GERRY WEBER

Speech held by Gerhard Weber
Chairman of the Managing Board
GERRY WEBER International AG

on the occasion of the Annual General Meeting
on June 2, 2005 in Halle / Westphalia

Check against delivery.

Thank you very much, Dr. Schröder.

Dear Shareholders,
Ladies and Gentlemen,

I would like to welcome you at this year's Annual General Meeting, also on behalf of my fellow Board members. Thank you very much for accepting our invitation.

(Chart 2: The market 2004)
The past financial year was not an easy one but GERRY WEBER AG looks back on a successful period in which sales and earnings once again increased. The fact that we even exceeded our plans does not mean that the market situation has improved - the German clothing industry had to cope with a 2.9 percent decline in 2004. It was the worst year ever for the German retail sector in terms of declining sales. Consumer sentiment remained weak.

Companies who were not able to keep up with the vertically integrated retail chains and discount retailers did not stand a chance in the market environment. More and more companies are now trying to launch their own retail operations and design collections which are suitable for shop-in-shop marketing - which means they are trying to follow OUR LEAD. For this is a strategy which we have pursued successfully for a long time already.

(Chart 3: Summary)
We have done our homework in the past two to three years and have capitalised on the opportunities created by the crisis in the retail trade. The cuts we had to make were not always easy, sometimes even painful. Our new, lean structure and our new brand and marketing strategy have enabled us not only to stop the downward trend but to set the course for growth again.

I am particularly pleased that this growth has been achieved in the German market. The fact that we have managed this in such a difficult market environment makes me optimistic that we will benefit even more strongly from improved consumer sentiment. In the past fiscal year, we slightly exceeded our sales and earnings targets and achieved an impressive EBIT margin of approximately 8 percent. GERRY WEBER remains among the few companies in the fashion industry that are characterised by excellent profitability.

(Chart 4: Sales development)
I will now present you the figures for the financial year. We generated sales of EUR 352.2 million, a moderate increase from the previous year's EUR 350.1 million. This means that the drop resulting from the discontinuation of the YOMANIS and COURT ONE brands was more than offset. Adjusted for the discontinued brands, our sales even grew by 4.6 percent. In the previous year, these two brands contributed as much as EUR 13.4 million to total sales.

All three core brands of the GERRY WEBER Group reported growing sales, which meant that we slightly exceeded our sales projections of EUR 350.5 million.

(Chart 5: Earnings situation)
The earnings position also developed positively. The operating result rose from EUR 24.8 million in the previous year to EUR 27.9 million.

Our efforts to improve our profitability mainly focused on cost management and our pricing policy.

Customers want high quality products at affordable prices. In response to such demands, we have created additional product lines that offer attractive entry-level prices while at the same time strengthening our brand profile through an emphasis on style, design and elegance. Instead of succumbing to ruinous price competition, we are looking for intelligent and flexible solutions. This way, we respond to consumers‘ wishes, while still offering retailers excellent margins. For us as a fashion company with a brand that has been built and updated over many years, a price aggressive approach is out of the question, anyway.

(Chart 6: Development of the EBIT margin)
Our profitability shows that we have chosen the right approach. Our EBIT margin increased to approximately 8 percent, which is within the target range for the financial year 2004. While the EBIT margin has not quite reached the desired level, we are confident that we will report double-digit EBIT margins in future. I am confident that we will make one step in this direction already in the current year.

(Chart 7: Key business figures)
The other earnings figures have also developed in the right direction. Earnings before depreciation amounted to EUR 33.4 million, up almost 9 percent on the previous year‘s EUR 30.7 million. The EBITDA margin stood at 9.5 percent
Consolidated earnings before taxes amounted to EUR 24.5 million, which translates into a return on equity of 12.2 percent. The consolidated profit for the year increased from the previous year’s EUR 9.0 million to EUR 12.7 million. This is an increase by 41 percent.

We propose to pay out a total dividend of EUR 8.2 million from GERRY WEBER International AG’s imputed net profit of EUR 10 million.

Our headcount declined by 120 to 1,517 people in the past fiscal year. The staff reductions referred to both the headquarters in Halle/Germany and the production facilities abroad. At the same time, new jobs were created in the retail segment. The past financial year saw the creation of 60 new positions and this trend will continue in the current year.

(Chart 8: Key figures - income statement)
A look at the key figures and ratios extracted from our income statement shows that our measures continue to take effect. Our new collection strategy has allowed us to maintain our cost of materials ratio at approximately 59 percent. At the same time, the personnel expense ratio continued to decline as we adjusted our capacities and increased our sales.

All relevant profit margins are up on the previous year.

(Chart 9: Key figures per share)
Ladies and Gentlemen, the profit for the year translates into DVFA earnings per share of EUR 0.63. The gross cash flow per share was EUR 1.28. The operating cash flow generated in the past financial year was sufficient to fund our capital expenditure of EUR 6.7 million in full.

We propose to the Annual General Meeting to pay out a dividend of EUR 0.35 for each of our 23.4 million shares. Based on the current share price of roughly EUR 10, this is equivalent to an attractive dividend yield of between 3 and 4 percent. While this yield may not be as attractive as the previous year's due to the increased share price, I think that the more than 43 percent increase in our share price since last year's dividend payment is an acceptable compensation. In terms of the total shareholder return, ladies and gentlemen, GERRY WEBER has delivered clearly more value than most DAX and MDAX-listed stocks.

(Chart 10: Value added statement)
We are in a similarly good position in terms of the value added by GERRY WEBER. In 2004, the value added less the costs of bought in goods and services amounted to an impressive 20 percent just as in the previous years.

So how is this added value distributed? Two thirds of the EUR 73 million are used to pay wages to our employees. The bulk of the remaining one third is accounted for in equal parts by taxes and public sector charges and by dividends to our shareholders.

(Chart 11: Group balance sheet structure)
The GERRY WEBER Group's total assets remained almost unchanged compared to the previous year. There was a slight shift towards the fixed assets side which accounted for 35.2 percent while current assets accounted for 64.8 percent of total assets.

The group equity ratio remained at a high level; at 54.7 percent, it is 2.3 percent up on the previous year. This means that the group is excellently capitalised. Even after the dividend payout the group's equity ratio will be at a comfortable 50.7 percent which is far in excess of the levels reported by most DAX-listed companies.

Our equity position includes the 75,000 GERRY WEBER AG shares held by the company on the reporting date. These shares were purchased under our authorisation to acquire own shares. The purchase price amounted to EUR 7.20. On the balance sheet date these shares represented 0.32 percent of the share capital.

(Chart 12: Development of brand sales)
Let met say a few more words about our brands, our brand strategy and our current sales performance. Since the last fiscal year, we have focused exclusively on our three strong brands, GERRY WEBER, TAIFUN and SAMOON. We aim to hold a leading position in each of the three brands‘ respective market segments.

With sales up 6.3 percent to EUR 215.8 million, GERRY WEBER is the most important of the three brands. GERRY WEBER stands for fashionable, high-quality combination collections for fashion and quality conscious women aged 30 and older. The main collection of the core brand is complemented by the GERRY WEBER EDITION and GERRY WEBER SPORT product lines and the vertical G.W. line. The aggressively priced G.W. line supplies retailers with new merchandise at short intervals. The sublabels have helped to further increase GERRY WEBER's importance within the Group. Gerry WEBER EDITION alone accounted to EUR 32.7 million in sales - this is equivalent to 15 of total sales. We plan to grow sales revenues to EUR 40 million in the current year. Our G.W. label contributed EUR 9 million - some 5 percent - to total sales; our target for the current year is EUR 15 million.

Just under 50 percent of the GERRY WEBER brand's sales is generated abroad.

The young TAIFUN line is the Group's second most important brand. Sales of this brand increased by 4.5 percent to EUR 87.8 million in the past fiscal year. Positioned in the medium price segment, the young business fashion brand is one of the most successful brands in the German fashion market. We are also working to increase the brand's international sales. The number of TAIFUN shop-in-shops was raised to 76 in the past fiscal year.

SAMOON defended its position in the fast-growing niche market for larger sizes, with sales climbing to EUR 26.7 million. SAMOON thus contributes just under eight percent of the Group's total sales. About one third of the SAMOON collections were sold abroad. I am convinced that the German size range from 42 to 54 still has huge untapped potential. SAMOON is therefore an important element of our brand strategy - on the one hand, because it rounds off our product range, on the other hand, because we do not want to leave this fast-growing niche market to others.

A final word about our own HOUSES OF GERRY WEBER, whose sales added up to EUR 16.3 million in the past fiscal year. This represents a 3.1 percent increase over the previous year. Some 30 of these flagship stores are now managed by the company with a view to supporting the brand-building efforts, deepening the company's retail experience and exploiting additional sales opportunities.

(Chart 13: Development of export share)
The percentage of international sales remained more or less stable for all brands. The international markets continue to be of great importance for the development of our company. I am nevertheless very pleased that we were able to show in the past financial year that it is still possible to grow in the difficult German market. We therefore gladly accept a moderate decline in our export share.

(Chart 14: Key export countries)
The most important markets for GERRY WEBER products are the Netherlands, the UK, Ireland, Switzerland, Austria and Belgium, which absorbed two thirds of the Group's exports. GERRY WEBER continued to expand its market position in France, Spain, Greece and Canada. The same applies to Eastern Europe and Scandinavia. Besides the Middle East and Russia, the Chinese market is currently very exciting for our company. In the past financial year, we opened our first shops in Peking and Quindao. Plans for additional shop openings in China are underway. Non-European countries now account for 16 percent of GERRY WEBER's exports, up from 14 percent in the previous year.

Ladies and Gentlemen, our own shops not only expand our activities in the international markets. Our retail activities are an important strategic element in the future development of our company.

(Chart 15: Development of the HOUSES OF GERRY WEBER)
GERRY WEBER operates its own retail stores and continues to expand its activities in this segment. We aim to increase the number of stores from 83 to between 300 and 400 in the next three to four years. 30 of the 83 stores are operated by our company, while 53 are managed by franchisees. The number of our own Houses will also be doubled in the short term. The fact that we have opened another nine HOUSES in the first fives months of the year demonstrates just how serious we are about this.

We launched this concept five years ago, when the problems in the German retail sector became apparent. The massive structural change in the retail sector is an excellent opportunity for us to take over attractive vacant retail space.

In the meantime, retailers have come to realise that they can benefit from our retail experience. We act as a vertical supplier. This experience and the data we collect from our EDI links to some 800 customers help us adapt our collections even more effectively to retailers' requirements. The positive experience gained here has been integrated into our main collections - for the benefit of both retailers and ourselves. We act as retailers' partners and leverage our market penetration to present the right amount of the right articles at the right price at exactly the right time at the point of sale. This is our formula for success for high sell-through rates and hence for high inventory turnover and, ultimately, for good profitability.

Needless to say, this also benefits the expansion of our shop-in-shops. At present we operate about 700 of these shops in large retail stores, all of which feature the typical GERRY WEBER shop design. We intend to add about 100 of these shop-in-shops per year to the existing portfolio. Here again, our solutions ideally match the needs and requirements of the retail sector. We offer these distribution alliances for all three core brands, i.e. GERRY WEBER, TAIFUN and SAMOON. In addition to constant product supplies, we guarantee high sales per square metre, effective marketing support and good sell-through rates. Why do more and more retailers want to cooperate with us? Because these figures and, hence, the potential profits are much higher than those normally achieved by traditional retailers. This way we guarantee our retailers a mark-up of 150 percent which clearly sets us apart from most of our competitors.

The percentage of sales generated through these distribution alliances and our own HOUSES is growing constantly. But we still generate over 60 percent of our sales in retailers' ladieswear departments, which also benefit directly from our experience. This shows that only a good, well-balanced collection can lay the foundation for economic success.

Ladies and Gentlemen, the new lines and sublabels complete the GERRY WEBER brand universe. Another possibility to benefit from the strength of our brand are the licenses we offer. These licenses are another important element paving our way to becoming a global lifestyle group while at the same time playing an important role in the merchandise mix presented in our HOUSES.

(Chart 16: Development of licenses)
In the last fiscal year, our first fragrance and body care line was launched in the market - very successfully, as I may add. The fragrance license ideally fits into our portfolio of licenses for bags, eyewear and jewellery. Our licensing strategy has also been implemented successfully in the current year, as we have granted new licenses for footwear and menswear.

In the past fiscal year, license sales climbed from EUR 0.4 million to EUR 0.7 million and are planned to grow to EUR 4 to 5 million in the coming years. For licensing activities to be successful, you need the right partners. Our fragrance licensee is a subsidiary of the Wella Group. Our footwear licensee looks back on over 20 years experience in the footwear sector and manufactures some 10 million pairs of shoes each year. In the menswear segment, we will cooperate with the Leithäuser company.

Our joint objective is to transfer the high awareness enjoyed by the GERRY WEBER brand to men's fashion. Our target group are active, fashion-conscious men aged 30 and above. The fashion statement will focus on both business and leisure. Just like the core brand, GERRY WEBER Menswear will be positioned in the upper midmarket and feature a modern and contemporary style. The first menswear collection will be launched in autumn/winter 2006 and initially be targeted at the European core markets.

The footwear collection was launched this spring. As a result, we expect licensing income to increase strongly this year.

(Chart 17: 2004/2005)
We had a highly gratifying start to the current financial year, with sales growing at a rate of more than 10 percent in the first quarter. Sell-through figures have been excellent and incoming orders for the Autumn/Winter 2005/2006 Collection show disproportionate growth. Following the sale of the third programme of the Autumn/Winter 2005 collection, our sales growth stood at 17 percent which is clearly ahead of the industry average. This has once more vindicated our sublabel strategy. In fact, our sublabel sales have improved at rates between 40 and 70 percent. These figures provide a clear indication of the sales trend for the full year.

I have already mentioned the sustained and strong growth at our HOUSES OF GERRY WEBER chain with its nine new outlets. Sales growth even reached 72 percent here and we continue to accelerate our expansion. This effort is exemplified by our new HOUSE OF GERRY WEBER in Hamburg/Jungfernstieg which was opened in March. Comprising 1,000 square metres of showroom space, this is the largest HOUSE OF GERRY WEBER operated by our company. The size of this outlet points the way forward - we aim to have such 1,000-square-metre outlets in all major cities.

Needless to say, these successful operations are also reflected in our results, with EBIT rising from EUR 5.1 million to EUR 5.8 million in the first three months of the year.

(Chart 18: Outlook)
We are looking at a number of activities that will contribute to profitable growth in 2005 and help us isolate ourselves from the market by building on our own strong business trend. Should consumer sentiment improve after all, this will be even better.

Under prevailing conditions, we project sales to increase by roughly ten percent to approximately EUR 395 million in the current financial year, which would be equivalent to more than 13 percent growth. Similar growth rates are expected for the coming years.

Growth will mainly be supported by the expansion of the HOUSES OF GERRY WEBER and the development in the international markets. The successful HOUSES OF GERRY WEBER concept will be expanded from 83 to between 300 and 400 domestic and international locations. In Germany, we will increasingly target medium-sized cities. We want to open a HOUSE OF GERRY WEBER in all cities with more than 80,000 inhabitants in the medium term. We plan to open 10 - 15 company-managed HOUSES OF GERRY WEBER this year.

In particular, the addition of GERRY WEBER Menswear to the brand portfolio will position the company even better for continued expansion. In the future we will be even more flexible when it comes to choosing locations for our outlets. In the past we used to focus on ground level showrooms or properties with a maximum of two floors. Going forward, we can choose properties with up to three floors for our HOUSES OF GERRY WEBER. Already today, our entire brand architecture is designed for a perfect fit with our HOUSES outlets, and our new MENSWEAR will be another powerful element in this equation. We will closely liaise with this new licensee in terms of collection planning, bringing to bear our rich industry expertise.

For our shop-in-shop systems, we aim for steady growth and intend to open 100 new shops each year. At present, we have roughly 700 shop-in-shops.

The current problems in the retail sector actually tend to support both these expansion strategies, as we take advantage of vacant retail space, manage it successfully and expand our own market position.

The HOUSES OF GERRY WEBER play an important role also for our international activities. We are targeting prime locations in London, Paris or major Far Eastern cities. Additional HOUSES will also be opened in China this year. In these markets, the expansion of our HOUSES lays the foundation for our brand-building activities.

In those markets where we already have a good presence - such as the UK, the Netherlands and Belgium - we want to increase our market penetration and step up our activities. We want to reduce our dependence on the German market even further, although we have been quite successful here despite the difficult market situation.
We also expect positive effects from the July launch of our e-commerce activities. According to a joint survey by the ARD and ZDF TV networks, 55 percent of all Germans over the age of 14 meanwhile surf the web, pointing to undreamt of business opportunities which need to be tapped.

At the same time we continue to optimise our procurement resources and our logistic structures. The most important element is the new logistics hub which we are building in Hungary. In the future the cloths for our products will no longer be supplied to our international production network via Germany but will rather be delivered directly to Hungary from where they will be distributed. This will not only speed up distribution but also allow for greater efficiency, giving us an additional competitive edge.
All this would not have been possible without the complete overhaul of our IT resources in the past 5 years.

As you can see, all the signs continue to point to profitable growth. In fact, we plan to increase the EBIT margin to over nine percent this year already. Ten percent and more is our medium-term target.

Ladies and Gentlemen,
I would like to thank you for your attention.

Herr Dr. Schröder, please take it from here ...