

Half-year financial statements 2010



Disclaimer

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All statements made in this presentation that do not refer to historical facts are future-oriented statements which offer no guarantee of future performance. They are subject to risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal requirements, market conditions, activities by competitors and other factors outside the company's control.

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- Outlook



Operational review of the first half of 2010

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Key Information

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Positive operating profit despite difficult Operating conditions

- Gross sales 4% below prior-year level after currency adjustments
- Sales of new collections up 4% after currency adjustments
- Operating costs reduced by another CHF 346 million
- Positive operating earnings (EBIT) of CHF 4 million despite decline in sales
- Negative currency effects take CHF 4 million off net result (CHF – 7 million).
- Solid balance sheet structure with low net debt (CHF 18 million) and high equity ratio of 63%



Frank Beeck (CSO)

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Playing in the Champions League of vertical retailers

Frank Beeck (43), Master of Finance & Commercial Diploma, Chief Sales Officer since July 2010

2006 – 2010: Country Manager at Mango for
7 countries in Europe

2004 – 2006: General Manager Europe at Koton

1993 – 2003: Various functions at Windsor, Eduard
Kettner and Peek & Cloppenburg



Executive Committee

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Charles Vögele rounds out its Executive Committee

André Maeder

Chief Executive Officer (CEO)



Markus Voegeli

Chief Financial Officer (CFO)

Werner Lange

Chief Purchasing Officer (CPO)



Frank Beeck

Chief Sales Officer (CSO)

2nd tier of management

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Strengthening the 2nd tier of management

Andreas Hink

VP Group E-Commerce (since 1 February 2010)

Michael Fenzl

VP Group Visual Merchandising (since 1 April 2010)

Matthias Freise

VP Group Sourcing (since 1 April 2010)

Rudolf Scheben

VP Group Marketing (since 1 July 2010)



Merchandise Organization

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International specialists strengthen Merchandise Organization

- Expertise enhanced by the addition of internationally known industry specialists from René Lezard, Hugo Boss, Dolce & Gabbana, Tom Tailor, Esprit, French Connection, Tally Weijl, Gap and Allsaints
- Competence teams for design, collection, sourcing and stock control

>> Building up competence and increasing efficiency



Strategy

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Improve image

- Reduce old stock
- Make marketing more emotional
- Modernize store design
- Sharpen the brand profil
- Improve fashion credentials

Build up verticalization

- Refocus the organisational structure
- Centralize and simplify processes
- Double the rhythm of collection release

Optimize expansion

- Exploit potential in the main markets
- Improve locations and floorspace productivity
- Close unprofitable stores



Measures

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Image	Verticalization	Expansion
<ul style="list-style-type: none"> • Testimonials Penélope and Mónica Cruz • Title sponsor of the Charles Vögele Fashion Days Zurich 2010 • New store design concept • New visual merchandising • Expand range of accessories 	<ul style="list-style-type: none"> • Development of procurement network in Asia • Restructuring of Merchandise Organization • Centralization of Merchandise Management • Centralization of logistics • Double the frequency of collections • Increasing design competence 	<ul style="list-style-type: none"> • Expansion in main markets: Switzerland, Germany and Austria • Location and floorspace optimizations • Streamlining the portfolio • E-commerce • New store formats

Communicated goals

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Implemented measures

- ☒ Fresh, innovative advertising since autumn 2009
- ☒ State-of-the-art store design concept tailored to target groups since spring 2010
- ☒ Work started on doubling production to 8 collections per year
- ☒ Proportion of NOS doubled to 15%
- ☒ Careful expansion of accessories and lingerie lines
- ☒ Sell-off target of 85% achieved

Ongoing measures

- ☐ Time from collection production to presentation in stores reduced by 4 weeks
- ☐ Entry into e-commerce from autumn 2010, "go live" from spring 2011
- ☐ Growth opportunities with smaller formats
- ☐ Exploiting expansion potential
- ☐ Continued verticalization

Old stock

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Old stock reduced

- Inventories at record low level after old stock is reduced
- All old stock storage facilities closed
- Measures to avoid another build-up of old stock:
 - Centralization of merchandising
 - Dynamic discount management
 - Process optimization

>> Sell-off target of 85% achieved



Store design concept

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New store design concept successfully launched

- All new openings use new concept (25 stores)
- Flagship store opened in Zurich
- Flagship store being converted in Berne
- New visual merchandising, new decoration

>> Stores using the new design have performed better

















Marketing

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Marketing emotionalized

- New, dynamic website
- Image campaign
- TV ads on air in spring 2010
- Penélope and Mónica Cruz are new brand ambassadors for Charles Vögele
- Title sponsor of the Charles Vögele Fashion Days Zurich 2010

>> Charles Vögele's revitalized look



Restructured markets

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4 regions led by 4 General Managers

- **New Benelux Region**
 - Merger of Netherlands and Belgium Sales Organizations in March 2010
- **New CEE Region (Central & Eastern Europe)**
 - Merger of the Austria/Slovenia and CEE (Czech Republic, Hungary and Poland) Sales Organizations in June 2010
- Switzerland and Germany remains as they were

>> More flexible structures and exploitation of synergies



Expansion

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Streamlining of store portfolio

	1.1.2010	—	+	30.6.2010
Switzerland	169	1	0	168
Germany	314	11	5	308
CEE*	208	6	6	208
Benelux	166	7	1	160
Group total	857	25	12	844

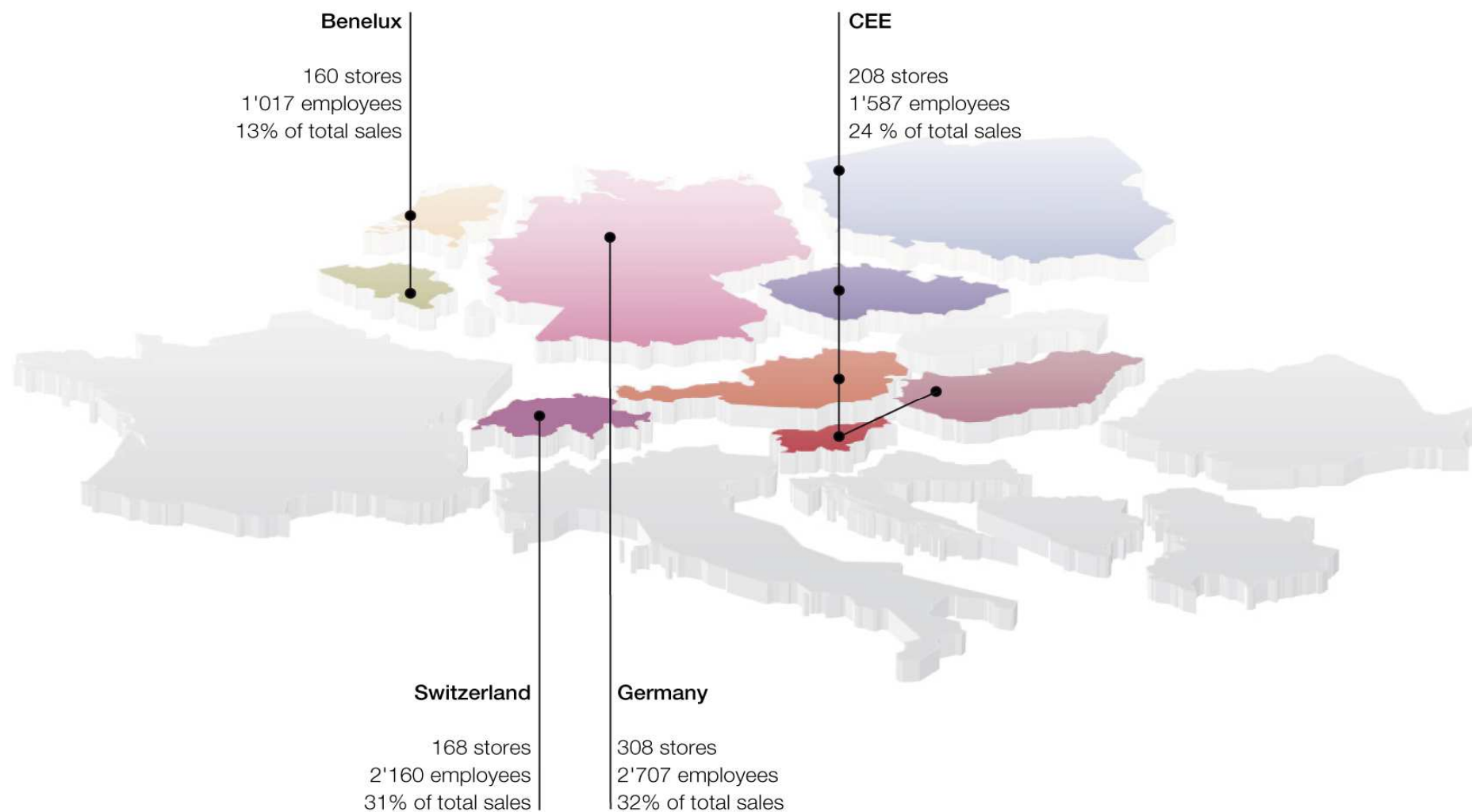
* CEE Region now includes Austria, Slovenia, Poland, the Czech Republic and Hungary.

>> Focus on closing cash burners and increasing floorspace productivity



Markets (30 June 2010)

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Half-year financial statements 2010

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Income statement

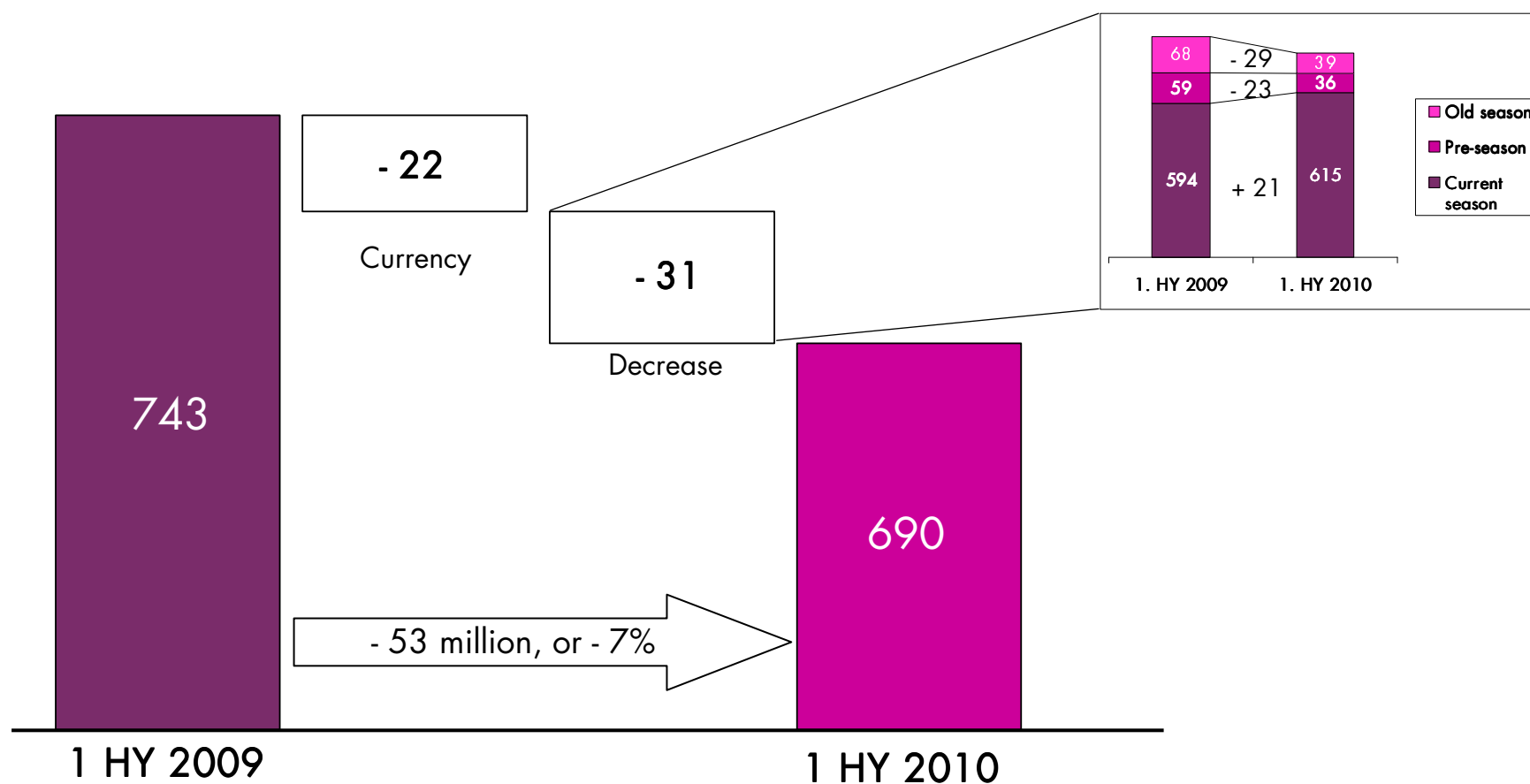
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in CHF m	1 HY 2010	1 HY 2009	Δ	Δ%
Gross sales	690	743	- 53	- 7%
Net sales	584	631	- 47	- 7%
Gross profit	381	395	- 14	- 4%
Gross profit margin	65.3%	62.7%		
Operating expenses	- 346	- 357	- 11	- 3%
EBITDA	35	38	- 3	- 8%
EBITDA margin	6.0%	6.0%		
EBIT	4	7	- 3	- 43%
EBIT margin	0.7%	1.0%		
Financial expenses	- 6	- 3	- 3	
Net result	- 7	- 2	- 5	

Group gross sales (in CHF m)

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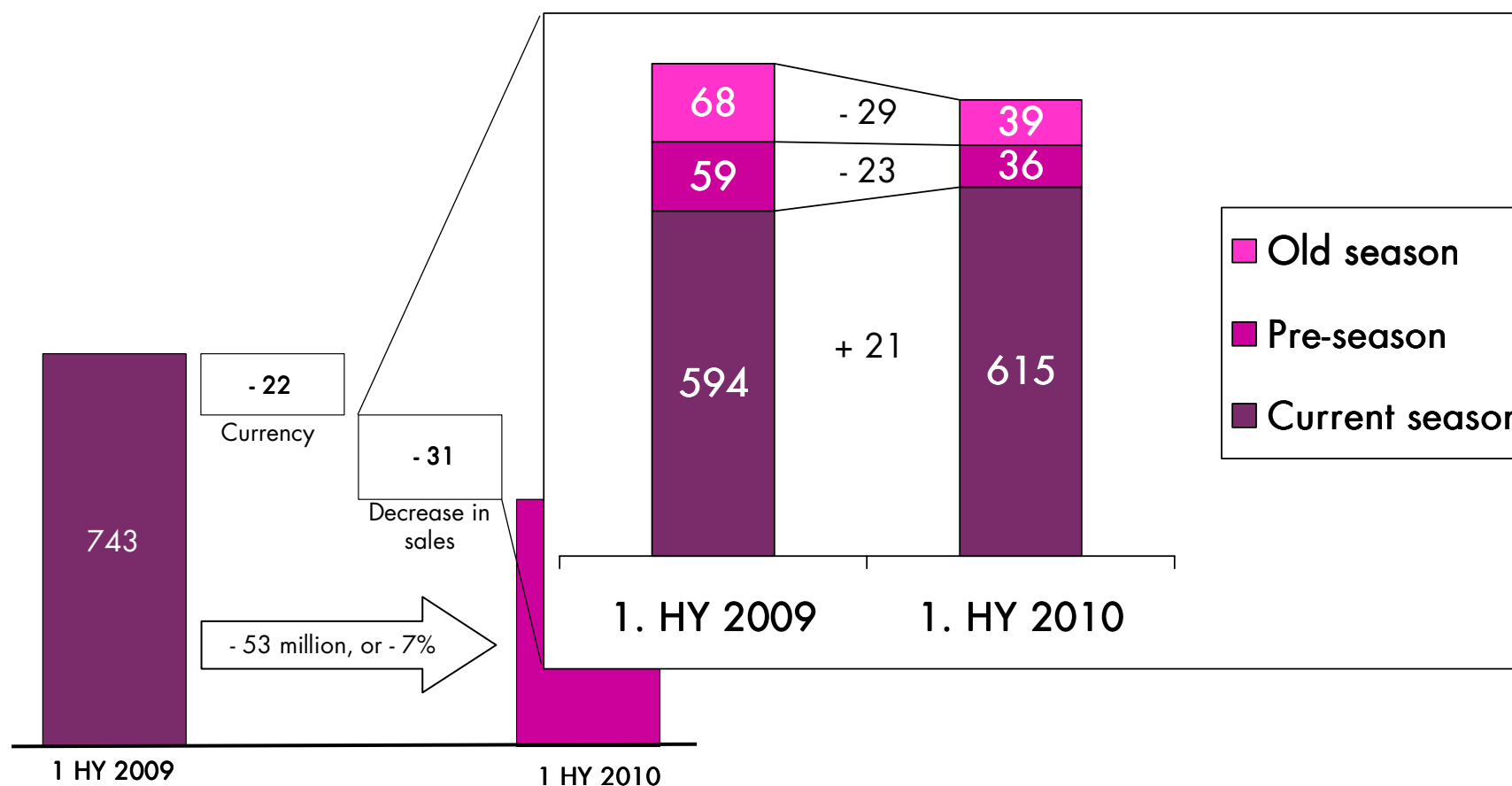
Currency influences and less attractive old stock eat into gross sales



Group gross sales (in CHF m)

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Current seasons could only compensate for some of the decline in old stock sales

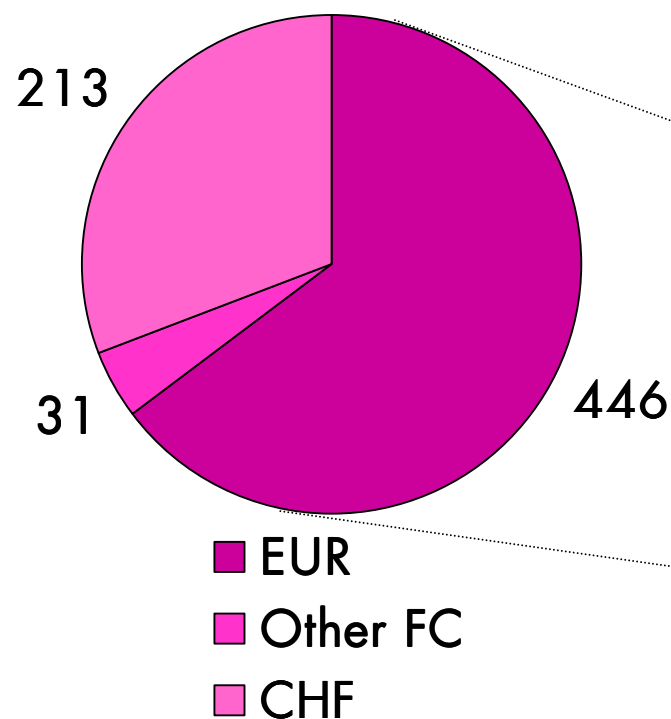


Effect of exchange rates on gross sales

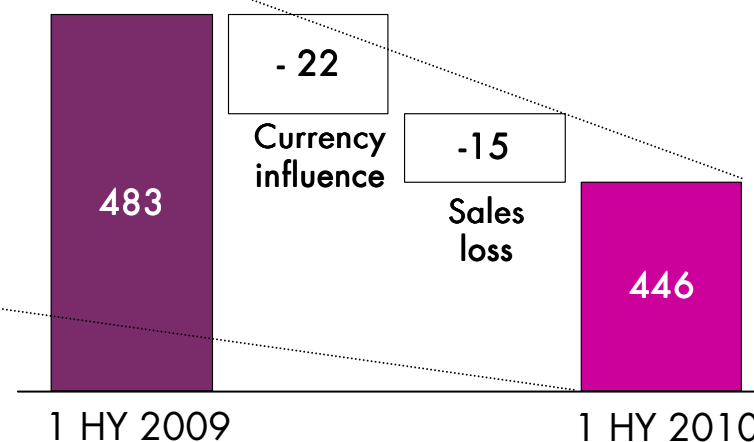
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More than 2/3 of gross sales hurt by continued weakness of euro

Group total:
CHF 690 m



EUR m	320	310
EUR rate	1.51	1.44

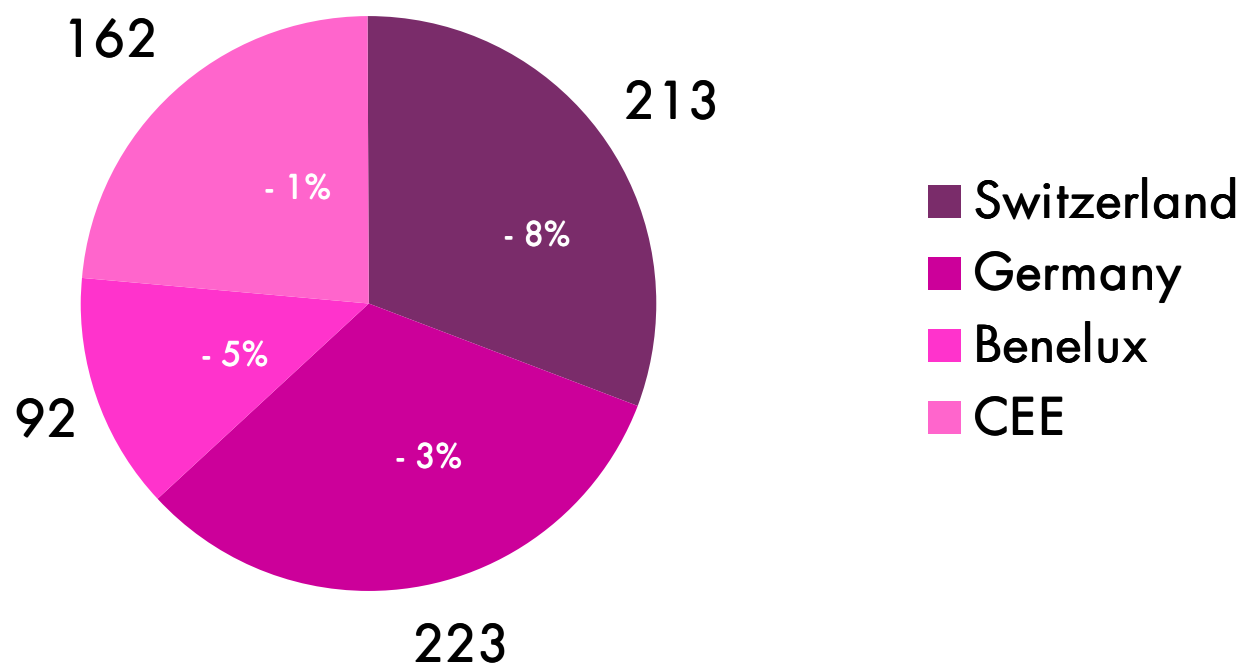


Gross sales by region (in CHF m)

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CEE and Germany slightly, Switzerland and Benelux clearly below last year

Group total:
CHF 690 m



Percentages: currency-adjusted change on previous year

Gross sales by region (in CHF m)

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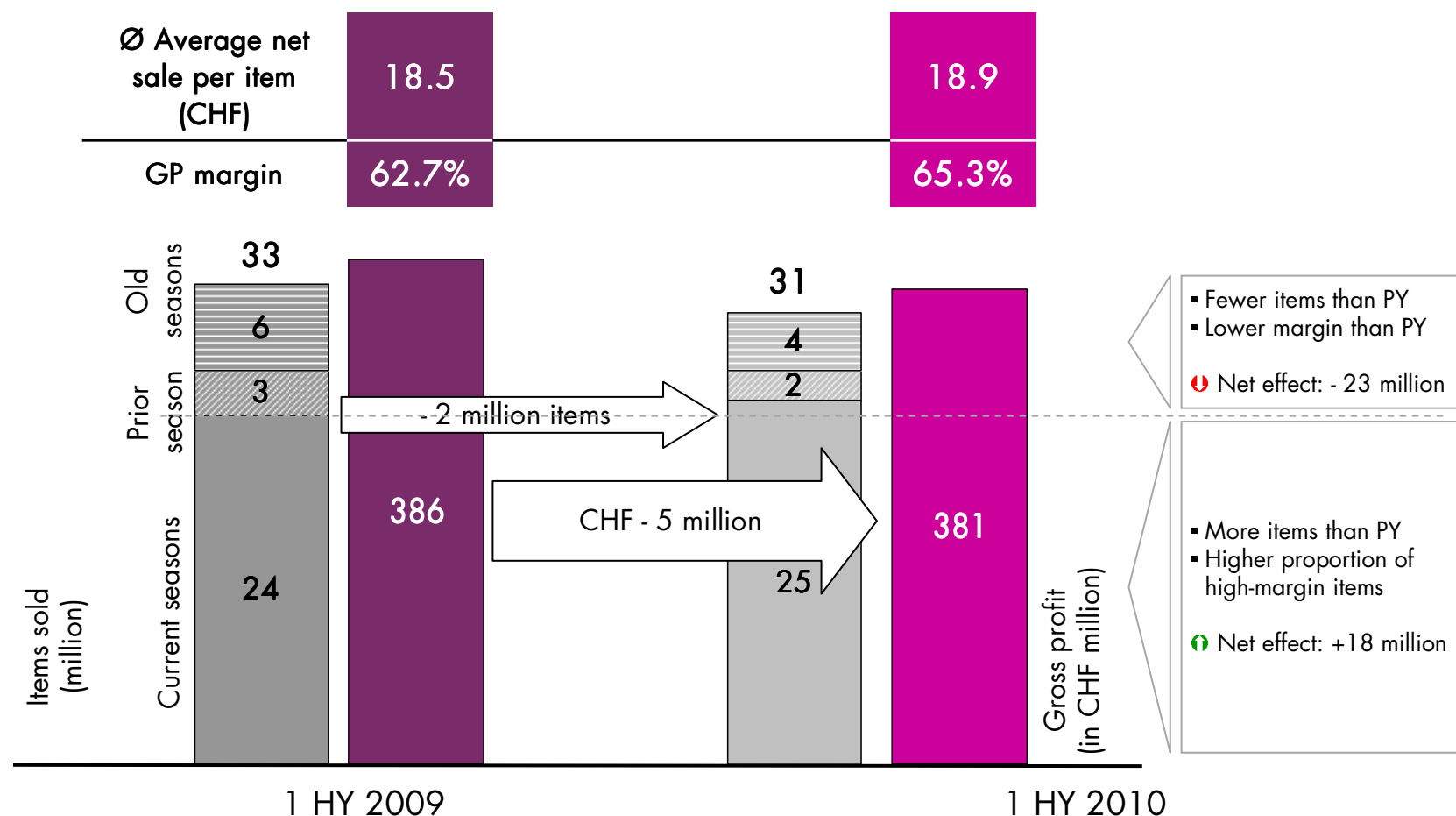
Old stock hurting the organization for the last time in 1st half of 2010

in CHF m	1 HY 2010	1 HY 2009	Delta Total	Delta Breakdown	Remarks
Switzerland	213	231	- 18	<ul style="list-style-type: none"> ▪ FX: 0 ▪ Like-for-like: - 19 ▪ Exp. (net): +1 	<ul style="list-style-type: none"> ▪ Lack of January sales revenue ▪ Temporary store closures (conversions) ▪ Intensified image measures having medium-term effect
Germany	223	241	- 18	<ul style="list-style-type: none"> ▪ FX: - 11 ▪ Like-for-like: - 5 ▪ Exp. (net): - 2 	<ul style="list-style-type: none"> ▪ Ongoing consolidation of store portfolio
Benelux	92	102	- 10	<ul style="list-style-type: none"> ▪ FX: - 5 ▪ Like-for-like: - 5 ▪ Exp. (net): +/- 0 	<ul style="list-style-type: none"> ▪ Political uncertainty hurts consumer confidence in NL
CEE	162	169	- 7	<ul style="list-style-type: none"> ▪ FX: - 6 ▪ Like-for-like: - 4 ▪ Exp. (net): +3 	<ul style="list-style-type: none"> ▪ Economic crisis in Hungary ▪ Expansion in Hungary and Poland
Group total	690	743	- 53	<ul style="list-style-type: none"> ▪ FX: - 22 ▪ Like-for-like: - 33 ▪ Exp. (net): +2 	<ul style="list-style-type: none"> ▪ Weak euro hurts sales in European markets

Gross profit (currency-adjusted)

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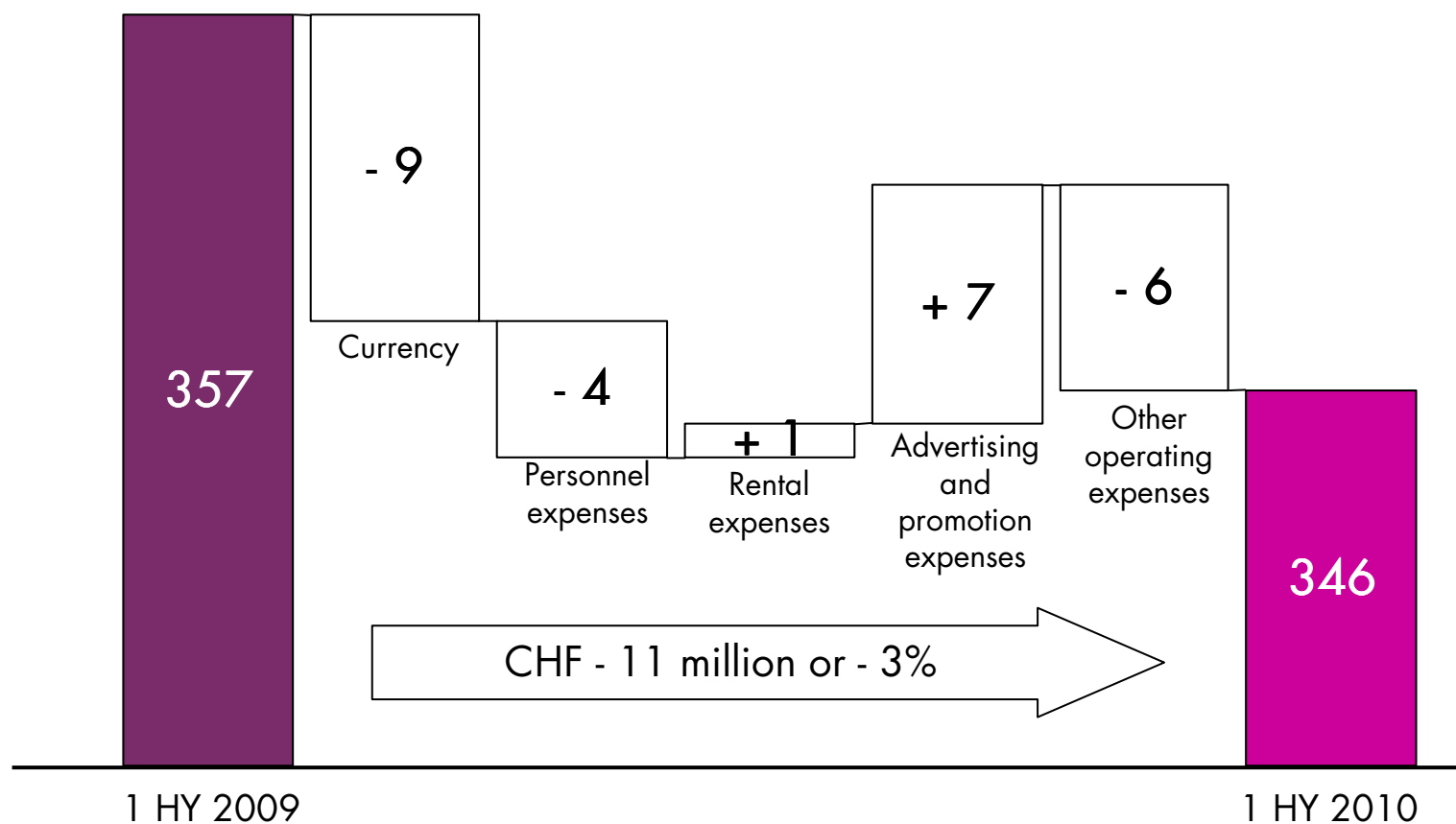
Slight decline despite improved margins



Operating costs (in CHF million)





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Weak euro helps on costs side



Currency management

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in CHF m	1 HY 2010	Currency influence	
Gross sales	690		• Currency movements have a direct effect on sales figures
Net sales	584		
Gross profit	381		• USD and EUR hedging on goods
Gross profit margin	65.3%		
Operating costs	- 346		• Natural hedging (~80%)
EBITDA	35		
EBITDA margin	6.0%		
EBIT	4		
EBIT margin	0.7%		
Financial expenses	- 6		• Other currency influences on balance sheet positions not relating to goods
Net result	- 7		

Overview of regions (in CHF m)

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EBITDA margin at prior-year level

in CHF m		1 HY 2010	1 HY 2009	Remarks
Switzerland	Gross sales	213	231	<ul style="list-style-type: none"> EBITDA margin maintained thanks to lower costs and improved age structure of goods Streamlining of store structure in Germany and Austria Switzerland still biggest earner
	EBITDA	33	35	
Germany	Gross sales	223	241	
	EBITDA	2	4	
Benelux	Gross sales	92	102	
	EBITDA	- 2	0	
CEE	Gross sales	162	169	
	EBITDA	2	-1	
Group total	Gross sales	690	743	
	EBITDA	35	38	

Overview of EBIT to net profit (in CHF m)

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Negative currency influences pull down financial result

in CHF m	1 HY 2010	1 HY 2009	Δ	Remarks
EBIT In % of net sales	4 0.7%	7 1.0%	- 3	▪ Depreciation at prior-year level
Financial expenses	- 2	- 4	+ 2	▪ Financial expense reduced thanks to lower net debt
Currency difference	- 4	+1	- 5	▪ FX losses in unhedged currencies (HUF, PLN, CZK) CHF 2 million ▪ FX losses on financial positions in eurozone CHF 2 million
Taxes	- 5	- 6	+ 1	▪ Large difference in results (EBT) between the national companies
Net result In % of net sales	- 7 - 1.2%	- 2 - 0.4%	- 5	

Key balance sheet figures

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Reduction in committed capital shores up equity ratio

in CHF m	30.06.10	31.12.09	Δ
Inventories	144	173	- 29
Tangible fixed assets	374	400	- 26
Net debt	18	15	+3
Total assets	752	818	- 66
Equity ratio	63%	59%	

Capital spending (in CHF million)

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Focus on store design and Zurich flagship

in CHF m	1 HY 2010	1 HY 2009	Δ	Δ%	Remarks
Store openings	7	10	- 3	- 30%	▪ Fewer openings
Renovations	14	7	+7	+100%	▪ Main focus on Switzerland (flagship ZH, pilot stores)
Infrastructure/Projects	6	11	- 5	- 45%	▪ Information systems ▪ Other
Total capital spending	27	28	- 1	- 4%	

Free cash flow

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Free cash flow practically at break-even

in CHF m	1 HY 2010	1 HY 2009	Δ
Net cash flow from operating activities	16	65	- 49
-> of which change in NWC	5	32	- 27
Net cash flow from investment activities	- 18*	- 27	+ 9
Free cash flow	- 2	38	- 40

* This includes CHF +9 million of divestments (Swiss property no longer needed for operations)

Outlook

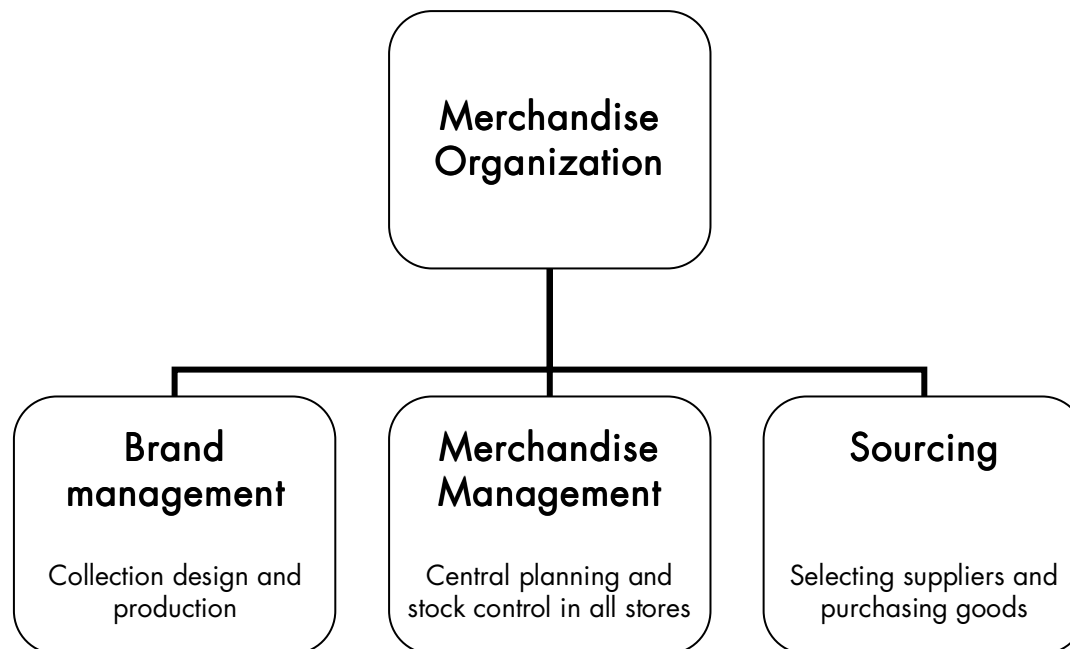
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Restructuring of Merchandise Organization

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Focus on competences



>> Reorganization complete by end-2010



Merchandise Management

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Centralization of Merchandise Management on track

- International Merchandise Management Team from November 2010
- New structure for Casa Blanca and lingerie since May 2010
- Stock control focused on themes and floorspace productivity

>> Reorganization complete by end-2010



Supply chain management

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Efficient distribution of goods

- Storage merged into three regional distribution centres (RDC)
- Goods prepared for sale in RDCs
- Distribution via distribution hubs

>> Gradual implementation by end-2012



Additional ranges: lingerie and underwear

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Own lingerie and underwear collections for the first time

- Playful, trendy collections from Biaggini and Casa Blanca
- Sexy looks for women and men
- Night wear for comfort and dreaming

>> From mid-September in 500 stores









Testimonials

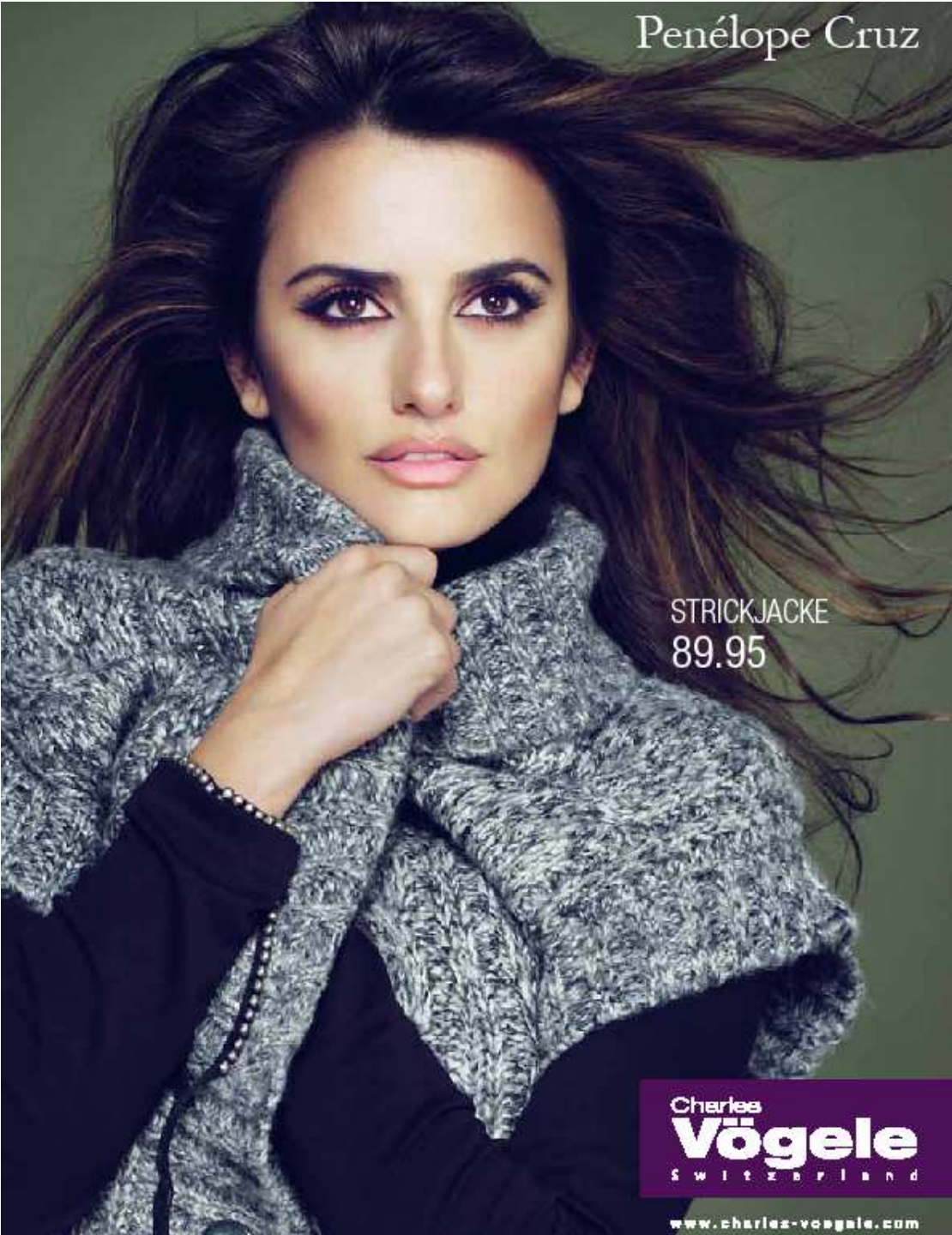
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Perfect fit for Charles Vögele

- Announcement of Penélope and Mónica Cruz as testimonials gets great response:
 - Two internationally very famous Europeans
 - Equally well liked by women and men, natural personalities
 - Great knowledge of fashion
 - Have the skills to develop their own collections
 - Target group has great affinity to film and TV

>> Overall brand campaign with the Cruz sisters from September 2010



A portrait of Penélope Cruz with long, dark, wavy hair blowing in the wind. She is wearing a thick, grey, textured knit jacket over a black top. She is looking directly at the camera with a slight smile. The background is a solid, muted green color.

Penélope Cruz

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Mónica Cruz

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"Biaggini Violett" collection

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Eagerly awaited collection

- Penélope and Mónica Cruz are developing their own collection with Charles Vögele's Brand Management team under the "Biaggini Violett" brand.
- Full collection to be launched in spring 2011
- 40-piece collection
- Priced about 20% higher than Biaggini

>> Party and cocktail collection from November 2010 in 100 stores



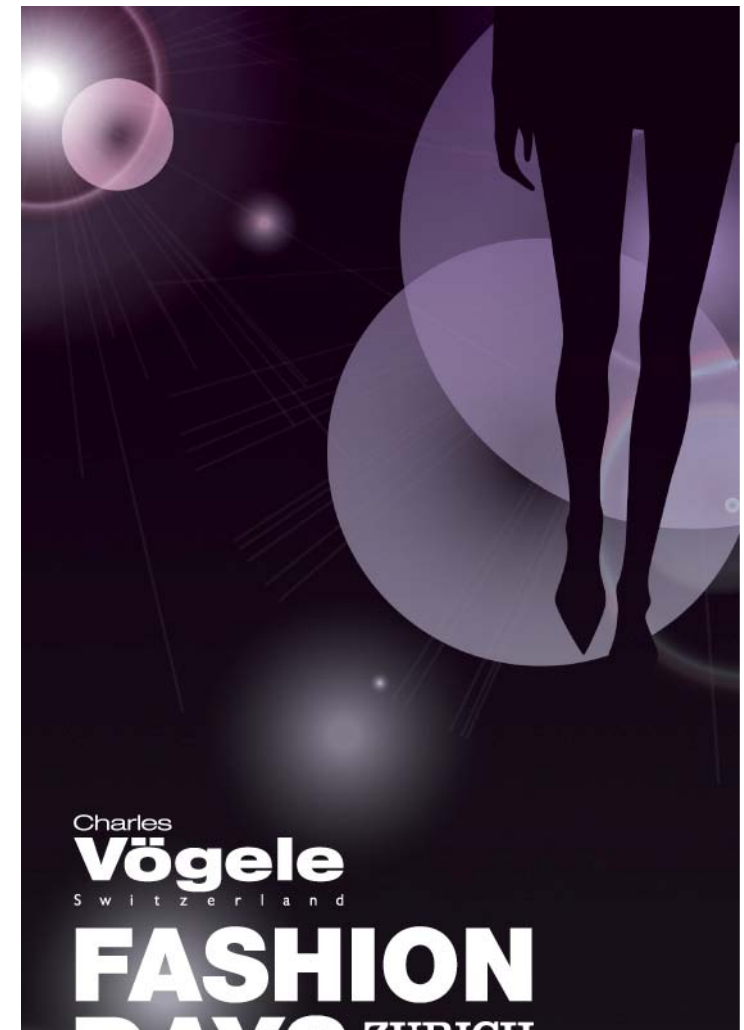
Charles Vögele Fashion Days Zurich

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Fashion Show – also open to the general public

- International top designers have agreed to participate
- "Fashion Days Model Challenge" docu-soap starts on Pro7 Schweiz in mid-September 2010
- Opening night on 3 November 2010 with fashion shows from Casa Blanca, Biaggini Violetta and the new lingerie collection

>> Charles Vögele Fashion Days Zurich runs from 3 to 6 November 2010



E-commerce

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24/7 Charles Vögele

- Online shop for Switzerland, Germany and Austria; starting with Casa Blanca and Lingerie
- Key functions of merchandising & marketing: in-house
- All other functions, e.g. logistics, call centre, and customer service: external

>> Going live in spring 2011



Expansion

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Focus on streamlining the portfolio

- Location and floorspace optimizations
- Cash burners to be closed
- Expansion to focus on stores of 700 – 800 m²
- Evaluation of smaller formats

>> From 2011: expansion of portfolio in main markets



Outlook

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- Difficult market environment
- Unstable procurement markets
- Unfavourable exchange rates
- Positive net result expected at end-year

>> Medium-term goal: EBITDA margin of 10%



2010/2011 reporting

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Media and analysts conference on the 2010 financial statements 8 March 2011

Annual Shareholders' Meeting 2010 13 April 2011

Media and analysts conference on the 1st half of 2011 23 August 2011

Thank you for your attention

