Charles Vögele Switzerland

MEDIA RELEASE

Results for the first half of 2009

Currency-adjusted gross sales at previous year's level

Charles Vögele Group has maintained currency-adjusted gross sales at the year-back level. Prompt cost-saving measures helped to reduce operating expenses by CHF 31 million. Stocks of old items are being streamlined by the end of March 2010. Organizational structures and processes are being changed significantly, as is the company's visual image. In addition, the branch portfolio is being optimized with a new, potential-oriented strategy.

Pfäffikon/SZ, 25 August 2009 – In a recessionary environment, Charles Vögele Group managed to maintain currency-adjusted gross sales at the year-back level. Before adjusting for currencies, gross sales declined by CHF 49 million (6%), or 4% after adjusting for both currency movements and changes in retail area (like-for-like). Overall, gross sales came to CHF 743 million. The fact that EBITDA fell by only CHF 8 million (18%) to CHF 38 million, despite an exceptional major overhaul of old stocks, can be attributed to the cost reduction programme. Net profit slipped from the previous year's CHF 3 million to CHF – 2 million.

Currency-adjusted gross sales at previous year's level

The spending patterns of Charles Vögele Group's customers are heavily influenced by their needs and by the weather. Bearing this in mind, it was pleasing to see that after adjusting for currency movements sales only fell 1% during the high-margin months despite worsening consumer sentiment and unfavourable weather conditions. Before adjusting for currencies, gross sales declined by CHF 49 million (6%), or 4% after adjusting for both currency movements and changes in retail area (like-for-like). Overall, gross sales came to CHF 743 million. The store portfolio was increased slightly.

Major exceptional restructuring of old stocks initiated

A major exceptional restructuring of old stocks was initiated at the start of April 2009 for the next twelve months, and has already begun to bear fruit. At CHF 237 million (30.5 million items), inventories were down by CHF 43 million (5.6 million items), or 15%, compared with end-June 2008. Although this large reduction in stocks was achieved by means of deep discounting, the gross profit margin at the end of June this year was still high at 62.6%. The Group's declared aim is to clear out all items that are more than 18 months old by the end of March 2010.

Cost-cutting measures initiated early

Cost-cutting measures were introduced as the economic downturn gathered pace. These helped to ensure that operating expenses were reduced by CHF 31 million, or 8%, from CHF 388 million to CHF 357 million. After currency adjustments, the cost reduction was CHF 14 million, or 4%. Currency effects on sales and costs thus more or less cancelled each other out. These targeted measures also account for the fact that EBITDA came to CHF 38 million, which is only CHF 8 million, or 18%, lower than a year ago. The EBITDA margin was 6%, compared with 6.8% in 2008. After deducting depreciation, EBIT came in at CHF 7 million, a fall of 58%. Financial expense was reduced by a half. At CHF – 2 million net profit was lower than the year-back figure of CHF 3 million.

High free cash flow, low net debt

Cash flow was CHF 20 million higher than for the same period of the previous year at CHF 65 million, mainly because of the streamlining of old stocks. With investment activities CHF 9 million lower, free cash flow was up CHF 29 million to CHF 38 million. There was a further reduction in net debt: at CHF 114 million this item was lower than at any time since the company was listed on the stock market. With a high equity ratio of 60%, the Group's balance sheet is in very good shape.

Major change at all levels

Charles Vögele Group is set to change its organizational structures and processes significantly, especially with regard to collections, purchasing and stock control. The rhythm of collections is being doubled, the speed with which collections are produced is being increased. The Group's strong position in up-to-the-minute, price-conscious fashion is being further expanded and focused on the demographically attractive target group of people in their prime middle years. A new and more self-confident visual image is being ushered in by means of a new store concept and a more emotion-based advertising campaign highlighting the Group's own brands – especially the trend-oriented Casablanca brand.

Potential-oriented expansion

The store portfolio is being reviewed as part of the new, potential-oriented expansion strategy. The aim is to achieve a denser branch network in the main markets.

E-commerce as a new sales channel

Online shopping is currently generating the highest growth rates in Europe. Charles Vögele Group will be exploiting the potential of this additional sales channel.

New format strategy

The existing branch portfolio, which only included formats larger than 800 m^2, is being augmented by stores offering smaller floorspace. This opens up potential for carrying gender-specific or brand-specific ranges.

Growth in line with market expected for financial year as a whole

Charles Vögele Group believes that in terms of like-for-like sales it will outperform the shrinking general market. The urgently required streamlining of old stock is likely to affect the results in the second half-year by CHF 20 – 30 million. Charles Vögele Group is confident that in the medium-term the measures taken will have a positive effect on both the income and cost sides. Concrete action is also being formulated to implement the findings of the Strategic Review carried out by the Board of Directors in collaboration with Group Management.

Charles Vögele Group is a major independent European fashion retailer with 851 branches in Switzerland, Germany, Austria, Belgium, the Netherlands, Slovenia, Hungary, Poland and the Czech Republic. In the 2008 financial year, the company employed a total of 7888 people and generated net sales of CHF 1369 million. Charles Vögele Holding AG's shares are quoted on the SIX Swiss Exchange (ticker: VCH; Bloomberg VCH SW; Reuters VCHZ.S).

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