of debt, financial expenses fell by another CHF 3 million. For some financial positions in foreign currencies (EUR, PLN, HUF and CZK), however, devaluation against the Swiss franc led to net foreign currency losses of more than CHF 4 million. Tax expenses, at CHF 11 million, were around the same as in 2009, with tax rates at the tax-liable Group companies in Switzerland and Austria ranging between 10% and 25%. Taxable losses in the other national companies were not capitalized, which is why no offsetting was possible within the Group.

> Liquidity, cash flow and balance sheet key figures

Charles Vögele continued to enjoy a comfortable liquidity position at the end of 2010. Cash reserves and unused credit lines at 31 December 2010 totalled CHF 386 million (previous year: CHF 400 million). From the operating cash flow of CHF 88 million the Group made net investments of CHF 46 million and cut its debt by CHF 36 million. Free cash flow stood at CHF 42 million. As at 31 December 2010, Charles Vögele Group held net cash and cash equivalents of CHF 26 million (previous year: net debt of CHF 15 million). Given the healthy cash position and the high equity ratio of 62%, and following the Group's established dividend policy, the Board of Directors is proposing to the Annual Shareholders' Meeting that the Group distribute a par value reduction of CHF 0.50 per share in the form of repayment.

> Outlook

One of the Group's main aims in 2011 is to further increase sales of current-season items. It also expects to grow its share of the main markets. At the same time, verticalization of the Group, especially the centralization and modernization of the supply chain, continues at full steam. The relevant projects should be completed in 2012. Another priority is the targeted development of the store network, with a primary focus on the core markets. In particular, the Group is planning to invest in its new store design and in increasing the efficiency of its infrastructure. A significant negative development of the macroeconomic environment (in particular currency-exchange factors) reserved, the Group will increase its EBITDA margin to a sustainable 10% within the next two years.



Maia Surber
Head of Brand Casa Blanca

From 1 January to 31 December

CONSOLIDATED INCOME STATEMENT

CHF 1000	Note	2010	2009
Net sales		**1 198 226**	**1 310 248**
Cost of goods	19.1	(397 628)	(508 232)
Personnel expenses	6	(291 980)	(309 169)
Rental expenses	7	(223 789)	(241 621)
Advertising and promotion expenses	8	(96 340)	(91 360)
General operating expenses	9	(83 533)	(93 129)
Other operating income	10, 20	4 577	4 536
Operating earnings before depreciation and impairment (EBITDA)		**109 533**	**71 273**
In % of net sales		**9.1%**	**5.4%**
Depreciation and impairment	11	(71 897)	(67 189)
Operating earnings (EBIT)		**37 636**	**4 084**
In % of net sales		**3.1%**	**0.3%**
Financial income	12	723	386
Financial expenses	13	(5 206)	(7 826)
Exchange gains/(losses), net	14	(4 162)	448
Profit before income tax		**28 991**	**(2 908)**
In % of net sales		**2.4%**	**(0.2%)**
Income tax expenses	15	(11 220)	(10 835)
Net profit/(loss) of the year		**17 771**	**(13 743)**
In % of net sales		**1.5%**	**(1.0%)**
Basic earnings per share	16	**2.12**	**(1.64)**
Diluted earnings per share	16	**2.12**	**(1.64)**

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

From 1 January to 31 December

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF 1000	2010	2009
Net profit/(loss)	**17 771**	**(13 743)**
Currency translation differences of foreign subsidiaries	(27 331)	(897)
Change of fair value of cash flow hedges after taxes	(3 229)	6 662
Total other comprehensive income	**(30 560)**	**5 765**
Total comprehensive income	**(12 789)**	**(7 978)**

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

At 31 December

CONSOLIDATED BALANCE SHEET

CHF 1000	Note	31.12.2010	31.12.2009
Assets			
Current assets			
Cash and cash equivalents	17	129 529	127 649
Receivables, advance payments and prepaid expenses	18	17 364	17 737
Derivative financial instruments	24	18 336	4 221
Inventories	19	150 365	173 022
Assets held for sale	20	–	5 983
Total current assets		**315 594**	**328 612**
Long – term assets			
Property, plant and equipment	21	352 827	400 354
Financial assets	22	759	600
Intangible assets	23	82 409	82 777
Deferred tax assets	15	4 857	5 638
Total long – term assets		**440 852**	**489 369**
Total assets		**756 446**	**817 981**
Liabilities and shareholders' equity			
Current liabilities			
Short – term financial liabilities	25, 27, 29	38 705	3 383
Trade payables		40 725	47 926
Derivative financial instruments	31	16 499	4 255
Other liabilities and accruals	26	69 313	83 720
Short – term tax liabilities		8 261	9 431
Short – term provisions	28	9 254	6 063
Total current liabilities		**182 757**	**154 778**
Long – term liabilities			
Long – term lease liabilities	27	19 159	33 103
Long – term provisions	28	6 201	6 747
Deferred tax liabilities	15	30 200	32 708
Mortgages	29	45 500	106 500
Loans	30	–	–
Total non current liabilities		**101 060**	**179 058**
Shareholders' equity			
Share capital	32	30 800	30 800
Treasury shares	33	(30 268)	(33 784)
Other reserves		173 789	173 789
Retained earnings		298 308	313 340
Total shareholders' equity		**472 629**	**484 145**
Total liabilities and shareholders' equity		**756 446**	**817 981**

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

From 1 January to 31 December

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1000	Note	2010	2009
Net profit/(loss) for the year		**17 771**	**(13 743)**
Adjustments:			
– Tax expenses	15	11 220	10 835
– Net financial expenses	12, 13, 14	8 644	6 992
– Depreciation and impairment	11	71 897	67 189
– Profit on disposal of assets		(2 987)	(49)
– Other non – cash expenses		1 330	1 659
Change in long – term provisions		4 878	5 495
Change in inventories		2 224	109 881
Change in net working capital		(6 617)	10 895
Operating earnings after changes in net working capital		**108 360**	**199 154**
Financial income received		723	2 523
Financial expenses paid		(7 396)	(6 956)
Taxes paid		(13 609)	(7 033)
Cash flow from operating activities		**88 078**	**187 688**
Investments in intangible assets	23.1	(3 834)	(3 324)
Disposals of intangible assets	23.1	–	40
Investments in property, plant and equipment	21.1	(50 823)	(44 627)
Disposals of property, plant and equipment		9 094	2 291
(Investments in)/disposals of financial assets		(260)	80
Net cash provided/(used) by investing activities		**(45 823)**	**(45 540)**
Change in loans	25	597	(50 000)
Change in finance lease liabilities		(11 111)	(3 663)
Purchase of treasury shares	33	(186)	(6 509)
Disposals of treasury shares	33	129	5 795
Change in mortgages	29	(25 000)	(3 500)
Distribution to shareholders	34	–	(4 191)
Net cash provided/(used) by financing activities		**(35 571)**	**(62 068)**
Net increase/(decrease) in cash and cash equivalents		**6 684**	**80 080**
Net cash and cash equivalents at the beginning of the period	17	**127 649**	**47 947**
Effect of exchange rate changes		(4 804)	(378)
Net increase/(decrease) in cash and cash equivalents		6 684	80 080
Net cash and cash equivalents at the end of the period	17	**129 529**	**127 649**

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

From 1 January to 31 December

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF 1000	Note	Share capital	Treasury shares	Share premium reserve	Retained earnings	Currency translation differences	Valuation financial instruments	Valuation share option plan	Total
Balance at 1 Jan. 2009	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 at 31 Dec. 2009	32	**30 800**	**(33 784)**	**173 789**	**333 280**	**(26 775)**	**482**	**6 353**	**484 145**
Balance at 1 Jan. 2010	32	**30 800**	**(33 784)**	**173 789**	**333 280**	**(26 775)**	**482**	**6 353**	**484 145**
Comprehensive income		–	–	–	17 771	(27 331)	(3 229)	–	(12 789)
Value of granted options	35	–	–	–	–	–	–	1 330	1 330
Value of exercised/ expired options	35	–	–	–	1 398	–	–	(1 398)	–
Disposals of treasury shares	33	–	3 702	–	(3 573)	–	–	–	129
Purchase of treasury shares	33	–	(186)	–	–	–	–	–	(186)
Balance at 31 Dec. 2010	32	**30 800**	**(30 268)**	**173 789**	**348 876**	**(54 106)**	**(2 747)**	**6 285**	**472 629**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

2 Summary of significant accounting policies

2.1 Preparation of the financial statements

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

2.2 Changes in accounting policies

> New IFRS standards and interpretations

The following new IFRS standards, changes to existing standards and interpretations of existing standards, valid since 1 January 2010, have been applied but do not have a material effect on these annual financial statements:

- IFRS 2: Share-based Payment (amendment)
- IFRS 3: Business Combinations (amendment)
- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (amendment)
- IAS 1: Presentation of Financial Statements (amendment)
- IAS 27: Consolidated and Separate Financial Statements (amendment due to changes in IFRS 3)
- IAS 36: Impairment of Assets (amendment)
- IFRIC 9: I Reassessment of Embedded Derivatives (new)
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (new)
- IFRIC 17: Distributions of Non-cash Assets to Owners (new)
- IFRIC 18: Transfers of Assets from Customers (new)
- Improvement Programme 2009 (various minor adjustments of existing standards)

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

> Changes to IFRS standards valid for future reporting periods

The Charles Vögele Group has assessed the potential impact of new standards and interpretations which have to be applied from financial year 2011 on or later. 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 1 January 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 Basis of consolidation

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

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

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

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

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

The companies included in the scope of consolidation are listed in Note 42.

2.4 Scope of consolidation

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

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

2.5 Segment reporting

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

The management structure in the markets where Charles Vögele Group is active has changed, which has also necessitated a change to the segments introduced last year under IFRS 8. The previous five segments, Switzerland, Germany, Austria/Slovenia, Benelux and CEE (Poland, Hungary, Czech Republic), were reduced to four: Switzerland, Germany, Benelux and CEE (Austria, Slovenia, Poland, Hungary, Czech Republic). This change affects the structure of segment reporting but has no effect on the Group's asset, financial or earnings situation. The prior-year comparative figures shown in the segment information have been adjusted accordingly.

2.6 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 longterm loans with equity character between Group companies are – like net investments in a foreign operation – recorded in equity, with no effect in the income statement, until repayment.

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

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

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

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

2.7 Net sales and revenue recognition

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

> Customer loyalty programme

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

2.8 Cost of goods

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

2.9 Employee pension plans

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

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

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

2.10 Financial expenses

Interest costs are charged directly to the income statement.

2.11 Cash and cash equivalents

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

2.12 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.

2.13 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.

2.14 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.

2.15 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 2.18). This valuation is periodically checked on its recoverability by an independent external expert. Buildings are depreciated on a straight-line basis over a period of 40 years. Buildings in leasehold are depreciated over the lease-hold period up to a maximum of 40 years. Land is not depreciated.

> Equipment

Equipment includes store fittings, technical warehouse equipment, computer hardware, office fixtures and fittings and other tangible assets used in operations. They are capitalized if the company derives a future economic benefit associated with them. Valuation is at acquisition cost less accumulated depreciation and impairments if necessary (see Note 2.18). The depreciation period is carried out using the straight-line method and is normally based on their estimated useful life as follows:

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

2.16 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 2010 and 2009 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 2010 and 2009 are recorded under this category (see Note 22).

2.17 Intangible assets

> Goodwill

Goodwill represents the excess of the cost of an acquisition of a company or of business activities in the form of net assets over the fair value of the Group’s share of the net identifiable assets of the acquired company or business activities at the date of acquisition. Any possible acquisition costs will be recognized directly in profit or loss. Goodwill is tested annually for impairment (see Note 2.18).

> 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 2.18). IT software is depreciated using the straight-line method over five years; licenses and trademarks are depreciated over their estimated useful life.

2.18 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 2.17). 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.

2.19 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.

2.20 Trade payables

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

2.21 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.

2.22 Provisions

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

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

2.23 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.

2.24 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.

2.25 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 in line with generally accepted valuation methods for determining share option prices and which takes into account all the factors and assumptions that reasonable contracting market participants would consider when setting prices. When options are exercised or expire, the fair value originally booked to shareholders' equity is charged against retained earnings.

3 Financial risk management

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

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

3.1 Currency risks

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

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

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

CHF 1000	EUR / CHF	USD / CHF	HUF / CHF	HKD / CHF	CZK / CHF
2009 in income statement					
Total group foreign currency exposures at 31 December	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%
Effect on group earnings at increasing foreign currency rate	**3 612**	**(592)**	**522**	**(168)**	**160**
Effect on group earnings at declining foreign currency rate	**(3 612)**	**592**	**(522)**	**168**	**(160)**

CHF 1000	EUR / CHF	USD / CHF
2010 in equity		
Derivative financial instruments as cash flow hedges	(79 567)	103 245
Effect at increasing foreign currency rate	**(7 957)**	**13 422**
Effect at declining foreign currency rate	**7 957**	**(13 422)**
2009 in equity		
Derivative financial instruments as cash flow hedges	(194 784)	166 122
Effect at increasing foreign currency rate	**(5 844)**	**18 273**
Effect at declining foreign currency rate	**5 844**	**(18 273)**

3.2 Interest risks

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

Charles Vögele Group's interest rate risk stems mainly from its bank loans, mortgages and leasing liabilities. Long-term interest-bearing financial liabilities with variable interest rates expose the Group to a cash flow interest risk, while fixed-rate liabilities represent a fair value interest risk. The mortgages, leasing liabilities and loans are mainly fixed-rate liabilities. Outstanding loans at the end of the year are not representative of the year as a whole. The company's funding requirements increase at the start of a selling season as products are purchased, and then decline proportionally towards the end of the season 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 is reduced by an effective internal control system. Cash holdings in the safes are insured to an appropriate level against theft and acts of God, and are replaced if lost. When choosing firms to transport money and valuables, Charles Vögele Group's selection criteria are based on quality, transparency, security and comprehensive insurance protection.

Receivables from tax refunds (value added tax) are secured by regularly verifying that declarations are formally correct and by submitting the necessary declarations on time. Prepayments to suppliers and other claims are checked regularly and any identified credit risk is taken into account through a value adjustment (see Note 2.12).

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 minimal 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	**31.12.2010**	31.12.2009
Net cash and cash equivalents at the end of the period	129 529	127 649
Syndicated credit line agreement	250 000	250 000
./. Credit lines used	–	–
Additional credit lines	6 256	22 256
./. Credit lines used	–	–
Total cash reserves and unused credit lines	**385 785**	**399 905**

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

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Short – term loans	597	–	–	597
Trade payables	40 725	–	–	40 725
Other liabilities and accruals (excl. vouchers)	49 978	–	–	49 978
Finance lease liabilities, gross	3 335	13 607	10 084	27 026
Mortgages	38 822	47 460	–	86 282
Long – term loans	–	–	–	–
Total at 31 December 2010	**133 457**	**61 067**	**10 084**	**204 608**

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Short – term loans	–	–	–	–
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
Long – term loans	–	–	–	–
Total at 31 December 2009	**145 379**	**105 630**	**20 460**	**271 469**

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 at 31 December 2010				
Derivative for cash flow hedges: – Cash outflow (contract value)	3 392	–	–	3 392
– Cash inflow (fair value)	(5 229)	–	–	(5 229)
Derivative for trading purposes: – Cash outflow (contract value)	–	–	–	–
– Cash inflow (fair value)	–	–	–	–

CHF 1000	< 1 year	1 – 5 years	> 5 years	Total
Balance at 31 December 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)	–	–	–	–

3.5 Capital risks

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

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

Charles Vögele Group monitors its capital structure on the basis of net debt and net cash respectively. This key figure itself is calculated as the sum of short- and long-term loans from financial institutions, mortgages and lease liabilities, less cash and cash equivalents. 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	**31.12.2010**	31.12.2009
Short – term financial liabilities	38 705	3 383
Finance lease liabilities	19 159	33 103
Mortgages	45 500	106 500
Loans	–	–
Cash and cash equivalents	(129 529)	(127 649)
(Net cash)/net debt	**(26 165)**	**15 337**
EBITDA	109 533	71 273
(Net cash)/net debt / EBITDA (factor)	**(0.24)**	**0.22**
Shareholders' equity	472 629	484 145
(Net cash)/net debt / shareholders' equity (factor)	**(0.06)**	**0.03**

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	–	18 336	–	18 336
Derivative financial instruments in liabilities	–	16 499	–	16 499

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

4 Critical accounting estimates and assumptions

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

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

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

4.1 Goodwill

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

In accordance with the accounting and valuation methods stated in Notes 2.17 and 2.18, 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 Notes 2.13 and 19.1).

5 Segment information

	Switzerland		Germany	
CHF 1000	**2010**	2009	**2010**	2009
Gross sales	445 603	473 443	454 388	508 706
Net sales	402 108	427 639	374 016	418 380
Segment profit (EBITDA)	77 426	69 977	15 959	3 704
EBITDA in % of net sales	19.3%	16.4%	4.3%	0.9%
Depreciation and impairment	(23 379)	(21 362)	(20 281)	(21 696)
Segment profit (EBIT)	54 047	48 615	(4 322)	(17 992)
EBIT in % of net sales	13.4%	11.4%	(1.2%)	(4.3%)
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009
Net inventories	51 343	50 650	50 050	64 352

	Benelux		CEE[1]		Group	
CHF 1000	**2010**	2009	**2010**	2009	**2010**	2009
Gross sales	179 173	204 010	336 852	361 781	1 416 016	1 547 940
Net sales	149 379	169 732	272 723	294 497	1 198 226	1 310 248
Segment profit (EBITDA)	365	(3 281)	15 783	873	109 533	71 273
EBITDA in % of net sales	0.2%	(1.9%)	5.8%	0.3%	9.1%	5.4%
Depreciation and impairment	(11 566)	(10 397)	(16 671)	(13 734)	(71 897)	(67 189)
Segment profit (EBIT)	(11 201)	(13 678)	(888)	(12 861)	37 636	4 084
EBIT in % of net sales	(7.5%)	(8.1%)	(0.3%)	(4.4%)	3.1%	0.3%
Net financial income	–	–	–	–	(8 645)	(6 992)
Profit before income tax	–	–	–	–	28 991	(2 908)
Tax expenses	–	–	–	–	(11 220)	(10 835)
Net profit	–	–	–	–	17 771	(13 743)
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Net inventories	19 260	24 999	31 119	38 263	151 772	178 264
Goods in transit	–	–	–	–	28 612	41 657
Centralized inventory	–	–	–	–	1 267	–
Group eliminations	–	–	–	–	(31 617)	(47 186)
Total Group inventories, net[2]	–	–	–	–	150 034	172 735

[1] CEE: Austria, Slovenia, Poland, Hungary, Czech Republic.
[2] Difference to the balance sheet value of TCHF 331 (2009: TCHF 287) is related to heating oil.

6 Personnel expenses

CHF 1000	2010	2009
Wages and salaries	238 630	253 351
Social security costs	40 657	44 048
Other personnel expenses	12 693	11 770
Total	**291 980**	**309 169**

6.1 Defined contribution retirement plans

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

The cost of pension liabilities charged through personnel expenses in Belgium and the Netherlands amounted to CHF 1.9 million in 2010 and CHF 2.3 million in 2009.

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. A revaluation was carried out at 31 December 2010.

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:

	2010	2009
Discount rate	2.8%	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	2010	2009
Present value of funded obligation (DBO), at 1 January	**(89 628)**	**(95 774)**
Service cost	(8 051)	(7 961)
Interest cost	(3 216)	(3 326)
Benefits paid	11 574	17 433
Actuarial gain/(loss) on obligations	(1 514)	–
Present value of funded obligation (DBO), at 31 December	**(90 835)**	**(89 628)**
Fair value of plan assets, at 1 January	**80 588**	**82 439**
Expected return on plan assets	3 179	3 133
Employees' contributions	3 788	3 781
Employer's contributions	4 750	4 652
Benefits paid	(11 574)	(17 433)
Actuarial gain/(loss) on plan assets	(836)	4 016
Fair value of plan assets, at 31 December	**79 895**	**80 588**

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	2010	2009
Service cost	8 051	7 961
Interest cost	3 216	3 326
Expected return on plan assets	(3 179)	(3 133)
Amortization of actuarial losses/(gains)	193	536
Increase/(decrease) of the unrecognised surplus	–	–
Net periodic pension cost	**8 281**	**8 690**
Employees' contributions	(3 788)	(3 781)
Expenses recognized in the income statement	**4 493**	**4 909**

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

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

CHF 1000	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of funded obligations (DBO)	(90 835)	(89 628)	(95 774)	(87 221)	(85 379)
Fair value of plan assets	79 895	80 588	82 439	87 231	88 620
Over-/(under-)coverage	**(10 940)**	**(9 040)**	**(13 335)**	**10**	**3 241**
Not capitalized portion of the over – coverage	–	–	–	(10)	(3 241)
Not recognized actuarial (gains)/losses	10 940	8 783	13 335	–	–
Net asset/(liability) in balance sheet, at 31 December	**–**	**(257)**	**–**	**–**	**–**
Experience – based – adjustments on plan liabilities	(1 514)	–	(420)	–	–
Experience – based – adjustments on plan assets	(836)	4 016	(13 739)	(3 865)	300
Total actuarial gains/(losses)	**(2 350)**	**4 016**	**(14 159)**	**(3 865)**	**300**

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

CHF 1000	2010	2009
Net asset/(liability) in balance sheet, at 1 January	(257)	–
Expense recognized in the profit and loss statement	(4 493)	(4 909)
Employer's contributions	4 750	4 652
Net asset/(liability) in balance sheet, at 31 December	**–**	**(257)**

The asset allocation for pension assets is as follows:

	2010	2009
Cash	12.0%	5.8%
Bonds	41.7%	41.5%
Equities	21.9%	22.9%
Property	9.4%	8.3%
Reinsurer (pensions)	10.4%	10.1%
Other	4.6%	11.4%
Total	**100.0%**	**100.0%**

The effective return on assets amounted to CHF 2.3 million (previous year: return on assets of CHF 7.1 million). The expected employer payments for the 2011 financial year are estimated at CHF 4.8 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 15 employees (2009: 16 employees). No contributions from the Group company were booked in 2010 as well as 2009.

7 Rental expenses

CHF 1000	2010	2009
Rent	167 955	181 274
Incidental expenses, cleaning, maintenance	55 834	60 347
Total	**223 789**	**241 621**

The CHF 17.8 million year-on-year decrease in rental expenses is due primarily to currency-exchange factors and branch network clearing ups.

8 Advertising and promotion expenses

Advertising and promotion expenses include costs for product-oriented advertising, sales promotions, public relations and market research by external providers. The CHF 5.0 million increase compared to 2009 is due to reluctant marketing activities in the prior year.

9 General operating expenses

General operating expenses include operating lease expenses amounting to CHF 3.6 million (2009: CHF 3.9 million). Operating leases mainly concern vehicles.

10 Other operating income

CHF 1000	2010	2009
Operating real estate income, net	1 398	1 722
Redemption compensation less costs for store closings	324	817
Insurance payments	–	1 013
Energy cost refunds of previous years	204	932
Profit of disposal of a non operating property	2 698	–
Other income	(47)	52
Total	**4 577**	**4 536**

11 Depreciation and impairment

CHF 1000	2010	2009
Depreciation	64 367	63 860
Impairment losses mainly for warehouse fixtures and fittings and planned store closings (see Notes 21.1 / 23.1)	7 530	3 329
Total	**71 897**	**67 189**

12 Financial income

CHF 1000	2010	2009
Interest income	719	333
Interest income from securities	4	53
Total	**723**	**386**

13 Financial expenses

CHF 1000	2010	2009
Interest expenses on current accounts and loans	526	1 498
Interest charges on mortgages	3 150	3 813
Interest on leases	1 530	2 040
Impairment of financial assets	–	475
Total	**5 206**	**7 826**

14 Foreign exchange differences

CHF 1000	2010	2009
(Expense)/income from foreign exchange contracts	73	240
Exchange gains/(losses) for financial positions in foreign currencies	(4 235)	208
Total (expense)/income from exchange gains/(losses)	**(4 162)**	**448**

15 Income tax

15.1 Composition of income tax expense

CHF 1000	2010	2009
Current income taxes	13 535	15 682
Change in deferred income taxes	(1 635)	(5 957)
Income tax from previous years	(680)	1 110
Total income tax expense	**11 220**	**10 835**

15.2 Analysis of tax expense

CHF 1000	2010	2009
Profit before income taxes	28 991	(2 908)
Taxes on current profit calculated on the expected group tax rate of 20% (2009: 21%)	5 798	(611)
Reconciliation: – Effect of profits and losses with different tax rates	(3 323)	(6 042)
– Adjustments of deferred taxes from previous years	(1 982)	(942)
– Effect of deferred tax assets not capitalized	11 206	16 876
– Effect of other non – taxable transactions	201	444
– Taxes payable (refunds) from previous years	(680)	1 110
Total tax expense	**11 220**	**10 835**

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 11.2 million from Group companies posting losses (see Note 15.5). The reported tax expense results mainly from profit making subsidiaries.

15.3 Deferred taxes in the balance sheet

CHF 1000	31.12.2010 Assets	31.12.2010 Liabilities	31.12.2009 Assets	31.12.2009 Liabilities
Deferred taxes from:				
– Various receivables	–	–	–	–
– Inventories	4 753	(6 568)	5 596	(8 580)
– Goodwill	13 100	–	18 015	–
– Other long – term assets	156	(12 833)	67	(12 906)
– Real estate	–	(8 420)	–	(9 852)
– Derivative financial instruments	–	(2 750)	63	(697)
– Intercompany loans	1 998	–	2 369	–
– Accruals	176	–	154	–
– Provisions	1 256	–	1 226	–
– Treasury shares	–	(895)	–	(2 553)
– Loss carry – forwards	112 022	–	121 620	–
Total deferred taxes, gross	**133 461**	**(31 466)**	**149 110**	**(34 588)**
Impairment of deferred tax assets	(127 338)	–	(141 592)	–
Total deferred taxes	**6 123**	**(31 466)**	**7 518**	**(34 588)**
Offset of assets and liabilities	(1 266)	1 266	(1 880)	1 880
Total deferred taxes, net	**4 857**	**(30 200)**	**5 638**	**(32 708)**

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	2010	2009
Total deferred tax assets/(liabilities), net, at 1 January	**(27 070)**	**(31 389)**
Recognized in income statement:		
– Change in tax rates from previous years	1 945	(21)
– Adjustments of deferred taxes from previous years	37	(14)
– Impairment of capitalized tax loss carry – forwards	–	–
– Changes in temporary differences	(347)	5 561
Recognized in shareholders' equity:		
– Changes in deferred taxes on valuation of financial instruments (see Note 37.1)	570	(1 176)
Effect of exchange rates	(478)	(31)
Total deferred tax assets/(liabilities), net, at 31 December	**(25 343)**	**(27 070)**

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

15.5 Tax-relevant loss carry-forwards

CHF 1000	31.12.2010	31.12.2009
Expiring in the next 5 years	63 763	62 499
Expiring in 5 to 9 years	51 475	52 453
Available without limitation	299 903	329 488
Total tax loss carry – forwards	**415 141**	**444 440**
Calculated potential tax assets thereof	112 022	122 828
Valuation allowances	(112 022)	(122 828)
Net tax asset from loss carry – forwards	**–**	**–**

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

The new deferred tax assets from tax loss carry-forwards arising in the 2010 and 2009 financial years were not capitalized as it is not certain that they can be used in the foreseeable future.

16 Earnings per share

		2010	2009
Net income	CHF 1 000	17 771	(13 743)
Weighted average number of shares	number	8 366 112	8 376 485
Adjustment for potentially dilutive share options	number	20 912	–
Weighted average number of shares for diluted earnings per share	number	8 387 024	8 376 485
Basic earnings per share	**CHF**	**2.12**	**(1.64)**
Diluted earnings per share	**CHF**	**2.12**	**(1.64)**

17 Cash and cash equivalents

CHF 1000	31.12.2010	31.12.2009
Petty cash, postal account balances and cash at banks	129 529	127 671
Clearing accounts of points of sale	–	(22)
Total cash and cash equivalents recognized in the balance sheet	**129 529**	**127 649**

The average interest rate on postal account balances and cash at banks, which have maturities of less than three months, was 0.5% (2009: 0.125%).

18 Receivables, advance payments and prepaid expenses

CHF 1000	31.12.2010	31.12.2009
Receivables:		
– Tax refunds (value added tax)	5 785	3 414
– Income taxes	26	79
– Other receivables	6 450	8 587
– Credit card sales	2 605	2 901
– Reclaimable withholding taxes	27	21
Total receivables, gross	**14 893**	**15 002**
Value adjustments	(532)	(910)
Total receivables, net	**14 361**	**14 092**
Advance payments and prepaid expenses	**3 003**	**3 645**
Total receivables, advance payments and prepaid expenses	**17 364**	**17 737**

18.1 Value adjustments on receivables

CHF 1000	2010	2009
Balance, at 1 January	**(910)**	**(325)**
Payments	133	21
Receivables written off during the year as uncollectible	38	110
(Creation)/release of impairments	190	(715)
Effect of exchange rates	17	(1)
Balance, at 31 December	**(532)**	**(910)**

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. For existing receivables at balance sheet day all necessary declarations were issued. Therefore the payments can be expected for the following year.

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

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

19 Inventories

CHF 1000	31.12.2010	31.12.2009
Current inventory, gross	100 057	142 169
Inventory valuation allowance	(11 201)	(37 668)
Current inventory (current and previous seasons), net	**88 856**	**104 501**
Upcoming season	61 178	68 234
Heating oil	331	287
Total	**150 365**	**173 022**

19.1 Value adjustments on inventories

CHF 1000	2010	2009
Balance, at 1 January	**(37 668)**	**(59 823)**
(Creation)/Release of value adjustments affecting cost of goods, net	24 297	22 353
Effect of exchange rates	2 170	(198)
Balance, at 31 December	**(11 201)**	**(37 668)**

The release of CHF 24.3 million of value adjustments during the 2010 financial year (previous year: CHF 22.4 million) resulted mainly from the completion of the substantial and exceptional clearance of old stock begun at the start of April 2009. The additional value adjustment of CHF 10.0 million, built on 31 December 2009, could be offset completely against the successful sale of old stock.

20 Assets held for sale

This position from the prior-year period concerned a property in Switzerland no longer needed for operations that has since been sold for a profit of CHF 2.7 million.

21 Property, plant and equipment

21.1 Changes in values

CHF 1000	Land	Buildings	Equipment	Total
Balance at 1 January 2009				
Acquisition cost	59 970	214 387	537 888	812 245
Accumulated depreciation / impairment	(9 399)	(94 943)	(279 489)	(383 831)
Net book amount at 1 January 2009	**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 at 31 December 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 at 31 December 2009	**45 790**	**111 658**	**242 906**	**400 354**
Year 2010				
Opening net book amount	45 790	111 658	242 906	400 354
Effect of exchange rates	(938)	(5 087)	(24 507)	(30 532)
Additions	–	–	50 823	50 823
Disposals	–	–	(7 463)	(7 463)
Depreciation	–	(5 220)	(48 279)	(53 499)
Impairment	–	–	(6 856)	(6 856)
Reclassification	–	–	–	–
Closing net book amount	**44 852**	**101 351**	**206 624**	**352 827**
Balance at 31 December 2010				
Acquisition cost	54 251	200 818	495 770	750 839
Accumulated depreciation / impairment	(9 399)	(99 467)	(289 146)	(398 012)
Net book amount at 31 December 2010	**44 852**	**101 351**	**206 624**	**352 827**

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

As of 31 December 2010, CHF 83.6 million of the land and buildings are pledged as security for mortgages (31 December 2009: CHF 114.0 million).

The fire insurance value of physical assets is CHF 689.0 million as at 31 December 2010 (31 December 2009: CHF 775.4 million).

21.2 Finance leases

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

CHF 1000	Land	Buildings	Equipment	Total
Acquisition cost	5 896	53 807	6 099	65 802
Accumulated depreciation	–	(20 509)	(4 682)	(25 191)
Balance at 31 December 2009	**5 896**	**33 298**	**1 417**	**40 611**
Additions 2009	–	–	–	–
Reclassification	–	–	–	–
Acquisition cost	4 972	45 374	–	50 346
Accumulated depreciation	–	(18 610)	–	(18 610)
Balance at 31 December 2010	**4 972**	**26 764**	**–**	**31 736**
Additions 2010	–	–	–	–
Reclassification	–	–	(837)	(837)

Financial leases for land and buildings include Charles Vögele Group's distribution centres in Lehrte and Sigmaringen in Germany, as well as in Kalsdorf in Austria. Furnishings and fittings relating to the warehouses and offices of these locations are included in leased assets and classified as "Equipment". The reclassifications in the financial year 2010 are related to terminated lease contracts of warehouse fixtures and fittings and IT-systems which were transferred to property. In 2009, there were no additions or disposals.

22 Financial assets

CHF 1000	**31.12.2010**	31.12.2009
Investments	115	115
Loans	644	485
Total financial assets	**759**	**600**

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 at 1 January 2009			
Acquisition cost	72 919	25 664	98 583
Accumulated depreciation	–	(15 439)	(15 439)
Net book amount at 1 January 2009	**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 at 31 December 2009			
Acquisition cost	72 919	26 992	99 911
Accumulated depreciation	–	(17 134)	(17 134)
Net book amount at 31 December 2009	**72 919**	**9 858**	**82 777**
Year 2010			
Opening net book amount	72 919	9 858	82 777
Effect of exchange rates	–	–	–
Additions	–	3 834	3 834
Disposals	–	–	–
Depreciations	–	(3 528)	(3 528)
Impairments	–	(674)	(674)
Closing net book amount	**72 919**	**9 490**	**82 409**
Balance at 31 December 2010			
Acquisition cost	72 919	30 489	103 408
Accumulated depreciation	–	(20 999)	(20 999)
Net book amount at 31 December 2010	**72 919**	**9 490**	**82 409**

23.2 Impairment test on goodwill

CHF 1000	**31.12.2010**	31.12.2009
Goodwill share Switzerland	36 728	36 728
Goodwill share Germany	6 520	6 520
Goodwill share Austria	29 671	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)	6.4%	6.6%
Germany:		
– Growth rate of the residual	1.5%	1.5%
– Pre – tax discount rate (WACC)	7.3%	9.2%
Austria:		
– Growth rate of the residual	1.5%	1.5%
– Pre – tax discount rate (WACC)	8.2%	7.7%

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

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

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	129 529	–	–	–	–	129 529
Receivables, advance payments and prepaid expenses	14 361	–	–	–	bline	14 361
Derivative financial instruments	–	–	18 336	–	–	18 336
Financial assets (see Note 22)	644	–	–	115	–	759
Balance at 31 December 2010	**144 534**	**–**	**18 336**	**115**	**–**	**162 985**
Cash and cash equivalents	127 649	–	–	–	–	127 649
Receivables, advance payments and prepaid expenses	14 092	–	–	–	–	14 092
Derivative financial instruments	–	–	4 221	–	–	4 221
Financial assets (see Note 22)	485	–	–	115	–	600
Balance at 31 December 2009	**142 226**	**–**	**4 221**	**115**	**–**	**146 562**

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

25 Short-term financial liabilities

CHF 1000	**31.12.2010**	31.12.2009
Short – term loans	597	–
Short – term lease liabilities (see Note 27)	2 108	3 383
Short – term mortgages (see Note 29)	36 000	–
Total	**38 705**	**3 383**

26 Other liabilities and accruals

CHF 1000	**31.12.2010**	31.12.2009
Sales tax	14 407	19 566
Vouchers	19 335	19 223
Accruals:		
– Personnel expenses	17 205	22 246
– Rental expenses	4 220	5 313
– Other accruals	14 146	17 372
Total	**69 313**	**83 720**

27 Finance lease liabilities

CHF 1000	Residual term < 1 year	Residual term 1 – 5 years	Residual term > 5 years	Total
Lease commitments, gross	3 037	12 634	9 527	25 198
Discounted	(929)	(2 256)	(746)	(3 931)
Balance at 31 December 2010	**2 108**	**10 378**	**8 781**	**21 267**
Lease commitments, gross	4 794	20 040	20 461	45 295
Discounted	(1 411)	(4 941)	(2 457)	(8 809)
Balance at 31 December 2009	**3 383**	**15 099**	**18 004**	**36 486**

CHF 1000	**31.12.2010**	31.12.2009
Disclosure:		
– Short – term financial liabilities (due < 1 year; see Note 25)	2 108	3 383
– Lease liabilities	19 159	33 103
Total	**21 267**	**36 486**

The average discount rate of finance lease commitments amounted to 5.7% (2009: 5.7%).

28 Provisions

CHF 1000	Personnel provisions	Other provisions	Total
Balance at 1 January 2009	**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 at 31 December 2009	**9 434**	**3 376**	**12 810**
Increase	8 225	663	8 888
Usage	(1 022)	(462)	(1 484)
Decrease	(2 055)	(470)	(2 525)
Reclassification	–	–	–
Effect of exchange rates	(1 737)	(497)	(2 234)
Balance at 31 December 2010	**12 845**	**2 610**	**15 455**

CHF 1000	**31.12.2010**	31.12.2009
Disclosure:		
– Short – term provisions	9 254	6 063
– Long – term provisions	6 201	6 747
Total	**15 455**	**12 810**

“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 at 1 January 2009	**110 000**
Repayment of mortgages	(3 500)
Balance at 31 December 2009	**106 500**
Repayment of mortgages	(25 000)
Balance at 31 December 2010	**81 500**

CHF 1000	**31.12.2010**	31.12.2009
Disclosure:		
– Short – term financial liabilities (due < 1 year; see Note 25)	36 000	–
– Mortgages	45 500	106 500
Total	**81 500**	**106 500**

The mortgages reflect long-term fixed-interest bank loans with residual terms of a maximum four years. The average interest rate on mortgages amounted to 3.4% in 2010 (2009: 3.5%).

30 Loans

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).

No credits were used in 2010, therefore the declaration of an average interest rate is not applicable (2009: 1.1%)

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	–	–	40 725	–	40 725
Other liabilities and accruals	–	–	49 978	19 335	69 313
Derivative financial instruments	–	16 499	–	–	16 499
Mortgages	–	–	81 500	–	81 500
Loans	–	–	–	–	–
Balance at 31 December 2010	**–**	**16 499**	**172 203**	**19 335**	**208 037**
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 at 31 December 2009	**–**	**4 255**	**218 923**	**19 223**	**242 401**

32 Share capital

The share capital of Charles Vögele Holding AG comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.50 each.

The Board of Directors is authorized 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 (conditional capital, Art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in management share option plan (please also refer to note 35.1). The Board of Directors can also increase the share capital at any time up to 14 April 2012 by a maximum of CHF 2.8 million through the issue of max. 800 000 shares with a par value of CHF 3.50 each. Increases in instalments are also allowed. Restrictions on or removal of shareholders' subscription rights are allowed in the cases defined in the Articles of Association (authorized capital, Art. 5bis Articles of Association). The complete latest edition of Charles Vögele Holding AG's articles of association can be viewed on the company's website at www.charles-voegele.com at any time.

33 Treasury shares

As of 31 December 2010, treasury shares comprise 436 143 shares (31 December 2009: 434 907) 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

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

For the financial year 2010, the Board of Directors proposes to the Annual Shareholder's Meeting of 13 April 2011, that instead of distributing a dividend, the par value of Charles Vögele Holding AG shares should be reduced by CHF 0.50 per share. These financial statements do not reflect this par value reduction.

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 at 1 Jan. 2010	Number of granted options	Number of expired options	Number of exercised options	Number of outstanding options at 31 Dec.2010	Exercise price in CHF	Duration until	Vesting period until
2010	–	103 644	–	–	103 644	42.85	2015	2013
2009	118 700	–	(14 379)	–	104 321	39.50	2014	2012
2008	94 175	–	(9 942)	–	84 233	65.05	2013	2011
2007	76 173	–	(152)	–	76 021	119.00	2012	2010
2006	81 242	–	–	–	81 242	90.00	2011	2009
2005	64 617	–	(64 617)	–	–	95.55	2010	2008
Total	**434 907**	**103 644**	**(89 090)**	**–**	**449 461**			

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

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

	2010 Weighted average exercise price in CHF	**2010 Number of options**	2009 Weighted average exercise price in CHF	2009 Number of options
Balance at 1 January	**76.72**	**434 907**	**86.18**	**413 541**
Granted options	42.85	103 644	39.50	118 700
Expired options	83.14	(89 090)	68.48	(94 334)
Exercised options	–	–	41.05	(3 000)
Balance at 31 December	**67.64**	**449 461**	**76.72**	**434 907**
Exercisable at 31 December	**100.13**	**157 263**	**92.46**	**145 859**

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

Granting year of tranche	Exercise period	Number of exercised options	Weighted average share price during exercise period in CHF
–	–	–	–
Total 2010		**–**	
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 449 461 options outstanding on 31 December 2010 was 34 months (previous year 434 907 options and 36 months). Exercise prices ranged between CHF 39.50 and CHF 119.00 per option (previous year: between CHF 39.50 and CHF 119.00).

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

Tranche	Share price at granting day in CHF	Expected volatility	Risk – free interest rate	Expected dividend yield	Fair value per option in CHF
19.08.2010	44.00	39.73%	0.87%	1.99%	11.47
21.08.2009	40.00	48.53%	1.39%	1.72%	12.48
22.08.2008	61.80	35.99%	2.96%	1.71%	14.93
23.08.2007	117.50	30.55%	3.01%	1.71%	27.12
26.08.2006	90.00	35.96%	2.49%	1.73%	23.39
29.08.2005	93.00	34.01%	1.57%	1.51%	20.40

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 11.47 (previous year CHF 12.48).

During the year under review CHF 1.3 million (previous year CHF 1.7 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 31 December 2010, future commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 177.9 million (31 December 2009: CHF 136.2 million). At 31 December 2010, letters of credit not included in the balance sheet amounted to CHF 25.1 million (31 December 2009: CHF 31.2 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

At 31 December 2010, open forward foreign exchange contracts for cash flow hedges were as follows: CHF 138.0 million (previous year: CHF 199.7 million) for purchase of merchandise in USD and to cover the exchange rate risks for purchasing merchandise for the following year's collection; CHF 143.2 million (previous year CHF 255.7) to hedge intra-Group deliveries of goods in EUR to sales organizations in the eurozone.

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

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

Movement in valuation differences not affecting income statement

CHF 1000	Equity
Balance at 1 January 2009	
Valuation financial instruments before tax	(7 271)
Deferred tax	1 091
Valuation financial instruments net of tax at 1 January 2009	**(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 at 31 December 2009	567
Change in deferred tax	(1 176)
Valuation net of tax at 31 December 2009	**482**
Closing balance at 31 December 2009	
Valuation financial instruments before tax	567
Deferred tax	(85)
Valuation financial instruments net of tax at 31 December 2009	**482**
Year 2010	
Opening balance	482
Disposal through purchase of goods recognized in cost of goods in income statement	(567)
Valuation of outstanding financial instruments at 31 December 2010	(3 232)
Change in deferred tax	570
Valuation financial instruments net of tax at 31 December 2010	**(2 747)**
Closing balance at 31 December 2010	
Valuation financial instruments before tax	(3 232)
Deferred tax	485
Valuation financial instruments net of tax at 31 December 2010	**(2 747)**

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 5.1 million as of 31 December 2010 (31 December 2009: profit of CHF 0.4 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	**31.12.2010**	31.12.2009
Maturity < 1 year	154 654	180 070
Maturity 1 – 5 years	416 539	494 241
Maturity > 5 years	160 986	224 308
Total	**732 179**	**898 619**

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
2010	Number of members at 31 December 2010	4	4	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000[1]	783	4 417	5 200
	Number of Management options	17 200	39 300	56 500
	Value of Management options in CHF 1 000[3]	196	451	647
2009	Number of members at 31 December 2009	4	4	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000[2]	819	3 868	4 687
	Number of Management options	17 200	49 300	66 500
	Value of Management options in CHF 1 000[3]	216	615	831

[1] Salary of the timely overlap from six months between the employment and resignation of two members of Group Management is included.
[2] Salary of the timely overlap from three months between the employment and resignation of two members of Group Management is included.
[3] Valuation: fair value according IFRS, details see page 48.

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

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

[1] Valuation: fair value according IFRS, details see page 48.
[2] Fees from Retailize BV.

2009 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[4]	–	–	41	–	41
Total payments 2009 to the remaining members of the Board of Director's	**307**	**231**	**200**	**159**	**897**

2009 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 Director's, excluding consultancy fees	**77**	**49**	**25**	**28**	**179**
Consultancy fees[5]	–	119	–	–	119
Total payments 2009 to the resigned members of the Board of Director's	**77**	**168**	**25**	**28**	**298**

[1] Bernd H. J. Bothe was Chairman until 1 April 2009. After his resignation Alain Caparros took over the position.
[2] Dr. Felix R. Ehrat was Vice – Chairman until 1 April 2009. After his resignation Hans Ziegler took over the position.
[3] Valuation: fair value according IFRS, details see page 48.
[4] Fees from Retailize BV.
[5] Fees from Bär & Karrer AG until 1 April 2009.

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

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

[1] Salary of the timely overlap from six months between the employment and resignation of two members of Group Management is included.
[2] Private used (tax value: 9.6% of acquisition value).
[3] Valuation: fair value according IFRS, details see page 48.

2009 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 used (tax value: 9.6% of acquisition value).
[3] Valuation: fair value according IFRS, details see page 48.

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

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

[1] Valuation: according to Swiss tax rules.

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%	0.20%	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 Group Management's shareholdings pursuant to the Swiss Code of Obligations (CO)

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

[1] Valuation: according to Swiss tax rules.

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.

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 2 March 2011. There were no significant post balance sheet events. The 2010 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 2 March 2011, are published on 8 March 2011, and presented to the Annual Shareholders' Meeting on 13 April 2011, for approval.

42 Structure of the Charles Vögele Group as of 31 December 2010

Company		ISO code	Share/ Partnership capital
Charles Vögele Holding AG Freienbach SZ, CH Holding		CHF	30 800 000
100%	**Charles Vögele Trading AG** Freienbach SZ, CH Central services	CHF	10 000 000
100%	**Charles Vögele Store Management AG** Freienbach SZ, CH Central services (dormant)	CHF	250 000
100%	**Cosmos Mode AG** Freienbach SZ, CH Central services	CHF	100 000
100%	**Mac Fash GmbH** Freienbach SZ, CH Central services (dormant)	CHF	20 000
100%	**Charles Vögele Import GmbH** Lehrte, DE Central services	EUR	25 000
100%	**Charles Vögele Fashion (HK) Ltd.** Hong Kong, HK Central services	HKD	100 000
100%	**Charles Vögele Mode AG** Freienbach SZ, CH Sales organization	CHF	20 000 000
100%	**Charles Vögele Deutschland GmbH** Sigmaringen, DE Sales organization	EUR	15 340 000
100%	**Charles Vögele (Netherlands) B.V.** Utrecht, NL Sales organization	EUR	1 000 200
100%	**Charles Vögele (Belgium) N.V.** Turnhout, BE Sales organization	EUR	10 063 906
100%	**Charles Vögele (Austria) GmbH** Kalsdorf, AT Sales organization	EUR	1 453 457[1)]
100%	**Charles Voegele trgovina s tekstilom d.o.o.** Ljubljana, SI Sales organization	EUR	667 668
100%	**Charles Voegele Polska Sp. z o.o.** Warschau, 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.** Prag, CZ Sales organization	CZK	30 000 000

Changes in the scope of consolidation, see Note 2.5.
1) Change of legal form.

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

> Report of the statutory auditors on the consolidated financial statements

As statutory 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 57), for the year ended 31 December 2010.

> Board of Directors' Responsibility

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

> Auditor's Responsibility

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

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

> Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010, 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.

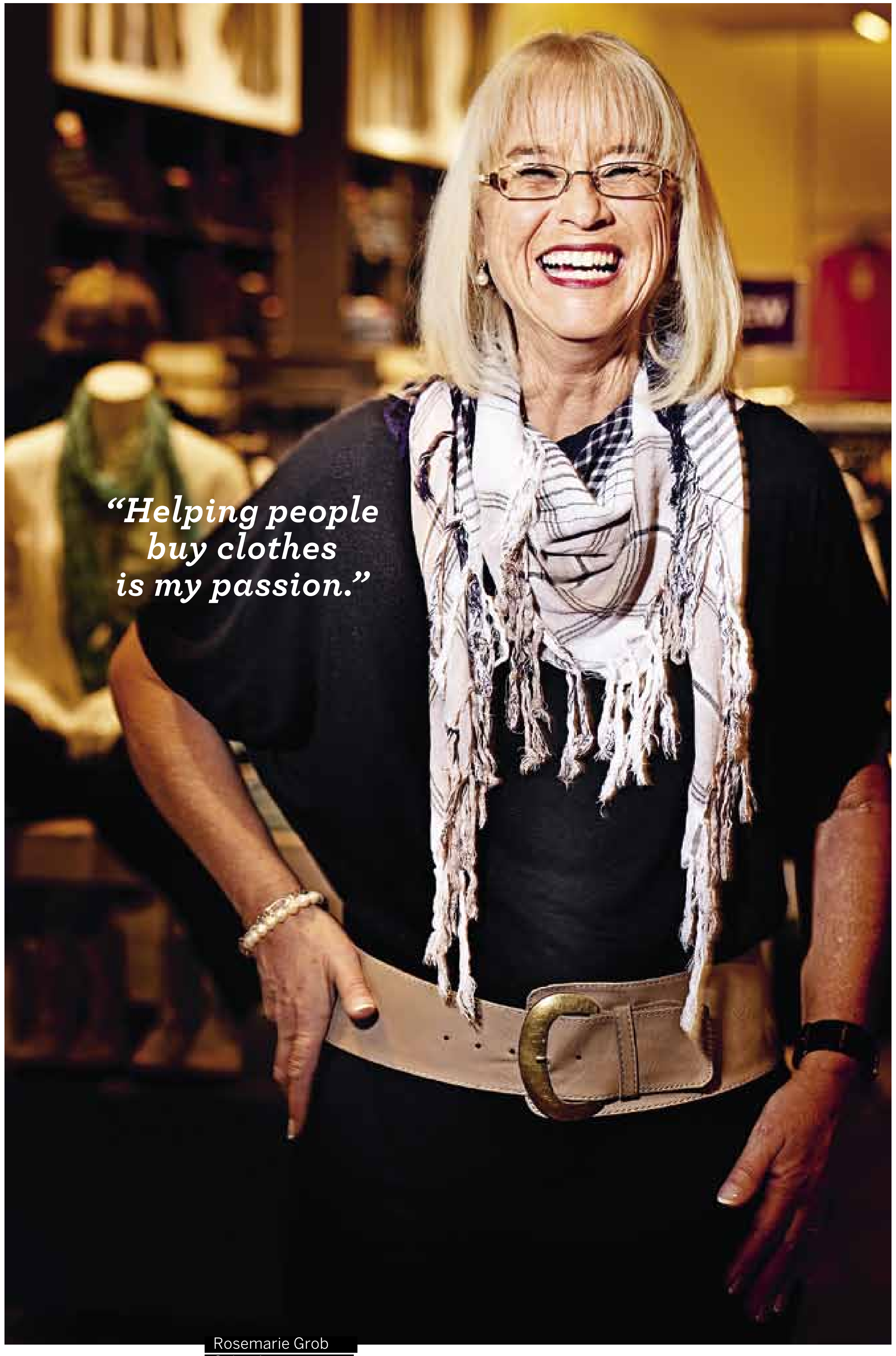
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Sandra Boehm Uglow Auditor expert	Adrian Steinmann Auditor expert
Auditor in charge	

Zurich, 2 March 2011



Rosemarie Grob
Sales Associate

CONTENT

Income statement	62
Balance sheet	63
Notes to the financial statements	64
1 Basis for the financial statements	64
2 Financial income and expenses	64
3 Impairment of loans to subsidiaries	64
4 Cash and cash equivalents	64
5 Receivables from and liabilities to subsidiaries	64
6 Investments	64
7 Equity	64
8 Movement in treasury shares	65
9 Major shareholders	65
10 Contingent liabilities	66
11 Pledged assets	66
12 Board of Directors and Group Management: total payments and shareholdings	66
13 Risk assessment according to the Swiss Code of Obligations	66
Proposed appropriation of retained earnings	67
Report of the statutory auditor	68
Share information	70
Financial calendar/contacts	71

From 1 January to 31 December

INCOME STATEMENT HOLDING

CHF 1000	Note	2010	2009
Income			
Dividends		70 000	1
Financial income	2	12 000	12 955
Total income		**82 000**	**12 956**
Expenses			
Administration expenses		(1 994)	(2 196)
Financial expenses	2	(6 866)	(7 181)
Impairment of loans to subsidiaries	3	(5 460)	(6 472)
Exchange loss, net		(63 943)	(2 199)
Total expenses		**(78 263)**	**(18 048)**
Profit/(loss)/ before income tax		**3 737**	**(5 092)**
Tax expenses		(20)	(19)
Net profit / (loss) of the year		**3 717**	**(5 111)**

At 31 December

BALANCE SHEET HOLDING

CHF 1000	Note	31.12.2010	31.12.2009
Assets			
Current assets			
Cash and cash equivalents	4	8 819	13 939
Receivables from subsidiaries	5	36 790	38 267
Other receivables and prepaid expenses		27	87
Total current assets		**45 636**	**52 293**
Long – term assets			
Loans to subsidiaries	5	304 241	373 015
Investments	6	601 485	582 912
Total long – term assets		**905 726**	**955 927**
Total assets		**951 362**	**1 008 220**
Liabilities and shareholders' equity			
Short – term liabilities			
Accounts payable third parties		21	63
Accounts payable subsidiaries	5	583 540	644 248
Accrued liabilities		237	62
Current tax liabilities		17	17
Total short – term liabilities		**583 815**	**644 390**
Shareholders' equity			
Share capital	7	30 800	30 800
Legal reserves to contribution of capital	7	173 789	–
Other legal reserves	7	–	173 789
Free reserves		110 000	110 000
Reserve for treasury shares	8	30 268	33 784
Retained earnings:			
– Retained earnings at 1 January		15 457	20 924
– Decrease/(Increase) of reserve for treasury shares		3 516	(356)
– Net profit of the year		3 717	(5 111)
Total retained earnings		22 690	15 457
Total shareholders' equity		**367 547**	**363 830**
Total liabilities and shareholders' equity		**951 362**	**1 008 220**

NOTES TO THE FINANCIAL STATEMENTS

1 Basis for the financial statements

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

The financial statements are presented in accordance with Swiss law.

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

2 Financial income and expenses

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

The remaining share capital comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.50 per share.

The CHF 173.8 million disclosed as other legal reserves in previous years originate completely from capital contributions provided after 31 December 1996. According to the effectual capital contribution principle, from 1 January 2011 on these capital contributions will be disclosed separately within the equity.

The explanations about the statutory designated conditional and authorized capital increases can be found in the notes to the consolidated financial statements (see note 32).

8 Movement in treasury shares

		Price in CHF	Number of shares
Treasury shares at 31 December 2008			**417 641**
Purchase of treasury shares by Charles Vögele Trading AG	August 2009	39.36	17 266
Treasury shares at 31 December 2009			**434 907**
Disposal of treasury shares by Charles Vögele Trading AG	April 2010	49.98 – 53.07	(2 525)
Purchase of treasury shares by Charles Vögele Trading AG	October 2010	49.70	3 761
Treasury shares at 31 December 2010			**436 143**

For the holdings of treasury shares in the Charles Vögele Group as of 31 December 2010, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 30.3 million (31 December 2009: CHF 33.8 million).

9 Major shareholders

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

Shareholders	**Share of capital as of 31.12.2010**[1]	Share of capital as of 31.12.2009[1]	As announced on
Migros – Genossenschafts – Bund, Zürich, Schweiz	22.06%	10.33%	3.12.2010
Bestinver Gestion S.G.I.I.C. S.A., Madrid, Spain	9.95%	10.30%	7.12.2010
Classic Global Equity Fund, Triesen, Liechtenstein	9.3%[2]	9.3%[2]	28.03.2002
Sterling Strategic Value Ltd., Tortola, British Virgin Islands	4.79%	4.79%	2.04 2009
UBS Fund Management (Switzerland) AG, Basel, Switzerland	<3%	3.07%	22.01.2010

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

10 Contingent liabilities

CHF 1000	31.12.2010	31.12.2009
Rental- and other guarantees to third parties	23 474	29 078
Guarantees to financing banks	355 572	384 359

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.

At 31 December 2010

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes to the Annual Shareholders' Meeting of 13 April 2011, to carry forward the retained earnings of CHF 22.7 million.

CHF 1000	
Retained earnings at 31 December 2010	22 690
Balance to be carried forward	**22 690**

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

The Board of Directors proposes to the Annual Shareholders' Meeting of 13 April 2011, that instead of distributing a dividend, the par value of Charles Vögele Holding AG shares is reduced by CHF 0.50 per share, from CHF 3.50 to CHF 3.00 per share.

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

> Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Charles Vögele Holding AG, which comprise the income statement, balance sheet and Notes (pages 62 to 66), for the year ended 31 December 2010.

> 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 31 December 2010, 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

Sandra Boehm Uglow Auditor expert	Adrian Steinmann Auditor expert

Auditor in charge

Zurich, 2 March 2011

		31.12.2010	31.12.2009
Bearer shares	Number	8 800 000	8 800 000
Par value (reduction decided on 1 April 2009)	CHF	3.50	3.50
Share price as per closing date	CHF	53.70	37.00
Share price:			
– year high	CHF	57.50	48.05
– year low	CHF	35.70	28.00
Average trading volume per day	Number	13 837	19 692
Free float[1]	%	78	90
Basic earnings per share	CHF	2.12	(1.64)
P / E ratio	Factor	25.3	(22.60)
EV / EBITDA	Factor	4.1	4.8
Stock capitalization	CHF mil.	473	326
Book value per share	CHF	54	55
Reduction of par value of shares[2]	CHF	0.50	–

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

Share performance

Price performance of Charles Vögele Holding AG bearer shares from 1 January 2010 to 18 February 2011:

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

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

13 APRIL 2011
GENERAL MEETING OF SHAREHOLDERS
BUSINESS YEAR RESULTS 2010

23 AUGUST 2011
MEDIA AND ANALYST CONFERENCE
HALF-YEAR RESULTS 2011

6 MARCH 2012
MEDIA AND ANALYST CONFERENCE
BUSINESS YEAR RESULTS 2011

4 APRIL 2012
GENERAL MEETING OF SHAREHOLDERS
BUSINESS YEAR RESULTS 2011

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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