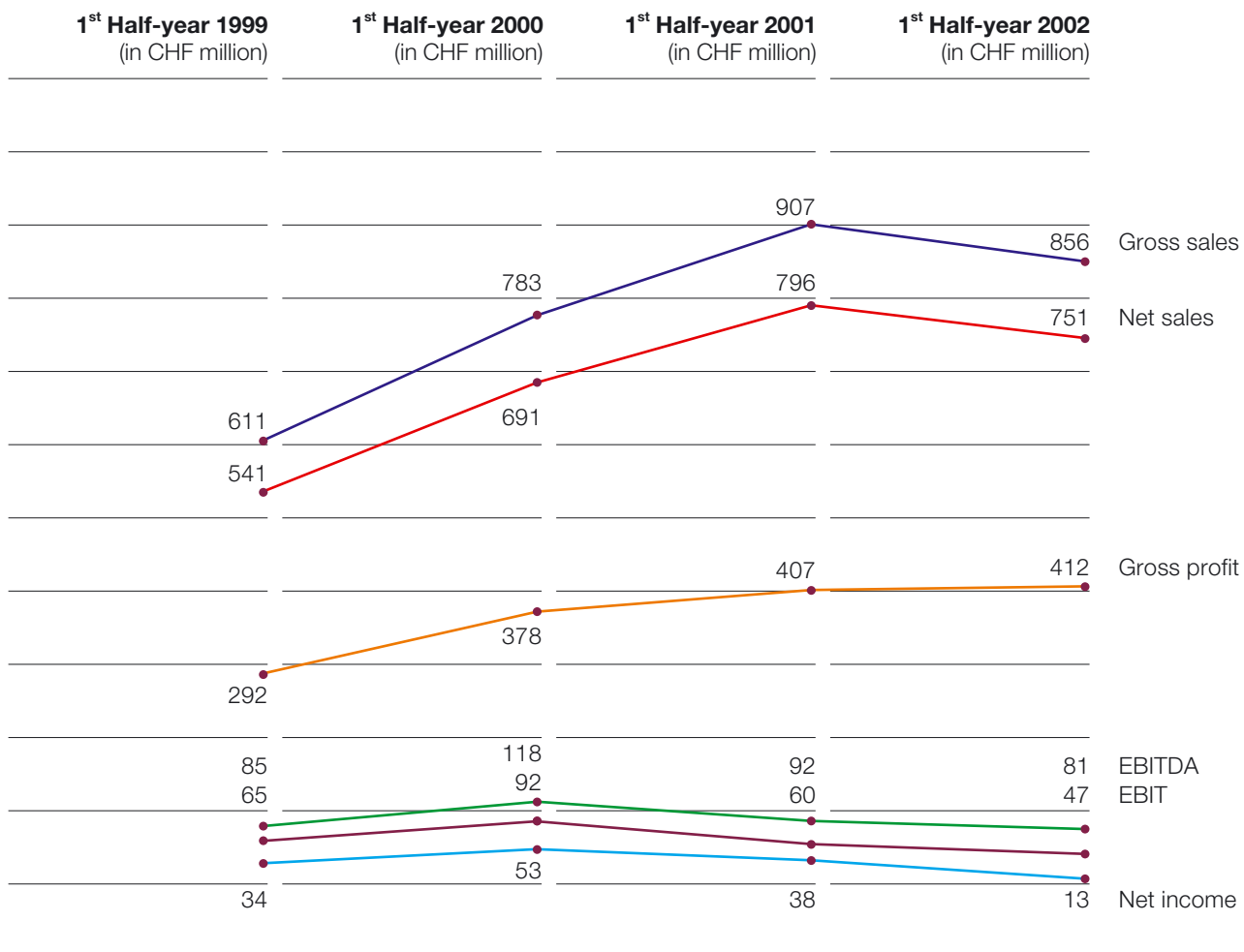


Charles Vögele Group

**Vögele**  
Mode







## Clear improvement in gross margin as new management implements changes

For the period under review the gross profit margin increased by 3.6 percentage-points to 54.8% (1<sup>st</sup> Half-year 2001: 51.2%). The initiatives taken in the areas of general management, business process and strategy and funding thereof are important steps for the Charles Vögele Group to regain a solid profitable base.

As announced previously the Group reported a 5.6% decrease in net sales to CHF 751 million for the period under review, reflecting lower consumer demand and a weaker Euro against the Swiss franc. Within the current environment the Company's priority is to improve margins and not top line growth. Despite a CHF 15 million increase of the inventory value allowance recorded during the period, gross profit increased to CHF 412 million (1<sup>st</sup> Half-year 2001: CHF 407 million).

EBITDA for the period declined to CHF 81 million, a 12% decrease over the first 6 months of 2001. EBIT of CHF 47 million was 21.7% lower than in 2001. After recording the above mentioned increase of inventory allowance of CHF 15 million and foreign exchange losses of CHF 6.4 million (1<sup>st</sup> Half-year 2001: foreign exchange gain of CHF 2.6 million) the Company reported a net income of CHF 13 million (CHF 1.49 per share) compared to CHF 38 million (CHF 4.34 per share) for the corresponding period last year.

Following the recent employment of the PR, advertising and North Germany sales executives, it is the intention of the Company to further strengthen its executive team in the coming months. Measures to further the strategic development of the Group are proceeding according to plan and will be completed in the third quarter of 2002. The focus will be to develop the management tools the Company needs to improve and monitor the performance of its operating assets. Efforts undertaken by management to reduce controllable costs and improve responsiveness of the Group's supply chain are showing their first results and are expected to further positively impact results of operations going forward. Although below budget operating expenses for the first six months of the year were higher than last year, reflecting costs associated with stores opened during the period. Measures taken to improve inventory management had a positive impact on working capital and results of operations. The decrease in inventory during the first half-year 2002 by CHF


41 million to CHF 407 million will be continued during the rest of the year. To optimise its existing store network and improve profitability, the Company has followed a deliberate policy to slow its expansion plans. In addition, severe criteria are applied in assessing new store locations.

In August 2002 a three year syndicated credit facility was negotiated to provide the Company the required funding flexibility to achieve its objectives and refinance existing debt.

In Switzerland – Vögele's largest market with a 40% share of Group turnover – the Company reported a like-for-like 3.2% decrease in net sales compared to the first half of 2001. For the period, operating results showed a marked improvement with EBIT increasing 26% to CHF 33 million. With 3 new stores opened during the period, retail sales area increased by 2.3% to approximately 121 000 m<sup>2</sup>.

In line with consumer confidence, the German market saw a difficult run of business during the reporting period. Net sales declined like-for-like by 12.4% compared to the corresponding period in 2001. Operating losses increased from CHF 7 million to CHF 14 million for the period under review, primarily reflecting an increase of the value allowance on inventory. With twelve store openings, retail sales area increased by 2.8% to approximately 254 000 m<sup>2</sup>.

Better results were reported by the Austrian business with a 7% improvement in EBIT to CHF 8 million compared with the same period of 2001. As planned, one new store was opened with total sales area increasing by approximately 1% to over 83 000 m<sup>2</sup>. Measures are being taken to improve performance and profitability of the sales organisations in Belgium and The Netherlands. The product assortment is being adjusted to cater for local customer requirements. Finally the Company is taking steps to strengthen local management particularly within the marketing functions. Compared to the first half-year 2001 like-for-like net sales decreased by 14.2% reflecting the significant 2001 volumes of clearance sales covering Kien branded goods. Operating losses increased from CHF 16 million to CHF 18 million, mainly the result of an increase of the value allowance on inventory. The number of retail outlets was reduced by two units to 147 resulting in an aggregate sales area of more than 105 000 m<sup>2</sup>.



As at 30 June 2002 the total number of employees amounted to 8 315; an increase of 0.8% compared with 8 247 at 30 June 2001.

### **Outlook**

The political and economical environment in which the Company operates is not expected to improve for the remainder of the year with consumer confidence remaining low. It is against this difficult backdrop that the Company intends to forcefully implement measures which will provide Vögele with a solid platform for growth in the future whilst improving margins and reducing operating risks. These measures will allow the Company to reduce controllable costs, improve supply chain management and working capital efficiencies whilst lowering significantly its gearing.

### Segment information first half-year 2002 (unaudited)

(in CHF 1000)

	Sales organisations	Central services	Holding companies	Consolidation entries	Group
Gross sales	855 931	423 146	0	(423 146)	855 931
Net sales	751 193	423 146	0	(423 146)	751 193
EBITDA <sup>1)</sup>	37 557	41 601	(2 159)	3 709	80 708
EBITDA in % of net sales	5.0%	9.8%	–	–	10.7%
EBIT <sup>2)</sup>	9 803	38 519	(2 159)	968	47 131
EBIT in % of net sales	1.3%	9.1%	–	–	6.3%
Depreciation	23 076	3 082	0	0	26 158
Amortisation of goodwill	4 678	0	0	2 741	7 419
Number of full-time employees on a half-year basis <sup>3)</sup>	5 506	198	0	0	5 704
Total employees as at 30 June <sup>3)</sup>	8 091	224	0	0	8 315

	Switzerland	Germany	Austria	Belgium/ Netherlands	Total sales organisations
Gross sales	320 073	300 241	138 658	96 959	855 931
Net sales	296 614	258 227	115 237	81 115	751 193
Share of Group net sales in %	40%	34%	15%	11%	100%
Change in net sales adjusted for expansion in % <sup>4)</sup>	–3.2%	–12.4%	–3.6%	–14.2%	–7.4%
EBITDA <sup>1)</sup>	43 136	(3 047)	10 374	(12 906)	37 557
EBITDA in % of net sales	14.5%	–1.2%	9.0%	–15.9%	5.0%
EBIT <sup>2)</sup>	33 236	(13 732)	8 331	(18 032)	9 803
EBIT in % of net sales	11.2%	–5.3%	7.2%	–22.2%	1.3%
Depreciation	9 900	8 179	2 042	2 955	23 076
Amortisation of goodwill	0	2 506	0	2 172	4 678
Sales stores (number):					
Balance 1.1.2002	148	330	117	149	744
New openings	3	12	1	0	16
Closures	0	(3)	0	(2)	(5)
Balance 30.6.2002	151	339	118	147	755
Sales area (m <sup>2</sup> ):					
Balance 1.1.2002	118 292	247 368	82 389	107 330	555 379
New openings <sup>5)</sup>	2 709	8 612	800	0	12 121
Closures	(32)	(1 634)	0	(1 793)	(3 459)
Balance 30.6.2002	120 969	254 346	83 189	105 537	564 041
Average number of full-time employees for the period <sup>3)</sup>	1 612	2 081	860	953	5 506
Total employees as at 30 June <sup>3)</sup>	2 594	2 842	1 161	1 494	8 091

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

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

<sup>3)</sup>Without apprentices

<sup>4)</sup>Adjusted for currency exchange rate differences

<sup>5)</sup>Inclusive change in floor space, movements within the same location (shopping centres) and size adjustments

**Segment information first half-year 2001 (unaudited)**

(in CHF 1 000)

	Sales organisations	Central services	Holding companies	Consolidation entries	Group
Gross sales	907 057	498 293	0	(498 254)	907 096
Net sales	795 945	498 287	0	(498 254)	795 978
EBITDA <sup>1)</sup>	36 600	66 408	(1 180)	(9 645)	92 183
EBITDA in % of net sales	4.6%	13.3%	–	–	11.6%
EBIT <sup>2)</sup>	10 468	63 234	(1 180)	(12 386)	60 136
EBIT in % of net sales	1.3%	12.7%	–	–	7.6%
Depreciation	20 923	3 174	0	0	24 097
Amortisation of goodwill	5 209	0	0	2 741	7 950
Number of full-time employees on a half-year basis <sup>3)</sup>	5 362	172	0	0	5 534
Total employees as at 30 June <sup>3)</sup>	8 057	190	0	0	8 247
	<b>Switzerland</b>	<b>Germany</b>	<b>Austria</b>	<b>Belgium/ Netherlands</b>	<b>Total sales organisations</b>
Gross sales	326 665	323 540	139 203	117 649	907 057
Net sales	302 522	278 922	115 948	98 553	795 945
Share of Group net sales in %	38%	35%	15%	12%	100%
Change in net sales adjusted for expansion in % <sup>4)</sup>	–2.7%	–4.9%	–3.4%	5.2%	–3.2%
EBITDA <sup>1)</sup>	36 448	1 853	9 984	(11 685)	36 600
EBITDA in % of net sales	12.0%	0.7%	8.6%	–11.9%	4.6%
EBIT <sup>2)</sup>	26 343	(7 145)	7 764	(16 494)	10 468
EBIT in % of net sales	8.7%	–2.6%	6.7%	–16.7%	1.3%
Depreciation	9 855	6 527	2 220	2 321	20 923
Amortisation of goodwill	250	2 471	0	2 488	5 209
Sales stores (number):					
Balance 1.1.2001	142	291	106	37	576
New openings	3	14	2	108	127
Closures	(2)	(1)	(1)	0	(4)
Balance 30.6.2001	143	304	107	145	699
Sales area (m <sup>2</sup> ):					
Balance 1.1.2001	113 728	221 088	73 820	35 782	444 418
New openings <sup>5)</sup>	3 152	8 443	1 524	68 724	81 843
Closures	(612)	(1 256)	(656)	0	(2 524)
Balance 30.6.2001	116 268	228 275	74 688	104 506	523 737
Average number of full-time employees for the period <sup>3)</sup>	1 612	2 006	811	933	5 362
Total employees as at 30 June <sup>3)</sup>	2 590	2 800	1 084	1 583	8 057

<sup>1)</sup>Earnings before depreciation, amortisation, interest and taxes<sup>2)</sup>Earnings before interest and taxes<sup>3)</sup>Without apprentices<sup>4)</sup>Adjusted for currency exchange rate differences<sup>5)</sup>Inclusive change in floor space, movements within the same location (shopping centres) and size adjustments

## Consolidated Income Statement (unaudited)

(in 1 000)

	1 <sup>st</sup> Half-year 2002 CHF	1 <sup>st</sup> Half-year 2001 CHF
<b>Gross sales</b>	<b>855 931</b>	<b>907 096</b>
<b>Net sales</b>	<b>751 193</b>	<b>795 978</b>
Cost of sales <sup>1)</sup>	(339 282)	(388 830)
<b>Gross profit</b>	<b>411 911</b>	<b>407 148</b>
Personnel expenses	(153 739)	(145 165)
Rent expenses	(90 210)	(82 561)
Advertising and promotion expenses	(56 247)	(60 252)
Operating and administration expenses	(46 937)	(44 176)
Other operating income, net	15 930	17 189
<b>Total operating expenses</b>	<b>(331 203)</b>	<b>(314 965)</b>
<b>EBITDA<sup>2)</sup></b>	<b>80 708</b>	<b>92 183</b>
Depreciation	(26 158)	(24 097)
Amortisation of goodwill	(7 419)	(7 950)
<b>EBIT<sup>3)</sup></b>	<b>47 131</b>	<b>60 136</b>
Interest expenses net	(13 329)	(13 808)
Other non operating (expenses)/gains	(6 433)	2 551
<b>EBT<sup>4)</sup></b>	<b>27 369</b>	<b>48 879</b>
Taxes <sup>5)</sup>	(14 249)	(10 749)
<b>Net income</b>	<b>13 120</b>	<b>38 130</b>
<b>Earnings per share:</b> (undiluted) <sup>6)</sup>	<b>1.49</b>	<b>4.34</b>
(diluted) <sup>7)</sup>	<b>1.45</b>	<b>4.21</b>

<sup>1)</sup>1<sup>st</sup> Half-year 2002: includes an increase of inventory valuation allowance of CHF 15 million compared to 31 December 2001.

<sup>1)</sup>1<sup>st</sup> Half-year 2001: excludes a pro rata change of inventory valuation allowance, which has been created for the first time as at 31 December 2001 following the systematic inventory valuation policy.

<sup>2)</sup>Earnings before depreciation, amortisation, interest and taxes

<sup>3)</sup>Earnings before interest and taxes

<sup>4)</sup>Earnings before taxes

<sup>5)</sup>1<sup>st</sup> Half-year 2001 tax losses in Belgium and The Netherlands of CHF 7.8 million were capitalized. These tax losses have been released again as at 31 December 2001.

<sup>1)</sup>1<sup>st</sup> Half-year 2002 no tax losses were capitalised in Belgium and The Netherlands.

<sup>6)</sup>Based on an average number of 8 784 914 shares in 2002 and in 2001

<sup>7)</sup>Based on an average number of 9 048 914 shares in 2002 and in 2001

**Consolidated Balance Sheet**

(in 1000)

	<b>30. 6. 2002</b> <b>(unaudited)</b> CHF	<b>31. 12. 2001</b> <b>(unaudited)</b> CHF
<b>Assets</b>		
Current assets	591 744	584 492
Long-term assets		
tangible assets	460 011	460 681
financial assets	1 596	1 705
intangible assets	186 770	195 118
deferred taxes	53 174	45 496
	701 551	703 000
<b>Total assets</b>	<b>1 293 295</b>	<b>1 287 492</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities	487 258	453 271
Long-term liabilities	429 492	449 626
Shareholders' equity	376 545	384 595
<b>Total liabilities and shareholders' equity</b>	<b>1 293 295</b>	<b>1 287 492</b>

## Notes to the Consolidated Balance Sheet

### Current assets

#### Cash and cash equivalents

At 30 June 2002, cash and cash equivalents increased by CHF 54 million to CHF 140 million (31 December 2001: CHF 58 million).

#### Inventories

(in 1000)

	30. 6. 2002 CHF	31. 12. 2001 CHF
Current inventory	453 322	459 225
Upcoming season	48 979	69 585
Heating oil	264	265
Value allowance	(95 908)	(80 660)
<b>Total</b>	<b>406 657</b>	<b>448 415</b>

Following the systematic inventory valuation policy, the gross profit margin of 1<sup>st</sup> Half-year 2002 was charged by an increase of

value allowance amounting to CHF 15 million (full-year 2001: CHF 53 million).

#### Long-term assets

Deferred tax assets increased by CHF 7.7 million to CHF 53.2 million as a result of tax loss carry forwards recorded by the Company's subsidiary in Northern Germany for the period under review. In the first half of 2002 the tax charge was CHF 14.2 million representing an effective tax rate of 52.1% against 22.0% for

the corresponding period in 2001. The tax charge for 2002 does not include deferred tax assets attributable to the tax loss carry forwards recorded by the Group's Belgian and Dutch subsidiaries as the application of such deferred tax assets is yet questionable.

#### Current liabilities

Current liabilities increased primarily as a result of the change in the fair value on hedged foreign currency exposures recognised

in the reserve for valuation of financial instruments in the shareholders' equity.

#### Long-term liabilities

Compared to 31 December 2001 net debt decreased by CHF 68 million or 11.3% to CHF 529 million as at 30 June 2002.

On 6 August 2002, the Company entered into a CHF 577.5 million term loan and revolving syndicated credit facility comprising a CHF 350.0 million term loan tranche with two equal semi-annual repayments of CHF 37.5 million starting on 30 June 2004 and a final repayment of CHF 275.0 million on the third anniversary date of the facility. The CHF 227.5 million amortising revolving credit tranche has a three-year term and will be reduced by CHF 102.5 million within the first year of the facility.

The proceeds of 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 certain financial covenants. Until 31 December 2002, the borrowing margin has been fixed at 350 basis points above EURIBOR or LIBOR.

**Consolidated Cash Flow Statement (unaudited)**

(in 1000)

	1 <sup>st</sup> Half-year 2002 CHF	1 <sup>st</sup> Half-year 2001 CHF
<b>Cash flow before changes in net working capital</b>	<b>54 592</b>	<b>63 974</b>
Changes in short-term receivables, advance payments and prepaid expenses	518	5 910
Decrease/(increase) in inventories	39 693	(54 169)
Changes in current liabilities	4 213	(9 520)
<b>Cash flow from operating activities</b>	<b>99 016</b>	<b>6 195</b>
<b>Net cash used in investing activities</b>	<b>(17 385)</b>	<b>(155 704)</b>
<b>Net cash used in financing activities</b>	<b>(31 523)</b>	<b>21 158</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50 108</b>	<b>(128 351)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(212 035)</b>	<b>(187 877)</b>
Effect of exchange rate changes	(4 942)	36
Net increase/(decrease) in cash and cash equivalents	50 108	(128 351)
<b>Cash and cash equivalents at the end of the period</b>	<b>(166 869)</b>	<b>(316 192)</b>

**Notes to the Consolidated Cash Flow Statement****Cash flow from operating activities**

An improvement in inventory management and control and the consequent decrease of net working capital for the period, contributed to the increase of cash flow from operations. The lower

cash flow in the first half-year 2001 was associated with the significant inventory build-up necessary following the acquisition of the Kien stores in The Netherlands as at 1 January 2001.

**Net cash used in investing activities**

Net cash used in investing activities during the first half-year 2002 is mainly due to the investments in fixed assets (shop fitting and equipment for communication). First half-year 2001 includes

the cash used for the purchase of the Kien stores as at 1 January 2001 (CHF 111.8 million net of cash acquired).

**Net cash used in financing activities**

In the first half-year of 2002, net cash flow used in financing activities was mainly attributable to the reduction in borrowings. During the comparable period in 2001 borrowings were in-

creased to fund higher inventory requirements following the acquisition of the Kien stores in The Netherlands and a dividend payment of CHF 26.4 million was paid.

### Consolidated Statement of Changes in Group Equity (unaudited)

(in CHF 1 000)

	Share capital	Treasury shares	Share premium reserve	Retained earnings	Valuation financial instruments	Total
<b>Balance 1.1.2001</b>	88 000	(533)	173 789	164 489	0	425 745
Net income of the period	0	0	0	38 130	0	38 130
Effect of exchange rates	0	0	0	76	0	76
Dividends paid	0	0	0	(26 355)	0	(26 355)
<b>Balance 30.6.2001</b>	88 000	(533)	173 789	176 340	0	437 596
<b>Balance 1.1.2002</b>	88 000	(533)	173 789	127 369	(4 030)	384 595
Net income of the period	0	0	0	13 120	0	13 120
Effect of exchange rates	0	0	0	(2 235)	0	(2 235)
Reserve for valuation of financial instruments	0	0	0	0	(18 935)	(18 935)
<b>Balance 30.6.2002</b>	88 000	(533)	173 789	138 254	(22 965)	376 545

### Notes to Consolidated Statement of Changes in Group Equity

#### Share capital

As at 30 June 2002, the issued and fully paid-in share capital of the Company amounted to 8 800 000 shares at a par value of CHF 10.00 each. As at 30 June 2002, the Company held 15 086

shares in treasury (2001: 15 086 shares) mainly earmarked for stock option plans in favour of its officers and key employees.

#### Value fluctuation on financial instruments

(in 1 000)

	30.6.2002 CHF	31.12.2001 CHF
Valuation of financial instruments	26 630	4 595
Deferred taxes	(3 665)	(565)
<b>Total Reserve for valuation of financial instruments</b>	<b>22 965</b>	<b>4 030</b>



## Accounting Principles

The consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS). The Group's accounting principles are unchanged from those set out in the Charles Vögele Group 2001 annual report, pages 38–43. The consolidated financial statements for the 6 month period

ended 30 June 2002 are prepared in accordance with IAS 34 concerning interim financial reporting and should be read in conjunction with the 2001 annual report.

The following exchange rates were used in the preparation of the consolidated financial statements:

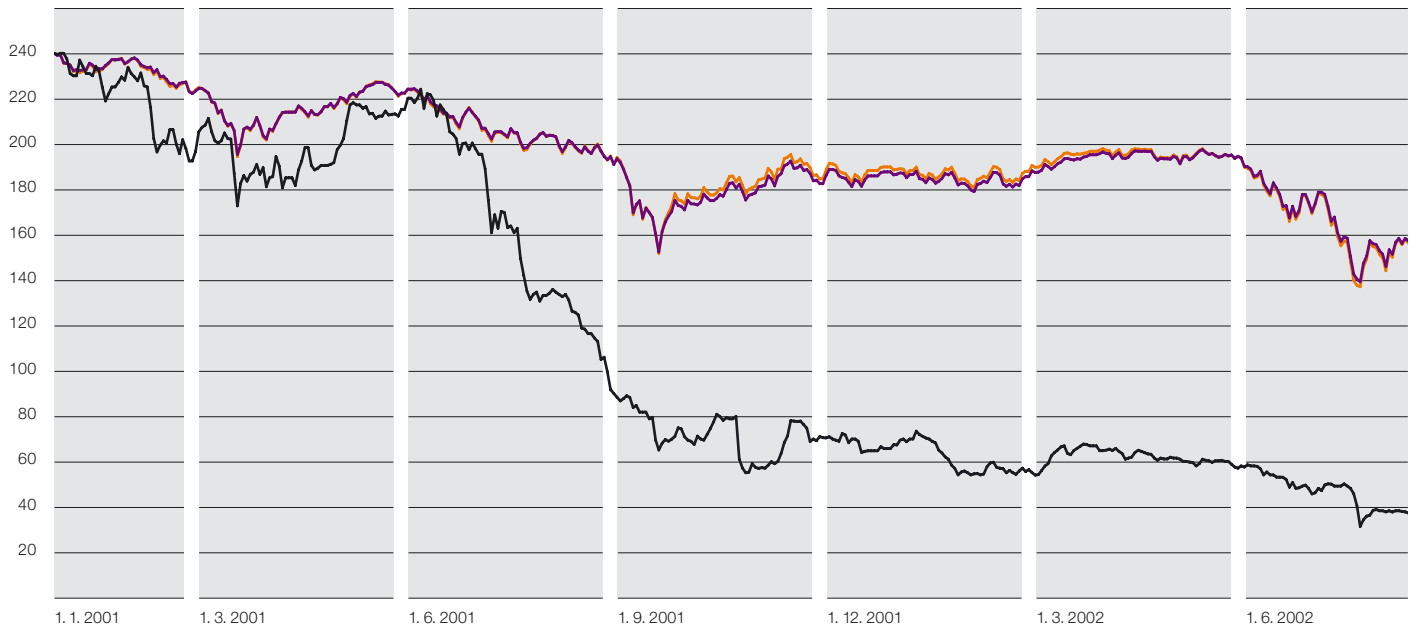
2002	ISO-Code	Unit	Balance Sheet (30. 6. 2002)	Income Statement (1 <sup>st</sup> Half-year 2002)
Euro	EUR	1	1.47	1.47
United Kingdom	GBP	1	2.27	2.36
USA	USD	1	1.48	1.64

2001	ISO-Code	Unit	Balance Sheet (31. 12. 2001)	Income Statement (1 <sup>st</sup> Half-year 2001)
Austria	ATS	100	10.77	11.12
Belgium	BEF	100	3.67	3.79
Euro	EUR	1	1.48	1.53
Germany	DEM	100	75.74	78.27
The Netherlands	NLG	100	67.22	69.46
United Kingdom	GBP	1	2.44	2.45
USA	USD	1	1.68	1.71

## Share Price Development

### Price Development of Vögele Shares in Zurich (in CHF)

1. 1. 2001 – 15. 8. 2002

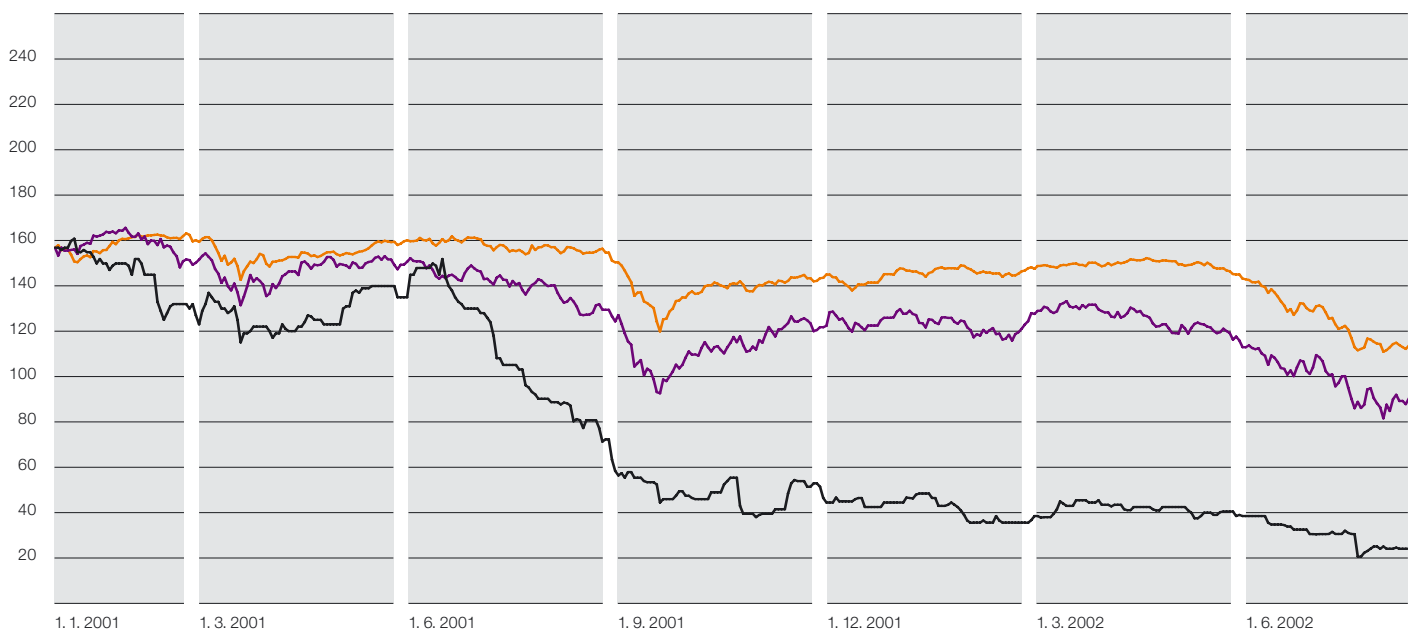


During the first half-year 2002 on average 31 200 bearer shares were traded per day.

— Compared to SMI  
— Compared to SPI  
— Closing price of CV shares

### Price Development of Vögele Shares in Frankfurt (in EUR)

1. 1. 2001 – 15. 8. 2002



— Compared to DAX Xetra  
— Compared to M-DAX  
— Closing price of CV shares

**Contact addresses**

Charles Vögele Holding AG  
Investor Relations  
Postfach 58  
Gwattstrasse 15  
CH-8808 Pfäffikon SZ

Telephone +41 55 416 71 00  
Fax +41 55 410 12 82

E-Mail: [investor-relations@voegele-mode.com](mailto:investor-relations@voegele-mode.com)  
Internet: [www.voegele-mode.com](http://www.voegele-mode.com)

**Dates**

Sales announcement business year 2002: 21 January 2003  
Financial news conference: 11 March 2003  
Annual General Meeting of Shareholders: 29 April 2003

This semi-annual report is also published in German.  
The original language is German.