GERRY WEBER

GERRY WEBER International AG
Annual Report 2005/2006

Key figures at a glance

All figures in Euro million (if not otherwise indicated)

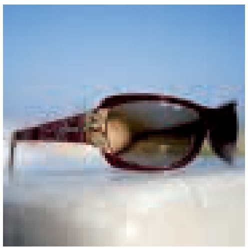
GERRY WEBER Group	2002/03 HGB	2003/04 HGB	2004/05 HGB	2004/05 IFRS	2005/06 IFRS
Sales revenues	350.1	352.2	393.1	389.6	442.8
Domestic	202.1	210.3	241.3	240.6	257.6
International	148.0	141.9	151.8	149.0	185.2
Sales of the individual brands					
GERRY WEBER	61.0 %	63.9 %	64.7%	64.7%	66.6%
TAIFUN	25.2 %	25.8 %	25.7 %	25.7%	25.2%
SAMOON	7.5 %	7.9 %	8.0 %	8.0%	7.3 %
COURT ONE	3.3 %	0.6 %	–	–	–
YOMANIS	0.8 %	–	–	–	–
Other	2.2 %	1.8 %	1.6 %	1.6 %	0.9 %
Personnel expenses	48.3	47.7	51.2	51.7	58.7
Depreciation	5.9	5.5	5.8	5.8	7.2
EBITDA	30.7	33.4	41.6	36.2	48.2
EBITDA margin	8.7 %	9.5 %	10.6 %	9.3%	10.9%
EBIT	24.8	27.9	35.8	30.4	41.0
EBIT margin	7.1 %	7.93 %	9.3 %	7.8%	9.3%
EBT	20.6	24.5	32.2	26.9	36.5
EBT margin	5.9 %	6.95 %	8.2 %	6.9%	8.3%
Profit for the year	9.0	12.7	16.7	16.0	21.1
Gross cash flow	26.5	30.0	38.0	32.7	43.7
DVFA earnings per share in Euro	0.61	0.64	0.83	0.69	0.92[1, 2]
Staff numbers at the end of the fiscal year	1,637	1,517	1,647	1,647	1,881
Total assets	201.4	201.3	206.7	213.1	239.5
Fixed asset investments	13.2	6.7	11.3	11.3	20.5
Equity (in % of total assets)	52.4	54.7	57.4	57.4	53.9
Return on Investment (ROI) [3]	12.3 %	13.9 %	17.3 %	14.3%	17.1%
Return on Equity (ROE) [3]	23.5 %	25.3 %	30.1 %	24.9%	31.8%

[1] fully diluted; [2] on the basis of 22,952,980 shares in 2005/2006; [3] on EBIT basis

Note: Figures not fully comparable due to the adoption of IFRS in FY 2005/2006.

JEWELRY

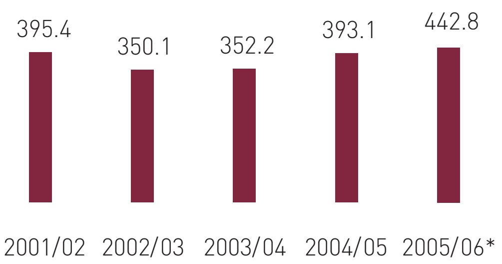
BAGS



EYEWEAR

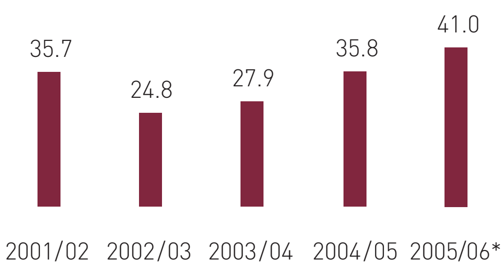
SHOES

MENSWEAR



Sales in EUR million

* according to IFRS



EBIT in EUR million

* according to IFRS

GERRY WEBER

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Annual Report 2005/2006

GERRY WEBER INTERNATIONAL AG IS AN INTERNATIONAL FASHION AND LIFESTYLE GROUP, WHICH COMBINES FASHION AND EARNING POWER IN A UNIQUE WAY. WE OWE OUR SUCCESS TO A CLEAR BRAND STRATEGY AS WELL AS TO OUR FAST-MOVING AND UP-TO-DATE COLLECTIONS. WE WILL CONTINUE TO PROVE THIS IN FUTURE AS WE AIM TO FURTHER EXPAND OUR MARKET POSITION.

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Letter to the shareholders

Gerhard Weber

Udo Hardieck

**Dear shareholders,
dear friends of our company,**

We look back on another successful year, which saw us mark new sales and earnings records. Despite the difficult market environment, the GERRY WEBER Group boosted its sales by 13.6%, which means that we reached the sales target we had set ourselves for 2005/2006. We should not hide the fact, however, that we had projected slightly higher earnings, although EBIT reached a new record of EUR 41 million. We deliberately decided to open several high-profile international flagship stores in the course of the fiscal year and to temporarily focus our retail expansion a bit more strongly on self-managed stores. This resulted in moderately higher start-up costs which we expect to be non-recurring and to be a highly promising investment in the future. Such one-time effects are not anticipated for 2006/2007.

Among the highlights of 2005/2006 were the opening of many new HOUSES OF GERRY WEBER at first-class locations in Germany and abroad, including flagship stores in London's Regent Street and in Vienna close to the Stephansdom. The new single-brand store concept was implemented successfully with the first independent stores for TAIFUN-Collection, SAMOON-Collection and GERRY WEBER EDITION. The new menswear collection, GERRY WEBER Men, met with a good response in the market. Produced by a licensing partner, the new menswear collection ideally complements the GERRY WEBER brand universe and adds to the flexibility of our store concept. Sales partnerships with retailers were expanded and now comprise roughly 1,000 shop-in-shops.

All this means that the strategic decisions and investments made in recent years are paying off. The increased vertical integration of our business in our own HOUSES OF GERRY WEBER has greatly expanded our sales base and resulted in higher gross profits. It has also brought us closer to our consumers, allowing us to incorporate the insight gained this way into our collections. Retail activities in our own stores contributed 13.5% to total sales in the past fiscal year. We will increase this percentage in the coming years with a view to leveraging existing market potential.

The strength and clear positioning of our brands has always been our formula for success. While our vertically integrated competitors focus strongly on the young target group, our collections have traditionally been targeted at grown-up women who attach importance to quality and excellent fit as well as a good price-performance ratio. Textilwirtschaft, the most frequently read trade magazine in Germany, recently confirmed again that our brands enjoy an excellent reputation among retailers. The GERRY WEBER and TAIFUN-Collection brands scored top rankings for criteria such as fit, shop system, punctuality of deliveries and gross profit. We will work to ensure that these high standards will continue to be met going forward.

The financial statements for the past fiscal year are the first to be prepared to International Financial Reporting Standards (IFRS). The adoption of IFRS had been prepared for two years and does not change our key figures materially, as we carried neither goodwill nor pension provisions on our books. Changes mainly refer to the recognition of derivatives and futures as well as the changed treatment of formerly reported extraordinary expenses and income. In the present Group financial statements, the comparability of IFRS figures with the previously reported and projected figures is only slightly limited; in the next fiscal year 2006/2007, it will be facilitated by the reports published in the course of the year.

Our employees again excelled in the past fiscal year, showing great zeal, motivation and expertise. We would like to thank them sincerely and hope they will continue to support the GERRY WEBER Group going forward. Our thanks also go to our customers and business partners for the good cooperation in the past fiscal year. We also thank our shareholders for the confidence they have placed in us. Provided that the dividend proposal is approved by the General Meeting of Shareholders, a dividend of EUR 0.40 will give them a share in the company's performance. We hope to earn your trust in the GERRY WEBER share also in future.

Gerhard Weber Udo Hardieck

Dividend development in EUR million

Managing Board and Management

Managing Board

Gerhard Weber (Chairman), Halle/Westphalia
Udo Hardieck, Halle/Westphalia

Supervisory Board

Dr. Ernst F. Schröder (Chairman), Bielefeld
Personally liable partner of
Dr. August Oetker KG, Bielefeld

Peter Mager (Vice Chairman), Steinfeld in Oldenburg

Dr. Wolf-Albrecht Prautzsch, Münster
Banker
Vice Chairman of the Managing Board of
Westdeutsche Landesbank Girozentrale ret.,
Düsseldorf

Charlotte Weber-Dresselhaus, Halle/Westphalia
Banker

Olaf Dieckmann, Dissen
Technical employee

Christiane Wolf, Steinhagen
Commercial employee

The performance of the GERRY WEBER share in the fiscal year was clearly influenced by the development of the capital market environment. Along with all leading indices, the share gained in value and reached annual highs in the first half of the year, but the upward trend slowed down markedly from mid-May 2006. Benefiting from the positive capital market environment, the GERRY WEBER share reached a historical high of EUR 20.20 on 11 May 2006 (all figures XETRA closing prices). After this date, growing fears of rising interest rates led to massive stock sales, which put an end to the record rise in indices and the GERRY WEBER share. While international stock markets recovered quickly in the second half of the year, with indices reaching multi-year highs, the GERRY WEBER share showed a relatively moderate performance.

This means that the share was unable to outperform the indices in the fiscal year even though its 17.7% performance was still quite impressive. A multi-year comparison shows that the price of the GERRY WEBER share has doubled over the past two years. Over the past three years the price has increased by 150%. This steady upward trend reflects the confidence investors have placed in the share since the successful reorganisation of our Group. According to analysts, the GERRY WEBER share is more favourably valued than its competitors and offers upside potential. The share is regularly covered by analysts from, among others, Westdeutsche Landesbank, DZ Bank, HSBC Trinkaus & Burkhardt, Bankhaus Lampe and Berenberg Bank.

Market capitalisation

In the fiscal year, the share price climbed from EUR 13.59 on 31 October 2005 to EUR 16.00 on 31 October 2006 for a total market capitalisation of about EUR 375 million as of the balance sheet date. The capitalisation of the free float as defined by Deutsche Börse (55.61%) reached EUR 208.5 million. Due to the slightly stronger performance of the SDAX, the weighting of GERRY WEBER in the index declined from 1.85% to 1.45%. The weighting in the GEX Index of owner-dominated companies stood at 1.1% at the end of October. The trading volume developed positively throughout the fiscal year. The average daily number of shares traded on XETRA and on the Frankfurt floor was 30,740 shares, which represents an average daily volume of EUR 502,882. The largest daily volume was recorded on 24 March 2006, when 126,813 shares worth EUR 2.1 million were traded.

GERRY WEBER vs. DAX30 indexed

Index = 100 on 31 Oct. 2005

GERRY WEBER in absolute figures

Shareholder structure

No material changes occurred in the fiscal year with regard to the shareholder structure. The company founders and Board members, Gerhard Weber and Udo Hardieck, directly and indirectly hold 44.39% of the shares. In the fiscal year, the company acquired another 224,427 shares, so that own shares held by the company now represent 2.09% of the total capital. The respective authorisation granted by the General Meeting of Shareholders on 2 June 2005 expired on 31 October 2006. A list of the share repurchases effected since the Board resolution of 12 September 2005, showing the date, number and average price, is available on the corporate website of GERRY WEBER. As a result of the stock repurchase programme, the free float declined moderately and amounted to 53.52% on the balance sheet date.

Investor relations

In the course of the fiscal year, the management of the GERRY WEBER Group provided investors and analysts with comprehensive information on the development and the future of the company. The annual analysts conference in March was used by many analysts for an exchange of information with the company representatives. The corporate strategy and the company's perspectives were outlined and explained at roadshows in Germany and abroad and in personal meetings. In the fiscal year, the company's investor relations activities were again characterised by regular contacts with national and international investors. Private investors were able to obtain information about the development of the GERRY WEBER Group on the company's website, at the General Meeting of Shareholders and from the numerous press reports. Media interest was as high as ever and was additionally supported by the high-profile events at the GERRY WEBER Stadium. As a result, the excellent visibility and attractiveness of the GERRY WEBER share were further boosted during the past year.

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WKN	330410
ISIN	DE0003304101
Stock exchange symbol	GWI1.FSE
Bloomberg ticker symbol	GWI1 GR
Reuters ticker symbol	GWIG.F
Designated Sponsor	WestLB
Type	No-par bearer shares
Market segment	Prime Standard
Index member	SDAX
	GEX
	Prime Consumer
Subscribed capital	EUR 23,443,200
Latest capital issue in June 2002	EUR 1,465,200
Authorised capital	EUR 11,721,600
Common shares	23,443,200
Free float	12,546,412
Dividend/common share	EUR 0.40
Earnings per share to DVFA/SG	EUR 0.92
Cash flow per share	EUR 1.90
Average daily turnover in shares (FY)	30,740
Average daily turnover in EUR (FY)	502,882
Price at end of FY 2004/2005	EUR 13.59
Price at end of FY 2005/2006	EUR 16.00
High/low of the FY	EUR 20.20/13.41
Market capitalisation at end of FY 2004/2005	EUR 319 million
Market capitalisation at end of FY 2005/2006	EUR 319 million
Share price performance in the FY	+ 18 %
Total return[1] in the FY	+ 21 %
Shareholder structure	Gerhard Weber (directly and indirectly) 26.45%
	Udo Hardieck (directly and indirectly) 17.94%
	Own shares 2.09%
	Free float 53.52%

[1] price gain plus dividend

Note: All prices are XETRA closing prices; figures on average daily turnover refer to the Frankfurt trading floor and XETRA.

Management report

The GERRY WEBER Group looks back on a successful year 2005/2006. The sharp rise in sales revenues means that the EUR 500 million mark is a realistic target for the current fiscal year. This growth came from within the company, which successfully exploited the existing potential in a market that remained challenging in the reporting period. A convincing brand and sales strategy as well as effective production and logistics structures helped the GERRY WEBER Group expand its market share. This growth was not achieved at the expense of profitability. Earnings before interest and tax (EBIT) advanced clearly ahead of sales – partially benefiting from the adoption of IFRS. All other key figures also reflect the company's strength as well as its healthy asset and funding structures. All this means that the GERRY WEBER Group made good progress on its ways to becoming an international fashion and lifestyle company in 2005/2006. The positive development of the company will allow the proven dividend policy to be continued without affecting the Group's growth prospects.

Group structure

A few years ago, the GERRY WEBER Group completed a fundamental optimisation of its corporate structures, which formed the basis for today's strong growth. All parts of the company were subjected to a comprehensive review, as a result of which unprofitable units were closed, processes streamlined, tasks outsourced to external service providers and cost-efficient production and procurement solutions implemented. In its capacity as holding company, GERRY WEBER International AG is responsible for providing central services within the Group. The consolidated entity comprises 14 subsidiaries, which are responsible for individual brands and markets or procurement and production locations. In the past years, several companies were dissolved, including two brand companies and the companies at the former production locations in Tunisia and Portugal. On the other hand, new sales companies were established in Austria, Belgium and the UK. The companies that are responsible for the GERRY WEBER, TAIFUN-Collection and SAMOON-Collection brands as well as GERRY WEBER Retail GmbH are of the greatest strategic importance within the Group.

The controlling system of the GERRY WEBER Group allows to monitor the development of the Group, to identify target deviations at an early stage and to take corrective measures if required. The controlling system is characterised by high transparency, customer orientation and efficiency. At holding company level, the controlling instruments comprise the traditional financial figures and ratios that are derived from accounting, controlling and investment controlling. Key figures used for strategic brand management are the usual industry variables such as order rates and sell-through figures. The retail activities are controlled using figures such as inventory turnover, sales per square metre and personnel / rental expenses as a percentage of sales. The company's own stores give the GERRY WEBER Group access to comprehensive data streams which are evaluated on an ongoing basis and fed into brand and collection decisions.

Strategy

Over the past years, the GERRY WEBER Group developed from a traditional clothing manufacturer into a lifestyle company and systems supplier, whose fashion stands out from the international ladieswear segment. The company owes this unique position to the strength and attractiveness of its brand as well as to its sales strategy, which exploits market opportunities effectively and flexibly. The GERRY WEBER Group is a pioneer as regards the development of new procurement markets and the use of intelligent IT systems for logistics and production. This allows the company to offer constant high quality at prices that give retailers attractive margins and ensure a good price-performance ratio of the products. This combination of strong brands, a flexible sales concept and efficient production, procurement and logistics structures is the basis of the company's success. Building on this foundation, the GERRY WEBER Group has continuously expanded its market share and will continue to do so in future.

The brands

The GERRY WEBER Group's ladieswear brands are GERRY WEBER, TAIFUN-Collection and SAMOON-Collection. GERRY WEBER is one of the strongest brands in the German fashion retail sector, scoring 63% name awareness. TAIFUN-Collection (28% awareness) and SAMOON-Collection, the brand for plus sizes, also hold leading positions in their respective markets. The brands owe their success to their clear profiles and their signature collections, which provide consumers with a sense of direction and guarantee high sell-through figures for retailers.

Positioned in the upper mid-prize segment, the GERRY WEBER brand is targeted at grown-up, fashion-conscious women who attach importance to current trends and a good fit. Given that most competitors and systems suppliers focus on the younger target group, the GERRY WEBER brand has only few competitors in its segment. According to a retailer survey conducted by trade magazine "Textilwirtschaft", GERRY WEBER is the lead brand in the "business" category. The survey also confirmed that the GERRY WEBER brand enjoys an excellent reputation among German retailers, as it perfectly meets their demands in terms of identifying and implementing trends, fashion expertise, fit, gross yield, punctual and accurate deliveries and POS support.

A few years ago, the success of the combination fashion prompted the GERRY WEBER management to launch sublabels, which increase the sales potential in lower price segments – due to consumers' buying behaviour – without diluting the image of the core brand. GERRY WEBER Edition offers single-item lines comprising trousers, knitwear and outdoor wear, which are complemented by skirts and blouses. The G.W. label stands for up-to-date, temporary themes in the lower price segment, which increase inventory turnover and retail productivity. GERRY WEBER Sport complements the main line by individual sports themes. Saleability and turnover speed are the key determinants driving the entire collection development. For this purpose, information from over 1,000 outlets is collected and analysed on an ongoing basis to ensure a swift and flexible response to market trends and consumer wishes. The TAIFUN-Collection brand, whose fashionable collections are designed for a younger target group, also exploits the potential offered by sublabels. Elements by TAIFUN-Collection mainly offers outdoor fashion such as jackets and coats.

Sales and marketing

The sales concept of the GERRY WEBER Group is based on the idea to provide retailers with the best possible support at the point of sale and – wherever necessary and possible – to assume vertical responsibility. As a result, GERRY WEBER, apart from supplying the traditional ladieswear departments, established the first shop-in-shops already ten years ago, making the company a pioneer in the clothing industry. Today, the company operates roughly 1,000 of these shop-in-shops, with approx. 100 new ones opened per year.

The concept behind the HOUSES OF GERRY WEBER is also based on the idea of assuming responsibility at the point of sale with a view to building the brand's image on the one hand and achieving the proximity to the consumer that is required for the collection decisions on the other hand. The HOUSES, the first of which was established in Bielefeld in 1999, present the complete GERRY WEBER brand universe under a single roof. From the very beginning, it has been the company's strategy to open the HOGW only at first-class locations in Germany and abroad in order to further increase the appeal of the GERRY WEBER brand. The HOUSES OF GERRY WEBER are run either by franchisees or – where no suitable partner can be found – by the company itself. Depending on the size, the stores present all brands including GERRY WEBER Men or only some of them.

The sales concept also comprises mono-brand stores for TAIFUN, SAMOON and the GERRY WEBER Edition sublabel. There are also dedicated GERRY WEBER Men stores. The idea behind this is to choose flexibly from the modular brand system depending on the size of the available shops and stores in order to exploit existing market potential. These range from 700 square metre flagship stores at CentrO Oberhausen or London's Regent Street to 100 square metre mono-brand stores. In the year under review, the number of HOUSES OF GERRY WEBER rose from 102 to 129, of which 64 are located in Germany and 65 abroad. 79 HOUSES are run by franchisees, while the rest are operated by the GERRY WEBER Group, which has thus expanded its retail activities from 30 to 50 own stores.

Procurement

Access to low-cost procurement markets is one of the main preconditions for success in the fashion industry. For as many as 15 years, the GERRY WEBER Group has produced in Asia and has now begun to tap new resources in northern and central China in order to benefit from wage differences that exist within the country. With a view to cutting costs, a decision between full package service (FPS) and cut-make trim (CMT) is taken for each individual item. Under the FPS scheme, the suppliers produce the clothing items autonomously according to GERRY WEBER's specifications. Under the CMT regime, which is mainly found in Eastern Europe, all materials required for production are provided by the GERRY WEBER Group. The salesman sampling of the collection for these productions has been outsourced, mainly to Eastern Europe. Under the FPS scheme, approx. 60% of the goods was sourced from the Far East and 24% from Turkey. The remaining 16% was produced on a CMT basis in Eastern Europe.

Costs have been cut further by relocating as many production-related tasks as possible to the procurement countries. At present, a pattern making department is being built up in the Far East, which will support the central pattern making department in the long term.

These procurement structures allow the GERRY WEBER Group to respond flexibly to changes in the procurement markets and the German market. This made it possible for the company to cut its procurement costs and, hence, retailers' purchase prices to such an extent that the VAT hike as of January 2007 can be offset in full. This way, the GERRY WEBER Group secures an attractive gross yield for the retail sector without compromising its own sales and earnings growth.

Logistics

For many years, the optimisation of supply chain management has been one of the main concerns of the GERRY WEBER management with a view to shortening the time between design/production and availability at the point of sale and cutting costs. The company's strategy is to work with as few partners as possible in order to reduce the complexity and to standardise and modularise products and processes as far as possible to enable vertical integration. Against this background, the GERRY WEBER Group signed an exclusive service agreement with an international textile logistics specialist during the reporting period. Under the agreement, all processes from incoming goods, stock-keeping, quality management and making-up to shipping and retail logistics have been sourced out with a view to ensuring optimum delivery times and punctuality and cutting costs.

Efficient IT systems have become indispensable for modern inventory management. IT-based logistics aims to eliminate redundancies, make processes transparent to all parties involved by making relevant information available and to ensure process stability. Advanced IT solutions and RFID technology, which enables comprehensive control of data and product flows, form the basis of highly efficient supply chain management.

Economic situation

The world economy continued to grow at a fast rate in 2006, slowing down only moderately in the course of the year. Germany's economic research institutes estimate that the world economy grew by 3.7% in the year as a whole. This growth was once again attributable to the economic momentum in the USA and, to some extent, in Japan. China's output increased in the first half of the year and stayed at a high level also in the second half, while growth in the other East Asian emerging markets was more moderate. Due to the strong world economy, commodity and energy prices continued to rise sharply in the first few months of 2006, which was also reflected in consumer prices. By contrast, wage costs climbed only moderately in the industrialised countries. Economic growth accelerated also in the euro-zone and the UK, with the euro-zone economy growing by 2.6%. Real GDP increased also in countries like Germany and Italy, which had grown at below-average rates in the previous years. Domestic demand provided the biggest stimulation, as spending on plant and equipment increased particularly strongly. Consumer spending in the euro-zone also rose at a slightly faster rate.

The German economy presented the most favourable environment seen in many years. According to the Annual Report of the German Council of Economic Experts, real GDP increased by 2.5% in 2006. While the economic recovery had previously been supported almost exclusively by foreign demand, domestic demand again played a more important role for the first time. Apart from continued strong exports, the development was chiefly driven by private investment demand and consumer spending, even though the latter was overstated by special factors. The growing economy had a positive effect on the labour market and was reflected not only in a decline in the unemployment rate to 10.4% but also in a growing number of wage and salary earners paying social insurance contributions. Driven by the dynamic development of the world economy, which spread to the euro-zone in 2006, foreign trade again made an important contribution to domestic growth. Strong foreign demand led to high capacity utilisation, especially at export-oriented companies, prompting them to expand their production equipment. The increase in consumer spending was partly attributable to purchases being brought forward in anticipation of the VAT hike. The recovery in the labour market and the lower unemployment risk probably also had a positive effect on consumption.

As a result of this positive development, sentiment in the German retail sector improved somewhat. However, the retail sector benefited from the economic recovery less strongly and with a certain delay. In any case, pressure on the retail sector declined slightly and issues such as consumers' spending restraint, competitive pressure, discount war, bargain sales and the declining attractiveness of Germany's city centres were not so much in evidence as in the past years. According to the Association of German Retailers, sales nevertheless increased by only approx. 0.75% in nominal terms in 2006, which is equivalent to zero growth in real terms. The employment situation in the German retail sector stabilised during the year.

Economic growth in the key output markets of the GERRY WEBER Group in 2006

Country	Economic growth in %	Share in total GERRY WEBER sales in %[1]
Germany	2.5	58.2
Benelux	2.7 - 3.0	12.2
Austria/Switzerland	3.1 / 2.7	6.5
Great Britain/Ireland	2.7 / 5.3	6.1
Scandinavia	3.0 - 4.9	5.6

[1] Asia and others account for the balance (100%)

Industry situation

According to a representative survey conducted by industry association GermanFashion, sales in the German clothing industry rose by 3.7% in the first six months of 2006. Ladieswear and menswear sales climbed 3.1% and 4.2%, respectively. German clothing manufacturers expect an increase by 5.3% for the year as a whole, with as much as 5.7% projected for the ladieswear segment. These figures show that the German clothing industry, as in the previous year, was again able to halt the years-long downward trend and to return to the growth path. This growth was mainly driven by rising exports. By contrast, domestic production of clothing and, hence, the number of people working in the clothing sector continued to decline. According to the textil + mode association, the number of wage and salary earners declined by 3.7%.

German clothing retailers benefited only little from the pick-up in consumer spending in the first half of 2006. Retail association BAG projects an increase in volumes but not in sales revenues for this year. On the upside, consumers generally spend more money again on fashion and clothing. According to a survey by trade magazine Textilwirtschaft, sales revenues in the clothing retail sector had remained unchanged from the previous year as of the end of October 2006. Continued spending restraint and the ongoing expansion of vertically integrated suppliers and discount stores has prompted manufacturers and retailers to cooperate ever more closely. The jointly managed sales space has increased steadily for many years. The winners among the retailers are those who operate stores in shopping centres and chain store operators with more than ten stores. Consolidation in the clothing retail sector continued in 2006, with the large companies expanding their market share. In particular, specialist chain stores increased their sales revenues, while textile sales at non-textile discount stores developed disparately. Teleshopping established itself as a distribution channel already last year and further expanded its market share in 2006.

Sales performance

The Group financial statements of GERRY WEBER International AG for the year 2005/2006 were prepared to International Financial Reporting Standards (IFRS).

In fiscal 2005/2006, the GERRY WEBER Group generated sales of EUR 442.8 million, which clearly exceeded the level of the previous years. The 13.6% increase in sales shows that the high growth momentum accelerated even further. These figures reflect the success of the restructuring programme, the brand strategy and the sales concept. All brands of the Group, the retail activities and the licensing income contributed to this growth. While the GERRY WEBER brand and its successful sublabels achieved the strongest growth, TAIFUN-Collection and SAMOON-Collection also reported rising sales. All three brands are key elements of GERRY WEBER's strategy and form the framework for all corporate activities.

The GERRY WEBER brand was once again one of the most successful brands in the domestic and international fashion market. It accounted for 66.6% of total Group sales, up from 64.7% in the previous year. This development reflects the strong growth momentum that characterised both the GERRY WEBER core brand and its sublabels, GERRY WEBER Edition, G.W. and GERRY WEBER Sport. GERRY WEBER Edition, the single-item line, meanwhile contributes approx. 25% to the core brand's sales. In response to the success of the label, which has been developed with the specific requirements of the market in mind, a dedicated GERRY WEBER Edition store has been opened. The fast-selling themes of the G.W. line and the sports themes of GERRY WEBER Sport equally respond to the needs of the market. In the course of the year, the sales of some sublabels increased much faster than those of the core brand. Domestic sales accounted for 55.8% (previous year: 55.7%) of total sales, while foreign sales accounted for 44.2%.

At 25.2%, TAIFUN-Collection again made an important and stable contribution to total Group sales. For this brand, too, sublabels have been developed, which complement the core brand with single items to exploit market potential in lower price segments. TAIFUN-Collection is available in retailers' ladieswear departments, in shop-in-shops, in the larger HOUSES OF GERRY WEBER and in mono-brand stores. The number of retailers, stores and shop-in-shops continued to increase in the past fiscal year. The brand's strong position in the international marketplace is reflected in an export share of 43.1% (previous year: 38.1%). The key export markets for TAIFUN-Collection are the Netherlands, Switzerland, Belgium and Scandinavia. The expansion of the TAIFUN stores in selected domestic and international locations is an important element of the corporate strategy with a view to building the brand's image and exploiting existing market potential more effectively.

At 7.3%, SAMOON-Collection's contribution to total Group sales was slightly lower than in the previous years. The somewhat more moderate performance in the fiscal year was due to shifts in deliveries in the first quarter, which were compensated only in the course of the year. Nevertheless, the brand is an important element of the three-brand strategy, which is not least reflected in the fact that the first SAMOON-Collection store was opened in the fiscal year. In the meantime, there are three SAMOON-Collection mono-brand stores, which means that the GERRY WEBER Group continues its strategy of positioning the brands independently in the retail sector subject to market demand and available store space. The brand for plus sizes also sells well in foreign markets, where roughly one third of the revenues are generated. The most important foreign markets are the Netherlands and Belgium.

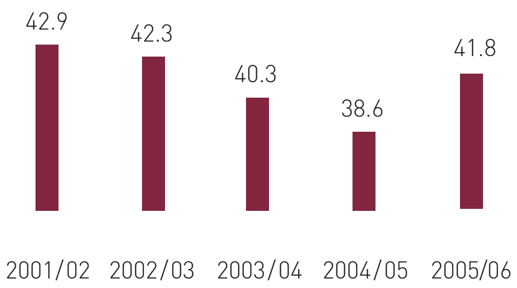
Wolfgang Wandel
Managing Director TAIFUN and SAMOON

The retail revenues generated by the HOUSES OF GERRY WEBER make a constantly rising contribution to the Group's growth. In the year under review, the Group's own retail activities generated sales of EUR 59.8 million, compared to EUR 40.3 million in the previous year, which represents an increase by 48.4%. The Retail Division comprises the sales revenues generated by the company's own 43 domestic HOUSES OF GERRY WEBER and by the distribution companies in the UK, Spain and Austria, which operate seven HOUSES. Another 79 HOUSES OF GERRY WEBER are run by franchisees, thereof 57 abroad and 22 in Germany, whose sales revenues are not counted towards the Retail Division. While the GERRY WEBER Group primarily focuses on the domestic locations, the HOUSES OF GERRY WEBER opened in international markets are mainly run by franchisees. The multi-brand store concept was expanded from 102 to 129 stores in the past fiscal year. This increase and the good sales performance of the existing stores contributed to the sales growth. Of the new stores opened in the fiscal year, the large flagship stores in London's Regent Street and in Vienna deserve special mention. They present the GERRY WEBER brand universe on a total sales space of 600 to 700 square metres and thus help to build the image of the brand. Generating sales of up to EUR 14,000 per square metre, the Vienna store has become one of the company's most successful outlets.

Rising from EUR 0.6 million to approx. EUR 1 million in the fiscal year, licensing income also made a growing contribution to sales. This figure reflects the positive development of the existing licenses, especially bags, as well as the initial licensing income from the menswear collection, whose market launch in the fourth quarter of the fiscal year was very promising. GERRY WEBER Men is meanwhile available at over 200 retailers in Germany and abroad. The brand is also an important element of the product ranges of the HOUSES OF GERRY WEBER in Berlin, Hamburg and Oberhausen. In addition to one GERRY WEBER Men store in Weimar, Germany, four such mono-brand stores are run by franchisees in Eastern Europe. This shows that the licenses not only ideally complement the GERRY WEBER brand universe but also make a constantly growing contribution to sales.

The GERRY WEBER Group expanded both in Germany and abroad. The export share climbed moderately from 38.6% to 41.8%, which is attributable to the disproportionate growth of the international retail activities in the fiscal year, whereas the previous year's focus was still very much on the German market. International wholesale revenues also increased in absolute figures. Revenues developed very positively in the important UK and Benelux markets. Many new HOUSES OF GERRY WEBER were opened in Scandinavia, the third biggest export market, especially in Denmark. Four new HOUSES are about to be opened in Sweden. The opening of the first large flagship store in the UK marked the launch of the company's own retail activities in a market in which the GERRY WEBER brand has, for many years, enjoyed an excellent reputation among retailers and counts as many as 485 wholesale accounts. HOUSES OF GERRY WEBER also exist in Russia, in the Baltic states as well as in the Near and Far East, where they successfully sell the Group's brands. Six stores in Moscow, two in St. Petersburg and five in China have laid the foundation for the company's further expansion into these markets. However, the international expansion hinges on competent franchisees, who are willing and able to market the GERRY WEBER products in close coordination with the Group.

The French distribution company boosted its external sales from EUR 3.9 million to EUR 6.1 million in the past fiscal year. The distribution companies in Spain, Austria and the UK also increased their sales, the former from EUR 2.7 million to EUR 3.5 million. The Austrian, British and Belgian companies, which were newly established in the fiscal year, generated EUR 3.0 million, EUR 1.5 million and EUR 0.6 million, respectively, in sales. The subsidiaries in Hong Kong and Turkey are pure-play service companies, which operate at break-even level and do not generate external sales that deserve mention. The subsidiary



Share of export sales in %

in Romania, which operates the local production facility, employed 441 people and generated a total performance of EUR 3.2 million, compared to EUR 3.1 million in the previous year.

Orders

Incoming orders developed positively throughout 2005/2006. Pre-order figures were above the levels of the past in all segments. Pre-orders for the Spring/Summer Collection 2007 are up 12.4% on the same season of the previous year and suggest that sales will continue to grow in 2006/2007.

Earnings position

The positive development of the GERRY WEBER Group is reflected in the fact that the sales growth in the fiscal year went hand in hand with a slightly disproportionate increase in earnings – also in adjusted terms, i.e. adjusted for the adoption of International Financial Reporting Standards. Earnings before interest and tax (EBIT) to IFRS climbed from EUR 30.4 million to EUR 41.0 million, for an EBIT margin of 9.3%. These improved earnings are mainly attributable to the low-cost procurement and the functioning internal structures. This has laid the foundation for a further reduction in costs and an increase in earnings based on stable and/or flexibly adjustable key price points.

As a result of the favourable procurement structures and the clear pricing of the collections, the increase in the cost of materials was lower than the increase in sales, which had a positive effect on the contribution margins. Internal efficiency gains and lower logistics expenses also played an important role. Accordingly, the cost of materials as a percentage of sales improved from the previous year's 57.2% to 55.6%. Increased personnel expenses, which were due to the higher staff numbers resulting from new hirings in the retail segment, were almost fully offset by the internal efficiency gains. At 13.25%, personnel expenses as a percentage of sales remained almost unchanged from the previous year.

These efficiency and profit gains also allowed the GERRY WEBER Group to safeguard its retail partners' mark-ups following the VAT hike in January 2007. Starting with the late October 2006 delivery date, purchase prices for retailers were adjusted so that their pricing margin increased. The compensation of the VAT hike for the retailers also means stable consumer prices, meaning that the tax increase will not stand in the way of continued sales volume growth. Thanks to internal efficiency gains and improved inventory management, this strategy will have no adverse impact on the company's own profitability.

Apart from the operating result, the other earnings figures also increased noticeably. The result from ordinary activities (EBT) to IFRS rose by 35.7% from EUR 26.9 million to EUR 36.5 million. The net result climbed from EUR 16.0 million to EUR 21.1 million, with the previous year's after-tax result adversely affected by non-recurring effects. The interest load increased moderately, while the tax ratio climbed from 40.6% to 42.4%. In line with the profit growth, earnings per share rose from EUR 0.69 to EUR 0.92. The return on equity based on the operating result increased from 24.9% to 31.8%. The return on investment also improved from 14.3% to 17.1%.

	2005/2006	2004/2005
Group performance		
Sales revenues	442.8	389.6
Inventory changes	7.9	2.4
Other interest and similar income	9.1	8.7
	459.8	**400.7**
Less purchased materials and service		
Cost of materials	254.3	225.3
Depreciation	7.2	5.8
Other operating expenses	98.3	87.3
Value added	**100.0**	**82.3**

Value-added statement in EUR million

Net worth position

The fast growth in the fiscal year is reflected in the balance sheet ratios of the GERRY WEBER Group. As of 31 October 2006, the Group's equity capital amounted to EUR 129.1 million. The equity ratio declined from the previous year's 57.4% to 53.9%. This is still a high level, which underlines the creditworthiness and stability of the GERRY WEBER Group. The changed balance structure mainly reflects the expansion-related increase in financial liabilities, which were offset by higher inventories and receivables on the assets side. Due to the fact that sales through Group-owned retail stores account for a growing share as well as to the general business expansion, inventories climbed from the previous year's EUR 43.5 million to EUR 52.1 million. This trend was mitigated by further improved inventory management and logistics processes. The strong expansion of the Group's own retail activities also resulted in a sharp increase in property, plant and equipment. As a result, the capitalisation ratio climbed moderately from the previous year's 35.8% to 36.7%. The fixed-assets-to-net-worth ratio declined from the previous year's 160.4% to 146.7%, which is still a very high level.

Financial situation

The balance sheet structure shows a balanced relation between equity and debt capital. The ratio of debt capital to total capital was 46.1% on the balance sheet date (previous year: 42.6%). Liquidity was provided by way of adequate credit lines. Due to the excellent earnings situation, gross cash flow increased from EUR 32.7 million to EUR 43.7 million. Although capital expenditure was much higher than in the previous years, it was fully funded from cash flow, which means that the Group's liquidity is sound. Cash and cash equivalents amounted to EUR 5 million as of the balance sheet date. The effective Group-wide cash management system thus made an important contribution to the positive development in the fiscal year.

The financing strategy of the GERRY WEBER Group again aimed to ensure a balanced mix of short-term and long-term bank liabilities depending on the interest rate structure. In the past fiscal year, there was a moderate shift towards long-term funding, as the Group expected long-term interest rates to be raised. This expectation prompted the Group to raise longer-term loans for assets formerly funded with short-term capital.

Investments

In the year under review, the GERRY WEBER Group invested EUR 20.5 million, mainly in furnishings and fittings of its own HOUSES OF GERRY WEBER but also in logistic and IT systems, especially software. Other investment projects included the expansion of HALLE 29 and furnishings and fittings for rented properties. As a result, total investments increased by 81.4%. They were mainly funded with the company's own liquid funds and were covered by operating cash flow at all times.

Employees

While jobs continued to be cut throughout the clothing industry, the GERRY WEBER Group created a large number of new jobs and traineeships in the fiscal year. The number of employees rose from 1,647 in the previous year to 1,881 as of the balance sheet date. Most of the new jobs were created in the Retail Division, i.e. the 20 new HOUSES OF GERRY WEBER operated by the company. The GERRY WEBER Group employs 1,195 people in Germany and 686 abroad, above all at the production facility in Romania and the procurement offices in Turkey and the Far East. In the fiscal year, the company created 205 new jobs in Germany.

The GERRY WEBER Group employs 49 trainees and apprentices, making the company one of the large providers of vocational training in the region. Since FY 2005/2006, the company has also offered trainee programmes in the industrial and retail segments with a view to satisfying the increased demand for qualified graduates and meeting the new challenges of its corporate divisions.

Highly qualified and motivated employees are key to the successful performance of the GERRY WEBER Group. In the fiscal year, the company therefore invested primarily in employee development, including innovative measures such as e-learning. The aim is to qualify employees for future challenges in a timely and effective manner.

Segment report

This 2005/2006 Annual Report for the first time includes a segment report breaking down the activities of the GERRY WEBER Group into business fields reflecting the company's internal organisational and reporting structures. Two segments are reported: the Ladieswear Production and Wholesale segment and the Retail segment.

External sales of the Ladieswear Production and Wholesale segment increased by 8.4% over the previous year, i.e. much faster than the ladieswear market. This segment continues to represent the biggest portion of the Group's external sales, even though the respective share in total sales declined from 90.6% in 2004/2005 to 86.4 in the fiscal year despite the increase in absolute figures.

The segment's profit before tax rose from EUR 27.5 million to EUR 32.7 million, mainly due to the above efficiency gains and the resulting increase in the gross profit margin.

External sales in the Retail segment climbed 48.4%. The segment's result was negative at EUR -3.7 million due to once-only preproduction costs. The number of HOUSES OF GERRY WEBER operated by the company in Germany and abroad increased from 30 to 50 in fiscal 2005/2006. Sales growth was slightly higher than space growth.

The retail activities accounted for the bulk of the company's investments. They were roughly eight times as high as the investments in production and wholesale and thus above the ratio of the previous year when retail investments were 5.5 times as high as production and wholesale investments, with total investments at only half the present year's level.

Risk report

The GERRY WEBER Group has installed a risk management system embracing all of its planning, controlling and reporting systems. These systems help identify and exploit opportunities. By anticipating risks and opportunities that could have a material impact on the company's net worth, financial and earnings position, the company seeks to create scope for action that can be used to ensure its long-term viability and to open up new potential for success.

A risk manual is the key element of the risk management system. It helps management to anticipate risks and facilitates the identification, documentation and analysis of risks. The manual defines guidelines for assessing the amounts of potential damages/losses and their probability and describes suitable counter-measures. It also serves as the basis for the risk report, which is updated at every Supervisory Board meeting and describes the risk status of all major divisions.

The risk management system is regularly reviewed for its proper functioning. It fully complies with the requirements of the German Law on Control and Transparency in Business (KonTraG) and fulfils the criteria of IDW audit standard 340 for the identification of risks. This enables the GERRY WEBER Group to identify risks at an early stage and to respond swiftly and appropriately. The risk management system was examined in the context of the annual audit and its appropriateness and functionality were confirmed by the auditors.

No risks are discernible for the present or the future that would – in their entirety or individually – jeopardise the company's continued existence or have a sustained adverse impact on its net worth, financial and earnings position. Risks that could potentially jeopardise the company's existence are defined as risks causing a loss that would exceed the operating result for a fiscal year. As of 31 October 2006, the GERRY WEBER Group's risk provisions amounted to EUR 10.0 million. These provisions mainly refer to old-age part-time working schemes, outstanding invoices, vacation claims, bonuses and possible guarantees. Planning risks relate to sales projections, inventory writedowns, losses of receivables outstanding and exchange rate hedges.

Market risks

As a fashion and lifestyle company, the GERRY WEBER Group is exposed to the trends and fluctuations in the fashion market. Every season, the company faces the risk of parts of its collections not being accepted by the market. Constant monitoring of the market and a presence at the international fashion fairs allow the company to identify and anticipate trends, which then serve as the basis for the development of the collections. The positioning of the brands and a thorough understanding of the target group, its wishes and buying habits enable the GERRY WEBER Group to create trends itself, thus reducing its exposure to market fluctuations. The company's own retail activities and the resulting experience at the point of sale make it easier to adjust the collections even more effectively to consumers' demand. The insight gained at the point of sale also led to the development of the GERRY WEBER and TAIFUN sublabels, which are highly successful in tapping additional market potential.

A large number of measures helps the GERRY WEBER Group exploit market opportunities and minimise risks. These include specially structured collection development processes, which involve all departments from pattern making to design to distribution, constant market monitoring and the evaluation of the comprehensive database resulting from the company's own retail activities. Orders received during the pre-order phase are a very important indicator of the success of a collection. This indicator is analysed closely by comparing historical order figures per customer. The development of orders per brand and country is also an important element of the quarterly risk report to the Supervisory Board.

The crisis in the German retail sector and consumers' potential spending restraint as a result of the 2007 VAT hike are a risk that may have an adverse impact on the development of the Group's sales and earnings. However, the crisis also means opportunities, as retailers increasingly rely on strong brands supporting high gross yields. The GERRY WEBER brand is one of the best-known and respected brands in its market and price segment. The GERRY WEBER Group has also earned itself an excellent reputation as a franchisor. This positive standing in the retail sector allows the Group to expand its sales base every year by adding new customers or by discontinuing relations with unsatisfactory key accounts to reduce the risk of declining sales. On the other hand, retailer going out of business give the company the opportunity to lease vacant properties in prime locations at favourable terms. In the past years, the GERRY WEBER Group has used this opportunity to increase the number of its own retail stores and expand its sales base.

By vertically integrating its own business, the GERRY WEBER Group has copied the strategies of its vertically integrated competitors and benefits from the resulting advantages such as customer proximity, speed and flexibility. For this purpose, all internal processes and structures have been optimised in recent years. This has allowed the GERRY WEBER Group to build up a market position that is almost unassailable by new competitors. The strong brand is also the best protection against price aggressive competitors. At the same time, the excellent market position enables the company to withstand retailers' pressure on prices and margins.

The broad customer base of approx. 6,000 national and international retailers mitigates the company's dependence on individual key accounts. At the same time, GERRY WEBER's own retail activities have given the company a second distribution channel, which minimises its exposure to the wholesale sector. In the past fiscal year, the largest retail customer accounted for less than 5% of the Group's total sales. The four biggest customers combined accounted for less than 15% of total sales. A special key account approach ensures that customer satisfaction is monitored on an ongoing basis, enabling the company to respond swiftly if necessary. This allows the GERRY WEBER Group to mitigate the risk of a loss of individual key accounts.

The GERRY WEBER Group constantly optimises its production, logistics and distribution structures to ensure that both products and margins remain attractive to retailers. These measures aim to further increase the proven high level of delivery punctuality and reliability, fits, product quality, fashion expertise, inventory turnover and the identification of trends and their commercial exploitation. The constant sourcing of new procurement markets, the streamlining of internal processes, efficient outsourcing of services and the use of functioning IT systems will reduce costs even further and keep the company competitive. In the past, the GERRY WEBER Group has often pioneered new procurement, logistics and sales strategies. This ability to innovate will continue to form the basis on which the company will avoid market risks and exploit market opportunities.

Financial risks

GERRY WEBER's market environment is characterised by the difficult situation in the German retail sector, which again led to store closures and insolvencies in the past fiscal year. Losses of receivables outstanding are therefore the most serious financial risk. Credit insurance, creditworthiness reviews, comprehensive documentation of the payment history, a streamlined reminder system and shorter payment terms for new customers help to mitigate this risk. In the year under review, the Legal and Controlling Departments developed an internal guideline which defines further strategies for avoiding and minimising risks. These focus on the extension of and compliance with customer credit limits, the monitoring of the age structure of the receivables and the management of doubtful receivables.

The GERRY WEBER Group mainly funds itself with equity capital and is therefore little exposed to the development of interest rates. In the fiscal year, the company pursued a refinancing strategy from short-term to longer-term loans to counteract the risk of rising interest rates in the capital market. To avoid a liquidity risk, the Group has credit lines which clearly exceed the maximum debt financing requirements of a fiscal year. While payment fluctuations may occur due to the seasonal character of the business, the resulting risks are low thanks to these credit lines and the high cash flow.

As an international player, the GERRY WEBER Group operates in different currency areas and is thus exposed to exchange rate risks. Exchange rate hedges were again taken out in the past fiscal year to offset exchange rate fluctuations in imports from the Far East and exports to the UK which are not invoiced in euros. These currency risks are mitigated by forward transactions, which are effected in the foreign currency at the time of entering a contractual commitment. Interest rate risks, currency risks and other financial risks that must be addressed in the notes to the consolidated financial statements under IFRS can be found on page 76 to 79 of the notes to the consolidated financial statements.

The main financial instruments used by the Group include bank loans and short-term bank liabilities as well as cash and short-term deposits. In addition, the company uses derivatives. The latter include forward exchange deals and currency options. These derivative financial instruments are used to manage interest rate and currency risks that result from the Group's business activities and financing sources. The Group has a policy of not trading in these financial instruments. The main risks resulting from the financial instruments are interest-related cash flow risks, liquidity risks, foreign currency risks and default risks. The management monitors the risks in the context of the Group-wide early risk identification system.

Performance risks

The success of the GERRY WEBER Group hinges on punctual and reliable deliveries. Also, the high quality of the products must be ensured at all times to keep returns to a minimum. The entire procurement process via CMT and FPS is based on agreed deadlines, whose compliance requires constant monitoring of the production processes, the making out of production orders, quality checks and transports. The use of our own on-site staff and the long-standing cooperation with a specialist logistics partner help minimise the resulting risks. These processes are additionally monitored and controlled with the help of weekly meetings at which deadlines are discussed by all parties involved in the procurement process. Other important measures for risk minimisation include the extension of the quality assurance database, the continued development of processing instructions, the documentation of the finished goods acceptance, defined throughput times and regular updating of the quality assurance agreements with the suppliers. In the fiscal year, the risk of becoming overly exposed to individual procurement markets was further reduced by a change in Asian supplier countries and the extension of the procurement structures.

Investment risks

One of the key strategic objectives of the GERRY WEBER Group is the continued expansion of the retail activities, i.e. the distribution through the Group's own stores. This strategy not only leads to a potentially higher gross profit margin through the extended value chain but also to closer contacts with the final consumer and an effective presentation of the GERRY WEBER brand universe. The installation of the stores at selected locations increases the visibility of the brand and strengthens their image. However, the expansion of the retail activities also entails risks that result from substantial investments, high fixed costs and long-term leases. The investment risk is mitigated by standardised store fittings, which are purchased in large quantities at favourable terms and can partly be reused if and when a store is closed. The retail activities are constantly monitored and analysed with the help of a customised reporting and monitoring system. Each new store opening is preceded by comprehensive location checks, thorough cross-departmental planning and a multi-step approval process. The strategy of involving franchisees at suitable store locations additionally reduces the risk of unsuccessful investments.

Information technology risks

IT security and system failure risks are largely excluded with the help of back-up systems and regular maintenance. Data integrity and protection against unauthorised access are ensured by precautionary measures such as strict access authorisations, documentation of all accesses to the server room, clear assignment of administrator rights and other comprehensive protection measures.

Insurance

The GERRY WEBER Group has taken out sufficient insurance cover against all liability and other damages and losses. To avoid the risk of the amounts insured being insufficient to cover the damage caused, all areas covered by insurance policies are reviewed and reassessed at regular intervals; in particular, this applies to building, FBU and transport insurance. Risks that are partly not covered include water damage, e.g. caused by high water, which may affect IT, data and telecommunications lines as well as those departments that are located on ground or basement floors. To keep these risks to a minimum, constructional and technical precautionary measures are taken and especially sensitive areas relocated.

Employees

The success of the GERRY WEBER Group hinges on the performance and abilities of its employees and managers. The company uses various material and non-material staff retention measures to motivate them and retain them in the company in the long term. Comprehensive further training helps to build up know-how, which enables employees to gradually assume more responsibility, thus also supporting their identification with the company and its objectives. Management talent programmes offer trainees and apprentices opportunities to develop their leadership skills, thereby ensuring the long-term availability of executive talent within the company.

Environmental protection

The GERRY WEBER Group is aware of the importance of an environmentally compatible use of natural resources. The company therefore not only ensures that its own stores use energy sparingly and manage residual materials and waste effectively but also signs agreements with its suppliers to make sure that the foreign production facilities comply with environmental standards as well.

Statement on dependency report

In accordance with § 312 para. 3 AktG we herewith declare that our company received due compensation and was never disadvantaged in any dealings with associated companies based on the circumstances known at the time when such dealings were transacted.

Compensation report

The compensation system for the members of the Managing Board provides for a fixed component as well as a variable component, which is a function of the pre-tax profit of the individual Group companies. For more details, also on individualised figures for the Managing Board, refer to the notes to the consolidated financial statements on page 83. The compensation of the members of the Supervisory Board is explained in the corporate governance report. The Supervisory Board members receive a fixed compensation component as well as a variable component, which is based on the dividend paid out to the shareholders.

Disclosure of takeover obstacles

The new regulations under the Law Implementing the Takeover Directive (Übernahmerichtlinie-Umsetzungsgesetz) regarding the disclosure of all rules and obstacles in the Group management report, as defined in 315 para. 4 of the German Commercial Code, which may make it difficult to acquire and exercise control apply to fiscal years that began after 31 December 2005. Accordingly, the GERRY WEBER Group will comply with the new transparency requirements starting with the financial statements for the year 2006/2007.

Summarising statement on the earnings, net worth and financial position

The summary of the earnings, net worth and financial position shows that the economic situation of the GERRY WEBER Group at the time of the preparation of the management report is sound.

Events occurring after the reporting date

After the balance sheet date, no material operational or structural changes or business events occurred in the GERRY WEBER Group that had a major impact on the net worth, financial and earnings position, need to be reported here or would alter the information provided in the financial statements for 2005/2006.

Forecast report

Opportunity management

The GERRY WEBER Group is looking at additional opportunities that result from the social environment, its own market, competitive developments and its own performance. These opportunities have not been fully exploited to date. The company aims to identify and analyse these opportunities, to develop strategies for exploitation, to minimise risks and to exploit the resulting sales and earnings potential effectively. The crisis in the retail sector is an example of such an opportunity field. The company started to build up its own retail activities already back in 1999. The annual sales growth resulting from these activities more than offsets the loss of revenues resulting from the closure of customers' retail stores. At an early stage, GERRY WEBER sought not only to address the risks resulting from the difficult retail environment but also to identify and exploit the resulting opportunities effectively. GERRY WEBER has developed a Germany-wide system for the identification of suitable first-class retail locations that become vacant. As a result, GERRY WEBER today (as of 31 October) operates

43 HOUSES OF GERRY WEBER in first-class retail locations in major German cities with over 80,000 inhabitants. This location scouting system is currently being expanded to major cities in Europe.

Examples of other opportunity fields addressed by the company include:

- Shop-in-shop space and retail space that becomes vacant due to competitor closures
- Internationalisation
- Quality improvements and cost effects in new potential procurement markets in Asia

Outlook on 2006/2007

In the past fiscal year already, the growth of the GERRY WEBER Group was relatively independent of general economic activity and the industry situation. The company's good business trend is therefore likely to continue in the coming years as a result of the strategic decisions taken, the market position and the Group's ability to innovate. For the current fiscal year, the management projects a double-digit increase in sales, which will almost reach the EUR 500 million mark, as well as continued earnings growth. The one-time expenses incurred in 2005/2006, mainly as a result of the start-up costs of the new flagship stores and the temporarily stronger concentration of own stores, will not recur in 2006/2007. In addition to this base effect, the GERRY WEBER Group expects further cost savings and efficiency gains. A double-digit EBIT margin has been defined as the target for 2006/2007.

Fiscal 2007/2008 will also see double-digit sales growth and a further improved EBIT margin. As a result of the planned corporate tax reduction planned by the Federal Government with effect from 2008, net profit will increase at a slightly disproportionate rate.

The active expansion of the company's own retail activities has proven to be an important growth driver. In the current fiscal year, GERRY WEBER plans to open some 70 new HOUSES OF GERRY WEBER in Germany and abroad, which will be operated either by the company itself or by franchisees. These new stores will further expand the sales base. Vertical integration, i.e. the extension of the value chain from production to distribution in the company's own stores, is an important element of the Group's growth strategy. In the coming years, the number of HOUSES OF GERRY WEBER is to increase to 300 to 400, of which approximately two thirds will be located abroad. Accordingly, the percentage of sales generated in the company's own stores should rise at a disproportionate rate. In the medium term, approx. 40% of the GERRY WEBER products are to be sold in the company's own and franchised stores. As a result, wholesale revenues will decline as a percentage of total sales but rise in absolute terms.

The expansion of the mono-brand stores is also part of the company's sales concept. Following the successful opening of the first TAIFUN, SAMOON and GERRY WEBER Edition stores in the past fiscal year, new stores are currently being planned. The company is therefore constantly on the lookout for suitable locations in Germany and abroad based on the defined key figures. The cooperation with retailers in the form of shop-in-shops will also be intensified. In the current fiscal year, another 100 shop-in-shops will be opened, bringing the total number to 1,100. Retailers are increasingly looking for strong brands and alliances with partners assuming store and inventory management functions. The GERRY WEBER Group will continue to exploit this trend with the help of marketable, fast-selling collections and full, punctual deliveries with a view to strengthening its market position vis-à-vis the retail sector.

Besides the domestic market, the GERRY WEBER Group also plans to expand its activities abroad and, hence, to increase the export share moderately. The Benelux countries, the UK, Ireland, Austria, Switzerland and Scandinavia will remain the key markets for the GERRY WEBER products. Other markets, including non-European countries, account for a growing percentage of total sales, though. Target markets include Eastern Europe and Russia as well as the Near and Far East.

Economic forecast for the key output markets of the GERRY WEBER Group in 2007 (GDP growth in %; source: OECD)

Germany	2.2
UK	2.6
Ireland	5.1
Netherlands	3.1
Belgium	2.3
Austria	2.5
Switzerland	2.2
Scandinavia	2.6 to 3.6
Russia	6.0

Licensing income will probably continue to grow in the current fiscal year. Not least thanks to the success of GERRY WEBER Menswear, licensing revenues should increase to about two times today's level in the next three years. The other GERRY WEBER licenses will also contribute to the licensing business. The biggest sales contribution has so far been made by the licensed bags, which are sold in textile stores, specialist leather stores and the company's own stores. The coordination between the bags and shoes licensees is to be intensified in the current fiscal year with a view to exploiting the existing sales potential more effectively.

Increasing profitability will remain one of the key objectives of the GERRY WEBER Group in the current fiscal year. The required streamlining of the internal structures will therefore be pushed ahead. From November 2007, a specialist logistics provider will assume responsibility for the complete inventory and logistics management for the finished products manufactured throughout the world. This will optimise not only the costs but also product availability, delivery times and the accuracy of deliveries. The favourable pricing of the collections is based on effective sourcing in the procurement markets. This pricing will be improved further by relocating production-related tasks to the supplier countries. The close coordination and cooperation with the local plants and offices will be intensified further in the fiscal year with a view to optimising processes and cutting costs.

Unlike many other companies, the GERRY WEBER Group has been able to create additional jobs in Germany despite the cost pressure. In the current fiscal year, new jobs will mainly be created in the retail segment but, as a result of the general business expansion, also in the central areas of the company.

Summarising statement on the forecast report

Subject to the above projections, the management of the GERRY WEBER Group expects its earnings and balance sheet to develop positively in 2006/2007 and 2007/2008. Nevertheless, political and economic uncertainties that are beyond the control of the GERRY WEBER Group may affect the projections as a whole as well as their planning accuracy.

Halle/Westphalia, January 2007

The Managing Board

Gerhard Weber Udo Hardieck

Report of the Supervisory Board for FY 2005/2006

Dear shareholders,

2005/2006 was yet another fiscal year which saw GERRY WEBER International AG achieve strong sales and earnings growth. Although earnings marked a new record in the history of the company, we remained slightly below the target we had set ourselves. We share the Managing Board's conviction that the decision to open flagship stores in London and Vienna and to temporarily focus more strongly on company-managed stores was right and important for the excellent future prospects of our company, even though it entailed increased non-recurrent start-up costs.

In the fiscal year 2005/2006, the Supervisory Board advised and monitored the management of GERRY WEBER International AG. We closely cooperated with the Managing Board and were directly involved in all fundamental decisions in a timely manner. We performed the tasks imposed on us by law, the statutes, the Corporate Governance Code and the Code of Procedure.

Dr. Ernst F. Schröder

Methods of discussion, examination and control

The Managing Board has comprehensive reporting duties vis-à-vis the Supervisory Board, which it fulfilled properly in the fiscal year. All written and oral reports were closely and openly discussed with the Managing Board at our meetings. In addition, the Supervisory Board received detailed quarterly reports from the Risk Management Department. The Chairman of the Supervisory Board maintained direct contacts with the Head of Finance, who regularly informed him of the latest developments.

The Managing Board's Code of Procedure stipulate the scope of the transactions requiring the approval of the Supervisory Board. In the fiscal year, 28 transactions were submitted to the Supervisory Board for approval. All received a positive vote. Most of them related to new retail openings, as all long-term leases require the Supervisory Board's approval because of their high cash value.

Focus of the meetings

The Supervisory Board held four meetings in FY 2005/2006, all of which were attended by all Supervisory Board members. At these meetings, the Managing Board provided in-depth reports on the quarterly results, the current order situation, the financial situation and the outlook on the full year 2005/2006. Special attention was paid to the retail expansion, the optimisation of the logistics and procurement systems and the profit situation. Apart from these topics, which were of relevance throughout the year, the following issues were addressed at the individual meetings:

Meeting on 21 November 2005:
- Development of the national and international clothing market and competitor monitoring
- Analysis and optimisation of the production and procurement structures
- Development of the HOUSES OF GERRY WEBER
- Stock repurchase programme
- Discussion of potential amendments to the statutes in response to the German UMAG Act
- Agenda for the General Meeting of Shareholders 2006

Meeting on 16 February 2006:
- Financial statements and consolidated financial statements 2004/2005
- Discussion of the financial statements and the management report of GERRY WEBER International AG and of the consolidated financial statements and the management report for the Group with the auditors
- Corporate governance report
- Discussion of and resolution on the profit appropriation proposal
- New factory outlets
- Takeover of nine SinnLeffers branches

Meeting on 16 May 2006:
- Discussion of leases requiring approval
- Development of the HOUSES OF GERRY WEBER

Meeting on 27 September 2006:
- Possible outsourcing of IT services
- Development of the current order round
- Group planning for fiscal 2006/2007
- Analysis and potential optimisation of the Group's management structure

Where required, specific questions were separately addressed and discussed with the help of suitable tax and legal experts. The Supervisory Board did not form any committees. The installation of an Audit Committee is planned for 2008. Due to its small size of only six members, the Supervisory Board has so far refrained from forming committees and discussed all matters in plenary meetings.

Auditing of 2005/2006 individual and Group accounts

According to the resolution passed by the General Meeting of Shareholders, the Supervisory Board appointed RSM Hemmelrath GmbH, Wirtschaftsprüfungsgesellschaft, Bielefeld branch, as auditors of the financial statements and the management report (HGB) as well as of the consolidated financial statements and the management report for the Group (IFRS) of GERRY WEBER International AG for the year ended 31 October 2006. These have been audited by the auditors and received their unqualified audit certificate as shown on page 95. The auditors confirm that no inaccurate information or violations of legal provisions were found in the financial statements, the consolidated financial statements and in the management reports for GERRY WEBER International AG and the Group. GERRY WEBER International AG operates an efficient risk management system that complies with the relevant legal provisions and was also examined by the auditors.

In accordance with section 313 AktG, the auditor also audited the Managing Board's report on relationships with affiliated companies ("dependency report") and awarded an unqualified audit certificate."Having conducted a proper audit and appraisal, we hereby confirm:

1. that the facts set out in the report are correct,

2. and the company's payments in connection with the legal transactions referred to in the report were not unduly high."

Having reviewed the financial statements, the consolidated financial statements, the management reports for GERRY WEBER International AG and the Group, the dependency report as well as the Managing Board's profit appropriation proposal, the Supervisory Board discussed these documents with the Managing Board. These discussions were also attended by the auditors, who answered questions and reported on essential findings of their audit. All required documents, including, in particular, the auditors' audit reports, were made available to the Supervisory Board members in a timely manner.

Having concluded its own review, the Supervisory Board concurred with the auditors' findings. At its meeting on 27 February 2007, the Supervisory Board formally approved the financial statements of GERRY WEBER International AG prepared by the Managing Board, which are therefore deemed to have been duly approved in accordance with section 172 AktG, as well as the consolidated financial statements. The Supervisory Board endorsed the Managing Board's proposal to use the net profit to pay out a dividend of EUR 0.40 per share and to carry forward the residual amount to new account.

Corporate Governance

For detailed information on corporate governance, especially on those aspects relating to the Supervisory Board, please refer to the joint report on corporate governance on page 37. A list of all mandates held by the members of the Supervisory Board outside GERRY WEBER International AG is provided on page 83 of this Annual Report. The individual compensation received by the members of the Supervisory Board is shown on page 39 in the compensation report.

The new recommendations of the German Corporate Governance Code, which mainly refer to the compensation of the Managing Board, were discussed in detail by the Supervisory Board. Together with the Managing Board, the Supervisory Board decided to comply with all recommendations of the Code that are relevant for GERRY WEBER International AG. It should be noted that GERRY WEBER has disclosed the compensation of the Managing Board and the Supervisory Board in individualised form already since the 2004/2005 Annual Report.

On behalf of the Supervisory Board, I would like to thank the members of the Managing Board and all employees for their performance in fiscal 2005/2006. Thanks to your commitment, GERRY WEBER International AG was able to achieve a new record result. We hope that these achievements will encourage and motivate you to push forward GERRY WEBER's evolution into an international lifestyle company and to make the new fiscal year equally successful as the previous one.

Halle/Westphalia, February 2007

Dr. Ernst F. Schröder
Chairman

Corporate governance report
of the Supervisory Board and the Managing Board of GERRY WEBER International AG

The management and supervision of GERRY WEBER International AG are based on the requirements of the German Corporate Governance Code. The company takes the international corporate governance initiatives as a yardstick. Wherever it is possible and makes sense with regard to the company's specific situation, GERRY WEBER International AG fully complies with the standards. GERRY WEBER deviates from these standards only in reasonable exceptional cases, e.g. where such deviations are warranted by the company's specific size or by the need to make efficient use of available resources.

With effect from 12 June 2006, a number of new recommendations and suggestions were incorporated into the German Corporate Governance Code. In particular, these recommendations reflect the provisions of the German Act on the Disclosure of Managing Board Compensation (VorstOG). GERRY WEBER International AG complies with all new recommendations of the Code that are of relevance for the company.

In addition, GERRY WEBER International AG now complies with another recommendation of the Code as outlined in section 7.1.1. The consolidated financial statements of GERRY WEBER International AG for the fiscal year 2005/2006 are the first to be prepared to International Financial Reporting Standards (IFRS). The company continues to deviate from the Code in seven cases. The declaration of conformity for 2006 was jointly adopted by the Supervisory Board and the Managing Board in December 2006.

A comparison between the declaration of conformity of December 2005 and the actual implementation of corporate governance in the GERRY WEBER Group in 2006 showed no inconsistencies.

The statutes of the company and the Code of Procedure of the Managing Board and the Supervisory Board remained unchanged.

Shareholders and General Meeting

GERRY WEBER International AG will comply with the Code's new recommendation that the chair of the meeting should provide for the expedient running of the General Meeting, which should be completed after four to six hours. With a view to accelerating the votings, a new IT solution was used already in 2006, which greatly reduced the time required for the votings.

As usual, the shareholders were able to view and download all documents and forms on the Internet prior to the General Meeting of Shareholders. No counter-motion was received for the 2006 AGM. For financial reasons and reasons of legal security, GERRY WEBER continues to refrain from broadcasting the full AGM on the Internet. Instead, the speech held by the Chairman of the Managing Board and the voting results are published immediately after the end of the General Meeting.

The 2006 General Meeting of Shareholders on 8 June was attended by roughly 1,200 shareholders, bank representatives, journalists and guests. Shareholders represented 58.02% of the share capital. Each of the four items on the agenda that was put to the vote was approved by over 99%. The Chairman of the Supervisory Board informed the shareholders of the main features of the compensation scheme for the Managing Board. The latter reported on the stock repurchase programme of GERRY WEBER International AG.

Cooperation between Managing Board and Supervisory Board

For further information on the cooperation between the Managing Board and the Supervisory Board, please refer to the report of the Supervisory Board on page 33.

The representatives of the shareholders and of the employees are free to prepare the Supervisory Board meetings separately. The Supervisory Board may meet without the Managing Board, but did not make use of this possibility in 2006. In this respect, GERRY WEBER complies with the recommendation in section 3.6 of the Code. The same applies to section 3.7 and section 3.10, as the Managing Board and the Supervisory Board report on all relevant suggestions of the Code in their corporate governance report.

Managing Board

The compensation scheme for the Managing Board remained unchanged in fiscal 2005/2006. The main features of the compensation scheme and the individualised figures for each Managing Board member are shown on page 83. GERRY WEBER International AG complies with the new recommendations of the German Corporate Governance Code under 4.2.4 and 4.2.5, except for those recommendations that are not relevant for GERRY WEBER such as information on pension plans and fringe benefits.

No amendments to the Managing Board's Code of Procedure were made in 2005/2006. There were no conflicts of interest on the Managing Board in 2005/2006. As in the past, no member of the Managing Board held Supervisory Board mandates or similar mandates.

Supervisory Board

The full information on the main aspects of the work of the Supervisory Board is provided in the report of the Supervisory Board starting on page 33. There were no conflicts of interest in the past fiscal year. The Supervisory Board continued its series of annual self-assessments of the efficiency of its work also in 2006. The Supervisory Board is of the opinion that it had a sufficient number of independent members at all times.

Transparency

In the fiscal year, GERRY WEBER International AG complied with all transparency recommendations and suggestions of the German Corporate Governance Code. No ad-hoc releases as defined in section 15 WpHG and no notifications on changes in voting rights as defined in section 25 WpHG were published in the fiscal year. Also, the company published no reports on directors' dealings as defined in section 15a WpHG.

All information on the stock repurchase programme launched on 12 September 2005 has been published on the website of GERRY WEBER International AG. This refers to all information on transactions related to the stock repurchase programme required under Article 4 paragraph 4 of EU Regulation (EC) 2273/2003. The authorisation to buy back shares expired on 31 October 2006, which means that the stock repurchase programme has officially ended. For more information on the portfolio of own shares, please refer to the notes to the consolidated financial statements on page 75.

Shareholdings:

Managing Board:	10,406,568 shares
	(held directly and indirectly)
Supervisory Board:	34,503 shares

For more information, refer to the notes to the consolidated financial statements (page 84).

Accounting and auditing

The consolidated financial statements of GERRY WEBER International AG for the fiscal year 2005/2006 were the first to be prepared to International Financial Reporting Standards (IFRS). These standards will be applied to all future annual and interim reports. The company also aims to further shorten the intervals for publication of the annual and quarterly reports so as to fulfil the requirements of the German Corporate Governance Code.

GERRY WEBER International AG has no stock option programmes requiring disclosure in this report.

The General Meeting of Shareholders endorsed the proposal of the Managing Board and appointed RSM Hemmelrath GmbH, Wirtschaftsprüfungsgesellschaft, Bielefeld, as auditors of the financial statements and the consolidated financial statements for the year 2005/2006. The audit assignment was formally awarded by the Supervisory Board. Prior to putting the proposal to the vote, the Supervisory Board obtained a declaration from the auditors on their personal and business relations with the company. This gave no cause for objections.

New legal requirements

GERRY WEBER International AG fulfilled all legal compliance requirements in the past fiscal year. In anticipation of the new German Act on the Implementation of the Transparency Guideline (TUG), which came into force on 20 January 2007, GERRY WEBER International AG informed all known large shareholders of the new voting right thresholds of the German Securities Trading Act (WpHG). Should GERRY WEBER International AG receive notifications to this respect, these will be published immediately and reported in the next Annual Report 2006/2007 in accordance with section 25 f. WpHG.

Compensation report for the Managing Board and the Supervisory Board

GERRY WEBER International AG discloses the compensation of the Managing Board in individualised form and divided into compensation components. For information on the compensation structure and the respective figures, please refer to the notes on page 83 of this Annual Report.

The compensation of each of the members of the Supervisory Board is shown below. The Chairman receives three times the regular amount, while the Vice Chairman is paid half the Chairman's compensation.

Compensation of the members of the Supervisory Board for 2005/2006 (in Euro)

Name	Fixed compensation	Variable compensation
Dr. Ernst F. Schröder (Chairman)	22,500	45,000
Peter Mager (Vice Chairman)	11,250	22,500
Charlotte Weber-Dresselhaus	7,500	15,000
Dr. Wolf-Albrecht Prautzsch	7,500	15,000
Olaf Dieckmann	7,500	15,000
Christiane Wolf	7,500	15,000

Statement of Compliance pursuant to § 161 of the German Stock Corporation Law (AktG)

GERRY WEBER International AG
Statement of Compliance with the Recommendations of the German Corporate Governance Code as amended on 12 June 2006

The Supervisory Board and the Managing Board of GERRY WEBER International AG endorse the objectives of the German Corporate Governance Code. The Corporate Governance Code of GERRY WEBER International AG is aimed at promoting the trust placed by investors, customers, employees and the general public in the company's management and thus at fostering its acceptance in the capital markets.

Pursuant to Article 161 of the German Stock Corporation Law (AktG), the Managing Board and Supervisory Board hereby issue the following declaration of conformity with the recommendations made by the government commission on the German Corporate Governance Code as amended on 12 June 2006:

1. Since issuing the last declaration of conformity in December 2005 and the 12 June 2006 amendments to the Code (as compared to the version of 2 June 2005), the company has complied with additional recommendations of the Code. These are listed below:

Section 4.2.4 of the Code The total compensation of each member of the Managing Board will continue to be disclosed by name, broken down into its components.

Section 4.2.5 of the Code The 2005/2006 Annual Report complies with the recommendation newly added to the Code, according to which the compensation paid to the Managing Board should be disclosed in the form of a compensation report forming part of the Corporate Governance Report.

Section 7.1.1 Clause 2 of the Code International accounting principles: The consolidated financial statements for the financial year 2005/2005 were prepared to International Financial Reporting Standards (IFRS) for the first time. All future interim, quarterly and annual reports of the GERRY WEBER Group will also be based on IFRS.

2. GERRY WEBER International AG has complied with the recommendations of the government commission on the German Corporate Governance Code with the following exceptions:

Section 3.8 (2) of the code D&O insurance: No retention was agreed upon the conclusion of a D&O insurance policy for the Managing Board and the Supervisory Board in view of the fact that such a retention is not believed to further increase the commitment of the Managing Board and Supervisory Board.

Section 4.2.5 of the Code Stock option plan, pension plans and fringe benefits: The specific details of a stock option plan or comparable remuneration system have not been depicted in view of the fact that GERRY WEBER International AG has not issued any stock options as variable remuneration components to date and does not intend to do so in future. The specific details of any stock option plan or comparable remuneration system will be disclosed in a suitable form. No pension plan has been established for the benefit of the Managing Board and no fringe benefits are provided. The compensation report therefore dispenses with a detailed presentation of such plans and programmes.

Section 5.1.2 of the Code Succession planning: The Managing Board and Supervisory Board are aware of the need to enact succession planning and will take appropriate steps in good time.

Section 5.2 Clause 2 and Section 5.3 of the Code Formation of committees: The Supervisory Board of GERRY WEBER International AG has not formed any committees, given that the formation of such committees would not be expedient in view of the number of members of the Supervisory Board.

Section 5.4.4 of the Code Change from the Managing Board to the Supervisory Board: GERRY WEBER International AG has so far complied with the recommendations that it shall not be the rule for the former Managing Board Chairman or a Managing Board member to become Supervisory Board Chairman or the Chairman of a Supervisory Board committee, and special reasons shall be presented to the General Meeting of Shareholders if this is intended. With a view to the future, the company would like to keep all options open to propose the best candidates for Supervisory Board membership to the General Meeting of Shareholders.

Section 7.1.2 of the Code Publication of consolidated financial statements: The consolidated financial statements were publicly accessible within 120 days of the end of the reporting period. The company will attempt to meet the 90 days deadline in future.

The Corporate Governance Code of GERRY WEBER International AG will be reviewed and refined on a regular basis in the light of subsequent experience and legal requirements, as well as of the further development of national and international standards. Today already, GERRY WEBER complies with most of the additional suggestions of the Code on good Corporate Governance and issues a corresponding statement in the annual Corporate Governance Report. At present, GERRY WEBER International AG already complies with two of the five new recommendations made in the amended version of 12 June 2006. The remaining three recommendations are not relevant for GERRY WEBER International AG (cf. Section 4.2.5 of the Code).

Halle/Westphalia, December 2006

The Managing Board and Supervisory Board of GERRY WEBER International AG

Further information on corporate governance at GERRY WEBER AG and the Group is available at www.gerryweber-ag.de.

GERRY WEBER

Financial Statements

GERRY WEBER International AG, Halle / Westphalia
Consolidated income statement
for the fiscal year 2005/2006

	Notes No.	2005/2006 EUR	2004/2005 EUR
Sales	(16)	442,858,425.10	389,597,768.35
Miscellaneous operating income	(17)	8,896,806.02	8,416,175.68
Other own work capitalised	(18)	0.00	174,149.00
Changes in inventories	(19)	7,940,628.78	2,357,699.27
Cost of materials	(20)	-254,320,582.99	-225,323,075.30
Personnel expenses	(21)	-58,703,965.35	-51,652,529.40
Depreciation/Amortisation	(22)	-7,191,914.93	-5,797,434.26
Miscellaneous operating expenses	(23)	-98,289,178.86	-87,124,791.81
Other taxes	(24)	-227,434.95	-198,255.79
Operating result		**40,962,782.82**	**30,449,705.74**
Financial result	(25)		
Income from long-term loans		7,043.25	37,165.90
Interest income		333,830.70	307,863.21
Write-downs on financial assets		-4,578.30	0.00
Incidental bank charges		-988,897.81	-839,661.52
Interest expenses		-3,773,854.91	-3,083,063.75
Results from ordinary activities		**36,536,325.75**	**26,872,009.58**
Taxes on income	(26)		
Taxes of the fiscal year		-14,346,756.14	-11,223,631.32
Deferred taxes		-1,127,022.00	301,291.00
Net income for the year		**21,062,547.61**	**15,949,669.26**
Profit carried forward	(27)	23,623,727.17	21,863,649.91
Transfer to retained earnings	(28)	-10,000,000.00	-5,000,000.00
Accumulated profits		**34,686,274.78**	**32,813,319.17**
Earnings per share (basic)	**(29)**	**0.92**	**0.69**

GERRY WEBER International AG, Halle / Westphalia
Consolidated balance sheet for the year ended 31 October 2006

Assets

	Notes No.	31 Oct. 2006 EUR	31 Oct. 2005 EUR
Non-current assets			
Fixed assets	(1)		
Intangible assets	(a)	7,577,616.13	6,146,434.06
Property, plant and equipment	(b)	79,436,682.01	68,904,573.64
Financial assets	(c)	956,221.08	1,138,243.37
Other non-current assets			
Trade receivables	(2)	656,633.41	313,458.00
Other assets	(3)	7,978,250.00	9,693,865.37
Deferred tax assets	(4)	6,696,143.00	6,749,462.00
		103,301,545.63	**92,946,036.44**
Current assets			
Inventories	(5)	52,098,035.97	43,489,829.00
Receivables and other assets			
Trade receivables	(6)	61,995,888.29	52,158,428.52
Other assets	(7)	15,947,987.85	16,424,709.42
Income tax claims	(8)	1,152,598.45	808,801.00
Cash and cash equivalents	(9)	4,995,345.79	7,248,223.79
		136,189,856.35	**120,129,991.73**
		239,491,401.98	**213,076,028.17**

Equity and liabilities

	Notes No.	31 Oct. 2006 EUR	31 Oct. 2005 EUR
Equity	(10)		
Capital stock	(a)	22,952,980.00	23,177,407.00
Capital reserve	(b)	28,047,398.39	31,100,712.28
Retained earnings	(c)	43,880,426.05	33,880,426.05
Accumulated other comprehensive income/loss acc. to IAS 39	(d)	-42,517.00	1,527,440.00
Exchange differences	(e)	-466,952.66	-302,433.58
Accumulated profits	(f)	34,686,274.78	32,813,319.17
		129,057,609.56	**122,196,870.92**
Non-current liabilities			
Financial liabilities	(11)	27,347,979.00	21,094,293.41
Deferred tax liabilities	(4)	4,853,666.00	4,783,706.00
		32,201,645.00	**25,877,999.41**
Current liabilities			
Provisions	(12)		
Tax provisions	(a)	2,381,947.29	286,665.70
Provisions for personnel	(b)	8,231,978.02	7,229,000.00
Miscellaneous provisions	(c)	1,831,782.56	4,495,524.79
Liabilities			
Financial liabilities	(11)	32,470,272.12	30,174,703.61
Trade payables	(13)	28,096,932.51	19,271,139.90
Miscellaneous liabilities	(14)	5,162,534.45	3,540,591.84
Income tax liabilities	(15)	56,700.47	3,532.00
		78,232,147.42	**65,001,157.84**
		239,491,401.98	**213,076,028.17**

GERRY WEBER International AG, Halle / Westphalia
Statement of changes in group equity
for the fiscal year 2005/2006

	Capital stock	Capital reserve
	EUR	EUR
As of 1 November 2005	23,177,407.00	31,100,712.28
Reclassification of previous year's net income		
Purchase of own shares	-224,427.00	-3,053,313.89
Allocations to retained earnings of the AG		
Net income excl. exchange differences		
Adjustment of exchange differences		
Dividends paid		
Neutral currency forwards		
Deferred taxes on neutral currency forwards		
As of 31 October 2006	**22,952,980.00**	**28,047,398.39**

Retained earnings	Accumulated other comprehensive income/loss acc. to IAS 39	Exchange differences	Profit carried forward	Net income for the year	Equity
EUR	EUR	EUR	EUR	EUR	EUR
33,880,426.05	1,527,440.00	-302,433.58	16,863,649.91	15,949,669.26	122,196,870.92
			15,949,669.26	-15,949,669.26	0.00
					-3,277,740.92
10,000,000.00			-10,000,000.00		0.00
				20,898,028.53	20,898,028.53
		-164,519.08		164,519.08	0.00
			-9,189,592.00		-9,189,592.00
	-2,573,700.00				-2,573,700.00
	1,003,743.00				1,003,743.00
43,880,426.05	**-42,517.00**	**-466,952.66**	**13,623,727.17**	**21,062,547.61**	**129,057,609.56**

Segment information by divisions

	Ladieswear Production and Wholesale	Ladieswear Retail	Consolidating entries and other segments	Total
	2005/2006 KEUR	2005/2006 KEUR	2005/2006 KEUR	2005/2006 KEUR
Sales by segments	423,228	59,824	-40,194	442,858
Thereof:				
with external third parties	382,426	56,876	3,556	442,858
Inter-segment revenues	40,802	2,948	-43,750	0
EBT	32,706	-3,710	7,540	36,536
Depreciation	-1,005	-1,952	-4,235	-7,192
Interest income	274	56	4	334
Interest expenses	2,161	72	-1,541	-3,773
Assets	128,201	51,696	59,594	239,491
Liabilities	114,852	56,635	-61,053	110,434
Investments in non-current assets	1,518	12,078	6,869	20,465
Number of employees	971	475	422	1,868

	Ladieswear Production and Wholesale	Ladieswear Retail	Consolidating entries and other segments	Total
	2004/2005 KEUR	2004/2005 KEUR	2004/2005 KEUR	2004/2005 KEUR
Sales by segments	372,763	40,254	-23,419	389,598
Thereof:				
with external third parties	352,916	35,819	863	389,598
Inter-segment revenues	19,847	4,435	-24,282	0
EBT	27,486	-1,960	1,346	26,872
Depreciation	-1,012	-1,397	-3,387	-5,797
Interest income	525	2	-219	308
Interest expenses	-3,219	-95	231	-3,083
Assets	118,404	24,139	70,533	213,076
Liabilities	102,975	25,706	-37,802	90,879
Investments in non-current assets	986	5,507	3,516	10,009
Number of employees	928	333	426	1,687

Segment information by regions

	Germany 2005/2006 KEUR	Outside Germany 2005/2006 KEUR	Total 2005/2006 KEUR
Sales by segments	257,659	185,199	442,858
Assets	212,194	27,297	239,491
Liabilities	80,949	29,485	110,434
Investments in non-current assets	14,911	5,554	20,465
Number of employees	1,152	716	1,868

	Germany 2004/2005 KEUR	Outside Germany 2004/2005 KEUR	Total 2004/2005 KEUR
Sales by segments	240,642	148,956	389,598
Assets	200,092	12,984	213,076
Liabilities	77,854	13,025	90,879
Investments in non-current assets	8,412	1,597	10,009
Number of employees	1,057	630	1,687

GERRY WEBER International AG, Halle / Westphalia
Consolidated cash flow statement for the fiscal year 2005/2006

	2005/2006 KEUR	2004/2005 KEUR
Operating result	40,962	30,450
Write-ups	-306	-195
Depreciation/amortisation	7,197	5,797
Cash flow	**47,853**	**36,052**
Loss from the disposal of fixed assets	62	58
Increase in inventories	-8,608	-3,911
Increase/Decrease in trade receivables	-10,180	11,745
Decrease/Increase in other assets that do not fall under investing or financing activities	121	-7,266
Decrease/Increase in current provisions	-1,661	4,500
Increase/Decrease in trade payables	8,825	-167
Increase/Decrease in other liabilities that do not fall under investing and financing activities	954	-3,644
Income tax payments	-12,543	-12,055
Cash inflows from operating activities	**24,823**	**25,312**
Income from investments	7	37
Interest income	333	308
Incidental bank charges	-990	-839
Interest expenses	-3,774	-3,083
Cash inflows from current operating activities	**20,399**	**21,735**
Proceeds from the disposal of property, plant and equipment and intangible assets	1,249	289
Purchases of investments in property, plant and equipment and intangible assets	-20,160	-11,108
Proceeds from the disposal of financial assets	280	317
Purchases of investments in financial assets	-103	-261
Cash outflows from investing activities	**-18,734**	**-10,763**
Dividend payments of the AG	-9,190	-8,166
Purchases for the acquisition of own shares	-3,278	-2,293
Raising/repayment of financial liabilities	8,550	-2,077
Cash outflows from financing activities	**-3,918**	**-12,536**
Movement in cash and cash equivalents	-2,253	-1,564
Cash and cash equivalents at the beginning of the fiscal year	7,248	8,812
Cash and cash equivalents at the end of the fiscal year	**4,995**	**7,248**

Cash and cash equivalents exclusively comprise current cash and cash equivalents.

GERRY WEBER

Notes

A. General information

Company data

GERRY WEBER International AG, headquartered at Neulehenstraße 8, D-33790 Halle/Westphalia, is a joint stock corporation under German law, which is registered with the Commercial Register of Amtsgericht Gütersloh under HRB 4779, whose shares are admitted to trading in the regulated market in the Prime Standard segment of the stock exchanges in Frankfurt and Düsseldorf.

The main activities of the Group are described in the segment report.

Accounting principles

In accordance with section 315a of the German Commercial Code (HGB), the consolidated financial statements of GERRY WEBER International AG, the parent company, were for the first time prepared to International Financial Reporting Standards (IFRS), such as they are applicable in the EU.

All International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), such as they are applicable in the EU, that became mandatory as of 31 October 2006 were complied with. The figures for the previous year were determined using the same principles.

The company made use of the following optional exemptions under IRS 1 regarding the retrospective application of standards:

• IFRS 3 was not applied retrospectively to business combinations prior to 1 November 2004. The former consolidation method under the provisions of the German Commercial Code has been maintained.

The following new and amended standards and interpretations were adopted before the date of the preparation of the consolidated financial statements but came into force after the reporting date and require only additional information in the consolidated financial statements of GERRY WEBER International AG:

• IFRS 7 (Financial Instruments: information in the notes), mandatory from 1 January 2007

• IAS 1 (Presentation of Financial Statements), mandatory from 1 January 2007

The company plans to adopt these standards for the first time in the year in which they came into force.

In addition, other standards and interpretations were adopted, whose application will have no material consequences for GERRY WEBER International AG.

The consolidated financial statements were established in euros. Unless stated otherwise, all amounts are in thousand euros (KEUR).

The type of expenditure format was used for the income statement.

The consolidated financial statements were approved by the Managing Board in January 2007 and submitted to the Supervisory Board for review.

Scope of consolidation

The consolidated financial statements cover GERRY WEBER International AG as the parent company as well as the following subsidiaries:

- TAIFUN-Collection GERRY WEBER Fashion GmbH, Halle/Westphalia
- GERRY WEBER Life-Style Fashion GmbH, Halle/Westphalia
- SAMOON-Collection Fashion-Concept GERRY WEBER GmbH, Halle/Westphalia
- GERRY WEBER Retail GmbH, Halle/Westphalia
- GERRY WEBER Fashion Iberica S.L., Palma de Mallorca, Spain
- GERRY WEBER Far East Limited, Hong Kong, People's Republic of China
- GERRY WEBER France S.A.R.L., Paris, France
- GERRY WEBER Beschaffung Osteuropa GmbH, Recklinghausen
- GERRY WEBER Dis Tic. Ltd. Sirkuti, Istanbul, Turkey
- GERRY WEBER Support S.R.L., Bucharest, Romania
- GERRY WEBER GmbH, Vienna, Austria
- GERRY WEBER United Kingdom Ltd., London, UK
- GERRY WEBER GmbH Belgien, Raeren, Belgium,
- GERRY WEBER Asia Ltd., Hong Kong, People's Republic of China

Hawe Textil S.R.L., Bucharest, Romania is not covered by the consolidated financial statements. The company is inactive and has no material assets.

Consolidation principles

The assets and liabilities of the companies covered by the consolidated financial statements are recognised in accordance with the standard accounting and valuation principles of the GERRY WEBER International AG Group.

Business combinations are accounted for by offsetting the carrying amounts of the investments against the pro-rated revalued equity capital of the subsidiaries at the time of acquisition. Credit differences are capitalised as goodwill under intangible assets in accordance with IFRS 3. Debit differences do not exist.

In deviation from the above, the fully amortised goodwill determined in accordance with the German Commercial Code in an amount of KEUR 264 has been retained for all business combinations prior to 1 November 2004. The same approach was applied to goodwill in an amount of KEUR 4,120, which was charged against equity with no effect on P/L under the old accounting regime. The presentation of the reserves and the profit carried forward was adjusted to the equity situation of the parent company as of 1 January 2004.

Sales, expenses and income as well as accounts receivable and payable and liabilities between the consolidated Group companies were offset and unrealised profits eliminated. Deferred tax positions were established to reflect the taxation effect of the consolidation processes.

Currency translation
The Group currency is the euro (EUR).

Foreign currency transactions in the separate financial statements of GERRY WEBER International AG and its subsidiaries are translated at the exchange rates prevailing at the time of the transaction. As of the balance sheet date, monetary items in foreign currency are shown at the closing rate. Exchange differences are recognised in profit or loss.

Given that the consolidated foreign companies mainly operate in their currency area, their financial statements are prepared in the local currency according to the concept of the functional currency and translated into euros as of the balance sheet date. Assets and liabilities with the exception of equity capital are translated at the closing rate. Effects from the currency translation of the equity capital are shown in equity under Group reserves on a neutral basis. The items of the income statement are translated at average annual exchange rates. Exchange differences resulting from different translation rates in the balance sheet and the income statement are recognised in equity capital under Group reserves on a neutral basis.

B. Accounting and valuation principles

General principles
The consolidated financial statements are generally prepared using the cost principle. This does not apply to derivate financial instruments.

Goodwill
In accordance with IAS 36, goodwill on consolidation was capitalised. Given that goodwill has already been fully amortised or offset against reserves, it is not regularly subjected to an impairment test at each balance sheet date.

Other intangible assets
Purchased intangible assets are recognised at cost for each category taking ancillary costs and cost reductions into account. They are generally amortised over their useful lives of three to ten years using the straight-line method.

Development and research expenditure was recognised as expense in accordance with IAS 38, as the capitalisation requirements of IAS 38 did not apply. This expenditure mainly comprises the cost of the development of the collections.

Property, plant and equipment
Property, plant and equipment are recognised at cost for each category less scheduled straight-line depreciation. On a small scale, movable assets with a useful life of more than ten years are written off using the declining-balance method to the extent that this approach reflects the actual decrease in value.

The acquisition cost comprises the purchase price, ancillary costs and cost reductions. The cost of internally generated assets includes direct costs as well as directly attributable portions of the overheads. Borrowing costs are not included in the cost of production. Where furnishings and fittings for rented properties were concerned, dismantling costs were capitalised at their present value. An interest rate of 4.0% p.a. was applied. No investment-related government grants were received.

Determined pro-rata-temporis in the year of acquisition, the depreciation amounts are mainly based on the following useful lives:

	Useful life
Building components and furnishings and fittings for rented properties	10 – 30 years
Plant and machinery	3 – 15 years
Other plant, furnitures and fixtures	1 – 15 years

No write-downs for impairment of property, plant and equipment as defined in IAS 36 were required.

Borrowing costs are recognised in profit or loss under both intangible assets and property, plant and equipment.

Financial instruments
According to IAS 39, financial instruments fall in the following categories:

- disposable financial assets
- loans and receivables and
- held-to-maturity financial assets.

The classification depends on the respective purpose for which the financial assets were acquired and is reviewed as of every balance sheet date.

Financial assets comprise not only original but also derivative claims or liabilities. Derivative financial instruments are used to hedge balance sheet items and future payment flows.

All purchases and sales of financial assets are recognised as of the trading day, i.e. the day on which the company makes a firm commitment to buy or sell the asset.

Financial instruments are recognised at amortised cost (using the effective interest method) or at their fair value. They are derecognised when the right to payment from the investment expires or is transferred and when the GERRY WEBER International AG Group has largely transferred all risks and opportunities resulting from ownership of the asset.

The amortised cost of a financial asset or a financial liability is determined using the effective interest method as the amount at which the financial asset or liability was measured at initial recognition minus any principal repayments and any write-downs for impairment. Foreign currency receivables and liabilities are measured at the mean rate prevailing on the balance sheet date. The amortised cost of a liability is always equivalent to the nominal amount or the repayment amount.

The fair value is generally the current or market value. If no active market exists, the fair value is determined using methods of quantitative finance.

Wherever the fair value is not specifically stated in the notes to the balance sheet under D., the fair value is equivalent to the carrying amount. On each balance sheet date, the company examines whether there are objective indications that an impairment of a financial asset or of a group of financial assets has occurred.

Financial assets are derecognised when their sale has been contractually agreed.

Original financial instruments
Investments in non-consolidated subsidiaries are recognised at their amortised cost.

Liabilities and receivables are measured at amortised cost. The fair values additionally stated in the notes to the consolidated financial statements are equivalent to the amortised cost where current items are concerned. The fair values of non-interest-bearing assets or liabilities with a remaining maturity of more than one year are determined by discounting the future payment flows at the market rate.

No liabilities under finance lease agreements existed as of the balance sheet date.

No securities were held as of the balance sheet date.

Derivative financial instruments
The GERRY WEBER International AG Group holds derivate financial instruments only to hedge currency risks.

When using hedges, suitable derivatives are assigned to certain underlying transactions (micro hedging). The requirements of IAS 39 regarding the qualification of the transactions as hedges were fulfilled.

According to IAS 39, all derivative financial instruments must be recognised at their fair value, irrespective of the purpose or intention for which they are used.

If the financial instruments used are effective hedges in the context of a hedging relationship as defined in IAS 39 (cash flow hedges), fluctuations in the fair value have no effect on profit or loss during the term of the derivative. Fluctuations in the fair value are recognised in the respective reserve item on a neutral basis. The accumulated value in equity is recognised in profit or loss upon maturity of the hedged payment flow.

The fair value is generally equivalent to the current or market value. Given that no active market exists, the fair value is determined using generally accepted determination models and confirmed by banks.

The Group has a hedging policy of only using effective derivatives to hedge currency risks. The material and formal requirements of IAS 39 for treatment as hedges were fulfilled both on the day the hedges were signed and on the balance sheet date.

Deferred taxes
In accordance with IAS 12, deferred taxes are recognised using the so-called balance sheet-oriented liability method. Under this method, deferred tax liabilities must be recognised for all temporary differences between the carrying amounts of the assets and liabilities in the consolidated balance sheet and their tax base. Deferred tax liabilities must also be recognised for tax loss carryforwards. Deferred tax assets for accounting and valuation differences as well as for tax loss carryforwards are recognised only if it is sufficiently probable that the differences will result in a benefit for the company. Tax assets and liabilities are not discounted. Deferred tax assets are not offset against deferred tax liabilities. In accordance with IAS 1.70, deferred taxes are recognised as non-current.

Confirmed German corporate income tax assets are capitalised as deferred tax assets. These can be used in equal amounts over a period of 15 years for payouts after 31 December 2005, with the maximum usable amount capped at 1/6 of each payout. The tax plans of the GERRY WEBER Group assume that the tax assets can be used in the defined period of time. The effects of a tax law amendment relating to regular repayment from 2008, which became effective after the balance sheet date, will be taken into account in the next financial statements.

Inventories

In accordance with IAS 2, inventories are measured at average purchase and conversion costs. Conversion costs include direct costs as well as adequate indirect materials and labour costs. No borrowing costs are capitalised.

Where required, inventories were written down to lower net realisable values. These write-downs take account of the loss-free measurement as well as of all other inventory risks. When the circumstances which previously caused inventories to be written down no longer exist, the amount of the write-down is reversed.

The costs of purchase and conversion of finished goods are assessed based on the realisable selling price.

Intercompany profits resulting from sales within the Group are eliminated.

Cash and cash equivalents

Cash and cash equivalents are booked at their nominal values.

Miscellaneous provisions

In accordance with IAS 37, provisions were established for all discernible risks and uncertain obligations.

Realisation of revenue and expenses

Sales revenues are recognised when the merchandise or product is delivered or the service provided. Expenses are reflected in profit or loss at the time the service is used or the time when they are caused.

Assumptions and estimates

The consolidated financial statements are prepared on the basis of certain assumptions and estimates which have an effect on the amount and presentation of the reported assets, liabilities, income, expenses and contingent liabilities. Actual values may differ from the assumptions and estimates made.

C. Information on the adoption of IFRS

Reconciliation of equity

The following table sets out the equity reconciliation between the consolidated financial statements for the years ended 31 October 2004 and 31 October 2005, which were prepared and published in accordance with the German Commercial Code, and the balance sheets as at 1 November 2004 and 31 October 2005, which were prepared to the before-mentioned standards.

	31 Oct. 2005 KEUR	1 Nov. 2004 KEUR
Equity to HGB	118,694	110,186
Deferred taxes	-158	-2,234
Reclassification of own shares	-2,833	-540
Capitalisation of corporate income tax assets (deferred taxes)	6,200	6,200
Correction of expense provisions	333	527
Capitalisation of dismantling costs for furnishings and fittings for rented properties	-39	-13
Equity to IFRS	**122,197**	**114,126**

Information on the reconciliation of equity as at 1 November 2004 and 31 October 2005

The differences between deferred taxes are due to valuation differences between HGB and IFRS.

Of the own shares reclassified in accordance with IAS 32, KEUR 266 (previous year: KEUR 75) came from subscribed capital and KEUR 2,567 (previous year: KEUR 465) from the capital reserve.

Reconciliation of net income
The reconciliation of net income from HGB to IFRS is shown below:

	1 Nov. 2005 - 31 Oct. 2006 KEUR	1 Nov. 2004 - 31 Oct. 2005 KEUR
Net income to HGB	22,117	16,673
Differences from depreciation of property, plant and equipment	-35	-20
Deferred taxes	-1,176	273
Differences from other recognition and valuation differences		
- Interest on dismantling costs for furnishings and fittings for rented properties	-9	-6
- Correction of provisions	2	-994
- Exchange differences	164	24
Net income to IFRS	**21,063**	**15,950**

Information on the reconciliation of net income from HGB to IFRS
The differences between deferred taxes are due to valuation differences between HGB and IFRS.

For information on the correction of provisions, refer to the information provided on the reconciliation of equity.

Information on the major changes to the cash flow statement
Compared to the cash flow statement prepared and published in accordance with the previously applied accounting standards, changes occurred as a result of the above changes resulting from the adoption of IFRS.

Moreover, certain items have been added to the statement.

D. Notes to the balance sheet

(1) Fixed assets

The development and composition of the fixed assets follow form the fixed asset schedule attached to the notes.

(a) Intangible assets / Goodwill
This item mainly comprises software and the right to the name "GERRY WEBER OPEN".

As of 31 October 2006 and 31 October 2005, goodwill is recognised at a carrying amount of EUR 0.00. The historical cost amounted to KEUR 264.

(b) Property, plant and equipment
This item comprises company properties in Halle, Düsseldorf and Romania including their furnitures and fixtures. It also comprises furnishings and fittings in rented retail properties.

As in the previous year, no write-downs for impairment were required in the fiscal year.

(c) Finanzanlagen	31 Oct. 2006 KEUR	1 Nov. 2005 KEUR
TBV Lemgo GmbH & Co. KG limited partner's shares	151	52
HaWe S.R.L., Bucharest, Romania	11	11
GERRY WEBER ASIA Ltd., Hong Kong, P.R. China	0	1
GERRY WEBER UK Ltd., London, UK	0	70
Other investments	0	1
Other loans	794	1,003
	956	**1,138**

The financial assets are balanced at continued historic costs.

(2) Trade receivables (non-current)
Trade receivables with a maturity of more than one year amounted to KEUR 657 (previous year: KEUR 313). These are interest bearing trade receivables.

(3) Other assets (non-current)
Other assets with a maturity of more than one year amounted to KEUR 10,226 (previous year: KEUR 11,043). Of this amount, KEUR 6,478 (previous year: KEUR 7,994) refers to prepayments in conjunction with the "GERRY WEBER OPEN" sponsorship, KEUR 1,500 (previous year: KEUR 1,700) to a claim for damages, which is settled in several annual instalments and KEUR 2,247 (previous year: KEUR 1,349) for allowances for third parties for investments in shop-in-shops.

(4) Deferred taxes
The following deferred tax assets and liabilities were stated to reflect recognition and valuation differences of the individual balance sheet items.

	Deferred tax assets		Deferred tax liabilities	
	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Fixed assets	0	0	2,172	2,122
Current assets	650	515	2,551	2,532
Provisions	0	35	131	130
Liabilities	260	0	0	0
Corporate income tax assets	5,786	6,199	0	0
	6,696	**6,749**	**4,854**	**4,784**

The expenses or income from temporary differences stated in the income statement are equivalent to the change in the respective balance sheet items unless they were offset in equity on a neutral basis in accordance with IAS 39.

Tax loss carryforwards amount to EUR 7.4 million (previous year: EUR 4.8 million). They mainly refer to GERRY WEBER Fashion Iberica S.L., Palma de Mallorca, Spain, and GERRY WEBER France S.A.R.L., Paris, France. The resulting deferred tax assets were fully written down as the realisation of the respective tax advantages is unlikely in the medium term.

The corporate income tax assets of the domestic companies amount to KEUR 5,786 (previous year: KEUR 6,200).

(5) Inventories

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Raw materials and supplies	5,055	4,217
Work in progress	12,847	10,297
Finished goods and merchandise	31,949	26,559
Prepayments	2,247	2,417
	52,098	**43,490**

The impairment resulting from the sales-oriented measurement of inventories amounted to KEUR 2,194 (previous year: KEUR 2,299).

(6) Trade receivables (current)
Trade receivables in an amount of KEUR 61,996 (previous year: KEUR 52,158) have a maturity of less than one year.

Allowances for doubtful accounts amounted to KEUR 2,404 (previous year: KEUR 2,065).

(7) Other assets (current)
Other assets in an amount of KEUR 13,701 (previous year: KEUR 15,075) have a maturity of less than one year.

Other assets comprise:

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Receivables relating to GERRY WEBER OPEN	1,197	878
Prepaid expenses	3,760	1,812
Claim for damages	2,449	589
Tax claims	2,088	3,194
Capitalised item reflecting the partial retirement programme	1,202	656
Receivables from commercial agents	967	1,044
Supplier balances	662	379
Receivables from currency forwards	597	2,789
Loans	378	505
Receivables from non-consolidated affiliated companies	0	720
Other	401	2,509
	13,701	**15,075**

Prepaid expenses comprise the following:

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Allowances for stores operated by third parties	1,856	381
Rent	682	639
Sales promotion	336	690
Other	886	102
	3,760	**1,812**

The previous year's receivables from non-consolidated affiliated companies included trade receivables from GERRY WEBER United Kingdom Ltd., England, and GERRY WEBER Asia Ltd., Hong Kong, People's Republic of China.

(8) Corporate income tax claim
Tax refund claims of KEUR 1,153 (previous year: KEUR 809) refer to domestic and foreign income tax.

(9) Cash and cash equivalents
Apart from current accounts with banks, this item comprises cheques and cash.

Current accounts are held with various banks in different currencies.

(10) Equity
Changes in equity are shown in the statement of changes in equity.

(a) Subscribed capital
The subscribed capital of GERRY WEBER International AG is divided into 23,443,200 bearer shares with an accounting par value of EUR 1.00.

Subject to approval by the Supervisory Board, the Managing Board is entitled to increase the company's share capital by up to EUR 11,721,600 through one or several issues of new bearer shares against cash or non-cash capital contributions by 31 May 2009. Shareholders must be granted a subscription right. Subject to approval by the Supervisory Board, however, the Managing Board is entitled to exclude fractional amounts from shareholders' subscription rights. Subject to approval by the Supervisory Board, the Managing Board is also entitled to exclude shareholders' subscription rights in case of capital increases against contributions in kind for the purpose of company takeovers or investments in companies. The Managing Board is authorised to stipulate the further details of the capital increase and its execution with the approval of the Supervisory Board.

The Supervisory Board is entitled to amend the articles of incorporation from time to time to properly reflect the respective utilisation of the authorised capital as well as after expiry of the authorisation.

(b) Capital reserve
The capital reserve includes the premiums on the shares issued.

(c) Retained earnings
Retained earnings comprise the undistributed profits generated by the consolidated companies in the past as well as earnings effects resulting from consolidation measures in the previous years.

(d) Accumulated neutral changes acc. to IAS 39
This item includes the effects of the neutral measurement of financial instruments after taxes. Neutrally offset deferred taxes amounted to KEUR +27 (previous year: KEUR -977).

(e) Exchange differences
This item comprises the differences from the neutral currency translation of the financial statements of foreign subsidiaries which are not prepared in EUR.

(f) Accumulated profits
Accumulated profits developed as follows:

	EUR
Carried forward from 1 November 2005	32,813,319.17
Dividend distribution on 8 June 2006	-9,189,592.00
Carried forward to new account	**23,623,727.17**
Transfer to retained earnings of the AG	-10,000,000.00
Net income for the year 2005/2006	21,062,547.61
Accumulated profits as of 31 October 2006	**34,686,274.78**

(11) Financial liabilities
Non-current financial liabilities (remaining maturity of more than one year)

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Liabilities to banks	**27,348**	**21,094**

These include non-current financial liabilities with a remaining maturity of more than five years in an amount of KEUR 577 (previous year: KEUR 891).

Current financial liabilities (remaining maturity of less than one year)

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Liabilities to banks	**32,470**	**30,175**

Information on collateral and agreements
The following collateral has been provided for current and non-current bank liabilities:

– Land charges in an amount of KEUR 19,697 (previous year: KEUR 19,697).

The tables below show the main contractual terms of the liabilities to banks as of the closing date of the fiscal year 2006:

Fixed-income agreements

Financial instrument	Carrying amount 2005/2006 KEUR	Carrying amount 2004/2005 KEUR	Maturity until YEAR	Nominal interest rate % p. a.
Bank 1				
Loan 1	57	170	12/2006	3.50
Loan 2	1,238	1,650	6/2009	3.75
Loan 3	637	850	6/2009	4.50
Loan 4	2,812	3,438	12/2010	3.45
Loan 5	7,778	10,000	6/2010	4.66
Loan 6	7,500	9,500	6/2010	4.96
	20,022	**25,608**		
Bank 2	10,000	0	2/2011	4.29
Bank 3	6,500	0	3/2013	4.42
Bank 4	5,000	0	3/2011	4.57
Bank 5	96	99	12/2010	3.76
	21,596	**99**		
	41,618	**25,707**		

The market values are equivalent to the carrying amounts. Nominal interest rates do not differ materially from the effective interest rates. In addition, there are current liabilities to banks in an amount of KEUR 18,200 (previous year: KEUR 25,561).

(12) Provisions

The development and the composition of the provisions are shown below:

Type of provision

	Carried forward 1 Nov. 2005 KEUR	Use KEUR	Reversal KEUR	Allocation KEUR	as at 31 Oct. 2006 KEUR
a) Tax provisions	**287**	**287**	**0**	**2,382**	**2,382**
b) Provisions for personnel					
- Bonuses	2,390	2,390	0	3,336	3,336
- Vacation	1,883	1,883	0	1,378	1,378
- Old-age part-time work	1,765	0	0	357	2,122
- Special annual payment	1,191	1,191	0	1,396	1,396
	7,229	**5,464**	**0**	**6,467**	**8,232**
c) Other provisions					
- Guarantees	479	479	0	536	536
- Outstanding invoices	3,053	3,053	0	484	484
- Accounting expenses	189	189	0	241	241
- Obligation to remove furnishings and fittings from rented properties	205	0	0	158	363
- Other	570	456	114	208	208
	4,496	**4,177**	**114**	**1,627**	**1,832**
	12,012	**9,928**	**114**	**10,476**	**12,446**

The expected maturity of the resulting liabilities of economic benefit is up to twelve months for all types of provisions.

(13) Trade payables

Liabilities from the delivery of goods are subject to the usual reservations of ownership.

(14) Miscellaneous liabilities

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Social security	131	1,152
Other taxes	2,002	708
Other liabilities	2,975	1,666
Deferred income	55	15
	5,163	**3,541**

(15) Income tax liabilities

KEUR 57 of the tax liabilities (previous year: KEUR 4) are domestic and foreign income tax liabilities.

E. Notes to the income statement

(16) Sales

This item comprises revenues from the sale of products and services to customers less sales deductions.

The breakdown of sales by business segments is explained in the segment report.

(17) Miscellaneous operating income

Miscellaneous operating income comprises the following:

	2005/2006 KEUR	2004/2005 KEUR
Rental income	2,759	1,931
Payment of damages	2,533	1,918
Exchange gains	1,031	1,815
Income from asset disposals	557	61
Income from the reversal of provisions and allowances	221	207
Other	1,796	2,484
	8,897	**8,416**

(18) Other own work capitalised
Own work capitalised in the previous year exclusively comprised furnishings and fittings in rented properties and own retail stores.

(19) Inventory changes
Purchased services include expenses for cut-make-trim (intermediate contractors) as well as expenses for the procurement of goods manufactured by third parties according to our specifications (so-called "full package services").

After arrival of the goods in our shipping centre, it is no longer possible to distinguish between CMT goods and FPS goods. As a result, all finished goods added to our inventories must be shown under inventory changes in the income statement, even though the fully contracted goods should actually be shown net of expenses.

(20) Cost of materials

	2005/2006 KEUR	2004/2005 KEUR
Expenses for raw materials and supplies and purchased goods	39,210	40,488
Expenses for services purchased	215,111	184,835
	254,321	**225,323**

(21) Personnel expenses

	2005/2006 KEUR	2004/2005 KEUR
Wages and salaries	50,453	44,224
Social security contributions	8,251	7,429
	58,704	**51,653**

The GERRY WEBER Group concludes old-age part-time agreements according to the so-called "block model". In accordance with IAS 19, provisions are established according to the projected unit credit method at an interest rate for accounting purposes of 4% based on a salary trend of 1% p.a. The computations are based on the Heubeck mortality tables 2005 G. No discount on staff turnover is taken into account.

Provisions for the top-up amounts are established for the full duration of the agreement and used up on a pro rata temporis basis. Accruals to cover the outstanding obligations are made on a monthly basis; the provisions are used up during the retirement period.

No provisions were established in the fiscal year for potential future obligations of the GERRY WEBER Group arising from the use of old-age part-time options, as this probability was estimated at zero.

Average number of employees:

	2005/2006		2004/2005	
	Total	**Germany**	**Total**	**Germany**
Blue-collar workers	651	148	668	160
White-collar workers	1,181	969	979	795
	1,832	**1,117**	**1,647**	**955**
Trainees/apprentices	36	36	40	40
	1,868	**1,153**	**1,687**	**995**

(22) Depreciation/Amortisation

The composition of depreciation and amortisation is shown in the consolidated fixed-asset movement schedule. As in the previous year, no write-downs for impairment were required in 2005/2006.

(23) Miscellaneous operating expenses

Miscellaneous operating expenses comprise the following:

	2005/2006 KEUR	2004/2005 KEUR
Freight, packaging, logistics	20,052	16,795
Advertising, trade fairs	15,496	12,837
Rent, space costs	15,885	10,729
Sales agent commissions	12,655	13,529
Collection development	9,487	9,528
IT	3,501	2,753
Travelling expenses	3,375	2,782
Legal and consulting costs	3,310	2,169
Insurance, contributions, fees	2,826	2,609
Other personnel expenses	2,778	2,039
Office and communications	1,400	1,106
Vehicles	1,130	891
Del credere commissions	1,079	861
Maintenance	1,037	647
Losses on receivables/allowances	825	371
Sales agent indemnity	0	3,658
Other	3,453	3,821
	98,289	**87,125**

(24) Other taxes

This item mainly comprises real property and motor vehicle taxes.

(25) Financial result

	2005/2006 KEUR	2004/2005 KEUR
Income from financial assets loaned	7	37
Interest income	334	308
Write-downs on financial assets	-5	0
Incidental bank charges	-989	-840
Interest expenses	-3,773	-3,083
	-4,426	**-3,578**

(26) Taxes on income

Taxes on income comprise the following main components:

	2005/2006 KEUR	2004/2005 KEUR
Taxes of the fiscal year	14,347	11,224
Deferred taxes	1,127	-302
	15,474	**10,922**

Deferred taxes were generally calculated on the basis of the applicable tax rates of each company. A standard tax rate of 39% (previous year: 39%) was applied to calculate deferred taxes on consolidation measures shown in profit and loss.

The reconciliation of expected tax expenses with reported tax expenses is as follows:

	2005/2006 KEUR	2004/2005 KEUR
Profit before taxes on income	**36,536**	**26,872**
Expected tax expenses 39.0% (previous year 39.0%)	14,249	10,480
Actual tax expenses 42.4% (previous year 40.6%)	15,474	10,922
Difference	**1,225**	**442**
Reconciliation:		
Non-deductible expenses / commercial tax additions etc.	462	324
Changes in write-downs of deferred tax assets/losses foreign companies	763	118
	1,225	**442**
Profit after taxes on income	**21,062**	**15,950**

(27) Profit carried forward

The development of profit carried forward is shown in the statement of changes in equity (page 48/49)

(28) Allocation to retained earnings

In accordance with a resolution by the Managing Board and the Supervisory Board an amount of KEUR 10,000 (previous year: KEUR 5,000) was allocated to retained earnings in fiscal 2005/2006.

(29) Earnings per share

In accordance with IAS 33, earnings per share were calculated on the basis of the consolidated net profit/loss for the year after taxes attributable to ordinary shareholders and the average number of shares outstanding during the period.

The amounts on which the calculation is based were determined as follows:

Consolidated net profit/loss for the year

	2005/2006 KEUR	2004/2005 KEUR
Consolidated net profit/loss attributable to ordinary shareholders of the parent company	21,063	15,950

Number of ordinary shares

	Number of shares
Ordinary shares on 1 November 2004	23,443,200
Own shares held as of 1 November 2004	-75,000
Voting shares on 1 November 2004	**23,368,200**
Own shares purchased in 2004/2005	
4/2005	- 20,000
5/2005	- 17,500
8/2005	-85,293
9/2005	-28,000
10/2005	-40,000
	-190,793
Voting shares on 31 October 2005	**23,177,407**
Own shares purchased in 2005/2006	
11/2005	-100,000
12/2005	-61,024
1/2006	-42,403
3/2006	-16,000
10/2006	-5,000
	-224,427
Voting shares on 31 October 2006	**22,952,980**

Each ordinary share carries a voting right and is fully entitled to dividends. All shares have the same rights.

The table below shows the average number of shares outstanding determined on the basis of a time-weighting factor:

Fiscal year 2004/2005:

23,368,200 x 5/12
+ 23,348,200 x 1/12
+ 23,330,700 x 3/12
+ 23,245,407 x 1/12
+ 23,217,407 x 1/12
+ 23,177,407 x 1/12
= 23,318,460 Shares

Fiscal year 2005/2006:

23,177,407 x 1/12
+ 23,077,407 x 1/12
+ 23,016,383 x 1/12
+ 22,973,980 x 2/12
+ 22,957,980 x 7/12
= 22,993,751 Shares

Earnings per share amount to EUR 0.92 (previous year: EUR 0.69).

The accumulated profits were used to pay out a dividend of EUR 0.40 (previous year: EUR 0.35) per share. The remaining amount was carried forward to new account.

Basic earnings per share are identical with diluted earnings per share.

F. Hedging policy and financial derivatives

As a company operating on an international level, GERRY WEBER International AG is exposed to risks resulting from changes in exchange rates and interest rates. Such risks are mitigated using derivative financial instruments. The company exclusively uses marketable instruments with sufficient market liquidity. The use of derivative financial instruments is subject to the internal guidelines and controlling mechanisms of GERRY WEBER International AG.

The use of derivative financial instruments exposes GERRY WEBER International AG to counterparty default risk. To mitigate this risk, derivative transactions are entered into only with banks of excellent credit standing.

With a view to hedging subsidiaries' expected payments fully or partially against exchange rate risks, GERRY WEBER International AG uses derivative financial instruments, mainly currency forwards and currency options.

In particular, GERRY WEBER International AG hedges expected payments from those countries in which the company has a strong operational presence.

These include the US dollar region, the UK and Canada. The currency forwards and options have a maximum term of 18 months, but usually 12 to 15 months. The expected payments mainly result from sales expected to materialise within 18 months.

Where goods and services purchased have to be paid in foreign currency, suitable currency forwards and currency options are taken out before each season in order to hedge the pricing of our products. As of the balance sheet date, the respective volume amounted to EUR 44.9 million (previous year: EUR 23.8 million) at Group level.

All currency forwards formed valuation units with the underlying transactions existed.

As of the balance sheet date, the currency forwards had a fair value of EUR -0.6 million.

Foreign currency claims from sales existing as of the balance sheet date have been hedged with currency forwards and options.

The forward transactions had a volume of EUR 15.1 million as of the balance sheet date (previous year: EUR 12.0 million).

The fair value was EUR +0.7 million as of the balance sheet date.

The market values of the currency forwards are carried as other assets or other liabilities. They do not reflect contrary value developments in the underlying transactions. The market values are not necessarily identical with the amounts that will be generated in future under current market conditions.

As of 31 October 2006, negative effects from the market valuation of financial instruments in an amount of KEUR 43 (previous year: positive effects in an amount of KEUR 1,527) were reflected in equity on a neutral basis.

The company uses long-term credit agreements at favourable fixed interest rates to mitigate interest rate risks. Interest rate derivatives are not used.

GERRY WEBER International AG believes that the use of derivative financial instruments reduces the risks described above and uses such instruments exclusively for risk hedging purposes.

G. Notes to the cash flow statement

Cash and cash equivalents shown in the cash flow statement exclusively comprise the cash and cash equivalents shown in the balance sheet state.

The cash flow statement describes the cash flows in the fiscal year 2005/2006 and the previous year, divided into cash inflows and outflows from operating activities, from investing activities and from financing activities. The effects of changes in the scope of consolidation and in exchange rates on cash and cash equivalents are shown separately.

Cash flow from investing activities comprises additions to property, plant and equipment and financial assets as well as income from fixed asset disposals. Financing activities comprise changes in other financial liabilities.

Cash flow from operating activities includes payments for interest received in an amount of KEUR 334 (previous year: KEUR 308) and for interest paid in an amount of KEUR 3,774 (previous year: KEUR 3,083). Income tax payments amounted to KEUR 14,347 (previous year: KEUR 11,224).

H. Segment reporting

In accordance with IAS 14, the business activities of the GERRY WEBER Group are divided into business segments as the primary reporting format and into geographical segments as the secondary reporting format.

The segmentation of GERRY WEBER results from the internal organisational and reporting structure and is based on the production units Ladieswear, Retail and Other Segments. Secondary segment reporting is based on geographical segments.

For purposes of segment reporting by business segments, the Ladieswear segment comprises the GERRY WEBER brand and its three sublabels, GERRY WEBER Edition, GERRY WEBER Sport and G.W., and the TAIFUN brand and its sublabel Elements by TAIFUN-Collection as well as the SAMOON brand.

The Retail segment comprises the domestic and international HOUSES OF GERRY WEBER as well as the factory outlets.

For purposes of segment reporting by geographical segments, external sales are defined by customers' head offices. In accordance with internal controlling and reporting, a distinction is made between the regions "Germany" and "Outside Germany".

The segment information is based on the same recognition and valuation measures as the consolidated financial statements.

The transfer prices for intra-Group sales are determined in a market-oriented manner.

I. Miscellaneous information and explanations

Risk management, risks from financial instruments and information on derivative financial instruments.
In the context of its operating activities, the Group is exposed to interest rate, currency and default risks.

Risk management is organised centrally and is subject to the responsibility of the holding company.

Under the current strategy, hedges for risk mitigation are used only in exceptional cases.

Currency risks result from unfavourable exchange rate developments between the creation and the fulfilment of claims and liabilities in foreign currencies.

The Group is partly funded using credit agreements with variable interest rates with a view to exploiting opportunities to reduce the funding cost in the case of declining interest rates on debt capital. As a result, the Group is exposed to an interest-related cash flow risk.

The fixed-interest credit agreements are subject to the risk of value fluctuations resulting from changes in market rates. The volume as of 31 October 2006 is shown under **D. (11)**.

Financial assets are subject to counterparty default risk, which means that the maximum risk is the amount of the positive fair values of the assets shown. We believe that these risks are sufficiently covered by write-downs.

Research and development
Research and development expenses shown under expenses amount to KEUR 9,487 (previous year: KEUR 9.528) and refer to the development of the collections.

Contingencies
In addition, the Group has contingencies resulting from the issue and transfer of bills of exchange in an amount of KEUR 0 (previous year: KEUR 142).

Other financial liabilities
The Group has other financial liabilities under operating leases as shown below:

	31 Oct. 2006 KEUR	31 Oct. 2005 KEUR
Within 1 year	2,678	2,631
Between 1 and 5 years	1,532	2,698
	4,210	**5,329**

Expenses under these operating leases amounted to KEUR 2,678 in the fiscal year (previous year: KEUR 2,631). Liabilities resulting from capex orders placed amount to EUR 1.5 million (previous year: KEUR 1.8 million).

These are mainly motor vehicle and IT leasing agreements, which are signed for a period of three to five years and have no renewal option. No price adjustment clauses exist.

In addition, the company has signed numerous property leases that qualify as operating leases on account of their economic content, so that the object leased is assigned to the lessor.

In particular, the operating leases comprise properties leased for the Group's own retail activities and offices used by Group companies.

	31 Oct. 2006 TEUR	31 Oct. 2005 TEUR
Within 1 year	16,266	9,622
Between 1 and 5 years	56,319	37,175
After 5 years	37,168	24,147
	109,753	**70,944**

In fiscal 2005/2006, rental expenses in an amount of KEUR 10,729 (previous year: KEUR: 9,622) were recognised as operating leases. The assets financed by operating leases had a gross carrying amount of KEUR 10,631 in the fiscal year 2005/2006 (previous year: KEUR 10,366).

Shop leases are usually signed for a period of 10 to 15 years. Some leases include renewal options. The leases contain price adjustment clauses that are typical of the industry and are linked to general inflation.

In fiscal 2005/2006, the Group generated KEUR 2,759 (previous year: KEUR 1,931) from sub-leases.

Litigations

GERRY WEBER International AG or its subsidiaries are not involved in court or arbitration proceedings that have a major impact on the situation of the Group.

Adequate risk provisions were established to cover risks from other court or arbitration proceedings.

Related party disclosures

Apart from the Managing Board and the Supervisory Board of GERRY WEBER International AG, related parties as defined in IAS 24 mainly include the non-consolidated subsidiaries.

In addition, relationships of dependence as defined in sec. 17 of the German Stock Corporation Law exist with the following companies:

- GERRY WEBER Management & Event OHG, Halle/Westphalia
- GERRY WEBER Sportpark Hotel GmbH & Co. KG, Halle/Westphalia
- Golfplatz Eggeberg GmbH & Co. Anlagen KG, Halle/Westphalia
- Clubhaus Eggeberg GmbH & Co. KG, Halle/Westphalia
- N & A Hardieck GmbH & Co. KG, Halle/Westphalia
- R & U Weber GmbH & Co. KG, Halle/Westphalia

These companies were included in the dependency report, which received an unqualified audit certificate from RSM Hemmelrath GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft on 19 January 2007. GERRY WEBER International AG's relationships with its subsidiaries are not described in the report, as all of them are wholly-owned subsidiaries.

The following relationships with related parties led to income or expenses for the Group:

	2005/2006 Expenses KEUR	2005/2006 Income KEUR	2004/2005 Expenses KEUR	2004/2005 Income KEUR
Advertising, GW Open	1,358	0	1,358	0
Depreciation of right to name (intangible asset)	611	0	611	0
Rental expenses	138	0	148	0
Accommodation, entertainment	91	0	134	0
Advertising	80	0	141	0
Annual General Meeting	77	0	72	0
Interest expenses	75	0	55	0
Various services	91	0	44	0
IT charge	0	315	0	290
Rental income	0	132	0	144
Delivery of goods	0	86	0	135
Book-keeping	0	92	0	86
Total	**2,521**	**625**	**2,563**	**655**

Other agreements:
In December 2002, GERRY WEBER International AG signed an agreement with the following content with GERRY WEBER Management & Event GmbH:

- Capitalisation and buyout of the sponsoring obligation of 20 January 1993 and May 2000 in an amount of EUR 9,574,000
- Buyout of trademark rights agreement in an amount of EUR 4,890,000
- Option premium in an amount of EUR 2,880,000

No transactions that require reporting were effected with the Supervisory Board and the Managing Board.

The appropriateness of the performance and the counter-performance was described in detail by the Managing Board of GERRY WEBER International AG in the dependency report as defined in sec. 312 of the German Stock Corporation Law and confirmed by the auditors of GERRY WEBER International AG.

Managing Board

- **Gerhard Weber** (Chairman), Halle/Westphalia, businessman,

- **Udo Hardieck**, Halle/Westphalia, Dipl. Ing.

Neither of the two Managing Board members is a member of other supervisory boards or control organs as defined in sec. 125 para. 1 sentence 3 of the German Stock Corporation Law.

Supervisory Board

- **Dr. Ernst F. Schröder** (Chairman), Bielefeld
- **Peter Mager** (Vice Chairman), Steinfeld in Oldenburg,
- **Charlotte Weber-Dresselhaus**, Halle/Westphalia,
- **Dr. Wolf-Albrecht Prautzsch**, Münster,
- **Olaf Dieckmann** (staff representative), Dissen,
- **Christiane Wolf** (staff representative), Steinhagen.

The Supervisory Board members also sit on the following supervisory boards and control organs as defined in sec. 125 para. 1 sentence 3 of the German Stock Corporation Law.

Herr Dr. Ernst F. Schröder, personally liable partner of Dr. August Oetker KG, Bielefeld

Chairman of the Supervisory Board:
- Société Anonyme Hotel Le Bristol, Paris, France,
- Société Anonyme Hotel du Cap-Eden-Roc, Antibes, France,
- Société Anonyme Chàteau du Domaine St. Martin, Vence, France,
- CONDOR Allgemeine Versicherungs-AG, Hamburg,
- CONDOR Lebensversicherungs-AG, Hamburg,
- OPTIMA Versicherungs-AG, Hamburg,
- OPTIMA Pensionskasse AG, Hamburg.

Member of the Supervisory Board:
- Douglas Holding AG, Hagen.

Chairman of the Board of Partners:
- Bankhaus Lampe KG, Düsseldorf.

Chairman of the advisory council:
- Radeberger Gruppe KG, Frankfurt/Main,
- RB Brauholding GmbH, Frankfurt.

Herr Peter Mager,
businessman, Steinfeld in Oldenburg

Member of the advisory council:
- Olfry Ziegelwerke GmbH, Vechta,
- Oldenburgische Landesbank AG, Oldenburg.

Frau Charlotte Weber-Dresselhaus,
banker, Halle/Westphalia
- No mandates

Herr Dr. Wolf-Albrecht Prautzsch,
banker, Münster

Vice Chairman of the Supervisory Board:
- Westfalen AG, Münster,
- Rethmann Beteiligungs Aktiengesellschaft, Selm.

Member of the Supervisory Board:
- Gauselmann AG, Espelkamp.

Herr Olaf Dieckmann, technical employee, Dissen
- No mandates

Frau Christiane Wolf, commercial employee, Steinhagen
- No mandates

Total remuneration of the Managing Board

The total remuneration of the Managing Board in 2005/2006 amounted to EUR 3,167,000 (previous year: EUR 2,458,000). Of this total, an amount of EUR 1,875,000 was received by Gerhard Weber and an amount of EUR 1,292,000 was received by Udo Hardieck.

This remuneration is composed of a basic salary of EUR 849,000 (previous year: EUR 847,000) and a share in profits of EUR 2,318,000 (previous year: 1,600,000).

Total remuneration of the Supervisory Board

For its work for the parent company and the Group the Supervisory Board received a compensation of KEUR 191 (previous year: KEUR 191), which were provisioned for in the fiscal year.

Shares held by the Managing Board

On the reporting date, the Managing Board directly and indirectly held 10,406,568 shares (previous year: 10,406,568 shares).

Shares held by the Supervisory Board

On the reporting date, the members of the Supervisory Board held 34,503 shares (previous year: 34,738 shares).

Shareholdings

On 21 March 2005, Gerhard Weber, Halle/Westphalia, transferred 6,177,600 shares in his possession to R + U Weber GmbH & Co. KG, which is wholly owned by Gerhard Weber. R + U Weber GmbH & Co. KG informed us on 21 March 2005 that its voting share in GERRY WEBER International AG exceeds the 25 % threshold and amounts to 26.35 %.

On 21 March 2005, Udo Hardieck, Halle/Westphalia, transferred 4,118,400 shares in his possession to N + A Hardieck GmbH & Co. KG, which is wholly owned by Udo Hardieck. N + A Hardieck GmbH & Co. KG informed us on 21 March 2005 that its voting share in GERRY WEBER International AG exceeds the 15 % threshold and amounts to 17.57 %.

As of the reporting date, 6,201,620 shares were directly and indirectly held by Gerhard Weber (previous year: 6,201,620 shares). This represents a voting share of 26.45 % (previous year: 26.45 %). Together with the 490,220 own shares (previous year: 265,793) held by GERRY WEBER International AG, the voting share rises to 27.02 % (previous year: 26.76 %).

As of the reporting date, 4,204,948 shares were directly and indirectly held by Udo Hardieck (previous year: 4,204,948 shares). This represents a voting share of 17.94 % (previous year: 17.94 %). Together with the 490,220 own shares (previous year: 265,793) held by GERRY WEBER International AG, the voting share rises to 18.32 % (previous year: 18.14 %).

Shareholdings of GERRY WEBER International AG

	Shareholding %	Equity incl. accumulated profits/losses KEUR	Net income (+) / Net loss (-) KEUR
TAIFUN-Collection GERRY WEBER Fashion GmbH, Halle/Westphalia*	100.0	+5,427	0
GERRY WEBER Life-Style Fashion GmbH, Halle/Westphalia*	100.0	+1,801	0
SAMOON-Collection Fashion-Concept GERRY WEBER GmbH, Halle/Westphalia*	100.0	+3,047	0
GERRY WEBER FAR EAST LTD., Hong Kong, People's Republic of China	100.0	+108	0
GERRY WEBER Fashion Iberica S.L., Palma de Mallorca, Spain	100.0	-2,888	-768
GERRY WEBER Retail GmbH, Halle/Westphalia*	100.0	+8	0
GERRY WEBER Beschaffung Osteuropa GmbH, Recklinghausen	100.0	+316	+81
GERRY WEBER France S.A.R.L., Paris, France	100.0	-1,816	+205
GERRY WEBER Dis Ticaret Ltd., Sirkuti, Istanbul, Turkey	100.0	+198	+13
GERRY WEBER Support S.R.L., Bucharest, Romania (indirect)	100.0	+4,402	+304
Hawe Textil SRL, Bucharest, Romania (indirect)	100.0	+11	0
GERRY WEBER GmbH, Vienna, Austria	100.0	-608	-544
GERRY WEBER Asia Ltd., Hong Kong, People's Republic of China	100.0	-307	-299
GERRY WEBER United Kingdom Ltd., London, UK	100.0	-1,086	-1,099
GERRY WEBER GmbH Belgien, private limited company, Raeren, Belgium	100.0	-93	-143

* controlling and profit transfer agreement

Transactions pursuant to Article 15a of the German Securities Trading Act (WpHG)
On 21 March 2005, Gerhard Weber informed us that he has transferred 6,177,600 shares to R + U Weber GmbH & Co. KG, which is wholly owned by Gerhard Weber.

On 21 March 2005, Udo Hardieck informed us that he has transferred 4,118,400 shares to N + A Hardieck GmbH & Co. KG, which is wholly owned by Udo Hardieck.

Statement of Compliance pursuant to Article 161 of the German Stock Corporation Law (AktG)
In December 2006 GERRY WEBER International AG issued a statement of compliance pursuant to Article 161 of the German Stock Corporation Law. This statement is available on the Internet at www.gerryweber-ag.de.

Auditor's fees
The following auditor's fees were recognised as Group expenses:

	2005/2006 KEUR
Audit	248
Tax consulting services	32
Other services	5
	285

German Corporate Governance Code/Statement required under sec. 161 AktG
The statement required under sec. 161 of the German Stock Corporation Law was issued by the Managing Board and the Supervisory Board in December 2006 and published on the website of GERRY WEBER International AG at www.gerryweber-ag.de under Investor Relations/Corporate Governance.

Events occurring after the reporting date
No events of material importance occurred after the balance sheet date.

Publication of the consolidated financial statements
The consolidated financial statements in the legally required form received an unqualified audit certificate from RSM Hemmelrath GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft and were disclosed in the electronic Federal Gazette and at Amtsgericht Gütersloh.

Halle/Westphalia, 17 January 2007
GERRY WEBER International AG

The Managing Board
Gerhard Weber, Udo Hardieck

GERRY WEBER International AG, Halle / Westphalia
Development of the group's fixed assets
in the fiscal year 2005/2006

	Cost			
	01 Nov. 2005	Additions	Disposals	Reclassi-fications
	EUR	EUR	EUR	EUR
Fixed assets				
Intangible assets				
Concessions, industrial rights, and similar rights and assets as well as licenses to such rights and assets	14,257,552.72	3,128,273.69	-132,109.37	37,015.50
Goodwill on consolidation	264,478.48	0.00	0.00	0.00
Prepayments on intangibles	126,991.75	280,302.63	0.00	-37,015,50
	14,649,022.95	**3,408,576.32**	**-132,109.37**	**0.00**
Property, plant and equipment				
Land, leasehold rights and buildings including buildings on third-party land	75,724,200.31	10,482,699.31	-682,427.47	142,977.18
Technical equipment and machinery	7,081,091.97	387,970.11	-393,573.96	19,567.32
Other fixtures and fittings, tools and equipment	27,814,943.85	6,033,281.21	-1,724,693.16	169,668.27
Advance payments and assets under construction	259,072.83	152,839.94	0.00	-332,212.77
	110,879,308.96	**17,056,790.57**	**-2,800,694.59**	**0.00**
Financial assets				
Investments in affiliated companies	81,948.16	0.00	-70,976.66	0.00
Investments	53,022.58	102,357.72	0.00	0.00
Other loans	1,003,272.63	0.00	-208,825.05	0.00
	1,138,243.37	**102,357.72**	**-279,801.71**	**0.00**
	126,666,575.10	**20,567,724.61**	**-3,212,605.67**	**0.00**

	Accumulated depreciation/amortisation				Net carrying amount	
31 Oct. 2006 EUR	01 Nov. 2005 EUR	Additions EUR	Disposals EUR	31 Oct. 2006 EUR	31 Oct. 2006 EUR	31 Oct. 2005 EUR
17,290,732.54	8,238,110.41	1,940,750.02	-95,465.14	10,083,395.29	7,207,337.25	6,019,442.31
264,478.48	264,478.48	0.00	0.00	264,478.48	0.00	0.00
370,278.88	0.00	0.00	0.00	0.00	370,278.88	126,991.75
17,925,489.90	**8,502,588.89**	**1,940,750.02**	**-95,465.14**	**10,347,873.77**	**7,577,616.13**	**6,146,434.06**
85,667,449.33	15,690,807.46	2,348,423.23	-247,248.67	17,791,982.02	67,875,467.31	60,033,392.85
7,095,055.44	4,270,531.84	568,730.46	-214,093.54	4,625,168.76	2,469,886.68	2,810,560.13
32,293,200.17	22,013,396.02	2,334,011.22	-1,065,835.09	23,281,572.15	9,011,628.02	5,801,547.83
79,700.00	0.00	0.00	0.00	0.00	79,700.00	259,072.83
125,135,404.94	**41,974,735.32**	**5,251,164.91**	**-1,527,177.30**	**45,698,722.93**	**79,436,682.01**	**68,904,573.64**
10,971.50	0.00	0.00	0.00	0.00	10,971.50	81,948.16
155,380.30	0.00	4,578.30	0.00	4,578.30	150,802.00	53,022.58
794,447.58	0.00	0.00	0.00	0.00	794,447.58	1,003,272.63
960,799.38	**0.00**	**4,578.30**	**0.00**	**4,578.30**	**956,221.08**	**1,138,243.37**
144,021,694.22	**50,477,324.21**	**7,196,493.23**	**-1,622,642.44**	**56,051,175.00**	**87,970,519.22**	**76,189,251.07**

Financial statements of GERRY WEBER International AG, Halle / Westphalia (abridged version)

The development of the company is best reflected in the consolidated financial statements. This is why GERRY WEBER International AG has decided to publish only an abridged version of the separate financial statements in the Annual Report. The full separate financial statements to HGB are available for downloading at www.gerryweber-ag.de. The consolidated and the separate financial statements are announced in the electronic Federal Gazette and filed with the electronic Commercial Register.

	2005/2006 EUR	2004/2005 EUR
Sales revenues	7,085,432.61	1,420,239.83
Increase in finished goods and work in progress	3,456,719.97	0.00
Other operating income	59,145,521.18	52,059,926.41
Cost of materials		
Cost of raw materials and supplies	-9,662,192.72	-97,467.82
Cost of purchased services	-18,082.33	-16,999.57
	-9,680,275.05	**-114,467.39**
Personnel expenses		
Wages and salaries	-18,930,606.91	-17,599,672.28
Social security contributions	-2,934,588.17	-2,801,110.16
	-21,865,195.08	**-20,400,782.44**
Depreciation of intangible fixed assets and tangible assets	-3,963,413.28	-3,457,223.38
Other operating expenses	-26,637,964.62	-20,835,905.59
Income from investments	610,458.80	0.00
- thereof relating to affiliated companies: EUR 610,458.80 (previous year: EUR 0.00)		
Income from profit transfer agreements	32,321,469.77	21,416,225.48
Income from other investments and long-term loans	5,187.00	6,394.00
Other interest and similar income	2,049,404.28	2,587,732.00
- thereof relating to affiliated companies: EUR 1,821,577.00 (previous year: EUR 2,431,111.00)		
Amortisation of financial assets and investments classified as current assets	-4,578.30	0.00
Expenses relating to the transfer of losses	-1,189,995.91	-1,972,498.42
Interest and similar expenses	-3,734,085.71	-2,846,595.35
- thereof relating to affiliated companies: EUR 48,900.00 (previous year: EUR 0.00)		
Results from ordinary activities	**37,598,685.66**	**27,863,045.15**
Extraordinary expenses	0.00	1,085,542.94
Extraordinary result	**0.00**	**1,085,542.94**
Taxes on income	-14,334,103.23	- 11,067,081.89
Other taxes	-94,987.15	-158,154.27
Profit for the year	**23,169,595.28**	**17,723,351.93**
Profit carried forward	5,413,049.15	1,879,289.22
Allocation to revenue reserves	-10,000,000.00	-5,000,000.00
Net profit for the year	**18,582,644.43**	**14,602,641.15**

Financial statements of GERRY WEBER International AG, Halle / Westphalia (abridged version)

Assets

	31 Oct. 2006 EUR	31 Oct. 2005 EUR
Fixed assets		
Intangible assets		
Concessions, industrial property rights and related rights and values as well as licences for such rights and values	5,834,572.32	5,867,939.32
Payments on account	370,278.88	126,991.75
	6,204,851.20	**5,994,931.07**
Tangible assets		
Land and leasehold rights and buildings, including buildings on third-party land	45,553,658.08	43,745,940.08
Plant and machinery	170,102.00	225,340.00
Other fixtures and fittings, tools and equipment	1,770,080.00	1,074,652.00
Payments on account and plant under construction	4,200.00	5,784.00
	47,498,040.08	**45,051,716.08**
Financial assets		
Shares in affiliated companies	4,670,578.17	4,620,578.17
Investments	150,802.00	53,022.58
Other loans	78,032.00	98,761.40
	4,899,412.17	**4,772,362.15**
	58,602,303.45	**55,819,009.30**
Current assets		
Inventories		
Raw materials and supplies	305,934.00	98,559.00
Work in progress	3,456,719.97	0.00
Payments on account	681,407.61	0.00
	4,444,061.58	**98,559.00**
Receivables and other assets		
Trade receivables	1,775,588.24	607,224.66
Due from affiliated companies	110,122,972.30	91,670,178.89
Other assets	14,389,256.40	16,338,890.92
- thereof with a remaining maturity of more than one year: EUR 7,978,250.00 (previous year: EUR 9,633,865.37)		
Own shares	**126,287,816.94**	**108,616,294.47**
Cash on hand, cash in banking accounts, cheques	6,110,846.82	2,833,105.93
	1,432,251.54	2,542,627.37
	7,543,098.36	**5,375,733.30**
Prepayments and accrued income		
Discount	129,742.24	168,865.03
Other	599,852.75	330,383.89
	729,594.99	**499,248.92**
	197,606,875.32	**170,408,844.99**

Liabilities

	31 Oct. 2006 EUR	31 Oct. 2005 EUR
Capital stock		
Subscribed capital	23,443,200.00	23,443,200.00
Capital reserve	33,668,025.21	33,668,025.21
Revenue reserves		
Reserve for own shares	6,110,846.82	2,833,105.93
Other revenue reserves	41,889,153.18	35,166,894.07
Net profit for the year		
Profit carried forward	5,413,049.15	1,879,289.22
Profit for the year	23,169,595.28	17,723,351.93
Allocation to revenue reserves	-10,000,000.00	-5,000,000.00
	123,693,869.64	**109,713,866.36**
Provisions		
Provisions for taxation	2,351,053.00	248,715.89
Other provisions	5,699,218.06	5,096,227.24
	8,050,271.06	**5,344,943.13**
Accounts payable		
Due to banks	59,946,572.56	51,416,020.81
Trade accounts payable	3,837,240.86	2,432,941.06
Due to affiliated companies	0.00	17,034.91
Other accounts payable	2,043,891.62	1,470,466.72
thereof taxes: EUR 1,353,000.04 (previous year: EUR 261,971.79)		
thereof social security contributions: EUR 0.00 (previous year: EUR 467,137.34)		
	65,827,705.04	**55,336,463.50**
Deferred income	**35,029.58**	**13,572.00**
	197,606,875.32	**170,408,844.99**

Appropriation of profits

The Managing Board and the Supervisory Board propose to appropriate the net profit for the year of	**18,582,644.43 Euro**
as follows:	
Payment of a dividend of EUR 0.40 per common share with full entitlement to profits for the fiscal year 2005/2006	**9,181,192.00 Euro**
Carried forward to new account:	**9,401,452.43 Euro**
Net profit for the year:	**18,582,644.43 Euro**

Halle/Westphalia, January 2007
GERRY WEBER International AG

The Managing Board
Gerhard Weber, Udo Hardieck

Audit certificate

We have audited the consolidated financial statements of GERRY WEBER International AG, Halle/Westphalia – which consist of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, the segment report and the notes – as well as the Group management report for the fiscal year from 1 November 2005 to 31 October 2006. The preparation of the consolidated financial statements and the Group management report according to IFRS, such as they are applicable in the EU, as well as to the complementary accounting standards as defined in sec. 315 a para. 1 of the German Commercial Code (HGB) and the complementary provisions in the articles of incorporation is the responsibility of the company's legal representatives. It is our task, based on our audit, to provide an opinion on the consolidated financial statements and the Group management report. In addition, we were commissioned to assess, whether the consolidated financial statements comply with IFRS.

We conducted our audit pursuant to sec. 317 HGB in compliance with German generally accepted auditing principles as defined by the Institute of German Certified Public Accounts (IDW). According to these principles, the audit must be planned and conducted in a manner sufficiently likely to identify misrepresentations and violations having a major impact on the net worth, financial and earnings position as presented by the consolidated financial statements established in accordance with applicable accounting standards as well as the Group management report. When defining the auditing processes, the knowledge of the business activity and the economic and legal environment of the Group as well as the expectations regarding potential errors are taken into account. In the context of the audit, the effectiveness of the accounting-related internal controlling system and the records provided to prove the correction of the information and figures in the consolidated financial statements and the Group management report are largely checked on the basis of random samples. The audit covers the assessment of the financial statements of the consolidated companies, the definition of the scope of consolidation, the accounting and consolidation principles applied and the most important estimations made by the legal representatives as well as the evaluation of the overall presentation of the consolidated financial statements and the Group management report. We are confident that our audit is a sufficiently safe basis for our audit opinion.

Our audit has resulted in no objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRS, such as they are applicable in the EU, as well as with the complementary accounting standards as defined in sec. 315 a para. 1 of the German Commercial Code (HGB) and the complementary provisions in the articles of incorporation as well as with the IFRS overall and present a true and fair view of the net worth, financial and earnings position of the Group. The Group management report is in accordance with the consolidated financial statements, provides a true and fair view of the situation of the Group and correctly presents the risks and opportunities of the future development.

Bielefeld, 19 January 2007

RSM Hemmelrath GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Hagen	Angele
Certified Public Accountant	Certified Public Accountant

Calendar of financial events

Annual accounts press conference	28 February 2007
Analysts conference	At the beginning of May 2007
Publication of report on the first three months	26 March 2007
Annual General Meeting of Shareholders	6 June 2007
Publication of report on the first six months	25 June 2007
Publication of report on the first nine months	24 September 2007
End of fiscal year 2006/2007	31 October 2007

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