

MEDIA RELEASE

Half-year results 2010

Positive operating results 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 to 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
- Solid balance sheet structure

In the first half of 2010 results were adversely affected by the sell-off of remaining old stock and by negative currency effects. Operating costs were reduced again. Operating earnings (EBIT) was CHF 4 million. A positive net result is expected for the year as a whole.

Pfaffikon SZ, 23 August 2010 – Charles Vögele Group, one of Europe's leading vertical fashion companies, posted a 4% fall in sales after currency adjustments for the first half of 2010. Thanks to a higher gross margin, foreign exchange rate hedging and a strict cost management, the EBITDA margin was maintained at 6.0%. After deducting depreciation, EBIT operating earnings came in at CHF 4 million. The net result was CHF – 7 million.

Sales hurt by clear-out of old stock and negative currency effects

Gross sales fell from CHF 743 million to CHF 690 million. As expected, selling off the remaining old stock proved difficult, but by making further price concessions it was possible to clear most of it. This process took up valuable sales space and resources; but happily, sales of new stock went up 4% after adjusting for currency movements. The store portfolio was also streamlined during the half-year under review: 12 new stores were opened, while 25 were closed. At the end of June the company had a portfolio of 844 stores. Around two-thirds of Charles Vögele Group's sales markets are in the euro zone. The continued weakness of the euro in particular reduced the sales figure by CHF 22 million, or 3%. After currency adjustment, gross sales fell by 4%.

Operating costs reduced again

Ongoing restructuring measures had a particularly noticeable effect on distribution logistics. Around CHF 10 million was saved by reducing inventories of old stock. Advertising spend was reduced temporarily in 2009 owing to the clear-out of old stock, but was increased again by CHF 7 million in the first half of 2010 as a result of the more emotionalized marketing campaign. This brought it back to the level of previous years. The currency effect accounted for CHF 9 million. Overall operating costs were reduced by a further CHF 11 million to CHF 346 million.

Higher financial costs put pressure on results

Thanks to a higher gross margin, foreign exchange rate hedging and a strict cost management, the EBITDA margin was maintained at 6.0%. After deducting depreciation, this left a positive operating result (EBIT) of CHF 4 million, which is CHF 2.5 million lower than the year-back figure. Despite lower net debt, net financial costs rose because of CHF 4 million of negative currency effects. The net result of CHF – 7 million was slightly below the prior-year figure. This was due to the major clear-out of old stock, unfavourable exchange rates and the ongoing restructuring process.

Balance sheet structure remains solid

The equity ratio rose from 59% to 63%. Net debt, at CHF 18 million, was practically unchanged on the end-2009 figure. Inventories were cut to a record low of CHF 143 million, mainly thanks to the further reduction of old stock. This not only assures the Group's financial flexibility, but also clears the way for implementation of its new strategy.

3-pillar strategy

The strategic review conducted by the Board of Directors and Group Management revealed a need for action on three fronts: image, verticalization and expansion. Based on insights from this review, a 3-pillar strategy was formulated:

1. **Improve image:** reduce old stock, make marketing more emotional, modernize store design, sharpen the brand profile and improve fashion credentials.
2. **Build up verticalization:** refocus the organizational structure, centralize and simplify processes and double the rhythm of collection release.
3. **Optimize expansion:** exploit potential in the main markets, improve locations and floorspace productivity, close unprofitable stores.

1. Measures to improve the image

During the half-year under review, various measures were taken to make the company's marketing more emotional: Charles Vögele is about to launch its own lingerie and underwear collection, the new store design has been introduced successfully, and two international stars, Penélope and Mónica Cruz have become brand ambassadors. In addition, the company is now the title sponsor of Charles Vögele Fashion Days Zurich.

2. Verticalization measures

The merchandise organization has been split into three areas: Brand Management, Merchandise Management and Sourcing. The teams have been strengthened by the addition of international specialists. Thanks to faster and more efficient processes, the frequency of new collections can be doubled from 4 to 8 a year. Logistics are being centralized in stages up to the end of 2012 in order to ensure efficient distribution. The sales markets have been divided into four regions: Switzerland, Germany, CEE (Austria, Slovenia, Hungary, Czech Republic and Poland), and Benelux.

3. Expansion measures

A top priority during the half-year under review was to streamline the store portfolio. Further locations will be optimized by the end of this year in order to increase floorspace productivity. From 2011 onwards, expansion activities will be accelerated in the main markets of Switzerland, Southern and Western Germany and Austria.

Changes in the 1st and 2nd tiers of management

The Board of Directors has appointed Frank Beeck as the new Chief Sales Officer. In his function as Member of Group Management he has been responsible since July 2010 for managing all sales channels. The second tier of management has also been strengthened by the addition of e-commerce, visual merchandising, sourcing and marketing experts with extensive industry knowledge.

Outlook

Changes in organizational and process structures are well underway and will continue until 2012. In the transition phase the measures introduced will have a positive effect mainly on costs. Owing to the current streamlining of the portfolio and adjustments to the company's image, improvements on the earnings side will only become evident in the medium term. The first signs of recovery on sales markets are appearing. However, the market environment remains difficult. The situation is made

even harder by unfavourable exchange rates, especially in the euro zone. The situation in the Asian procurement markets is also unstable. A positive net result is expected for the year as a whole, and an EBITDA margin of 10% is expected in the medium term.

Charles Vögele Group is one of Europe's leading vertical fashion companies. It offers the latest fashions at great prices to people in the prime of their lives who want to feel good. With attractively presented goods, combined with friendly, knowledgeable advice, it creates a relaxed and enjoyable shopping experience. Charles Vögele has branches in nine countries: Switzerland, Germany, Austria, Slovenia, the Netherlands, Belgium, Hungary, the Czech Republic and Poland. In 2009, the Group generated gross sales of CHF 1.5 billion with approximately 7,800 employees. Charles Vögele Holding AG's shares are quoted on the SIX Swiss Exchange (securities number: 693 777).

The 2010 half-year report is available at www.charles-voegele.com/en/group-information/investor-relations/publications. Following the media and analysts conference on August 24, the presentation will be available at the above mentioned link.

Disclaimer

All statements made in this media release 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. The original language is German.

Financial calendar	Date
Media and analysts conference half-year financial statements 2010	August 24, 2010
Media and analysts conference annual results 2010	March 8, 2011
Annual shareholders' meeting fiscal year 2010	April 13, 2011
Media and analysts conference half-year financial statements 2011	August 23, 2011

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