

MEDIA RELEASE

Annual results 2009

## **Charles Vögele Group: sales maintained at previous year's level**

- **Currency-adjusted gross sales at previous year's level**
- **Massive clear-out of old stock reduces EBITDA to CHF 71 million**
- **Free cash flow rises significantly to CHF 142 million**

**In 2009, Charles Vögele Group achieved net sales of CHF 1 310 million in a difficult market environment. After adjusting for currency movements, sales were practically the same as in 2008. Profit fell sharply, however, owing to the massive clear-out of old stock and the modified discounting policy. This was, however, the essential prerequisite for a series of operational initiatives along the whole value chain.**

Pfaeffikon SZ, 9 March 2010 – The 2009 financial year saw the difficult economic climate continue in all European markets. Rising unemployment weighed down on consumer sentiment, which had a particularly harsh effect on the clothing sector. These market conditions inevitably led to greater pressure on prices.

### **Currency-adjusted gross sales at previous year's level**

The fact that Charles Vögele Group managed to generate gross sales of CHF 1 548 million (previous year: CHF 1 607 million) in this highly competitive environment can be attributed not least to its positioning in the mid-price segment. Net sales fell 3.9% to CHF 1 310 million in financial 2009. After adjusting for currency influences, sales stayed practically the same as in 2008 (-0.2%). Expansion activities had a CHF 32 million, or 2.3%, impact on sales. The sell-off of old stock – initiated in March 2009 and driven by the modified discounting policy – proceeded as planned. This sell-off cut operating earnings by about CHF 40 million, and the gross profit margin went down temporarily from 65.3% to 61.2%. Operating costs were reduced (after adjusting for currency movements) by CHF 19 million to CHF 731 million thanks to prompt corrective measures. EBITDA fell from CHF 113 million to CHF 71 million, with the EBITDA margin going down from 8.3% to 5.4%. After deducting depreciation, EBIT operating earnings came in at CHF 4 million (previous year: CHF 48 million). Owing to the low level of net debt, financial expenses decreased to CHF 8 million. The net result for the year came to CHF -14 million.

### **Clear-out of old stock paves the way for operational measures**

At the end of March 2009, around 12 million items of Charles Vögele's inventories – about 30% of the total – were older than 18 months, thus qualifying as superfluous old stock. These old items have gradually been cleared out by offering additional discounts. During the 2009 financial year, inventories were reduced across the group by 13 million items worth CHF 109 million. This is about 6 million more items than were sold in the previous year. A modified discount management system will ensure that from the end of March 2010, there will be no items older than 18 months. The clear-out of old items and the modified discounting policy reduced gross profit by about CHF 40 million. However, because stock won't now have to be stored temporarily between seasons and re-sorted, the company no longer needs its dedicated old-stock warehouses. Furthermore, the clear-out has paved the way for a series of operational measures needed to ensure the company's sustainable success.

### **Strong free cash flow, low net debt**

Cash flow increased by CHF 85 million from the previous year's CHF 103 million to CHF 188 million, thanks mainly to the clear-out of old items. With investment activities at a low level, free cash flow was up by a substantial CHF 118 million, from CHF 24 million to CHF 142 million. There was a further reduction in net debt: at CHF 15 million, compared with CHF 152 million in the previous year, this item was lower than at any time since the company was first listed on the stock market. Its equity ratio of 59% is further evidence of how solid the group's finances are. This provides a good platform for further expansion. Charles Vögele continues to focus on its main markets of Switzerland, southern and western Germany, and Austria.

### **Changes in the Board of Directors and Group Management**

Details of the changes made in the first half of the year were given in the 2009 half-year report. As announced, Markus Voegeli has been the new CFO since October 2009. He succeeded Dr. Felix Thöni. Meanwhile, Dr. Dirk Seifert, COO, is also leaving the company, and the search for his successor has begun.

### **Changes to organisational and process structures**

Thanks to its strong balance sheet, the group was able to fund all the measures it initiated along the whole value chain from its own resources. Not only will the changes to the organisational and process structures have a positive effect on costs, they will also make the group's processes faster and more efficient. This will allow the group to double the tempo of new collections from 4 to 8 a

year, which in turn enables it to continuously present new colours and fashions on the sales floor. Purchasing is being reorganised by core competence into three departments: Brand Management, Procurement and Merchandising. This will help us to meet rising expectations of brand management and sourcing. In addition, Merchandise Management and Logistics are being centralised.

## Outlook

In view of the negative earnings position, and in line with the company's dividend policy, the Board of Directors will not be proposing a distribution of profits at the Shareholders' Meeting. The operating environment for the clothing market is unlikely to improve significantly this year. If unemployment continues to rise, this will have a noticeable impact on consumer behaviour. Nevertheless, the Board of Directors and Group Management are confident that the measures taken will move the group back into profit this financial year. The medium-term aim is an EBITDA margin of 10%.

Charles Vögele Group is one of Europe's leading vertical fashion retailers. It offers the latest fashions at great prices to people in the prime of their lives who want to feel good. Attractively presented items, combined with friendly, knowledgeable advice, create a relaxed and enjoyable shopping experience. Charles Vögele has 857 outlets in nine countries: Switzerland, Germany, Austria, Slovenia, the Netherlands, Belgium, Hungary, the Czech Republic and Poland. In 2009, the Group generated gross sales of CHF 1.5 billion with approximately 7 700 employees. Charles Vögele Holding AG's shares are quoted on the SIX Swiss Exchange (securities number: 693 777).

A pre-print version of the annual report and the presentation given at the media and analysts conference can be downloaded of the Charles Vögele website: <http://www.charles-voegele.com/en/investor-relations/publications/>.

### **Disclaimer**

*All statements made in this media release that do not refer to historical facts are future-oriented statements which offer no guarantee of future performance. They are subject to risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal requirements, market conditions, activities by competitors and other factors outside the company's control.*

### **Media contact:**

Daniel Bärlocher  
Vice President Group Communications  
Gwattstrasse 15  
8808 Pfäeffikon SZ  
Tel.: +41 55 416 71 11  
Fax: +41 55 410 12 82  
E-mail: [daniel.baerlocher@charles-voegele.com](mailto:daniel.baerlocher@charles-voegele.com)