

Charles Vögele Group

Financial Statements 2002

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Charles Vögele Group

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Consolidated Balance Sheet

as of December 31st

in 1 000	Note	31.12.2002 EUR	31.12.2002 CHF	31.12.2001 CHF
Assets				
Current assets				
Cash and cash equivalents	3	101 824	147 909	86 568
Other receivables and advance payments	4	22 516	32 707	49 509
Inventories	5	239 165	347 411	448 415
Total current assets		363 505	528 027	584 492
Long-term assets				
Tangible assets: Land and buildings	6	139 962	203 309	206 455
Equipment		164 781	239 361	253 178
Facilities under construction		366	532	1 048
Total tangible assets		305 109	443 202	460 681
Financial assets: Investments	7	117	170	170
Other financial assets		966	1 403	1 535
Total financial assets		1 083	1 573	1 705
Intangible assets	8	122 552	178 019	195 118
Deferred tax assets	25	21 583	31 351	45 496
Total long-term assets		450 327	654 145	703 000
Total assets		813 832	1 182 172	1 287 492
Liabilities and shareholders' equity				
Current liabilities				
Bank overdrafts		0	0	18 603
Other short-term financial liabilities	9	73 013	106 059	284 954
Trade payables		30 693	44 584	44 749
Other liabilities and accruals	10	58 150	84 468	82 215
Current tax liabilities		18 141	26 351	22 750
Total current liabilities		179 997	261 462	453 271
Long-term liabilities				
Lease liabilities	11	44 003	63 919	61 053
Provisions	12	10 930	15 877	10 921
Deferred tax liabilities	25	35 068	50 940	58 588
Mortgages	13	46 537	67 600	72 400
Loans	14	235 545	342 152	246 664
Total long-term liabilities		372 083	540 488	449 626
Shareholders' equity				
Share capital		60 581	88 000	88 000
Treasury shares		(389)	(565)	(533)
Share premium reserve		119 640	173 789	173 789
Reserve for valuation of financial instruments		(12 608)	(18 315)	(4 030)
Retained earnings		94 528	137 313	127 369
Total shareholders' equity		261 752	380 222	384 595
Total liabilities and shareholders' equity		813 832	1 182 172	1 287 492

Consolidated Income Statement

from January 1st to December 31st

in 1000	Note	2002 EUR	2002 CHF	2001 CHF
Gross sales	15	1 165 440	1 709 933	1 859 551
Reductions in sales	16	(144 069)	(211 378)	(228 885)
Net sales	15	1 021 371	1 498 555	1 630 666
Cost of sales		(452 935)	(664 546)	(850 428)
Gross profit		568 436	834 009	780 238
In % of net sales			55.7	47.8
Personnel expenses	17	(214 119)	(314 155)	(308 830)
Rent expenses	18	(125 102)	(183 549)	(171 789)
Advertising and promotion expenses		(70 803)	(103 882)	(120 626)
Operating and administration expenses	19	(67 368)	(98 843)	(99 100)
Operating property income, net	20	1 165	1 709	1 638
Operating financial income		20 539	30 135	37 039
Other operating income	21	0	0	8 547
Total operating expenses		(455 688)	(668 585)	(653 121)
EBITDA¹⁾		112 748	165 424	127 117
In % of net sales			11.0	7.8
Depreciation	22	(36 416)	(53 429)	(57 579)
Amortization of goodwill	8	(10 105)	(14 826)	(20 083)
EBIT²⁾		66 227	97 169	49 455
In % of net sales			6.5	3.0
Other financial income	23	858	1 259	720
Other financial expenses	24	(27 731)	(40 687)	(38 203)
Non-operating property net income		(49)	(72)	(124)
EBT³⁾		39 305	57 669	11 848
In % of net sales			3.8	0.7
Taxes	25	(28 470)	(41 771)	(11 040)
Net income		10 835	15 898	808
In % of net sales			1.1	0.0
Earnings per share (undiluted)	26	1.23	1.81	0.09
(diluted)	26	1.20	1.76	0.09

¹⁾ Earnings before depreciation and amortization, interest and taxes

²⁾ Earnings before interest and taxes

³⁾ Earnings before taxes

Auditors

Notes

Cash Flow and
Changes in Equity

Balance Sheet and
Income Statement

Consolidated Cash Flow Statement

from January 1st to December 31st

in 1 000	Note	2002 EUR	2002 CHF	2001 CHF
Earnings before interest and taxes (EBIT)		66 227	97 169	49 456
Adjustments: Depreciation and amortization		46 521	68 255	77 662
Profit on disposal of assets		(273)	(400)	(74)
Long-term provisions		3 809	5 588	4 887
Operating profit before changes in working capital		116 284	170 612	131 931
Change in short-term receivables, advance payments and prepaid expenses		5 213	7 648	41 831
Change in inventories		64 905	95 229	(2 467)
Change in current liabilities		(8 349)	(12 249)	(11 195)
Operating profit after changes in working capital		178 053	261 240	160 100
Financial income received		858	1 259	720
Financial expenses paid		(25 946)	(38 068)	(35 979)
Taxes paid		(17 139)	(25 147)	(57 221)
Non-operating income received/(paid)		61	90	38
Cash flow from operating activities		135 887	199 374	67 658
Investments in intangible assets		(1 398)	(2 051)	(2 762)
Investments in tangible assets		(23 391)	(34 319)	(85 537)
Disposals of tangible assets		3 963	5 815	4 265
Investments in financial assets		(65)	(95)	(174)
Disposals of financial assets		136	200	200
Accrual of net cash out of acquisition Kien Group	8	0	0	(110 322)
Net cash used in investing activities		(20 755)	(30 450)	(194 330)
Change in bank loans: Additions		308 411	452 500	98 664
Repayments		(358 959)	(526 664)	(30 000)
Change in finance lease liabilities		(3 385)	(4 966)	(3 412)
Purchase of treasury shares		(22)	(32)	0
Change in long-term provisions		(303)	(444)	(508)
Change in mortgages	13	(3 272)	(4 800)	(300)
Dividends paid		0	0	(26 355)
Net cash (used in)/received from financing activities		(57 530)	(84 406)	38 089
Net increase/(decrease) in cash and cash equivalents		57 602	84 518	(88 583)
Net cash and cash equivalents at the beginning of the period		45 882	67 965	155 123
Effect of exchange rate changes		(1 660)	(4 574)	1 425
Net increase/(decrease) in cash and cash equivalents		57 602	84 518	(88 583)
Net cash and cash equivalents at the end of the period	27	101 824	147 909	67 965

Consolidated Statement of Changes in Group Equity

in CHF 1 000	Share capital	Treasury shares	Share premium reserve	Retained earnings	Valuation financial instruments	Total
Balance 1.1. 2001	88 000	(533)	173 789	164 489	0	425 745
Net income 2001				808		808
Effect of exchange rates				(11 573)		(11 573)
Dividends paid				(26 355)		(26 355)
Reserve for valuation of financial instruments					(4 030)	(4 030)
Balance 31.12. 2001	88 000	(533)	173 789	127 369	(4 030)	384 595
Net income 2002				15 898		15 898
Effect of exchange rates				(5 954)		(5 954)
Dividends paid						0
Recognized through income statement					1 964	1 964
Recognized through purchase of goods					2 066	2 066
Reserve for valuation of financial instruments					(18 315)	(18 315)
Acquisition of treasury shares for management participation		(32)				(32)
Balance 31.12. 2002	88 000	(565)	173 789	137 313	(18 315)	380 222

Share capital

The share capital of Charles Vögele Holding AG consists of 8 800 000 fully paid-in bearer shares at a par value of CHF 10 each.

The articles of Charles Vögele Holding AG include a provision authorizing the Board of directors to make a conditional increase in the share capital by up to CHF 2.64 million, divided into 264 000 fully paid-in bearer shares with a par value of CHF 10 each, without giving rise to any pre-emptive rights by existing shareholders. The shares relating to this increase in conditional capital may only be used for existing or future share option plans for the management (see Note 28 concerning incentive and share ownership plans).

Treasury shares

As of December 31st, 2002, treasury shares comprise 18 314 shares (as of December 31st, 2001: 15 086 shares) held by Charles Vögele Holding AG and expected to be used for additional management participation in the Charles Vögele Group and for other purposes.

Dividend

At the Annual Shareholders' Meeting held on May 16th, 2002, it was decided not to pay a dividend for the 2001 financial year.

A dividend of CHF 3.00 per bearer share of Charles Vögele Holding AG was paid for the financial year 2000. No dividends were paid out on the shares owned by the Company.

Value fluctuation on financial instruments

With the implementation of IAS 39 with effect from January 1st, 2001, changes in the fair value of a highly effective cash flow hedging instrument are recognized directly in shareholders' equity (refer note on financial instruments). Valuation as of December 31st, 2002 comprises the change in fair value of the open cash flow hedges amounting to CHF 21.2 million (CHF 4.6 million as of December 31st, 2001) less deferred taxes of CHF 2.9 million (CHF 0.6 million as of December 31st, 2001).

Notes to the Consolidated Financial Statements

1 Basis of consolidation

1.1 General

The consolidated financial statements are based on the individual financial statements of the Group companies, prepared in accordance with Group guidelines, as of December 31st, 2002.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 2002 issued by the International Accounting Standard Board (IASB).

1.2 Basis of consolidation

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

Consolidation is performed using the purchase method.

The assets and liabilities as well as the income and expenses of the companies in which Charles Vögele Holding AG has a direct or indirect interest exceeding 50% of the voting rights of its share capital or any other form of controlling interest are fully included in the consolidated financial statements. The interest of the minority shareholders in the net assets and the net income is disclosed separately in the consolidated balance sheet and income statement.

Associated companies, minority shareholdings between 20 and 50% of the voting rights, or investments under significant influence from the management of the Charles Vögele Group, are accounted for using the equity method. The share of net assets allotted to the Charles Vögele Group is recorded in the balance sheet under investments. The share of net income of such investments is reflected in the income statement.

Equity interests of less than 20% are recorded under investments and are valued at cost. Any impairment in value is recorded as financial expense.

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

The companies included in the consolidation are disclosed in the Group structure of the consolidated financial statements on page 39.

1.3 Scope of consolidation

Changes in 2001: In 2001 there were no changes in the scope of consolidation. Charles Vögele Fashion (Netherlands) B.V., inactive as of December 31st, 2000, acquired the activities of the Kien Group as of January 1st, 2001.

Changes in 2002: As of October 1st, 2002, Charles Vögele Deutschland (Süd) GmbH, Sigmaringen, was merged with Charles Vögele Deutschland (Nord) GmbH, Lehrte, and renamed Charles Vögele Deutschland GmbH, Sigmaringen.

1.4 Segment reporting

The Group operates in the segments of “sales organizations,” “central services” and “holding companies.” The “sales organizations” segment includes the branches and related logistics. The centralized services of the Group relating to the fashion trade are summarized in the “central services” segment. The major centralized Group services are purchasing, information technology, communications, finance, and accounting. The Group’s finance companies are included under “holding companies.”

The Charles Vögele Group is a centrally managed group with a flat organizational structure operating solely in the fashion trade. The centralization and replication of the concept are fundamental cornerstones of the Group’s strategy. For the correct presentation of the added value resulting from the central services such as the purchasing and information technology departments, the sales organizations are charged with an imputed service mark-up corresponding to a fair market price of 15% on the purchase price of products sold.

1.5 Foreign currency conversion

All assets and liabilities in balance sheets prepared in foreign currencies are converted using year-end exchange rates. Income and expenses in income statements prepared in foreign currencies are converted at average rates of exchange for the year. Differences arising from conversion are allocated directly to retained earnings in the balance sheet. Exchange gains and losses resulting from foreign currency transactions are included in the income statement.

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

2002	ISO-Code	Units	Balance sheet	Income statement
Euro	EUR	1	1.45	1.47
United Kingdom	GBP	1	2.23	2.34
Hong Kong	HKD	1	0.18	0.20
USA	USD	1	1.39	1.56

2001	ISO-Code	Units	Balance sheet	Income statement
Belgium	BEF	100	3.67	3.74
Germany	DEM	100	75.74	77.23
Euro	EUR	1	1.48	1.51
France	FRF	100	22.58	23.03
United Kingdom	GBP	1	2.44	2.43
Hong Kong	HKD	1	0.22	0.22
Italy	ITL	1 000	0.77	0.78
The Netherlands	NLG	100	67.22	68.54
Austria	ATS	100	10.77	10.98
USA	USD	1	1.68	1.69

Foreign currency transactions during the year are converted at the exchange rate prevailing at the date of the transaction.

For the consolidated financial statements, the figures in Swiss francs are relevant. The conversions of the balance sheet and the income statement into Euro are for information purposes only.

1.6 Intangible assets

Intangible assets include goodwill, information technology software (acquired from or developed by third parties; software developed in-house is not included) and added value resulting from the acquisition of locations. The depreciation period is as follows:

Information technology (IT) software	5 years
Goodwill LBO 1997 and goodwill in new markets	20 years
Goodwill in existing markets	5 years

If indications of a value reduction in goodwill arise, a valuation assessment will be performed. In the case of a negative assessment, the goodwill will be adjusted.

1.7 Tangible assets

Other tangible assets are valued at historical cost less straight-line depreciation based on the useful life of the asset. The depreciation periods are as follows:

Operating equipment: Fixtures and fittings	10 years
IT hardware	5 years
Cars	4 years
Trucks	6 years
Low-value items	5 years

Properties: Properties were adjusted to current market values as part of the consolidation as of December 31st, 1997. Buildings are depreciated on a straight-line basis over a period of 40 years. Buildings in leasehold are depreciated over the leasehold period up to a maximum of 40 years.

1.8 Financial instruments

Financial instruments comprise all financial assets (cash and cash equivalents, other receivables and advance payments, and long-term financial assets) and financial liabilities (short- and long-term bank debt, trade payables, other liabilities and accruals, financial leasing and mortgages). Where the fair values of the individual financial assets and financial liabilities are not disclosed separately, these values approximate to the book values shown in the consolidated balance sheet. The fair value is disclosed separately in the notes on the long-term liabilities on the basis of discounted values. The transactions for financial assets are shown against the relevant settlement date.

Transactions with financial instruments may lead to certain financial risks being taken over by the Group or transferred to a third party. The risks for the Charles Vögele Group are limited essentially to risks relating to foreign exchange risk, interest rate risk, credit risk, and liquidity risk. As part of the risk management policies, financial risks – which include both profit and loss risks – are monitored continuously.

1.8.1 Financial risk management

Foreign exchange risk

This risk is based on fluctuations in the foreign exchange rates. In order to manage its foreign exchange risk resulting from the purchase of goods in USD, the Group enters into foreign exchange contracts that are carried out in accordance with the requirements of Group management and financial institutions. The forward exchange contracts comprise nearly 100 % of the foreign currency requirements at the date of the block order based on the forecast purchases. The changes in the fair value resulting from hedging transactions are reflected directly in shareholders' equity. Inventories and accounts receivable are shown in the balance sheet at the exchange rates hedged by these exchange rate transactions (hedging in accordance with the parameters set out in IAS 39). No further foreign exchange contracts for foreign exchange rate risks are entered into.

Interest rate risk

Interest rate risk occurs when market interest rates fluctuate. The Group does not hedge against such risk. Current interest rates and the dates of interest rate adjustment are shown separately in the notes to the individual balance sheet items.

Credit risk

The Group carries a low risk of credit default as the transactions resulting from current business activities are paid mainly in cash or by third-party debit or credit cards. The risks connected with cash payments (money transportation) are low and minimized by the selected partners. Risks resulting from prepayments to suppliers or from claims resulting from faulty delivery of merchandise are taken into account by means of periodic monitoring of the corresponding value adjustments.

Liquidity risk

The Group's refinancing risk is managed by binding long-term partners into its financing activities and considerations. Short- and long-term financing is secured by continuously reviewing funding requirements based on current and future developments. Liquidity risk is reduced through the cash flow generated from trading activities.

Hedging instruments

The Charles Vögele Group determines the required coverage for hedging future cash flow on the basis of the planned transaction volume. Derivative financial instruments are classified as a hedging instrument if:

the hedging transaction covering the related future cash flow is considered highly effective, the effectiveness of the hedge can be reliably measured, the expected future cash flow is highly probable, and there is formal documentation of hedging relationships at the inception of the hedge.

A change in the fair value that qualifies as a highly effective hedge is included directly in the reserve for valuation of financial instruments in shareholders' equity. The change in value of hedging instruments that are no longer effective is recognized at maturity as exchange differences in other financial expenses in the income statement.

When an expected future cash flow previously disclosed as an asset or liability can no longer be realized, any net cumulative gain or loss previously reported in the reserve for valuation of financial instruments in equity is transferred immediately to the income statement.

Any ineffective portion of an effective hedging instrument is recognized in the income statement as exchange gains or losses.

Derivative financial instruments that are not designated as hedging instruments are carried at fair value, with changes in fair value included in the income statement.

1.8.2 Financial assets

Cash and cash equivalents

Cash and cash equivalents are balances from current business activity managed through a Group-wide cash pooling system. Foreign currency positions are valued at the cut-off date of December 31st.

Other receivables and advance payments

Other receivables comprise short-term reclaimable withholding taxes, other tax credits and rent prepayments. Advance payments for textiles from suppliers are shown as prepayments. All values are shown in the balance sheet at nominal value cost or lower fair values.

Financial assets

Financial assets are shown in the balance sheet at historical cost or fair value. The position essentially comprises long-term securities invested as part of the Austrian pension fund.

1.8.3 Financial liabilities

Bank debt

Short-term bank overdrafts: Bank overdrafts are shown as such in the balance sheet. Bank advances and short-term bank loans are shown as other short-term financial liabilities, if the maturity is within 12 months. The short-term bank debt in foreign currency is translated using the year end rate at December 31st.

Long-term bank debt: Bank loans with a maturity date of more than 12 months are valued at amortized cost.

Trade payables

Liabilities resulting from the delivery of stock and services relating to the trading activity are valued at the hedged foreign exchange rate (refer also to "Hedging of foreign exchange rates") or at the year end rate as of December 31st. At the time of payment, cash discounts earned are recognized as operating financial income in the income statement.

Other liabilities and accruals

Financial liabilities include other liabilities only. This position includes credit notes and unpaid value added tax.

Leasing

Financial leasing: Leasing objects that are financed over the useful life of the asset and where ownership is transferred to the Group after expiry of the lease term based on non-cancelable contracts are classified as finance leases under fixed assets. The acquisition costs are depreciated using the straight-line method over the useful life of the asset. The liabilities are stated at the present value of the minimum lease payments. All leasing commitments not included under financial leasing are classified as operating leasing.

Operating leasing: Operating leasing are leases of assets in which substantially all risks and rewards are retained by the lessor. Lease payments under operating leasing are recognized as an expense in the income statement.

Mortgages

These are mortgages on buildings used for the operations and are subsequently carried at amortized cost. The terms of the existing mortgages are extended on a continuous basis and therefore not reclassified under short-term liabilities.

1.9 Inventories

Inventories are valued using the average cost method based on the effective purchase price plus delivery costs, less discounts received. On December 31st, 2001, an inventory valuation system was introduced (see also Note 5) that takes into account the ageing structure of the inventory and will be continued systematically in the future. Foreign currency items are converted at the exchange rate of the day or at the hedged exchange rate of the purchased goods.

1.10 Deferred taxes

The provision for deferred income taxes is calculated using the liability method. The calculation is based on the differences arising between the tax value of assets and liabilities and their values in the consolidated financial statements. The deferred tax liabilities arising from these differences are provided on the basis of future local and individual tax rates. Deferred taxes on future dividends from retained earnings of subsidiaries are also provided.

Realizable deferred tax assets from net operating loss carry-forwards considered realizable in the future are capitalized on the basis of expected future national tax rates as far as they are known.

1.11 Provisions

Provisions are recognized when: a current liability arises based on an event occurring in the past, it is likely that a drain of resources of economic usefulness will occur when the liability is met, the amount of the liability can be assessed reliably.

In case of a significant influence of the interest rate effect the provisions are recognized at the cash value of the expected expenses.

1.12 Employee benefit plans

The Group operates different pension plans based on local practices and regulations of the different countries. Pension plans classified as defined contribution plans are charged to income in the year contributions are made. The obligation and costs relating to pension plans classified as defined benefit plans are determined by actuarial calculations using the projected unit credit method. Actuarial gains and losses are amortized based on the average remaining service period of the employees.

1.13 Advertising

Advertising expenses are recorded affecting the current period result on the publication date of the related advertising in accordance with Group policy.

1.14 Operating financial income

Operating financial income comprises vendor discounts less costs resulting from cash transactions of the stores and bank charges.

1.15 Financial expenses

The cost of interest is recognized directly in the income statement.

2 Segment information

2.1 Financial segment information 2002

in CHF 1 000	Sales organizations	Central services	Holding companies	Consolidation entries	Group
Gross sales	1 709 775	789 104	0	(788 946)	1 709 933
Net sales	1 498 398	789 104	0	(788 947)	1 498 555
EBITDA ¹⁾	90 758	65 502	(2 997)	12 161	165 424
EBITDA in % of net sales	6.1%	8.3%	–	–	11.0%
EBIT ²⁾	34 062	59 424	(2 997)	6 680	97 169
EBIT in % of net sales	2.3%	7.5%	–	–	6.5%
Depreciation, ordinary	45 724	6 078	0	(1)	51 801
Depreciation, extraordinary	1 628	0	0	0	1 628
Amortization of goodwill	9 344	0	0	5 482	14 826
Other non-cash expenses	(76 912)	(31 966)	(18 432)	31 494	(95 816)
Operating assets ³⁾	928 588	210 880	4 482	(146 443)	997 507
Operating liabilities ⁴⁾	243 062	38 031	6 232	(142 396)	144 929
Tangible assets ⁵⁾	433 507	9 695	0	0	443 202
Net investments	36 477	3 761	0	0	40 238
Net sales per m ² (in CHF)	2 647	0	0	0	2 647
Net sales per employee on a full-time basis ⁶⁾	273	0	0	0	263

in CHF 1 000	Switzerland	Germany	Austria	Belgium/ The Netherlands	Total sales organizations
Gross sales	611 741	611 557	292 851	193 626	1 709 775
Net sales	566 849	526 161	243 393	161 995	1 498 398
EBITDA ¹⁾	90 414	137	24 525	(24 318)	90 758
EBITDA in % of net sales	16.0%	0.0%	10.1%	–15.0%	6.1%
EBIT ²⁾	70 515	(21 782)	20 107	(34 778)	34 062
EBIT in % of net sales	12.4%	–4.1%	8.3%	–21.5%	2.3%
Depreciation, ordinary	19 177	16 288	4 398	5 861	45 724
Depreciation, extraordinary	722	625	20	261	1 628
Amortization of goodwill	0	5 006	0	4 338	9 344
Other non-cash expenses	(25 050)	(29 067)	(10 845)	(11 950)	(76 912)
Operating assets ³⁾	356 576	296 514	94 287	181 211	928 588
Operating liabilities ⁴⁾	92 154	74 054	43 856	32 998	243 062
Tangible assets ⁵⁾	223 601	130 190	40 137	39 579	433 507
Net investments	7 042	14 041	15 335	59	36 477
Net sales per m ² (in CHF)	4 682	2 074	2 846	1 530	2 647
Net sales per employee on a full-time basis ⁶⁾	360	251	276	173	273

¹⁾ Earnings before depreciation and amortization, interest and taxes

²⁾ Earnings before interest and taxes

³⁾ Trade receivables, inventories, other receivables without financing characteristics, tangible and intangible assets

⁴⁾ Trade payables, provisions and other payables without financing characteristics

⁵⁾ Tangible assets are included in the position "Operating assets"

⁶⁾ Without apprentices

Financial segment information 2001

in CHF 1 000	Sales organizations	Central services	Holding companies	Consolidation entries	Group
Gross sales	1 859 500	1 044 608	0	(1 044 557)	1 859 551
Net sales	1 630 621	1 044 601	0	(1 044 556)	1 630 666
EBITDA ¹⁾	21 510	116 189	(3 140)	(7 442)	127 117
EBITDA in % of net sales	1.3%	11.1%	–	–	7.8%
EBIT ²⁾	(44 141)	109 660	(3 140)	(12 924)	49 455
EBIT in % of net sales	–2.7%	10.5%	–	–	3.0%
Depreciation, ordinary	41 726	6 529	0	0	48 255
Depreciation, extraordinary	9 324	0	0	0	9 324
Amortization of goodwill ³⁾	14 601	0	0	5 482	20 083
Other non-cash expenses	(57 380)	64 076	12 596	13 690	32 982
Operating assets ⁴⁾	1 043 269	246 495	4 148	(148 602)	1 145 310
Operating liabilities ⁵⁾	241 920	46 576	3 842	(154 454)	137 884
Tangible assets ⁶⁾	449 100	11 581	0	0	460 681
Net investments	188 438	8 262	0	0	196 700
Net sales per m ² (in CHF)	3 115	0	0	0	3 115
Net sales per employee on a full-time basis ⁷⁾	298	0	0	0	289

in CHF 1 000	Switzerland	Germany	Austria	Belgium/ The Netherlands	Total sales organizations
Gross sales	654 451	671 390	296 757	236 902	1 859 500
Net sales	606 345	578 800	247 103	198 373	1 630 621
EBITDA ¹⁾	61 390	(14 827)	15 958	(41 011)	21 510
EBITDA in % of net sales	10.1%	–2.6%	6.5%	–20.7%	1.3%
EBIT ²⁾	32 924	(34 022)	11 475	(54 518)	(44 141)
EBIT in % of net sales	5.4%	–5.9%	4.6%	–27.5%	–2.7%
Depreciation, ordinary	19 913	13 048	4 444	4 321	41 726
Depreciation, extraordinary	8 053	716	39	516	9 324
Amortization of goodwill ³⁾	500	5 431	0	8 670	14 601
Other non-cash expenses	(12 667)	(18 290)	(9 545)	(16 878)	(57 380)
Operating assets ⁴⁾	393 037	343 818	97 545	208 869	1 043 269
Operating liabilities ⁵⁾	74 237	83 837	46 181	37 665	241 920
Tangible assets ⁶⁾	235 699	135 013	32 175	46 213	449 100
Net investments	9 222	46 992	7 945	124 279	188 438
Net sales per m ² (in CHF)	5 215	2 510	3 218	1 989	3 115
Net sales per employee on a full-time basis ⁷⁾	373	275	297	218	298

¹⁾ Earnings before depreciation and amortization, interest and taxes

²⁾ Earnings before interest and taxes

³⁾ Hereof CHF 4.0 million impairment losses on goodwill in the segment Belgium/The Netherlands

⁴⁾ Trade receivables, inventories, other receivables without financing characteristics, tangible and intangible assets

⁵⁾ Trade payables, provisions and other payables without financing characteristics

⁶⁾ Tangible assets are included in the position "Operating assets"

⁷⁾ Without apprentices

2.2 Statistical segment information 2002

	Sales organizations	Central services	Group
Sales stores (number):			
Balance 1.1.2002	744	0	744
New openings	42	0	42
Closures	(11)	0	(11)
Balance 31.12.2002	775	0	775
Sales area (m²):			
Balance 1.1.2002	555 379	0	555 379
New openings ¹⁾	33 095	0	33 095
Closures	(7 151)	0	(7 151)
Balance 31.12.2002	581 323	0	581 323
Employees on an annual basis²⁾: (full-time equivalents)			
Sales	4 555	0	4 555
Warehouse	667	0	667
Purchase/administration	263	204	467
Total	5 485	204	5 689
Total employees²⁾	8 042	245	8 287

	Switzerland	Germany	Austria	Belgium/ The Netherlands	Total sales organizations
Sales stores (number):					
Balance 1.1.2002	148	330	117	149	744
New openings	7	23	11	1	42
Closures	(2)	(7)	0	(2)	(11)
Balance 31.12.2002	153	346	128	148	775
Sales area (m²):					
Balance 1.1.2002	118 292	247 368	82 389	107 330	555 379
New openings ¹⁾	6 822	16 620	9 211	442	33 095
Closures	(1 266)	(4 092)	0	(1 793)	(7 151)
Balance 31.12.2002	123 848	259 896	91 600	105 979	581 323
Employees on an annual basis²⁾: (full-time equivalents)					
Sales	1 245	1 706	761	843	4 555
Warehouse	273	291	69	34	667
Purchase/administration	58	96	52	57	263
Total	1 576	2 093	882	934	5 485
Total employees²⁾	2 500	2 788	1 249	1 505	8 042

¹⁾ Inclusive change in floor space, movements within the same location (shopping centers) and size adjustments

²⁾ Without apprentices

Statistical segment information 2001

	Sales organizations	Central services	Group
Sales stores (number):			
Balance 1.1.2001	576	0	576
New openings	178	0	178
Closures	(10)	0	(10)
Balance 31.12.2001	744	0	744
Sales area (m²):			
Balance 1.1.2001	444 418	0	444 418
New openings ¹⁾	118 817	0	118 817
Closures	(7 856)	0	(7 856)
Balance 31.12.2001	555 379	0	555 379
Employees on an annual basis²⁾: (full-time equivalents)			
Sales	4 542	0	4 542
Warehouse	680	0	680
Purchase/administration	250	173	423
Total	5 472	173	5 645
Total employees²⁾	8 334	209	8 543

	Switzerland	Germany	Austria	Belgium/ The Netherlands	Total sales organizations
Sales stores (number):					
Balance 1.1.2001	142	291	106	37	576
New openings	9	43	13	113	178
Closures	(3)	(4)	(2)	(1)	(10)
Balance 31.12.2001	148	330	117	149	744
Sales area (m²):					
Balance 1.1.2001	113 728	221 088	73 820	35 782	444 418
New openings ¹⁾	6 012	30 980	9 723	72 102	118 817
Closures	(1 448)	(4 700)	(1 154)	(554)	(7 856)
Balance 31.12.2001	118 292	247 368	82 389	107 330	555 379
Employees on an annual basis²⁾: (full-time equivalents)					
Sales	1 301	1 709	703	829	4 542
Warehouse	263	302	79	36	680
Purchase/administration	62	91	51	46	250
Total	1 626	2 102	833	911	5 472
Total employees²⁾	2 654	2 940	1 156	1 584	8 334

¹⁾ Inclusive change in floor space, movements within the same location (shopping centers) and size adjustments

²⁾ Without apprentices

3 Cash and cash equivalents

in CHF 1 000	31.12.2002	31.12.2001
Petty cash, postal account balances and cash at banks	142 510	77 822
Clearing accounts at points of sale	5 399	8 746
Total	147 909	86 568

The average rate of interest on postal account balances and cash at banks was 0.5 % (2001: 0.5 %).

4 Other receivables and advance payments

in CHF 1 000	31.12.2002	31.12.2001
Tax credits: – Reclaimable withholding taxes	53	42
– Other tax credits	3 832	8 414
Various receivables	22 411	23 718
Accruals	3 997	11 493
Work in progress	2 414	2 754
Advance payments for goods	0	3 088
Total	32 707	49 509

5 Inventories

in CHF 1 000	31.12.2002	31.12.2001
Inventories: – Current inventory	410 451	459 225
– Spring/summer upcoming year	33 155	69 585
Inventory valuation adjustment	(96 462)	(80 660)
Heating oil	267	265
Total	347 411	448 415

In the financial year 2002, inventory valuation adjustment was increased by CHF 15.8 million (previous year CHF 53.0 million).

6 Tangible assets

6.1 Change in book values

in CHF 1 000	Land and buildings	Equipment	Facilities under construction	Total
Balance 1.1.2001	207 707	205 457	256	413 420
Effect of exchange rates	(1 136)	(4 241)	(17)	(5 394)
Additions	13 536	96 017	2 097	111 650
Disposals	(3 147)	(4 254)	(981)	(8 382)
Reclassifications/valuation adjustments	0	307	(307)	0
Depreciation, ordinary	(5 372)	(35 917)	0	(41 289)
Depreciation, extraordinary	(5 133)	(4 191)	0	(9 324)
Balance 31.12.2001	206 455	253 178	1 048	460 681
Effect of exchange rates	(914)	(3 211)	(14)	(4 139)
Additions	7 697	34 717	835	43 249
Disposals	(4 281)	(2 542)	(220)	(7 043)
Reclassifications/valuation adjustments	0	1 117	(1 117)	0
Depreciation, ordinary	(5 648)	(42 270)	0	(47 918)
Depreciation, extraordinary	0	(1 628)	0	(1 628)
Balance 31.12.2002	203 309	239 361	532	443 202

6.2 Composition of book values

in CHF 1 000	Land and buildings	Equipment	Facilities under construction	Total
Acquisition cost	281 080	442 680	1 048	724 808
Accumulated depreciation	(74 625)	(189 502)	0	(264 127)
Balance 31.12.2001	206 455	253 178	1 048	460 681
Acquisition cost	276 976	461 242	532	738 750
Accumulated depreciation	(73 667)	(221 881)	0	(295 548)
Balance 31.12.2002	203 309	239 361	532	443 202

The land and buildings are pledged as security for mortgages in favor of third parties amounting to CHF 77.6 million as of December 31st, 2002 (CHF 85.0 million as of December 31st, 2001).

The position "Equipment" includes shop and warehouse fittings, office fixtures and IT equipment.

6.3 Finance leases

The book values of tangible assets include the following leased assets:

in CHF 1 000	Land and buildings	Equipment	Total
Acquisition cost	50 390	27 537	77 927
Accumulated depreciation	(6 510)	(7 797)	(14 307)
Balance 31.12.2001	43 880	19 740	63 620
Additions 2001	13 231	12 882	26 113
Disposals 2001	0	0	0
Reclassification	0	(3 369)	(3 369)
Acquisition cost	56 522	23 639	80 161
Accumulated depreciation	(7 931)	(5 386)	(13 317)
Balance 31.12.2002	48 591	18 253	66 844
Additions 2002	7 190	1 740	8 930
Disposals 2002	0	0	0
Reclassification	0	(5 139)	(5 139)

Finance leasing for land and buildings includes the distribution centers of the Charles Vögele Group in Lehrte and Sigmaringen in Germany, as well as Kalsdorf in Austria. Furnishings and fittings relating to the warehouses and offices of these locations are included in leased assets under equipment. The additions for 2001 and 2002 consist of the extensions to the distribution centers in Lehrte (Germany) and Kalsdorf (Austria).

7 Financial assets

7.1 Change in book values

in CHF 1 000	Securities	Loans	Investments	Total
Balance 1.1.2001	1 196	400	170	1 766
Effect of exchange rates	(35)	0	0	(35)
Additions	174	0	0	174
Disposals	0	(200)	0	(200)
Balance 31.12.2001	1 335	200	170	1 705
Effect of exchange rates	(27)	0	0	(27)
Additions	95	0	0	95
Disposals	0	(200)	0	(200)
Balance 31.12.2002	1 403	0	170	1 573

The securities are valued and recognized at fair value. Value adjustments are stated under other financial income in the income (expense) statement.

The rate of interest on the loans in 2001 and 2002 until repayment was 5.5%.

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

7.2 Composition of book values

in CHF 1 000	Securities	Loans	Investments	Total
Acquisition cost	1 384	200	170	1 754
Accumulated depreciation	(49)	0	0	(49)
Balance 31.12.2001	1 335	200	170	1 705
Acquisition cost	1 452	0	170	1 622
Accumulated depreciation	(49)	0	0	(49)
Balance 31.12.2002	1 403	0	170	1 573

8 Intangible assets

8.1 Change in book values

in CHF 1 000	Goodwill	Other intangible assets	Total
Balance 1.1.2001	119 246	7 642	126 888
Effect of exchange rates	(2 121)	(4)	(2 125)
Acquisition Kien Group	89 311	0	89 311
Additions	1 387	2 762	4 149
Disposals	0	0	0
Depreciation	(20 083)	(3 022)	(23 105)
Balance 31.12.2001	187 740	7 378	195 118
Effect of exchange rates	(1 814)	(2)	(1 816)
Additions	0	2 051	2 051
Disposals	0	0	0
Depreciation	(14 826)	(2 508)	(17 334)
Balance 31.12.2002	171 100	6 919	178 019

8.2 Composition of book values

in CHF 1 000	Goodwill	Other intangible assets	Total
Acquisition cost	236 543	19 944	256 487
Accumulated depreciation	(48 803)	(12 566)	(61 369)
Balance 31.12.2001	187 740	7 378	195 118
Acquisition cost	234 268	21 989	256 257
Accumulated depreciation	(63 168)	(15 070)	(78 238)
Balance 31.12.2002	171 100	6 919	178 019

8.3 Composition of Goodwill

in CHF 1 000	Depreciation period	Cost	Depreciation 2002	Accumulated depreciation	Book values
Acquisition of store locations in Switzerland 1995	5 years	9 500	0	(9 500)	0
Initial consolidation in connection with LBO 1997	20 years	76 632	(3 832)	(19 158)	57 474
Purchase of the minority interest in Charles Vögele (Austria) AG 1998	20 years	33 012	(1 650)	(6 603)	26 409
Acquisition of store locations in The Netherlands 1999	20 years	4 449	0	(4 449)	0
Acquisition Mac Fash Group 2000	5 years	24 782	(5 006)	(14 869)	9 913
Acquisition Kien Group 2001	20 years	85 893	(4 338)	(8 589)	77 304
Balance 31.12.2002		234 268	(14 826)	(63 168)	171 100

The goodwill in the Mac Fash Group was increased retroactively in 2001 by CHF 1.4 million to CHF 25.3 million.

Goodwill on the locations acquired in 1999 in The Netherlands was completely amortized in 2001 by CHF 4.0 million.

8.4 Comments on the acquisition of the Kien Group activities as of January 1st, 2001

The Charles Vögele Group acquired the activities of the Dutch Kien Group with effect from January 1st, 2001. The transaction comprised the acquisition of 105 rented store locations, the distribution center in Utrecht, and further assets and liabilities connected with the business activity. Goodwill to be included will be amortized over a period of 20 years and consists of the following:

in CHF 1 000

Purchase price	108 866
Consultancy and commission fees	2 328
Cash (from cash on hand)	(872)
Inventories	(22 950)
Prepaid expenses	(155)
Accruals	1 642
Provisions	452
Goodwill at the time of acquisition	89 311
Effect of exchange rates	(1 721)
Goodwill as of 31.12.2001	87 590
Effect of exchange rates	(1 697)
Goodwill as of 31.12.2002	85 893

9 Other short-term financial liabilities

in CHF 1 000

	31.12.2002	31.12.2001
Short-term loans, Note 14	101 325	280 000
Lease commitments (due < 1 year), Note 11	4 734	4 954
Total	106 059	284 954

10 Other liabilities and accruals

in CHF 1 000

	31.12.2002	31.12.2001
Value added tax	8 972	19 720
Credit notes	6 782	5 965
Accruals	68 714	56 530
Total	84 468	82 215

11 Finance lease liabilities

in CHF 1 000	Residual term < 1 years	Residual term 1–5 years	Residual term > 5 years	Total
Lease commitments, gross	8 554	32 066	55 727	96 347
Discounted	(3 600)	(11 490)	(15 250)	(30 340)
Balance 31.12.2001	4 954	20 576	40 477	66 007
Lease commitments, gross	8 450	33 635	54 739	96 824
Discounted	(3 716)	(11 819)	(12 636)	(28 171)
Balance 31.12.2002	4 734	21 816	42 103	68 653

in CHF 1 000	31.12.2002	31.12.2001
Disclosure: – Other short-term financial liabilities (due < 1 year), Note 9	4 734	4 954
– Lease liabilities	63 919	61 053
Total	68 653	66 007

The average discount rate of finance lease commitments is 5.6% (2001: 5.7%).

The increase of finance lease liabilities is due to the extensions to the distribution centers in Lehrte (Germany) and Kalsdorf (Austria).

12 Provisions

in CHF 1 000	Pension provisions	Other provisions	Total
Balance 1.1.2001	14 092	441	14 533
Increase	4 660	1 120	5 780
Decrease	(8 995)	(488)	(9 483)
Reclassifications	0	392	392
Effect of exchange rates	(295)	(6)	(301)
Balance 31.12.2001	9 462	1 459	10 921
Increase	1 071	5 325	6 396
Decrease	(935)	(319)	(1 254)
Effect of exchange rates	(183)	(3)	(186)
Balance 31.12.2002	9 415	6 462	15 877

The pension provisions mainly concern retirement benefit obligations in various Group companies. The pension provisions shown as of January 1st, 2001, comprise CHF 9.3 million to cover risks resulting from wage payments below the agreed rates at Mac Fash companies during the time before the acquisition by the Charles Vögele Group. These risks were settled in 2001 by completion of the acquisition.

The position “Other provisions” includes CHF 5.0 million for litigation risks as of December 31st, 2002 (see Note 29.4).

13 Mortgages

13.1 Duration and development

in CHF 1 000	31.12.2002	31.12.2001
Due within 1 year	14 880	51 900
Due between 1 and 5 years	52 720	20 500
Total	67 600	72 400

in CHF 1 000	
Balance 1.1.2001	72 700
Repayment of mortgages	(300)
Balance 31.12.2001	72 400
Repayment of mortgages	(4 800)
Balance 31.12.2002	67 600

Based on the assumption that the short-term mortgages will be replaced by long-term financing, a reclassification to current liabilities was not made.

The book value of the mortgages outstanding as of December 31st, 2002, is approximately equal to the market value as the average interest rate for mortgages paid is in line with market interest rates.

13.2 Terms

Average interest rate 2001	3.8%
Average interest rate 2002	2.9%

13.3 Future interest rate adjustments

in CHF 1 000	2003	2004	> 2004
1 st half-year	42 500	0	0
2 nd half-year	18 380	6 720	0
Total	60 880	6 720	0

14 Loans

14.1 Composition

in CHF 1 000	31.12.2002	31.12.2001
Short-term loans, gross	102 500	280 000
Credit procurement costs	(1 175)	0
Short-term loans, net, Note 9	101 325	280 000
Long-term loans, gross	350 000	246 664
Credit procurement costs	(7 848)	0
Long-term loans, net	342 152	246 664

The credit procurement costs incurred are in connection with the new loan agreement (see Note 14.2), and are amortized proportionately over the remaining lifetime of the loan contract.

14.2 Duration and development of the loans, gross

in CHF 1 000	Maturity < 12 months	Maturity 12–24 months	Maturity > 24 months	Total
Balance 1.1.2001	343 000	115 000	0	458 000
Additions	25 000	48 664	25 000	98 664
Repayments	(30 000)	0	0	(30 000)
Reclassifications	(58 000)	(42 000)	100 000	0
Balance 31.12.2001	280 000	121 664	125 000	526 664
Additions	102 500	75 000	275 000	452 500
Repayments	(280 000)	(121 664)	(125 000)	(526 664)
Balance 31.12.2002	102 500	75 000	275 000	452 500

The book value of the loans outstanding as of December 31st, 2002, is in line with market value as the interest rates are adjusted annually. The annual adjustment of the margin reflects the risk assessment of the company by the market.

In August 2002, the Group signed a CHF 577.5 million revolving syndicated credit facility comprising a CHF 350.0 million term loan with two equal semi-annual repayments of CHF 37.5 million starting on June 30th, 2004, and a final repayment of CHF 275.0 million on the third anniversary date of the facility. In addition, the CHF 227.5 million amortizing revolving credit line has a three-year term and will be reduced by CHF 102.5 million within the first year of the facility. Among others, shares of subsidiaries were pledged as securities.

14.3 Terms

The term loan and revolving credit facility will be used to refinance existing Group borrowings and for general corporate purposes. The new facility requires the Group to meet certain financial and other covenants including maximum gearing and interest cover ratios. Interest is payable based on EURIBOR or LIBOR plus a margin ranging from 100 to 275 basis points depending on the achievement of certain financial ratios. Until December 31st, 2002, the borrowing margin has been fixed at 350 basis points above EURIBOR or LIBOR.

Average interest rate 2001	3.5%
Average interest rate 2002	3.7%

15 Sales

15.1 Consolidated gross sales by country

in CHF 1 000	2002	2001	Change in %
Switzerland	611 899	654 502	-6.5%
Germany	611 557	671 390	-8.9%
Austria	292 851	296 757	-1.3%
Belgium/The Netherlands	193 626	236 902	-18.3%
Gross sales	1 709 933	1 859 551	-8.1%

15.2 Consolidated net sales by country

in CHF 1 000	2002	2001	Change in %
Switzerland	567 006	606 390	-6.5%
Germany	526 161	578 800	-9.1%
Austria	243 393	247 103	-1.5%
Belgium/The Netherlands	161 995	198 373	-18.3%
Net sales	1 498 555	1 630 666	-8.1%

15.3 Variance in net sales

Change in 2002 as compared with 2001	Adjusted for currency	Adjusted for sales area
Switzerland	-6.5%	-8.2%
Germany	-6.4%	-15.9%
Austria	1.4%	-8.7%
Belgium/The Netherlands	-15.9%	-18.7%
Group	-6.4%	-11.8%

Adjusted for currency and sales area, net sales decreased by 10.3%.

Group revenue is recognized in general at the time of sale (payment to the cashier).

16 Reduction in sales

in CHF 1 000	2002	2001
Sales tax	206 843	226 013
Other reductions in sales	4 535	2 872
Total	211 378	228 885

17 Personnel expenses

in CHF 1 000	2002	2001
Wages and salaries	259 183	251 194
Social security costs	46 743	49 916
Sundries	8 229	7 720
Total	314 155	308 830

17.1 Defined contribution retirement plans

All corporate retirement benefit plans in Switzerland are multi-employer plans where fixed contributions are paid to a separate legal entity. All legal and constructive obligations are reinsured with this entity. The employers' and employees' contributions are directly charged to the company's income statement. In 2002 personnel expenses contained a contribution of CHF 3.4 million and in 2001 CHF 3.1 million to defined retirement contribution plans.

17.2 Defined benefit retirement plans

The Group's pension plans in Belgium and The Netherlands are defined benefit plans. The future liabilities were determined by using the projected unit credit method. Provisions for the resulting deficit were made for the first time in December 1999. In accordance with IAS 19 the corresponding costs will be allocated over a period of five years. In the years 2002 and 2001, CHF 0.2 million was charged to personnel expenses.

in CHF 1 000	31.12.2002	31.12.2001
Present value of expected claims	2 982	3 201
Required provision	2 982	3 201

The following average assumptions underlie the actuarial valuations:

	The Netherlands 2002	The Netherlands 2001	Belgium 2002	Belgium 2001
Future salary increases	0.5%	0.5%	1.5%	1.5%
Inflation rate	2.5%	2.5%	2.5%	2.5%
Discount rate	5.0%	5.0%	5.0%	5.0%
Indexation	2.5%	2.5%	2.5%	2.5%

Provisions made in the balance sheet for future defined retirement benefit obligations consist of the following:

in CHF 1 000	2002	2001
Present value of claims of former and present employees	5 921	8 479
Fair value of plan assets	(2 939)	(5 278)
Not covered present value	2 982	3 201
Less unrecognized actuarial (gains)/losses	0	0
Provision for defined retirement benefit obligations	2 982	3 201

Based on an actuarial calculation, expenses for defined retirement benefit plans recognized in the income statement consist of the following:

in CHF 1 000	2002	2001
Current service cost	2 174	1 463
Past service cost	0	374
Interest cost	528	374
Expected return on plan assets	(779)	1 293
Expenses recognized in the income statement	1 923	3 504

Owing to significant changes in the legal parameters in The Netherlands, the final premium statements for 2001 of the Dutch companies are not yet available. Based on the current parameters, the premiums owed for the year 2002 were calculated actuarially and corresponding provisions made.

Movements in the net liabilities for defined retirement benefit plans shown in the balance sheet as of December 31st, 2002 are as follows:

in CHF 1 000	2002	2001
Liability, net, opening balance	3 201	898
Expenses (as above)	1 923	3 504
Contributions paid	(2 079)	(1 793)
Acquisition Kien Group – Goodwill	0	452
– Income statement	0	215
Effect of exchange rates	(63)	(75)
Liability, net, closing balance	2 982	3 201

The pension liabilities of the German and Austrian Group companies are governed by the various national regulations and are based on the defined benefit schemes. No recalculation or adjustment of provisions for future liabilities has been made because in the context of the consolidated financial statements the liabilities relate to an insignificantly small group of 20 employees only (2001: 19 employees). The 2002 income statements of Group companies were charged with CHF 0.1 million (2001: CHF 0.1 million).

18 Rent and maintenance expenses

in CHF 1 000	2002	2001
Rent	142 171	133 923
Incidental expenses, cleaning, maintenance	41 378	37 866
Total	183 549	171 789

19 Operating and administration expenses

Operating and administration expenses include operating lease expenses amounting to CHF 7.1 million (2001: CHF 6.8 million). Vehicles and cash register systems are leased under operating leases.

20 Operating property income, net

in CHF 1 000	2002	2001
Property income	2 056	2 019
Property expenses	(347)	(381)
Total	1 709	1 638

21 Other operating income

In 2001 the Charles Vögele Group was reimbursed CHF 2.5 million following a final tax settlement. In addition, the closing of a store resulted in a redemption payment of CHF 6.0 million.

22 Depreciation

in CHF 1 000	2002	2001
Depreciation, ordinary	51 801	48 255
Depreciation, extraordinary	1 628	9 324
Total	53 429	57 579

Extraordinary depreciation covers adjustments to book value in the context of renovation work and the closure and/or sale of individual stores (2001: CHF 8.0 million). In 2001 an additional CHF 1.3 million was expensed to reflect the adjusted value of a property that was not mortgaged and was intended to be sold.

23 Other financial income

in CHF 1 000	2002	2001
Interest income	1 185	641
Interest income from securities	74	79
Total	1 259	720

24 Other financial expenses

in CHF 1 000	2002	2001
Interest expenses on current accounts and loans	26 307	24 820
Mortgages interest charges	1 981	2 975
Lease interest	3 868	2 219
Exchange rate differences net	8 531	8 189
Total	40 687	38 203

25 Taxes

25.1 Deferred taxes in the balance sheet

in CHF 1 000	31.12.2001	Effect of exchange rates	Change with profit impact	Change with equity impact	31.12.2002
Deferred taxes from temporary valuation differences:					
Inventories	(22 829)	103	(3 657)	0	(26 383)
Long-term assets	(32 362)	142	(1 259)	0	(33 479)
Goodwill from intercompany transfer	12 176	(225)	(1 096)	0	10 855
Other	(3 397)	6	(2 225)	2 360	(3 256)
Tax loss carry-forward	33 320	(646)	0	0	32 674
Total deferred taxes, net	(13 092)	(620)	(8 237)	2 360	(19 589)

in CHF 1 000	31.12.2002	31.12.2001
Shown under deferred tax assets	31 351	45 496
Shown under deferred tax liabilities	(50 940)	(58 588)
Total deferred taxes, net	(19 589)	(13 092)

The calculation of deferred tax assets is based on the future expected national tax rates. The effectively owed deferred tax is calculated on the main valuation differences. The Group companies show tax loss carry-forward of approximately CHF 257.4 million with no expiration date, and with a tax impact of about CHF 94.8 million. These tax losses represent market entry costs and are capitalized if sufficient taxable profit is likely to be generated in the foreseeable future.

The reduction in deferred tax assets is basically attributable to the valuation adjustment of CHF 5.8 million on the capitalized tax loss carry-forward in the German sales organization, as their usefulness in the foreseeable future has been reassessed.

In Belgium and The Netherlands from 2001 onwards, and in Germany from 2002 onwards, no further tax loss carry-forwards have been capitalized because it is uncertain whether they can be used in the foreseeable future. The deferred taxes on loss carry-forwards that have not been capitalized amounted to approximately CHF 62.1 million as of December 31st, 2002 (December 31st, 2001: approximately CHF 25.7 million).

25.2 Composition of tax expense

in CHF 1 000	2002	2001
Current income taxes	28 174	17 391
Change in deferred taxes	8 237	(5 499)
Tax from previous years	5 381	(764)
Other taxes	(21)	(88)
Total tax expense	41 771	11 040

25.3 Analysis of tax expense

in CHF 1 000	2002	2001
Earnings before taxes	57 669	11 848
Taxes on the current operating results calculated on the theoretical average Group tax rate of 25 %	14 417	2 962
Effect of amortization of intangible assets not deductible for tax purposes	1 371	1 371
Tax loss carry-forward not capitalized	27 041	23 633
Adjustment of capitalized tax loss carry-forward	5 828	0
Effect of different tax rates	(12 096)	(15 996)
Other non-taxable income/expense	(150)	(78)
Taxes from previous years	5 381	(764)
Other taxes	(21)	(88)
Total tax expense	41 771	11 040

The taxes on the current result are calculated on the basis of future (if known) national and weighted cantonal (Switzerland) tax rates.

For the financial year 2002 no tax loss carry-forwards were capitalized (2001: CHF 11.6 million).

26 Earnings per share

		2002	2001
Net income	CHF 1 000	15 898	808
Weighted average number of shares undiluted	number	8 783 291	8 784 914
Weighted average number of shares conditional capital	number	264 000	264 000
Weighted average number of shares diluted	number	9 047 291	9 048 914
Earnings per share (undiluted)	CHF	1.81	0.09
Earnings per share (diluted)	CHF	1.76	0.09

27 Cash and cash equivalents, net

in CHF 1 000	31.12.2002	31.12.2001
Cash and cash equivalents	147 909	86 568
Bank overdrafts	0	(18 603)
Total net cash and cash equivalents at the end of the period	147 909	67 965

As a result of the new loan financing arranged in 2002 (see Note 14), the composition of “net cash and cash equivalents” was adjusted in the cash flow statement.

The change in short-term loans shown in the preceding year under short-term bank liabilities has now been allocated to net cash (used in)/received from financing activities.

28 Incentive and share ownership plans

In order to link the interests of the members of its Board of directors, management and employees with those of its shareholders, the Group offered a number of opportunities for certain employees to purchase shares, both in connection with the IPO in 1999 and thereafter.

28.1 Management share option plan 1999

In the 1999 financial year, the Company introduced a long-term plan for the members of the Board of directors, Group management and key employees. The plan granted options to purchase shares financed through the conditional capital of Charles Vögele Holding AG. The exercise price of the options was dependent on the market price of the shares at the time of granting the options. The number of options per tranche granted under this program entitled the holder to subscribe shares up to 0.5% of the share capital. As of June 7th, 1999, a tranche of 42 660 options was allotted with a blocking period ending on June 7th, 2002. The tranche reserved for 2000 was not exercised by the beneficiaries. A further tranche for 2001 was not offered. The options that were issued fell forfeit and valueless in June 2002.

28.2 Management share option plan 2002

The new option plan for members of the Board of directors, Group management, and the second management level replaces the management share option plan set up in 1999. The new option plan is financed through treasury shares and conditional share capital. The award of options is proposed by the Human Resources and Compensation Committee and approved by the Board of directors. Each option entitles the holder to acquire one Charles Vögele bearer share. The number of shares issued under this plan is not allowed to exceed 3% of the share capital of the company. The lifetime of the option plan is not limited. The lifetime of the options of each tranche expires after five years, with a blocking period of three years from the date they are awarded.

As of November 18th, 2002, a first tranche of 119 000 options with an exercise price of CHF 29.50 was issued. The exercise price was equal to the average market price at the grant date. The tax value is CHF 6.55 per option.

Further allocations under this plan will normally be decided at the Board of directors' meeting for the approval of the half-year results. The exercise price will be calculated based on the volume-weighted share price during the 30 days before and 10 days after the allocation.

The imputed rights related to the share option plan are not included in the balance sheet. Hence, there is no effect on the consolidated income statement.

29 Contingent liabilities

29.1 Letter of credits

As of December 31st, 2002, letter of credits not included in the balance sheet amount to CHF 53.2 million (CHF 84.9 million as of December 31st, 2001).

29.2 Outstanding merchandise orders

As of December 31st, 2002, commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 123.3 million (CHF 160.0 million as of December 31st, 2001).

29.3 Taxes

As far as they are known and evaluated, the tax effects of the restructuring carried out in 2002 have been included in the present financial statements. It is assumed that the outcome of future tax audits will fall within the scope of normal business risks.

29.4 Out-of-court third-party claims and lawsuits

The Charles Vögele Group is involved in a number of legal cases. In addition, there are out-of-court claims pending from third parties. Examples for these legal cases and out-of-court claims are trademark disputes and an out-of-court claim relating to an investment held in Germany until 1995.

The Charles Vögele Group sets up accruals for ongoing and pending lawsuits if independent experts are of the opinion that the risk is tangible and the amount at risk can be evaluated. Additional accruals are set up to cover estimated costs for legal expenses. The risk for these pending lawsuits and out-of-court claims has been estimated at CHF 5.0 million. This amount is covered in full by an accrual made in the financial year under review (see Note 12).

30 Forward foreign exchange contracts

The following forward foreign exchange contracts were open with financial institutions as of December 31st:

in CHF 1 000	31.12.2002	31.12.2001
Purchasing	207 953	324 555
Surplus foreign exchange positions	52 056	185 585
Total	260 009	510 140

30.1 Derivatives for cash flow hedges

The open forward foreign exchange contracts as of December 31st, 2002, for the purchase of inventory, cover the exchange risks for the spring/summer collection 2003 (CHF 133.4 million) and the autumn/winter collection 2003 (CHF 74.5 million). The forward exchange contracts will become due over the next nine months of the following financial year.

Forward foreign exchange contracts

in CHF 1 000	Positive replacement value	Negative replacement value	Contract volume
31.12.2001	0	4 595	324 555
31.12.2002	0	21 240	207 953

Contract volume by maturity

in CHF 1 000	Up to 3 months	3–6 months	6–9 months	9–12 months	Total
31.12.2001	177 361	89 975	57 219	0	324 555
31.12.2002	133 407	35 129	39 417	0	207 953

The changes in fair values at year-end of hedging transactions are included as reserves for valuation of financial instruments in shareholders' equity.

The change in fair value of hedges where the forecast transaction is no longer expected to occur is transferred to the income statement as a gain or loss on foreign exchange differences. The following table shows the development of the changes in fair values during 2002:

	Contract volume in USD 1 000	Valuation differences in income statement	
		recognized in CHF 1 000	not recognized in CHF 1 000
Season 2002/1 – Total coverage	155 000		
– Required	(105 000)		
– Not required	(50 000)	(5 012)	
Season 2002/2 – Total coverage	105 000		
– Required	(91 000)		
– Not required	(14 000)	(2 352)	
Season 2003/1 – Total coverage	110 000		
– Required	(18 500)		
– Not required	(7 500)	(1 605)	
Open as of 31.12.2002	84 000		(17 976)
Season 2003/2 – Total coverage	51 000		
Open as of 31.12.2002	51 000		(3 264)
Total as of 31.12.2002	135 000	(8 969)	(21 240)

30.2 Derivatives for trading purposes

The change in fair value (valuation at current fair value) of the currency swaps relating to currency balances resulted in a loss as of December 31st, 2002 of CHF 2.1 million (2001: gain of CHF 0.2 million) which was included in the income statement under other financial expense.

in CHF 1 000	Currency	Contract value	Replacement value	Difference
2001	USD	67 198	67 358	160
	EUR	118 387	118 396	9
	Total	185 585	185 754	169
2002	USD	29 182	27 720	(1 462)
	EUR	22 874	22 225	(649)
	Total	52 056	49 945	(2 111)

31 Rental commitments

Rental contracts with fixed rental terms have the following minimum payments (excluding options for renewal):

in CHF 1 000	31.12.2002	31.12.2001
Maturity < 1 year	159 740	159 206
Maturity 1–5 years	444 742	455 218
Maturity > 5 years	328 917	360 862
Total	933 399	975 286

32 Related party transactions

The remuneration of the Board of directors and Group management amounted to:

	Board of directors	Group management	Total
2001			
Number of members	5	7	
Amount in CHF 1 000	660	4 294	4 954
2002			
Number of members	6	6	
Amount in CHF 1 000	850	5 256	6 106

As a result of the current management share option plan (Note 28), the members of the Board of directors hold 30 000 options, and the members of the Group management 32 000 options, as of December 31st, 2002.

In the financial years 2002 and 2001 there were no further major transactions with related parties.

33 Post balance sheet events

The present financial statements take into consideration events occurring between the balance sheet date and March 12th, 2003. The 2002 financial statements were discussed with the Audit Committee and representatives of Group management, and were approved by the Charles Vögele Holding AG Board of directors on March 17th, 2003. The 2002 financial statements were published on March 18th, 2003, and will be presented to the Annual Shareholders' Meeting on April 29th, 2003, for approval.

34 Group structure as of December 31st, 2002

Company	Currency	Share/Partnership capital
Charles Vögele Holding AG Pfäffikon SZ, CH Holding	CHF	88 000 000
100% Charles Vögele Trading AG Pfäffikon SZ, CH Central services	CHF	10 000 000
100% Charles Vögele Store Management AG Pfäffikon SZ, CH Central services	CHF	250 000
100% Mac Fash GmbH Pfäffikon SZ, CH Central services	CHF	20 000
100% Charles Vögele Beteiligungen AG Pfäffikon SZ, CH Holding	CHF	250 000
100% Prodress AG Pfäffikon SZ, CH Central services	CHF	100 000
100% Cosmos Mode AG Pfäffikon SZ, CH Central services	CHF	100 000
100% Charles Vögele Fashion (HK) Ltd. Hong Kong, HK Central services	HKD	100 000
100% Charles Vögele Mode AG Pfäffikon SZ, CH Sales organization	CHF	20 000 000
100% Charles Vögele (Austria) AG Kalsdorf, AT Sales organization	EUR	1 453 457
100% Charles Vögele Fashion (Netherlands) B.V. Utrecht, NL Sales organization	EUR	1 000 000
100% Charles Vögele (Netherlands) B.V. Utrecht, NL Sales organization	EUR	2 268 901
100% Charles Vögele (Belgium) B.V.B.A. Turnhout, BE Sales organization	EUR	644 523
100% Charles Vögele Deutschland GmbH Sigmaringen, DE Sales organization	EUR	15 340 000
100% Mac Fash GmbH Schweizer Rechts & Co. KG Lehrte, DE Sales organization	EUR	1 022 584

Auditors

Notes

Cash Flow and
Changes in EquityBalance Sheet and
Income Statement

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Report of the Group Auditors to the General Meeting of Charles Vögele Holding AG, Pfäffikon SZ (Switzerland)

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of cash flows, and statement of changes in equity and notes, pages 4 to 39) of Charles Vögele Group for the year ended December 31st, 2002.

These consolidated financial statements are the responsibility of the Board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

ARTHUR ANDERSEN AG



Eric G. Ohlund
Auditor in charge



Thomas Stenz

Zurich, March 12th, 2003

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Balance Sheet Holding

as of December 31st

	Note	31.12.2002 CHF	31.12.2001 CHF
Assets			
Current assets			
Cash and cash equivalents	2	33 128 438.33	0.00
Receivables from subsidiaries	3	704 721 811.97	535 227 138.22
Other receivables and prepayments		86 661.90	54 357.65
Total current assets		737 936 912.20	535 281 495.87
Long-term assets			
Loans to subsidiaries	3	200 000 000.00	200 000 000.00
Investments	4	420 770 000.00	420 770 000.00
Treasury shares		867 835.93	835 555.93
Other assets		9 022 958.80	0.00
Total long-term assets		630 660 794.73	621 605 555.93
Total assets		1 368 597 706.93	1 156 887 051.80
Liabilities and shareholders' equity			
Liabilities			
Bank overdrafts		0.00	18 732 756.11
Bank loans		452 500 000.00	439 000 000.00
Accounts payable: Third parties		65 221.16	558 269.93
Subsidiaries	3	138 417 059.43	15 039 679.74
Accrued liabilities		3 494 620.36	2 530 156.89
Provisions for taxes		1 507 291.75	2 425 000.00
Total liabilities		595 984 192.70	478 285 862.67
Shareholders' equity			
Share capital	5	88 000 000.00	88 000 000.00
Legal reserves		173 789 105.42	173 789 105.42
Reserve for treasury shares	6	867 835.93	835 555.93
Retained earnings: – Retained earnings as of January 1 st		415 976 527.78	374 896 159.87
– (Increase)/Decrease of reserve for treasury shares		(32 280.00)	0.00
– Profit from treasury shares		0.00	45 258.00
– Dividend paid		0.00	(26 400 000.00)
– Net income of the year		94 012 325.10	67 435 109.91
Total shareholders' equity		772 613 514.23	678 601 189.13
Total liabilities and shareholders' equity		1 368 597 706.93	1 156 887 051.80

Income Statement Holding

from January 1st to December 31st

	Note	2002 CHF	2001 CHF
Income			
Dividends		80 000 000.00	54 000 000.00
Financial income	7	48 396 340.55	49 839 962.53
Total income		128 396 340.55	103 839 962.53
Expenses			
Administration expenses		(2 818 392.79)	(3 163 631.52)
Financial expenses	7	(29 538 286.63)	(30 646 529.03)
Exchange loss, net		(1 151 439.28)	(131 320.17)
Total expenses		(33 508 118.70)	(33 941 480.72)
Net income of the year before taxes		94 888 221.85	69 898 481.81
Taxes		(875 896.75)	(2 463 371.90)
Net income of the year		94 012 325.10	67 435 109.91

Auditors

Notes

Balance Sheet and
Income Statement

Notes to the Financial Statements

1 Basis of presentation

Charles Vögele Holding AG is based in Pfäffikon, 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 the 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 Cash and cash equivalents

This position mainly includes time deposits at banks.

3 Loans due from and to subsidiaries

Interest on receivables and payables due from and to other Group companies is charged at market rates.

4 Investments

The Company holds the following investments as of December 31st, 2002:

	Share capital in CHF 1 000	Shareholding percentage	Business
Charles Vögele Beteiligungen AG, Pfäffikon SZ	250	100%	Holding
Charles Vögele Trading AG, Pfäffikon SZ	10 000	100%	Services
Charles Vögele Store Management AG, Pfäffikon SZ	250	100%	Services
Mac Fash GmbH, Pfäffikon SZ	20	100%	–

The structure of the Charles Vögele Group is explained in the Group structure of the consolidated financial statements.

5 Share capital

The share capital of the Company consists of 8 800 000 fully paid-in bearer shares at a par value of CHF 10 each.

The articles of the Company include a provision authorizing the Board of directors to a conditional increase of the share capital by up to CHF 2.64 million, divided into 264 000 fully paid-in bearer shares at a par value of CHF 10 each, without giving rise to any pre-emptive rights by existing shareholders. The shares relating to the conditional share capital may only be used for existing or future share option plans for the Board of directors and management.

6 Movement in treasury shares

		Price in CHF	Number of shares
Treasury shares 31.12.1999			18 616
Employee participation plan	January 2000	180.00–225.00	(1 010)
Employee participation plan	February 2000	271.00	(2 500)
Employee participation plan	March 2000	225.00	(20)
Treasury shares 31.12.2000			15 086
No change during the year			0
Treasury shares 31.12.2001			15 086
Purchase of treasury shares	July 2002	10.00	1 614
Purchase of treasury shares	July 2002	10.00	1 614
Treasury shares 31.12.2002			18 314

The value of the treasury shares as of December 31st, 2002, of CHF 867 835.93 was reclassified from retained earnings to reserves for treasury shares.

7 Financial income and expenses

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

8 Major shareholders

According to information required by legislation governing stock exchange transactions, Braun, von Wyss & Müller AG held 6.16 % of the company's capital as of March 28th, 2002.

According to the information available to the company, Henderson Investors Ltd. has reduced its holding and during the year under review fell below the 5 %-level above which the holding has to be reported.

9 Contingent liabilities

	Currency	31.12.2002	31.12.2001
Guarantees towards third parties	EUR	453 780.22	453 780.22
	in CHF	659 161.15	672 185.00
Guarantees in favor of various Group companies	EUR	80 300 000.00	231 390 407.00
	in CHF	116 643 780.00	342 758 609.89
Guarantees in favor of various Group companies	CHF	30 500 000.00	224 000 000.00

10 Proposed appropriation of available earnings as of December 31st, 2002

The Board of directors proposes the following appropriation of available earnings:

in CHF	
Dividend 2002	0.00
Balance carried forward	509 956 572.88
Retained earnings as of 31.12.2002	509 956 572.88

Since the legal reserves have reached 50% of the share capital, there will be no further allocation to the legal reserve.

Report of the Statutory Auditors to the General Meeting of Charles Vögele Holding AG, Pfäffikon SZ (Switzerland)

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statements of income and retained earnings and notes, pages 42 to 46) of Charles Vögele Holding AG for the year ended December 31st, 2002.

These financial statements are the responsibility of the Board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the Swiss law and the Company's articles of incorporation.

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

ARTHUR ANDERSEN AG



Eric G. Ohlund
Auditor in charge



Thomas Stenz

Zurich, March 12th, 2003

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

Publisher

Charles Vögele Holding AG
CH-8808 Pfäffikon

Graphic Design

Gottschalk+Ash Int'l

Photography

Portraits and Accessoires:
Peter Gunti, Solothurn
Fashion pictures:
Charles Vögele Group

Typesetting and Printing

Neidhart + Schön Group, Zurich

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Forthcoming events

- Annual Shareholders' Meeting 2002: April 29th, 2003
- Analysts' and media conference on the 2003 Half-Year Report: September 2nd, 2003
- Analysts' and media conference on the 2003 year-end results: March 9th, 2004
- Annual Shareholders' Meeting 2003: April 6th, 2004