



# Transparency



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Mode  
**Vögele**

Charles Vögele Group

# Financial Statements 2003



## Contents Consolidated Financial Statements

4	Consolidated Income Statement
5	Consolidated Balance Sheet
6	Consolidated Cash Flow Statement
7	Consolidated Statement of Changes in Group Equity
8	Notes to the Consolidated Financial Statements
37	Report of the Group Auditors

# Consolidated Income Statement

from January 1<sup>st</sup> to December 31<sup>st</sup>

in CHF 1 000	Note	2003	2002
<b>Gross sales</b>	3	<b>1 615 983</b>	<b>1 709 933</b>
Reductions in sales	4	(201 411)	(211 378)
<b>Net sales</b>	3	<b>1 414 572</b>	<b>1 498 555</b>
Cost of sales		(588 863)	(664 546)
<b>Gross profit</b>		<b>825 709</b>	<b>834 009</b>
<b>In % of net sales</b>		<b>58.4</b>	<b>55.7</b>
Personnel expenses	5	(304 933)	(314 155)
Rental expenses	6	(193 472)	(183 549)
Advertising and promotion expenses		(92 534)	(103 882)
Operating and administration expenses	7	(92 815)	(98 843)
Operating real estate income, net	8	1 764	1 709
Operating financial income		27 029	30 135
Other operating income	9	1 158	0
<b>Total operating expenses</b>		<b>(653 803)</b>	<b>(668 585)</b>
<b>EBITDA<sup>1)</sup></b>		<b>171 906</b>	<b>165 424</b>
<b>In % of net sales</b>		<b>12.2</b>	<b>11.0</b>
Depreciation	10	(57 043)	(53 429)
Amortization of goodwill	20	(15 168)	(14 826)
<b>EBIT<sup>2)</sup></b>		<b>99 695</b>	<b>97 169</b>
<b>In % of net sales</b>		<b>7.0</b>	<b>6.5</b>
Other financial income	11	1 054	1 259
Other financial expenses	12	(24 974)	(32 156)
Exchange gains/(losses), net		4 751	(8 531)
Non-operating real estate income, net		(78)	(72)
<b>Earnings before taxes</b>		<b>80 448</b>	<b>57 669</b>
<b>In % of net sales</b>		<b>5.7</b>	<b>3.8</b>
Taxes	13	(42 979)	(41 771)
<b>Net income</b>		<b>37 469</b>	<b>15 898</b>
<b>In % of net sales</b>		<b>2.6</b>	<b>1.1</b>
<b>Earnings per share (undiluted)</b>	14	<b>4.28</b>	<b>1.81</b>
(diluted)	14	<b>4.16</b>	<b>1.76</b>

<sup>1)</sup> Earnings before depreciation and amortization, interest and taxes

<sup>2)</sup> Earnings before interest and taxes

# Consolidated Balance Sheet

as of December 31<sup>st</sup>

in CHF 1 000	Note	31.12.2003	31.12.2002
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	123 452	147 909
Receivables and advance payments	16	31 957	32 707
Inventories	17	305 613	347 411
<b>Total current assets</b>		<b>461 022</b>	<b>528 027</b>
<b>Long-term assets</b>			
Tangible assets: Land and buildings	18	201 280	203 309
Equipment		220 383	239 893
<b>Total tangible assets</b>		<b>421 663</b>	<b>443 202</b>
Financial assets: Investments	19	170	170
Other financial assets		1 461	1 403
<b>Total financial assets</b>		<b>1 631</b>	<b>1 573</b>
Intangible assets	20	167 650	178 019
Deferred tax assets	13	23 476	31 351
<b>Total long-term assets</b>		<b>614 420</b>	<b>654 145</b>
<b>Total assets</b>		<b>1 075 442</b>	<b>1 182 172</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term financial liabilities	21	8 383	106 059
Trade payables		62 203	44 584
Other liabilities and accruals	22	78 962	84 468
Current tax liabilities		28 547	26 351
<b>Total current liabilities</b>		<b>178 095</b>	<b>261 462</b>
<b>Long-term liabilities</b>			
Lease liabilities	23	59 036	63 919
Provisions	24	9 822	15 877
Deferred tax liabilities	13	47 524	50 940
Mortgages	25	67 300	67 600
Loans	26	270 736	342 152
<b>Total long-term liabilities</b>		<b>454 418</b>	<b>540 488</b>
<b>Shareholders' equity</b>			
Share capital		88 000	88 000
Treasury shares		(5 487)	(565)
Share premium reserve		173 789	173 789
Reserve for valuation of financial instruments		(8 512)	(18 315)
Retained earnings		195 139	137 313
<b>Total shareholders' equity</b>		<b>442 929</b>	<b>380 222</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 075 442</b>	<b>1 182 172</b>

Auditors

Notes

Cash Flow and  
Changes in Equity

Income Statement  
and Balance Sheet

5

# Consolidated Cash Flow Statement

from January 1<sup>st</sup> to December 31<sup>st</sup>

in CHF 1 000	Note	2003	2002
<b>Earnings before interest and taxes (EBIT)</b>		<b>99 695</b>	<b>97 169</b>
Adjustments: Depreciation and amortization		72 211	68 255
Profit on disposal of assets		(1 158)	(400)
Change in long-term provisions		(6 707)	5 144
<b>Operating profit before changes in working capital</b>		<b>164 041</b>	<b>170 168</b>
Change in short-term receivables, advance payments and prepaid expenses		(1 735)	7 648
Change in inventories		59 574	95 229
Change in current liabilities		23 787	(12 249)
<b>Operating profit after changes in working capital</b>		<b>245 667</b>	<b>260 796</b>
Financial income received		1 062	1 259
Financial expenses paid		(21 636)	(38 068)
Taxes paid		(34 715)	(25 147)
Non-operating income received/(paid)		84	90
<b>Cash flow from operating activities</b>		<b>190 462</b>	<b>198 930</b>
Investments in intangible assets		(1 476)	(2 051)
Investments in tangible assets		(20 344)	(34 319)
Disposals of tangible assets		3 311	5 815
Investments in financial assets		0	(95)
Disposals of financial assets		0	200
<b>Net cash used in investing activities</b>		<b>(18 509)</b>	<b>(30 450)</b>
Change in bank loans: Additions		30 000	452 500
Repayments		(207 500)	(526 664)
Change in finance lease liabilities		(5 026)	(4 966)
Purchase of treasury shares		(4 922)	(32)
Change in mortgages		(300)	(4 800)
<b>Net cash (used in)/received from financing activities</b>		<b>(187 748)</b>	<b>(83 962)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15 795)</b>	<b>84 518</b>
<b>Net cash and cash equivalents at the beginning of the period</b>		<b>147 909</b>	<b>67 965</b>
Effect of exchange rate changes		(8 662)	(4 574)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15 795)</b>	<b>84 518</b>
<b>Net cash and cash equivalents at the end of the period</b>		<b>123 452</b>	<b>147 909</b>

# Consolidated Statement of Changes in Group Equity

in CHF 1 000	Share capital	Treasury shares	Share premium reserve	Retained earnings	Valuation financial instruments	Total
<b>Balance 1.1. 2002</b>	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		(32)				(32)
<b>Balance 31.12. 2002</b>	88 000	(565)	173 789	137 313	(18 315)	380 222
Net income 2003				37 469		37 469
Effect of exchange rates				20 357		20 357
Dividends paid						0
Recognized through income statement					943	943
Recognized through purchase of goods					17 372	17 372
Reserve for valuation of financial instruments					(8 512)	(8 512)
Acquisition of treasury shares		(4 922)				(4 922)
<b>Balance 31.12. 2003</b>	88 000	(5 487)	173 789	195 139	(8 512)	442 929

## 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 to 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 27 concerning incentive and share ownership plans).

## Treasury shares

As of December 31<sup>st</sup>, 2003, treasury shares comprise 117 285 shares (December 31<sup>st</sup>, 2002: 18 314 shares) held by the Charles Vögele Group and expected to be used for additional management participation in the Charles Vögele Group.

## Dividend

At the Annual Shareholders' Meeting held on April 29<sup>th</sup>, 2003, it was decided not to distribute a dividend for the financial year 2002.

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

## Value fluctuation on financial instruments

With the implementation of IAS 39 effective January 1<sup>st</sup>, 2001, changes in the fair value of a highly effective cash flow hedging instrument are recognized directly in shareholders' equity (refer to note on financial instruments). The valuation as of December 31<sup>st</sup>, 2003, comprises the change in fair value of the open cash flow hedges amounting to CHF 10.0 million (December 31<sup>st</sup>, 2002: CHF 21.2 million) less deferred taxes of CHF 1.5 million (December 31<sup>st</sup>, 2002: CHF 2.9 million).

# 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 31<sup>st</sup>, 2003.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 2003 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.

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 a company's share capital or another 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 by 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 36.

### 1.3 Scope of consolidation

Changes in 2003: In June 2003, Charles Vögele Holding AG was merged with Charles Vögele Beteiligungen AG, with retrospective effect from January 1<sup>st</sup>, 2003. As a result all assets and liabilities of Charles Vögele Beteiligungen AG were transferred to Charles Vögele Holding AG. In May 2003, a new Group company, Charles Vögele Import GmbH, was founded in Lehrte, Germany. The company is fully included in the consolidated financial statements, since Charles Vögele Holding AG holds 100% of its partnership capital. This company renders purchasing logistics services in connection with the centralized warehousing facility in Lehrte.

Changes in 2002: As of October 1<sup>st</sup>, 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 through the segments of "sales organizations," "central services" and "holding company." The "sales organizations" segment includes the branches and related sales logistics. The centralized services of the Group relating to the fashion trade are summarized in the "central services" segment. The major centralized Group services include purchasing and purchasing logistics, information technology, finance, accounting, controlling, treasury, internal and external communications, advertising and brand management.

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, 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. Exchange 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:

2003	ISO-Code	Unit	Balance sheet	Income statement
Euro	EUR	1	1.56	1.52
United Kingdom	GBP	1	2.20	2.20
Hong Kong	HKD	1	0.16	0.17
USA	USD	1	1.24	1.35

2002	ISO-Code	Unit	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

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

### 1.6 Intangible assets

Intangible assets include goodwill, information technology software (acquired from or developed by third parties; IT 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 first full consolidation as of December 31<sup>st</sup>, 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, receivables and advance payments and long-term financial assets) and financial liabilities (short-term 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 recognised on 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, liquidity risk, and credit risk. As part of the risk management policies, financial risks – which include both opportunities and risks of loss – are monitored continuously.

### 1.8.1 Financial risk management

#### Foreign exchange risk

This risk is based on fluctuations in 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. 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 recognised directly in shareholders' equity. Inventories and trade payables 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

The interest rate risk arising from fluctuations in market interest rates is compensated to a certain extent by the staggered maturities of bank loans. Current interest rates and the rate adjustment deadlines are listed separately in the notes to individual balance sheet positions.

#### 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 in the light of current and future developments. Liquidity risk is reduced through the cash flow generated from trading activities.

#### 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.

#### 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 hedge 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 in "Exchange gains or losses" in the income statement.

If a hedge transaction classified as effective has an inefficient portion or if an expected future cash flow fails to materialize, the accrued profits or losses recorded directly in the shareholders' equity relating to these hedge transactions are immediately reversed and booked through the income statement.

Financial instruments not classified as hedge instruments are valued at fair value and value fluctuations of these financial instruments are recorded through 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 year-end rate as of December 31<sup>st</sup>.

#### 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. Value adjustments are stated under other financial income (expenses) in the income statement.

### 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 short-term financial liabilities, if the maturity is less than twelve months. The short-term bank debt in foreign currency is converted using the year-end rate as of December 31<sup>st</sup>.

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

#### Trade payables

Liabilities resulting from the delivery of goods and services relating to trading activities 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 31<sup>st</sup>. 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 includes 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 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 31<sup>st</sup>, 2001, an inventory valuation system was introduced (see also Note 17) that takes into account the ageing structure of the inventory and will be continued systematically. 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.

Deferred tax assets from net operating loss carry-forwards considered realizable in the near future are capitalized on the basis of future national tax rates.

### 1.11 Provisions

Provisions are recognised when a current liability arises based on an event which has occurred in the past, when it is likely that a drain of resources will occur, if the liability is met, and when the amount of the liability can be assessed reliably.

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

### 1.12 Employee benefit plans

The Group operates different pension plans based on local practices and the 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 valuations 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 in the income statement on the publication date of the advertisement.

### 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

Interest costs are recognized directly in the income statement.

## 2 Segment information

### 2.1 Financial segment information 2003

in CHF 1 000	Sales organizations	Central services	Holding company	Consolidation entries	Group
Gross sales	1 616 034	685 668	0	(685 719)	1 615 983
Net sales	1 414 622	685 668	0	(685 718)	1 414 572
EBITDA <sup>1)</sup>	93 732	67 536	(3 460)	14 098	171 906
EBITDA in % of net sales	6.6%	9.8%	–	–	12.2%
EBIT <sup>2)</sup>	33 495	61 238	(3 460)	8 422	99 695
EBIT in % of net sales	2.4%	8.9%	–	–	7.0%
Depreciation	49 068	6 298	0	193	55 559
Amortization of goodwill	9 685	0	0	5 483	15 168
Impairment	1 484	0	0	0	1 484
Other non-cash expenses	68 008	22 049	(12 975)	2 299	79 381
Operating assets <sup>3)</sup>	844 034	188 494	2 190	(109 900)	924 818
Operating liabilities <sup>4)</sup>	204 309	65 177	2 104	(120 603)	150 987
Tangible assets <sup>5)</sup>	413 069	8 594	0	0	421 663
Net investments	14 251	3 938	0	0	18 189
Net sales per m <sup>2</sup> (in CHF)	2 437	0	0	0	2 437
Net sales per average number of full-time employees, in CHF <sup>6)</sup>	277 431	0	0	0	266 297

in CHF 1 000	Switzerland	Germany	Austria	Belgium/ The Netherlands	Total sales organizations
Gross sales	563 891	577 622	297 885	176 636	1 616 034
Net sales	522 545	496 806	247 408	147 863	1 414 622
EBITDA <sup>1)</sup>	77 079	8 170	26 976	(18 493)	93 732
EBITDA in % of net sales	14.8%	1.6%	10.9%	–12.5%	6.6%
EBIT <sup>2)</sup>	56 917	(14 792)	20 938	(29 568)	33 495
EBIT in % of net sales	10.9%	–3.0%	8.5%	–20.0%	2.4%
Depreciation	20 085	17 190	5 498	6 295	49 068
Amortization of goodwill	0	5 189	0	4 496	9 685
Impairment	77	583	540	284	1 484
Other non-cash expenses	14 741	29 706	11 492	12 069	68 008
Operating assets <sup>3)</sup>	320 128	270 362	88 172	165 372	844 034
Operating liabilities <sup>4)</sup>	54 573	84 265	44 440	21 031	204 309
Tangible assets <sup>5)</sup>	208 764	129 049	40 988	34 268	413 069
Net investments	5 324	7 122	3 600	(1 795)	14 251
Net sales per m <sup>2</sup> (in CHF)	4 178	1 897	2 685	1 457	2 437
Net sales per average number of full-time employees, in CHF <sup>6)</sup>	371 918	255 954	276 125	172 536	277 431

<sup>1)</sup> Earnings before depreciation and amortization, interest and taxes

<sup>2)</sup> Earnings before interest and taxes

<sup>3)</sup> Trade receivables, inventories, other receivables without financing characteristics, tangible and intangible assets

<sup>4)</sup> Trade payables, provisions and other payables without financing characteristics

<sup>5)</sup> Tangible assets are included in the position "Operating assets"

<sup>6)</sup> Excluding apprentices

## Financial segment information 2002

in CHF 1 000	Sales organizations	Central services	Holding company	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 <sup>1)</sup>	90 758	65 502	(2 997)	12 161	165 424
EBITDA in % of net sales	6.1%	8.3%	–	–	11.0%
EBIT <sup>2)</sup>	34 062	59 424	(2 997)	6 680	97 169
EBIT in % of net sales	2.3%	7.5%	–	–	6.5%
Depreciation	47 352	6 078	0	(1)	53 429
Amortization of goodwill	9 344	0	0	5 482	14 826
Impairment	0	0	0	0	0
Other non-cash expenses	76 912	31 966	18 432	(31 494)	95 816
Operating assets <sup>3)</sup>	928 588	210 880	4 482	(146 443)	997 507
Operating liabilities <sup>4)</sup>	243 062	38 031	6 232	(142 396)	144 929
Tangible assets <sup>5)</sup>	433 507	9 695	0	0	443 202
Net investments	36 477	3 761	0	0	40 238
Net sales per m <sup>2</sup> (in CHF)	2 647	0	0	0	2 647
Net sales per average number of full-time employees, in CHF <sup>6)</sup>	273 181	0	0	0	263 413

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 <sup>1)</sup>	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 <sup>2)</sup>	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	19 899	16 913	4 418	6 122	47 352
Amortization of goodwill	0	5 006	0	4 338	9 344
Impairment	0	0	0	0	0
Other non-cash expenses	25 050	29 067	10 845	11 950	76 912
Operating assets <sup>3)</sup>	356 576	296 514	94 287	181 211	928 588
Operating liabilities <sup>4)</sup>	92 154	74 054	43 856	32 998	243 062
Tangible assets <sup>5)</sup>	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 <sup>2</sup> (in CHF)	4 682	2 074	2 846	1 530	2 647
Net sales per average number of full-time employees, in CHF <sup>6)</sup>	359 676	251 390	275 956	173 441	273 181

<sup>1)</sup> Earnings before depreciation and amortization, interest and taxes

<sup>2)</sup> Earnings before interest and taxes

<sup>3)</sup> Trade receivables, inventories, other receivables without financing characteristics, tangible and intangible assets

<sup>4)</sup> Trade payables, provisions and other payables without financing characteristics

<sup>5)</sup> Tangible assets are included in the position "Operating assets"

<sup>6)</sup> Excluding apprentices

## 2.2 Statistical segment information 2003

	Sales organizations	Central services	Group
<b>Branches (number):</b>			
Balance 1.1.2003	775	0	775
New openings	24	0	24
Closures	(20)	0	(20)
<b>Balance 31.12.2003</b>	<b>779</b>	<b>0</b>	<b>779</b>
<b>Sales area (m<sup>2</sup>):</b>			
Balance 1.1.2003	581 323	0	581 323
New openings <sup>1)</sup>	17 045	0	17 045
Closures	(15 028)	0	(15 028)
<b>Balance 31.12.2003</b>	<b>583 340</b>	<b>0</b>	<b>583 340</b>
<b>Average number of full-time employees on an annual basis<sup>2)</sup>:</b>			
Sales	4 220	0	4 220
Warehouse	628	0	628
Purchase/administration	251	213	464
<b>Total</b>	<b>5 099</b>	<b>213</b>	<b>5 312</b>
Total employees <sup>2)</sup>	7 605	240	7 845

	Switzerland	Germany	Austria	Belgium/ The Netherlands	Total sales organizations
<b>Branches (number):</b>					
Balance 1.1.2003	153	346	128	148	775
New openings	3	12	8	1	24
Closures	0	(5)	(4)	(11)	(20)
<b>Balance 31.12.2003</b>	<b>156</b>	<b>353</b>	<b>132</b>	<b>138</b>	<b>779</b>
<b>Sales area (m<sup>2</sup>):</b>					
Balance 1.1.2003	123 848	259 896	91 600	105 979	581 323
New openings <sup>1)</sup>	2 619	8 648	5 944	(166)	17 045
Closures	0	(3 694)	(1 981)	(9 353)	(15 028)
<b>Balance 31.12.2003</b>	<b>126 467</b>	<b>264 850</b>	<b>95 563</b>	<b>96 460</b>	<b>583 340</b>
<b>Average number of full-time employees on an annual basis<sup>2)</sup>:</b>					
Sales	1 077	1 588	787	768	4 220
Warehouse	267	269	57	35	628
Purchase/administration	61	84	52	54	251
<b>Total</b>	<b>1 405</b>	<b>1 941</b>	<b>896</b>	<b>857</b>	<b>5 099</b>
Total employees <sup>2)</sup>	2 308	2 717	1 207	1 373	7 605

<sup>1)</sup> Including change in floor space, movements within the same location (shopping centers) and size adjustments

<sup>2)</sup> Excluding apprentices

Statistical segment information 2002

	Sales organizations	Central services	Group
<b>Branches (number):</b>			
Balance 1.1.2002	744	0	744
New openings	42	0	42
Closures	(11)	0	(11)
<b>Balance 31.12.2002</b>	<b>775</b>	<b>0</b>	<b>775</b>
<b>Sales area (m<sup>2</sup>):</b>			
Balance 1.1.2002	555 379	0	555 379
New openings <sup>1)</sup>	33 095	0	33 095
Closures	(7 151)	0	(7 151)
<b>Balance 31.12.2002</b>	<b>581 323</b>	<b>0</b>	<b>581 323</b>
<b>Average number of full-time employees on an annual basis<sup>2)</sup>:</b>			
Sales	4 555	0	4 555
Warehouse	667	0	667
Purchase/administration	263	204	467
<b>Total</b>	<b>5 485</b>	<b>204</b>	<b>5 689</b>
<b>Total employees<sup>2)</sup></b>	<b>8 042</b>	<b>245</b>	<b>8 287</b>

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

<sup>1)</sup> Including change in floor space, movements within the same location (shopping centers) and size adjustments

<sup>2)</sup> Excluding apprentices

### 3 Sales

#### 3.1 Gross sales by country

in CHF 1 000	2003	2002	Change in %
Switzerland	563 840	611 899	-7.9%
Germany	577 622	611 557	-5.5%
Austria	297 885	292 851	1.7%
Belgium/The Netherlands	176 636	193 626	-8.8%
<b>Gross sales</b>	<b>1 615 983</b>	<b>1 709 933</b>	<b>-5.5%</b>

#### 3.2 Net sales by country

in CHF 1 000	2003	2002	Change in %
Switzerland	522 495	567 006	-7.9%
Germany	496 806	526 161	-5.6%
Austria	247 408	243 393	1.6%
Belgium/The Netherlands	147 863	161 995	-8.7%
<b>Net sales</b>	<b>1 414 572</b>	<b>1 498 555</b>	<b>-5.6%</b>

### 4 Reduction in sales

in CHF 1 000	2003	2002
Sales tax	197 185	206 843
Other reductions in sales	4 226	4 535
<b>Total</b>	<b>201 411</b>	<b>211 378</b>

### 5 Personnel expenses

in CHF 1 000	2003	2002
Wages and salaries	252 654	259 183
Social security costs	45 374	46 743
Sundries	6 905	8 229
<b>Total</b>	<b>304 933</b>	<b>314 155</b>

#### 5.1 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 with full reinsurance coverage. The employers' and employees' contributions are directly charged to the company's income statement.

Charles Vögele Fashion (Netherlands) B.V. has an independent industry pension plan. Because there is no reliable basis for allocating the plan's assets to the individual participating companies, this plan is treated in these financial statements as a defined contribution plan.

In 2003 personnel expenses contained a contribution of CHF 4.1 million and in 2002 CHF 4.0 million to defined contribution retirement plans.

## 5.2 Defined benefit retirement plans

The pension plans of Charles Vögele (Belgium) B.V.B.A. and Charles Vögele (Netherlands) B.V. were operated as defined benefit plans from December 31<sup>st</sup>, 1999, onwards. 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. Both in the years 2003 and 2002, CHF 0.2 million each were charged to personnel expenses. The pension plan of Charles Vögele (Belgium) B.V.B.A. was changed from a defined benefit plan to a defined contribution plan as of January 1<sup>st</sup>, 2003.

The following average assumptions underlie the actuarial valuations:

	The Netherlands 2003	The Netherlands 2002	Belgium 2003	Belgium 2002
Future salary increases	0.5 %	0.5 %	n.a.	1.5 %
Inflation rate	2.5 %	2.5 %	n.a.	2.5 %
Discount rate	5.5 %	5.0 %	n.a.	5.0 %
Indexation	2.5 %	2.5 %	n.a.	2.5 %
Return on plan assets	5.5 %	5.5 %	n.a.	5.0 %

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

in CHF 1 000	2003	2002
Present value of claims of former and present employees	4 894	5 921
Fair value of plan assets	(2 648)	(2 939)
Provision for defined retirement benefit obligations	2 246	2 982

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

in CHF 1 000	2003	2002
Current service cost	951	2 174
Interest cost	225	528
Expected return on plan assets	(119)	(779)
Actuarial gain	(1 139)	0
Other expenses	94	0
<b>Expenses recognized in the income statement</b>	<b>12</b>	<b>1 923</b>

Based on the current parameters, the premiums owed for the year 2003 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 31<sup>st</sup>, 2003, are as follows:

in CHF 1 000	2003	2002
Liability, net, opening balance	2 982	3 201
Expenses (as above)	12	1 923
Contributions paid	0	(2 079)
Benefits paid	(376)	0
Effect of change of plan	(541)	0
Effect of exchange rates	169	(63)
<b>Liability, net, closing balance</b>	<b>2 246</b>	<b>2 982</b>

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 19 employees only (2002: 20 employees). The 2003 income statements of Group companies were charged with CHF 0.2 million (2002: CHF 0.1 million).

## 6 Rent and maintenance expenses

in CHF 1 000	2003	2002
Rent	147 845	142 171
Incidental expenses, cleaning, maintenance	45 627	41 378
<b>Total</b>	<b>193 472</b>	<b>183 549</b>

## 7 Operating and administration expenses

Operating and administration expenses include operating lease expenses amounting to CHF 5.1 million (2002: CHF 7.1 million). Vehicles and cash register systems are leased under operating leases.

## 8 Operating real estate income, net

in CHF 1 000	2003	2002
Real estate income	1 975	2 056
Real estate expenses	(211)	(347)
<b>Total</b>	<b>1 764</b>	<b>1 709</b>

## 9 Other operating income

This position of CHF 1.2 million results mainly from redemption fees generated by branch closures.

## 10 Depreciation

in CHF 1 000	2003	2002
Depreciation	55 559	53 429
Impairment losses	1 484	0
<b>Total</b>	<b>57 043</b>	<b>53 429</b>

For branch closures planned for 2004 and 2005, impairment losses of CHF 1.5 million were booked on store equipment.

## 11 Other financial income

in CHF 1 000	2003	2002
Interest income	967	1 185
Interest income from securities	87	74
<b>Total</b>	<b>1 054</b>	<b>1 259</b>

## 12 Other financial expenses

in CHF 1 000	2003	2002
Interest expenses on current accounts and loans	19 481	26 307
Mortgages interest charges	1 768	1 981
Lease interest	3 725	3 868
<b>Total</b>	<b>24 974</b>	<b>32 156</b>

## 13 Taxes

### 13.1 Composition of tax expense

in CHF 1 000	2003	2002
Current income taxes	36 549	28 174
Change in deferred taxes	4 443	8 237
Tax from previous years	1 987	5 381
Other taxes	0	(21)
<b>Total tax expenses</b>	<b>42 979</b>	<b>41 771</b>

### 13.2 Analysis of tax expense

in CHF 1 000	2003	2002
Earnings before taxes	80 448	57 669
Taxes on current operating results calculated on the theoretical average Group tax rate of 25%	20 112	14 417
Effect of amortization of goodwill not deductible for tax purposes	1 371	1 371
Effect of change in tax rates on deferred taxes in the balance sheet	576	0
Effect of deferred tax assets not capitalized	18 346	27 041
Adjustment of capitalized tax loss carry-forwards	18 593	5 828
Effect of different tax rates	(14 114)	(12 096)
Effect of other non-taxable transactions	(101)	(150)
Taxes from previous years	1 987	5 381
Adjustments of deferred taxes from previous years	(3 791)	0
Other taxes	0	(21)
<b>Total tax expense</b>	<b>42 979</b>	<b>41 771</b>

### 13.3 Deferred taxes in the balance sheet

in CHF 1 000	31.12.2003 Assets	31.12.2003 Liabilities	31.12.2002 Assets	31.12.2002 Liabilities
Deferred taxes from: – Various receivables	8	0	9	0
– Inventories	8 653	(27 437)	9 183	(35 566)
– Goodwill	16 607	(14 299)	10 852	0
– Other long-term assets	0	(15 639)	0	(22 353)
– Real estate	0	(11 369)	0	(11 190)
– Trade payables	280	0	0	0
– Intercompany loans	3 344	0	291	0
– Accruals	257	(332)	0	(629)
– Provisions	1 217	(3 000)	0	(2 839)
– Treasury shares	0	0	0	(24)
– Loss carry-forwards	118 059	0	94 806	0
<b>Total deferred taxes, gross</b>	<b>148 425</b>	<b>(72 076)</b>	<b>115 141</b>	<b>(72 601)</b>
Adjustment of deferred tax assets	(100 397)	0	(62 129)	0
<b>Total deferred taxes</b>	<b>48 028</b>	<b>(72 076)</b>	<b>53 012</b>	<b>(72 601)</b>
Offset of assets and liabilities	(24 552)	24 552	(21 661)	21 661
<b>Total deferred taxes, net</b>	<b>23 476</b>	<b>(47 524)</b>	<b>31 351</b>	<b>(50 940)</b>

### 13.4 Change in deferred taxes, net

in CHF 1 000

Total deferred tax assets/(liabilities), net as of 31.12.2002	(19 589)
Effect of exchange rates	1 406
Change in tax rates from previous years	(576)
Adjustments of deferred taxes from previous years	3 791
Adjustments of deferred tax assets	(18 593)
Changes in valuation differences during the year under review	9 513
Total deferred tax assets/(liabilities), net as of 31.12.2003	(24 048)

The calculation of deferred tax assets is based on future national tax rates. The effectively owed deferred tax is calculated on the main valuation differences. The Group companies show tax loss carry-forwards of approximately CHF 332.3 million with no expiration date, and with a tax impact of about CHF 118.1 million. These tax losses represent market entry costs and are capitalized if sufficient taxable profit is likely to be generated in the foreseeable future.

During the financial year 2003, deferred tax assets from loss carry-forwards capitalized in previous years were written down by CHF 18.6 million (2002: CHF 5.8 million). The new tax carry-forwards arising in the 2003 and 2002 financial years were not capitalized because it is not certain that they can be used in the near future. The deferred taxes on loss carry-forwards not capitalized amounted to approximately CHF 100.4 million as of December 31<sup>st</sup>, 2003 (December 31<sup>st</sup>, 2002: approximately CHF 62.1 million).

### 14 Earnings per share

		2003	2002
Net income	CHF 1 000	37 469	15 898
Weighted average number of shares undiluted	number	8 744 824	8 783 291
Weighted average number of shares conditional capital	number	264 000	264 000
Weighted average number of shares diluted	number	9 008 824	9 047 291
Earnings per share (undiluted)	CHF	4.28	1.81
Earnings per share (diluted)	CHF	4.16	1.76

## 15 Cash and cash equivalents

in CHF 1 000	31.12.2003	31.12.2002
Petty cash, postal account balances and cash at banks	121 985	142 510
Clearing accounts of points of sale	1 467	5 399
<b>Total</b>	<b>123 452</b>	<b>147 909</b>

The average interest rate on postal account balances and cash at banks was 0.3% (2002: 0.5%).

## 16 Receivables and advance payments

in CHF 1 000	31.12.2003	31.12.2002
Tax credits: – Sales taxes	9 677	8 646
– Income taxes from previous years	2 066	3 832
– Reclaimable withholding taxes	50	53
Advance payments for advertising campaigns	2 234	2 414
Various receivables and accruals	17 930	17 762
<b>Total</b>	<b>31 957</b>	<b>32 707</b>

## 17 Inventories

in CHF 1 000	31.12.2003	31.12.2002
Current inventory, gross	347 250	410 451
Inventory valuation adjustment	(98 914)	(96 462)
<b>Current inventory (current and previous seasons), net</b>	<b>248 336</b>	<b>313 989</b>
Upcoming season	57 073	33 155
Heating oil	204	267
<b>Total</b>	<b>305 613</b>	<b>347 411</b>

The inventory valuation adjustment shown as of December 31<sup>st</sup>, 2003, includes additional, non-systematic value adjustments amounting to CHF 8.1 million for intended special discounts and other measures in 2004.

## 18 Tangible assets

### 18.1 Change in book values

in CHF 1 000	Land and buildings	Equipment	Total
<b>Balance 1.1.2002</b>	<b>206 455</b>	<b>254 226</b>	<b>460 681</b>
Effect of exchange rates	(914)	(3 225)	(4 139)
Additions	7 697	35 552	43 249
Disposals	(4 281)	(2 762)	(7 043)
Depreciation	(5 648)	(43 898)	(49 546)
<b>Balance 31.12.2002</b>	<b>203 309</b>	<b>239 893</b>	<b>443 202</b>
Effect of exchange rates	3 497	11 202	14 699
Additions	274	20 070	20 344
Disposals	0	(10 650)	(10 650)
Depreciation	(5 800)	(38 648)	(44 448)
Impairment losses	0	(1 484)	(1 484)
<b>Balance 31.12.2003</b>	<b>201 280</b>	<b>220 383</b>	<b>421 663</b>

Impairment losses are stated under “Depreciation” in the income statement.

## 18.2 Composition of book values

in CHF 1 000	Land and buildings	Equipment	Total
Acquisition cost	276 976	461 774	738 750
Accumulated depreciation	(73 667)	(221 881)	(295 548)
<b>Balance 31.12.2002</b>	<b>203 309</b>	<b>239 893</b>	<b>443 202</b>
Acquisition cost	281 546	490 061	771 607
Accumulated depreciation	(80 266)	(269 678)	(349 944)
<b>Balance 31.12.2003</b>	<b>201 280</b>	<b>220 383</b>	<b>421 663</b>

As of December 31<sup>st</sup>, 2003, CHF 108.1 million of the land and buildings are pledged as security for mortgages and for the Group's syndicated credit facility (December 31<sup>st</sup>, 2002: CHF 108.1 million).

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

## 18.3 Finance leases

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

in CHF 1 000	Land and buildings	Equipment	Total
Acquisition cost	56 522	23 639	80 161
Accumulated depreciation	(7 931)	(5 386)	(13 317)
<b>Balance 31.12.2002</b>	<b>48 591</b>	<b>18 253</b>	<b>66 844</b>
Additions 2002	7 190	1 740	8 930
Disposals 2002	0	0	0
Reclassification	0	(5 139)	(5 139)
Acquisition cost	61 729	25 349	87 078
Accumulated depreciation	(11 413)	(8 217)	(19 630)
<b>Balance 31.12.2003</b>	<b>50 316</b>	<b>17 132</b>	<b>67 448</b>

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 2002 consist of the extensions to the distribution centers in Lehrte (Germany) and Kalsdorf (Austria). In the financial year 2003 no additions or disposals were recorded.

## 19 Financial assets

### 19.1 Change in book values

in CHF 1 000	Securities	Loans	Investments	Total
<b>Balance 1.1. 2002</b>	<b>1 335</b>	<b>200</b>	<b>170</b>	<b>1 705</b>
Effect of exchange rates	(27)	0	0	(27)
Additions	95	0	0	95
Disposals	0	(200)	0	(200)
<b>Balance 31.12. 2002</b>	<b>1 403</b>	<b>0</b>	<b>170</b>	<b>1 573</b>
Effect of exchange rates	101	0	0	101
Additions	0	0	0	0
Disposals	(16)	0	0	(16)
Valuation adjustments	(27)	0	0	(27)
<b>Balance 31.12. 2003</b>	<b>1 461</b>	<b>0</b>	<b>170</b>	<b>1 631</b>

The securities are valued and recognized at fair value. The position essentially comprises long-term securities invested as part of the Austrian pension fund.

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

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

### 19.2 Composition of book values

in CHF 1 000	Securities	Loans	Investments	Total
Acquisition cost	1 452	0	170	1 622
Accumulated depreciation	(49)	0	0	(49)
<b>Balance 31.12. 2002</b>	<b>1 403</b>	<b>0</b>	<b>170</b>	<b>1 573</b>
Acquisition cost	1 537	0	170	1 707
Accumulated depreciation	(76)	0	0	(76)
<b>Balance 31.12. 2003</b>	<b>1 461</b>	<b>0</b>	<b>170</b>	<b>1 631</b>

## 20 Intangible assets

### 20.1 Change in book values

in CHF 1 000	Goodwill	Other intangible assets	Total
<b>Balance 1.1. 2002</b>	<b>187 740</b>	<b>7 378</b>	<b>195 118</b>
Effect of exchange rates	(1 814)	(2)	(1 816)
Additions	0	2 051	2 051
Disposals	0	0	0
Amortization	(14 826)	(2 508)	(17 334)
<b>Balance 31.12. 2002</b>	<b>171 100</b>	<b>6 919</b>	<b>178 019</b>
Effect of exchange rates	6 076	7	6 083
Additions	0	1 476	1 476
Disposals	0	0	0
Amortization	(15 168)	(2 760)	(17 928)
<b>Balance 31.12. 2003</b>	<b>162 008</b>	<b>5 642</b>	<b>167 650</b>

## 20.2 Composition of book values

in CHF 1 000	Goodwill	Other intangible assets	Total
Acquisition cost	234 268	21 989	256 257
Accumulated amortization	(63 168)	(15 070)	(78 238)
<b>Balance 31.12.2002</b>	<b>171 100</b>	<b>6 919</b>	<b>178 019</b>
Acquisition cost	242 598	23 488	266 086
Accumulated amortization	(80 590)	(17 846)	(98 436)
<b>Balance 31.12.2003</b>	<b>162 008</b>	<b>5 642</b>	<b>167 650</b>

## 20.3 Composition of Goodwill

in CHF 1 000	Amortization period	Acquisition cost	Amortization 2003	Accumulated amortization	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)	(22 990)	53 642
Purchase of the minority interest in Charles Vögele (Austria) AG 1998	20 years	33 012	(1 651)	(8 253)	24 759
Acquisition of store locations in The Netherlands 1999	20 years	4 771	0	(4 771)	0
Acquisition Mac Fash Group 2000	5 years	26 575	(5 189)	(21 260)	5 315
Acquisition Kien Group 2001	20 years	92 108	(4 496)	(13 816)	78 292
<b>Balance 31.12.2003</b>		<b>242 598</b>	<b>(15 168)</b>	<b>(80 590)</b>	<b>162 008</b>

## 21 Short-term financial liabilities

in CHF 1 000	31.12.2003	31.12.2002
Short-term loans, Note 26	0	101 325
Lease commitments (due < 1 year), Note 23	8 383	4 734
<b>Total</b>	<b>8 383</b>	<b>106 059</b>

## 22 Other liabilities and accruals

in CHF 1 000	31.12.2003	31.12.2002
Sales tax	20 052	8 972
Credit notes	7 569	6 782
Accruals	51 341	68 714
<b>Total</b>	<b>78 962</b>	<b>84 468</b>

## 23 Finance lease liabilities

in CHF 1 000	Residual term < 1 years	Residual term 1–5 years	Residual term > 5 years	Total
Lease commitments, gross	8 450	33 635	54 739	96 824
Discounted	(3 716)	(11 819)	(12 636)	(28 171)
<b>Balance 31.12.2002</b>	<b>4 734</b>	<b>21 816</b>	<b>42 103</b>	<b>68 653</b>
Lease commitments, gross	11 861	27 407	52 363	91 631
Discounted	(3 478)	(10 714)	(10 020)	(24 212)
<b>Balance 31.12.2003</b>	<b>8 383</b>	<b>16 693</b>	<b>42 343</b>	<b>67 419</b>

in CHF 1 000	31.12.2003	31.12.2002
Disclosure: – Short-term financial liabilities (due < 1 year), Note 21	8 383	4 734
– Lease liabilities	59 036	63 919
<b>Total</b>	<b>67 419</b>	<b>68 653</b>

The average discount rate of finance lease commitments amounted to 5.3% (2002: 5.6%).

## 24 Provisions

in CHF 1 000	Personnel provisions	Other provisions	Total
<b>Balance 1.1. 2002</b>	<b>9 462</b>	<b>1 459</b>	<b>10 921</b>
Increase	1 071	5 325	6 396
Usage	(201)	(244)	(445)
Decrease	(734)	(75)	(809)
Effect of exchange rates	(183)	(3)	(186)
<b>Balance 31.12. 2002</b>	<b>9 415</b>	<b>6 462</b>	<b>15 877</b>
Increase	1 288	415	1 703
Usage	(165)	(5 455)	(5 620)
Decrease	(2 548)	(242)	(2 790)
Effect of exchange rates	645	7	652
<b>Balance 31.12. 2003</b>	<b>8 635</b>	<b>1 187</b>	<b>9 822</b>

Personnel provisions are mainly associated with pension liabilities and settlements paid to employees in various Group companies. The increases and decreases are attributable to alterations to pension and settlement liabilities recognized in the income statement. Usage reflects the annual pension payments that are offset by the provisions. The decreases of CHF 2.5 million in the financial year 2003 are mainly attributable to provisions for settlements and provisions associated with pension plans that are no longer needed (see Note 5).

“Other provisions” mainly includes estimated outflows of funds connected with legal matters. Increases in the financial year 2002 include a CHF 5.0 million provision for legal risks (see Note 28.2). The usage of CHF 5.5 million in the financial year 2003 is due to legal costs that were set off against provisions.

The precise timing of the estimated outflows of funds from “Other provisions” is difficult to ascertain and largely out of the company’s control. Management assumes that the outflow will occur within the next one to three years.

## 25 Mortgages

### 25.1 Duration and development

in CHF 1 000	31.12.2003	31.12.2002
Due within 1 year	17 800	14 880
Due between 1 and 5 years	49 500	52 720
<b>Total</b>	<b>67 300</b>	<b>67 600</b>

in CHF 1 000		
<b>Balance 1.1.2002</b>		72 400
Repayment of mortgages		(4 800)
<b>Balance 31.12.2002</b>		<b>67 600</b>
Repayment of mortgages		(300)
<b>Balance 31.12.2003</b>		<b>67 300</b>

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

### 25.2 Terms

Average interest rate 2002	2.9%
Average interest rate 2003	2.6%

### 25.3 Future interest rate adjustments

in CHF 1 000	2004	2005	> 2005
1 <sup>st</sup> half-year	0	0	0
2 <sup>nd</sup> half-year	17 800	0	49 500
<b>Total</b>	<b>17 800</b>	<b>0</b>	<b>49 500</b>

## 26 Loans

### 26.1 Composition

in CHF 1 000	31.12.2003	31.12.2002
Short-term loans, gross	0	102 500
Credit procurement costs	0	(1 175)
<b>Short-term loans, net, Note 21</b>	<b>0</b>	<b>101 325</b>
Long-term loans, gross	275 000	350 000
Credit procurement costs	(4 264)	(7 848)
<b>Long-term loans, net</b>	<b>270 736</b>	<b>342 152</b>

The credit procurement costs incurred are connected to the new loan agreement (see Note 26.2), and are amortized, depending on remaining maturity and credit utilization, over the remaining lifetime of the loan contract.

## 26.2 Duration and development of the loans, gross

in CHF 1 000	Maturity < 12 months	Maturity 12–24 months	Maturity > 24 months	Total
<b>Balance 1.1. 2002</b>	<b>280 000</b>	<b>121 664</b>	<b>125 000</b>	<b>526 664</b>
Additions	102 500	75 000	275 000	452 500
Repayments	(280 000)	(121 664)	(125 000)	(526 664)
<b>Balance 31.12. 2002</b>	<b>102 500</b>	<b>75 000</b>	<b>275 000</b>	<b>452 500</b>
Additions	0	0	30 000	30 000
Repayments	(102 500)	(75 000)	(30 000)	(207 500)
Reclassifications	0	275 000	(275 000)	0
<b>Balance 31.12. 2003</b>	<b>0</b>	<b>275 000</b>	<b>0</b>	<b>275 000</b>

The book value of the loans outstanding as of December 31<sup>st</sup>, 2003, 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 and a CHF 227.5 million amortizing revolving credit line. In December 2003, CHF 75.0 million of the term loan was repaid early, implying that all contractual repayment obligations have been fulfilled until the end of the contract. The remaining sum of CHF 275.0 million is to be paid off at the end of the term. The amortizing revolving credit line also has a three-year term and was reduced in accordance with the contract by CHF 102.5 million during the financial year 2003. Among others, shares and participation rights of subsidiaries were pledged as securities to the banking consortium (see Note 11 in the notes to Charles Vögele Holding AG).

### 26.3 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. The interest rate as of December 31<sup>st</sup>, 2003, is 175 basis points above LIBOR.

Average interest rate 2002	3.7%
Average interest rate 2003	2.9%

## 27 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.

### 27.1 Management share option plan 2002

The option plan 2002 for members of the Board of Directors, Group Management, and the second management level replaced all former management share option plans. The option plan is financed through treasury shares and conditional share capital. The award of options is proposed by the 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 duration of the option plan is not limited. The duration of the options of each tranche expires after five years, with a vesting period of three years from the date they are awarded.

As of November 18<sup>th</sup>, 2002, a first tranche of 119 000 options with an exercise price of CHF 29.50 was issued.

As of August 29<sup>th</sup>, 2003, a second tranche of 98 000 options with an exercise price of CHF 54.55 was issued.

Tranche	Number of issued options	Number of expired options	Number of open options as of 31.12.2003	Exercise price in CHF	Duration	Vesting period
2002	119 000	(4 000)	115 000	29.50	28.11.2002 – 18.11.2007	28.11.2002 – 18.11.2005
2003	98 000	0	98 000	54.55	29.08.2003 – 29.08.2008	29.08.2003 – 29.08.2006
<b>Total</b>	<b>217 000</b>	<b>(4 000)</b>	<b>213 000</b>			

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.

## 28 Contingent liabilities

### 28.1 Outstanding merchandise orders and letter of credits

As of December 31<sup>st</sup>, 2003, commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 131.3 million (December 31<sup>st</sup>, 2002: CHF 123.3 million).

As of December 31<sup>st</sup>, 2003, letter of credits not included in the balance sheet amounted to CHF 43.0 million (December 31<sup>st</sup>, 2002: CHF 53.2 million).

### 28.2 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, which was settled out of court in 2003.

The Charles Vögele Group sets up provisions 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 provisions are set up to cover estimated costs for legal expenses. The estimated risk for these pending lawsuits is covered in full by a provision (see Note 24).

## 29 Forward foreign exchange contracts

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

in CHF 1 000	31.12.2003	31.12.2002
Purchasing	104 327	207 953
Surplus foreign exchange positions	0	52 056
<b>Total</b>	<b>104 327</b>	<b>260 009</b>

### 29.1 Derivatives for cash flow hedges

The open forward foreign exchange contracts as of December 31<sup>st</sup>, 2003, for the purchase of inventory, cover the exchange risks for the spring/summer collection 2004 (CHF 85.6 million) and the autumn/winter collection 2004 (CHF 18.7 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
31.12.2002	0	21 240	207 953
31.12.2003	0	10 014	104 327

#### Contract volume by maturity

in CHF 1 000	Up to 3 months	3–6 months	6–9 months	9–12 months	Total
31.12.2002	133 407	35 129	39 417	0	207 953
31.12.2003	85 651	0	18 676	0	104 327

Derivative financial instruments are valued at their replacement value (fair value) and classified as accrued assets or liabilities. Any differences arising from the valuation on the balance sheet date is booked off the income statement under shareholders equity as “Reserve for valuation of financial instruments” until the hedged underlying transaction has been completed. The valuation difference from ineffective hedge transactions is debited or credited to exchange differences in the income statement. The following table shows the development of the changes in fair values during 2003:

	Contract volume in USD 1 000	Valuation differences in income statement:	
		recognized in CHF 1 000	not recognized in CHF 1 000
Season 2003/1 – Total coverage	110 000		
– Used	(107 000)	2 236	
– Not required	(3 000)	(1 094)	
Season 2003/2 – Total coverage	75 000		
– Used	(84 500)		
– Repurchased	9 500	1 354	
Season 2004/1 – Total coverage	82 207		
– Used	(14 000)		
– Not required	(9 917)	(1 490)	
Open as of 31.12.2003	58 290		(9 399)
Season 2004/2 – Total coverage	75 000		
Open as of 31.12.2003	75 000		(615)
<b>Total as of 31.12.2003</b>	<b>133 290</b>	<b>1 006</b>	<b>(10 014)</b>

### 29.2 Derivatives for trading purposes

The change in fair value (valuation at current replacement value) of the currency swaps relating to currency balances resulted in a loss as of December 31<sup>st</sup>, 2003, of CHF 1.0 million (2002: loss of CHF 2.1 million) which was included in the income statement under “Exchange gains or losses”.

in CHF 1 000	Currency	Contract value	Replacement value	Difference
<b>2002</b>	USD	29 182	27 720	(1 462)
	EUR	22 874	22 225	(649)
	<b>Total</b>	<b>52 056</b>	<b>49 945</b>	<b>(2 111)</b>
<b>2003</b>	USD	(12 400)	(12 004)	396
	USD	12 320	10 972	(1 348)
	EUR	12 400	12 462	62
	EUR	(12 320)	(12 462)	(142)
	<b>Total</b>	<b>0</b>	<b>(1 032)</b>	<b>(1 032)</b>

### 30 Rental commitments

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

in CHF 1 000	31.12.2003	31.12.2002
Maturity < 1 year	170 182	159 740
Maturity 1–5 years	473 314	444 742
Maturity > 5 years	307 141	328 917
<b>Total</b>	<b>950 637</b>	<b>933 399</b>

### 31 Related party transactions

The remuneration of the Board of Directors and Group Management in total amounted to:

		Board of Directors	Group Management	Total
2002	Number of members	6	6	
	Amount in CHF 1 000	850	5 256	6 106
2003	Number of members	5	3	
	Amount in CHF 1 000	968	2 792	3 760

As a result of the current management share option plan (Note 27), in the financial year 2003, 22 500 options (2002: 30 000) were allocated to the members of the Board of Directors and 31 500 options (2002: 32 000) to the members of Group Management.

During the financial year 2003, a related party charged the company a CHF 602 500 fee for legal advice (2002: CHF 638 750). Apart from that, there were no further major transactions with related parties in the years 2003 and 2002.

### 32 Post balance sheet events

The present financial statements take into consideration events occurring between the balance sheet date and March 4<sup>th</sup>, 2004. The 2003 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 4<sup>th</sup>, 2004. The 2003 financial statements were published on March 9<sup>th</sup>, 2004, and will be presented to the Annual Shareholders' Meeting on April 6<sup>th</sup>, 2004, for approval.

### 33 Group structure as of December 31<sup>st</sup>, 2003

Company	Currency	Share/Partnership capital
<b>Charles Vögele Holding AG</b> Pfäffikon SZ, CH Holding	CHF	88 000 000
100% <b>Charles Vögele Trading AG</b> Pfäffikon SZ, CH Central services	CHF	10 000 000
100% <b>Charles Vögele Store Management AG</b> Pfäffikon SZ, CH Central services	CHF	250 000
100% <b>Prodress AG</b> Pfäffikon SZ, CH Central services	CHF	100 000
100% <b>Cosmos Mode AG</b> Pfäffikon SZ, CH Central services	CHF	100 000
100% <b>Mac Fash GmbH</b> Pfäffikon SZ, CH Central services	CHF	20 000
100% <b>Charles Vögele Import GmbH</b> Lehrte, DE Central services	EUR	25 000
100% <b>Charles Vögele Fashion (HK) Ltd.</b> Hong Kong, HK Central services	HKD	100 000
100% <b>Charles Vögele Mode AG</b> Pfäffikon SZ, CH Sales organization	CHF	20 000 000
100% <b>Charles Vögele Deutschland GmbH</b> Sigmaringen, DE Sales organization	EUR	15 340 000
100% <b>Charles Vögele (Austria) AG</b> Kalsdorf, AT Sales organization	EUR	1 453 457
100% <b>Charles Vögele (Netherlands) B.V.</b> Utrecht, NL Sales organization	EUR	2 268 901
100% <b>Charles Vögele Fashion (Netherlands) B.V.</b> Utrecht, NL Sales organization	EUR	1 000 000
100% <b>Charles Vögele (Belgium) B.V.B.A.</b> Turnhout, BE Sales organization	EUR	644 523

# Report of the Group Auditors to the General Meeting of Charles Vögele Holding AG, Pfäffikon SZ

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes, pages 4 to 36) of Charles Vögele Group for the year ended December 31<sup>st</sup>, 2003. The prior year corresponding figures were audited by other Group auditors.

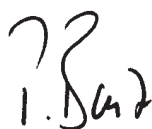
These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, 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 the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG



Peter Binz



Matthias von Moos

Zurich, March 4<sup>th</sup>, 2004



Charles Vögele Holding AG

## Contents Financial Statements Holding

- 40 Income Statement Holding
- 41 Balance Sheet Holding
- 42 Notes to the Financial Statements
- 45 Proposed Appropriation of Retained Earnings
- 46 Report of the Statutory Auditors

# Income Statement Holding

from January 1<sup>st</sup> to December 31<sup>st</sup>

in CHF 1 000	Note	2003	2002
<b>Income</b>			
Dividends		57 701	80 000
Financial income	2	15 494	48 396
Exchange gains, net		574	0
<b>Total income</b>		<b>73 769</b>	<b>128 396</b>
<b>Expenses</b>			
Administration expenses		(2 622)	(2 818)
Financial expenses	2	(21 445)	(29 538)
Impairment on loans to subsidiaries	3	(33 663)	0
Exchange loss, net		0	(1 152)
<b>Total expenses</b>		<b>(57 730)</b>	<b>(33 508)</b>
<b>Net income of the year before taxes</b>		<b>16 039</b>	<b>94 888</b>
Taxes		542	(876)
<b>Net income of the year</b>		<b>16 581</b>	<b>94 012</b>

Comparisons with previous years' figures are possible only to a limited extent because of the merger of Charles Vögele Beteiligungen AG with Charles Vögele Holding AG as of January 1<sup>st</sup>, 2003.

# Balance Sheet Holding

as of December 31<sup>st</sup>

in CHF 1 000	Note	31.12.2003	31.12.2002
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	22 263	33 128
Receivables from subsidiaries	5	106 686	704 722
Other receivables and prepayments		753	87
<b>Total current assets</b>		<b>129 702</b>	<b>737 937</b>
<b>Long-term assets</b>			
Loans to subsidiaries	5	380 971	200 000
Investments	6	263 306	420 770
Treasury shares		878	868
Other assets		4 263	9 023
<b>Total long-term assets</b>		<b>649 418</b>	<b>630 661</b>
<b>Total assets</b>		<b>779 120</b>	<b>1 368 598</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Bank loans		275 000	452 500
Accounts payable: Third parties		148	65
Subsidiaries	5	104 264	138 417
Accrued liabilities		1 125	3 495
Provisions for taxes		0	1 507
<b>Total liabilities</b>		<b>380 537</b>	<b>595 984</b>
<b>Shareholders' equity</b>			
Share capital	7	88 000	88 000
Legal reserves		173 789	173 789
Reserve for treasury shares	8	5 790	868
Retained earnings: – Retained earnings as of January 1 <sup>st</sup>		509 957	415 977
– Decrease/(Increase) of reserve for treasury shares		(4 922)	(32)
– Merger loss		(390 612)	0
– Dividend paid		0	0
– Net income of the year		16 581	94 012
<b>Total retained earnings</b>		<b>131 004</b>	<b>509 957</b>
<b>Total shareholders' equity</b>		<b>398 583</b>	<b>772 614</b>
<b>Total liabilities and shareholders' equity</b>		<b>779 120</b>	<b>1 368 598</b>

Comparisons with previous years' figures are possible only to a limited extent because of the merger of Charles Vögele Beteiligungen AG with Charles Vögele Holding AG as of January 1<sup>st</sup>, 2003.

# 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.

In June 2003, Charles Vögele Holding AG was merged with Charles Vögele Beteiligungen AG, with retrospective effect from January 1<sup>st</sup>, 2003. As a result, all assets and liabilities of Charles Vögele Beteiligungen AG were transferred to Charles Vögele Holding AG.

## 2 Financial income and expenses

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

## 3 Impairment on loans to subsidiaries

Impairments on loans to Group companies concern value adjustments on Group loans to subsidiaries in Germany, The Netherlands and Belgium.

## 4 Cash and cash equivalents

This position mainly includes time deposits at banks.

## 5 Loans due from and to subsidiaries

This position consists of receivables and payables due from and to other Group companies.

## 6 Investments

The structure of the Charles Vögele Group is documented in the Group structure of the consolidated financial statements on page 36.

## 7 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 carry out a conditional increase of the share capital of 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 to 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.

## 8 Movement in treasury shares

		Price in CHF	Number of shares
Treasury shares 31.12.2001			15 086
Purchase of treasury shares	July 2002	10.00	3 228
Treasury shares 31.12.2002			18 314
Purchase of treasury shares	February 2003	10.00	971
Purchase of treasury shares by Charles Vögele Trading AG	August 2003	49.79 – 50.00	98 000
Treasury shares 31.12.2003			117 285

For the holdings of treasury shares in the Charles Vögele Group as of December 31<sup>st</sup>, 2003, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 5.8 million.

## 9 Major shareholders

According to information required by legislation governing stock exchange transactions, Classic Global Equity Fund (asset management by Braun, von Wyss & Müller AG) held 6.2% of the company's capital as of March 28<sup>th</sup>, 2002. In addition, as per March 1<sup>st</sup>, 2004, The Capital Group Company's Inc. held 5.07% of the company's share capital.

## 10 Contingent liabilities

in CHF 1 000	31.12.2003	31.12.2002
Rent guarantees to third parties	53 324	54 999
Guarantees to financing banks	155 583	147 144

In addition, letters of comfort were issued to subsidiary companies.

## 11 Pledged assets

Shares and participation rights of the following Group companies were pledged in connection with syndicated Group financing (see Note 26 in the notes to the consolidated financial statements): Charles Vögele Trading AG, Cosmos Mode AG, Charles Vögele Mode AG, Charles Vögele (Austria) AG, Charles Vögele Deutschland GmbH, Charles Vögele (Netherlands) B.V., Charles Vögele Fashion (Netherlands) B.V. and Charles Vögele (Belgium) B.V.B.A.

# Proposed Appropriation of Retained Earnings

as of December 31<sup>st</sup>, 2003

The Board of Directors proposes the following appropriation of retained earnings:

in CHF 1 000

Dividend 2003	8 800
Allocation to free reserves	110 000
Balance carried forward	12 204
<b>Retained earnings as of December 31<sup>st</sup>, 2003</b>	<b>131 004</b>

The total payment for the financial year 2003 of CHF 8.8 million proposed by the Board of Directors reflects a dividend of CHF 1.00 per bearer share with a nominal value of CHF 10.

Since the legal reserves have reached 20% 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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 40 to 44) of Charles Vögele Holding AG for the year ended December 31<sup>st</sup>, 2003. The prior year corresponding figures were audited by other auditors.

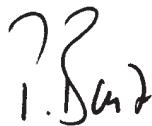
These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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 retained earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG



Peter Binz



Matthias von Moos

Zurich, March 4<sup>th</sup>, 2004



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**Forthcoming events**

- Annual Shareholders' Meeting 2003: April 6<sup>th</sup>, 2004
- Analysts' and media conference on the 2004 half-year report: August 31<sup>st</sup>, 2004
- Analysts' and media conference on the 2004 year-end results: March 8<sup>th</sup>, 2005
- Annual Shareholders' Meeting 2004: April 13<sup>th</sup>, 2005
- Analysts' and media conference on the 2005 half-year report: August 30<sup>th</sup>, 2005