ANNUAL REPORT 2013

Charles Vögele
Switzerland

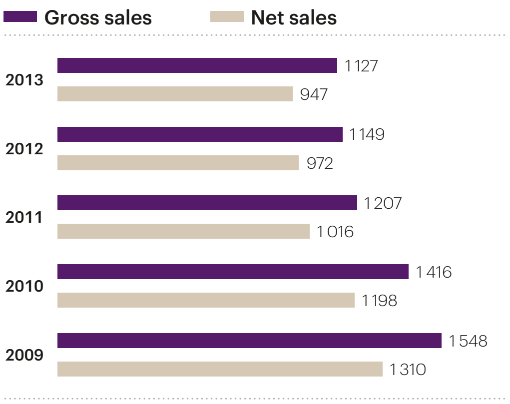
FRIENDLY AND RELIABLE

Charles Vögele focuses on the customer, the product, the product performance and our employees. Our aim is to deliver the greatest possible customer satisfaction by providing an up-to-date range, guaranteed quality and a friendly service.

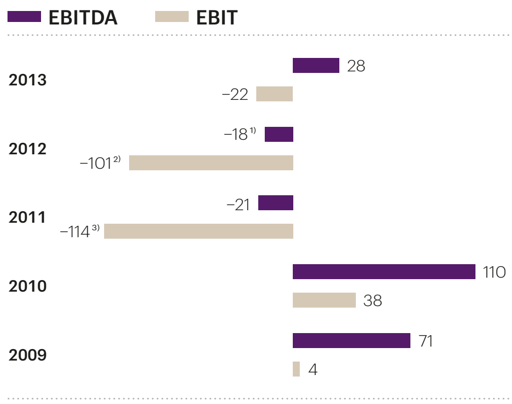
Charles Vögele

FIVE-YEAR OVERVIEW

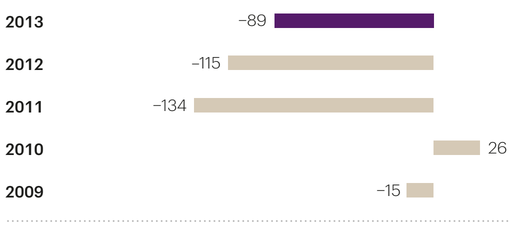
Gross sales and net sales in CHF million



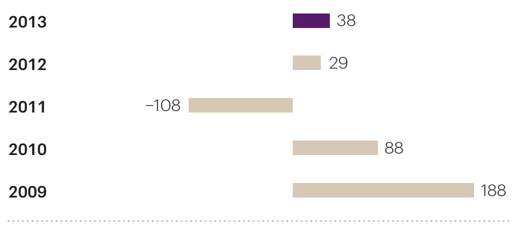
EBITDA and EBIT in CHF million



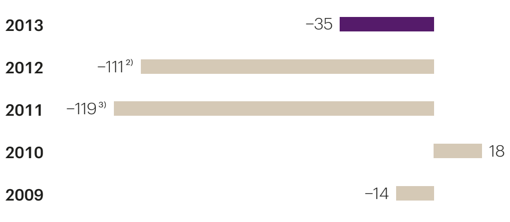
Net debt in CHF million
At 31 December



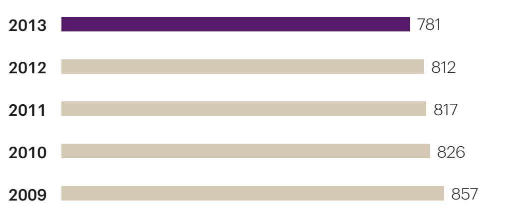
Cash flow from operating activities in CHF million



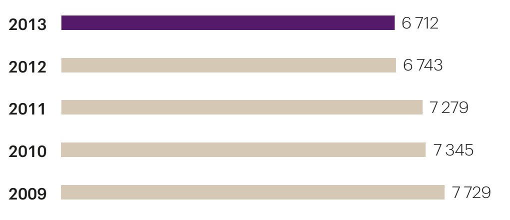
Net profit in CHF million



Branches
At 31 December



Employees (without apprentices)
At 31 December



[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3 in the financial report.

[2] Including impairments of CHF 32 million; restatement of prior-year figures regarding IAS 19 revised, see note 2.3 in the financial report.

[3] Including goodwill impairment of CHF 36 million.

GROUP KEY FIGURES

CHF million	**2013**	2012 [2]	Change
Gross sales	1 127	1 149	(1.9 %)
Change adjusted for currency in %	(3.2 %)	(3.2 %)	
Change adjusted for expansion and currency in %	(1.6 %)	(3.4 %)	
Net sales	947	972	(2.6 %)
Gross profit	622	602	
Operating earnings before depreciation and impairment (EBITDA)	28	(18)	
Operating earnings (EBIT)	(22)	(101)	
Net profit of the year	(35)	(111)	
Net cash flow from operating activities	38	29	
Net cash provided/(used) by investing activities	(11)	(14)	(21.5 %)
Free cash flow	27	15	

	2013	2012	Change
Number of stores at year-end	781	812	(3.8 %)
Sales area at year-end in m²	603 842	631 082	(4.3 %)
Net sales per average sales area in CHF	1 536	1 532	0.3 %
Number of employees at year-end [1]	6 712	6 743	(0.5 %)
Average number of full-time employees on an annual basis [1]	4 417	4 560	(3.1 %)
Net sales per average number of full-time employees in CHF [1]	214 290	213 121	0.5 %
Number of clothing articles sold in 1 000	49 166	53 665	(8.4 %)
Average net sales per article in CHF	19.3	18.1	6.3 %
Share of turnover in %:			
– women's wear	57 %	57 %	
– men's wear	35 %	35 %	
– children's wear	8 %	8 %	

CHF million	**31.12.2013**	31.12.2012 [2]	
Net debt	89	115	
Shareholders' equity	195	229	
Balance sheet total	522	613	
Shareholders' equity in % of balance sheet total	37 %	37 %	

[1] Excluding apprentices
[2] Restatement of prior year figures regarding IAS 19 revised, see note 2.3.

KEY FINANCIALS

Charles Vögele Group once again had to assert itself in a hard-fought market in 2013. Gross sales for the year fell by –1.9 % to CHF 1.13 billion. In local currency terms the fall was –3.2 %, or –1.6 % after adjusting for both exchange rate and floorspace changes (like-for-like). Despite the lower sales, the Company achieved a turnaround at the operational level, generating positive earnings before depreciation and amortization (EBITDA).

CHF 595 million

Strict cost management
Charles Vögele reduced its operating costs by a further CHF 25 million to CHF 595 million thanks to rigorous cost management.

CHF 28 million

Positive EBITDA
Following the deficit of CHF –18 million in the previous year, operating earnings before depreciation and amortization (EBITDA) were positive again at CHF 28 million. At the operational level, therefore, Charles Vögele has achieved its turnaround.

CHF –35 million

Significantly lower consolidated loss
The consolidated loss for 2013 was reduced by CHF 76 million to CHF –35 million, compared with CHF –111 million in 2012 (including value adjustments of CHF 32 million).

CHF 27 million

Positive free cash flow
By restricting investment and reducing costs still further, free cash flow was improved by CHF 12 million to CHF 27 million.

CONTENTS

COMPETENT AND INSPIRING

All our employees have the same goal: to achieve the highest possible level of customer satisfaction. Friendly service is an essential part of this. In this Annual Report our employees tell us what they feel is most important when dealing with customers day-to-day.

COMPETENT
SERVICE

FRIENDLY
COMMITMENT

HONEST
CLOSENESS

ATTENTIVE
ADVICE

INSPIRING
FASHION

LETTER TO SHAREHOLDERS

OPERATIONAL TURNAROUND ACHIEVED

Charles Vögele Group's 2013 financial year was dominated by the hard work done on turning around the company's results. The company has made major progress on this front and achieved its turnaround on an operational level. The main drivers behind this success were improvements to the range, cost savings and targeted use of discounts. The consolidated loss was reduced significantly.

In 2013 Charles Vögele again had to assert itself in a hard fought, and in some key regions shrinking, market. The industry as a whole suffered from the wet, cold weather in the first half-year and the warm winter. The highest priority for the Board of Directors and Group Management last year was targeted implementation of the initiated turnaround measures.

Significantly lower consolidated loss

Negative market growth in the core markets of Germany and Switzerland held back sales. While gross sales fell back –4.5% on a like-for-like basis in the first half of 2013, they rose by 1.1% in the second half of the year. Net sales at Charles Vögele Group fell by –2.6% to CHF 947 million. After adjusting for exchange rates and floorspace (like-for-like) the fall was –2.5%. However, certain regions, including Benelux and Central & Eastern Europe (CEE) managed to escape the negative trend and outperform the market. Pleasingly, the quality of sales has improved overall. Thanks to the targeted use of price discounts, improvements to the range and greater availability of merchandise, Charles Vögele achieved a positive operating result before depreciation and amortization (EBITDA) of CHF 28 million (2012 CHF –18 million) thus achieving operational turnaround. Operating earnings (EBIT) came to CHF –22 million, compared with a year-back figure of CHF –101 million. The consolidated loss was reduced to CHF –35 million (2012 CHF –111 million). Free cash flow improved from CHF 15 million in 2012 to CHF 27 million. Inventories shrank from CHF 184 million in 2012 to CHF 149 million.

Streamlining the store portfolio

In April 2013 the Board of Directors of Charles Vögele Holding AG decided, based on a detailed review of market prospects at each country organization, to withdraw from Poland and the Czech Republic. The gradual withdrawal is underway and will be fully completed by the middle of 2014 (withdrawal from Czech Republic completed by February 2014). By contrast the company is holding on to its presence in the Hungarian market. At the same time Charles Vögele has streamlined the branch network in its other markets and has been rigorous in shedding unprofitable locations.

Management team completed

In August the Board of Directors confirmed Markus Voegeli as Chief Executive Officer (CEO) of Charles Vögele Group. He had already performed the role on an interim basis from September 2012. Markus Voegeli is simultaneously performing his established role as

F. l. t. r.
Markus Voegeli, CEO/CFO, and Hans Ziegler, Chairman of the Board of Directors

Chief Financial Officer (CFO). The Board of Directors also appointed Beatrice Grünwald as Chief Purchasing Officer (CPO) and Matthias Wunderlin as Chief Sales Officer (CSO). Charles Vögele's Group Management has thus been complete again since mid-November 2013.

Rigorous focus on the turnaround

The highest priority last year was targeted implementation of the initiated turnaround measures. The main points of focus were as follows:

Improving the performance

Further potential cost savings were realised in all areas thanks to a variety of immediate measures. Improvements within the main merchandise groups and targeted deployment of price discounts increased the quality of sales.

Getting closer to the market

The Group made important progress by improving customer service in the stores and managing merchandise in line with the market. In order to respond effectively to varying market needs, despite the diverse store portfolio, the company is working on optimizing its store format strategy.

Outlook 2014

Implementation of initiated turnaround measures remains the top priority for the current financial year, with a particular focus on increasing footfall and on further improvements to products, retail space and merchandise management. The main target for 2014 is to stop the decline in sales and reach breakeven at the EBIT level.

The Board of Directors and Group Management believe they have set the correct course to take Charles Vögele Group back to sustainable, profitable growth. In 2012 the Company managed to generate positive free cash flow again. In 2013 operating earnings before depreciation and amortization (EBITDA) returned to the profit zone. In 2014 the task is to persevere on this course and make further progress. We thank all of our employees for their great dedication to Charles Vögele Group. We would like to thank our business partners and shareholders for their cooperation and support.

Yours sincerely

Hans Ziegler
Chairman of the
Board of Directors

Markus Voegeli
CEO/CFO

HONEST

CLOSENESS

“Honest advice requires a certain closeness. In our day-to-day work it’s important to understand our customers and know what they want. And they can only rely on my recommendations if they know me and trust me.”

Andrea Hölzel, Store Manager, Kirchberg


I KNOW AND
UNDERSTAND MY
CUSTOMERS

MANAGEMENT DISCUSSION

OPTIMIZED STORE STRATEGY AND MORE EFFICIENT MARKETING

Markus Voegeli
CEO/CFO

Beatrice Grünwald
CPO

Matthias Wunderlin
CSO

Charles Vögele Group has a heterogeneous branch network, which presents major challenges in terms of planning and management. To meet these challenges more effectively in future, Charles Vögele has launched a project to optimize its branch format strategy. High availability of merchandise, fast and flexible restocking, and clear style statements should make the retail space and presentation of the collection at the POS more attractive.

What are the challenges for 2014? **Markus Voegeli** First of all I'm glad that we've been able to fill two key vacancies in Group Management with the appointment of Beatrice Grünwald as Chief Purchasing Officer and Matthias Wunderlin as Chief Sales Officer. With all of us working together we can press ahead this year with the turnaround we have initiated. We are clearly focusing on our core tasks. Our work starts with the product. The product range needs to be more up-to-date and more commercial. This has to be reflected as well in the presentation of the collection in the stores. The retail space needs to be optimized and should tell one consistent story. Other current priorities are availability of merchandise, marketing efficiency and, vitally, training and motivating our employees. We have adopted these priorities into our focus projects within the turnaround programme and are working on them intensively.

What do you think is the most important prerequisite for the future success of Charles Vögele?
Markus Voegeli An important prerequisite is the reduction of old inventory. Thanks to a restrictive purchasing we were able to further reduce inventory in the last year. Furthermore, Charles Vögele has highly qualified and experienced teams, an excellent market position and many attractive locations in various Central European countries. We have also developed the organization and the expertise to offer our customers the latest fashions at attractive prices. We want to keep building on these strengths. The decisive thing for me is close collaboration within the Management team at all levels.

"Our strategic focus is correct. We still need to sharpen up a few aspects, and we are working intently on this."

Markus Voegeli, CEO/CFO

You began working at Charles Vögele mid November 2013. What are your first impressions, and what are your priorities for 2014? **Beatrice Grünwald** The team is very motivated and very ambitious. That isn't always the case with a company in a turnaround situation. It is important to me that we keep our main focus on the product. That is our livelihood. We all have to invest our energy in offering customers the right product. To do this we have to sharpen up the collection statement and its appeal to the target group even more. We need clearer style statements.

How do you make sure that the collections are full of the right products? **Beatrice Grünwald** It goes without saying that we are working continuously on the collection. The essential task is to estimate and review existing and new sales potential on an ongoing basis. We need to be able to identify and anticipate which new trends, cuts and colours will work for a broad public. We are currently developing a "best seller" management system which is already delivering valuable information. It gives us a clear picture of the individual items that are actually being sold on the shop floor. At the same time it provides the procurement teams with a way of measuring whether they are identifying and implementing the right trends. Finally, by reducing the breadth of the range, we have greatly improved its structure, especially in terms of size charts. By increasing the availability of merchandise, it is easier to put the right items in the right place in each store, and to optimize the look and feel of the shop floor.

What are Charles Vögele's strengths in your opinion? **Beatrice Grünwald** We offer an up-to-date, reliable range which provides the best possible value for money. We focus on people with traditional values and a contemporary, modern lifestyle. We appeal in particular to women who often buy clothes for the whole family as well as for themselves. They want up-to-date but practical fashion for every occasion and a clear, modern aesthetic.

"Our main focus is on the product. We are doing everything we can to offer our customers the right product."

Beatrice Grünwald, CPO

“We need simple, clear format clusters so we can manage our stores in a way that keeps us close to the market and customers, and that suits each particular space.”

Matthias Wunderlin, CSO

You are responsible for managing all the country organizations and for Charles Vögele Group’s marketing. Where do you think there is potential for improvement? Matthias Wunderlin Charles Vögele has a far-flung, heterogeneous branch network. The retail space at each store differs greatly in terms of size and location. We have stores in top-quality central locations in cities like Zurich and Bern, as well as ones in shopping centres on the edge of larger towns and conurbations. And our smallest outlets have different requirements from our large stores. Charles Vögele’s branch structure presents major challenges in terms of planning and management.

How do you tackle these different requirements? Matthias Wunderlin Charles Vögele has launched a Group-wide project to optimize the branch format strategy. The aim is to help give the different kinds of stores different kinds of support as appropriate. Simple, clear format clusters will help us manage the stores in a way that keeps us close to the market and to customers, and that suits the particular space. This allows us to optimize the look of the store and improve displays at the Point of Sale. For example, only some of the components of the current range can be displayed in our smallest stores. Small stores tend to sell basics augmented by promotional material and fashion highlights. And the small stores are the ones most dependent on high availability and fast restocking of goods. At the other end of the scale, we are still not using all of the potential to differentiate in our top city-centre stores.

What influence does the new format strategy have on the collections? Matthias Wunderlin The individual groups of merchandise should take greater account of the different requirements of urban/rural and large/small stores. There were still weaknesses here in 2013, but we are getting rid of these by revising the collection to suit the spaces and the target groups, and by improving store planning.

What are your priorities for advertising? Matthias Wunderlin Our underlying task is to increase the efficiency of our different marketing activities, so one thing we’ve done is build up the controlling system for these activities. I believe it’s very important to check regularly how effective all our different marketing measures are. Furthermore, our advertising needs to be more authentic again and closer to our customers.

Charles Vögele has suffered in Switzerland from a sustained run of negative headlines about the Company. Furthermore, our advertising has to be more authentic and closer to our customers. If we succeed in strengthening our target clientele’s trust in Charles Vögele, we will take a large step on our way to a successful turnaround.


COMPETENCE AND SYMPATHY – THESE ARE IMPORTANT TO ME

COMPETENT

SERVICE

"Competence is a skill, and it's one we train for every day at Charles Vögele. My goal is to advise our customers competently and friendly and to enthuse them about our service and our fashions."

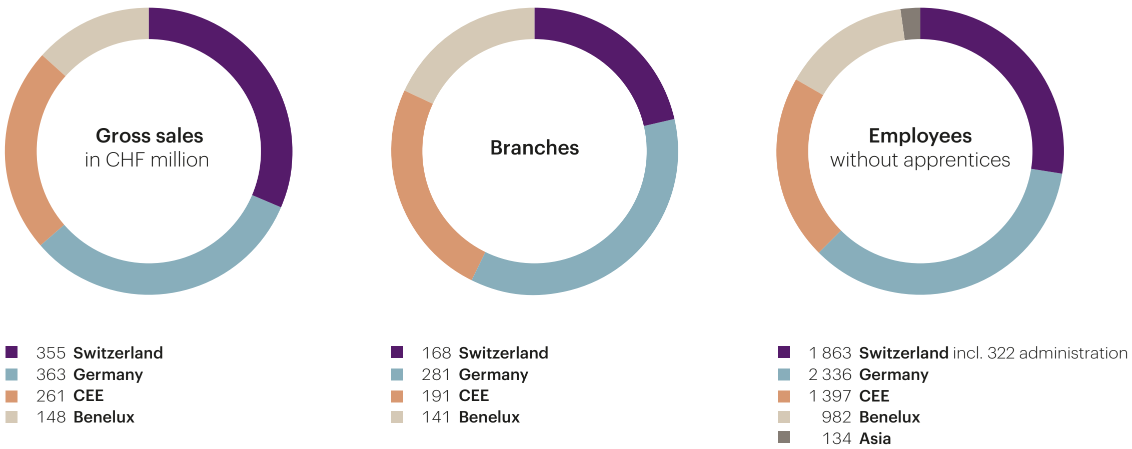
Ramadan Alia, Manager Men Department, Pfäffikon/SZ

CHARLES VÖGELE

OVERVIEW OF REGIONS

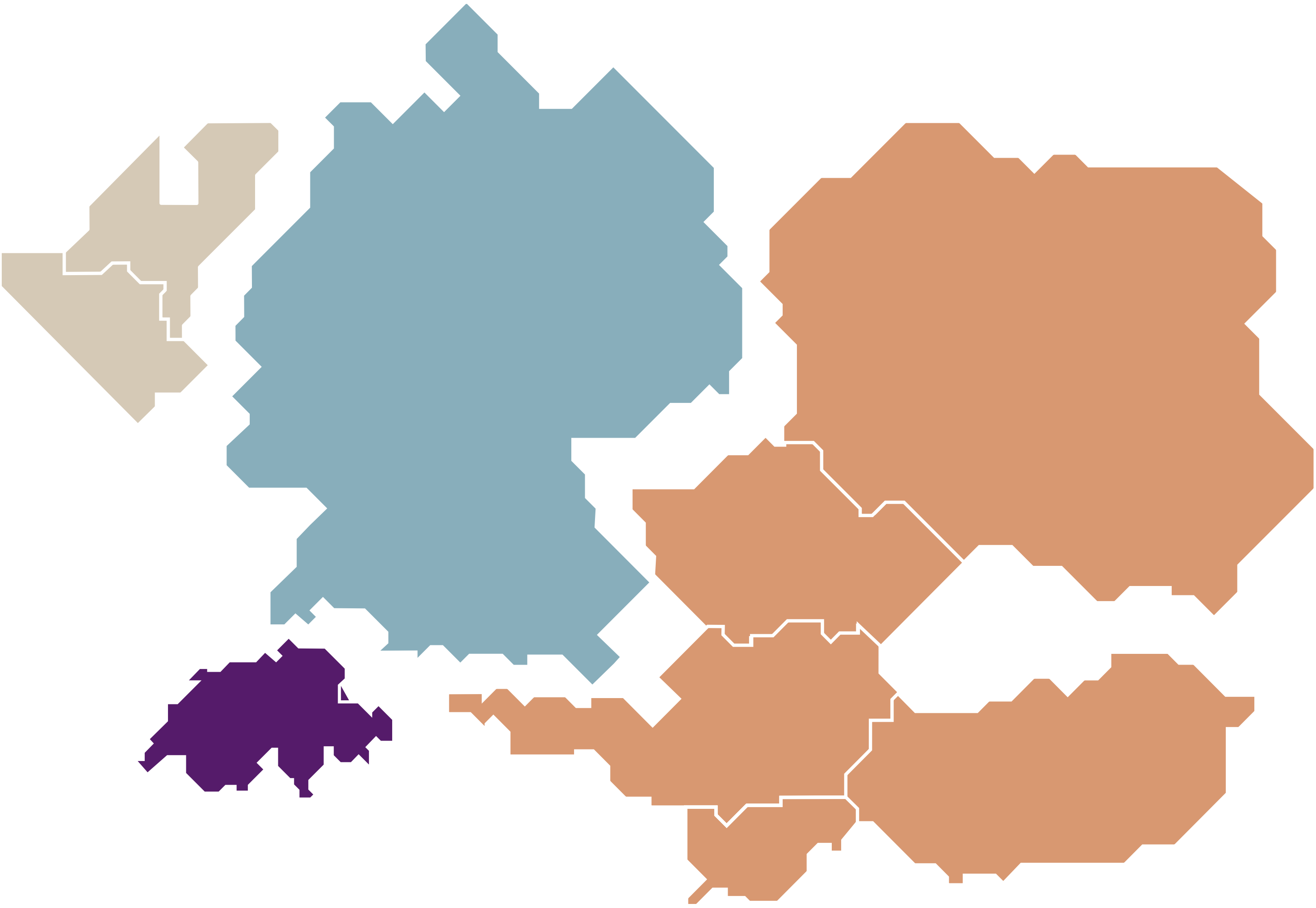
Charles Vögele is the leading Swiss fashion retailer, offering highest quality in the mid-price sector. The Company is known for its up-to-date, reliable range and friendly service.

Charles Vögele Group



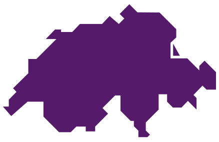
The regions in which Charles Vögele sells its clothes were once again faced with a challenging market environment in 2013. Important textile markets like Switzerland, Germany and the Netherlands shrank. Subdued consumer sentiment and concerns prompted by rising unemployment in various European countries were the main influences, resulting in intense competition among providers and rising pressure on prices.

In 2013 Charles Vögele and its approximately 6700 employees generated gross sales of CHF 1.13 billion. In Switzerland and Germany Charles Vögele saw sales fall. Austria and Hungary achieved a turnaround. The Netherlands and Belgium were able to continue their upward trend.



As at 31 December 2013, the Group had 781 retail outlets in four regions spanning ten countries, though Charles Vögele is withdrawing from the Polish and Czech markets in mid-2014.

SWITZERLAND	GERMANY	CEE	BENELUX
– Switzerland	– Germany	– Austria	– Netherlands
– Liechtenstein		– Slovenia	– Belgium
		– Hungary	
		– Poland	
		– Czechoslovakia	



SWITZERLAND REGION

Confidence in Charles Vögele is growing in its home market of Switzerland. Heavily fluctuating demand, continuing intense competition and the price erosion this brings are holding back sales.

The Swiss clothing market shrank for the third year in a row in 2013, with sales falling by another −2%. After a long winter, business was weak in the spring. This made competition even tougher and increased pressure on prices. As the whole industry was hit by a series of setbacks, companies had to try to compensate for sales losses and streamline their inventories.

Business performance

Charles Vögele's gross sales in Switzerland fell by −5% in 2013, or by −4.8% after adjusting for changes in floorspace. Despite the lower sales and intense price competition, Charles Vögele increased its return on sales. Customers responded well to the new collections and to the improved presentation of the range. The general feeling about Charles Vögele in its home market picked up noticeably in the second half of the year.

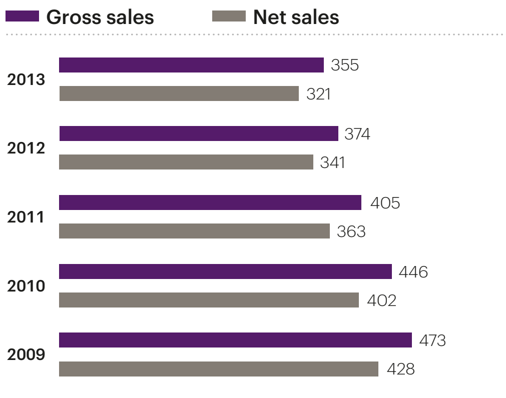
Number of stores

The number of stores remained stable in comparison with 2012 with 168 in total at year-end, compared with 170 a year before. Ongoing optimization of the branch network continued. By the end of 2013, 62 outlets were fitted out in the new store design (previous year 56).

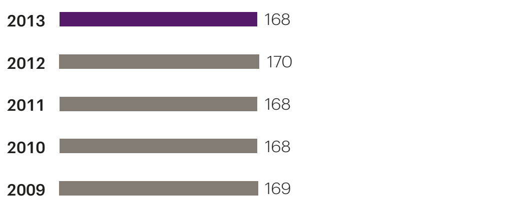
Employees

In 2013, Charles Vögele employed 1541 people in the Switzerland sales organization (previous year 1496). Converted into full-time equivalents (FTE) the number of employees fell from 981 to 963 in 2013. Furthermore Charles Vögele launched a training programme for all sales staff in the autumn with the aim of strengthening customer focus and service. In 2013, 107 apprentices were in training at Charles Vögele.

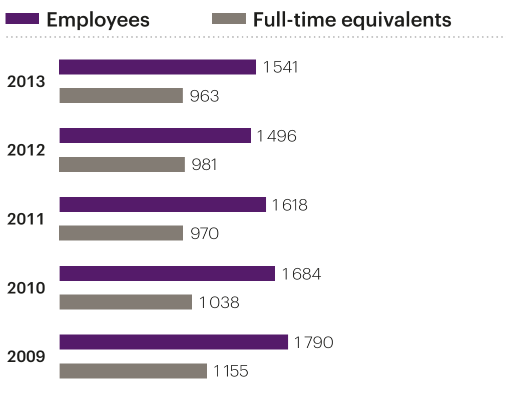
Gross sales and net sales
in CHF million



Branches



Employees and full-time equivalents
without apprentices



GERMANY REGION

The warm summer compensated for extremely variable weather in the first half of the year. A mild, disappointing December hurt business in the fourth quarter and made people less willing to shop.

The economic situation in Germany was stable in 2013. Inflation-adjusted GDP rose by 0.4%. With investment falling, consumption was the main growth factor. Private consumer spending rose by an inflation-adjusted 0.9%, and public sector consumption by 1.1%. The clothing industry saw annual sales shrink by −2% in 2013 despite healthy consumer sentiment.

Business performance

Charles Vögele's gross sales suffered as a result of the volatile weather in the first half of the year. In July and September, sales easily outperformed the market and compensated for the previous negative trend. Finally, a weak fourth quarter, and especially the mild December, knocked Charles Vögele back again, leading to a −2.3% fall in sales for the year as a whole, or −2.7% after adjusting for exchange rates and changes in floorspace.

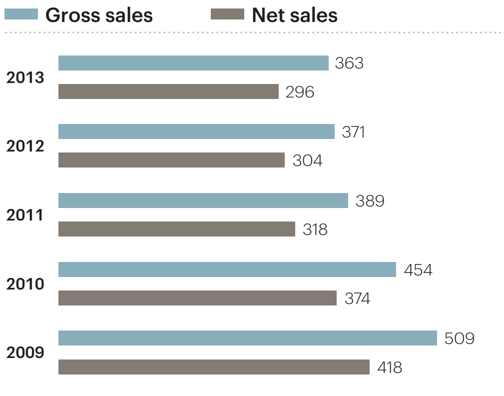
Number of stores

The number of stores fell year-on-year from 291, plus two temporary stores, to 281 by the end of 2013. Three new stores were opened, and 15 were closed. Charles Vögele renovated twelve stores during the year.

Employees

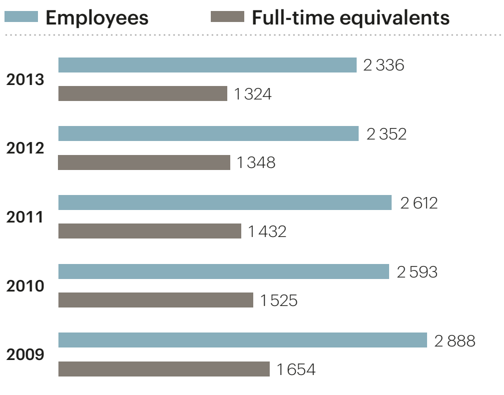
The number of employees fell from 2352 to 2336 in the wake of optimizing the branch portfolio. Meanwhile the number of trainees fell from 281 to 249. In 2013, 61 apprentices successfully completed their training and were offered permanent employment. Converted into full-time equivalents (FTE) the number of employees fell from 1348 to 1324.

Gross sales and net sales
in CHF million



Branches

Employees and full-time equivalents
without apprentices



CENTRAL & EASTERN EUROPE REGION (CEE)

Austria and Hungary easily outperformed the market average. Slovenia was stable. Withdrawal from the Polish and Czech markets is proceeding as planned.

Economic conditions were challenging in Austria, Slovenia and Hungary, and consumer sentiment was subdued. While GDP declined in Slovenia, it improved slightly year-on-year in Austria and Hungary.

Business performance

Gross sales in the CEE Region went up 0.5% compared with 2012. After adjusting for exchange rates and floorspace, the rise was 1.3%. In Austria in 2013 Charles Vögele achieved gross sales growth of 0.9% after adjustments, thus outperforming the market as a whole. In Hungary, Charles Vögele beat the market by 6.2% after adjusting for changes in exchange rates and floorspace. Following the decision made in spring 2013 to withdraw from Poland and the Czech Republic, negotiations were started with landlords at each store to terminate contracts as quickly and amicably as possible. Withdrawal will be fully completed by the middle of 2014 (withdrawal from Czech Republic completed by February 2014).

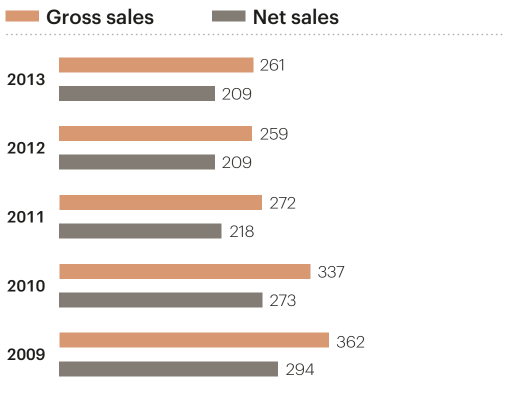
Number of stores

Charles Vögele streamlined its branch portfolio in Austria. There were five closures and one opening. In Slovenia one new store was opened in Celje. In Hungary the number of stores fell by two. The withdrawal from Poland and Czech Republic affects 22 stores. The CEE Region now has 191 stores altogether.

Employees

In 2013, Charles Vögele employed an average of 1055 employees in the CEE Region (FTE, previous year 1095). The reduction is largely due to the withdrawal from Poland and the Czech Republic. 32 trainees were employed in Austria.

Gross sales and net sales
in CHF million



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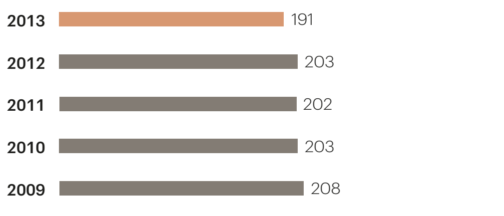
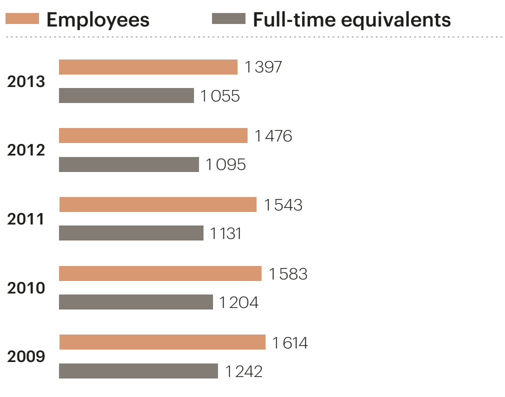


Employees and full-time equivalents
without apprentices



BENELUX REGION

Sales after currency adjustment went up in the Netherlands and Belgium Region despite the difficult market conditions. The region thus grew for the third consecutive year.

In the Netherlands, the clothing sector as a whole came under great pressure and saw volume shrink by –4%. Consumer activity was held back by uncertainty surrounding new government taxes and the continuing rise in unemployment. The market was more favourable in Belgium, with slight growth of 0.9%.

Business performance

The Benelux Region saw gross sales go up 3.1% year-on-year in 2013. After adjusting for currency movements the market grew by 0.9%, or 3.6% after adjusting for currency and changes in floorspace. This success was based on a clear market focus and the intensive training of sales staff.

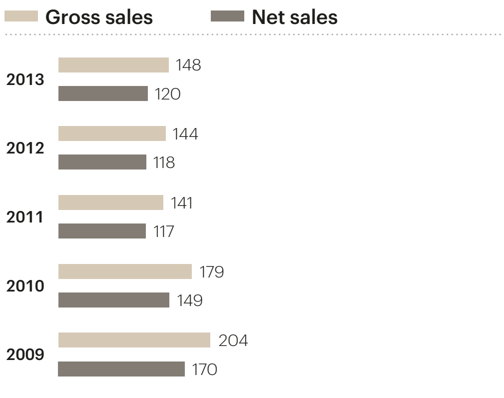
Number of stores

In 2013 Charles Vögele continued to optimize its branch network in the Benelux Region. Seven stores were closed in total, four in the Netherlands and three in Belgium. As at year-end, there were 141 stores (prior year 148).

Employees

Charles Vögele employed 982 employees in the Benelux Region (previous year 884), on an FTE basis the figure was an average of 635 (prior year 633). Headcount went up because vacancies were filled during the period under review and because of the formation of a local merchandise management team.

Gross sales and net sales
in CHF million



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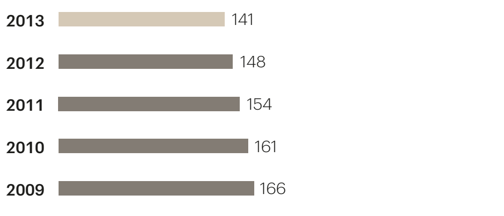
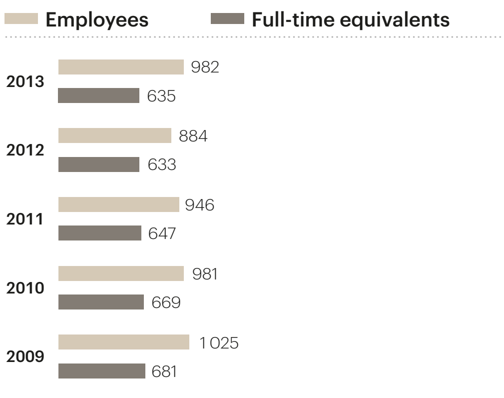


Employees and full-time equivalents
without apprentices



ATTENTIVE

ADVICE

"If you listen attentively, you can give better advice. I devote my full attention to the person I'm talking to – so the customers feel they are being understood and taken seriously."

Nathalie Piot, Apprentice Retailer, Rickenbach


LISTENING,
UNDERSTANDING,
ADVISING,

CORPORATE SOCIAL RESPONSIBILITY

ECONOMY, ENVIRONMENT AND COMMUNITY

1 CUSTOMER AND PRODUCT

- Customer satisfaction
- Quality and product assurance

ACHIEVEMENTS IN 2013

- Further improvement in product integrity thanks to streamlining of organizational structure
- Appointment of TÜV SÜD as worldwide test lab

AIMS FOR 2014

- Continue improvement of processes to strengthen product integrity

2 SUPPLIER MANAGEMENT

- Environmental and social standards
- BSCI guidelines
- Training/education
- Selecting new suppliers

ACHIEVEMENTS IN 2013

- More suppliers checked by BSCI auditors
- Constant improvement in audit results
- Member of the Accord on Fire and Building Safety
- Reduced number of suppliers

AIMS FOR 2014

- Expand portfolio of suppliers that are BSCI certified
- Optimize processes for removing irregularities
- Efficient support for implementation and maintenance of BSCI standards
- Further streamlining of supplier portfolio
- Develop strategic sourcing including European Sourcing Office

3 OUR EMPLOYEES

- Employer branding
- Management development
- Employee development
- Salary and job-grading system

ACHIEVEMENTS IN 2013

- New management organization including appointments to Executive Board
- Management strengthened through targeted training
- New management talent programmes carried out in all countries
- Customer service training for all sales staff, CH and NL

AIMS FOR 2014

- Group-wide employee survey
- Strengthen image on labour market
- Strengthen leadership by defining management competences and developing managers through training and internal development programmes
- Roll out customer service training to other countries
- Introduce job grading and salary bands, develop compensation models

Charles Vögele's approach to corporate responsibility

Taking into account the needs of our key stakeholder groups, we have defined five topics that impact directly on Charles Vögele's sustainable business success. The following report is structured in line with these topics:

4 SOCIAL COMMITMENT

- Supporting project run by the Zuversicht für Kinder Foundation (Formerly the AWD-Stiftung Kinderhilfe Schweiz)

ACHIEVEMENTS IN 2013

- Helped build a second medical centre in Kirgizstan to treat children with cleft lips/jaws/palates

AIMS FOR 2014

- As part of its commitment, Charles Vögele is supporting a project in Kirgizstan to improve the quality of life of children born with cleft lips, jaws and palates

5 ENVIRONMENT AND CLIMATE PROTECTION

- Environmental principles and sustainable operations
- Reduced energy consumption and emissions
- Increased energy efficiency

ACHIEVEMENTS IN 2013

- Group-wide CO_2 savings of 15 241 tonnes through greater use of renewable energy sources
- Retrofitted energy-efficient lighting at further existing stores
- Electricity savings of >10 % in some countries thanks to package of specific energy-efficient measures

AIMS FOR 2014

- Modernize lighting system
- Increase efficiency of transport
- Further expand energy monitoring
- Intelligent controls to reduce energy consumed by lighting, air conditioning, heating, cooling

Final control clothing items

Each item is checked for:

- Material defects
- Faulty workmanship
- Accurate measurements
- Colour consistency
- Defects from washing or finishing
- Correct sizing
- Correct labelling
- Harmful substances, including:
  - Formaldehyde
  - Heavy metals: CD (cadmium), CR VI (chrome VI) und Ni (Nickel)
  - Pesticides (in cotton)
  - Phenols (chlorinated): PCP (pentachlorphenol), TeCP (2,3,5,6 tetrachlorphenol) and Dimethylfumarate (DMF)
  - PVC plasticizers (phthalated): DINP and DNOP, DEHP, DIDP, BBP and DBP
  - Dyes: cleavable arylamines, allergenic dyes, chlororganic carriers

1 Customers and products

Health and safety are top priorities for Charles Vögele. The Company is doing all it can to ensure that the dyes, additives, fibres and stitching it uses in products cannot cause skin irritation or other undesirable health issues. Charles Vögele requires all suppliers to follow strict guidelines with regard to their manufacturing methods, the additives they use and their compliance with local environmental protection rules. Charles Vögele also avoids using sand-blasting techniques on its denim products and does not sell items containing animal fur. No feathers or down derived from live plucking are used.

Charles Vögele adheres strictly to EU norms for children's clothes as well as for men's and ladies' fashions. All items go through inline and final inspections in the country of manufacture, as well as strict incoming goods inspection when they reach Germany, Austria or Switzerland.

All manufactured items of clothing have to be subjected to an intensive 100% final control process by the supplier (see listing left).

In order to ensure quality standards are maintained across the Group, Charles Vögele has appointed the TÜV SÜD as its worldwide test laboratory. Charles Vögele also regularly carries out additional spot tests and has random items analyzed by independent European laboratories to ensure that all regulations are adhered to and that products are always safe for customers.

2 Supplier management

Charles Vögele Group sources all of its clothes from external suppliers. Most items are commissioned directly from manufacturers in Asia and Europe, and then sold under Charles Vögele's own brand. This presents the Company with particular challenges. Charles Vögele works hard to ensure that every product, no matter where it is produced, meets high standards with regard to quality, ethics and environmental impact. It gives particular priority to compliance with social and ethical principles in its work with suppliers.

Producer countries

Goods are manufactured within the parameters of Charles Vögele's vertically organized global procurement strategy. While collection design, purchasing and logistics are all centralized at our head office in Pfäffikon (Switzerland), our complex procurement structures extend all over the world. Around 90% of goods come from Asian countries. Consequently we have set up our own procurement offices in Hong Kong, China, Bangladesh and India. These offices function as local interfaces with Asian producers, and their responsibilities include creating transparency about our suppliers and their production structures, as well as improving procurement processes.

Member of BSCI

In 2004 Charles Vögele became one of the founding members of the Business Social Compliance Initiative (BSCI) as a mark of its greater commitment to improving compliance with social and environmental guidelines (e.g. on freedom of assembly, non-discrimination, wages, working hours) in the global supply chain. The standard BSCI Code of Conduct is now a fixed component of all Charles Vögele supplier contracts. This Code is based on numerous agreements, including the conventions of the International Labour Organization (ILO), the UN Global Compact and OECD guidelines.

BSCI-process and Charles Vögele
As a member of the BSCI, Charles Vögele is committed to implementing the BSCI system, regularly arranging audits of its own suppliers, and encouraging improvements in their performance. For all of Charles Vögele Group's suppliers, the BSCI Code of Conduct and compliance with BSCI standards are prerequisites for a working relationship.

Before the audit process and self-certification begin, the suppliers and in particular the employees at production facilities are supported with specific training, which the BSCI regularly carries out on site in local languages. In addition, Charles Vögele staff at our local procurement offices are asked to give suppliers help and advice to support their efforts to implement the standards. All our suppliers are audited according to BSCI standards by independent SAI-certified companies.

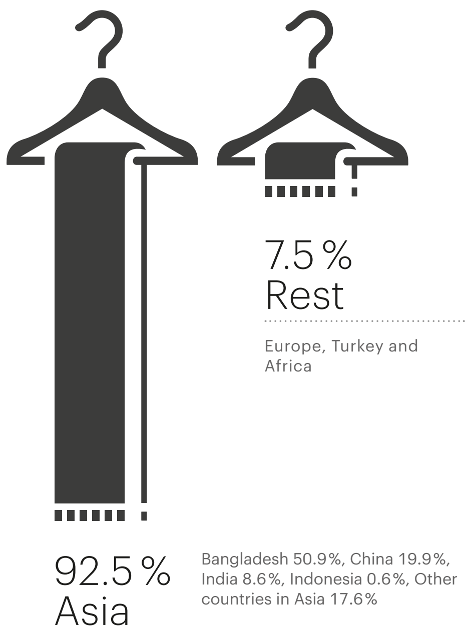
To help suppliers implement the BSCI Code of Conduct, Charles Vögele pays the costs of the initial audit. If suppliers fail to meet BSCI standards in the first audit, the auditors work with the suppliers to define corrective measures. Charles Vögele also helps suppliers as much as possible with implementing the "Corrective Action Plan" (CAP). Suppliers are then re-audited within a year at most. Charles Vögele's long-term aim is to ensure that all suppliers comply with the BSCI Code. Charles Vögele sees the achievement of qualitative, social and environmental standards as a steady learning process.

Environmental criteria in the supplier selection process
The production of clothing by our suppliers has a substantial environmental impact, which is why Charles Vögele tries to promote careful use of environmental resources by its suppliers.

Accord on Fire and Building Safety
Charles Vögele supports the Accord on Fire and Building Safety in Bangladesh and formally signed up to it on 17 May 2013. The Accord was developed in collaboration with the international trade union bodies IndustriAll Global Union and UNI Global Union, and other NGOs. It encompasses independent safety inspections as well as professional and financial support to help suppliers maintain standards.

More than 100 companies have joined Charles Vögele in signing the Accord, thus committing themselves to lasting improvements in safety at production facilities in Bangladesh. The first priority for signatories is to remove serious hazards for employees at the factories covered by the Accord as quickly as possible, and thus to secure a rapid improvement in health and safety at work. Initial inspections will be carried out in all factories by autumn 2014 at the latest, after which any repairs and improvements will be made. The focus is always on problems that carry serious direct risks for employees, especially inadequate emergency equip-

Goods manufacture 2013



Value-added statement

CHF 1 000	2013	2012 [1]
Net sales	946 518	971 833
Other operating income	6 248	6 928
Financial income	306	407
Group services	**953 072**	**979 168**
Purchased materials and services	**(680 964)**	**(742 817)**
Gross value added	**272 108**	**236 351**
Depreciation and impairment	(49 638)	(82 443)
Net value added	**222 470**	**153 908**
Distribution of net value added		
Employees	244 091	254 349
Government	6 459	995
Lenders	6 691	9 196
Shareholders (based on proposed appropriation of earnings by the Board of Directors)	–	–
Company	(34 771)	(110 632)
Total	**222 470**	**153 908**

[1] Restatement of prior year figures regarding IAS 19 revised, see note 2.3.

ment and procedures (e.g. emergency exits and escape routes, fire training and evacuation), and basic flows that could lead to a partial or complete collapse of the building.

As a globally active company, Charles Vögele feels a responsibility, along with its suppliers, for working conditions along the whole value chain. By signing the Accord, the Company is extending the reach of its responsible actions. Charles Vögele believes that implementation and enforcement of the action plan presented on 8 July 2013 marks an important, fundamental step towards greater safety for workers throughout the industry. It will lead to rapid, specific and, most importantly, lasting improvements for people in Bangladesh.

Further information about the programme can be found on the official website: www.bangladeshaccord.org.

3 Our employees

Our employees' know-how and commitment are central to Charles Vögele's success.

Employee structure

At end-2013 the Charles Vögele Group had a total of 6712 employees, equivalent to 4417 full-time employees. Charles Vögele has a widespread and diverse workforce. Germany and Switzerland are the biggest sales organizations, accounting for around a third each of total headcount. The remainder are split between the CEE and Benelux regions. Charles Vögele is committed to providing initial training and in 2013 employed 390 apprentices. Our employees come from almost 50 different nations, and their average age is 41. The vast majority of employees (90%) are women, most of whom work in sales, where 80% of management posts are occupied by women.

Organizational structure

Beatrice Grünwald and Matthias Wunderlin started their jobs as Chief Purchasing Officer and Chief Sales Officer respectively on 11 November 2013. This means that Charles Vögele once again has a full Group Management team that can push ahead with the strategy of returning Charles Vögele Group to profitable growth.

The organizational structure was changed in 2013 in order to reduce complexity within the company. The second tier of management was streamlined and now consists of eleven people. In Procurement, the matrix organization was abolished, while Product Management and Sourcing were merged. This has increased flexibility and improved customer focus when purchasing goods. Merchandise Management has been partially decentralized to give the Country Merchandise Management departments more responsibility.

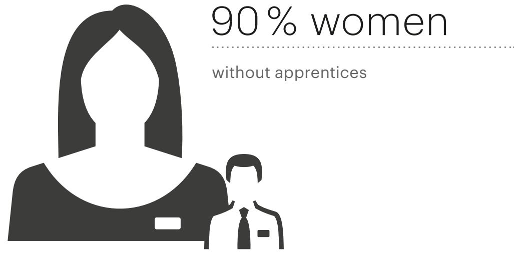
Management development and promoting young talent
For Charles Vögele, bringing on new talent and nurturing management potential are central to its success. This is why the Company has initiated targeted training and team development programmes to strengthen management skills at functional levels 3 and 4. These were carried out successfully in all country organizations in 2013.

Employee development
Charles Vögele has developed a comprehensive customer service training programme for its sales staff with the aim of strengthening customer-focus and advisory skills in its stores. This training was successfully completed in Switzerland in 2013, and will be rolled out to other country organizations between 2014 and 2015.

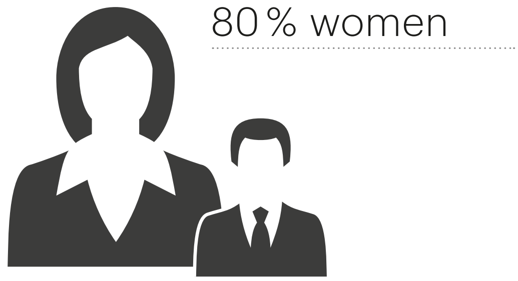
Employer branding
Our employees' know-how and commitment are crucial to Charles Vögele's sustainable development. An "employer branding" project was launched in collaboration with the University of St. Gallen in order to increase Charles Vögele's appeal as an employer.

Another employee survey has been planned for 2014. This will evaluate the internal potential for improvement and assess how motivated employees are. At the same time, the Company is introducing a new salary system to ensure internal wage fairness and external wage competitiveness. This will involve job gradings and salary bands. Ancillary benefits will also be reviewed and optimized to make jobs as attractive as possible.

Employees Charles Vögele



Management posts in sales



4 Social commitment
Charles Vögele started supporting the Zuversicht für Kinder (formerly the AWD-Stiftung Kinderhilfe Schweiz) Foundation at the beginning of 2013. The foundation has been helping children in need in Switzerland and abroad since 1997. Its principle aims are to save lives, relieve sickness and improve children's quality of life. The main project is located in Kirgizstan, where the foundation has launched its own major medical programme, building a treatment centre for children born with cleft lips, jaws and palates. Using the financial resources provided by Charles Vögele, the Zuversicht für Kinder Foundation plans to build a second medical centre in the south of the country. Swiss fashion model Sarina Arnold, who frequently works for Charles Vögele, is an ambassador for the foundation.

5 Environment

Charles Vögele Group is not a resource-intensive company. Nevertheless, it regards global climate change as a clear result of the current overexploitation of resources, which is why it has launched various measures to promote environmentally sound products and climate awareness in its operational activities. On environmental and climate matters, Charles Vögele adheres to the following principles:

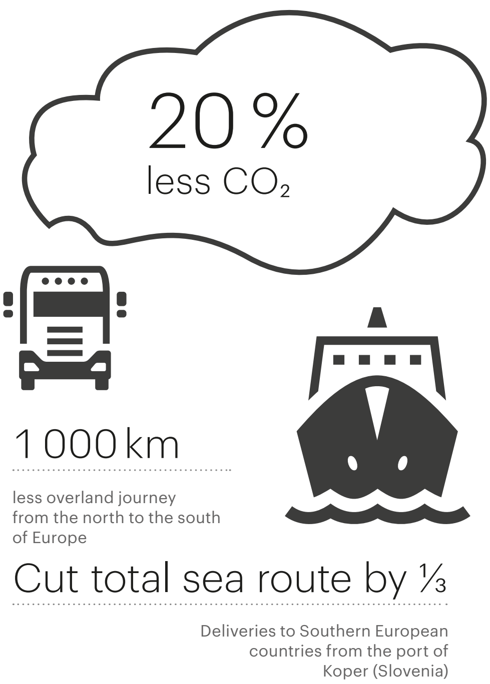
Climate-friendly operations

- Increased use of renewable energy sources
- Expansion of energy monitoring
- Environmentally aware approach to transportation of goods

Environmentally friendly products

- Reusable transportation materials and transit packaging
- Waste recycling
- Environmental criteria used in the supplier selection process

Environment-friendly transportation



Climate-aware operations

Charles Vögele is committed to climate-friendly operations, with the aim of reducing CO_2 emissions. Because the great majority of its stores are housed in rented premises, the Company has limited opportunities to influence environmental aspects when these buildings are being constructed. However, Charles Vögele does the following things to help make the operation of its business more climate-friendly:

- Increasingly converting to renewable electricity sources
  In 2013, 15 241 tonnes of CO_2 emissions were saved thanks to use of hydroelectricity

- Reducing energy consumption though energy-efficient measures
  Charles Vögele retrofitted energy-efficient lighting at more of its existing stores in 2013

- Targeted launch of energy efficiency measures
  Package of measures produced electricity savings of >10 % in certain countries.

Greener transportation

Our goods are nearly always transported to Europe by boat, which is the most environmentally friendly form of transportation. External logistics partners ship the containers from various ports in South East Asia directly via the two entry ports – Hamburg (Germany) and Koper (Slovenia) – to one of the two distribution centres in Peine (Germany) and Werndorf (Austria). From there, the goods are distributed to individual stores by rail or road. Stores generally receive deliveries at least twice a week. Deliveries to Austria, Slovenia and Hungary were reconfigured in mid-2011. Since then these stores have received goods directly from the port of Koper, which cuts the total sea route by a third. This also means that the overland journey of approximately 1000 kilometres from the north (Hamburg) to the south of Europe is no longer necessary. The amended delivery strategy has led to CO_2 savings of around 20 %. Rail transport is used for local distribution of goods wherever this is possible and sensible. In large countries where long journeys are required, the use of lorries is further optimized by using the largest possible lorries to serve a greater number of stores within a local hub. Charles Vögele is taking part in a test with Gigaliner lorries in Germany, which reduce the number of journeys required by a third. Local distribution then begins when these large lorries reach their destination. In 2014 Charles Vögele will be taking part in a project in Berlin to test the use of electric lorries for this local distribution. These tests are being staged in collaboration with logistics company Meyer&Meyer. In general, transport service providers are required to use vehicles with the lowest possible emissions (Euro 5).

Climate-friendly products

Recycling

Charles Vögele manages its clothes hangers in a cycle. Once clothes are sold, the hangers are returned to the distribution centres for use with new items. If any hangers are damaged, they are removed from the cycle and granulated. The granules are used to make new hangers. The stores return paper, card and plastic wrappings to the logistics centres, where they are disposed of professionally. For goods that are displayed folded in piles, delivery is gradually being switched to plastic containers, which is significantly reducing the need for cardboard. The cardboard boxes that are used are put through at least six cycles.

Any cardboard boxes received as part of the procurement process are flattened and sent for recycling.

Public awareness and dialogue

Charles Vögele is a member of "Agence de l'énergie pour l'économie", which commits the Company to active reduction of CO_2 emissions and optimized energy efficiency. Through clever use of modern lighting concepts, Charles Vögele has managed to reduce its electricity consumption over the years, even though its stores' opening hours have generally lengthened.


HEARTILY
ADVICE

FRIENDLY

COMMITMENT

"I put my heart and soul into my job as an advisor, and I want to give meaningful, sensitive advice. When I give advice I am respectful to the customers and greet them with an open smile – that's usually enough to break the ice. I want the customer to feel my sincerity, warmth and commitment and to feel at ease."

Guadalupe Wenger, Customer Adviser in Zurich

CORPORATE GOVERNANCE

CLEAR, BINDING AND TRANSPARENT

Good corporate governance is an important component of our Company policy. Charles Vögele Group is committed to transparency and a clear definition of responsibilities. It follows the Swiss Code of Best Practice for Corporate Governance, fulfilling all the statutory requirements as well as the applicable rules and standards of the SIX Swiss Exchange.

1 Group structure and shareholders

1.1 Group structure As at 31 December 2013

HOLDING

Charles Vögele Holding AG
Freienbach SZ, CH, share capital, CHF 26 400 000

SALES ORGANIZATION

Charles Vögele Mode AG
Freienbach SZ, CH
Share capital, CHF 20 000 000

Charles Vögele Deutschland GmbH
Sigmaringen, DE
Partnership capital, EUR 15 340 000

Charles Vögele (Austria) GmbH
Kalsdorf, AT
Partnership capital, EUR 1 453 457

Charles Voegele trgovina s tekstilom d.o.o.
Ljubljana, SI
Partnership capital, EUR 667 668

Charles Vögele (Belgium) N.V.
Erembodegem (Aalst), BE
Share capital, EUR 10 063 906

Charles Vögele (Netherlands) B.V.
Utrecht, NL
Partnership capital, EUR 1 000 200

Charles Voegele Polska Sp. z o.o.
Warschau, PL
Partnership capital, PLN 4 000 000

Charles Vögele Hungária Kereskedelmi Kft.
Budapest, HU
Partnership capital, HUF 240 000 000

Charles Voegele Ceská s.r.o.
Prag, CZ
Partnership capital, CZK 151 000 000

SERVICE ORGANIZATION

Charles Vögele Trading AG
Freienbach SZ, CH
Share capital, CHF 10 000 000

Cosmos Mode AG, Pfäffikon
Freienbach SZ, CH
Share capital, CHF 100 000

Charles Vögele Import GmbH
Lehrte, DE
Partnership capital, EUR 25 000

Charles Voegele Fashion (HK) Ltd.
Hong Kong, HK
Share capital, HKD 100 000

Charles Vögele Holding AG is the holding company for all of the Group's companies.
Charles Vögele Trading AG is responsible for all Group-wide services, including purchasing, IT, marketing and communications, accounts, financial control, insurance, legal services, compliance and risk management.
Comos Mode AG, Pfäffikon, is the owner of all the Group's brands and domain names.
Charles Vögele Import GmbH handles operational functions associated with customs clearance.
Charles Vögele Fashion (HK) Ltd. is Charles Vögele Group's sourcing office in China. It coordinates the activities of the Group's own sourcing offices in China, India and Bangladesh.

1.2 Significant shareholders
Charles Vögele provides information about significant shareholders where disclosures are made during the year under review pursuant to art. 20 of the Federal Act on Stock Exchanges and Securities Trading. The duty to disclose shareholdings arises when people, entities or groups reach, exceed or fall below the thresholds of 3, 5, 10, 15, 20, 25, 33⅓, 50 or 66⅔ percent of voting rights in Charles Vögele Holding AG. For disclosures made in 2012 see note 9 of the Financial Report.

There are no shareholder agreements.

1.3 Cross shareholdings
There are no cross shareholdings between Charles Vögele Holding AG and other joint stock corporations.

2 Capital structure

2.1 Share capital
As at 31 December 2012, the share capital of Charles Vögele Holding AG amounted to CHF 26 400 000 and was made up of 8 800 000 fully paid-up bearer shares (securities number: 693 777/ISIN code: CH000 693 777) with a par value of CHF 3.00 each.

As at 31 December 2013, Charles Vögele Holding AG held 363 655 of its own shares (31 December 2012: 390 502), which are earmarked to meet the obligations of the existing management share option plan. For detailed information on purchases and sales of shares and on the relevant opening and closing totals see note 8 of the Financial Report.

2.2 Conditional capital
The Board of Directors is authorized to increase the Company's share capital by a maximum of CHF 792 000, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 3.00 each (conditional capital, art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in the management share option plan (see note 35.1 of the Financial Report). The complete latest edition of Charles Vögele Holding AG's Articles of Association can be viewed on the Company's website at www.charles-voegele.com at any time.

2.3 Changes in capital
See balance sheet and note 7 of notes to the financial statements of the Charles Vögele Holding AG.

2.4 Shares and participation certificates
As of 31 December 2013, the share capital of Charles Vögele Holding AG amounted to 8 800 000 fully paid-up bearer shares with a par value of CHF 3.00 each. There are no restrictions on the transfer of shares. As stipulated in art. 659a of the Swiss Code of Obligations, every share entitles the holder to receive dividends and to vote at the Annual Shareholders' Meeting. There are no participation certificates.

2.5 Dividend-right certificates
There are no dividend-right certificates.

2.6 Restrictions on transferability and nominee registrations
There are no restrictions on transferability or nominee registrations.

2.7 Convertible bonds and options
There are no convertible bonds. The only options are those associated with the management share option plan (see note 35.1 of the Financial Report).

3 Board of Directors

3.1 Members of the Board of Directors

Hans Ziegler, 1952, Swiss
Chairman since 13 September 2011,
Term of office 2008 – 2014, first elected 2008

Business economist. Since 1997 independent management consultant with international mandates in crisis management, restructurings and repositionings. Delegate of the Board of Directors and CEO of Swisslog Holding AG from January to October 2013. From August 2009 to May 2010 Delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG. 2000 to 2005 CFO of the Pragmatica Group. In 2003 CEO of the Erb Group. 1991 to 1995 Head of group finance, IT and group development at the Globus Group, and 1988 to 1991 CFO and CIO at the Usego-Waro Group.

Max E. Katz, 1955, Swiss
Vice Chairman since 4 April 2012
Term of office 2012 – 2014, first elected in 2012

Degree in Business Administration. Max E. Katz worked most recently as Chief Financial Officer and Member of Group Management at Kuoni Travel Holding Ltd. in Zurich from 1995 until the end of 2010. In 2008 he also served as CEO on an interim basis. He graduated from the University of Applied Sciences in Zurich and started his career as a financial expert in 1981, working as Regional Controller for Jacobs Suchard AG in Zurich. From 1987 to 1991 he was Director of Finance & IT and a Member of the Executive Board of Mars Inc. (Effems AG) in Zug. From 1991 to 1995 he was Director of Finance & IT and a Member of the Executive Board of Hürlimann Holding AG in Zurich.

Dr Ulla Ertelt, 1954, German
Term of office 2012 – 2014, first elected 2012

Economics graduate. Since 1994, sole Managing Director of HML Modemarketing, a market research company in Germany that regularly collects data on the German fashion and lifestyle market. Dr Ulla Ertelt studied economics at the Ludwig Maximilian University in Munich, the Justus-Liebig University in Giessen and the Sorbonne in Paris. She also completed her training as a fashion designer in Paris, working with Karl Lagerfeld at Chloé as part of the course. She has chaired the Deutsches Mode Institut (German Institute of Fashion) since 2005. She has acted as consultant to clients in all sectors of the lifestyle, textiles and clothing industry and along the whole clothing supply chain.

Prof. Dr Matthias Freise, 1965, German
Term of office 2012 – 2014, first elected in 2012

Industrial engineering graduate, doctorate in economics and social sciences (Dr. rer. pol.). Professor of Fashion Procurement and Retail Buying at Reutlingen University, Germany, since 2011. From April to September 2013, Prof. Dr Matthias Freise was interim CPO at Charles Vögele. Prof. Dr Matthias Freise was Vice President Group Sourcing at Charles Vögele from 2009 to 2011. Before that he worked from 1991 to 2009 in various roles at Hugo Boss. His final position at Hugo Boss was Director Operations Leisure Wear. In this role he was responsible for all operations connected to leisurewear products, from technical product development and procurement to production and delivery to customers. He was heavily involved in many strategic initiatives designed to take the Company forward.

Changes to the Board of Directors during the year under review

Dirk Lessing did not stand for re-election at the 2013 Annual Shareholders' Meeting. None of the members of the Board of Directors, except for Hans Ziegler (helping Group Management assess strategic options) and Prof. Dr Matthias Freise (supporting Group Management on procurement matters), worked in any executive functions within the Group during the year under review or in the previous three years. Neither are there any material business links between any Board member and Charles Vögele Holding AG or Group companies.

F.l.t.r. **Dr. Ulla Ertelt, Prof. Dr. Matthias Freise, Hans Ziegler (Chairman of the Board of Directors) and Max E. Katz**

3.2 Other activities and interests
Under the Corporate Governance Directive, the other activities and interests of the members of the Board of Directors only have to be listed if they are significant. The Company believes that the activities of the present members of the Board of Directors are basically only significant if they relate to work on management or supervisory bodies of listed Swiss or foreign companies, or unlisted and major Swiss or foreign retail companies or institutions. Otherwise, the members of the Board of Directors are not involved in any other substantial activities or interests.

Hans Ziegler
Chairman of the Board of Directors of Swisslog Holding AG since 2004, and Delegate of the Board of Directors and CEO from January to October 2013; since 2008 Member of the Board of Directors, and from August 2009 to May 2010 Delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG.

Max E. Katz
Member of the Board of Directors of VP Bank, Vaduz/Liechtenstein, from April 2012 to September 2013. Chairman of the Swiss Travel Agents Association, Zurich, since November 2012.

3.3 Elections and terms of office
The Board of Directors of Charles Vögele Holding AG comprised five members up to the 2013 AGM, and four members thereafter. The members are elected singly by the Annual Shareholders' Meeting for a term of office of one year, a "year in office" being defined as the period between two Annual Shareholders' Meetings. Re-election is permitted. If a member departs before the end of his or her term of office, his or her successor takes over for the remainder of the departing member's term of office. The Board of Directors designates a Chairman and a secretary, neither of whom has to be a member of the Board of Directors or a shareholder.

3.4 Internal organization
The Board of Directors meets as often as is required by the Company's activities, but at least four times a year. Seven scheduled meetings, one of which was a two-day meeting, and regular telephone conferences were held during 2013. All members of the Board attended all meetings with the exception of Dirk Lessing (April meeting) Dr Ulla Ertelt (August meeting/phoned in for part of the meeting). Depending on the agenda, the scheduled meetings lasted between three and nine hours. Members of Group Management and the Board secretary are always present at the Board meetings and telephone conferences; other employees or third parties are brought in as required.

Chairman of the Board of Directors
The Chairman of the Board of Directors is always appointed by the Board at the end of the Annual Shareholders' Meeting for a one-year term of office. He ensures that efficient processes are in place for preparing meetings, consulting, passing resolutions and implementing resolutions. He is also responsible for convening, conducting and documenting Board meetings, and sets the agenda and sequence of the meetings. The Chairman, working with the Company's other management bodies, ensures that the Board of Directors has all the information it requires to take decisions about all matters relating to the Company and to perform its role as the ultimate supervisory body. He monitors implementation of the Board's resolutions and is in regular contact with the CEO.

Vice-Chairman of the Board of Directors
The Vice Chairman of the Board of Directors is always appointed by the Board after the Annual Shareholders' Meeting for a one-year term of office. The Vice Chairman supports the Chairman of the Board of Directors and can be given specific responsibilities by the full Board.

Board of Directors' committees
The Board of Directors elects the Chairs of its standing committees from among its members. The members of the Board of Directors form the committees. Each committee Chair is responsible for preparing, documenting and conducting his committee meetings. He independently conducts work sessions as necessary, bringing in internal specialists or, with the Chairman's prior consent, external specialists. Committee Chairs have no independent decision-making powers and must report to the Board as a whole.

Audit Committee
Max E. Katz (Chair since April 2012)
Hans Ziegler (Chair April 2009 – April 2012, since then member)

The Audit Committee helps the Board of Directors supervise the accounting and financial reporting systems, and monitor compliance with the law by Charles Vögele Holding AG and by the Group Companies that it directly or indirectly controls. The committee supervises internal and external auditing procedures, and monitors adherence to statutory rules and regulations. The Audit Committee monitors the content and formal correctness of external communications on all financial matters and receives a quarterly report about current legal disputes. Working meetings of the Chair of the Audit Committee, the CFO and members of his staff as required and Internal Audit are held at regular intervals as well as in the form of bilateral discussions about specific topics (e. g. Internal Audit). The auditors, other members of Group Management and other department heads are invited by the Chair of the Audit Committee as required. Nine working meetings took place in 2013.

Nomination and Compensation Committee
Hans Ziegler (Chair since April 2012)
Dirk Lessing (member from April 2012 to May 2013)
Prof. Dr Matthias Freise (member since May 2013)

The Nomination and Compensation Committee reviews the performance of the CEO and the other members of Group Management. Together with the CEO it evaluates any new members of the most senior level of management and submits proposals accordingly to the Board of Directors. It also submits proposals to the Board of Directors about remuneration for Group Management and members of the Board of Directors. It formulates management share plans for the Board of Directors, Group Management and other managers, and is the Group Management's point of contact for all major human resources issues in the Charles Vögele Group. The CEO and the Head of Human Resources are asked to attend as required. No separate committee meetings were held in 2013. The subjects covered by the Nomination and Compensation Committee were discussed and decided on by the full Board.

3.5 Division of responsibilities between the Board of Directors and Group Management

The Board of Directors delegates the management and representation of the Company entirely to Group Management to the extent allowed by the law and the Articles of Association and excluding the tasks which art. 716a SCO reserves exclusively for the Board of Directors. Matters outside the normal course of business, and especially the following if they exceed the threshold sums (in brackets), must be submitted by Group Management to the Board of Directors for approval:

- changes in the Company's strategic direction, including changes to the Vögele Group's corporate identity;
- entry into or exit from major markets, areas of activity or locations;
- medium-term planning, annual budget, investment plan;
- founding, acquiring, encumbering, merging, selling, winding up and shutting down companies or parts of companies, and/or acquiring and selling stakes in companies (acquisition value > CHF 500 000);
- acquiring, mortgaging or selling land and similar property rights, as well as the associated compulsory transactions (outside budget: > CHF 1 million; within budget > CHF 2 million);
- acquisition of fixed assets and/or other capital expenditure (outside budget: > CHF 1 million; within budget > CHF 2 million);
- taking on, extending and amending long-term debt obligations (outside budget: > CHF 1 million a year; within budget > CHF 2 million a year);
- concluding, terminating or amending agreements with major shareholders (> 10 % shareholding), members of Group Management or the Board of Directors or their dependents, relatives or in-laws. Approval is also required for agreements with legal entities or other associations of individuals in which the above-mentioned people have shares or financial interests; selection, hiring, and dismissal of, as well as salary arrangements for and termination agreements with, employees (gross salary > CHF 500 000), and agreements with employees that deviate substantially from Vögele's Human Resources guidelines.
- taking on long-term credit facilities and loans (incl. mortgages) or issuing bonds (> CHF 10 million each);
- guarantees, letters of comfort, collateral, deeds of release and indemnities (> CHF 500 000 each) of any

type for other companies or other legal entities and private individuals (apart from Group companies);
- granting credit facilities and loans to parties outside the Group (>CHF 500 000 each);
- conducting court cases, concluding settlements or waiving Company claims (disputed amount >CHF 1 million).

3.6 Information from and control over Group Management

The Board of Directors receives a detailed monthly written report from Group Management that includes, among other items, the latest monthly figures, a financial statement up to the relevant month-end, plus further key figures relating to business activities. The Board of Directors also receives weekly sales figures for the individual sales organizations. The CEO informs the Chairman of the Board of Directors regularly in person about the current state of business and other key matters. At each Board meeting, Group Management informs the full Board of Directors about the current course of business. Group Management also makes available any additional information requested by the Board of Directors. This reporting is based on the budget approved by the Board of Directors, which is compared every month against the latest business performance. Investments are approved en masse as part of the budget process, though single investments of more than CHF 2 million must be approved by the Board of Directors on an individual basis before they are made definitively.

Group Internal Audit reports to the CFO in organizational terms, but has a direct functional link to the Audit Committee. Internal Audits reports are always discussed by the Chair of the Audit Committee and the Head of Internal Audit and then forwarded to the full Board of Directors for information and any decisions required. Group Management and the Internal Auditors periodically submit a report to the Audit Committee about the implementation of measures decided.

Internal Audit's tasks continue to include branch audits, control functions relating to stocktaking and training for new branch heads. In addition, it is also responsible for Charles Vögele Group's process controlling.

Group Management and the Management team periodically draw up a risk portfolio showing the top 20 risks faced by the Company. The identified top risks are grouped into the following categories: "strategic", "financial", "operational" and "compliance" and ranked on one hand according to their financial impact on EBITDA (small: < CHF 10 million, medium: CHF 10–20 million, high: >CHF 20 million) and on the other hand on the likelihood of actually occuring (small: <10%, medium: 10%–40%, large: >40%). This document forms the basis for a list of measures that Group Management proposes and the Board of Directors approves. The implementation of these measures is reviewed annually in the December meeting by the Board.

4 Group Management

Group Management is responsible for the operational management of the Charles Vögele Group. During the year under review, Group Management consisted of Markus Voegeli (Chief Financial Officer, from 28 September 2012 to August 2013 interim Chief Executive Officer and since 19 August 2013 Chief Executive Officer/Chief Financial Officer) and Prof. Matthias Freise (interim Chief Purchasing Officer from April to September 2013), and since November 2013 Beatrice Grünwald (Chief Purchasing Officer) and Matthias Wunderlin (Chief Sales Officer).

4.1 Members of Group Management

Markus Voegeli

1961, since 19 August 2013 Chief Executive Officer/Chief Financial Officer, from October 2012 to August 2013 Chief Executive Officer ad interim, since October 2009 Chief Financial Officer (CFO), Swiss, degree in economics. Before becoming a freelance financial consultant, from 2004 to 2008 he was CFO of listed company Valora Group, and from 2000 until 2004 he was CFO and then CEO of the start-up company Mediservice AG. Prior to this he worked for various Swissair group companies for 13 years, including a stint as CFO of Nuance Global Traders in Australia and Asia.

F.l.t.r. **Beatrice Grünwald (CPO), Matthias Wunderlin (CSO) and Markus Voegeli (CEO/CFO)**

Beatrice Grünwald

1966, Chief Purchasing Officer (CPO) since 11 November 2013, German. A clothing and textiles engineer, Beatrice Grünwald has 20 years' experience in product management and sales within vertical retailing. In her last role she was a Member of the Executive Board of BiBA GmbH in Duisburg, Germany, for five years, where she was responsible for purchasing and procurement. Earlier in her career she also worked for twelve years in various purchasing positions at Charles Vögele. Beatrice Grünwald graduated from Reutlingen University.

Matthias Wunderlin

1973, Chief Sales Officer (CSO) since 1 November 2013, Swiss. Matthias Wunderlin was most recently in charge of the Micasa furniture chain for five years and for one year also managed the Migros Group's Do It & Garden outlets. Prior to that he worked for eight years at McKinsey & Company in Zurich as a consultant, managing various international retail projects in Switzerland and abroad. Matthias Wunderlin graduated in economics from Zurich University.

Changes in Group Management

During the year under review the following changes were made within Group Management:

- Since 19 August 2013 Markus Voegeli has taken on the role of Chief Executive Officer, before that serving as Chief Executive Officer ad interim from October 2012 to August 2013, in addition to his existing role as Chief Financial Officer (CFO).
- Prof. Dr Matthias Freise was Chief Purchasing Officer ad interim from April to September 2013.
- Since November Beatrice Grünwald and Matthias Wunderlin have taken on the roles as Chief Purchasing Officer (CPO) and Chief Sales Officer (CSO) respectively.

4.2 Other activities and interests

The members of Group Management do not conduct any major additional activities outside their areas of responsibility in corporations, institutions, or foundations organized under private or public law. Neither do they have any permanent executive or advisory functions in any major Swiss or foreign companies, interest groups, or political parties, or hold official posts or political offices.

4.3 Management contracts

There are no management contracts.

5 Management Organizational Structure

As at 31 December 2013

CEO

INTERNAL AUDITING*

COMMUNICATIONS

CPO

Product Management DOB/Acc.

Product Management HOB/KIKO

Supply Chain Management
- Sourcing
- Logistics
- Indirect Procurement

Merchandise Management

CSO

Sales
- CH
- DE
- CEE
- Benelux

Marketing

CFO**

Finance & Systems
- Controlling
- Finance
- Information & Communication Technology
- Business Information Centre

Human Resources
- Legal

* Reports additionally to the Board of Directors
** Managed by the CEO
■ staff functions
■ line functions

6 Compensation, shareholdings and loans

6.1 Basic principles

The principles of Charles Vögele's salary policy are defined by the Board of Directors as a whole on the basis of preparations by the Nomination and Compensation Committee. These principles are periodically assessed against international benchmarks. Compensation is based on function, individual performance, training and experience, as well as on the Company's position and the competitive situation on the relevant local labour markets and in specific areas of expertise. Charles Vögele pays competitive industry-benchmarked remuneration in order to attract skilled and motivated employees and retain them for the long term. For management and sales functions, variable elements of compensation tied to personal targets are designed to help the Company reach its strategic and financial objectives and to serve as a management tool during implementation of the reorganization. For management functions, two Company growth targets (consolidated gross profit and EBIT) are set within the parameters of a standardized group-wide process, and a personal target is defined between employee and line manager. At the end of the measurement period, the resulting bonus is calculated on the basis of the past year's results (with 33.3% allocated for each target) and paid out after approval by the Annual Shareholders' Meeting.

The Board of Directors decided on 24 September 2013 not to allocate any more options for the share option plan created in 2002 (for Board of Directors, Group Management and Management team) and to let the plan expire. The same beneficiaries were instead given bonus shares for 2013. This direct financial interest in the medium-term performance of Charles Vögele shares links the interests of managers with those of shareholders. For further details of the options plan's timetable, allocation criteria and individual parameters, please see note 35.1 Management Share Options Plan and note 35.2 Issue of Bonus Shares in the Notes to the Group Financial Statements in the Financial Report.

No specialized legal and tax consultants were brought in during the year under review to review the salary policy or the existing remuneration programme.

6.2 Decision-making powers
The Board of Directors defines the basic compensation of its members and of Group Management, as well as the variable performance-related component for Group Management, at its discretion and in accordance with the principles set out under 6.1 above. Payment of variable remuneration to the Group Management is in cash following approval of the annual financial statements by the Annual Shareholders' Meeting. The allocation of options or bonus shares to the Board of Directors, Group Management and the Management team is decided once a year by the Board of Directors at its discretion.

6.3 Compensation for the Board of Directors
The members of the Board of Directors are paid a basic annual amount in cash, plus their expenses (lump-sum for the Swiss-based members, reimbursement of actual expenses for the foreign-based members), as well as an allocation of bonus shares.

A member of the Board may, if the Board as a whole approves, perform additional services for the Company which are compensated at a rate of EUR 3000/ CHF 3500 per day. Such additional services were performed during the year under review by Dr Ulla Ertelt and Prof. Dr Matthias Freise. Additionally Prof. Dr. Matthias Freise received a market-rate salary for the duration of his time in Group Management. For details of compensation paid to Members of the Board of Directors, see note 39 of the Financial Report, Consolidated Financial Statements.

6.4 Compensation for Group Management
In line with Charles Vögele Group's salary policy, remuneration for members of Group Management consists of a fixed compensation, and a variable performance-related portion, as well as benefits in kind and additional benefits (in particular, a Company car). Bonus shares are allocated. For details of compensation paid to members of Group Management, see note 39 of the Financial Report, consolidated financial statements. The Chair of the Nomination and Remuneration Committee regularly reviews the remuneration paid to Group Management and recommends adjustments as required to the Board of Directors. The CEO can make requests with regard to the remuneration paid to other members of Group Management. The amount of fixed remuneration that the Board of Directors defines at its discretion for members of Group Management is based on the market value of the position, on the responsibilities and actual scope of activity attached to the function, and on individual performance. The variable component is based on the corporate goals defined each year by the Board of Directors, which serve as reference points for all managers.

6.5 Changes in control and defensive measures
There are no provisions, either in the Articles of Association or in other agreements or plans, concerning any change of control or defence mechanisms to prevent one. In the interests of good corporate governance, employment contracts with members of Group Management do not include unusually long notice periods or termination payments.

6.6 Compensation to former members of the Board of Directors or Group Management
The member of Group Management who left the Company the year previous the year under review received the contractually agreed salary payment, but no severance payment, additional services or benefits. The departing members of the Board of Directors did not receive any severance payments, additional services or benefits.

6.7 Loans and credit facilities
During the year under review, the Company did not grant any collateral, loans, advances or credit facilities to former or current members of the Board of Directors or Group Management, or to related persons.

7 Shareholders' participation rights

7.1 Voting rights: restrictions and representation
The Company's Articles of Association contain no restrictions on voting rights and comply with the law with regard to proxy voting.

7.2 Statutory quorums
The Annual Shareholders' Meeting passes resolutions and conducts votes, unless mandatory statutory regulations dictate otherwise, by an absolute majority of the shareholders' votes legally represented and validly cast, excluding spoilt votes and regardless of the number of shareholders present and the number of votes they represent. Each share entitles the holder to one vote at the Annual Shareholders' Meeting.

7.3 Calling the Annual Shareholders' Meeting
The Annual Shareholders' Meeting takes place no later than six months after the end of each Company financial year. It is called by the Board of Directors. Shareholders are invited to the meeting by an invitation published in due time in the daily and financial media and the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt).

7.4 Inclusion of items on the agenda
Shareholders who represent at least 0.5% of the share capital can make a request no later than 45 days prior to the day of the meeting for items to be added to the agenda. The request has to be made in writing and state the motion that is to be put to the vote. One or more shareholders who between them represent at least 10% of the share capital can call an Extraordinary Shareholders' Meeting between annual meetings.

7.5 Entry in the share register
The share capital of Charles Vögele Holding AG consists exclusively of bearer shares, so there is no share register.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor
The auditor for the Charles Vögele Group and Charles Vögele Holding AG has been PricewaterhouseCoopers AG (PwC) since April 2003. It was confirmed as auditor for another year at the Annual Shareholders' Meeting of 14 May 2013. Since 14 April 2010, the audit mandate has been managed by Sandra Böhm, partner at PwC, Zurich.

8.2 Auditing fees
The auditor of Charles Vögele Holding AG is paid a fee of CHF 0.6 million (same as in previous year) for the audit and audit-related services. The audit contract is for one year, and Charles Vögele Holding AG's auditor must be chosen by the Annual Shareholders' Meeting.

8.3 Additional fees
The Charles Vögele Group's auditor also billed a total of CHF 0.1 million (2012: CHF 0.4 million) for additional tax consultancy services.

8.4 Supervisory and control instruments for the auditors
The external auditor carries out the statutory audit of Charles Vögele Holding AG and the individual companies, and also audits Charles Vögele Group's consolidated accounts under IFRS. The external auditor does all this through an interdisciplinary team with international IFRS expertise and knowledge of the retail sector. Audit results for the individual companies and the Group are discussed twice a year with Group Management and the managements of the individual companies, as well as with the Chair of the Audit Committee. A comprehensive report is prepared for Charles Vögele Holding AG and for the Group in accordance with art. 728b, para. 1 of the Swiss Code of Obligations and submitted to the full Board of Directors. This contains the main points from the audit reports. In addition, recommendations are made to the Shareholders' Meeting to adopt the annual financial statements and the consolidated financial statements.

In addition to the audit of the annual financial statements the external auditor analyzes the strategic audit plan and examines internal processes. Points arising from these reviews are distributed in the form of a management letter to Group Management and the Chair of the Audit Committee and discussed in a meeting. Where necessary, the external auditor may make recommendations or propose possible new audit requirements on the basis of these reviews. Each year, the Chair of the Audit Committee assesses the performance, fees and independence of the auditor and suggests to the full Board of Directors which external auditor should be proposed to the Annual Shareholders' Meeting for election. Each year the Chair of the Audit Committee also assesses the scope of external auditing, the audit plans and the relevant processes and discusses the results of the audit with the external auditors.

According to the statutory provisions, the external audit company's lead auditor must be rotated at least every seven years.

9 Information policy

The Charles Vögele Group follows a transparent and open communications policy and is bound by the rules on ad hoc publicity. Shareholders are regularly and continually kept informed by the following means:

- Annual Report in German and English. This is published in accordance with statutory provisions no later than 20 days prior to the Annual Shareholders' Meeting, and is held at the Company's registered offices.
- Half-year report in German and English. This is usually published in August each year.
- Media and analysts' conference to present the annual results, usually in April; there is also a conference on the interim results, normally in August.
- Ad-hoc media releases as necessary.
- Publication of detailed information about the Company are found on the corporate homepage under the section investor relations: http://ch.charles-voegele.ch/en/investor-relations/publications/CharlesVoegele.Press/year/2014
- Subscription service for interested parties is found on the corporate homepage under the section media: http://ch.charles-voegele.ch/en/media/news/subscriptions

An overview of contact addresses and the relevant dates for shareholder information can be found on the last page of the Financial Report.

10 Significant events since 31 December 2013

For significant events after 31 December 2013 see note 41 of the Financial Report.

INSPIRING

FASHION

"An up-to-date range and attractive presentation of the clothes should inspire customers who visit CharlesVögele stores. Fashion has the ability to make people look good – and that is also my personal passion."

Vera Alves, Visual Merchandiser in Sursee


I INSPIRE CUSTOMERS

FINANCIAL REPORT

CONTENT FINANCIAL STATEMENTS GROUP

From 1 January to 31 December

CONSOLIDATED INCOME STATEMENT

CHF 1 000	Note	2013	2012 [1]
Net sales		**946 518**	**971 833**
Cost of goods	19.1	(324 097)	(370 055)
Personnel expenses	6	(244 091)	(254 349)
Rental expenses	7	(190 977)	(195 770)
Advertising and promotion expenses	8	(71 969)	(80 997)
General operating expenses	9	(93 653)	(95 656)
Other operating income	10	5 980	6 589
Operating earnings before depreciation and impairment (EBITDA)		**27 711**	**(18 405)**
In % of net sales		2.9 %	(1.9 %)
Depreciation and impairment	11, 21.1	(49 638)	(82 443)
Operating earnings (EBIT)		**(21 927)**	**(100 848)**
In % of net sales		(2.3 %)	(10.4 %)
Financial income	12	306	407
Financial expenses	13	(10 698)	(10 162)
Exchange gains, net	14	4 007	966
Profit before income tax		**(28 312)**	**(109 637)**
In % of net sales		(3.0 %)	(11.3 %)
Income tax expenses	15	(6 459)	(995)
Net loss of the year		**(34 771)**	**(110 632)**
In % of net sales		(3.7 %)	(11.4 %)
Basic earnings per share	**16**	**(4.14)**	**(13.17)**
Diluted earnings per share	**16**	**(4.14)**	**(13.17)**

The notes on pages 08 to 55 are an integral part of these consolidated financial statements.
[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

From 1 January to 31 December

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF 1 000	2013	2012 [1]
Net loss	**(34 771)**	**(110 632)**
Currency translation differences of foreign subsidiaries	(1 590)	(3 302)
Change of fair value of cash flow hedges, net after taxes	80	(9 774)
Total items that may be reclassified subsequently to profit and loss	**(1 510)**	**(13 076)**
Change of valuation of pension liabilities, net after taxes	1 939	2 118
Total items that will not be reclassified to profit and loss	**1 939**	**2 118**
Total other comprehensive income	**429**	**(10 958)**
Total comprehensive income	**(34 342)**	**(121 590)**

The notes on pages 08 to 55 are an integral part of these consolidated financial statements.
[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

At 31 December

CONSOLIDATED BALANCE SHEET

CHF 1 000	Note	31.12.2013	31.12.2012 [1]	01.01.2012 [1]
Assets				
Current assets				
Cash and cash equivalents	17	70 220	87 009	109 553
Receivables, advance payments and prepaid expenses	18	20 471	17 805	19 242
Derivative financial instruments	24	42	–	9 252
Inventories	19	148 771	183 606	231 465
Assets held for sale	20	2 415	–	–
Total current assets		**241 919**	**288 420**	**369 512**
Long-term assets				
Property, plant and equipment	21	235 445	273 969	340 846
Financial assets	22	115	115	115
Intangible assets	23	41 908	43 121	45 195
Deferred tax assets	15	3 009	7 111	6 696
Total long-term assets		**280 477**	**324 316**	**392 852**
Total assets		**522 396**	**612 736**	**762 364**
Liabilities and shareholders' equity				
Current liabilities				
Short-term financial liabilities	25, 27, 29, 30	1 534	4 798	227 650
Trade payables		48 978	61 482	56 964
Derivative financial instruments	31	2 930	2 904	524
Other liabilities and accruals	26	69 797	67 402	62 226
Short-term tax liabilities		5 807	4 859	1 588
Short-term provisions	28	5 586	5 374	1 310
Total current liabilities		**134 632**	**146 819**	**350 262**
Long-term liabilities				
Long-term lease liabilities	27	9 553	10 922	15 842
Long-term provisions	28	12 096	12 909	14 106
Deferred tax liabilities	15	22 926	26 599	32 603
Loans	30	147 775	186 556	–
Total non current liabilities		**192 350**	**236 986**	**62 551**
Shareholders' equity				
Share capital	32	26 400	26 400	26 400
Treasury shares	33	(10 787)	(15 377)	(23 454)
Other reserves		173 789	173 789	173 789
Retained earnings		6 012	44 119	172 816
Total shareholders' equity		**195 414**	**228 931**	**349 551**
Total liabilities and shareholders' equity		**522 396**	**612 736**	**762 364**

The notes on pages 08 to 55 are an integral part of these consolidated financial statements.

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

From 1 January to 31 December

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1 000	Note	2013	2012 [1]
Net loss of the years		**(34 771)**	**(110 632)**
Adjustments:			
– Tax expenses	15	6 459	995
– Net financial expenses	12, 13, 14	6 385	8 788
– Depreciation and impairment	11	49 638	82 443
– Profit on disposal of assets		(26)	(196)
– Other non-cash expenses		463	877
Change in long-term provisions		2 147	5 404
Change in inventories		37 077	43 988
Change in net working capital		(18 709)	5 895
Financial income received		4 006	1 999
Financial expenses paid		(10 094)	(12 400)
Taxes paid		(4 488)	1 385
Cash flow from operating activities		**38 087**	**28 546**
Investments in intangible assets	23.1	(1 486)	(1 545)
Investments in property, plant and equipment	21.1	(9 487)	(12 314)
Disposals of property, plant and equipment		309	281
Net cash provided/(used) by investing activities		**(10 664)**	**(13 578)**
Proceeds from loans	25, 30	90 000	160 000
Repayment of loans	25, 30	(130 000)	(100 000)
Repayment of finance lease liabilities		(4 962)	(2 206)
Disposals of treasury shares	33	362	93
Repayment of mortgages	29	–	(95 500)
Net cash provided/(used) by financing activities		**(44 600)**	**(37 613)**
Net increase/(decrease) in cash and cash equivalents		**(17 177)**	**(22 645)**
Cash and cash equivalents at the beginning of the period	**17**	**87 009**	**109 553**
Effect of exchange rate changes		388	101
Net increase/(decrease) in cash and cash equivalents		(17 177)	(22 645)
Cash and cash equivalents at the end of the period	**17**	**70 220**	**87 009**

The notes on pages 08 to 55 are an integral part of these consolidated financial statements.

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

From 1 January to 31 December

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF 1 000	Note	Share capital	Treasury shares	Share premium reserve	Retained earnings	Currency translation differences	Valuation financial instruments	Valuation pension liabilities	Valuation share option plan	Total
Balance at 1 Jan. 2012 (as previously reported)	**32**	**26 400**	**(23 454)**	**173 789**	**226 470**	**(59 786)**	**7 116**	**–**	**5 412**	**355 947**
Restatement, see note 2.3					(6 396)					(6 396)
Balance at 1 Jan. 2012 (restated)		**26 400**	**(23 454)**	**173 789**	**220 074**	**(59 786)**	**7 116**	**–**	**5 412**	**349 551**
Comprehensive income		–	–	–	(110 632)	(3 302)	(9 774)	2 118	–	(121 590)
Value of granted options	35	–	–	–	–	–	–	–	877	877
Value of exercised/ expired options	35	–	–	–	2 210	–	–	–	(2 210)	–
Disposals of treasury shares	33	–	8 077	–	(7 984)	–	–	–	–	93
Balance at 31 Dec. 2012	**32**	**26 400**	**(15 377)**	**173 789**	**103 668**	**(63 088)**	**(2 658)**	**2 118**	**4 079**	**228 931**
Balance at 1 Jan. 2013	**32**	**26 400**	**(15 377)**	**173 789**	**103 668**	**(63 088)**	**(2 658)**	**2 118**	**4 079**	**228 931**
Comprehensive income		–	–	–	(34 771)	(1 590)	80	1 939	–	(34 342)
Value of granted options	35	–	–	–	–	–	–	–	463	463
Value of exercised/ expired options	35	–	–	–	1 289	–	–	–	(1 289)	–
Disposals of treasury shares	33	–	4 590	–	(4 228)	–	–	–	–	362
Balance at 31 Dec. 2013	**32**	**26 400**	**(10 787)**	**173 789**	**65 958**	**(64 678)**	**(2 578)**	**4 057**	**3 253**	**195 414**

The retained earnings in the balance of TCHF 6 012 (previous year: TCHF 44 199) contain the above-mentioned retained earnings, currency translation differences, valuation financial instruments and share option plan.

The notes on pages 08 to 55 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Charles Vögele Holding AG, together with its subsidiary companies, forms the Charles Vögele Group, an independent European fashion retail group with sales outlets in Switzerland, Liechtenstein, Germany, the Netherlands, Belgium, Austria, Slovenia, Poland, Hungary and the Czech Republic.

Charles Vögele Holding AG is a corporation that is domiciled in Freienbach SZ, Switzerland, and listed on the SIX Swiss Exchange.

2 Summary of significant accounting policies

2.1 Preparation of the financial statements

The consolidated financial statements in this report are based on the individual financial statements of Charles Vögele Group companies, which are all prepared in accordance with standard Group guidelines. The Group's accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) on the basis of historical cost convention, except derivative financial instruments which are recorded at fair value. Note 4 explains the most important accounting assumptions and estimates.

2.2 Changes in accounting policies

New IFRS standards and interpretations

The following changes to IFRS standards and interpretations of existing standards, valid since 1 January 2013, have been applied. However, apart from IAS 1 "Presentation of Financial Statements" and IAS 19 "Employee Benefits", they do not have any significant influence on these annual financial statements:

IAS 1	Presentation of Financial Statements
IAS 19	Employee Benefits
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IFRS 7	Financial Instruments: Disclosures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

IAS 1 requires positions in the statement of comprehensive income to be grouped according to whether or not they are subsequently to be reclassified to the income statement.

As a result of amendments to IAS 19, the same rate of interest is now applied to plan assets and plan liabilities. In addition, actuarial gains and losses are now recorded directly in the statement of comprehensive income and balance sheet and are no longer spread out over future periods using the corridor method. The changes are to be applied retrospectively to the 2012 financial year, leading to a restatement (see note 2.3)

The Group refrained from any permitted early adoption of new standards.

Changes to IFRS standards valid for future reporting periods
The Charles Vögele Group has analyzed the potential effects of new standards and interpretations that come into force from the 2014 financial year or later. Apart from IFRS 9 "Financial Instruments-Classification and Measurement", none of the standards or interpretations published at the time of financial reporting will have a significant influence on Charles Vögele Group's accounts. IFRS 9 must be applied from 1 January 2015 and will govern the classification and measurement of financial instruments.

2.3 Restatement of the prior-year balance sheet owing to the intoduction of IAS 19 revised

The changes to prior-year figures necessitated by the introduction of IAS 19 revised are explained here:

A pension liability worth TCHF 7525 less deferred tax of TCHF 1129, which was booked through equity (retained earnings), has been added to the balance sheet as at 1 January 2012.

The additional personnel expenses to be recorded in the 2012 income statement amount to TCHF 1399 minus deferred tax of TCHF 210.

The profit booked for the 2012 financial year through the statement of comprehensive income amounts to TCHF 2492 minus deferred tax of TCHF 374.

The "Net profit" position in the cash flow statement for the 2012 financial year has changed by TCHF 1189. This non-cash effect is balanced out in the positions "Adjustments for tax" and "Change in provisions".

The earnings (undiluted and diluted) per share figure as at 31 December 2012 has changed by CHF –0.14.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of Charles Vögele Holding AG and its Swiss and international Group companies.

The capital consolidation is performed using the purchase method in accordance with the new valuation method, meaning that the acquisition cost of investments due for consolidation is set off against their proportionate operating equity capital at the time of acquisition.

Assets and liabilities as well as the expenses and income of the companies which Charles Vögele Holding AG controls directly or indirectly, and in which it has a voting interest exceeding 50%, are included in full in the consolidated financial statements. The non-controlling interest of shareholders in net assets and net income is disclosed separately in the consolidated balance sheet and income statement. The Charles Vögele Group does not have any non-controlling interests.

The Charles Vögele Group does not have any associated companies (non-controlling interest with voting rights of 20–50%).

Intercompany receivables and payables, income and expenses between companies included in the consolidation, and intercompany profits within the Group are eliminated.

The companies included in the scope of consolidation are listed in note 42.

2.5 Scope of consolidation

There were no changes in the scope of consolidation in the 2013 financial year as in 2012.

2.6 Segment reporting

The Charles Vögele Group is a centrally managed group with a flat organizational structure operating solely in the fashion trade. The centralization and scalability of the concept are fundamental cornerstones of the Group's strategy.

Segment reporting matches the internal reporting to the Board of Directors and Group Management (CODM), it covers the four segments Switzerland, Germany, Benelux and CEE (Austria, Slovenia, Poland, Hungary, Czech Republic).

2.7 Foreign currency translation

The consolidated financial statements are prepared in CHF. For the individual Group companies, the respective local currency is the functional currency.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the date of the transaction. Gains and losses that result from foreign currency transactions, or from the translation at the year-end rate of monetary assets and liabilities denominated in foreign currencies, are recorded in the income statement.

On consolidation, all assets and liabilities in balance sheets prepared in foreign currencies are translated into the Group's reporting currency using year-end exchange rates. Income and expenses recorded in income statements prepared in foreign currencies are translated into the Group's reporting currency at average exchange rates for the year. Exchange differences arising from those translations are allocated directly to retained earnings in the balance sheet. Foreign currency differences arising from the valuation of long-term loans with equity character between Group companies are – like net investments in a foreign operating company – recorded under equity, with no effect on the income statement, provided the subsidiary is included in the scope of consolidation.

When a Group company is sold, the currency translation differences booked to equity are offset against the net sales proceeds and charged to the income statement.

The following CHF exchange rates are used for the Group's major currencies:

2013	ISO code	Unit	Balance sheet	Income statement
Euro	EUR	1	1.23	1.23
Hong Kong	HKD	1	0.11	0.12
China	CNY	1	0.15	0.15
USA	USD	1	0.89	0.93
Hungary	HUF	100	0.41	0.41
Poland	PLN	100	29.57	29.32
Czech Republic	CZK	100	4.48	4.74

2012	ISO code	Unit	Balance sheet	Income statement
Euro	EUR	1	1.21	1.21
Hong Kong	HKD	1	0.12	0.12
China	CNY	1	0.15	0.15
USA	USD	1	0.92	0.94
Hungary	HUF	100	0.41	0.42
Poland	PLN	100	29.53	28.80
Czech Republic	CZK	100	4.81	4.80

2.8 Net sales and revenue recognition

Net sales include all revenues from the sale of goods and commission business, less discounts, sales tax and deductions including credit card commissions and other price discounts. Earnings are recorded at the cash desk when the goods are handed over to customers.

Customer loyalty programme

Award credits granted in connection with the customer loyalty programme are recognized as reductions in sales at the time granted. Discount vouchers that have not yet been redeemed are shown on the balance sheet as liabilities.

E-commerce

Net sales are recognized where it is sufficiently likely that the economic benefit of the business will flow to the Company. Provisions are made based on the expected level of returns.

2.9 Cost of goods

The cost of goods sold includes the purchase price less discounts for products sold in the current period, transport costs, inventory differences, changes in value adjustments on inventory and the cost of conditioning new goods. This item includes no personnel costs.

2.10 Employee pension plans

Accounting and valuation methods for pension obligations

Pension benefits paid to employees after their employment comes to an end are divided into defined benefit plans and defined contribution plans. The cash value of defined benefit pension obligations is calculated each year by independent actuaries using the "projected unit credit method". The actuarial assumptions underlying the calculations are based on expectations on the cut-off date about the period over which the obligations will have to be fulfilled. Plan assets are recognized in the balance sheet at fair value.

Actuarial gains and losses derive from changes to the assumptions made, differences between actual and expected returns on plan assets, and differences between benefits claimed actually acquired and those calculated from actuarial assumptions. These are recognized in the statement of comprehensive income.

The costs of the defined benefit pension plan are recognized in the income statement. Exceptional events, such as amendments to the pension plan, that alter employees' claims, or plan curtailments or settlements, are recognized immediately in the income statement.

Description of pension plans and pension institutions in Switzerland
In Switzerland, the Charles Vögele Group has enrolled its employees and pensioners in an occupational pension foundation. This is fully reinsured and so immune to statutory underfunding.

The pension plan pays more than the legal minimum benefits in the event of disability, death, retirement or leaving the fund. Risk benefits are defined on the basis of insured salary. A person's retirement pension is calculated on the basis of projected savings capital including interest and a conversion rate.

Responsibilities of the Board of Trustees (or of the employer on a Board of Trustees)
The foundation's senior body is the Board of Trustees. It provides overall direction of the pension scheme, ensures that legal obligations are fulfilled, sets the scheme's strategic goals and principles, and defines the resources required to fulfil these.

The foundation is fully reinsured. The reinsurers' management and asset management are supervised by FINMA.

The Charles Vögele Group is responsible for ensuring that a pension committee is formed consisting of equal numbers of employer and employee representatives. The committee's main task is to protect the interests of the insured members in dealings with the foundation and the employer. It also issues rules that apply to the pension scheme.

General risks
Charles Vögele Group carries the risk that the equity capital will be affected by changes to valuation assumptions. Sensitivities relating to the most important assumptions (technical interest rate, salary increases, pension increases and increased life expectancy) are therefore identified and disclosed.

2.11 Cash and cash equivalents
Cash and cash equivalents include cash held at stores and cash balances from current business activity with original maturities of less than three months. Cash held on sight at banks is managed through a Group-wide cash-pooling system. Foreign currency positions are valued at the exchange rate at 31 December.

2.12 Receivables and advance payments
Charles Vögele Group normally does not carry customer receivables since the vast majority of sales to customers are cash sales. Receivables and advance payments are recognized initially at fair value (normally the nominal value) less necessary value adjustments. A value adjustment is made when it becomes probable that the receivable cannot be collected. Receivables are usually derecognized in full if the creditor is subject to insolvency or bankruptcy proceedings.

2.13 Inventories

Inventories are valued at the lower of cost or net realizable value. Purchase costs include the actual purchase price plus transport and other procurement costs, less discounts received, and are defined on the basis of the average cost method. The net realizable value is the estimated sales revenue that can be achieved in normal business, less the necessary cost to sell. An inventory valuation system is used to take into account the ageing structure of the inventory. Purchases of goods in foreign currencies are converted at the exchange rate on the date of the transaction or at the hedged exchange rate of the goods purchased.

2.14 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date of purchase and subsequently remeasured at their fair value. With the exception of derivative financial instruments which meet the requirements of a cash flow hedge, all adjustments are recognized in financial income or expense.

In order to recognize a transaction as a hedge, the Charles Vögele Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, including the risk management strategy and an assessment of effectiveness.

The Charles Vögele Group uses hedge accounting for cash flow hedges which are classified as highly effective, for which the effect can be measured reliably and for which future cash flows have a high probability to occur.

The effective portion of changes in the fair value of the hedging instrument, designated as a cash flow hedge, is recognized in equity. The ineffective portion of the change in value is recognized in the income statement.

The amounts shown under shareholders' equity are charged to the income statement in the period in which the underlying transaction is also booked, except in the case of non-monetary assets in the initial valuation on purchase costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the underlying transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative recorded gain or loss in equity is immediately transferred to the income statement.

2.15 Property, plant and equipment

Land and buildings

Land and buildings include properties in Switzerland that are used mainly as stores, as well as distribution centres in Switzerland, Germany and Austria. Land and buildings are recognized at acquisition cost less accumulated depreciation for buildings and any impairments (see note 2.18). This valuation is periodically checked on its recoverability by an independent external expert. Buildings are depreciated on a straight-line basis over a period of 40 years. Buildings in leasehold are depreciated over the lease-hold period up to a maximum of 40 years. Land is not depreciated.

Equipment

Equipment includes store fittings, technical warehouse equipment, computer hardware, office fixtures and fittings and other tangible assets used in operations. They are capitalized if the Company derives a future economic benefit associated with them. Valuation is at acquisition cost less accumulated depreciation and impairments if necessary (see note 2.18). The depreciation is carried out using the straight-line method and is normally based on their estimated useful life within a range of 5 to 15 years.

2.16 Financial instruments (assets)

All purchases and sales of financial assets are recognized on the day the Group commits to the purchase or sale. Financial assets that are not recorded in the income statement at fair value are recognized on purchase at fair value plus transaction costs. Financial assets that are recorded in the income statement at fair value are initially recognized at fair value, which is usually equivalent to the purchase price, and transaction costs are charged to the income statement. Financial assets are derecognized as soon as the rights to cash flows from the asset expire or are transferred and the Group has assigned all the material risks and benefits associated with ownership thereof.

Financial assets are divided into the following four categories. The choice of category depends on the purpose for which the financial asset was acquired.

Financial assets at fair value through profit or loss

This category includes derivative financial instruments that are not designated to hedge accounting. Any changes in value are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with determinable payments that are not quoted on an active market. They are shown under current assets provided their maturity is not more than 12 months after the balance sheet date. Otherwise they are shown as long-term assets. In the Group balance sheet, the position “Receivables, advance payments and prepaid expenses” (see note 18) is recorded under this category. Loans and receivables are recognized at amortized cost.

Financial assets held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that Charles Vögele Group has the positive intention and ability to hold to maturity. Charles Vögele Group did not hold any assets in this category in the 2013 and 2012 financial years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been assigned to this category or that have not been assigned to any of the other categories. They are carried as long-term assets unless there is a plan to sell them within twelve months of the balance sheet date. The investments shown for 2013 and 2012 are recorded under this category (see note 22).

2.17 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition of a company or of business activities in the form of net assets over the fair value of the Group's share of the net identifiable assets of the acquired company or business activities at the date of acquisition. Any possible acquisition costs will be recognized directly in profit or loss. Goodwill is tested annually for impairment (see note 23.2).

Other intangible assets

Other intangible assets include IT software, trademarks and licenses. They are capitalized if the Company derives a future economic benefit from them, and if their historical purchase costs can be valued reliably.

Other intangible assets have a defined useful life and are carried at cost less accumulated depreciation and any impairments (see note 2.18). IT software is depreciated using the straight-line method over 5 years; licenses and trademarks are depreciated over their estimated useful life.

2.18 Impairment of assets

All capitalized assets are reviewed annually for indications that the carrying amount may not be recoverable. When there is evidence of impairment, an impairment test is carried out. An impairment test is also carried out on goodwill positions even if there is no evidence of impairment (see note 2.17). This test identifies the recoverable amount; if this is less than the carrying amount, an impairment cost equivalent to the difference between the carrying amount and the recoverable amount is charged to the income statement as an impairment cost.

Recoverable amount

The recoverable amount is the higher of the value in use and the fair value less costs to sell.

Value in use

The value in use is the present value of estimated future cash flow that can be expected from the continued use of the asset and from its disposal at the end of its useful life.

Fair value less cost to sell

The fair value less costs to sell is the amount for which an asset can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less cost to sell.

2.19 Deferred taxes

Deferred taxes, which are calculated using the liability method, are used for all temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the IFRS financial statements. Deferred taxes are determined using tax rates (and tax laws) that apply on the balance sheet date, or that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets from loss carry-forwards are recognized to the extent that it is probable that a taxable profit will be available in the foreseeable future against which the temporary differences can be utilized.

Deferred tax liabilities arising from temporary differences relating to investments in subsidiaries are applied, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

2.20 Trade payables

Trade payables are valued at the foreign exchange rate as of 31 December.

2.21 Financial liabilities

Financial liabilities include short-term financial liabilities, liabilities from finance leases, mortgages and loans. They are recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as financial income or expense in the income statement over the period of the borrowings using the effective interest method.

Financial liabilities are classified as short-term liabilities as long as the contractual term is less than 12 months and the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.22 Provisions

Provisions are recognized in the balance sheet when a present legal or constructive obligation based on an event which has occurred in the past, when it is likely that an outflow of resources will occur if the liability is met, and when the amount of the liability can be assessed reliably.

If interest represents a significant part of the expected expenses, the provisions are recognized on a discounted value basis.

2.23 Leasing

Finance leasing

Leasing objects that are financed over the estimated useful life of the asset, and where ownership is transferred to the Group after expiry of the usually non-cancelable contract, are shown as finance leases and under tangible assets (see note 21.2). Acquisition costs are depreciated using the straight-line method over the useful life whichever is shorter. The liabilities are recorded on the balance sheet at discounted present value. All other leasing commitments are classified as operating leasing.

Operating leasing

Operating leasing includes leases where all risks and rewards associated with ownership of the asset rest with an independent third party. Operating lease payments are charged to the income statement.

2.24 Treasury shares

The costs of treasury shares of Charles Vögele Holding AG purchased by any Group company are deducted from the Group's shareholders' equity (see "Treasury shares" under the consolidated statement of changes in equity) until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, the difference between the proceeds and the original purchase price is included in equity with no effect on the income statement.

2.25 Valuation of share option plan

The Group operates an equity-settled, share-based compensation plan (see note 35). In the year 2013 bonus shares instead of options were issued. The fair value of issued options is recognized proportionally over the vesting period under personnel expenses in the income statement and under shareholders' equity. Fair value is assessed using the Enhanced American Model (EA Model), which is in line with generally accepted valuation methods for determining share option prices and which takes into account all the factors and assumptions that reasonable contracting market participants would consider when setting prices. When options are exercised or expire, the fair value originally booked to shareholders' equity is charged against retained earnings.

3 Financial risk management

Charles Vögele Group is exposed to various financial risks, including market risks (currency and interest rate risks), credit risks and liquidity risks. Charles Vögele Group's general risk management is focused on the unpredictability of developments on the financial market and its aim is to reduce the potential negative impact on financial results. The tools that the Group uses to do this include derivative financial instruments.

Financial risk management is carried out by the Treasury Department. The Treasurer identifies, values and hedges the financial risks within the given guidelines.

3.1 Currency risks

Charles Vögele Group's main currency exposures are to the USD and EUR. The USD risk is limited to the purchase of goods since only purchases and no sales are made in USD. In order to reduce this risk the Group enters into forward foreign exchange contracts and currency swaps. These cover almost 100% of USD requirements based on planned purchases of goods for the spring/summer and autumn/winter seasons. The EUR and other foreign currencies are consolidated at Group level, continuously monitored and hedged where necessary.

Subsequent sensitivity analyses show the material foreign currency risks to which Charles Vögele Group is exposed on the balance sheet date, as well as the implications for the consolidated result and shareholders' equity.

CHF 1 000	EUR/CHF	USD/CHF	HUF/CHF	PLN/CHF	CZK/CHF
2013 in income statement					
Total group foreign currency exposures at 31 December	17 870	5 050	(4 709)	15 431	(232)
Average between annual high and low exchange rate compared to balance sheet rate	2.0%	6.0%	4.0%	4.0%	5.0%
Effect on group earnings at increasing foreign currency rate	**357**	**303**	**(188)**	**617**	**(12)**
Effect on group earnings at declining foreign currency rate	**(357)**	**(303)**	**188**	**(617)**	**12**

CHF 1 000	EUR/CHF	USD/CHF	HUF/CHF	PLN/CHF	CZK/CHF
2012 in income statement					
Total group foreign currency exposures at 31 December	169 822	(2 328)	(738)	17 592	3 741
Average between annual high and low exchange rate compared to balance sheet rate	1.0%	6.0%	7.0%	6.0%	4.0%
Effect on group earnings at increasing foreign currency rate	**1 698**	**(140)**	**(52)**	**1 056**	**150**
Effect on group earnings at declining foreign currency rate	**(1 698)**	**140**	**52**	**(1 056)**	**(150)**

CHF 1 000	EUR/CHF	USD/CHF
2013 in equity		
Derivative financial instruments as cash flow hedges	–	75 687
Average between annual high and low exchange rate compared to balance sheet rate	2.0%	6.0%
Effect at increasing foreign currency rate	**–**	**4 541**
Effect at declining foreign currency rate	**–**	**(4 541)**

CHF 1 000	EUR/CHF	USD/CHF
2012 in equity		
Derivative financial instruments as cash flow hedges	–	108 698
Average between annual high and low exchange rate compared to balance sheet rate	1.0%	6.0%
Effect at increasing foreign currency rate	**–**	**6 522**
Effect at declining foreign currency rate	**–**	**(6 522)**

3.2 Interest risks

Charles Vögele Group has no significant interest-bearing assets, so changes in market interest rates have little effect on earnings or operating cash flows.

Charles Vögele Group's interest rate risk stems mainly from its bank loans, mortgages and leasing liabilities. Long-term interest-bearing financial liabilities with variable interest rates expose the Group to a cash flow interest risk, while fixed-rate liabilities represent a fair value interest risk. The mortgages, leasing liabilities and loans are mainly fixed-rate liabilities. Outstanding loans at the end of the year are not representative of the year as a whole. The Company's funding requirements increase at the start of a selling season as products are purchased, and then decline proportionally towards the end of the season (1 March and 1 September respectively) as the products are sold. At the end of the year, due to the renewal of the syndicated credit agreement, the financial liabilities with variable interest rates were exceptionally high. Based on the low interest rate level modified rates would neither have a significant impact on the income statement nor the statement of changes in equity.

3.3 Credit risks

Credit risks can arise from the following balance sheet positions: cash and cash equivalents, receivables and advance payments and financial assets. Charles Vögele Group is not exposed to any material credit risk since the vast majority of sales to customers are settled in cash or by the major debit and credit cards. Processing and payment is carried out through local financial services providers within 2 or 3 days. Any risks arising from cash and cash equivalents are further minimized by the use of a variety of local financial services providers rather than a single banking institution.

Risks can arise from cash at the stores and in transporting these cash takings to the financial institutions. Cash holdings (takings, change) in the stores are kept in safes and kept to a minimum through regular or as-needed transfers of the cash takings. The risk of theft by own personnel or third-parties is reduced by an effective internal control system. Cash holdings in the safes are insured to an appropriate level against theft and acts of God, and are replaced if lost. When choosing firms to transport money and valuables, Charles Vögele Group's selection criteria are based on quality, transparency, security and comprehensive insurance protection.

Receivables from tax refunds (value added tax) are secured by regularly verifying that declarations are formally correct and by submitting the necessary declarations on time. Prepayments to suppliers and other claims are checked regularly and any identified credit risk is taken into account through a value adjustment (see note 2.12).

3.4 Liquidity risks

Subject to seasonal fluctuations in monthly revenues and the financing of goods purchases, cash flow varies greatly across the financial year. A continuously updated liquidity plan is in place to manage these liquidity risks. This plan is based on the annual budgeted figures for sales, costs and investments.

On the balance sheet date, Charles Vögele Group had the following liquidity reserves:

CHF 1 000	**31.12.2013**	31.12.2012
Net cash and cash equivalents at the end of the period	70 220	87 009
Syndicated credit line agreement	255 000	255 000
./. Credit lines used	(150 000)	(190 000)
Additional credit lines	614	3 019
./. Credit lines used	–	–
Total cash reserves and unused credit lines	**175 834**	**155 028**

The following future cash outflows (including interest) are expected from the financial liabilities shown at the balance sheet date:

CHF 1 000	< 1 year	1 – 5 years	> 5 years	Total
Trade payables	48 978	–	–	48 978
Other liabilities and accruals (excl. vouchers)	48 187	–	–	48 187
Finance lease liabilities, gross	1 907	7 069	3 431	12 407
Long-term loans (see note 30)	4 490	153 355	–	157 845
Total at 31 December 2013	**103 562**	**160 424**	**3 431**	**267 417**

CHF 1 000	< 1 year	1 – 5 years	> 5 years	Total
Trade payables	61 482	–	–	61 482
Other liabilities and accruals (excl. vouchers)	50 765	–	–	50 765
Finance lease liabilities, gross	5 323	7 524	4 960	17 807
Long-term loans	6 230	200 885	–	207 115
Total at 31 December 2012	**123 800**	**208 409**	**4 960**	**337 169**

The following future cash outflows are expected from the forward currency contracts outstanding at the balance sheet date:

CHF 1 000	< 1 year	1 – 5 years	> 5 years	Total
Derivative financial instruments (gross) at 31 December 2013				
Potential cash-outflows in various currencies				
– For liabilities from derivative financial instruments	(99 755)	–	–	(99 755)
Potential cash-inflows in various currencies				
– On assets for derivative financial instruments	102 643	–	–	102 643

CHF 1 000	< 1 year	1 – 5 years	> 5 years	Total
Derivative financial instruments (gross) at 31 December 2012				
Potential cash-outflows in various currencies				
– For liabilities from derivative financial instruments	(136 921)	–	–	(136 921)
Potential cash-inflows in various currencies				
– On assets for derivative financial instruments	139 825	–	–	139 825

All forward exchange transactions are due, and have an impact on liquidity and the income statement, within 9 months of the balance sheet date.

Assuming constant exchange rates, cash inflows of TCHF 102643 (2012: TCHF 139825) would be set against cash outflows of TCHF 99755 (2012: TCHF 136921), giving a negative replacement value of TCHF 2888 (2012: TCHF 2904).

3.5 Capital risks

The primary aim of capital management is to ensure that Charles Vögele Group can continue to operate sustainably and so meet the needs of its various stakeholders over the long term. The Company's capital structure takes appropriate account of the business risks inherent in the Group's business model.

In order to achieve these objectives, Charles Vögele Group can adjust its dividend payments, capital refunds to shareholders, issue new shares, take out loans with financial institutions, pay such loans back ahead of schedule, place financing on the capital market or sell assets in order to reduce debts.

Charles Vögele Group monitors its capital structure on the basis of net debt and net cash respectively. This key figure itself is calculated as the sum of short- and long-term loans from financial institutions, mortgages and lease liabilities, less cash and cash equivalents.

At the balance sheet date, the key figures were as follows:

CHF 1 000	**31.12.2013**	31.12.2012 [1]
Short-term financial liabilities	1 534	4 798
Finance lease liabilities	9 553	10 922
Loans	147 775	186 556
Cash and cash equivalents	(70 220)	(87 009)
Net debt	**88 642**	**115 267**
EBITDA	27 711	(18 405)
Net debt/EBITDA (factor)	**3.20**	**(6.26)**
Shareholders' equity	195 414	228 931
Net debt/shareholders' equity (factor)	**0.45**	**0.50**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

3.6 Determining fair value

The publicly quoted market price on the balance sheet date is used to determine the fair value of financial instruments that are traded on an active market (level 1).

If no quotations from an active market are available for financial instruments, their fair value is determined using valuation methods or models, though the underlying assumptions must wherever possible be based on observable market prices or other market quotations (level 2).

For financial instruments whose fair value cannot be determined directly from an active market or indirectly using valuation methods or models, valuation methods that give the most realistic possible valuation must be used (level 3).

The following overview shows the financial instruments valued at fair value on the balance sheet date:

CHF 1 000	Level 1	Level 2	Level 3	Total
Derivative financial instruments in assets	–	42	–	42
Derivative financial instruments in liabilities	–	2 930	–	2 930

Short-term financial receivables and liabilities are recognized at nominal value less any value adjustments. Owing to the short-term maturities involved, this is roughly equivalent to the fair value.

During the reporting period there were no reclassifications between the individual levels.

4 Critical accounting estimates and assumptions

When preparing the consolidated financial statements, estimates and assumptions have to be made which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates and assumptions are continuously reviewed. Estimates have to be revised when the circumstances on which they were based change, or if new information or additional findings are available. Such changes are made in the reporting period in which the estimate were revised.

The estimates and assumptions that have a significant risk of causing a material adjustment amounts of assets and liabilities within the next financial year are discussed below.

4.1 Goodwill

Following the redefinition of segments (IFRS 8) the goodwill previously managed at Group level was divided up, with the individual components allocated to cash-generating units in Switzerland, Germany and Austria (part of the CEE segment) in 2009. However, the functional currency for all components remained the Swiss franc because the transactions occurred before the amendment of IAS 21 (1 January 2005).

In accordance with the accounting and valuation methods stated in notes 2.17 and 2.18, the Group tests annually whether the goodwill carried in the balance sheet has suffered an impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on assumptions about the expected free cash flows, the discount rate (WACC) and the long-term growth rate (see note 23.2).

4.2 Income tax

In order to determine the assets and liabilities from current and deferred income taxes, estimates have to be made because there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Some of these estimates are based on interpretation of existing tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made (see note 15).

4.3 Legal cases

Charles Vögele Group is involved in a number of legal cases. It sets up provisions for ongoing and pending lawsuits if independent experts are of the opinion that a financial risk is probable and the amount at risk can be estimated reliably (see note 28). The estimated risk connected with these pending lawsuits is covered in full.

4.4 Inventories

At the balance sheet date, estimations have to be made for the valuation of inventories. Beside the existing inventory valuation system, which takes into account the ageing structure of the inventory, the net realizable value is estimated. The estimations are considering planned sales promotions and are based on the most reliable evidence available to estimate the net realizable amount (see notes 2.13 and 19.1).

5 Segment information

CHF 1 000	Switzerland		Germany	
	2013	2012 [4]	**2013**	2012 [4]
Gross sales	355 469	374 187	362 789	371 212
Net sales	320 574	340 675	296 283	304 273
Segment profit (EBITDA)	37 913	35 725	8 058	(12 512)
EBITDA in % of net sales	11.8 %	10.5 %	2.7 %	(4.1 %)
Depreciation and impairment [3] [5]	(18 465)	(20 469)	(22 190)	(14 079)
Segment profit (EBIT)	19 448	15 256	(14 132)	(26 591)
EBIT in % of net sales	6.1 %	4.5 %	(4.8 %)	(8.7 %)
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
Net inventories	39 062	53 456	37 785	54 577

CHF 1 000	Benelux		CEE [1]		Group	
	2013	2012 [4]	**2013**	2012 [4]	**2013**	2012 [4]
Gross sales	148 235	143 829	260 721	259 315	1 127 214	1 148 543
Net sales	120 193	117 507	209 468	209 378	946 518	971 833
Segment profit (EBITDA)	(9 784)	(20 687)	(8 476)	(20 931)	27 711	(18 405)
EBITDA in % of net sales	(8.1 %)	(17.6 %)	(4.0 %)	(10.0 %)	2.9 %	(1.9 %)
Depreciation and impairment [3] [5]	(2 006)	(26 419)	(6 977)	(21 476)	(49 638)	(82 443)
Segment profit (EBIT)	(11 790)	(47 106)	(15 453)	(42 407)	(21 927)	(100 848)
EBIT in % of net sales	(9.8 %)	(40.1 %)	(7.4 %)	(20.3 %)	(2.3 %)	(10.4 %)
Net financial income	–	–	–	–	(6 385)	(8 789)
Profit before income tax	–	–	–	–	(28 312)	(109 637)
Tax expenses	–	–	–	–	(6 459)	(995)
Net profit	–	–	–	–	(34 771)	(110 632)
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Net inventories	14 748	22 315	25 147	38 598	116 742	168 946
Goods in transit	–	–	–	–	31 838	38 869
Centralized inventory	–	–	–	–	13 903	15 553
Group eliminations	–	–	–	–	(14 020)	(40 043)
Total Group inventories, net [2]	–	–	–	–	148 463	183 325

[1] CEE: Austria, Slovenia, Poland, Hungary, Czech Republic.
[2] Difference to the balance sheet value of TCHF 308 (2012: TCHF 281) is related to heating oil.
[3] In the financial year 2012 impairment losses of CHF 20.2 million in the segment Benelux and CHF 11.8 million in the segment CEE were posted (see note 21.1).
[4] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.
[5] In the financial year 2013 impairment losses of CHF 9.0 million were posted in the segment Germany (see note 21.1).

5.1 Entity-wide information

The Group is domiciled in Switzerland. The net sales in Switzerland and all foreign countries are disclosed on the previous page. Austria, part of the segment CEE, realized net sales of CHF 155.4 million in 2013 (previous year: CHF 153.9 million).

The total of non-current assets other than financial instruments, deferred tax and intangible fixed assets located in Switzerland is CHF 163.0 million (previous year: CHF 179.7 million), and the total of such non-current assets located in other countries is CHF 72.4 million (previous year: CHF 94.3 million).

6 Personnel expenses

CHF 1 000	**2013**	2012 [1]
Wages and salaries	200 561	208 884
Social security costs	34 897	36 480
Other personnel expenses	8 633	8 985
Total	**244 091**	**254 349**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

6.1 Defined contribution retirement plans

The Dutch Group company has an independent industry pension plan. As there is no reliable basis for allocating the plan's assets to the individual participating companies, this plan is treated in these financial statements as a defined contribution plan.

The cost of pension liabilities charged through personnel expenses in Belgium and the Netherlands amounted to CHF 1.9 million in 2013 and CHF 1.4 million in 2012.

6.2 Defined benefit retirement plans

All Swiss Group companies have legally separate pension schemes with an independent external provider. According to local law these are defined contribution plans, but under IFRS they are treated as defined benefit plans. A full evaluation was carried out at 31 December 2013.

The actuarial valuations are based on the following weighted average assumptions:

	2013	2012
Discount rate	2.0 %	1.8 %
Expected future salary increases	1.0 %	1.0 %
Expected future pension increases	0.5 %	0.5 %
Actuarial base	BVG 2010 GT	BVG 2010 GT
Average retirement age in years	M65/F64	M65/F64
Life expectancy at assumed retirement age in years	M21/F25	M21/F25

The pension liabilities and plan assets are as follows:

CHF 1 000	2013	2012 [1]
Present value of funded obligation (DBO), at 1 January	**(100 851)**	**(87 972)**
Service cost	(5 305)	(5 298)
Employees' contributions	(3 693)	(3 878)
Plan adjustment costs	–	(773)
Interest cost	(1 736)	(2 072)
Benefits paid	11 475	10 877
Consideration retirees	–	(10 374)
Actuarial gain/(loss) on obligations	2 062	(1 361)
Present value of funded obligation (DBO), at 31 December	**(98 048)**	**(100 851)**
Fair value of plan assets, at 1 January	**94 419**	**80 447**
Expected return on plan assets	1 623	1 902
Employees' contributions	3 693	3 878
Employer's contributions	3 840	4 842
Benefits paid	(11 475)	(10 877)
Consideration retirees	–	10 374
Actuarial gain/(loss) on plan assets	219	3 853
Fair value of plan assets, at 31 December	**92 319**	**94 419**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

The expenses recognized in the income statement that result from the actuarial calculation of the liabilities of defined benefit retirement plans are as follows:

CHF 1 000	2013	2012 [1]
Service cost	5 305	5 298
Plan adjustment costs	–	773
Interest cost	1 736	2 072
Expected return on plan assets	(1 623)	(1 902)
Expenses recognized in the income statement	**5 418**	**6 241**

[1] Restatement of prio-year figures regarding IAS 19 revised, see note 2.3.

Premiums owed are actuarially calculated and are based on prevailing conditions.

The net assets/liabilities shown in the balance sheet for defined benefit retirement plans are as follows:

CHF 1 000	31.12.2013	31.12.2012 [1]	31.12.2011	31.12.2010	31.12.2009
Present value of funded obligations (DBO)	(98 048)	(100 851)	(91 412)	(90 835)	(89 628)
Fair value of plan assets	92 319	94 419	80 447	79 895	80 588
Over-/(under-)coverage	**(5 729)**	**(6 432)**	**(10 965)**	**(10 940)**	**(9 040)**
Not capitalized portion of the over-coverage	–	–	–	–	–
Not recognized actuarial (gains)/losses	–	–	10 965	10 940	8 783
Net asset/(liability) in balance sheet, at 31 December	**(5 729)**	**(6 432)**	**–**	**–**	**(257)**
Experience & assumptions adjustments on plan liabilities	2 062	(1 361)	2 766	(1 514)	–
Experience-based adjustments on plan assets	219	3 853	(3 483)	(836)	4 016
Total actuarial gains/(losses)	**2 281**	**2 492**	**(717)**	**(2 350)**	**4 016**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

Movements in the net assets/liabilities shown in the balance sheet for defined benefit retirement plans are as follows:

CHF 1 000	2013	2012 [1]
Net asset/(liability) in balance sheet, at 1 January	(6 432)	(7 525)
Expense recognized in the profit and loss statement	(5 418)	(6 241)
Employer's contributions	3 840	4 842
Actuarial gains/(losses) over Comprehensive Income	2 281	2 492
Net asset/(liability) in balance sheet, at 31 December	**(5 729)**	**(6 432)**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

The asset allocation for pension assets is as follows:

	2013	2012
Cash	0.0 %	67.7 %
Bonds	70.5 %	0.0 %
Equities	2.8 %	6.7 %
Property	15.5 %	0.0 %
Reinsurer (pensions)	0.0 %	25.6 %
Other	11.2 %	0.0 %
Total	**100.0 %**	**100.0 %**

The effective return on assets was CHF 1.8 million (2012: return on assets of CHF 5.7 million). The expected employer payments for the 2014 financial year are estimated at CHF 3.8 million.

The following sensitivity analysis shows the effects of changes to the most important assumptions:

CHF 1 000	Change in DBO
Technical interest rate	
+0.25 %	–1 664
–0.25 %	1 750
Salary growth rate	
+0.25 %	485
–0.25 %	–473
Pension growth rate	
+0.25 %	1 307
–0.25 %	–1 243
Life expectancy	
one year in retirement age	871

The above sensitivity analysis is based on a change to one assumption while all other assumptions remain as they were (ceteris paribus). The only exception is the change to the technical interest rate, which also assumes a simultaneous change to the projected interest rate for savings capital. The same method used to value liabilities in the annual financial statements (projected unit credit method) is used to value the sensitivities of pension obligations. The estimated values above also include the effects of changes to the pensioners' claim reserve.

The weighted average duration of the defined benefit obligation (DBO) is 7 years.

The pension liability of the German Group company is governed by national regulations and is a defined benefit scheme. No additional calculation based on IFRS accounting principles of provisions for future liabilities are made, because in the context of the consolidated financial statements the liabilities relate to an immateriel group of 13 employees (2012: 14 employees). No contributions from the Group company were booked in 2013 as well as 2012.

7 Rental expenses

CHF 1 000	2013	2012
Rent	145 143	149 030
Incidental expenses, cleaning, maintenance	45 834	46 740
Total	**190 977**	**195 770**

The CHF 4.8 million decline in rental expenses is mainly due to the reduction of the sales area and optimizations in the ancillary costs associated with the store portfolio.

8 Advertising and promotion expenses

Advertising and promotion expenses include costs for product-oriented advertising, sales promotions, public relations and market research by external providers. The CHF 9.0 million decrease compared to the previous year is due to more efficient marketing activities.

9 General operating expenses

This item includes branch transportation, logistics costs and general administrative expense. It also includes operational leasing costs amounting to CHF 3.0 million (2012: CHF 2.9 million). Operational leasing mainly involves vehicles.

10 Other operating income

CHF 1 000	2013	2012
Operating real estate income, net	5 869	5 581
Redemption compensation less costs for store closings	–	432
Insurance payments	96	–
Energy cost refunds of previous years	–	23
Other income	15	553
Total	**5 980**	**6 589**

11 Depreciation and impairment

CHF 1 000	2013	2012
Depreciation	40 180	49 751
Impairment losses mainly for store fixtures and fittings (see note 21.1)	9 458	32 692
Total	**49 638**	**82 443**

12 Financial income

CHF 1 000	2013	2012
Interest income	302	403
Interest income from securities	4	4
Total	**306**	**407**

13 Financial expenses

CHF 1 000	2013	2012
Interest expenses on current accounts and loans (see note 30)	10 016	8 325
Interest charges on mortgages	–	842
Interest on finance leases	682	995
Total	**10 698**	**10 162**

14 Foreign exchange differences

CHF 1 000	2013	2012
Income from foreign exchange contracts	147	358
Other exchange gains	3 860	608
Total Income from exchange gains	**4 007**	**966**

15 Income tax

15.1 Composition of income tax expense

CHF 1 000	2013	2012 [1]
Current income taxes	3 080	6 520
Change in deferred income taxes	70	(4 499)
Income tax from previous years	3 309	(1 026)
Total income tax expense	**6 459**	**995**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

15.2 Analysis of tax expense

CHF 1 000	2013	2012 [1]
Profit before income taxes	(28 312)	(109 637)
Taxes on current profit calculated on the expected Group tax rate of 17 % (2012: 22 %)	(4 813)	(24 120)
Reconciliation: – Effect of profits and losses with different tax rates	(499)	(8 754)
– Adjustments of deferred taxes from previous years	42	241
– Effect of deferred tax assets not capitalized	6 991	34 659
– Effect of other non-taxable transactions	1 429	205
– Taxes payable (refunds) from previous years	3 309	(1 026)
– Effect of restatement of prior-year figures regarding IAS 19 revised (see note 2.3)	–	(210)
Total tax expense	**6 459**	**995**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

The above table shows the transition from expected tax expense to reported tax expense. The expected Group tax rate is calculated from a normalized expected profit structure for all Group companies. The reduction of the expected Group tax rate is due to the fact, that higher taxable results were realised by companies with lower tax rates. The pronounced difference in the year under review between reported and expected tax expense is due primarily to the non-capitalization of deferred tax assets of CHF 7.0 million from Group companies posting losses (see note 15.5). The reported tax expense results mainly from profit making subsidiaries.

15.3 Deferred taxes in the balance sheet

CHF 1 000	31.12.2013 Assets	31.12.2013 Liabilities	31.12.2012 [1] Assets	31.12.2012 [1] Liabilities
Deferred taxes from:				
– Inventories	2 102	(5 854)	6 096	(7 620)
– Goodwill	7 287	–	8 455	–
– Other long-term assets	922	(9 425)	50	(11 232)
– Real estate	381	(7 844)	–	(8 046)
– Derivative financial instruments	–	(6)	–	(1)
– Intercompany loans	1 959	–	1 928	–
– Accruals	216	–	171	–
– Provisions	2 212	–	2 164	–
– Treasury shares	–	(1 268)	–	(1 557)
– Loss carry-forwards	144 104	–	152 673	–
Total deferred taxes, gross	**159 183**	**(24 397)**	**171 537**	**(28 456)**
Impairment of deferred tax assets	(154 703)	–	(162 569)	–
Total deferred taxes	**4 480**	**(24 397)**	**8 968**	**(28 456)**
Offset of assets and liabilities	(1 471)	1 471	(1 857)	1 857
Total deferred taxes, net	**3 009**	**(22 926)**	**7 111**	**(26 599)**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

The deferred tax assets on goodwill shown in the table relate to acquisitions of business activities (in the form of net assets) in Germany and the Netherlands. This goodwill was already completely amortized or written off in previous years under IFRS. Goodwill amortization is accepted under tax rules.

15.4 Change in deferred taxes, net

CHF 1 000	2013	2012 [1]
Total deferred tax assets/(liabilities), net, at 1 January	**(19 488)**	**(25 908)**
Recognized in income statement:		
– Change in tax rates from previous years	147	(241)
– Adjustments of deferred taxes from previous years	(189)	–
– Changes in temporary differences	(28)	4 740
Recognized in other comprehensive income (OCI):		
– Changes in deferred taxes on valuation of financial instruments (see note 37.1)	(15)	1 725
– Effect of restatement of prior-year figures regarding IAS 19 revised (see note 2.3)	(344)	(374)
Effect of exchange rates	–	570
Total deferred tax assets/(liabilities), net, at 31 December	**(19 917)**	**(19 488)**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

The calculation of deferred taxes is based on future (if known) national tax rates.

15.5 Tax-relevant loss carry-forwards

CHF 1 000	31.12.2013	31.12.2012
Expiring in the next year	11 285	15 248
Expiring in the next 2 till 5 years	52 051	55 052
Expiring in 5 to 9 years	118 853	92 011
Available without limitation	376 846	416 956
Total tax loss carry-forwards	**559 035**	**579 267**
Calculated potential tax assets thereof	144 104	152 673
Valuation allowances	(144 104)	(152 673)
Net tax asset from loss carry-forwards	**–**	**–**

The table above shows the tax-relevant loss carry-forwards, which are capitalized if sufficient taxable profit is likely to be generated in the foreseeable future.

The new deferred tax assets from tax loss carry-forwards arising in the 2013 and 2012 financial years were not capitalized again as it is not certain that they can be used in the foreseeable future.

16 Earnings per share

		2013	2012 [1]
Net income	CHF 1 000	(34 771)	(110 632)
Weighted average number of shares	number	8 397 484	8 401 375
Adjustment for potentially dilutive share options	number	–	593
Weighted average number of shares for diluted earnings per share	number	8 397 484	8 401 968
Basic earnings per share	**CHF**	**(4.14)**	**(13.17)**
Diluted earnings per share	**CHF**	**(4.14)**	**(13.17)**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

17 Cash and cash equivalents

CHF 1 000	31.12.2013	31.12.2012
Petty cash, postal account balances and cash at banks	70 220	87 009
Total cash and cash equivalents recognized in the balance sheet	**70 220**	**87 009**

The average interest rate on postal account balances and cash at banks, which have maturities of less than 3 months, was 0.06% (2012: 0.25%).

18 Receivables, advance payments and prepaid expenses

CHF 1 000	31.12.2013	31.12.2012
Receivables:		
– Tax refunds (value added tax)	4 866	3 473
– Income taxes	113	1 669
– Other receivables	5 428	6 337
– Credit card sales	2 447	3 656
– Sales e-commerce	591	502
– Reclaimable withholding taxes	9	18
Total receivables, gross	**13 454**	**15 655**
Value adjustments	(1 124)	(539)
Total receivables, net	**12 330**	**15 116**
Advance payments and prepaid expenses	**8 141**	**2 689**
Total receivables, advance payments and prepaid expenses	**20 471**	**17 805**

18.1 Value adjustments on receivables

CHF 1 000	2013	2012
Balance at 1 January	**(539)**	**(399)**
(Creation)/release of impairments	(585)	(140)
Balance at 31 December	**(1 124)**	**(539)**

Charles Vögele Group normally does not carry customer receivables since the vast majority of sales to customers are cash sales. Sales transacted by debit and credit cards are paid by the local financial institutions and service providers within 2 to 3 days. Payments are monitored systematically and continuously. Many years of experience show that credits from credit card sales shown at the balance sheet date have a good credit rating, accordingly no value adjustments are necessary.

Receivables from tax refunds (value added tax) are secured by carrying out regular verifications and by submitting the necessary declarations on time. For existing receivables at balance sheet date all necessary declarations were issued. Therefore the payments can be expected for the following year.

Other receivables are not related to regular sales of goods but to various individual items that are monitored periodically and dunning letters are issued where necessary.
On the balance sheet date they were tested for impairment and written down where necessary.

The book value of receivables and advance payments is equivalent to their fair value.

19 Inventories

CHF 1 000	31.12.2013	31.12.2012
Current inventory, gross	110 826	127 606
Inventory valuation allowance	(22 033)	(23 266)
Current inventory (current and previous seasons), net	**88 793**	**104 340**
Upcoming season	59 670	78 985
Heating oil	308	281
Total	**148 771**	**183 606**

19.1 Value adjustments on inventories

CHF 1 000	2013	2012
Balance at 1 January	**(23 266)**	**(20 445)**
(Creation)/release of value adjustments affecting cost of goods, net	1 542	(2 841)
Effect of exchange rates	(309)	20
Balance at 31 December	**(22 033)**	**(23 266)**

The release of systematic value adjustments of CHF 1.5 million during the 2013 financial year (previous year: creation of CHF 2.8 million) results mainly from the improved ageing structure of the inventories.

20 Non-current assets held for sale

The position as at 31 December 2013 is related to a property in Switzerland that is no longer needed for operations and that will be sold in autumn 2014. This will probabely lead to a profit of CHF 2.1 million (before deduction of sale costs).

21 Property, plant and equipment

21.1 Changes in values

CHF 1 000	Land	Buildings	Equipment	Total
Balance at 1 January 2012				
Acquisition cost	54 109	199 764	489 036	742 909
Accumulated depreciation/impairment	(9 399)	(103 928)	(288 736)	(402 063)
Net book amount at 1 January 2012	**44 710**	**95 836**	**200 300**	**340 846**
Financial year 2012				
Opening net book amount	44 710	95 836	200 300	340 846
Effect of exchange rates	(34)	(174)	(74)	(282)
Additions	–	102	12 212	12 314
Disposals	(72)	(12)	(366)	(450)
Depreciation	–	(5 056)	(40 711)	(45 767)
Impairment	–	–	(32 692)	(32 692)
Reclassification	–	–	–	–
Closing net book amount	**44 604**	**90 696**	**138 669**	**273 969**
Balance at 31 December 2012				
Acquisition cost	54 003	198 035	480 610	732 648
Accumulated depreciation/impairment	(9 399)	(107 339)	(341 941)	(458 679)
Net book amount at 31 December 2012	**44 604**	**90 696**	**138 669**	**273 969**
Financial year 2013				
Opening net book amount	44 604	90 696	138 669	273 969
Effect of exchange rates	76	394	1 156	1 626
Additions	–	88	9 399	9 487
Disposals	(1 339)	(1 359)	(374)	(3 072)
Depreciation	–	(5 082)	(32 025)	(37 107)
Impairment	–	(4 542)	(4 916)	(9 458)
Reclassification	–	–	–	–
Closing net book amount	**43 341**	**80 195**	**111 909**	**235 445**
Balance at 31 December 2013				
Acquisition cost	52 740	196 101	466 793	715 634
Accumulated depreciation/impairment	(9 399)	(115 906)	(354 884)	(480 189)
Net book amount at 31 December 2013	**43 341**	**80 195**	**111 909**	**235 445**

The impairment of round CHF 9.5 million in the current financial year is attributable primarily to store fittings and building in Germany.

In the prior year fixed assets in the Netherlands, Belgium, Poland, the Czech Republic and Hungary were impaired. This led to an additional impairment charge of CHF 32.0 million.

Land and buildings were encumbered with mortgage notes worth CHF 158.6 million as security for group funding (see note 30) as at 31 December 2013 (31 December 2012: CHF 158.6 million).

The fire insurance value of fixed assets is CHF 679.1 million as at 31 December 2013 (31 December 2012: CHF 677.7 million).

21.2 Finance leases

The carrying amount of tangible assets includes the following leased assets:

CHF 1 000	Land	Buildings	Total
Acquisition cost	4 799	43 787	48 586
Accumulated depreciation	–	(20 493)	(20 493)
Balance at 31 December 2012	**4 799**	**23 294**	**28 093**
Additions 2012	–	–	–
Reclassification	–	–	–
Acquisition cost	4 052	32 049	36 101
Accumulated depreciation	–	(15 339)	(15 339)
Balance at 31 December 2013	**4 052**	**16 710**	**20 762**
Additions 2013	–	–	–
Reclassification	(826)	(6 068)	(6 894)

Financial leases for land and buildings include Charles Vögele Group's distribution centres in Lehrte and Sigmaringen in Germany, as well as in Kalsdorf in Austria. These are partially subleased. The building in Sigmaringen (Germany) that was leased in the previous year was acquired in 2013.

22 Financial assets

CHF 1 000	**31.12.2013**	31.12.2012
Investments	115	115
Total financial assets	**115**	**115**

The position "Investments" comprises interests in non-consolidated companies (mainly parking garages) with shareholdings below 20%.

23 Intangible assets

23.1 Changes intangible assets

CHF 1 000	Goodwill	Other intangible assets	Total
Balance at 1 January 2012			
Acquisition cost	36 728	29 405	66 133
Accumulated depreciation	–	(20 938)	(20 938)
Net book amount at 1 January 2012	**36 728**	**8 467**	**45 195**
Year 2012			
Opening net book amount	36 728	8 467	45 195
Effect of exchange rates	–	–	–
Additions	–	1 545	1 545
Disposals	–	–	–
Depreciations	–	(3 619)	(3 619)
Impairments	–	–	–
Closing net book amount	**36 728**	**6 393**	**43 121**
Balance at 31 December 2012			
Acquisition cost	36 728	30 950	67 678
Accumulated depreciation	–	(24 557)	(24 557)
Net book amount at 31 December 2012	**36 728**	**6 393**	**43 121**
Year 2013			
Opening net book amount	36 728	6 393	43 121
Effect of exchange rates	–	–	–
Additions	–	1 486	1 486
Disposals	–	–	–
Depreciations	–	(2 699)	(2 699)
Impairments	–	–	–
Closing net book amount	**36 728**	**5 180**	**41 908**
Balance at 31 December 2013			
Acquisition cost	36 728	27 149	63 877
Accumulated depreciation	–	(21 969)	(21 969)
Net book amount at 31 December 2013	**36 728**	**5 180**	**41 908**

23.2 Impairment test on goodwill

CHF 1 000	31.12.2013	31.12.2012
Total of LBO ratio Switzerland	**36 728**	**36 728**
The test is based on the following assumptions:		
Switzerland:		
– Growth rate of the residual	1.4%	1.0%
– Pre-tax discount rate (WACC)	7.4%	6.9%

The goodwill disclosed in prior years was generated by a leveraged buyout through which Charles Vögele Holding AG firstly acquired the shares of the Charles Vögele Group from the Company's founder and sole shareholder in 1997, and secondly acquired the minority shares in Charles Vögele (Austria) GmbH in 1998.

The annual impairment test on assets and goodwill is carried out using value in use calculations and the discounted free cash flow model which is based on the business plans prepared by Management and includes future free cash flows for the next 5 years. Cash flows after the plan years are extrapolated by means of a constant growth rate (these growth rates reflect the commonly accepted growth rates). The discount rates used (WACC) take into consideration the specific risks relating to the cash-generating units. The discount rates are calculated using the Capital Asset Pricing Model (CAPM). This latter comprises the weighted cost of own equity and of external borrowing costs. The discount rates are based on the risk free rates for 10 year bonds of the country concerned. A risk premium for the country risk and one for small cap companies are then added.

The impairment test for goodwill at the Swiss cash generating unit, updated at the end of 2013, showed that even after incorporating sensitivity analyses – WACC +0.45 percentage points (previous year +0.75 percentage points), growth rate –0.65 percentage points (previous year –0.75 percentage points), revenue –1% (previous year –3%), EBITDA margin –0.5 percentage points (previous year –2 percentage points) – the reported goodwill has retained its value.

23.3 Other intangible assets

"Other intangible assets" covers brand rights, licences and software. Brand rights and licences have already been fully written down in previous years. The recorded net book value reflects IT software exclusively.

24 Financial instruments by category (assets)

CHF 1 000	Loans and receivables	Derivatives used for hedging	Available for sale/others	Total
Cash and cash equivalents	70 220	–	–	70 220
Receivables, advance payments and prepaid expenses	20 471	–	–	20 471
Derivative financial instruments	–	42	–	42
Financial assets (see note 22)	–	–	115	115
Balance at 31 December 2013	**90 691**	**42**	**115**	**90 848**
Cash and cash equivalents	87 009	–	–	87 009
Receivables, advance payments and prepaid expenses	17 805	–	–	17 805
Derivative financial instruments	–	–	–	–
Financial assets (see note 22)	–	–	115	115
Balance at 31 December 2012	**104 814**	**–**	**115**	**104 929**

25 Short-term financial liabilities

CHF 1 000	31.12.2013	31.12.2012
Short-term lease liabilities (see note 27)	1 534	4 798
Total	**1 534**	**4 798**

26 Other liabilities and accruals

CHF 1 000	31.12.2013	31.12.2012
Sales tax	18 333	15 453
Vouchers	21 610	16 637
Accruals:		
– Personnel expenses	14 638	16 583
– Rental expenses	4 377	3 282
– Other accruals	10 839	15 447
Total	**69 797**	**67 402**

27 Finance lease liabilities

CHF 1 000	Residual term < 1 year	Residual term 1 – 5 years	Residual term > 5 years	Total
Lease commitments, gross	1 907	7 069	3 431	12 407
Discounted	(373)	(915)	(32)	(1 320)
Balance at 31 December 2013	**1 534**	**6 154**	**3 399**	**11 087**
Lease commitments, gross	5 323	7 524	4 960	17 807
Discounted	(525)	(1 361)	(200)	(2 086)
Balance at 31 December 2012	**4 798**	**6 163**	**4 760**	**15 721**

CHF 1 000	**31.12.2013**	31.12.2012
Disclosure:		
– Short-term financial liabilities (due < 1 year; see note 25)	1 534	4 798
– Lease liabilities	9 553	10 923
Total	**11 087**	**15 721**

The average discount rate of finance lease commitments amounted to 4.0 % (2012: 4.2 %).

28 Provisions

CHF 1 000	Personnel provisions	Other provisions	Total
Balance at 1 January 2012 [1]	**14 485**	**931**	**15 416**
Increase [1]	2 356	1 577	3 933
Usage	(551)	(23)	(574)
Decrease	(386)	(61)	(447)
Reclassification	–	–	–
Effect of exchange rates	(44)	(1)	(45)
Balance at 31 December 2012	**15 860**	**2 423**	**18 283**
Increase	2 561	1 655	4 216
Usage	(2 057)	(341)	(2 398)
Decrease	(713)	(1 857)	(2 570)
Reclassification	–	–	–
Effect of exchange rates	106	45	151
Balance at 31 December 2013	**15 757**	**1 925**	**17 682**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

CHF 1 000	**31.12.2013**	31.12.2012 [1]
Disclosure:		
– Short-term provisions	5 586	5 374
– Long-term provisions	12 096	12 909
Total	**17 682**	**18 283**

[1] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

“Personnel provisions” are mainly associated with pension liabilities and severance pay arrangements under local laws, and settlements paid to employees of various Group companies as well as defined benefit obligations according to IAS 19 revised.

The increases and decreases are attributable to alterations to pension and settlement liabilities recognized in the income statement. Usage reflects the annual pension payments that are offset by the provisions. The decreases in the year under review and previous year were mainly attributable to provisions that were no longer required.

“Other provisions” mainly includes estimated cash outflows connected with legal matters.

The precise timing of the estimated outflows of funds from “Other provisions” is difficult to ascertain and largely out of the Company’s control. The Management assumes that the outflow will occur within the next 1 to 3 years.

29 Mortgages

CHF 1 000	
Balance at 1 January 2012	**95 500**
Increase in mortgages	–
Repayment of mortgages	(95 500)
Balance at 31 December 2012	**–**
Increase in mortgages	–
Repayment in mortgages	–
Balance at 31 December 2013	**–**

The mortgages were replaced by the new group funding at the end of February 2012. The average interest rate on the mortgages in 2012 until they were cleared was 2.8%.

30 Loans

The utilized credit line at the balance sheet date is shown in the chart about liquidity reserves (see note 3.4). Loans used in 2013 had an average interest rate of 3.2% (2012: 2.8%).

The existing syndicated credit agreement of June 2007 was replaced ahead of schedule in February 2012 by a new syndicated credit facility of CHF 255 million (old credit facility was for CHF 250 million). The term of this new credit facility runs to September 2015. The interest rate is based on LIBOR plus a margin of between 100 and 375 basis points depending on various key financial ratios.

Because the refinancing was arranged during the first half of 2012, all loans and mortgages, totalling CHF 225.5 million, were shown as short-term liabilities as at 31 December 2011. The credit line totalling CHF 150 million drawn on 31 December 2013 under the new agreement (minus finance costs of CHF 2.2 million, leaving CHF 147.8 million) was reported under long-term liabilities.

31 Financial instruments by category (liabilities)

CHF 1 000	Derivatives used for hedging	Otherfinancial liabilities at amortized cost	Other non-financial liabilities	Total
Trade payables	–	48 978	–	48 978
Other liabilities and accruals	–	48 187	21 610	69 797
Derivative financial instruments	2 930	–	–	2 930
Loans	–	147 775	–	147 775
Balance at 31 December 2013	**2 930**	**244 940**	**21 610**	**269 480**
Trade payables	–	61 482	–	61 482
Other liabilities and accruals	–	50 765	16 637	67 402
Derivative financial instruments	2 904	–	–	2 904
Loans	–	186 556	–	186 556
Balance at 31 December 2012	**2 904**	**298 803**	**16 637**	**318 344**

32 Share capital

The share capital comprises 8800000 fully paid-in bearer shares with a par value of CHF 3.00 each.

The Board of Directors is authorized to increase the Company’s share capital by a maximum of CHF 792000, excluding shareholders’ subscription rights, through the issue of 264000 shares with a par value of CHF 3.00 each (conditional capital, Art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in the management share option plan (please also refer to note 35.1). The Board of Directors also had the right to increase the share capital at any time up to 14 April 2012 by a maximum of CHF 2.4 million through the issue of a maximum of 800000 shares with a par value of CHF 3.00 each. No increase was carried out, however. Restrictions on or removal of shareholders’ subscription rights are allowed in the cases defined in the Articles of Association (authorized capital, Art. 5 Articles of Association). The complete latest edition of Charles Vögele Holding AG’s Articles of Association can be viewed on the Company’s website at www.charles-voegele.com at any time.

33 Treasury shares

As of 31 December 2013, treasury shares comprise 363 655 shares (31 December 2012: 390 502) held by the Charles Vögele Group and earmarked for share participations by the Management of the Charles Vögele Group (see note 35).

34 Distribution to shareholders

Owing to the accumulated loss, the Board of Directors is proposing to the Annual General Meeting of 20 May 2014 that no dividend be paid for the 2013 financial year.

On 14 May 2013 the Annual Shareholders' Meeting decided not to pay a dividend for the 2012 financial year.

35 Incentive and share ownership plans

In order to link the interests of the members of its Board of Directors, Group Management and employees with those of its shareholders, the Group offered a number of opportunities for certain employees to purchase shares.

35.1 Management share option plan

The 2002 option plan (equity-based remuneration settled through equity instruments) for members of the Board of Directors, Group Management as well as other members of management is financed through treasury shares. For details regarding the allocation for the 2013 financial year, please see note 35.2 (granting of bonus shares). Allocation criteria are based on the rank and function of the individual employees. Each option entitles the holder to acquire one share. The number of shares that can be issued under this plan was limited by the Board of Directors of Charles Vögele Holding AG to 5% of the Company's ordinary share capital. The duration of the option plan is not limited. The duration of the options of each tranche expires after 5 years, with a vesting period of 3 years from the date they are awarded. On leaving the Board of Directors, Board members receive their allocated options in full. On leaving the Company, members of Group Management and the second level of Management receive their allocated options pro rata temporis on the basis of the three-year vesting period. However, the three-year vesting period continues to apply in all cases.

The annual tranches still outstanding are detailed in the following table:

Granting year of tranche	Number of outstanding options at 1 Jan. 2013	Number of granted options	Number of expired options	Number of exercised options	Number of outstanding options at 31 Dec.2013	Exercise price in CHF	Duration until	Vesting period until
2013	–	–	–	–	–	–	–	–
2012	88 750	–	(9 366)	–	79 384	15.85	2017	2015
2011	85 123	–	(2 146)	–	82 977	33.90	2016	2014
2010	95 860	–	(58)	–	95 802	42.85	2015	2013
2009	103 235	–	(826)	–	102 409	39.50	2014	2012
2008	84 061	–	(84 061)	–	–	65.05	2013	2011
Total	**457 029**	**–**	**(96 457)**	**–**	**360 572**			

Further allocations under this plan are usually determined at the meeting held by the Board of Directors to discuss the half-year financial statements. The exercise price is determined by the volume-weighted closing price on the 30 trading days prior to the allocation date and the 10 trading days after this date.

The changes in the number of outstanding share options and the relevant weighted average exercise prices are shown in the following table:

	2013 Weighted average exercise price in CHF	**2013 Number of options**	2012 Weighted average exercise price in CHF	2012 Number of options
Balance at 1 January	**39.27**	**457 029**	**57.24**	**452 268**
Granted options	–	–	15.85	88 750
Expired options	66.13	(96 457)	108.10	(83 989)
Exercised options	–	–	–	–
Balance at 31 December	**33.89**	**360 572**	**39.27**	**457 029**
Exercisable at 31 December	**43.52**	**198 211**	**50.97**	**187 296**

In the 2013 financial year as well as in the previous financial year no options were exercised. Therefore a disclosure of corresponding weighted average share prices is not applicable.

The above-mentioned tranches are serviced exclusively by treasury shares purchased by the Charles Vögele Group for this purpose (see note 33).

The weighted average remaining contractual term of the 360 572 options outstanding on 31 December 2013 was 12 months (previous year: 457 029 options and 21 months). Exercise prices ranged between CHF 15.85 and CHF 42.85 per option (previous year: between CHF 15.85 and CHF 65.05).

The fair value of the options as determined by the "Enhanced American Model" was calculated using the following key parameters:

Tranche	Share price at granting day in CHF	Expected volatility	Risk-free interest rate	Expected dividend yield	Fair value per option in CHF
15.08.2012	15.70	46.20%	0.22%	1.72%	4.57
18.08.2011	33.35	41.80%	0.35%	1.75%	8.67
19.08.2010	44.00	39.73%	0.87%	1.99%	11.47
21.08.2009	40.00	48.53%	1.39%	1.72%	12.48
22.08.2008	61.80	35.99%	2.96%	1.71%	14.93

The expected volatility was determined from the mean value of the average implied volatility and historical volatility over 6 months.

During the year under review CHF 0.5 million (previous year: CHF 0.9 million) was charged through personnel expenses for the proportional fair value of options.

35.2 Granting of bonus shares

In September 2013, the Board of Directors decided not to grant any tranches of options for 2013 and to let existing tranches expire. The same beneficiaries were instead given bonus shares for 2013. These bonus shares are blocked for 3 years, delivered to the employee and allocated in full on issue. There is no return obligation.

During the period under review this led to an additional CHF 0.2 million of personnel expenses.

36 Contingent liabilities

36.1 Outstanding merchandise orders and letters of credit

As of 31 December 2013, future commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 91.7 million (31 December 2012: CHF 113.1 million). As of 31 December 2013, letters of credit not included in the balance sheet amounted to CHF 14.8 million (31 December 2012: CHF 18.5 million).

37 Forward foreign exchange contracts

The forward foreign exchange contracts open on the balance sheet date are shown in note 3.4 under liquidity risks.

37.1 Derivatives for cash flow hedges

At 31 December 2013, open forward foreign exchange contracts for cash flow hedges were as follows: CHF 92.0 million (previous year: CHF 130.6 million) for purchase of merchandise in USD and to cover the exchange rate risks for purchasing merchandise for the following year's collection. As in the previous year there were no open forward foreign exchange contracts for cash flow hedges to hedge intra-group deliveries of goods in EUR to sales organizations in the eurozone.

These derivative financial instruments are valued at their replacement value. Any changes in the fair value arising from the valuation on the balance sheet date are recognized under equity as "Valuation financial instruments" until the hedged underlying transaction has occured.

The valuation difference from ineffective hedge transactions is debited or credited directly to "Exchange gains or losses" in the income statement. There were no material ineffective hedge transactions during the year under review.

Movement in valuation differences not affecting income statement

CHF 1 000	Equity
Balance at 1 January 2012	
Valuation financial instruments before tax	8 372
Deferred tax	(1 256)
Valuation financial instruments net of tax at 1 January 2012	**7 116**
Year 2012	
Opening balance	7 116
Disposal through purchase of goods recognized in cost of goods in income statement	(8 372)
Valuation of outstanding financial instruments at 31 December 2012	(3 127)
Change in deferred tax	1 725
Valuation net of tax at 31 December 2012	**(2 658)**
Closing balance at 31 December 2012	
Valuation financial instruments before tax	(3 127)
Deferred tax	469
Valuation financial instruments net of tax at 31 December 2012	**(2 658)**
Year 2013	
Opening balance	(2 658)
Disposal through purchase of goods recognized in cost of goods in income statement	3 127
Valuation of outstanding financial instruments at 31 December 2013	(3 032)
Change in deferred tax	(15)
Valuation financial instruments net of tax at 31 December 2013	**(2 578)**
Closing balance at 31 December 2013	
Valuation financial instruments before tax	(3 032)
Deferred tax	454
Valuation financial instruments net of tax at 31 December 2013	**(2 578)**

37.2 Derivatives for trading purposes

The valuation of currency swaps and forward foreign exchange contracts at current replacement values resulted in a gain of CHF 0.1 million as of 31 December 2013 (31 December 2012: loss of CHF 0.2 million). This was included in the income statement under exchange gains or losses.

38 Rental commitments

For rental contracts (operating leasing) with fixed rental terms, the following minimum payments are to be expected (excluding renewal options):

CHF 1 000	**31.12.2013**	31.12.2012
Maturity < 1 year	139 570	146 627
Maturity 1 – 5 years	306 648	338 934
Maturity > 5 years	78 423	96 467
Total	**524 641**	**582 028**

39 Related party transactions

The Board of Directors of Charles Vögele Holding AG and the Top Management of Charles Vögele Group constitute the key management personnel pursuant to IAS 24.

The amounts reported or deferred in these annual financial statements were used to calculate the payments shown below.

The remuneration of the Board of Directors and Group Management amounted to:

		Board of Directors	Top Management	Total
2013	Number of members at 31 December 2013 [1]	4	3	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000 [1]	804	1 900	2 704
2012	Number of members at 31 December 2012 [3]	5	1	
	Salaries, professional fees, bonuses and other remunerations in CHF 1 000 [3]	590	2 818	3 408
	Number of Management options	25 000	11 250	36 250
	Value of Management options in CHF 1 000 [2]	115	51	166

1) Concerning the changes in the Board of Directors and in the Group Management during the 2013 financial year see notes in the Corporate Governance report.
2) Valuation: fair value according IFRS, details see note 35.1. and 35.2.

Details of total payments to members of the Board of Directors pursuant to the Swiss Code of Obligations (CO):

2013 CHF 1 000	Hans Ziegler Chairman	Max E. Katz Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Dirk Lessing [2]	Total Board of Directors
Salaries (gross)	274	113	103	103	46	639
Bonus (gross)	–	–	–	–	–	–
Employer's social security costs	15	6	6	6	2	35
Lump-sum expenses	5	5	–	–	–	10
Shares [1]	10	10	10	10	–	40
Consultancy fees	–	–	100	15	–	115
Total 2013	**304**	**134**	**219**	**134**	**48**	**839**

1) Valuation: fair value according IFRS, details see note 35.1. and 35.2.
2) Concerning the changes in the Board of Directors during the financial year 2013 see notes in the Corporate Governance report.

2012 CHF 1 000	Hans Ziegler Chairman	Max E. Katz Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Dirk Lessing Member	Peter Littmann	Jan C. Berger	Total Board of Directors
Salaries (gross)	173	59	52	52	52	24	24	436
Bonus (gross)	–	–	–	–	–	–	–	–
Employer's social security costs	11	5	5	5	5	1	1	33
Lump-sum expenses	4	4	–	–	–	1	1	10
Management options [1]	23	23	23	23	23	–	–	115
Consultancy fees	–	–	57	87	–	–	–	144
Total 2012	**211**	**91**	**137**	**167**	**80**	**26**	**26**	**738**

1) Valuation: fair value according IFRS, details see note 35.1.

Details of total payments to the Top Management pursuant to the Swiss Code of Obligations (CO):

2013 CHF 1 000	Markus Voegeli CEO/CFO [3]	Total Top Management
Salaries (gross)	1 200	1 707
Bonus (gross)	–	–
Employer's social security and insurance costs	135	296
Company car [1]	6	6
Shares [2]	187	187
Total 2013	**1 528**	**2 196**

[1] Private used (tax value: 9.6 % of acquisition value).
[2] Valuation: fair value according IFRS, details see note 35.1. and 35.2.
[3] Concerning the changes in the Group Management during the financial year 2013 see notes in the Corporate Governance report.

2012 CHF 1 000	Frank Beeck ex-CEO	Total Top Management
Salaries (gross)	800	1 450
Bonus (gross)	700	1 350
Employer's social security and insurance costs	138	271
Company car [1]	11	18
Management options [2]	–	51
Total 2012	**1 649**	**3 140**

[1] Private used (tax value: 9.6 % of acquisition value).
[2] Valuation: fair value according IFRS, details see note 35.1.

Disclosure of Board of Directors' shareholdings pursuant to the Swiss Code of Obligations (CO):

Balance, at 31 December 2013	Hans Ziegler Chairman	Max E. Katz Vice-Chairman	Matthias Freise Member	Ulla Ertelt Member	Dirk Lessing [2]	Total Board of Directors
Number of shares	1 000	1 000	1 000	1 000	–	4 000
In percentage of share capital	0.01 %	0.01 %	0.01 %	0.01 %	–	0.05 %
Value of shares in CHF 1 000	11	11	11	11	–	44
Number of Management options	22 200	5 000	5 665	5 000	–	37 865
In percentage of share capital	0.25 %	0.06 %	0.06 %	0.06 %	–	0.43 %
Value of Management options in CHF 1 000 [1]	29	22	22	22	–	95

[1] Valuation: according to Swiss tax rules.
[2] Concerning the changes in the Board of Directors during the financial year 2013 see notes in the Corporate Governance report.

Balance, at 31 December 2012	Hans Ziegler Chairman	Max E. Katz Vice-Chairman	Matthias Freise Member	Ulla Ertelt Member	Dirk Lessing Member	Total Board of Directors
Number of shares	–	–	–	–	–	–
In percentage of share capital	–	–	–	–	–	–
Value of shares in CHF 1 000	–	–	–	–	–	–
Number of Management options	22 200	5 000	5 665	5 000	5 000	42 865
In percentage of share capital	0.25 %	0.06 %	0.06 %	0.06 %	0.06 %	0.49 %
Value of Management options in CHF 1 000 [1]	29	22	22	22	22	117

[1] Valuation: according to Swiss tax rules.

Disclosure of Group Management's shareholdings pursuant to the Swiss Code of Obligations (CO):

Balance, at 31 December 2013	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO [2]	Matthias Wunderlin CSO [2]	Total Top Management
Number of shares	6 600	–	–	6 600
In percentage of share capital	0.08 %	–	–	0.08 %
Value of shares in CHF 1 000	72	–	–	72
Number of Management options	37 650	–	–	37 650
In percentage of share capital	0.43 %	–	–	0.43 %
Value of Management options in CHF 1 000 [1]	64	–	–	64

[1] Valuation: according to Swiss tax rules.
[2] Concerning the changes in the Group Management during the financial year 2013 see notes in the Corporate Governance report.

Balance, at 31 December 2012	Markus Voegeli CEO a.i./CFO	Frank Beeck ex-CEO	André Maeder ex-CEO	Werner Lange ex-CPO	Total Top Management
Number of shares	4 100	–	–	–	4 100
In percentage of share capital	0.47 %	–	–	–	0.47 %
Value of shares in CHF 1 000	68	–	–	–	68
Number of Management options	37 650	21 700	35 800	23 809	118 959
In percentage of share capital	0.43 %	0.25 %	0.41 %	0.27 %	1.36 %
Value of Management options in CHF 1 000 [1]	64	19	9	4	96

[1] Valuation: according to Swiss tax rules.

40 Risk assessment according to the Swiss Code of Obligations

Financial risk assessment and management is an integral part of the Charles Vögele Group-wide enterprise risk management and is governed by policies reviewed by the Board of Directors. The policies provide guidance on operational risk limits and monitoring procedures. Such monitoring procedures contain regular review of accounting policy, significant accounting matters, and items requiring significant management judgments and estimates. The implementation of the accounting policy, the adherence to the regulation and the monitoring on a daily risk basis are carried out by the relevant financial departments. Regular reporting on the review of the financial risk situation is performed by the relevant accounting and controlling functions.

Charles Vögele Group has established a fully integrated risk process that captures and evaluates the Group's most important external and internal risks. The key risks are entered in a risk matrix that shows both the potential degree of impact and likelihood of each individual risk. Based on the Company's risk tolerance, Group Management either initiates measures to reduce the degree of impact and/or the likelihood of the risk occurring, or deliberately takes on specific risks. Group Management periodically evaluates and updates the key risks. Charles Vögele Holding AG's Board of Directors evaluates the effectiveness of the risk management system every year.

41 Post balance sheet events

These annual consolidated financial statements take account of events occurring after the balance sheet date and before 3 April 2014. No material events occurred after the balance sheet date.

The Board of Directors approved these consolidated financial statements on 3 April 2014.

42 Structure of the Charles Vögele Group as of 31 December 2013

Company		ISO Code	Share/ Partnership capital
Charles Vögele Holding AG Freienbach SZ, CH Holding		CHF	26 400 000
100%	**Charles Vögele Trading AG** Freienbach SZ, CH Central services	CHF	10 000 000
100%	**Charles Vögele Store Management AG** Freienbach SZ, CH Central services (dormant)	CHF	250 000
100%	**Cosmos Mode AG** Freienbach SZ, CH Central services	CHF	100 000
100%	**Mac Fash GmbH** Freienbach SZ, CH Central services (dormant)	CHF	20 000
100%	**Charles Vögele Import GmbH** Lehrte, DE Central services	EUR	25 000
100%	**Charles Voegele Fashion (HK) Ltd.** Hongkong, HK Central services	HKD	100 000
100%	**Charles Vögele Mode AG** Freienbach SZ, CH Sales organization	CHF	20 000 000
100%	**Charles Vögele Deutschland GmbH** Sigmaringen, DE Sales organization	EUR	15 340 000
100%	**Charles Vögele (Netherlands) B.V.** Utrecht, NL Sales organization	EUR	1 000 200
100%	**Charles Vögele (Belgium) N.V.** Erembodegem, BE Sales organization	EUR	10 063 906
100%	**Charles Vögele (Austria) GmbH** Kalsdorf, AT Sales organization	EUR	1 453 457
100%	**Charles Voegele trgovina s tekstilom d.o.o.** Ljubljana, SI Sales organization	EUR	667 668
100%	**Charles Voegele Polska Sp. z o.o.** Warsaw, PL Sales organization	PLN	4 000 000
100%	**Charles Vögele Hungária Kereskedelmi Kft.** Budapest, HU Sales organization	HUF	240 000 000
100%	**Charles Voegele Ceska s.r.o.** Prague, CZ Sales organization	CZK	151 000 000

Changes in the scope of consolidation, see note 2.5.

Zurich, 3 April 2014

Report of the statutory auditor to the General Meeting of Charles Vögele Holding AG, Freienbach SZ

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of Charles Vögele Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes (pages 4 to 55), for the year ended 31 December 2013.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Böhm Uglow Audit expert Auditor in charge	Pascal Wintermantel Audit expert

CONTENT FINANCIAL STATEMENTS HOLDING

From 1 January to 31 December

INCOME STATEMENT HOLDING

CHF 1 000	Note	2013	2012
Income			
Dividends	6	290 000	150 000
Financial income	2	10 923	14 207
Total income		**300 923**	**164 207**
Expenses			
Amortization investments	6	(294 487)	(293 379)
Administration expenses	7	(5 251)	(2 266)
Financial expenses	2	(1 989)	(2 974)
Impairment of loans to subsidiaries	3	(59)	(59)
Exchange loss, net		3 073	14
Total expenses		**(298 713)**	**(298 664)**
Profit/(loss)/before income tax		**2 210**	**(134 457)**
Tax expenses		(12)	(12)
Net profit/(loss) of the year		**2 198**	**(134 469)**

At 31 December

BALANCE SHEET HOLDING

CHF 1 000	Note	31.12.2013	31.12.2012
Assets			
Current assets			
Cash and cash equivalents	4	12 431	22 303
Receivables from subsidiaries	5	35 185	184 444
Other receivables and prepaid expenses		117	32
Total current assets		**47 733**	**206 779**
Long-term assets			
Loans to subsidiaries	5	159 404	260 027
Investments	6	283 648	321 331
Total long-term assets		**443 052**	**581 358**
Total assets		**490 785**	**788 137**
Liabilities and shareholders' equity			
Short-term liabilities			
Accounts payable third parties		75	52
Accounts payable subsidiaries	5	261 440	560 636
Accrued liabilities		247	624
Total short-term liabilities		**261 762**	**561 312**
Shareholders' equity			
Share capital	8	26 400	26 400
Legal reserves to contribution of capital	8	173 789	173 789
Free reserves		11 259	110 000
Reserve for treasury shares	9	10 787	15 377
Retained earnings: – Retained earnings at 1 January		(98 741)	27 651
– Compensation with free reserves		98 741	–
– Decrease/(increase) of reserve for treasury shares		4 590	8 077
– Net profit of the year		2 198	(134 469)
Total retained earnings		6 788	(98 741)
Total shareholders' equity		**229 023**	**226 825**
Total liabilities and shareholders' equity		**490 785**	**788 137**

NOTES TO THE FINANCIAL STATEMENTS

1 Basis for the financial statements

Charles Vögele Holding AG is based in Pfäffikon, municipality of Freienbach, in the canton of Schwyz, Switzerland, and its purpose is the holding and administration of investments of the Charles Vögele Group.

The financial statements are presented in accordance with Swiss law.

The integration of the financial statements of Charles Vögele Holding AG into the consolidated financial statements of the Charles Vögele Group has been made in accordance with the accounting principles explained in the notes to the consolidated financial statements.

2 Financial income and expenses

The financial income arises largely from the interest income from cash pooling and from interest on loans granted to subsidiary companies. These are counterbalanced by financial expenses in the form of interest on cash pooling and on interest on accounts payable to subsidiary companies.

3 Impairment of loans to subsidiaries

Impairment of loans to Group companies reflects value adjustments of loans to the subsidiary in Poland.

4 Cash and cash equivalents

This position includes sight deposits at banks.

5 Receivables from and liabilities to subsidiaries

Current asset receivables and short-term payables due from and to Group companies are resulting mainly from the Group's cash pooling system.

Loans to Group companies serve to finance various subsidiaries and are value adjusted if necessary (see note 3).

6 Investments

The complete structure of the Charles Vögele Group's long-term investments can be found in note 42 of the notes to the consolidated financial statements.

The position "value adjustments" includes impairments on the investments in subsidiaries in Poland and the Czech Republic relating to the published withdrawal (CHF 34.7 million), as well as on the investments in other group companies amounting to CHF 259.8 million.

In 2012 this position related to impairments on the investments in subsidiaries in Benelux and CEE.

In both financial years the reported income from investments results from the Swiss sales company, and during the year under review additionally from the central service company.

7 Administration expenses

The increase in the cost of the administration expenses is largely due to a tax-related change to an intra-group management service contract.

8 Equity

The share capital comprises 8 800 000 fully paid-in bearer shares with a par value of CHF 3.00 each.

The CHF 173.8 million disclosed as other legal reserves include CHF 2.9 million capital contributions not accepted by the SFTA (Swiss Federal Tax Administration).

The explanations about the statutory designated conditional and authorized capital increases can be found in the notes to the consolidated financial statements (see note 32).

9 Movement in treasury shares

		Price in CHF	Number of shares [1]
Treasury shares at 1 January 2012			**395 409**
Disposal of treasury shares	Q1 2012	17.50 – 20.44	(3 439)
Purchase of treasury shares		–	–
Disposal of treasury shares	Q4 2012	16.82 – 16.84	(1 468)
Purchase of treasury shares		–	–
Treasury shares at 31 December 2012			**390 502**
Granting of employee shares	Q1 2013	15.32 – 17.39	(12 505)
Purchase of treasury shares		17.39	1 491
Disposal of treasury shares	Q2 2013	13.73	(2 088)
Purchase of treasury shares		17.39	1 755
Disposal of treasury shares	Q3 2013	–	–
Purchase of treasury shares		–	–
Disposal of treasury shares	Q4 2013	–	–
Purchase of treasury shares		–	–
Granting of bonus shares	Q4 2013	11.15	(15 500)
Treasury shares at 31 December 2013			**363 655**

[1] All of the transactions were executed by Charles Vögele Trading AG.

For the holdings of treasury shares in the Charles Vögele Group as of 31 December 2013, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 10.8 million (31 December 2012: CHF 15.4 million).

10 Major shareholders

All of the Company's shares are bearer shares. Consequently, the Company maintains no share register. The following is based on information supplied to the Company under stock exchange regulations and other information available to the Company.
http://www.six-exchange-regulation.com/publications/published_notifications/major_shareholders_en.html

Shareholders	**Share of capital as of 31.12.2013** [1]	Share of capital as of 31.12.2012 [1]
Migros-Genossenschafts-Bund, Zurich, Switzerland	24.996 %	24.996 %
Classic Global Equity Fund, Triesen, Liechtenstein [2]	< 3 %	5.13 %
Sterling Strategic Value Ltd., Tortola, British Virgin Islands	< 3 %	4.56 %
Javier Garcia and David Garcia Alvarez	< 3 %	3.28 %
UBS AG	< 3 %	5.50 %
Norges Bank (the Central Bank of Norway)	3.01 %	0.00 %

[1] According to information submitted by shareholders to the Company until the specified date.
[2] As stated in the annual report.

11 Contingent liabilities

CHF 1 000	31.12.2013	31.12.2012
Rental- and other guarantees to third parties	12 693	17 408
Guarantees to financing banks	302 920	322 696

In addition, letters of comfort and subordination agreements were issued to subsidiary companies.

12 Pledged assets

In connection with the syndicated refinancing agreement signed in February 2012 (see note 30 in the notes to the consolidated financial statements), Charles Vögele Holding AG issued a guarantee towards the lending banks.

13 Board of Directors and Group Management: total payments and shareholdings

Disclosure of total payments and shareholdings pursuant to the Swiss Code of Obligations (CO) is made in the notes to the consolidated financial statements (see note 39).

14 Risk assessment according to the Swiss Code of Obligations

Charles Vögele Holding AG is fully integrated into the Group-wide risk assessment process of the Charles Vögele Group. This Group risk assessment process addresses the nature and scope of business activities and its specific risks. For detailed information refer to the disclosure in the consolidated financial statements (see note 40) of this Annual Report.

15 Post balance sheet events

No material events occurred after the balance sheet date.

At 31 December 2013

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors is proposing to the Annual General Meeting of 20 May 2014 to carry forward the retained earnings of CHF 6.8 million.

CHF 1 000	
Retained earnings at 31 December 2013	6 788
Balance to be carried forward	**6 788**

Since the legal reserves have reached 20% of the share capital, there will be no further allocation to the legal reserves.

Owing to the Group's net loss, the Board of Directors proposes to the Annual General Meeting of 20 May 2014 that no dividend be paid for the 2013 financial year.

Zurich, 3 April 2014

Report of the statutory auditor to the General Meeting of Charles Vögele Holding AG, Freienbach SZ

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Charles Vögele Holding AG, which comprise the income statement, balance sheet and notes (pages 60 to 66), for the year ended 31 December 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

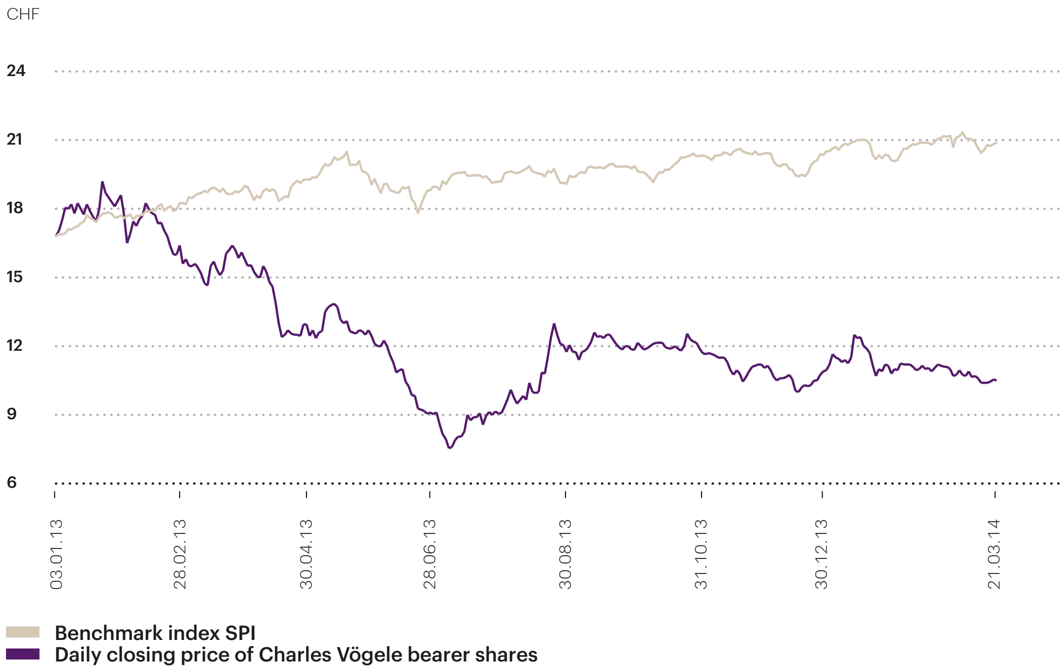
PricewaterhouseCoopers AG

Sandra Böhm Audit expert Auditor in charge	Pascal Wintermantel Audit expert

SHARE INFORMATION

Share performance

Price performance of Charles Vögele Holding AG bearer shares from 1 January 2013 to 21 March 2014



Listed at:	SIX Swiss Exchange, Zurich
Swiss security number:	693 777
ISIN code:	CH 000 693 777
Abbreviation:	VCH
Bloomberg:	VCH SW
Reuters:	VCHZ.S

Share information

		31.12.2013	31.12.2012 [2]
Bearer shares	number	8 800 000	8 800 000
Par value	CHF	3.00	3.00
Share price as per closing date	CHF	10.90	16.50
Share price:			
– year high	CHF	19.60	23.35
– year low	CHF	7.00	13.40
Average trading volume per day	number	55 866	38 695
Free float [1]	%	75	76
Basic earnings per share	CHF	(4.14)	(13.17)
P/E ratio	factor	(2.63)	(1.25)
EV/EBITDA	factor	(10.3)	(14.5)
Stock capitalization	CHF mil.	96	145
Book value per share	CHF	22	26

[1] According to free-float declaration SIX.
[2] Restatement of prior-year figures regarding IAS 19 revised, see note 2.3.

FINANCIAL CALENDAR

20 May 2014
General Meeting of Shareholders
Business year results 2013

19 August 2014
Media and Analyst Conference
Half-year results 2014

Charles Vögele Group's annual report is published in German and English.
The original language is German.

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

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