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Consolidated Income Statement

from January 1st to December 31st

CHF 1000	Note	2003	2004
Gross sales	3	1 615 983	1 523 975
Reductions in sales	4	(201 411)	(191 328)
Net sales	3	1 414 572	1 332 647
Cost of sales		(588 863)	(536 235)
Gross profit		825 709	796 412
In % of net sales		58.4%	59.8%
Personnel expenses	5	(304 933)	(294 969)
Rental expenses	6	(193 472)	(198 911)
Advertising and promotion expenses		(92 534)	(95 829)
Operating and administration expenses	7	(92 815)	(88 385)
Operating real estate income, net	8	1 764	1 805
Operating financial income		27 029	28 323
Other operating income	9	1 158	2 220
Total operating expenses		(653 803)	(645 746)
EBITDA¹⁾		171 906	150 666
In % of net sales		12.2%	11.3%
Depreciation	10	(57 043)	(55 058)
Amortization of goodwill	20	(15 168)	(15 317)
EBIT²⁾		99 695	80 291
In % of net sales		7.0%	6.0%
Financial income	11	1 054	904
Financial expenses	12	(24 974)	(17 496)
Exchange gains/(losses), net		4 751	(1 097)
Non-operating real estate income, net		(78)	(157)
Earnings before taxes		80 448	62 445
In % of net sales		5.7%	4.7%
Taxes	13	(42 979)	(24 797)
Net income		37 469	37 648
In % of net sales		2.6%	2.8%
Earnings per share in CHF (basic)	14	4.28	4.34
(diluted)	14	4.16	4.21

¹⁾ Earnings before depreciation and amortization, interest and taxes

²⁾ Earnings before interest and taxes

The notes on pages 6 to 32 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as of December 31st

CHF 1000	Note	31.12.2003	31.12.2004
Assets			
Current assets			
Cash and cash equivalents	15	123 452	46 642
Receivables and advance payments	16	31 957	23 307
Inventories	17	305 613	274 075
Assets available-for-sale	18	0	4 028
Total current assets		461 022	348 052
Long-term assets			
Tangible assets: Land and buildings	18	201 280	190 994
Equipment		220 383	214 931
Total tangible assets		421 663	405 925
Financial assets: Investments	19	170	170
Other financial assets		1 461	0
Total financial assets		1 631	170
Intangible assets	20	167 650	151 490
Deferred tax assets	13	23 476	18 270
Total long-term assets		614 420	575 855
Total assets		1 075 442	923 907
Liabilities and shareholders' equity			
Current liabilities			
Short-term financial liabilities	21	8 383	5 040
Trade payables		62 203	63 042
Other liabilities and accruals	22	78 962	61 909
Current tax liabilities		28 547	13 758
Total current liabilities		178 095	143 749
Long-term liabilities			
Lease liabilities	23	59 036	55 554
Provisions	24	9 822	9 346
Deferred tax liabilities	13	47 524	41 435
Mortgages	25	67 300	75 560
Loans	26	270 736	132 335
Total long-term liabilities		454 418	314 230
Shareholders' equity			
Share capital		88 000	88 000
Treasury shares		(5 487)	(13 756)
Share premium reserve		173 789	173 789
Fair value reserve for financial instruments		(8 512)	(3 647)
Retained earnings		195 139	221 542
Total shareholders' equity		442 929	465 928
Total liabilities and shareholders' equity		1 075 442	923 907

The notes on pages 6 to 32 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

from January 1st to December 31st

CHF 1000	Note	2003	2004
Earnings before interest and taxes (EBIT)		99 695	80 291
Adjustments: Depreciation and amortization		72 211	70 375
Profit on disposal of assets		(1 158)	(1 193)
Change in long-term provisions		(6 707)	435
Operating profit before changes in working capital		164 041	149 908
Change in short-term receivables, advance payments and prepaid expenses		(1 735)	6 221
Change in inventories		59 574	29 456
Change in current liabilities		23 787	(11 643)
Operating profit after changes in working capital		245 667	173 942
Financial income received		1 062	904
Financial expenses paid		(21 636)	(14 984)
Taxes paid		(34 715)	(39 576)
Non-operating income received/(paid)		84	5
Cash flow from operating activities		190 462	120 291
Investments in intangible assets		(1 476)	(2 629)
Investments in tangible assets		(20 344)	(40 944)
Disposals of tangible assets		3 311	1 863
Disposals of financial assets		0	1 448
Net cash provided/(used) by investing activities		(18 509)	(40 262)
Change in bank loans: Additions		30 000	275 000
Repayments		(207 500)	(415 000)
Change in finance lease liabilities		(5 026)	(9 477)
Purchase of treasury shares		(4 922)	(8 269)
Change in mortgages		(300)	8 260
Dividends paid		0	(8 682)
Net cash provided/(used) by financing activities		(187 748)	(158 168)
Net increase/(decrease) in cash and cash equivalents		(15 795)	(78 139)
Net cash and cash equivalents at the beginning of the period		147 909	123 452
Effect of exchange rate changes		(8 662)	1 329
Net increase/(decrease) in cash and cash equivalents		(15 795)	(78 139)
Net cash and cash equivalents at the end of the period		123 452	46 642

The notes on pages 6 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Group Equity

CHF 1000	Share capital	Treasury shares	Share premium reserve	Retained earnings	Valuation financial instruments	Total
Balance 1.1.2003	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
Fair value reserve for financial instruments					(8 512)	(8 512)
Acquisition of treasury shares		(4 922)				(4 922)
Balance 31.12.2003	88 000	(5 487)	173 789	195 139	(8 512)	442 929
Net income 2004				37 648		37 648
Effect of exchange rates				(2 563)		(2 563)
Dividends paid				(8 682)		(8 682)
Recognized through purchase of goods					8 512	8 512
Fair value reserve for financial instruments					(3 647)	(3 647)
Acquisition of treasury shares		(8 269)				(8 269)
Balance 31.12.2004	88 000	(13 756)	173 789	221 542	(3 647)	465 928

The notes on pages 6 to 32 are an integral part of these consolidated financial statements.

Share capital

The share capital of Charles Vögele Holding AG consists of 8 800 000 fully paid-in bearer shares with 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 of 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 for 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 page 27, Note 27 concerning incentive and share ownership plans).

Treasury shares

As of December 31st, 2004, treasury shares comprise 279 092 shares (December 31st, 2003: 117 285) held by the Charles Vögele Group and expected to be used for management participation in the Charles Vögele Group.

Dividend

For the financial year 2003 a dividend of CHF 1.00 per bearer share of Charles Vögele Holding AG was paid out on April 16th, 2004.

For the financial year 2002 it was decided not to distribute a dividend.

Valuation of financial instruments

Valuation of financial instruments as of December 31st, 2004, comprises the change in fair value of the open cash flow hedges amounting to CHF 4.2 million (December 31st, 2003: CHF 10.0 million) less deferred taxes of CHF 0.6 million (December 31st, 2003: CHF 1.5 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 31st, 2004.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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 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 minority shareholders in the net assets and the net income is disclosed separately in the consolidated balance sheet and income statement. The Charles Vögele Group does not have any minority shareholders.

The Charles Vögele Group does not own investments in associated companies (voting rights of 20–50% in affiliated companies).

Equity interests of less than 20% are excluded from the consolidated financial statements. They are recorded under "Investments" and are valued at fair value. Any impairment in value is recorded as a financial expense.

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

The companies included in the consolidation are disclosed in the Group structure on page 32.

1.3 Scope of consolidation

Changes in 2004: The Group's subsidiaries Charles Vögele Fashion (Netherlands) B.V. and Charles Vögele (Netherlands) B.V. were merged with retrospective effect from January 1st, 2004. As a result all assets and liabilities of Charles Vögele (Netherlands) B.V. were transferred to Charles Vögele Fashion (Netherlands) B.V., which was subsequently renamed Charles Vögele (Netherlands) B.V.

Changes in 2003: In June 2003, Charles Vögele Holding AG was merged with Charles Vögele Beteiligungen AG with retrospective effect from January 1st, 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.

1.4 Segment reporting

The Group operates through the following segments: "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:

2004	ISO-Code	Unit	Balance sheet	Income statement
Euro	EUR	1	1.54	1.54
Hong Kong	HKD	1	0.15	0.16
USA	USD	1	1.13	1.24

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

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 store 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 an impairment in goodwill arise, an impairment test will be performed. In the case of a negative assessment (impairment), the goodwill will be impaired.

1.7 Tangible assets

Other tangible assets are valued at historical cost less depreciation. Depreciation is computed generally using the straight-line method based on the estimated useful lives of the assets. The depreciation periods are as follows:

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

Properties: Properties were adjusted to current market values as part of the first full 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, 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 fair values approximate to the book values shown in the consolidated balance sheet. Generally, transactions are recognised on the 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 forward 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. Foreign exchange rate risks arising from foreign currency cash positions are monitored continuously and hedged if required. Other foreign exchange risks are hedged if required.

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 cash flow hedge instrument only 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 of a hedging instrument that qualifies as a highly effective hedge is included proportionately in "Fair value reserve for financial instruments" in shareholders' equity and in "Trade payables" and therefore will not be accounted for through the income statement until the hedged transaction has taken place. The change in the fair value of hedging instruments that are no longer effective is recognized in "Exchange gains or losses" in the income statement.

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

Financial instruments not classified as hedge instruments are valued at fair value and the changes in fair value are recorded directly through the income statement.

1.8.2 Financial assets**Cash and cash equivalents**

Cash and cash equivalents include cash at stores and cash balances from current business activity. The latter are managed through a Group-wide cash pooling system. Foreign currency positions are valued at the year-end rate as of December 31st.

Receivables and advance payments

Short-term receivables comprise mainly tax credits, advance payments for advertising campaigns and accruals. All items are shown in the balance sheet at the lower of cost or market value.

Financial assets

Financial assets are shown in the balance sheet at fair value. Value adjustments (impairments) are stated under "Financial income or expenses" in the income statement.

1.8.3 Financial liabilities**Bank debt**

Short-term bank loans: 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. Short-term bank debt in foreign currencies is converted using the year-end rate as of December 31st.

Long-term bank loans: The position "Loans" comprises the long-term Group financing agreement.

Trade payables

Liabilities resulting from the delivery of goods and services relating to trading activities are valued at the hedged foreign exchange rate (USD) or at the year-end rate as of December 31st (other currencies). 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 tangible 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.

1.9 Inventories

Inventories are valued using the average cost method based on the effective purchase price plus imputed transport costs, less discounts received. On December 31st, 2001, an inventory valuation system was introduced (see also page 21, Note 17) that takes into account the ageing structure of the inventory. Foreign currency items are converted at the exchange rate of the day or at the hedged exchange rate of the purchased goods.

1.10 Assets available-for-sale

Assets which are intended for the direct sale and likely to be sold within the next twelve months are recorded as "Assets available-for-sale" under current assets. The valuation is based on the lower of cost or market value minus sales cost. Assets available-for-sale are no longer depreciated.

1.11 Deferred taxes

The provision for deferred income taxes is calculated using the liability method. The calculation is based on the differences arising between the income 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.

1.12 Provisions

Provisions are recognized in the balance sheet 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 interest represents a significant part of the expected expenses, the provisions are recognized on a discounted value basis.

1.13 Employee benefit plans

The Group operates different pension plans based on 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.

1.14 Advertising

Advertising expenses are recorded in the income statement on the publication date of the advertisement.

1.15 Operating financial income

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

1.16 Financial expenses

Interest costs are recognized directly in the income statement.

2 Segment information

2.1 Financial segment information 2004

CHF 1000	Sales organizations	Central services	Holding company	Consolidation entries	Group
Gross sales	1 523 971	686 014	0	(686 010)	1 523 975
Net sales	1 332 647	686 010	0	(686 010)	1 332 647
EBITDA ¹⁾	82 091	68 772	(2 407)	2 210	150 666
EBITDA in % of net sales	6.2%	10.0%	-	-	11.3%
EBIT ²⁾	24 127	62 181	(2 407)	(3 610)	80 291
EBIT in % of net sales	1.8%	9.1%	-	-	6.0%
Depreciation	46 757	6 591	0	337	53 685
Amortization of goodwill	9 834	0	0	5 483	15 317
Impairment	1 373	0	0	0	1 373
Other non-cash expenses	32 720	(7 813)	171	(1 802)	23 276
Operating assets ³⁾	780 696	146 492	341	(71 209)	856 320
Operating liabilities ⁴⁾	159 556	57 945	771	(83 973)	134 299
Tangible assets ⁵⁾	394 716	11 209	0	0	405 925
Net investments	33 721	9 160	0	0	42 881
Net sales per m ² sales area, in CHF	2 278	0	0	0	2 278
Net sales per average number of full-time employees, in CHF ⁶⁾	282 221	0	0	0	270 204

CHF 1000	Switzerland	Germany	Austria	Belgium/ Netherlands	Total sales organizations
Gross sales	523 771	534 374	304 290	161 536	1 523 971
Net sales	485 278	459 529	252 606	135 234	1 332 647
EBITDA ¹⁾	75 058	(3 193)	23 659	(13 433)	82 091
EBITDA in % of net sales	15.5%	-0.7%	9.4%	-9.9%	6.2%
EBIT ²⁾	57 596	(27 112)	18 109	(24 466)	24 127
EBIT in % of net sales	11.9%	-5.9%	7.2%	-18.1%	1.8%
Depreciation	17 346	18 053	5 533	5 825	46 757
Amortization of goodwill	0	5 269	0	4 565	9 834
Impairment	116	597	17	643	1 373
Other non-cash expenses	13 737	8 235	4 756	5 992	32 720
Operating assets ³⁾	304 498	244 171	88 286	143 741	780 696
Operating liabilities ⁴⁾	45 345	51 477	42 467	20 267	159 556
Tangible assets ⁵⁾	201 752	118 680	43 239	31 045	394 716
Net investments	14 308	9 208	6 678	3 527	33 721
Net sales per m ² sales area, in CHF	3 794	1 746	2 594	1 402	2 278
Net sales per average number of full-time employees, in CHF ⁶⁾	365 145	258 598	283 509	186 530	282 221

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⁾ Excluding apprentices

Financial segment information 2003

CHF 1000	Sales organization	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 ¹⁾	93 732	67 536	(3 460)	14 098	171 906
EBITDA in % of net sales	6.6%	9.8%	-	-	12.2%
EBIT ²⁾	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 ³⁾	844 034	188 494	2 190	(109 900)	924 818
Operating liabilities ⁴⁾	204 309	65 177	2 104	(120 603)	150 987
Tangible assets ⁵⁾	413 069	8 594	0	0	421 663
Net investments	14 251	3 938	0	0	18 189
Net sales per m ² sales area, in CHF	2 437	0	0	0	2 437
Net sales per average number of full-time employees, in CHF ⁶⁾	277 431	0	0	0	266 297

CHF 1000	Switzerland	Germany	Austria	Belgium/ 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 ¹⁾	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 ²⁾	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 ³⁾	320 128	270 362	88 172	165 372	844 034
Operating liabilities ⁴⁾	54 573	84 265	44 440	21 031	204 309
Tangible assets ⁵⁾	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 ² sales area, in CHF	4 178	1 897	2 685	1 457	2 437
Net sales per average number of full-time employees, in CHF ⁶⁾	371 918	255 954	276 125	172 536	277 431

¹⁾ Earnings before depreciation and amortization, interest and taxes²⁾ Earnings before interest and taxes³⁾ Trade receivables, inventories, other receivables without financing characteristics, tangible and intangible assets⁴⁾ Trade payables, provisions and other payables without financing characteristics⁵⁾ Tangible assets are included in the position "Operating assets"⁶⁾ Excluding apprentices

2.2 Statistical segment information 2004

	Sales organizations	Central services	Group
Branches (number):			
Balance 1.1.2004	779	0	779
New openings	26	0	26
Closures	(17)	0	(17)
Balance 31.12.2004	788	0	788
Sales area in m²:			
Balance 1.1.2004	583 340	0	583 340
New openings ¹⁾	21 925	0	21 925
Closures	(12 032)	0	(12 032)
Balance 31.12.2004	593 233	0	593 233
Average number of full-time employees on an annual basis²⁾:			
Sales	3 912	0	3 912
Warehouse	569	0	569
Purchase/administration	241	210	451
Total	4 722	210	4 932
Total employees ²⁾	7 037	246	7 283

	Switzerland	Germany	Austria	Belgium/ Netherlands	Total sales organizations
Branches (number):					
Balance 1.1.2004	156	353	132	138	779
New openings	4	5	11	6	26
Closures	(3)	(6)	(3)	(5)	(17)
Balance 31.12.2004	157	352	140	139	788
Sales area in m²:					
Balance 1.1.2004	126 467	264 850	95 563	96 460	583 340
New openings ¹⁾	4 794	4 399	8 871	3 861	21 925
Closures	(1 499)	(4 327)	(1 366)	(4 840)	(12 032)
Balances 31.12.2004	129 762	264 922	103 068	95 481	593 233
Average number of full-time employees on an annual basis²⁾:					
Sales	1 026	1 453	789	644	3 912
Warehouse	237	250	51	31	569
Purchase/administration	66	74	51	50	241
Total	1 329	1 777	891	725	4 722
Total employees ²⁾	2 175	2 505	1 268	1 089	7 037

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

²⁾ Excluding apprentices

Statistical segment information 2003

	Sales organizations	Central services	Group
Branches (number):			
Balance 1.1.2003	775	0	775
New openings	24	0	24
Closures	(20)	0	(20)
Balance 31.12.2003	779	0	779
Sales area in m²:			
Balance 1.1.2003	581 323	0	581 323
New openings ¹⁾	17 045	0	17 045
Closures	(15 028)	0	(15 028)
Balance 31.12.2003	583 340	0	583 340
Average number of full-time employees on an annual basis²⁾:			
Sales	4 220	0	4 220
Warehouse	628	0	628
Purchase/administration	251	213	464
Total	5 099	213	5 312
Total employees ²⁾	7 605	240	7 845

	Switzerland	Germany	Austria	Belgium/ Netherlands	Total sales organizations
Branches (number):					
Balance 1.1.2003	153	346	128	148	775
New openings	3	12	8	1	24
Closures	0	(5)	(4)	(11)	(20)
Balance 31.12.2003	156	353	132	138	779
Sales area in m²:					
Balance 1.1.2003	123 848	259 896	91 600	105 979	581 323
New openings ¹⁾	2 619	8 648	5 944	(166)	17 045
Closures	0	(3 694)	(1 981)	(9 353)	(15 028)
Balances 31.12.2003	126 467	264 850	95 563	96 460	583 340
Average number of full-time employees on an annual basis²⁾:					
Sales	1 077	1 588	787	768	4 220
Warehouse	267	269	57	35	628
Purchase/administration	61	84	52	54	251
Total	1 405	1 941	896	857	5 099
Total employees ²⁾	2 308	2 717	1 207	1 373	7 605

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

²⁾ Excluding apprentices

3 Sales

3.1 Gross sales by country

CHF 1000	2003	2004
Switzerland	563 840	523 775
Germany	577 622	534 374
Austria	297 885	304 290
Belgium/The Netherlands	176 636	161 536
Gross sales	1 615 983	1 523 975

3.2 Net sales by country

CHF 1000	2003	2004
Switzerland	522 495	485 278
Germany	496 806	459 529
Austria	247 408	252 606
Belgium/The Netherlands	147 863	135 234
Net sales	1 414 572	1 332 647

4 Reduction in sales

CHF 1000	2003	2004
Sales tax	197 185	187 114
Other reductions in sales	4 226	4 214
Total	201 411	191 328

5 Personnel expenses

CHF 1000	2003	2004
Wages and salaries	252 654	244 454
Social security costs	45 374	44 931
Sundries	6 905	5 584
Total	304 933	294 969

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.

As a consequence of the merger of the two Dutch subsidiaries (see page 6, Note 1.3 Scope of consolidation) the remaining merged company Charles Vögele (Netherlands) B.V. is party to two pension plans, an independent industry pension plan treated as a defined contribution scheme and a second pension plan treated as a defined benefit scheme. For the industry pension plan there is no reliable basis for allocating the plan's assets to the individual participating companies, therefore this plan is treated in these financial statements as a defined contribution plan.

In 2004 personnel expenses included a contribution of CHF 3.9 million (2003: CHF 4.1 million) to the defined contribution retirement plan.

5.2 Defined benefit retirement plans

The pension plans of Charles Vögele (Belgium) B.V.B.A. and Charles Vögele (Netherlands) B.V. have operated as defined benefit plans from December 31st, 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 were allocated over a period of five years. In the year 2003, CHF 0.2 million was charged to personnel expenses for the last time. 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 1st, 2003.

The following average assumptions underlie the actuarial valuations:

	Netherlands 2003	Netherlands 2004
Future salary increases	0.5%	0.5%
Inflation rate	2.5%	1.3%
Discount rate	5.5%	4.8%
Indexation	2.5%	1.3%
Return on plan assets	5.5%	4.5%

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

CHF 1000	2003	2004
Present value of claims of former and present employees	4 894	6 090
Fair value of plan assets	(2 648)	(4 059)
Provision for defined benefit retirement obligations	2 246	2 031

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

CHF 1000	2003	2004
Current service cost	951	1 232
Interest cost	225	343
Expected return on plan assets	(119)	(188)
Actuarial gain	(1 139)	(933)
Other expenses	94	85
Expenses recognized in the income statement	12	539

Based on the current parameters, the premiums owed were calculated actuarially and corresponding provisions made.

Movements in the net liabilities for the defined benefit retirement plan shown in the balance sheet as of December 31st, 2004, were as follows:

CHF 1000	2003	2004
Liability, net, opening balance	2 982	2 246
Expenses (as above)	12	539
Benefits paid	(376)	(733)
Effect of change of plan	(541)	0
Effect of exchange rates	169	(21)
Liability, net, closing balance	2 246	2 031

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 calculation based on IFRS or adjustment of provisions for future liabilities are made because in the context of the consolidated financial statements the liabilities relate to an insignificantly small group of 18 employees only (2003: 19 employees). The 2004 income statements of Group companies were charged with CHF 0.2 million (2003: CHF 0.2 million).

6 Rental expenses

CHF 1000	2003	2004
Rent	147 845	151 598
Incidental expenses, cleaning, maintenance	45 627	47 313
Total	193 472	198 911

7 Operating and administration expenses

Operating and administration expenses include operating lease expenses amounting to CHF 4.2 million (2003: CHF 5.1 million). Vehicles and cash register systems are leased under operating leases.

8 Operating real estate income, net

CHF 1000	2003	2004
Real estate income	1 975	1 935
Real estate expenses	(211)	(130)
Total	1 764	1 805

9 Other operating income

This position of CHF 2.2 million (2003: CHF 1.2 million) results mainly from redemption fees generated by branch closures.

10 Depreciation

CHF 1000	2003	2004
Depreciation	55 559	53 685
Impairment losses	1 484	1 373
Total	57 043	55 058

For future branch closures planned for the following years, impairment losses of CHF 1.4 million (2003: CHF 1.5 million) were booked for store equipment.

11 Financial income

CHF 1000	2003	2004
Interest income	967	816
Interest income from securities	87	88
Total	1 054	904

12 Financial expenses

CHF 1000	2003	2004
Interest expenses on current accounts and loans	19 481	11 607
Interest charges on mortgages	1 768	2 463
Interest on leases	3 725	3 426
Total	24 974	17 496

13 Taxes**13.1 Composition of tax expense**

CHF 1000	2003	2004
Current income taxes	36 549	27 489
Change in deferred taxes	4 443	(1 789)
Tax from previous years	1 987	(975)
Other taxes	0	72
Total tax expense	42 979	24 797

13.2 Analysis of tax expense

CHF 1000	2003	2004
Earnings before taxes	80 448	62 445
Taxes on current operating results calculated on the theoretical average Group tax rate of 25%	20 112	15 611
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	(2 099)
Effect of deferred tax assets not capitalized	18 346	16 421
Impairment of capitalized tax loss carry-forwards	18 593	4 787
Effect of different tax rates	(14 114)	(10 393)
Effect of other non-taxable transactions	(101)	2
Taxes from previous years	1 987	(975)
Adjustment of deferred taxes from previous years	(3 791)	0
Other taxes	0	72
Total tax expense	42 979	24 797

13.3 Deferred taxes in the balance sheet

CHF 1000	31.12.2003 Assets	31.12.2003 Liabilities	31.12.2004 Assets	31.12.2004 Liabilities
Deferred taxes from: – Various receivables	8	0	8	0
– Inventories	8 653	(27 437)	8 368	(24 984)
– Goodwill	16 607	(14 299)	16 390	(16 426)
– Other long-term assets	0	(15 639)	0	(14 900)
– Real estate	0	(11 369)	0	(11 213)
– Trade payables	280	0	226	0
– Intercompany loans	3 344	0	3 313	0
– Accruals	257	(332)	232	(492)
– Provisions	1 217	(3 000)	1 007	0
– Loss carry-forwards	118 059	0	129 024	0
Total deferred taxes, gross	148 425	(72 076)	158 568	(68 015)
Adjustment of deferred tax assets	(100 397)	0	(113 718)	0
Total deferred taxes	48 028	(72 076)	44 850	(68 015)
Offset of assets and liabilities	(24 552)	24 552	(26 580)	26 580
Total deferred taxes, net	23 476	(47 524)	18 270	(41 435)

13.4 Change in deferred taxes, net

CHF 1000	
Total deferred tax assets/(liabilities), net, as of 31.12.2003	(24 048)
Effect of exchange rates	(124)
Change in tax rates from previous years	2 099
Impairment of deferred taxes from previous years	(4 787)
Changes in valuation differences during the year under review	3 695
Total deferred tax assets/(liabilities), net, as of 31.12.2004	(23 165)

The calculation of deferred taxes is based on future (if known) national tax rates. The effectively owed deferred tax is calculated on the main valuation differences. As of December 31st, 2004, the Group companies show tax loss carry-forwards of approximately CHF 388 million (December 31st, 2003: approximately CHF 332 million) with no expiration date, and with a tax impact of approximately CHF 129.0 million (December 31st, 2003: approximately CHF 118 million). These tax loss carry-forwards represent market entry costs and are capitalized if sufficient taxable profit is likely to be generated in the foreseeable future.

During the financial year 2004, deferred tax assets from tax loss carry-forwards capitalized in previous years were written down by CHF 4.8 million (2003: CHF 18.6 million). The new tax loss carry-forwards arising in the 2004 and 2003 financial years were not capitalized as it is not certain that they can be used in the foreseeable future. The remaining capitalized deferred taxes on loss carry-forwards amounted to CHF 9.9 million as of December 31st, 2004 (December 31st, 2003: CHF 14.8 million).

14 Earnings per share

		2003	2004
Net income	CHF 1 000	37 469	37 648
Weighted average number of shares basic	number	8 744 824	8 669 311
Weighted average number of shares conditional capital	number	264 000	264 000
Weighted average number of shares diluted	number	9 008 824	8 933 311
Earnings per share (basic)	CHF	4.28	4.34
Earnings per share (diluted)	CHF	4.16	4.21

15 Cash and cash equivalents

CHF 1000	31.12.2003	31.12.2004
Petty cash, postal account balances and cash at banks	121 985	46 491
Clearing accounts of points of sale	1 467	151
Total	123 452	46 642

The average interest rate on postal account balances and cash at banks was 0.3% (2003: 0.3%).

16 Receivables and advance payments

CHF 1000	31.12.2003	31.12.2004
Tax credits: – Sales taxes	9 677	2 479
– Income taxes from previous years	2 066	26
– Reclaimable withholding taxes	50	312
Advance payments for advertising campaigns	2 234	2 768
Various receivables and accruals	17 930	17 722
Total	31 957	23 307

17 Inventories

CHF 1000	31.12.2003	31.12.2004
Current inventory, gross	347 250	300 828
Inventory valuation allowance	(98 914)	(75 524)
Current inventory (current and previous seasons), net	248 336	225 304
Upcoming season	57 073	48 578
Heating oil	204	193
Total	305 613	274 075

The inventory valuation allowance shown as of December 31st, 2004, includes additional, nonsystematic value adjustments amounting to CHF 3.0 million (December 31st, 2003: CHF 8.1 million) for intended special discounts and other measures during the following year.

18 Tangible assets

18.1 Change in book values

CHF 1000	Land and buildings	Equipment	Total
Balance 1.1.2003	203 309	239 893	443 202
Effect of exchange rates	3 497	11 202	14 699
Additions	274	20 070	20 344
Disposals	0	(3 615)	(3 615)
Depreciation	(5 800)	(45 683)	(51 483)
Impairment losses	0	(1 484)	(1 484)
Balance 31.12.2003	201 280	220 383	421 663
Effect of exchange rates	(467)	(1 418)	(1 885)
Additions	39	43 322	43 361
Disposals	0	(1 661)	(1 661)
Depreciation	(5 830)	(44 322)	(50 152)
Impairment losses	0	(1 373)	(1 373)
Reclassification	(4 028)	0	(4 028)
Balance 31.12.2004	190 994	214 931	405 925

Impairment losses are recorded under "Depreciation" in the income statement.

The reclassification in the financial year 2004 represents the transfer of real estate for sale to current assets (see the position "Assets available-for-sale").

18.2 Composition of book values

CHF 1000	Land and buildings	Equipment	Total
Acquisition cost	281 546	490 061	771 607
Accumulated depreciation	(80 266)	(269 678)	(349 944)
Balance 31.12.2003	201 280	220 383	421 663
Acquisition cost	273 091	515 896	788 987
Accumulated depreciation	(82 097)	(300 965)	(383 062)
Balance 31.12.2004	190 994	214 931	405 925

As of December 31st, 2004, CHF 85.0 million of the land and buildings are pledged as security for mortgages and for the Group's syndicated credit facility (December 31st, 2003: 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:

CHF 1000	Land and buildings	Equipment	Total
Acquisition cost	61 729	25 349	87 078
Accumulated depreciation	(11 413)	(8 217)	(19 630)
Balance 31.12.2003	50 316	17 132	67 448
Acquisition cost	61 158	18 195	79 353
Accumulated depreciation	(13 081)	(5 525)	(18 606)
Balance 31.12.2004	48 077	12 670	60 747
Additions 2004	0	2 417	2 417
Reclassification	0	(4 139)	(4 139)

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 and classified as "Equipment". The additions for 2004 relate mainly to IT equipment. The reclassification in 2004 represents the assignment of warehouse equipment to fixed assets due to expired lease contracts. In the financial year 2004 no disposals and in 2003 neither additions nor disposals were recorded.

19 Financial assets

19.1 Change in book values

CHF 1000	Securities	Investments	Total
Balance 1.1.2003	1 403	170	1 573
Effect of exchange rates	101	0	101
Additions	0	0	0
Disposals	(16)	0	(16)
Valuation adjustments	(27)	0	(27)
Balance 31.12.2003	1 461	170	1 631
Effect of exchange rates	(13)	0	(13)
Additions	0	0	0
Disposals	(1 448)	0	(1 448)
Balance 31.12.2004	0	170	170

The securities are valued and recorded at fair value. The position essentially comprises long-term securities which had to be purchased due to Austrian social security legislation. Due to new regulations, this type of investment is no longer required and was therefore sold during the year 2004.

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

19.2 Composition of book values

CHF 1000	Securities	Investments	Total
Acquisition cost	1 537	170	1 707
Accumulated depreciation	(76)	0	(76)
Balance 31.12.2003	1 461	170	1 631
Acquisition cost	49	170	219
Accumulated depreciation	(49)	0	(49)
Balance 31.12.2004	0	170	170

20 Intangible assets

20.1 Change in book values

CHF 1000	Goodwill	Other intangible assets	Total
Balance 1.1.2003	171 100	6 919	178 019
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)
Balance 31.12.2003	162 008	5 642	167 650
Effect of exchange rates	(767)	(1)	(768)
Additions	0	2 629	2 629
Disposals	0	0	0
Amortization	(15 317)	(2 704)	(18 021)
Balance 31.12.2004	145 924	5 566	151 490

20.2 Composition of book values

CHF 1000	Goodwill	Other intangible assets	Total
Acquisition cost	242 598	23 488	266 086
Accumulated amortization	(80 590)	(17 846)	(98 436)
Balance 31.12.2003	162 008	5 642	167 650
Acquisition cost	241 457	26 101	267 558
Accumulated amortization	(95 533)	(20 535)	(116 068)
Balance 31.12.2004	145 924	5 566	151 490

20.3 Composition of goodwill

CHF 1000	Amortization period	Acquisition cost	Amortization 2004	Accumulated amortization	Book value
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)	(26 821)	49 811
Purchase of minority interest in Charles Vögele (Austria) AG 1998	20 years	33 012	(1 651)	(9 904)	23 108
Acquisition of store locations in The Netherlands 1999	20 years	4 727	0	(4 727)	0
Acquisition Mac Fash Group 2000	5 years	26 330	(5 269)	(26 330)	0
Acquisition Kien Group 2001	20 years	91 256	(4 565)	(18 251)	73 005
Balance 31.12.2004		241 457	(15 317)	(95 533)	145 924

21 Short-term financial liabilities

The short-term financial liabilities consist of short-term lease commitments (due < 1 year) amounting to CHF 5.0 million (December 31st, 2003: CHF 8.4 million) (see below, Note 23).

22 Other liabilities and accruals

CHF 1000	31.12.2003	31.12.2004
Sales tax	20 052	13 514
Credit notes	7 569	8 166
Accruals: – Personnel expenses	24 191	19 270
– Rental expenses	3 937	3 979
– Foreign exchange hedges	11 047	5 416
– Other accruals	12 166	11 564
Total	78 962	61 909

23 Finance lease liabilities

CHF 1000	Residual term < 1 years	Residual term 1–5 years	Residual term > 5 years	Total
Lease commitments, gross	11 861	27 407	52 363	91 631
Discounted	(3 478)	(10 714)	(10 020)	(24 212)
Balance 31.12.2003	8 383	16 693	42 343	67 419
Lease commitments, gross	8 043	27 642	45 008	80 693
Discounted	(3 003)	(9 422)	(7 674)	(20 099)
Balance 31.12.2004	5 040	18 220	37 334	60 594

CHF 1000	31.12.2003	31.12.2004
Disclosure: – Short-term financial liabilities (due < 1 year), Note 21	8 383	5 040
– Lease liabilities	59 036	55 554
Total	67 419	60 594

The average discount rate of finance lease commitments amounted to 5.2% (2003: 5.3%).

24 Provisions

CHF 1000	Personnel provisions	Other provisions	Total
Balance 1.1.2003	9 415	6 462	15 877
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
Balance 31.12.2003	8 635	1 187	9 822
Increase	1 075	1 026	2 101
Usage	(572)	(13)	(585)
Decrease	(757)	(252)	(1 009)
Reclassification	0	(902)	(902)
Effect of exchange rates	(80)	(1)	(81)
Balances 31.12.2004	8 301	1 045	9 346

"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 in the current and the previous year were mainly attributable to provisions for settlements and provisions associated with pension plans that are no longer required (see page 16, Note 5).

"Other provisions" includes mainly estimated outflows of funds connected with legal matters. The usage of CHF 5.5 million in the previous year is due to legal expenses 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

CHF 1000	31.12.2003	31.12.2004
Due within 1 year	17 800	0
Due between 1 and 5 years	49 500	75 560
Total	67 300	75 560

CHF 1000	
Balance 1.1.2003	67 600
Repayment of mortgages	(300)
Balance 31.12.2003	67 300
Increase in mortgages	8 260
Balances 31.12.2004	75 560

The short-term mortgages outstanding as of December 31st, 2003, were replaced by long-term financing, therefore a reclassification to current liabilities was not made. The mortgages as of December 31st, 2004, reflect long-term fixed-interest bank loans. The average interest rate on mortgages amounted to 3.5% in 2004 (2003: 2.6%).

25.2 Future interest rate adjustments

CHF 1000	2005	2006	>2006
1 st half-year	0	0	0
2 nd half-year	0	0	75 560
Total	0	0	75 560

26 Loans

26.1 Composition

CHF 1000	31.12.2003	31.12.2004
Long-term loans, gross	275 000	135 000
Credit procurement costs	(4 264)	(2 665)
Long-term loans, net	270 736	132 335

The credit procurement costs incurred are connected to the loan agreements (see below, 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 loans, gross

CHF 1000	Maturity <12 months	Maturity 12-24 months	Maturity >24 months	Total
Balance 1.1.2003	102 500	75 000	275 000	452 500
Additions	0	0	30 000	30 000
Repayments	(102 500)	(75 000)	(30 000)	(207 500)
Reclassifications	0	275 000	(275 000)	0
Balance 31.12.2003	0	275 000	0	(275 000)
Additions	0	0	135 000	135 000
Repayments	0	(275 000)	0	(275 000)
Balance 31.12.2004	0	0	135 000	135 000

The book value of the loans outstanding as of December 31st, 2004, 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 outstanding as of December 31st, 2003, would have been due at the end of the term. The amortizing revolving credit line also had 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 page 39, Note 11 in the notes to Charles Vögele Holding AG).

At the end of July 2004, the Charles Vögele Group repayed the on-going credit line facility ending in August 2005 ahead of time and signed a new syndicated credit line facility agreement with a banking consortium. This agreement comprises a credit line of up to CHF 325.0 million and is divided into a three-year and a five-year term loan of CHF 162.5 million each. In connection with the refinancing in July 2004 the share pledging of subsidiaries was cancelled and replaced by a guarantee from Charles Vögele Holding AG and a limited guarantee from Charles Vögele Mode AG towards the financing banks.

26.3 Terms

The credit facility is used for general financing purposes. The new facility requires the Group to meet certain financial and other covenants such as maximum gearing and interest cover ratios. At the balance sheet date as of December 31st, 2004, the covenants are completely adhered to. Interest is payable based on LIBOR plus a margin ranging from 65 to 200 basis points (previously 100 to 275 basis points) depending on the achievement of certain financial ratios. The average interest rate in the year under review amounted to 2.2% (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. Originally the number of shares issued under this plan was limited to 3% of the share capital of the company. As of August 24th, 2004, the Board of Directors of Charles Vögele Holding AG increased the number of available shares to 3.3% 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 18th, 2002, a first tranche of 119 000 options with an exercise price of CHF 29.50 was issued.

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

As of August 24th, 2004, a third tranche of 70 000 options with an exercise price of CHF 41.05 was issued.

Tranche	Number of issued options	Number of expired options	Number of open options as of 31.12.2004	Exercise price in CHF	Duration	Vesting period
2002	119 000	(4 964)	114 036	29.50	18.11.2002–18.11.2007	18.11.2002–18.11.2005
2003	98 000	(1 744)	96 256	54.55	29.08.2003–29.08.2008	29.08.2003–29.08.2006
2004	70 000	(1 820)	68 180	41.05	24.08.2004–24.08.2009	24.08.2004–24.08.2007
Total	287 000	(8 528)	278 472			

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 is calculated based on the volume-weighted share price during the 30 trading days before and 10 trading 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 letters of credit

As of December 31st, 2004, commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 156.7 million (December 31st, 2003: CHF 131.3 million). As of December 31st, 2004, letters of credit not included in the balance sheet amounted to CHF 44.5 million (December 31st, 2003: CHF 43.0 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 a financial 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 the provision (see page 25, Note 24).

29 Forward foreign exchange contracts

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

CHF 1000	31.12.2003	31.12.2004
Derivatives for cash flow hedges	104 327	49 963
Derivatives for trading purposes	49 440	137 750
Total	153 767	187 713

29.1 Derivatives for cash flow hedges

The open forward foreign exchange contracts as of December 31st, 2004, for the purchases of merchandise in USD, cover the exchange risks for the spring/summer collection 2005.

Contract volume

CHF 1000	Positive replacement value	Negative replacement value	Contract volume
31.12.2003	0	10 014	104 327
31.12.2004	0	4 800	49 963

Contract volume by maturity

CHF 1000	Up to 3 months	3-6 months	6-9 months	9-12 months	Total
31.12.2003	85 651	0	18 676	0	104 327
31.12.2004	49 963	0	0	0	49 963

Derivative financial instruments are valued at their fair value and classified as accrued assets or liabilities. Any changes in the fair value arising from the valuation on the balance sheet date is proportionately recorded in the balance sheet only under "Trade payables" and under shareholders' equity as "Fair value reserve for financial instruments" until the hedged underlying transaction has been completed. The valuation difference from ineffective hedge transactions is debited or credited directly to "Exchange gains or losses" in the income statement. The following table shows the development of the changes in fair values during 2004:

	Order volume in USD 1 000	Valuation differences in income statement recognized in CHF 1 000	not recognized in CHF 1 000
Season 2004/1 – Total	82 207		
– Used	(76 127)		
– Not required	(9 917)		
– Repurchased	3 837	561	
Season 2004/2 – Total	78 378		
– Used	(78 378)	8 034	
Season 2005/1 – Total	69 491		
– Used	(8 640)	1 110	
– Open as of 31.12.2004	60 851		(4 800)
Total as of 31.12.2004	60 851	9 705	(4 800)

29.2 Derivatives for trading purposes

The valuation of currency swaps and forward foreign exchange contracts at current replacement value (fair value) resulted in a loss of CHF 0.6 million as of December 31st, 2004 (December 31st, 2003: loss of CHF 1.0 million) which was included in the income statement under "Exchange gains or losses".

Contract volume

CHF 1000	Currency	Contract value	Replacement value	Difference	Contract volume
	USD	(12 400)	(12 004)	396	12 400
	USD	12 320	10 972	(1 348)	12 320
	EUR	12 400	12 462	62	12 400
	EUR	(12 320)	(12 462)	(142)	12 320
31.12.2003	Total	0	(1 032)	(1 032)	49 440
	EUR	(99 405)	(100 157)	(752)	99 405
	EUR	38 345	38 480	135	38 345
31.12.2004	Total	(61 060)	(61 677)	(617)	137 750

Contract volume by maturity

CHF 1000	Up to 3 months	3-6 months	6-9 months	9-12 months	Total
31.12.2003	49 440	0	0	0	49 440
31.12.2004	122 436	15 314	0	0	137 750

30 Rental commitments

For rental contracts with fixed rental terms the following minimum payments are to be expected (excluding options for renewals):

CHF 1000	31.12.2003	31.12.2004
Maturity < 1 years	170 182	163 817
Maturity 1-5 years	473 314	449 499
Maturity > 5 years	307 141	249 949
Total	950 637	863 265

31 Related party transactions

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

		Board of Directors	Group Management	Total
2003	Number of members	5	3	
	Amount in CHF 1000	968	2 792	3 760
2004	Number of members	5	3	
	Amount in CHF 1000	968	2 662	3 630

As a result of the current management share option plan (see page 27, Note 27), in the financial year 2004, 15 000 options (2003: 22 500) were allocated to the members of the Board of Directors and 21 000 options (2003: 31 500) to the members of Group Management.

Dr. Felix R. Ehrat, a member of the Board of Directors, is also a senior partner in the law firm of Bär & Karrer. During the year under review this firm provided legal services to various Group companies for which it received a total fee of CHF 0.2 million (2003: CHF 0.6 million).

Bernd H.J. Bothe, a member of the Board of Directors, is also a senior partner of the international consulting company Droege & Comp. GmbH. During the year under review this firm provided strategic consulting services for which it received a total fee of CHF 0.3 million.

There were no further significant transactions with related parties in the years 2004 and 2003.

32 Post balance sheet events

The present financial statements take into consideration events occurring between the balance sheet date and March 4th, 2005. The 2004 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 4th, 2005. The 2004 financial statements will be published on March 8th, 2005, and will be presented to the Annual Shareholders' Meeting on April 13th, 2005, for approval.

33 Group structure as of December 31st, 2004

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 (dormant)	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% Mac Fash GmbH Pfäffikon SZ, CH Central services (dormant)	CHF	20 000
100% Charles Vögele Import GmbH Lehrte, DE Central services	EUR	25 000
100% Charles Vögele Fashion (HK) Ltd. Hongkong, HK Central services (dormant)	HKD	100 000
100% Charles Vögele Mode AG Pfäffikon SZ, CH Sales organization	CHF	20 000 000
100% Charles Vögele Deutschland GmbH Sigmaringen, DE Sales organization	EUR	15 340 000
100% Charles Vögele (Austria) AG Kalsdorf, AT Sales organization	EUR	1 453 457
100% Charles Vögele (Netherlands) B.V. Utrecht, NL Sales organization	EUR	1 000 000
100% Charles Vögele (Belgium) B.V.B.A. Turnhout, BE Sales organization	EUR	644 523

Changes in the scope of consolidation, see page 6, Note 1.3.

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 (income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, pages 2 to 32) of Charles Vögele Group for the year ended December 31st, 2004.

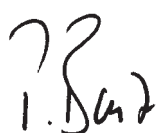
These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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 4th, 2005

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Income Statement Holding

from January 1st to December 31st

CHF 1000	Note	2003	2004
Income			
Dividends		57 701	24 561
Financial income	2	15 494	8 490
Exchange gains, net		574	5
Total income		73 769	33 056
Expenses			
Administration expenses		(2 622)	(1 813)
Financial expenses	2	(21 445)	(10 068)
Impairment of loans to subsidiaries	3	(33 663)	(8 658)
Total expenses		(57 730)	(20 539)
Net income before taxes		16 039	12 517
Taxes		542	(82)
Net income		16 581	12 435

Balance Sheet Holding

as of December 31st

CHF 1000	Note	31.12.2003	31.12.2004
Assets			
Current assets			
Cash and cash equivalents	4	22 263	4 914
Receivables from subsidiaries	5	106 686	102 200
Other receivables and accruals		753	360
Total current assets		129 702	107 474
Long-term assets			
Loans to subsidiaries	5	380 971	411 063
Investments	6	263 306	263 306
Treasury shares		878	886
Other assets		4 263	0
Total long-term assets		649 418	675 255
Total assets		779 120	782 729
Liabilities and shareholders' equity			
Short-term liabilities			
Bank loans		275 000	0
Accounts payable:Third parties		148	184
Subsidiaries	5	104 264	379 719
Accrued liabilities		1 125	586
Current tax liabilities		0	2
Total short-term liabilities		380 537	380 491
Shareholders' equity			
Share capital	7	88 000	88 000
Legal reserves		173 789	173 789
Free reserves		0	110 000
Reserve for treasury shares	8	5 790	14 059
Retained earnings: – Retained earnings as of January 1 st		509 957	131 004
– Free reserves		0	(110 000)
– Decrease/(Increase) of reserve for treasury shares		(4 922)	(8 269)
– Merger loss		(390 612)	0
– Dividends paid		0	(8 800)
– Income from treasury shares		0	20
– Net income for the year		16 581	12 435
Total retained earnings		131 004	16 390
Total shareholders' equity		398 583	402 238
Total liabilities and shareholders' equity		779 120	782 729

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 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 1st, 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 counter-balanced by financial expenses in the form of interest on cashpooling and on accounts payable to subsidiary companies and third parties.

3 Impairment of loans to subsidiaries

Impairments of loans to Group companies concern value adjustments on Group loans to subsidiaries in Germany, 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 32.

7 Share capital

The share capital of the company consists of 8 800 000 fully paid-in bearer shares with 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 with a par value of CHF 10 each, without giving rise to any pre-emptive rights for 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 (see page 27, Note 27 in the notes to the consolidated financial statements).

8 Movement in treasury shares

		Price in CHF	Number of shares
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
Purchase of treasury shares	January 2004	10.00	807
Purchase of treasury shares by Charles Vögele Trading AG	November 2004	49.87–51.17	48 884
Purchase of treasury shares by Charles Vögele Trading AG	December 2004	50.88–52.03	112 116
Treasury shares 31.12.2004			279 092

For the holdings of treasury shares in the Charles Vögele Group as of December 31st, 2004, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 14.1 million.

9 Major shareholders

According to official information received by the company, Classic Global Equity Fund (asset management by Braun, von Wyss & Müller AG) held 6.2% of the company's capital as of March 28th, 2002. In its annual report Classic Global Equity Fund reported that it held 9.3% of the company's capital as of December 31st, 2004.

In addition, The Capital Group Companies Inc. reduced its investment in the company below the reportable minimum of 5.0% as of October 13th, 2004.

10 Contingent liabilities

CHF 1000	31.12.2003	31.12.2004
Rent guarantees to third parties	53 324	45 236
Guarantees to financing banks	155 583	451 185

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 the old syndicated credit agreement which was cancelled ahead of time in 2004 (see page 26, 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.

Due to a new syndicated refinancing agreement signed in July 2004, the pledges on the shares and participation rights of Group companies were revoked and replaced with a guarantee from Charles Vögele Holding AG and with a limited guarantee from Charles Vögele Mode AG towards the involved banking consortium.

Proposed Appropriation of Retained Earnings

as of December 31st, 2004

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

CHF 1000

Dividend 2004	8 521
Balance carried forward	7 869
Retained earnings as of December 31st, 2004	16 390

The total payment for the financial year 2004 of CHF 8.5 million proposed by the Board of Directors reflects a dividend of CHF 1.00 per bearer share with a nominal value of CHF 10 (without considering the treasury shares of 279 092 as of December 31st, 2004).

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 (income statement, balance sheet and notes, pages 36 to 39) of Charles Vögele Holding AG for the year ended December 31st, 2004.

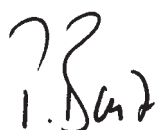
These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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.

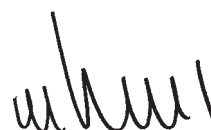
In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG



Peter Binz



Matthias von Moos

Zurich, March 4th, 2005

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

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Forthcoming events

- Analysts' and media conference on the 2004 business year results: March 8th, 2005
- Annual Shareholders' Meeting 2004: April 13th, 2005
- Analysts' and media conference on the 2005 half-year results: August 30th, 2005
- Analysts' and media conference on the 2005 business year results: March 7th, 2006
- Annual Shareholders' Meeting 2005: April 5th, 2006
- Analysts' and media conference on the 2006 half-year results: August 29th, 2006