ANNUAL REPORT 2014

Charles Vögele Switzerland

KEY FINANCIALS

Following a good performance in the first half of 2014, the markets turned in September and declined in the fourth quarter of the year. Charles Vögele achieved its goal of breaking even at EBIT level and further reduced consolidated loss. The Company only just missed its target of stopping the decline in sales (like-for-like) for the year as a whole.

–1.1%

Decline in sales (like-for-like)
Charles Vögele Group's gross sales declined by –4.5% in 2014 to CHF 1076 million (2013: CHF 1127 million). After adjusting for exchange rates and floorspace (like-for-like) the fall was –1.1%. The Company thus only just missed its target of stopping the decline in sales (like-for-like) for the year as a whole.

CHF 41 million

Positive EBITDA
Thanks to the larger gross profit margin and greater cost discipline, operating earnings at EBITDA level came to CHF 41 million (2013: CHF 30 million).

CHF 2 million

Break even operating result (EBIT level)
The goal of breaking even at EBIT level was achieved with CHF 2 million (2013: CHF –20 million*).

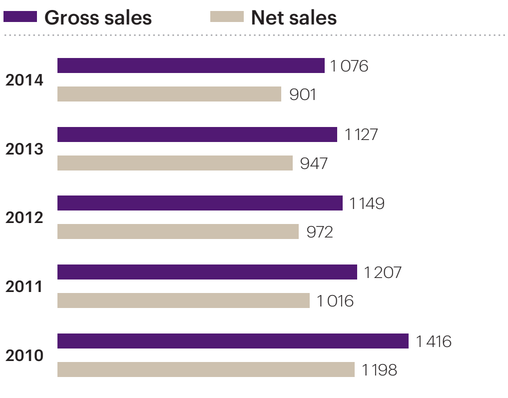
CHF –11 million

Further reduced consolidated loss
The consolidated loss was reduced to CHF –11 million (2013: CHF –30 million*).

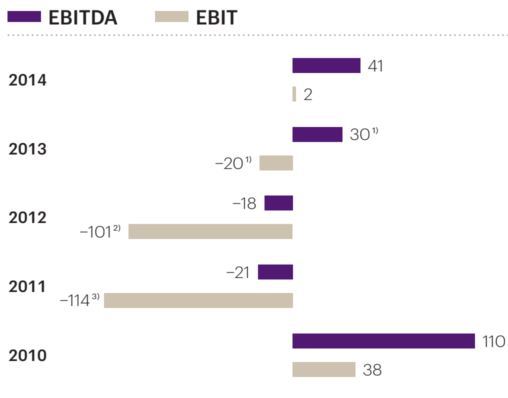
* For reasons of comparability the prior year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements)

FIVE-YEAR OVERVIEW

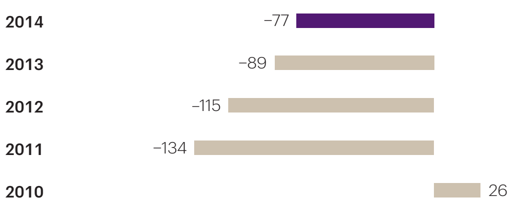
Gross sales and net sales in CHF million



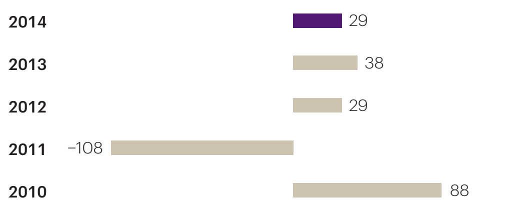
EBITDA and EBIT in CHF million



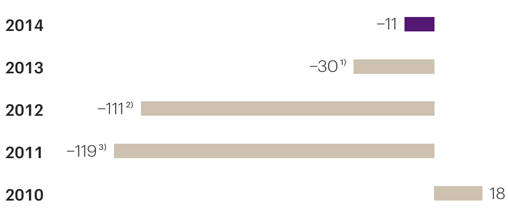
Net debt in CHF million
At 31 December



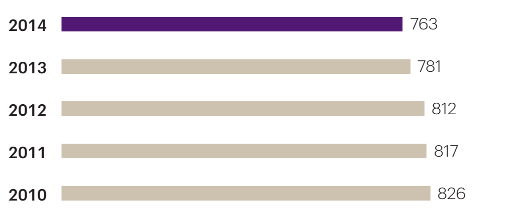
Cash flow from operating activities in CHF million



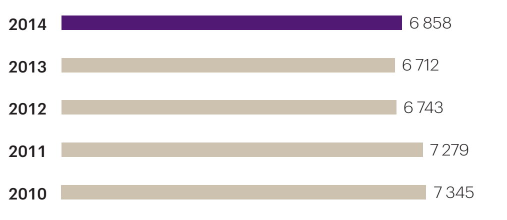
Net profit in CHF million



Stores
At 31 December



Employees (without apprentices)
At 31 December



[1] For reasons of comparability the prior year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

[2] Including impairments of CHF 32 million.

[3] Including goodwill impairment of CHF 36 million.

GROUP KEY FIGURES

CHF million	2014	2013 [2]	Change
Gross sales	1 076	1 127	(4.5 %)
Change adjusted for currency	(4 %)	(3 %)	
Change adjusted for expansion and currency	(1 %)	(2 %)	
Net sales	901	947	(4.8 %)
Gross profit	604	623	(3.0 %)
Gross profit margin	67 %	66 %	
Operating earnings before depreciation and impairment (EBITDA)	41	30	38.2 %
EBITDA margin	5 %	3 %	
Operating results (EBIT)	2	(20)	
Net result of the year	(11)	(30)	(63.4 %)
Cash flow from operating activities	29	38	(23.7 %)
Cash provided/(used) in investing activities	(16)	(11)	45.5 %
Free cash flow	13	27	(51.9 %)

	2014	2013	Change
Number of stores at year-end	763	781	(2.3 %)
Sales area at year-end in m²	583 729	603 842	(3.3 %)
Net sales per average sales area in CHF	1 530	1 536	(0.4 %)
Number of employees at year-end [1]	6 858	6 712	2.2 %
Average number of full-time employees on an annual basis [1]	4 264	4 417	(3.5 %)
Net sales per average number of full-time employees in CHF [1]	211 341	214 290	(1.4 %)
Number of clothing articles sold in 1 000	47 597	49 166	(3.2 %)
Average net sales per article in CHF	18.9	18.3	3.3 %
Share of turnover in %:			
– women's wear	56 %	57 %	
– men's wear	35 %	35 %	
– children's wear	9 %	8 %	

CHF million	31.12.2014	31.12.2013 [2]	
Net debt	77	89	(13.5 %)
Shareholders' equity	155	166	(6.6 %)
Balance sheet total	473	483	(2.1 %)
Shareholders' equity in % of balance sheet total	33 %	34 %	

[1] Excluding apprentices
[2] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

F.l.t.r. Hans Ziegler, Chairman of the Board of Directors, and Markus Voegeli, Chief Executive Officer

LETTER TO SHAREHOLDERS

PROGRESS IN A CHALLENGING ENVIRONMENT

Following a good performance in the first half of 2014, during which Charles Vögele brought an end to the negative sales trend on existing floorspace, the markets turned in September and declined in the fourth quarter of the year. Competition and price pressure remained intense, but Charles Vögele achieved its goal of breaking even at EBIT level thanks to a slightly improved gross margin and greater cost discipline.

During the first half of 2014, mild temperatures helped sales of the spring collection, and clothing markets generally performed well. By contrast, the extended period of warm weather in the autumn had a negative effect on consumers' desire to buy new clothes, and from September, the markets took a downturn and in October and November there was still little sign of cold weather. As a result, clothes retailers suffered sometimes significant declines in sales, which were only partially offset by Christmas trading.

Breakeven operating result (EBIT)

Charles Vögele Group's gross sales declined by –4.5% in financial 2014 to CHF 1076 million (2013: CHF 1127 million). After adjusting for exchange rates and floorspace (like-for-like) the fall was –1.1%. The Company thus only just missed its target of stopping the decline in sales (like-for-like) for the year as a whole. All sales regions suffered from intense competitive pressure and reduced sales in September, October and November. This cancelled out the positive performance of the first half-year, in which Charles Vögele was able to stop the like-for-like negative sales trend. Gross profit fell by 3% to CHF 604 million (2013: CHF 623 million*), but the gross profit margin increased thanks to better sales of higher margin goods and lower mark downs. Thanks to the improved gross profit margin and greater cost discipline, operating earnings at EBITDA level came to CHF 41 million (2013: CHF 30 million*). The goal of breaking even at EBIT level was achieved with CHF 2 million (2013: CHF −20 million*). The consolidated loss was further reduced to CHF −11 million (2013: CHF −30 million*). Free cash flow fell from CHF 27 million in 2013 to CHF 14 million, due to higher investments in the stores.

Despite the slight fall in sales from existing floorspace, the Group made significant progress in 2014 and further reduced its consolidated loss. The main improvements were in core areas: range focus, merchandise management and in the implementation of the store format strategy. These remain the main priorities for Management.

Implementation of sharper range focus

The 2015 spring/summer collection saw full implementation for the first time of the new tighter range focus on the shop floor. The concentration on two overall styles

* For reasons of comparability the prior year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

– modern and classic – makes it easier for customers to find their way and is designed to engage them more quickly and intuitively. Within the two styles, there is a further split into "casual" and "formal" clothing.

"The Group made important progress last year and reduced its consolidated loss still further."

Markus Voegeli, CEO/CFO

Store format strategy improves range identification
Rapid and targeted implementation of the new store format strategy is another of Charles Vögele's top priorities. Now the target layout for stores has been defined, the main focus is on the roll-out. By the end of 2015, all stores in the Swiss home market should have been switched to the new layout. Stores in the other sales organizations are being converted in parallel.

The much improved and clearer presentation of goods helps to emphasize the tighter focus of the collections. The Company's updated presentation also has a positive impact on the Charles Vögele brand.

Improvements in planning methods
In parallel with these measures, the Company is working intensively on optimizing merchandise management. Planning methods are being improved with the help of a new system provider, while the process for top-up deliveries is being accelerated. Charles Vögele has built a simulation of the collection display at its warehouse in Freienbach (Canton Schwyz) to ensure that the collection will actually work in the stores and is properly planned.

Greater focus on e-commerce
Another main focus is the rethink and redesign of Charles Vögele's online shop. Management believes the platform offers further potential that has not yet been exploited. The eShop is Charles Vögele's digital window and best-stocked store. It inspires, enthuses and advises customers 24 hours a day, 7 days a week. It also lies at the heart of the Group's "omni-channel" strategy because it offers added value for both digital and conventional customers. Many customers look around the eShop to see what's on offer and then come to the stores. The new online shop is scheduled to go live in mid-2015.

Outlook for 2015
This year's jobs are to press ahead with the turnaround and, in particular, to implement the store format strategy consistently. For 2015 Management has set itself the goal of coordinating the core elements of range, merchandise management and floor space even more effectively so the Company can derive the greatest possible benefit from the progress made.

The Swiss National Bank's decision in mid-January 2015 to remove the minimum exchange rate of 1.20 Swiss franc to 1 euro represents an additional challenge for Charles Vögele.

The Euro weakness puts gross sales and gross profit margins in the European countries under pressure as well as prices in the Swiss Market. The Company responded immediately by renegotiating prices with suppliers and defining additional cost savings. These savings do not, however, affect the format strategy, the products or the level of service in the stores.

"Implementation of the store format strategy is a central tool in the effort to return to growth."

Hans Ziegler, Chairman of the Board of Directors

Owing to the more challenging operating environment, Charles Vögele expects positive operating earnings at EBITDA level for the 2015 financial year.

“The Euro is a reason to focus more than ever on our turnaround measures.”

Markus Voegeli, CEO/CFO

The Board of Directors and Group Management would like to thank all employees for their great dedication to Charles Vögele Group. We would like to thank our business partners and shareholders for their cooperation and support.

Your sincerely

Hans Ziegler
Chairman of the Board of Directors

Markus Voegeli
CEO/CFO

Our guiding principles

Markus Voegeli, CEO/CFO

The values that guide us every day: a friendly approach, characterized by sincerity and professionalism. Our shared goal: to be the leading Swiss fashion company for our customers. How we will achieve this: by putting the customer at the centre. We offer our customers top quality in the mid-price segment through 763 sales outlets in eight countries, 167 of them in Switzerland. We provide an up-to-date and reliable range for the whole family. Our customers are looking for practical, contemporary clothes for every occasion. Our friendly employees provide good advice, which our customers recognize and appreciate.

We are the leading Swiss fashion retailer, offering top quality in the mid-price segment. We are known for our up-to-date, reliable range for the whole family, and for our personable service.

Our customers are looking for practical, up-to-date clothes for every occasion. They want a clear, contemporary aesthetic at a good price.

Friendly, up-to-date, sincere, committed, reliable and close: these are the values Charles Vögele stands for.

Our core values

At Charles Vögele, employees and customers simply feel good. A friendly approach, characterized by closeness and sincerity, is important to us. Our employees appreciate this, and our customers sense it.

Close

We are close to our employees and know what our customers want. With our dense network of stores and our online shop, we are very accessible to our customers.

“Close, for me, is about direct and open communication. I approach people openly and look for contact and personal interaction. I think it’s important for us to be close to our customers. That’s why my team and I are developing a clear visual language that appeals to customers directly and intuitively.”

Patrizia Vetter
Head of Art Buying

Committed

Our success is built on the commitment of every single employee. We always want to achieve the best we can and work passionately to ensure that shopping with us is a special experience for our customers.

“For me, being committed means putting my heart and soul into my work and doing what I can for the business: thinking, contributing ideas and developing solutions. Commitment is something you see every day at Charles Vögele, whether in the stores, at head office or in Group Management. We all put passion into our work and take the Company forward together.”

Marlies Frank
Manager Communication Visual Merchandising

Sincere

Our management approach and our dealings with each other are characterized by sincerity and professionalism. Thanks to a friendly atmosphere and sincere advice, our customers feel comfortable.

Reliable

Charles Vögele is a reliable employer that encourages and challenges its employees. Our customers can count on expert advice and on a reliable range in terms of style, fit and value for money. Our customers know that at Charles Vögele they will be able to dress well, and always at the right price.

Up-to-date

Charles Vögele stands for up-to-date fashions and a collection that is focused clearly on our customers. We demonstrate our expertise by constantly refreshing the main thrust of the ranges and presenting the goods attractively.

"Sincere, for me, means giving a friendly greeting to customers who come to the store, and providing honest advice. If customers feel comfortable around us, we've done a good job. We are sincere with each other in the team as well. It goes without saying that each employee is valued and treated fairly. Openness and honesty are the basis for great, motivated teams."

Gaetano Specchio
Store Manager Volketswil

"Reliable, for me, is about team spirit and trust. Just like in a sports team, success depends on all the members being able to rely on each other. Colleagues in other areas rely on my team and on our specialist expertise. I think that reliability, team spirit and trust are the greatest strengths of the people at Charles Vögele."

Murat Terzioglu
Head of Technical Department Sourcing

"Up-to-date, for me, means being relevant to the times we live in. I'm interested in what people are doing and thinking about today and tomorrow, where they will be going on holiday and how they will do their shopping. My team and I follow the relevant fashion trends and translate them into collection and colour concepts, ensuring that our clothes are always in tune with the times and with our customers."

Danielle Gruemer
Vice President Style & Design

Our range strategy

Beatrice Grünwald, Chief Purchasing Officer (CPO)

For us, the product is at the centre of everything. Our collections are focused on our customers' lifestyles and requirements. So we produce practical, up-to-date fashion for every occasion paired with a clear, modern aesthetic. In recent months we have worked intensively on sharpening up our collection focus so that it's even easier for our customers to find their way around and choose their own personal style. With the latest spring/summer collection we have implemented this sharper range strategy in full. Our collection is divided into two overall styles: Modern and Classic. Within the two styles, there is then a further distinction between relaxed and straightforward "casual" clothes and elegant "formal" clothing for special occasions.

Classic Formal

Comfortable but formal look, very easy to wear. High quality materials give these clothes a timeless quality. Individual items can be combined well with each other.

Classic Casual

Classic, timeless style. These clothes are particularly suited to everyday use and are comfortable to wear.

Modern Casual

Contemporary look reflecting current trends.

Modern Formal

Elegant style with new materials in the latest colours with fashionable details and trendy prints.

Black and white outfits are once again in vogue this season. This black and white floral-print dress works just as well in the office as out.

Denim is the star of summer 2015 and can be combined with just about anything. Put it together with a floral blouse or a jeans shirt for a perfect leisure-time look.

And nothing says it's summer quite like white jeans. Combine with seaside stripes to create a genuine classic outfit.

Our store format strategy

Matthias Wunderlin, Chief Sales Officer (CSO)

Our stores are the stages for our range. We use these stages to inspire our customers by presenting the clothes attractively and helping them find their way around. The new format concept for our stores reduces the quantity of goods displayed on the shop floor by about 20%, making it easier for customers to find their way around. We are using mobile room dividers and back wall designs to divide the sales area into different zones. This gives more structure to our offering and intuitively makes different customer groups feel that they are being catered for. We have tested this new concept over several months in pilot stores in Switzerland and other European markets. The experience has been very positive. Thanks to the new store format strategy, our range is coming across even more effectively; and although we are putting fewer goods on the sales floor, we have seen sales increase. The job now is to implement the concept in all our outlets, focusing first on the roll-out in our Swiss home market.

The sales floor is divided into different areas with mobile room dividers, giving the stores more structure and making it easier for customers to find what they want.

Displays showing possible outfits are designed to inspire customers and guide them round the store; they can see at a glance where to locate the items they are looking for.

Fashion is positioned front and centre: new seasonal items and strategically important pieces are presented on a tiered table.

With 20% fewer items on the shop floor and large-format graphics on the walls, orientation is much easier.

The new store structure and visual merchandising elements show off the range to even better effect.

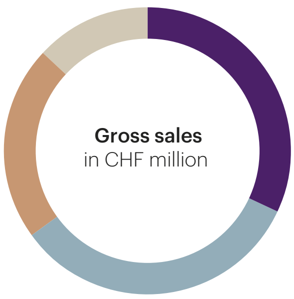
The sales floor is are arranged into different departments, so customers can find their way around intuitively.

CHARLES VÖGELE

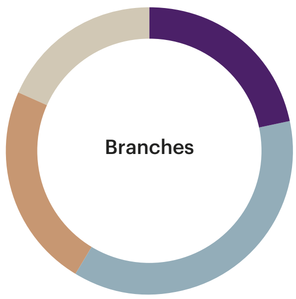
OVERVIEW OF REGIONS

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.

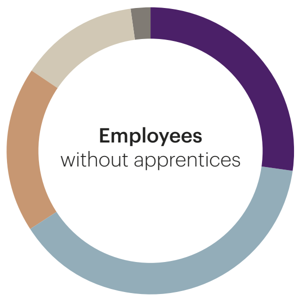
Charles Vögele Group



- 344 **Switzerland**
- 356 **Germany**
- 237 **CEE**
- 139 **Benelux**



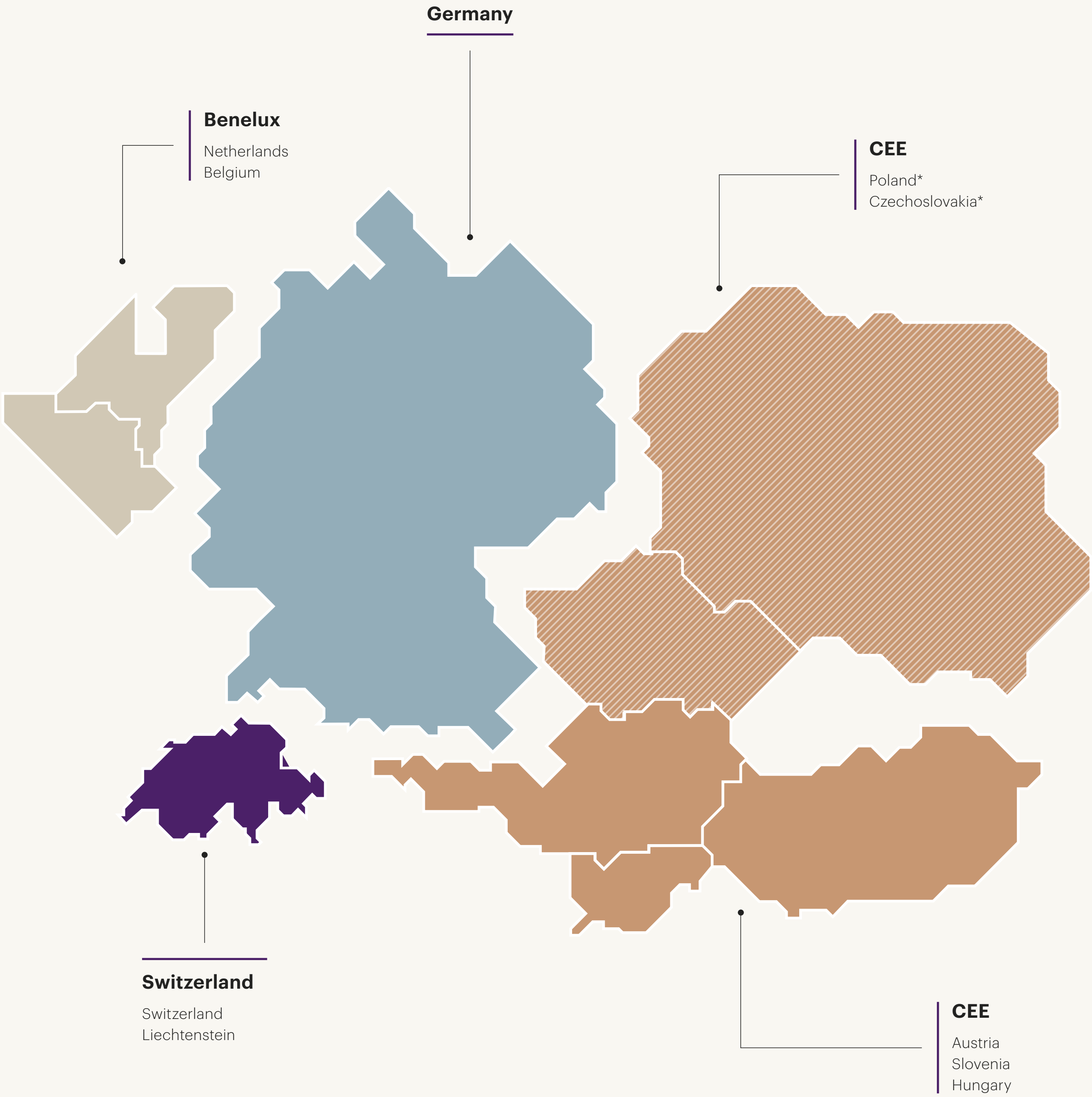
- 167 **Switzerland**
- 282 **Germany**
- 175 **CEE**
- 139 **Benelux**



- 1 884 **Switzerland** incl. 327 administration
- 2 646 **Germany**
- 1 269 **CEE**
- 924 **Benelux**
- 135 **Asia**

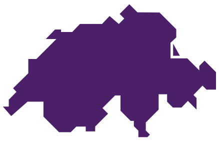
Charles Vögele was confronted with a challenging market environment in 2014. The markets in all four sales regions, Switzerland, Germany, Central East Europe (CEE) and Benelux, saw negative growth mainly as a result of a rain-afflicted summer and a long, mild autumn.

In 2014 Charles Vögele and its approximately 6 860 employees generated gross sales of CHF 1.08 billion. The Group saw sales fall in all four sales regions, but in Germany and CEE it did outperform the overall market.



As at 31 December 2014, the Group had 763 retail outlets (previous year: 781) in four regions spanning eight countries. In 2014 Charles Vögele completed its operational withdrawal from the Polish and Czech markets.

* Withdrawal from Polish and Czech markets completed by July 2014.



SWITZERLAND REGION

In its Swiss home market Charles Vögele continued to build up consumer confidence in the brand and products. After a promising start to the year, the rainy summer and mild autumn dampened sales.

The Swiss clothing market shrank again in 2014, with sales falling by −1.2%. The year started slowly but the spring season was promising and the first quarter produced positive results. However, the rain-afflicted summer and very mild autumn led to a decline in sales. Consumer sentiment deteriorated in the fourth quarter because of great uncertainty in the labour market, further depressing footfall and sales.

Business performance

Charles Vögele's gross sales in Switzerland fell by −3.2% in 2014, or by −3% after adjusting for changes in floor-space. Despite this decline in sales and a high level of price pressure, Charles Vögele managed to increase its return on sales by shifting towards higher margin product groups. In 2014 the Company managed to strengthen consumer confidence in the brand and the product. Charles Vögele is regaining its reputation in Switzerland as an attractive provider that offers an excellent price-quality ratio.

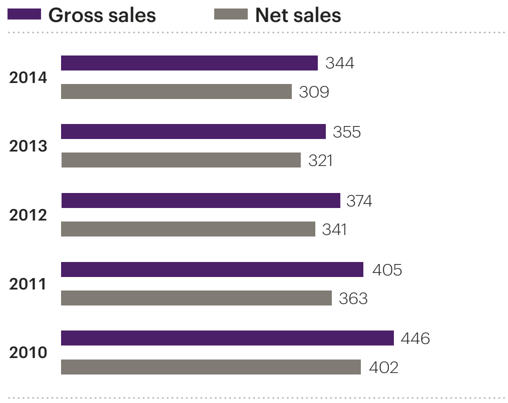
Number of stores

At the end of 2014 Charles Vögele had 167 stores in Switzerland compared with 168 a year before. Goods presentation, range cycles and individual elements of the way stores are laid out were revised at two pilot stores in Switzerland and developed into a coherent overall concept. The store network was further optimized and 13 stores have already been converted to the new format strategy.

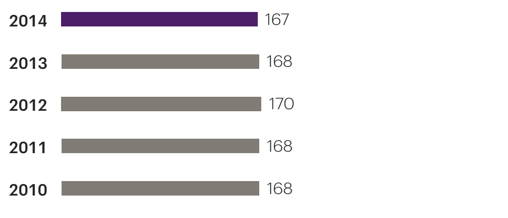
Employees

In 2014, Charles Vögele employed 1557 people in the Switzerland sales organization (previous year 1541). Converted into full-time equivalents (FTE) the number of employees rose from 963 to 1002. In 2014, 87 apprentices were in training at Charles Vögele (previous year: 107).

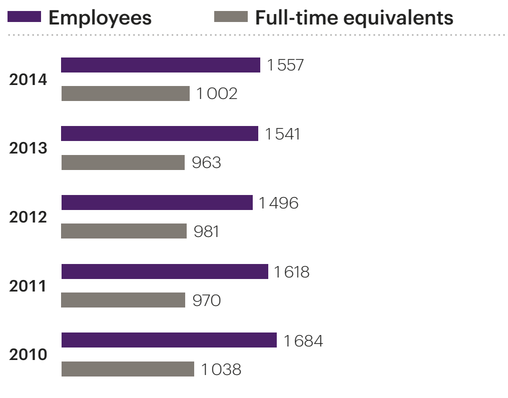
Gross sales and net sales
in CHF million

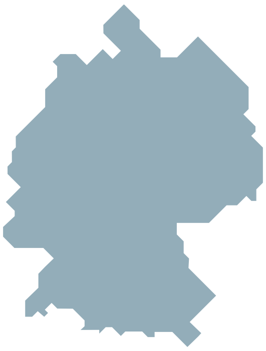


Stores



Employees and full-time equivalents
without apprentices





GERMANY REGION

Charles Vögele in Germany developed better than the market average in 2014. Nevertheless, after a strong first six months, sales for the full year were lower than in 2013.

The German economy as a whole put in a stable performance across 2014: price-adjusted GDP was 1.5% up on the previous year, and so 1.2% higher than the average for the last ten years. Germany's clothing market was unable to profit from the good consumer sentiment. Sales fell for the third year in a row. After a drop of –2% in each of the previous years, there was a decline of –2.4% in 2014.

Business performance

After a positive first half year, warm weather in the autumn hurt footfall and sales at Charles Vögele in Germany. Charles Vögele's gross sales fell –2% in 2014, or –0.4% after adjusting for changes in floorspace. Charles Vögele thus did well in a recessive market environment and outperformed the industry average.

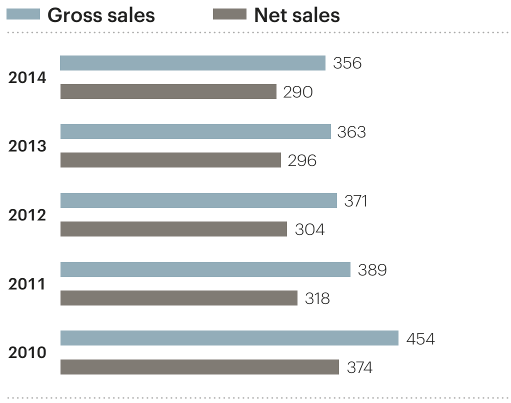
Number of stores

The number of stores increased by one on the previous year to 282. In 2014 there were 8 new store openings, while 7 stores were closed. The closures included the premature termination of 5 rental contracts. 14 stores were renovated, of which 9 were fitted out in accordance with the new store format strategy.

Employees

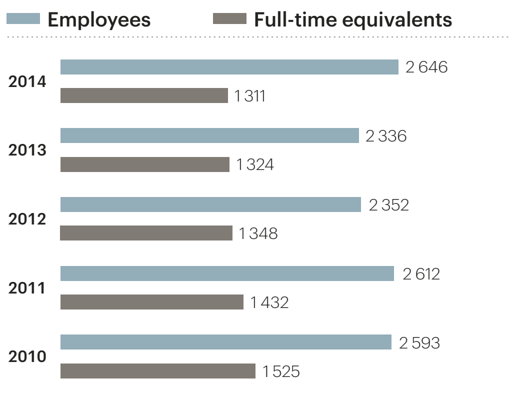
The number of employees rose in 2014 from 2336 to 2646. Converted into full-time equivalents (FTE) the number fell by 13 to 1311 (previous year 1324). In 2014 Charles Vögele employed 261 trainees (previous year 249) in Germany.

Gross sales and net sales
in CHF million



Stores

Employees and full-time equivalents
without apprentices



CENTRAL AND EASTERN EUROPE REGION (CEE)

The CEE Region (Austria, Slovenia and Hungary) easily outperformed the market average after adjusting for changes floorspace. Charles Vögele completed its operational withdrawal from the Polish and Czech markets.

The CEE Region (Austria, Slovenia and Hungary) easily outperformed the market average after adjusting for changes floorspace. Charles Vögele completed its operational withdrawal from the Polish and Czech markets.

Business performance

Gross sales in the CEE Region fell by −9% in 2014. The fall is due mainly to the withdrawal from Poland and the Czech Republic. After adjusting for currency movements and floorspace, sales went up by 0.5% in the CEE Region.

Gross sales in Austria fell by −0.9% after adjusting for changes in exchange rates and floorspace. Results for the first eight months were higher than in the same period of the previous year. After that, sales suffered from the mild autumn weather. In Hungary Charles Vögele once again easily outperformed the market with sales growth of 9.7% after adjusting for changes in exchange rates and floorspace. Slovenia also contributed to the region's positive performance with like-for-like growth of 0.6%.

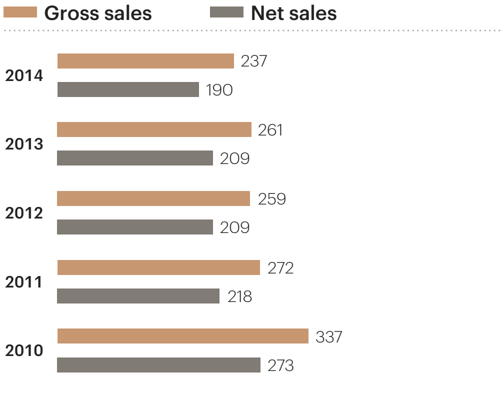
Number of stores

Charles Vögele continued to work hard on optimizing its store portfolio in 2014. Following the withdrawal from Poland and the Czech Republic, the Region was left with 175 sales outlets.

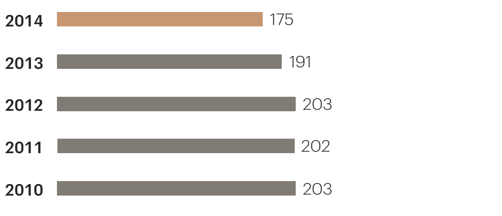
Employees

In 2014, Charles Vögele employed an average of 941 employees in the CEE Region (FTE, previous year 1055). The reduction is largely due to the withdrawal from Poland and the Czech Republic. Twenty nine apprentices were employed in Austria (previous year 32).

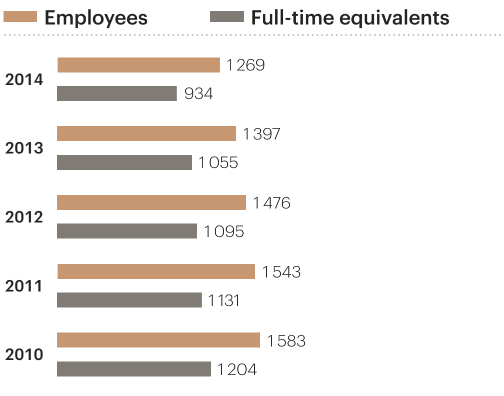
Gross sales and net sales
in CHF million



Stores



Employees and full-time equivalents
without apprentices



BENELUX REGION

The year started well for the Benelux Region (Netherlands and Belgium), but sales declined in the second half. Streamlining of the store portfolio was completed.

The overall Dutch clothing market shrank by –1.5% in 2014 owing to low consumer confidence, reduced purchasing power and unfavourable weather. In Belgium the market grew by a modest 1.1%, though the announcement of higher government duties has clouded the outlook. Both markets started the year in positive territory, but then sales were hampered by difficult conditions in the second half.

Business performance

The Benelux Region saw sales fall –5.9% year-on-year in 2014. After adjusting for exchange rates and floorspace the fall was –1.0%. In the Netherlands sales fell by –6.9% (–0.4% after adjusting for exchange rate and floorspace changes) and in Belgium by –3.9% (–2.3% after adjusting for exchange rate and floorspace changes).

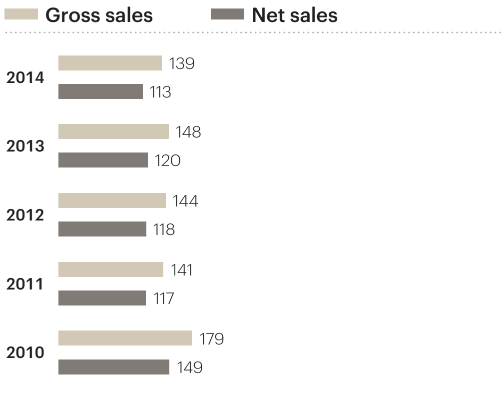
Number of stores

In 2014 the number of stores in the Benelux Region wentdown to 139 (previous year 141). There were 7 closures and 5 new openings, including 4 outlet stores. During the year under review Charles Vögele renovated 18 stores and moved into its new branch in Merksem.

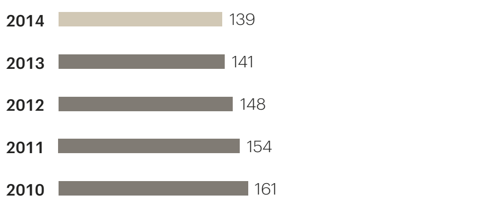
Employees

Charles Vögele employed 924 employees in the Benelux Region (previous year 982), on an FTE basis the average figure was 599 (prior year 635). The reduction is due mainly to the continued optimization of the branch network.

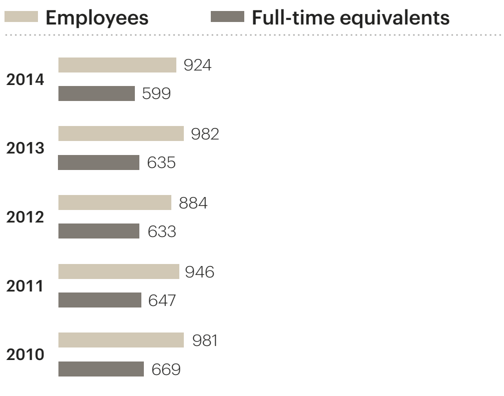
Gross sales and net sales
in CHF million



Stores



Employees and full-time equivalents
without apprentices



CORPORATE SOCIAL RESPONSIBILITY

ECONOMY, ENVIRONMENT AND COMMUNITY

1 OUR CUSTOMERS AND PRODUCTS

- Membership in Fur Free Retailer Program
- Expansion of organic cotton
- Quality control and product safety

ACHIEVEMENTS IN 2014

- Further improvement in product integrity thanks to streamlining of organizational structure

AIMS FOR 2015

- Successful launch of organic cotton products

2 OUR SUPPLIERS

- Environmental and social standards
- New BSCI guidelines and training of auditors and factory management
- Additional steps for the Accord on Fire and Building Safety in Bangladesh

ACHIEVEMENTS IN 2014

- Supplier scorecard introduced

AIMS FOR 2015

- BSCI audits regularly conducted
- Expansion of procurement office in Turkey
- Implementation of new BSCI Code of Conduct
- Remedial measures set with respect to Accord on Fire and Building Safety in Bangladesh

3 OUR EMPLOYEES

- Employer Branding
- Management development
- Personnel development
- Salary and job-grading system

ACHIEVEMENTS IN 2014

- Boost Management team through targeted training at all levels
- Junior management training program in all countries
- Comprehensive employee survey and definition of measures
- Definition of values and management principles
- Development of a personnel development concept

AIMS FOR 2015

- Definition of employer brand and boosting of image on the labor market
- Roll-out of management training in all countries
- Expand development offering
- Introduction of a job-grading system in all countries
- Anchoring of values and management principles in the Company

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 OUR COMMITMENT

- Financial support for the Foundation "Zuversicht für Kinder" for the medical centers in Osh and Bishkek, Kirgistan

ACHIEVEMENTS IN 2014

- Opening of new medical center in Osh, Kirgistan

AIMS FOR 2015

- Training of dentists and dental technicians in Kirgistan
- Visit by European team of doctors to Bishkek and Osh, Kirgistan
- Establishment and expansion of orthodontics department in Osh, Kirgistan

5 ENVIRONMENT AND CLIMATE PROTECTION

- Environmental principles and sustainable operations
- Recycling of textiles

ACHIEVEMENTS IN 2014

- Group-wide CO_2 reduction of 14 500 tons through greater use of renewable energy sources
- Member of the Swiss Energy Agency for Industry (EnAW)

AIMS FOR 2015

- Further expand energy monitoring
- Intelligent controls to reduce energy consumed by lighting, air conditioning, heating, cooling

Final control clothing items

Material defects

Faulty workmanship

Accurate measurements

Color consistency

Defects from washing or finishing

Correct sizing

Correct labeling

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) und Dimethylfumarate (DMF)
- PVC-plasticizers (Phthalated): DINP and DNOP, plus DEHP, DIDP, BBP and DBP
- Dyes: cleavable arylamines; allergenic dyes and 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, fibers 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.

Membership in Fur Free Retailers

Charles Vögele has not had any real animal fur in its products for several years. Since February 2015 the Company has been an official member of the Fur Free Retailer Program.

The Fur Free Retailer Program is an international initiative that helps consumers to find clothing that is guaranteed to be free of animal fur. The program highlights retailers who have indicated in writing that they no longer have animal furs in their product line. The Fur Free Alliance (FFA) – an international coalition of leading animal and environmental protection organizations – supports the worldwide Fur Free Retailer Program.

More information on the Fur Free Retailer Program: www.furfreeretailer.com

Expansion of organic cotton products

For the spring and summer collection 2015 the number of organic cotton products in the children's collection will be expanded.

The cotton portion of these articles consists of at least 85% organic cotton and is certified in accordance with OCS Blended or OCS 100 Standard. The natural cultivation of cotton makes an important contribution to protecting the environment, and it is good for people as well. But there's more than just the environmental aspect, as the high quality also means a high level of comfort when wearing these products.

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 are subjected to an intensive final control process by the supplier (see listing left).

In order to ensure quality standards are maintained across the Group; in 2013 Charles Vögele 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.

Before a product goes through the final control, a laboratory test must be presented for every model and every color. Thus Charles Vögele can guarantee that none of the harmful substances listed here are used.

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. An important part of supplier management is the cooperation with BSCI.

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. In Europe Charles Vögele produces in Turkey, with the aim of building a procurement facility. 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. In addition, the procurement offices will provide the opportunity to work on a steady improvement in the quality of goods.

Member of BSCI and SAI

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

BSCI-Principles

Our enterprise agrees to respect the following labour principles set out in the BSCI Code of Conduct. Starting in May 2015 the new BSCI Code of Conduct based on the principles of Prof. John Ruggie will be introduced.

The rights of freedom of association and collective bargaining
Our enterprise respects the right of workers to form unions or other kinds of worker's associations and to engage in collective bargaining.

Fair remuneration
Our enterprise respects the right of workers to receive fair remuneration.

Occupational health and safety
Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.

Special protection for young workers
Our enterprise provides special protection to any workers that are not yet adults.

No bonded labour
Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.

Ethical business behaviour
Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.

No discrimination
Our enterprise provides equal opportunities and does not discriminate against workers.

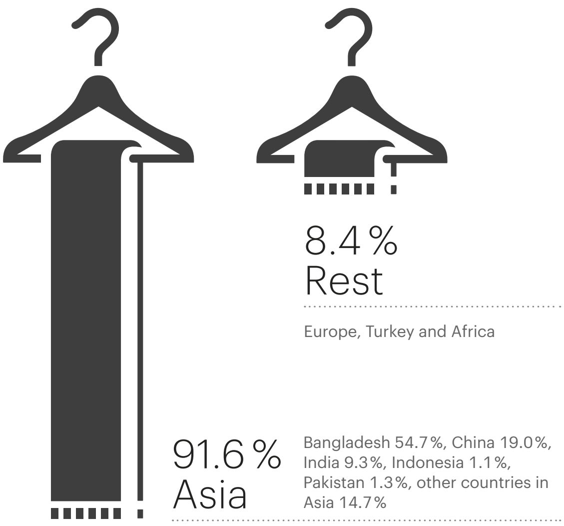
Decent working hours
Our enterprise observes the law regarding hours of work.

No child labour
Our enterprise does not hire any worker below the legal minimum age.

No precarious employment
Our enterprise hires workers on the basis of documented contracts according to the law.

Protection of the environment
Our enterprise takes the necessary measures to avoid environmental degradation.

Goods manufacture 2014



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. 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 remediation plan. 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 axsteady 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. This is also done as part of the supplier score card.

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 190 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 were carried out in all factories by the end of September in 2014. The focus was always on problems that carry serious direct risks for employees, especially inadequate emergency equipment 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.

Corrective action plans are currently being drafted for individual factories to determine the measures needed for repairs. The implementation of these measures is supported by the Accord and by Charles Vögele. The repair work on the individual factories is set for completion by the end of 2015.

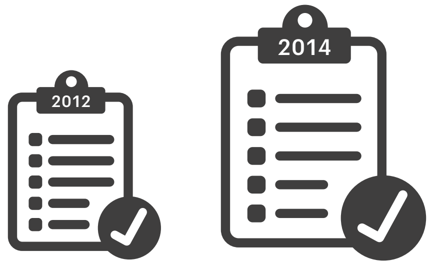
As a globally active company, Charles Vögele feels a responsibility, along with its suppliers, for working conditions along the supply chain. By signing the Accord, the Company is extending the reach of its responsible actions. Charles Vögele believes that implementation and enforcement of the action 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 program 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 survey 2014

More than 3000 employees of the Charles Vögele Group participated in the employee survey CV Voice.



37 % | 50 %

The participation rate rose to 50 % from 37 % for the 2012 survey

Employee structure

At end-2014 the Charles Vögele Group had a total of 6858 employees, equivalent to 4264 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 is split between the CEE and Benelux regions. Charles Vögele is committed to providing initial training and in 2013 employed 248 apprentices. Our employees come from almost 50 different nations, and their average age is 40. The vast majority of employees (90 %) are women, most of whom work in sales, where 81 % of management posts are occupied by women.

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 programs to strengthen management skills at all functional levels. The new values and management principles of Charles Vögele were the basis for the training. In addition, a management meeting was held in June 2014 at which for the first time all employees of function level 3 were invited. They discussed management issues during the two-day meeting.

Employee survey CV Voice

More than 3000 employees of the Charles Vögele Group gave their personal assessment of and satisfaction about various issues regarding Charles Vögele. The employee survey CV Voice took place in May. The participation rate rose to 50 % from 37 % for the 2012 survey.

The results of the survey show the strengths of Charles Vögele:

- Employees are satisfied with their work duties and their work situation.
- Charles Vögele is perceived as a good company and a good employer.
- There is in general a strong identification with and connection to the Company.
- Employees indicated that they are ready and willing to perform well.

In addition, there were areas identified where some action needs to be taken:

- Employees said that they want better chances to develop their careers at the Company (including active career planning and training).
- Internal communication must be clearer and easier to understand.
- The area where action is needed most regards wages and benefits policy. Employees have high expectations when it comes not only to wages, but also to benefits and additional allowances.
- Employees are satisfied with their work situation and with Charles Vögele as their employer. But they would also like to see better cooperation among the areas.

Measures have been drafted in all areas, and some will be implemented in 2015. The next survey will take place in 2016.

Value-added statement

CHF 1 000	2014	2013 [1]
Net sales	901 160	946 518
Other operating income	7 479	6 248
Financial income	333	306
Group services	**908 972**	**953 072**
Purchased materials and services	**(629 205)**	**(680 650)**
Gross value added	**279 767**	**272 422**
Depreciation and impairment	(39 310)	(49 638)
Net value added	**240 457**	**222 784**
Distribution of net value added		
Employees	238 520	242 513
Government	1 707	3 142
Lenders	11 063	6 692
Shareholders (based on proposed appropriation of earnings by the Board of Directors)	–	–
Company	(10 833)	(29 563)
Total	**240 457**	**222 784**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

Personnel development

A comprehensive concept for personnel development has been drafted in order to identify potential within the Company and to promote this potential. A program for developing young talent and a training program have also been designed. The foundation for the program is the employee goals discussion, to which the topic of development will be added.

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 and work was done on an employer value proposition. The employer branding will be revamped in 2015 and the recruiting instruments and channels will be redefined. Ancillary benefits will also be reviewed and improvements introduced to make jobs as attractive as possible.

In addition, a job grading system was developed to ensure internal wage fairness and external wage competitiveness. The allocation of jobs is to take place in 2015.

4 Social commitment

Charles Vögele started supporting the Foundation "Zuversicht für Kinder" at the beginning of 2013. The foundation helps children who are disadvantaged in terms of their living conditions and opportunities in life. The focus of activities is on the two projects in Kirgizstan. In the town of Bishkek in northern Kirgizstan the construction of an orthodontic centre has been completed. The doctors working there are currently in training. The dentists and dental technicians are being trained locally and in Switzerland.

Currently more than 500 new patients are treated every year in Bishkek. Most of these patients are children who were born with cleft lips, jaws and palates.

Local doctors in the south of the country in the town of Osh asked whether a new medical centre could be built there. Construction was completed in early 2013. The priority in Osh is on expanding the orthodontic centre The foundation is currently focusing on building a medical centre and on training qualified medical personnel. The financial resources that Charles Vögele provides to the Foundation "Zuversicht für Kinder" are crucial for successfully implementing the project.

Swiss fashion model Sarina Arnold is the ambassador for the foundation.

The European team of doctors is planning to visit Bishkek and Osh in March 2015.

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. Charles Vögele adheres to the following principles on the environment and climate change:

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 in the supplier selection process

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 to help make the operation of its business more climate-friendly:

Increasingly converting to renewable electricity sources

In 2014, 14500 tons of CO_2 emissions were saved thanks to use of hydroelectricity.

Eco-friendly products

Recycling

Charles Vögele manages its clothes hangers in a cycle. Once clothes are sold, the hangers are returned to the distribution centers 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 centers, 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.

Recycling of textiles

Charles Vögele is also committed to recycling textiles. Together with the organization TEXAID/REVANT the Company offers its clients the possibility of bringing their old clothes to a Charles Vögele store in Switzerland.

TEXAID collects about 140 million pieces of used clothing every year, with about 65% being sent as second-hand clothes to economically weaker countries where people cannot afford to buy new clothes. Six Swiss aid agencies and many regional organizations receive 90% of the proceeds from the sale of these clothes. They use the proceeds to help people in need.

Public awareness and dialog

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.

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 2014

HOLDING

Charles Vögele Holding AG
Freienbach SZ, CH, share capital, CHF 26400000

SALES ORGANIZATION

Charles Vögele Mode AG
Freienbach SZ, CH
Share capital, CHF 20000000

Charles Vögele Deutschland GmbH
Sigmaringen, DE
Partnership capital, EUR 15340000

Charles Vögele (Austria) GmbH
Kalsdorf, AT
Partnership capital, EUR 1453457

Charles Voegele trgovina stekstilom d.o.o.
Ljubljana, SI
Partnership capital, EUR 667668

Charles Vögele (Belgium) N.V.
Merksem (Antwerp), BE
Share capital, EUR 10063906

Charles Vögele (Netherlands) B.V.
Utrecht, NL
Partnership capital, EUR 1000200

Charles Voegele Polska Sp. z o.o., in liquidation
Warsaw, PL
Partnership capital, PLN 4000000

Charles Vögele Hungária Kereskedelmi Kft.
Budapest, HU
Partnership capital, HUF 240000000

SERVICE ORGANIZATION

Charles Vögele Trading AG
Freienbach SZ, CH
Share capital, CHF 10000000

Cosmos Mode AG, Pfäffikon
Freienbach SZ, CH
Share capital, CHF 100000

Charles Vögele Import GmbH
Lehrte, DE
Partnership capital, EUR 25000

Charles Voegele Fashion (HK) Ltd.
Hong Kong, HK
Share capital, HKD 100000

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, human resources, accounts, financial control, insurance, legal services, compliance and risk management.
Comos Mode AG, Pfäffikon, is the owner of all the Group's brands.
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

Significant shareholders are listed in the notes to the Group Financial Report (please see note 9). 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 2014 see note 9 of the Financial Report.

To the knowledge of Charles Vögele Holding AG there are no shareholder agreements.

1.3 Cross shareholdings

There are no cross shareholdings, in capital or votes, between Charles Vögele Holding AG and other joint stock corporations.

2 Capital structure

2.1 Share capital

As at 31 December 2014, the share capital of Charles Vögele Holding AG amounted to CHF 26 400 000 and was divided into 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 2014, Charles Vögele Holding AG held 311 727 of its own shares (31 December 2013: 363 655), 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 25 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 bearer shares to be paid up in full with a par value of CHF 3.00 each (conditional capital, art. 5 of the Articles of Association ("AoA")). These bearer shares are to be used exclusively for people entitled to participate in the management share option plan (see note 26.1 of the Financial Report).

The Board of Directors is authorized to increase the Company's share capital by not more than CHF 5 280 000, representing a maximum of 1 760 000 bearer shares with a par value of CHF 3.00 each, to be fully paid in (conditional capital, art. 5bis AoA). This is to be effected by the exercise of conversion and/or option rights granted in connection with convertible bonds, warrant bonds or similar bond issues or other financial instruments of the Company or any of its Group companies. The Board of Directors may adopt a resolution to limit or exclude the shareholders' priority subscription rights in case such financial instruments are issued a) to finance (or refinance) the acquisition of enterprises, parts thereof, participations or new investment projects by the Company or any of its affiliated companies or b) if the issuance takes place on capital markets in Switzerland or abroad including private placements with selected strategic investors. The issuance of the new shares shall be effected at current conversion resp. option terms. Convertible and warrant bonds are to be issued at market conditions.

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 Charles Vögele Holding AG.

2.4 Shares and participation certificates

As at 31 December 2014, the share capital of Charles Vögele Holding AG was divided into 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 ("SCO"), 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

The AoA of Charles Vögele Holding AG contain 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 26.1 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 – 2015, first elected 2008,
on-executive Director

Business economist. Since 1997 independent management consultant with various mandates in crisis management, restructurings and repositionings. Member of the Board of Directors of Schmolz + Bickenbach AG since September 2013. 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 – 2015, first elected in 2012,
non-executive Director

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 – 2015, first elected 2012,
non-executive Director

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 – 2015, first elected in 2012,
non-executive Director

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.

Meinrad Fleischmann, 1961, Swiss
Term of office 2014 – 2015, first elected in 2014,
non-executive Director

Lic. Oec., University of St.Gallen. CEO of the Pfister Group since 2007. Meinrad Fleischmann is an experienced leader with extensive knowledge of retail, especially fashion retail, in the Swiss market. Before becoming CEO of the Pfister Group, he was head of the fashion company Schild from 2002 to 2006. From 1999 to 2001 he was CEO of ABM and from 1997 to 1999 he was CEO of Herren Globus, where he began his career in 1987, holding various positions in purchasing and sales.

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

Changes to the Board of Directors during the year under review
Meinrad Fleischmann was elected at the 2014 Annual Shareholders' Meeting.

None of the members of the Board of Directors, except for Hans Ziegler (helping Group Management assess strategic options in 2012/2013) and Prof. Dr Matthias Freise (supporting Group Management on procurement matters in 2013), worked in any executive functions within the Group during the previous three years. Neither are there any material business links between any Board member and Charles Vögele Holding AG or Group companies.

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; member of the Board of Directors of Schmolz + Bickenbach AG since September 2013.

Max E. Katz
Chairman of the Swiss Travel Agents Association, Zurich, since November 2012.

Meinrad Fleischmann
CEO of the Pfister Group since March 2007.

3.3 Statutory rules with regard to the permissible number of functions in accordance with Art. 12 para. 1 sec. 1 VegüV (Ordinance against excessive compensation)

The number of mandates that may be assumed in legal entities not affiliated with the Company and its Group affiliates in accordance with Art. 13 AoA, and subject to the requirements of Art. 727 para. 2 sec. 1 or 2 SCO (ordinary audit), shall be limited for members of the Board of Directors to a maximum of eight mandates, whereof not more than four mandates in listed companies.

Mandates in other legal entities are limited to a maximum of 20 mandates. Where mandates are assumed in different legal entities of one corporate Group, or at the behest of one corporate Group, these shall be accounted in the aggregate as a single mandate, but may not exceed 20 mandates per corporate Group. The foregoing limits may be exceeded in single cases, however only by half of the permitted mandates per category at the most and not during more than six months. For the purpose of this clause, mandates are defined as functions that may be assumed in the senior management and the directorial bodies of legal entities subject to the requirement of registration in the Swiss commercial register, or in a comparable register in another country.

3.4 Elections and terms of office

The Board of Directors of Charles Vögele Holding AG comprised four members up to the 2014 AGM, and five 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 Articles of Association do not contain differing provisions for elections from the VegüV. The Board of Directors constitutes itself subject to the competence of the AGM and names a secretary.

3.5 Internal organization

The Board of Directors meets as often as is required by the Company's activities, but at least four times a year. Eight scheduled meetings, three of which were two-day meetings, and one telephone conference were held during 2014. All members of the Board attended all meetings with the exception of Hans Ziegler (September meeting/partially absent). Depending on the agenda, the scheduled meetings lasted between three and eight 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 elected at 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 members of the Board of Directors form the committees. Each committee Chair is responsible for preparing, documenting and conducting his/her committee meetings. He/she 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.

Nomination and Compensation Committee

Hans Ziegler (Chair since April 2012)
Prof. Dr Matthias Freise (member since May 2013)

The Compensation Committee is elected at the Annual Shareholders' Meeting and is composed of a minimum of two members of the Board of Directors. The Compensation Committee designates a chairman from amongst its members.

The Nomination and Compensation Committee reviews the performance of the CEO and the other members of Group Management. The Nomination and Compensation Committee has authority to make recommendations regarding remuneration and authority to implement within the scope already approved in principle by the shareholders' meeting or the Board of Directors, to the extent stipulated in the Articles of Association. 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. Three committee meetings were held in 2014.

Under Art. 16 sec. 3 AoA the Board of Directors may assign additional tasks and areas of authority to the Nomination and Compensation Committee, especially in the field of nominations. The Board of Directors has established in an additional regulation to the organizational regulation that the Nomination and Compensation Committee is responsible for career path and development plans and – together with the CEO – evaluates any new members of the most senior level of management and submits proposals accordingly to the Board of Directors.

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

The Board of Directors elects the members and the Chair of its Audit Committee from among its members.

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 statutory 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/her 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. Six working meetings took place in 2014.

3.6 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, ordinances (in particular VegüV) and the Articles of Association and excluding the non-transferable and inalienable tasks which Art. 716a SCO reserves exclusively for the Board of Directors.

According to the organizational regulations 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).

3.7 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 entire Charles Vögele Group. 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 occurring (small: <10%, medium: 10%–40%, large: >40%). A comparison is periodically drawn with the previous year and in addition to the assessment a list of measures is drawn up for each top risk which is proposed by Group Management and approved by the Board of Directors. The risk portfolio and implementation status of these measures are reviewed and approved annually in the November meeting by the Board.

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

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 Executive Officer/Chief Financial Officer) and 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.

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, visual merchandising 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 no changes were made within Group Management.

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 Statutory rules with regards to the permissible number of functions in accordance with Art. 12 para. 1 sec. 1 VegüV (Ordinance against excessive compensation)

The number of mandates that may be assumed in legal entities not affiliated with the Company and its Group affiliates in accordance with Art. 13 AoA, and subject to the requirements of Art. 727 para. 2 sec. 1 or 2 SCO (ordinary audit), shall be limited for members of management to a maximum of five mandates, whereof not more than one mandates in listed companies.

Mandates in other legal entities are limited to a maximum of 20 mandates. Where mandates are assumed in different legal entities of one corporate Group, or at the behest of one corporate Group, these shall be accounted in the aggregate as a single mandate, but may not exceed 20 mandates per other corporate Group. The foregoing limits may be exceeded in single cases, however only by half of the permitted mandates per category at the most and not during more than six months. For the purpose of this clause, mandates are defined as functions that may be assumed in the senior management and the directorial bodies of legal entities subject to the requirement of registration in the Swiss commercial register, or in a comparable register in another country.

Management contracts

There are no management contracts.

5 Management organizational structure

As at 31 December 2014

CEO

INTERNAL AUDITING*

COMMUNICATIONS

CPO

Product Management
- Women's Garments
- Men's Garments
- Kids' Garments
- Style & Design

Supply Chain Management
- Sourcing
- Logistics

Merchandise Management
- Merchandise Management
- Merchandise Operations

CSO

Sales
- CH
- DE
- CEE
- Benelux

Marketing

Visual Merchandising

E-Commerce

CFO**

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

Human Resources & Legal
- Human Resources (HR)
- Legal & Compliance

Indirect Procurement

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

6 Compensation, shareholdings and loans

6.1 Content and method of determining compensation and shareholding programs

The principles governing the compensation and shareholdings as well as the authority and procedure of determining such may be found in the Compensation Report.

6.2 Statutory rules with regard to performance-related remuneration and equity securities, convertible bonds or warrant bonds

Compensation for the Board of Directors

According to Art. 17c sec. 3 AoA the Board of Directors may determine that their remuneration shall be paid or may be drawn in part, in the form of shares. In this case, it shall stipulate the conditions, including the time of the grant and the valuation and decide on any applicable retention period. It shall stipulate the conditions including the time of the grant and any potential transfer restrictions. The Board of Directors may stipulate that due to the occurrence of events designated in advance, such as a change in control, or the termination of an agency agreement, such transfer restrictions may be shortened or cancelled (Art. 17c sec. 4 AoA).

Compensation for Group Management

Pursuant to Art. 17d sec. 3 AoA remuneration paid to members of management shall be composed of fixed and variable remuneration components. The fixed remuneration shall comprise the base salary and further remuneration components.

The short-term performance-based remuneration components shall be based upon objective performance values determined in accordance with the results of the Group and/or a business segment and/or a region, with targets calculated against the market, other companies, or similar benchmarks and/or against individual targets, and of which the achievement is measured, as a rule, over intervals of one year (Art. 17d sec. 4 AoA).

The long-term remuneration components shall be based upon objective performance values or conditions determined in accordance with strategic targets and of which the achievement is measured, as a rule, over intervals of several years. It may be made in the form of shares, claims on shares or options or, in part, in the form of cash. The Board of Directors or the Compensation Committee shall ensure the commitment to long-term targets of the Company by stipulating adequate conditions and deadlines for the exercise of rights as well as retention periods and conditions for expiration. It may stipulate that due to the occurrence of events designated in advance, such as a change in control or the termination of an employment relationship, transfer restrictions may be shortened or annulled, or remuneration shall not be due (Art. 17d sec. 5 AoA).

The maximum total amount shall be composed of the fixed remuneration components, the maximum short-term performance-based remuneration components and the maximum fair value of the long-term remuneration components at the time of the grant (Art. 17d sec. 6 AoA).

The supplementary amount for the compensation of members of management who enter the management after the compensation vote of the shareholders' meeting may not exceed 50% of the respective total amount of approved maximum remuneration for the given period, where the total amount already approved is not sufficient for such remuneration (Art. 17d sec. 7 AoA).

6.3 Statutory rules with regard to loans and credit facilities and benefits

The Company may provide members of the Board of Directors and the management with credits and loans to a total maximum amount of CHF 100 000 per individual (Art. 17b sec. 1 AoA).

The amount of payments of the Company to pension schemes outside of the occupational pension or similar foreign institutions for the benefit of members of the Board of Directors or the management may not exceed the amount of the most recently paid annual individual fixed remuneration (Art. 17b sec. 2 AoA).

6.4 Statutory rules with regard to the vote of the AGM on the remuneration

The remuneration to be paid to members of the Board of Directors and of management are approved at the shareholder's meeting (Art. 12 lit. f AoA).

Pursuant to Art. 17c sec. 1 AoA the Board of Directors submits annually on a definite and prospective basis to the shareholders' meeting for approval the maximum total amount of compensation of the Board of Directors for the time until the next ordinary shareholders' meeting. The Board of Directors may submit to the shareholders' meeting for approval proposals concerning the maximum total amounts or individual components of remuneration for other, one or in-year time intervals, and/or concerning supplementary amounts for special remuneration components, as well as other conditional proposals (Art. 17c sec. 2 AoA).

Pursuant to Art. 17d sec. 1 AoA the Board of Directors submits annually on a definite and prospective basis to the shareholders' meeting for approval the maximum total amount of compensation of the management for the next business year. The Board of Directors may submit to the shareholders' meeting for approval proposals concerning the maximum total amounts or individual components of remuneration for other, one or in-year time intervals, and/or concerning supplementary amounts for special remuneration components, as well as other conditional proposals (Art. 17d sec. 2 AoA).

In case the shareholders' meeting rejects a proposal as regards the remuneration, the Board of Directors decides in accordance with Art. 12a AoA how to proceed. The Board of Directors may, among other things convene an extraordinary shareholders' meeting, or determine a maximum total amount, or several maximum partial amounts, taking into account all relevant factors, and submit this determination to the next shareholders' meeting for approval. Within the bounds of maximum total or partial amounts so determined, the Company or its Group companies may effect payments of remuneration, with the provision that they shall be subject to approval by the shareholders' meeting.

7 Shareholders' participation rights

7.1 Voting rights restrictions

The Company's Articles of Association contain no restrictions on voting rights.

7.2 Statutory rules with regard to issuing instructions to a proxy

Each shareholder may be represented at the shareholders' meeting by giving written power of proxy to another shareholder with the right to vote or to an independent proxy (Art. 9 sec. 3 AoA). The independent proxy shall be elected by vote of the shareholders' meeting. His/her term of office shall end upon the adjournment of the next ordinary shareholders' meeting. Re-election is possible. Where no independent proxy has yet been named for the Company, he/she shall be appointed for the next General Meeting by the Board of Directors (Art. 9 sec. 7 AoA).

The Board of Directors shall determine the requirements applicable to proxy appointments and voting instructions to the independent proxy, whereby it may waive the requirement of a qualified electronic signature on the proxy (Art. 9 sec. 4 AoA). The general instruction to vote in favor of the proposals of the Board of Directors regarding the proposals announced in the invitation and/or unannounced proposals is considered a valid instruction (Art. 9 sec. 5 AoA).

The Chair decides at the current shareholders' meeting on the admissibility of a substitution and on the adherence to the requirements for proxies and voting instructions (Art. 9 sec. 6 AoA).

7.3 Statutory rules with regard to electronic participation at the AGM

The Articles of Association contain no provision for the participation of shareholders at the AGM by Internet.

7.4 Statutory quorums

The Annual Shareholders' Meeting passes resolutions and conducts elections, unless mandatory statutory regulations or the provisions of these articles of association dictate otherwise, by an absolute majority of the shareholders' votes validly cast at the meeting, excluding abstentions 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.

7.5 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 the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt). One or more shareholders who between them represent at least 10% of the share capital can call an extraordinary shareholders' meeting between annual meetings, by written request to the Board of Directors, specifying the subject to be tabled for discussion and the proposals to be put forward.

7.6 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.

7.7 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 Changes in control and defensive measures

There are no provisions in the Articles of Association regarding "opting-out" or "opting-up" in accordance with Art. 22 Swiss Federal Law on Stock Exchanges and Trading in Securities of 24 March 1995.

In the event of a change of control or sale of significant company divisions, the Board of Directors of Charles Vögele Holding AG shall at its own discretion be entitled to decide on the cancellation or reduction of the retention periods for the shares allocated in accordance with the bonus shares plan.

Employment contracts with members of Group Management do not include unusually long notice periods or termination payments.

9 Auditors

9.1 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 20 May 2014. Since 20 May 2014, the audit mandate has been managed by Hanspeter Gerber, partner at PwC, Bern. According to the SCO, the statutory audit company's lead auditor must be rotated at least every seven years.

9.2 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.

9.3 Additional fees

The Charles Vögele Group's auditor also billed a total of CHF 0.1 million (same as in previous year) for accounting and additional tax consultancy services.

9.4 Supervisory and control instruments for the auditors

The statutory auditor is in charge of the ordinary audit of Charles Vögele Holding AG and the individual companies, and also audits Charles Vögele Group's ordinary accounts. The statutory auditor does all this through an interdisciplinary team with international accounting rules 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 SCO and submitted to the full Board of Directors. This contains the main points from the audit reports. Additionally, a summary audit report with recommendations to the Shareholders' Meeting to adopt the annual financial statements and the consolidated financial statements is made.

In addition to the audit of the annual financial statements the statutory auditor analyses 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 statutory auditor may make recommendations or propose possible new audit requirements on the basis of these reviews.

The primary contact person for the statutory auditor is the Chair of the Audit Committee. Each year, the Chair of the Audit Committee assesses the performance, fees and independence of the statutory auditor and suggests to the full Board of Directors which statutory auditor should be proposed to the Annual Shareholders' Meeting for election. Each year the Chair of the Audit Committee also assesses the scope of statutory auditing, the audit plans, the methodology and the relevant processes and discusses the results of the audit with the statutory auditors.

During the reporting period three sessions were held with the statutory auditors and the Audit Committee, as well as one session with the Board of Directors.

10 Information policy

The Charles Vögele Group pursues 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 required.
- Publication of detailed information about the Company is found on the corporate homepage under the section investor relations: http://ch.charles-voegele.ch/en/investor-relations/publications/CharlesVoegele.Press/year/2015
- A 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.

11 Significant events since 31 December 2014

For significant events after 31 December 2014 see note 32 of the Financial Report.

REMUNERATION REPORT

This remuneration report complies with the latest corporate governance standards (SIX Swiss Exchange Good Corporate Governance Regulation) and the Swiss Code of Best Practice and is consistent with the Swiss Ordinance Against Excessive Compensation at Listed Companies ("VegüV") and article 663c of the Swiss Code of Obligations ("OR").

The Company's amendments to the articles of association approved by the Annual Shareholders' Meeting in 2014 to take into account the requirements of the Swiss Ordinance Against Excessive Compensation at Listed Companies ("VegüV"), which came into effect on 1 January 2014, require the Board of Directors to submit obligatory annual figures for the approval of the Annual Shareholders' Meeting, specifying the maximum total remuneration that can be paid to the Board of Directors until the next Annual Shareholders' Meeting and the maximum total remuneration to be paid to Group Management in the next financial year. The articles of association also set out the essential tasks and responsibilities of the Nomination and Compensation Committee (NCC). The Corporate Governance Report describes the key articles of association on remuneration.

1 Remuneration for 2014

The remuneration in the financial year 2014 for the Board of Directors and Group Management consists of a number of components. These are described in detail in the following sections.

1.1 Remuneration policy

By setting competitive salaries in line with those paid elsewhere in the industry, Charles Vögele intends to attract well-motivated, specialist and managerial staff and retain them over the long term. Variable pay components for managerial and sales staff, the calculation of which depends on the degree to which agreed targets are achieved, serve as an instrument of control during the ongoing reorganization process and help the Company achieve its strategic and financial objectives.

Remuneration is determined by the employee's position in the Company, individual performance, level of training and experience. In addition, the Nomination and Compensation Committee also takes into account the position of the Company and the competitive situation in the job market. In order to set remuneration that is competitive and fair, the fundamentals of the salary policy are set by the full Board of Directors following preparation work by the Nomination and Compensation Committee and are then reviewed at regular intervals taking into account both external and internal reference values. The Company obtains the former through continuous monitoring of the markets in which it is active and on the basis of industry benchmarks. For the latter, Charles Vögele Holding AG has a performance management process. Performance management is a key element required in order to be able to assess the extent to which expectations and objectives are met in terms of the results of both individuals and the Company.

Setting compensation

The Board of Directors sets the fixed remuneration of its members and the members of Group Management and the variable remuneration of Group Management at its own discretion, taking into account the principles explained above and within the framework of the legal and statutory guidelines. The Nomination and Compensation Committee is responsible for doing preparatory work and submitting proposals. The Nomination and Compensation Committee regularly reviews the remuneration of the members of Group Management and recommends any adjustments, if applicable, to the Board of Directors. The CEO has a right to make a submission with regard to the remuneration of the other members of Group Management. When the remuneration of a member of Group Management or the Board of Directors is negotiated and a decision is taken, the individual concerned is not allowed to take part in the negotiation or decision-making. Moreover, the Nomination and Compensation Committee is also responsible for preparing the contracts of employment of the members of Group Management. The Committee reports back to the Board of Directors after each of its meetings.

Fixed remuneration

The members of the Board of Directors received annual remuneration in cash. In addition, they also received expenses in connection with their duties during their tenure. The members of the Board of Directors who live in Switzerland received a lump-sum payment of CHF 5000 a year for expenses. The members who live outside Switzerland were reimbursed for their actual expenses (on provision of proof).

It was possible for a member of the Board of Directors to do additional work for the Company subject to the approval of the full Board of Directors at a daily rate of EUR 3000 or CHF 3500.

The level of fixed remuneration set for members of Group Management by the Board of Directors is based on market value given the individual's position as well as the level of responsibility, the effective scope of the job's activities and the individual's performance.

Short-term incentive

The variable component of the remuneration of the members of Group Management is essentially based on the corporate objectives set by the Board of Directors for a financial year, which are applicable for the entire management level. For management functions, two company growth targets (consolidated gross profit and EBITDA) are set within the parameters of a standardized, Group-wide process. The two targets are weighted equally. The assessment of the extent to which the targets are met and the associated calculations for the completed assessment period as well as the payment of the success-based remuneration take place on the basis of the audited annual financial statement following the Annual Shareholders' Meeting.

The annual targets are agreed each year by the Board of Directors in their last meeting of the preceding financial year. The weighting of the targets and the number of targets included depend on the level of the relevant position. For the corresponding financial year, the beneficiary is notified in February of the year of remuneration of the targets that are to serve as the basis for assessment and the scales that are to be used to calculate the incentive payment based on the extent to which the targets are exceeded or not met.

During the financial year, the figures, parameters and bases for calculating the individual targets are not changed. The exceptions are unusual special situations such as acquisitions and divestments that lead to unforeseeable deviations from plans or a decision of the Board of Directors to dispense with incentives for all employees in a given financial year due to extraordinary circumstances.

Long-term incentive program (previous plan)
On 24 September 2013, the Board of Directors decided to bring to an end the share option plan that had been in place since 2002 for the members of the Board of Directors, Group Management and the management team and not to distribute any more options.

Long-term incentive program
In place of the previous plan described above, bonus shares were distributed to the members of the Board of Directors and Group Management once a year in 2013 and 2014 at the discretion of the Board of Directors. This direct financial participation in the medium-term development of the Charles Vögele share price links the interests of management with those of the shareholders. The bonus shares were transferred to the beneficiaries on being issued and cannot be traded for a period of three years. If the beneficiary leaves the Company, there is no obligation to return the shares.

1.2 Remuneration paid to the Board of Directors

All members of the Board of Directors are non-executive. The total remuneration paid to the five non-executive members of the Board of Directors in 2014 was CHF 736 000. The reduction of approximately CHF 100 000 in the total remuneration paid to the Board of Directors from 2013 to 2014 was due to a reduction in fees for consulting services.

With the exception of fees paid to Ulla Ertelt, who received CHF 18 935 for consulting services, in the year under review the members of the Board of Directors received no fees of any kind or any further remuneration for additional services provided to Charles Vögele Holding AG or any of its subsidiaries.

1.3 Remuneration paid to Group Management

This section reveals the remuneration components actually paid in 2014, including the salary and bonus payments, social insurance payments, fringe benefits and the value of shares at distribution. It sets out the income received by the members of Group Management in 2014, which amounted to CHF 4.4 million. The highest remuneration paid to a single member of Group Management was CHF 1.9 million.

The following remuneration was paid to the members of Group Management in the financial year 2014.

The tables on the opposite page are subject to auditing.

The members of the Board of Directors received the following remuneration:

2014 CHF 1 000	Hans Ziegler Chairman	Max E. Katz Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Meinrad Fleischmann Member [2]	Total for Board of Directors
Fixed fees (gross)	250	113	90	90	55	598
Locked-up bonus shares [1]	16	16	16	16	9	73
Social benefits paid by employer	14	7	5	5	3	34
Lump-sum expenses	5	5	–	–	4	14
Fee for consulting services	–	–	–	19	–	19
Total for 2014	285	141	111	130	71	738

[1] Valuation: Price at distribution on 30 June 2014: CHF 18.5, locked up until 30 June 2017.
[2] Member of the Board of Directors since the Annual Shareholders' Meeting of 20 May 2014.

2013 CHF 1 000	Hans Ziegler Chairman	Max E. Katz Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Dirk Lessing [2]	Total for Board of Directors
Fixed fees (gross)	274	113	103	103	46	639
Locked-up bonus shares [1]	11.5	11.5	11.5	11.5		46
Social benefits paid by employer	15	6	6	6	2	35
Lump-sum expenses	5	5	–	–	–	10
Fee for consulting services	–	–	100 [3]	15		115
Total for 2013	305.5	135.5	220.5	135.5	48	845

[1] Valuation: Price at distribution on 30 November 2013: CHF 10.15, locked up until 30 November 2016.
[2] Dirk Lessing was no longer available for re-election at the Annual Shareholders' Meeting of 14 May 2013.
[3] Matthias Freise received an additional salary at the market rate for the duration of his delegation to Group Management (April to September 2013).

The following remuneration was paid to the members of Group Management:

2014 CHF 1 000	Markus Voegeli CEO/CFO	Other members of Group Management [5][6]	Total for Group Management
Fixed salary	1 389 [3]	2 229	3 618
Variable salary (gross)	275 [4]	–	275
Social and insurance benefits paid by employer	152	199	351
Company car [1]	7	13	20
Bonus shares [2]	39	62	101
Total for 2014	1 862	2 503	4 365

[1] Private share (tax value: 9.6 % of the purchase value)
[2] Price at distribution on 30 June 2014: CHF 18.5, locked up until 30 June 2017.
[3] 189 of which was paid in the form of shares; price at distribution on 21 May 2014: CHF 12.06
[4] Payment of a discretionary bonus for meeting targets in 2012
[5] The other active members of Group Management in 2014 were: Beatrice Grünwald (Chief Purchasing Officer) and Matthias Wunderlin (Chief Sales Officer)
[6] Including a settlement payment to Frank Beeck (former CEO) in CHF 1 000: CHF 1175

2013 CHF 1 000	Markus Voegeli CEO/CFO [3]	Other members of Group Management [4][5]	Total for Group Management
Fixed salary	1 200	1 707	2 907
Variable salary (gross)	–	–	–
Social and insurance benefits paid by employer	135	281	416
Company car [1]	6	12	18
Bonus shares [2]	187	–	187
Total for 2013	1 528	2 000	3 528

[1] Private share (tax value: 9.6 % of the purchase value)
[2] Price at distribution on 30 November 2013: CHF 10.15, locked up until 30 November 2016.
[3] Markus Voegeli served as interim Chief Executive Officer until August 2013 and as Chief Executive Officer/Chief Financial Officer from 19 August 2013.
[4] The other active members of Group Management in 2013 were: Matthias Freise (interim Chief Purchasing Officer from April to September 2013), Beatrice Grünwald (Chief Purchasing Officer from November 2013) and Matthias Wunderlin (Chief Sales Officer from November 2013).
[5] Including payments to Frank Beeck (former CEO) in CHF 1 000: CHF 1334

1.4 Holdings

The tables below provide information on the holdings of Charles Vögele bearer shares and options of the members of the Board of Directors and anyone closely associated with them as at 31 December 2014 and do not replace disclosure in accordance with article 663c of the Swiss Code of Obligations (OR) in the annex of the financial report (the tables are identical to those on page 47 of the financial report, note 12 on the consolidated financial statements).

As at 31 December 2014	Hans Ziegler Chairman	Max E. Katz Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Meinrad Fleischmann Member [1]	Total for Board of Directors
Number of shares	2 000	11 000	2 000	2 000	2 284	19 284
As a percentage of the stock capital	0.02 %	0.13 %	0.02 %	0.02 %	0.03 %	0.22 %
Number of management options	13 600	5 000	5 000	5 000	–	28 600
As a percentage of the stock capital	0.15 %	0.06 %	0.06 %	0.06 %	–	0.33 %

[1] Member of the Board of Directors since the Annual Shareholders' Meeting of 20 May 2014

As at 31 December 2013	Hans Ziegler Chairman	Max E. Katz Vice Chairman	Matthias Freise Member	Ulla Ertelt Member		Total for Board of Directors
Number of shares	1 000	1 000	1 000	1 000		4 000
As a percentage of the stock capital	0.01 %	0.01 %	0.01 %	0.01 %		0.04 %
Number of management options	22 200	5 000	5 665	5 000		37 865
As a percentage of the stock capital	0.25 %	0.06 %	0.06 %	0.06 %		0.43 %

The table below provides information on the holdings of Charles Vögele bearer shares and options of the members of Group Management and anyone closely associated with them as at 31 December 2014 and does not replace disclosure in accordance with article 663c of the Swiss Code of Obligations (OR) in the annex of the financial report (the table is identical to the one on page 48 of the financial report, note 12 on the consolidated financial statements).

As at 31 December 2014	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO	Matthias Wunderlin CSO	Total for Group Management
Number of shares	27 100	7 800	2 850	37 750
As a percentage of the stock capital	0.31 %	0.09 %	0.03 %	0.43 %
Number of management options	28 850	–	–	28 850
As a percentage of the stock capital	0.33 %	–	–	0.33 %

As at 31 December 2013	Markus Voegeli CEO/CFO [1]	Beatrice Grünwald CPO [2]	Matthias Wunderlin CSO [3]	Total for Group Management
Number of shares	6 600	1 600	–	8 200
As a percentage of the stock capital	0.08 %	0.02 %	–	0.10 %
Number of management options	37 650	–	–	37 650
As a percentage of the stock capital	0.43 %	–	–	0.43 %

[1] Markus Voegeli served as interim Chief Executive Officer until August 2013 and as Chief Executive Officer/Chief Financial Officer from 19 August 2013.
[2] Beatrice Grünwald became Chief Purchasing Officer in November 2013.
[3] Matthias Wunderlin became Chief Sales Officer in November 2013.

1.5 Additional fees, remuneration and loans

This section is subject to auditing.

The members of the Board of Directors and Group Management were not paid any further remuneration beyond what is specified in this report. (As stated in Section 1.2, CHF 18 935 was paid to Ulla Ertelt for consulting services.)

Neither Charles Vögele Holding AG nor any of its subsidiaries granted any members of the Board of Directors, any members of Group Management or anyone closely associated with them any guarantees, loans, advances or credit facilities of any kind in 2014. Nor are there any such transactions or amounts pending as at the end of 2014. No remuneration was paid to former members of the Board of Directors in 2014.

2 Remuneration from 2015/2016

2.1 Remuneration governance

The full Board of Directors is responsible for setting the remuneration paid to the members of the Board of Directors and Group Management subject to approval of the Annual Shareholders' Meeting. The Nomination and Compensation Committee is responsible for doing preparatory work and submitting proposals. In particular, it helps the Board of Directors to put in place and assess the remuneration system and the remuneration principles and prepare the proposals to be submitted to the Annual Shareholders' Meeting. Moreover, the Nomination and Compensation Committee is also responsible for preparing the contracts of employment of the members of Group Management. Finally, the Nomination and Compensation Committee is responsible for producing a proposed remuneration report for the attention of the Board of Directors.

At least two members of the Board of Directors sit on the Nomination and Compensation Committee, who are elected individually at the Annual Shareholders' Meeting. Re-election is possible. At the Annual Shareholders' Meeting in 2014, Hans Ziegler (Chairman) and Matthias Freise (member) were elected onto the Nomination and Compensation Committee.

2.2 Remuneration of the Board of Directors for 2015/2016

The Nomination and Compensation Committee reviewed the essentials of the remuneration of the members of the Board of Directors in 2014.

On this basis, the Board of Directors adjusted the remuneration system for the Board of Directors with effect for the 2015/2016 period of tenure.

The remuneration system for the members of the Board of Directors consists of a fixed cash component and a restricted stock units (RSUs) component with a fixed distribution value. The cash component depends on the individual's level of responsibility and the time required for the activities involved. In addition, they also receive expenses in connection with their duties during their tenure. Members of the Board of Directors who live in Switzerland receive a lump-sum payment of CHF 5000 a year for expenses, the President of the Board of Directors receives CHF 8000 a year. Members who live outside Switzerland are reimbursed for their actual expenses (on provision of proof). The members of the Board of Directors receive compensation for their activities from the time of their election and for the duration of their tenure. The success-based structure of the remuneration of the Board of Directors ensures the independence of the body in terms of its management and supervision of Group Management.

The remuneration is reviewed annually by the Nomination and Compensation Committee and, if necessary, amended by the Board of Directors on the suggestion of the Nomination and Compensation Committee before the total amount is voted on at the Annual Shareholders' Meeting. For the review of the remuneration system of the Board of Directors for the 2015/2016 period of tenure, the independent consulting firm Klingler Consultants AG set a benchmark on the basis of a peer group of listed Swiss companies.

The nominal amount of the RSUs is fixed. The number of RSUs is determined by dividing the fixed nominal amount by the volume-weighted average share price (VWAP) for the first ten days of trading in the financial year. RSUs are locked up from their date of distribution on the day of the Annual Shareholders' Meeting until the following Annual Shareholders' Meeting, at which point they are converted to shares in Charles Vögele Holding AG. If a member of the Board of Directors resigns before the end of his or her tenure, it is at the discretion of the Board of Directors alone to decide whether the number of RSUs converted to shares is to be reduced. The RSU program is financed by treasury shares.

2.3 Remuneration of Group Management in 2015

2.3.1 Remuneration system

The remuneration of Group Management consists of fixed and variable remuneration elements. The fixed component of the remuneration consists of the basic salary, which depends on the individual's position and salary levels in the market, and fringe benefits. The variable (incentive) remuneration component consists of a performance-based annual cash bonus (short-term incentive).

Fixed remuneration

The level of the fixed remuneration set for members of Group Management at the discretion of the Board of Directors is based on the individual's position and level of responsibility, the effective scope of the job's activities and the management experience of the member of Group Management. The remuneration consists of the basic salary and fringe benefits.

Variable remuneration

The variable component of the remuneration of the members of Group Management is essentially based on the corporate objectives set by the Board of Directors for a financial year, which are applicable for the entire management level. For management functions, two company growth targets (EBITDA and the implementation of the format strategy) are set within the parameters of a standardized, Group-wide process. The two targets are weighted equally. At the end of the assessment period, the resulting bonus is calculated on the basis of the past year's results and paid out following the approval of the annual financial statement by the Annual Shareholders' Meeting.

The annual targets are agreed each year by the Board of Directors in their last meeting of the preceding financial year. The weighting of the targets and the number of targets included depend on the level of the relevant position. For the corresponding financial year, the beneficiary is notified in February of the year of remuneration of the targets that are to serve as the basis for assessment and the scales that are to be used to calculate the incentive payment based on the extent to which the targets are exceeded or not met. The assessment of the extent to which the targets are met and the associated calculations for the completed assessment period as well as the payment of the success-based remuneration take place following publication of the net profit for the year.

During the financial year, the figures, parameters and bases for calculating the individual targets are not changed. The exceptions are unusual special situations such as acquisitions and divestments that lead to unforeseeable deviations from plans or a decision of the Board of Directors to dispense with incentives for all employees in a given financial year due to extraordinary circumstances.

2.3.2 Remuneration of Group Management in 2015

(Not subject to the approval of the Annual Shareholders' Meeting)
The fixed remuneration for Group Management has been significantly reduced for 2015. A total amount of CHF 1.8 million is designated for basic salaries for the year. Variable remuneration of CHF 1.1 million can be added to this if the targets are met in full (100%). If the targets are exceeded, a maximum of 150% (cap) of that amount can be paid (CHF 1.6 million). Including fringe benefits and social and insurance benefits paid by the employer, the maximum total remuneration of Group Management when the targets are exceeded to the maximum level is CHF 3.7 million.

2.4 Arrangements in the event of absence, joining and leaving

The payment of the incentive is tied directly to the effective performance of the job as specified in the contract of employment. In the event of absences or effectively being unable to work for more than a month in the relevant assessment period, any claim to the payment of the variable remuneration is reduced on a pro rata basis.

In the year of joining, the variable payment is calculated on a pro rata temporis basis from the date when the employment contract started.

The employment contracts with the members of Group Management are open-ended, are subject to a period of notice of 12 months and do not provide for a severance payment. They may contain a clause preventing the individual from taking up employment with a competitor until a period of up to 12 months has elapsed after the end of the contract. The lock-up periods for shares continue to apply even after an individual leaves the Company.

2.5 Changes of control and defensive measures

In the event of a change of control or the disposal of key parts of the business, the Board of Directors of Charles Vögele Holding AG is entitled to use its discretion to cancel or shorten the lock-up periods for the shares distributed.

Zurich, 23 March 2015

Report of the statutory auditor to the General Meeting on the remuneration report 2014 of Charles Vögele Holding AG Freienbach SZ

We have audited the remuneration report of Charles Vögele Holding AG (pages 51 to 53) for the year ended 31 December 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Charles Vögele Holding AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Hanspeter Gerber Audit expert Auditor in charge	Pascal Wintermantel Audit expert

FINANCIAL REPORT

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From 1 January to 31 December

CONSOLIDATED INCOME STATEMENT

CHF 1 000	Note	**2014**	in %	2013 [1]	in %
Net sales	**3**	**901 160**	**100.0%**	**946 518**	**100.0%**
Cost of goods	14.1	(297 302)	(33.0%)	(323 783)	(34.2%)
Gross profit		**603 858**	**67.0%**	**622 735**	**65.8%**
Personnel expenses	4	(238 520)	(26.5%)	(242 513)	(25.6%)
Rental expenses	5	(180 667)	(20.0%)	(190 977)	(20.2%)
Advertising and promotion expenses	6	(62 196)	(6.9%)	(71 969)	(7.6%)
General operating and adminstrative expenses	7	(88 721)	(9.8%)	(93 653)	(9.9%)
Other operating income	8	8 328	0.9%	6 718	0.7%
Other operating expenses	8	(1 168)	(0.1%)	(738)	(0.1%)
Operating results before depreciation and impairment (EBITDA)		**40 914**	**4.5%**	**29 603**	**3.1%**
Depreciation and impairment on property, plant and equipment	16.1	(37 006)		(46 940)	
Depreciation and impairment on intangible assets	18.1	(2 304)		(2 699)	
Operating results (EBIT)		**1 604**	**0.2%**	**(20 036)**	**(2.1%)**
Financial results, net	9	(10 730)		(6 385)	
Results for the period before income tax		**(9 126)**	**(1.0%)**	**(26 421)**	**(2.8%)**
Income tax expenses	10	(1 707)		(3 142)	
Net result		**(10 833)**	**(1.2%)**	**(29 563)**	**(3.1%)**
Basic earnings per share	**11**	**(1.29)**		**(3.52)**	
Diluted earnings per share	**11**	**(1.29)**		**(3.52)**	

The notes on pages 08 to 37 are an integral part of these consolidated financial statements.
[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

At 31 December

CONSOLIDATED BALANCE SHEET

CHF 1 000	Note	31.12.2014	31.12.2013 [1]
Assets			
Current assets			
Cash and cash equivalents		97 310	70 220
Trade account receivables	12	4 469	3 739
Other receivables	13	8 019	12 945
Prepaid expenses		3 257	3 829
Inventories	14	140 335	148 771
Assets held for sale	15	–	2 415
Total current assets		**253 390**	**241 919**
Non-current assets			
Property, plant and equipment	16	214 994	235 445
Financial assets	17	115	115
Intangible assets	18	4 797	5 180
Total non-current assets		**219 906**	**240 740**
Total assets		**473 296**	**482 659**
Liabilities and shareholders' equity			
Current liabilities			
Short-term financial liabilities	21	1 564	1 534
Trade payables		49 549	48 645
Other short-term liabilities	19	30 309	38 015
Accruals	20	34 075	37 922
Short-term provisions	22	2 105	5 586
Total current liabilities		**117 602**	**131 702**
Non-current liabilities			
Long-term financial liabilities	21, 23	172 540	157 328
Long-term provisions	22, 10	28 004	27 632
Total non-current liabilities		**200 544**	**184 960**
Shareholders' equity			
Share capital	24	26 400	26 400
Treasury shares	25	(7 609)	(10 787)
Other reserves		148 983	151 341
Retained earnings		(12 624)	(957)
Total shareholders' equity		**155 150**	**165 997**
Total liabilities and shareholders' equity		**473 296**	**482 659**

The notes on pages 08 to 37 are an integral part of these consolidated financial statements.
[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

From 1 January to 31 December

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1 000	Note	2014	2013 [1]
Net result		**(10 833)**	**(29 563)**
Adjustments:			
– Tax expenses	10	1 707	3 142
– Net financial expenses	9	10 730	6 385
– Depreciation		36 408	40 180
– Impairment	16.1	2 902	9 458
– Profit on disposal of assets	15	(1 781)	(26)
– Other non-cash expenses		199	463
Change in provisions		(339)	(51)
Change in inventories		7 014	37 077
Change in accounts receivables		(804)	1 424
Change in other receivables and prepaid expenses		5 218	(6 038)
Change in accounts payables		2 054	(13 583)
Change in other current liabilities and accruals		(9 272)	(826)
Financial expenses paid		(8 688)	(6 088)
Taxes paid		(5 522)	(3 867)
Cash flow from operating activities		**28 993**	**38 087**
Purchase of property, plant and equipment	16.1	(17 958)	(9 487)
Sale of property, plant and equipment	15	4 300	309
Purchase of intangible and financial assets	18.1	(1 921)	(1 486)
Net cash used from investing activities		**(15 579)**	**(10 664)**
Free cash flow		**13 414**	**27 423**
Change in current financial liabilities	21	73	(3 363)
Proceeds from loans	21, 23	105 000	90 000
Repayment of loans	21, 23	(90 000)	(130 000)
Repayment of non-current financial liabilities	21, 23	(1 648)	(1 599)
Disposal of treasury shares, net	25	820	362
Net cash provided/(used) from financing activities		**14 245**	**(44 600)**
Net increase/(decrease) in cash and cash equivalents		**27 659**	**(17 177)**
Net cash and cash equivalents at the beginning of the period		**70 220**	**87 009**
Effect of exchange rate changes		(569)	388
Net increase/(decrease) in cash and cash equivalents		27 659	(17 177)
Net cash and cash equivalents at the end of the period		**97 310**	**70 220**

The notes on pages 08 to 37 are an integral part of these consolidated financial statements.

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

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 instru-ments	Valuation pension liabilities	Valuation share option plan	**Total Retained earnings**	**Total**
Balance 31.12.2012 (IFRS)	**24**	**26 400**	**(15 377)**	**173 789**	**103 668**	**(63 088)**	**(2 658)**	**2 118**	**4 079**	**44 119**	**228 931**
Restatement Swiss GAAP FER [1]		–	–	(18 220)	(78 015)	63 088	2 658	(2 118)	–	(14 387)	(32 607)
Balance 01.01.2013 (Swiss GAAP FER)	**24**	**26 400**	**(15 377)**	**155 569**	**25 653**	**–**	**–**	**–**	**4 079**	**29 732**	**196 324**
Net result		–	–	–	(29 563)	–	–	–	–	(29 563)	(29 563)
Currency translation differences		–	–	–		(1 590)	–	–	–	(1 590)	(1 590)
Value of granted options	26	–	–	–	–	–	–	–	464	464	464
Value of exercised/ expired options	26	–	–	–	1 290	–	–	–	(1 290)	–	–
Disposals of treasury shares	25	–	4 590	(4 228)	–	–	–	–	–	–	362
Purchase of treasury shares	25	–	–	–	–	–	–	–	–	–	–
Balance 31.12.2013 (Swiss GAAP FER)	**24**	**26 400**	**(10 787)**	**151 341**	**(2 620)**	**(1 590)**	**–**	**–**	**3 253**	**(957)**	**165 997**
Balance 01.01.2014	**24**	**26 400**	**(10 787)**	**151 341**	**(2 620)**	**(1 590)**	**–**	**–**	**3 253**	**(957)**	**165 997**
Net result		–	–	–	(10 833)	–	–	–	–	(10 833)	(10 833)
Currency translation differences		–	–	–	–	(1 033)	–	–	–	(1 033)	(1 033)
Value of granted options	26	–	–	–	–	–	–	–	199	199	199
Value of exercised/ expired options	26	–	–	–	1 325	–	–	–	(1 325)	–	–
Disposals of treasury shares	25	–	3 178	(2 358)	–	–	–	–	–	–	820
Purchase of treasury shares	25	–	–	–	–	–	–	–	–	–	–
Balance 31.12.2014	**24**	**26 400**	**(7 609)**	**148 983**	**(12 128)**	**(2 623)**	**–**	**–**	**2 127**	**(12 624)**	**155 150**

The notes on pages 08 to 37 are an integral part of these consolidated financial statements.
The accumulated non-distributable reserves are CHF 165 million (previous year: CHF 164 million).
[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the 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.

The stores in the Czech Republic and Poland were closed in 2014. The Group company in the Czech Republic was wound up in the current financial year and the Group company in Poland is scheduled for winding up in 2015.

Charles Vögele Holding AG is a corporation that is domiciled in Pfäffikon SZ, Switzerland, and listed on the SIX Swiss Exchange. The switch from the Main to the Domestic Standard took place on 27 June 2014.

2 Summary of significant accounting policies

2.1 Preparation of financial statements

The consolidated financial statements were produced in accordance with the International Financial Reporting Standards (IFRS) up to the end of 2013. Charles Vögele Group changed its accounting standard from IFRS to Swiss GAAP FER (entire code) with effect from 1 January 2014. This Annual Report was prepared in line with Swiss GAAP FER 31 "Supplementary standards for listed companies", so the standard published in 2013 has been applied early (not compulsory till 1 January 2015).

For comparative purposes the figures and the structure for previous years have been adapted to Swiss GAAP FER. Unless stated otherwise in chapter 2.2 below, the principles applied to this Annual Report are the same as those used for Charles Vögele Group's financial report for 2013. Purchase and production costs are used as the basis for valuation, except in the case of derivative financial instruments, which are valued at current value. The valuation methods used for individual items are described under points 2.8 to 2.26.

2.2 Adjustments caused by the change in accounting principles

The switch from IFRS to Swiss GAAP FER had the following main effects on the valuation and accounting principles used by Charles Vögele Group. The financial effects are described under point 2.3.

Goodwill

Under IFRS goodwill is capitalized, reviewed for impairment every year, and adjusted if necessary. Charles Vögele uses the option under Swiss GAAP FER to capitalize goodwill on acquisition and write it down using the straight-line method over a period of 5 years normally or at most 20 years in justified cases. Charles Vögele Group's goodwill remaining on the date of the switchover to IFRS of TCHF 36728 dating from 1997 was completely written off within 5 years under Swiss GAAP FER. This was adjusted in the opening balance sheet at 1 January 2013.

Pension

Any coverage shortfalls or surpluses are determined using each pension plan's annual statements, which are prepared under Swiss GAAP FER 26 (Swiss plan) or using the recognized methods in each country (foreign plans).

An economic benefit is capitalized if it is permitted and the intention is to use the surplus to reduce employer contributions. If there are any freely available employer contribution reserves, these are also capitalized. Financial liabilities are capitalized as long as the conditions for forming a provision (employee pension liabilities) are fulfilled. Changes are recognized in the income statement under personnel expenses in the same way as amounts due in the period.

Employer contribution reserves or comparable items are capitalized under Swiss GAAP FER 16. Charles Vögele Group does not have employer contribution reserves.

According to IFRS, pension obligations are calculated according to the projected unit credit method and reported in accordance with IAS 19 "Employee benefits". The obligation from defined-benefit pension plans of TCHF 6432 reported under IFRS as at 1 January 2013, was set off against retained earnings. The switch to Swiss GAAP FER reduced personnel costs for the 2013 financial year by TCHF 1578.

Financial instruments

Derivatives used to hedge balance sheet positions are valued at present value under Swiss GAAP FER (and under IFRS). The change in value compared with the previous period is included in the result for the period.

Contractually agreed future cash flows are hedged in accordance with the choice offered by Swiss GAAP FER 27 "Derivative Financial Instruments" and disclosed in the appendix. Under IFRS, hedge effectiveness testing was carried out and the effective portion recognized directly in shareholders' equity (comprehensive income statement); the ineffective portion was recognized in the income statement. As at 1 January 2013, therefore, a sum of TCHF 2710 was set off against shareholders' equity. The positive effect in the income statement for the 2013 financial year comes to TCHF 314.

Deferred tax

The Group has decided not to capitalize deferred tax assets arising from loss carry-forwards. Tax assets arising from temporary differences are only recognized if they can be realized.

The above valuation and accounting adjustments have a corresponding effect on the deferred income taxes shown in the balance sheet and income statement.

Exchange rate differences in equity
Foreign currency differences arising from the valuation of long-term loans with equity character between Group companies and from net investments in foreign Group companies amounted to TCHF 63088 by 31 December 2012. At the switching date of 1 January 2013 this was offset against retained earnings. This has no influence on the size of shareholders' equity.

Gains on the sale of treasury shares
Gains on the sale of treasury shares are recognized as an increase or decrease in capital reserves. Under IFRS these amounts were recognized in retained earnings. On 1 January 2013, therefore, the necessary transfer of TCHF 18220 was made within shareholders' equity. This did not, however, have any effect on the overall level of shareholders' equity.

Earnings per share
The earnings per share as at 31 December 2013 changes as a result of the amendment by CHF +0.62 to CHF −3.52 (basic same as undiluted in each case).

2.3 Presentation and classification
The presentation and classification of the balance sheet, income statement, statement of equity and cash flow statement have been adjusted to the requirements of Swiss GAAP FER. For comparison purposes, the previous year's equivalents have also been adjusted (restated). The effect of these adjustments on Charles Vögele Group's shareholders' equity and income statement is summarized in the following table:

CHF 1000	1 Jan. 2013	31 Dec. 2013
Adjustment effects equity		
Equity according to IFRS	**228 931**	**195 414**
Adjustment goodwill	(36 728)	(36 728)
Adjustment liabilities of defined benefit	6 432	5 728
Adjustment derivative financial instruments	2 710	2 930
Change deferred taxes	(5 021)	(1 347)
Adjustments according to Swiss GAAP FER	**(32 607)**	**(29 417)**
Equity according to Swiss GAAP FER	**196 324**	**165 997**

CHF 1000		Jan. – Dec. 2013
Net result of the year according to IFRS		**(34 771)**
Adjustment liabilities of defined benefit		1 578
Adjustment derivative financial instruments		314
Change deferred taxes		3 316
Adjustments according to Swiss GAAP FER		**5 208**
Net result of the year according to Swiss GAAP FER		**(29 563)**

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 net assets 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 or joint ventures (investments 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 33.

2.5 Scope of consolidation

The Group company in the Czech Republic was liquidated in November 2014. There were no changes to the scope of consolidation in the previous year.

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, 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.

The individual items in the cash flow statement are also translated into the Group reporting currency at the average exchange rate for the year.

Foreign currency differences arising from the valuation of long-term loans with equity character between Group companies are 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 or liquidated, 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:

	ISO code	Unit	**Balance sheet 31.12.2014**	Balance sheet 31.12.2013	**Income statement 2014**	Income statement 2013
Euro	EUR	1	1.20	1.23	1.21	1.23
Hong Kong	HKD	1	0.13	0.11	0.12	0.12
China	CNY	1	0.16	0.15	0.15	0.15
USA	USD	1	0.99	0.89	0.92	0.93
Hungary	HUF	100	0.38	0.41	0.39	0.41
Poland	PLN	100	28.21	29.57	29.03	29.32
Czech Republic	CZK	100	4.33	4.48	4.41	4.74

2.8 Net sales and revenue recognition

Store sales
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. With agents, brokerage and commission business, only the net income (sales minus commission fees) is recognized as net sales.

E-Commerce
Net sales are recognized where it is sufficiently likely that the economic benefit of the business will flow to the Company. The calculation allows for a certain proportion of returns.

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. Discount vouchers that have not yet been redeemed are reported as liabilities and shown in the balance sheet as accruals.

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 plans
The Group companies has various employee pension plans that provide benefits in the event of retirement, death or disability (or for a combination of these) and that always comply with the legal requirements in the relevant country. The financial effects are calculated every year on the balance sheet date. Any coverage shortfalls or surpluses are determined using each pension plan's annual statements, which are prepared under Swiss GAAP FER 26 (Swiss plan) or using the recognized methods in each country (foreign plans).

An economic benefit is capitalized if it is permitted and the intention is to use the surplus to reduce employer contributions. If there are any freely available employer contribution reserves, these are also capitalized. Financial liabilities are capitalized as long as the conditions for forming a provision (employee pension liabilities) are fulfilled. Changes are recognized in the income statement under personnel expenses in the same way as amounts due in the period.

Pension liabilities do not include expenses – such as long-service gifts, anniversary awards and settlements – that are not strictly related to retirement pensions. These expenses are recognized as provisions for personnel expenses.

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.

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 nominal value (normally the invoice amount) 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 purchase cost or net market 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 market 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

Derivative financial instruments are recognized under other short-term claims or liabilities.

Derivatives used to hedge balance sheet items are valued at present value. The change in value compared with the previous period is included in the result for the period.

Derivative financial instruments that do not qualify as hedging instruments are recognized at present value. Changes in market value are recognized in the income statement.

Hedging of contractually agreed future cash flows (hedging instruments) is only disclosed in the appendix. If the future transaction occurs or if the derivative is sold, the present value of the derivative financial instrument is recognized and shown in the income statement at the same time as the hedged cash flow.

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 2.17). 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 lease-hold 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 2.17). 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. Most of this is store furnishings and fittings, which are written down over 7 years on average.

2.16 Intangible assets

Goodwill

If a business is acquired, the net assets shown in the business's accounts are revalued. The excess of acquisition costs, including transaction costs, over newly acquired net assets is capitalized as goodwill. Goodwill is written down using the straight-line method over a period of 5 years normally or at most 20 years in justified cases.

Other intangible assets

Other intangible assets include acquired software, trademarks and licences. 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 2.17). IT software is depreciated using the straight-line method over 5 years; licences and trademarks are depreciated over their estimated useful life.

2.17 Impairment of assets

All capitalized assets are subject to an annual impairment test. If there are signs of impairment, the recoverable value is reported. 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 against the period result.

Recoverable amount

The recoverable amount is the higher of the value-in-use and the net market value.

Value in use

The value in use is the net present value of future cash flows that can be expected from the continued use of the asset, including any cash flow generated at the end of its useful life.

Net market value

The net market value is the amount for which an asset can be sold in a transaction under normal market conditions between reasonable contracting parties, minus the costs of the sale.

2.18 Deferred income tax

Deferred income tax applies, using the liability method, to all temporary differences between the values determined under Swiss GAAP FER and the values under tax law. Deferred income taxes are determined using the tax rates (and tax rules) that apply on the balance sheet date or that have been approved by law and are expected to apply on the date when the deferred income tax claim is to be realized or when the deferred tax liability is to be settled. Deferred income tax liabilities are shown under long-term provisions.

Deferred income tax assets from tax loss carry-forwards are not included in the balance sheet. These are shown in the notes along with their maturity structure (see note 10.3). Tax assets arising from temporary differences are only recognized if they can be realized.

Deferred income tax liabilities created by temporary differences relating to investments in subsidiaries are recognized unless the timing of the realization of the temporary differences can be controlled by the Group and it is probable that the timing differences will not be realized in the foreseeable future.

2.19 Trade payables

Trade payables are valued at their nominal value on 31 December.

2.20 Financial liabilities

Financial liabilities are shown at nominal value. Financial liabilities include short-term financial liabilities, liabilities from finance leases, mortgages and loans.

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.

2.21 Provisions

A provision is a probable obligation of uncertain but estimatable size and due date arising from a past event. This obligation creates a liability.

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

2.22 Contingent liabilities

Contingent liabilities are assessed on the balance sheet date, valued accordingly and shown in the notes.

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 16.2). 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.

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. Leasing liabilities from operating leasing are shown in note 29.

2.24 Treasury shares

Treasury shares are booked at cost as separate negative items within equity capital. Once acquired and reported for the first time, there is no subsequent valuation. Gains or losses on the sale of treasury shares are not recorded in the period results but shown as an increase or reduction in capital reserves.

2.25 Earnings per share

Earnings per share are calculated by dividing the consolidated net profit attributable to the shareholders of Charles Vögele Holding AG by the average weighted number of participation rights in circulation during the period concerned. The diluted results additionally take account of all the potential participation rights that could be created by the exercise of options (see note 11).

2.26 Valuation of share option plan

Up until the 2012 financial year, share-based remuneration took the form of a management share option plan rather than options. In the current and previous financial years, bonus shares were issue (see note 26). The present value of options issued up to and during 2012 is recorded across the vesting period under personnel expenses in the income statement and under shareholders' equity.

The actual 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 Segment information

CHF 1 000	Switzerland		Germany		Benelux	
	2014	2013	2014	2013	2014	2013
Gross sales	344 040	355 469	355 566	362 789	139 456	148 235
Net sales	308 720	320 574	289 600	296 283	112 530	120 193
Operating earnings before depreciation and impairment (EBITDA) [2]	47 476	49 287	19 987	20 151	(6 309)	(4 990)
in % of net sales	15.4%	15.4%	6.9%	6.8%	(5.6%)	(4.2%)
Operating earnings (EBIT) [2]	30 383	32 935	9 105	(88)	(8 143)	(6 205)
EBIT in % of net sales	9.8%	10.3%	3.1%	(0.0%)	(7.2%)	(5.2%)

CHF 1 000	CEE [1]		Group's head- quarter and consolidation		Group	
	2014	2013	2014	2013	2014	2013
Gross sales	237 223	260 721	–	–	1 076 285	1 127 214
Net sales	190 310	209 468	–	–	901 160	946 518
Operating earnings before depreciation and impairment (EBITDA) [2]	4 636	270	(24 876)	(35 115)	40 914	29 603
in % of net sales	2.4%	0.1%	–	–	4.5%	3.1%
Operating earnings (EBIT) [2]	(639)	(5 328)	(29 102)	(41 350)	1 604	(20 036)
EBIT in % of net sales	(0.3%)	(2.5%)	–	–	0.2%	(2.1%)

[1] CEE: Austria, Slovenia, Hungary, Poland, Czech Republic (see note 2.5).
[2] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

Segment information has been altered as Charles Vögele Group's internal reporting has continued to develop. Prior-year figures have been adjusted accordingly.

3.1 Entity-wide information

The Group is domiciled in Switzerland. The net sales in Switzerland and all foreign countries are disclosed above. Austria, main part of the segment CEE, realized net sales of CHF 150.8 million in 2014 (previous year: CHF 155.4 million).

4 Personnel expenses

CHF 1 000	2014	2013 [1]
Wages and salaries	196 438	200 561
Social security costs	27 669	27 213
Retirement and pension plan costs	5 821	6 106
Other personnel expenses	8 592	8 633
Total	**238 520**	**242 513**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

4.1 Economic benefit/economic liability and pension costs

2014 CHF 1 000	Surplus/deficit	Economic part of the Group	Change to previous period or recognized in the result current year	Contributions concerning the business period	Pension benefit expenses within personnel expenses
Patronal Fonds/patronal pension plan	–	–	–	–	–
Pension plans without surplus/deficit	–	–	–	–	–
Pension plans with surplus [1]	7 289	–	–	3 775	3 775
Pension plans with deficit	–	–	–	–	–
Pension institutions without own assets	–	(818)	(105)	2 046	2 046
Total	**7 289**	**(818)**	**(105)**	**5 821**	**5 821**

[1] The pension plans with surpluses are fully reinsured pension solutions with disposable funds. The surplus reflects the balance on the PVE asset account and the securities statement.

2013 [2] CHF 1 000	Surplus/deficit	Economic part of the Group	Change to previous period or recognized in the result current year	Contributions concerning the business period	Pension benefit expenses within personnel expenses
Patronal Fonds/patronal pension plan	–	–	–	–	–
Pension plans without surplus/deficit	–	–	–	–	–
Pension plans with surplus [1]	6 351	–	–	3 840	3 840
Pension plans with deficit	–	–	–	–	–
Pension institutions without own assets	–	(932)	(98)	2 266	2 266
Total	**6 351**	**(932)**	**(98)**	**6 106**	**6 106**

[1] The pension plans with surpluses are fully reinsured pension solutions with disposable funds. The surplus reflects the balance on the PVE asset account and the securities statement.
[2] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

The surplus reported for the pension plans as at 31 December 2014 amounted to CHF 7289 (previous year: CHF 6351). This is regarded as free funds and results in no economic benefit for Charles Vögele Group. There were no employer contribution reserves as at 31 December 2014 or in the previous year.

4.2 Pension plans outside Switzerland

The German Group company's pension liabilities are based on local laws and the defined benefits system. These liabilities concern a group of 11 employees (previous year: 13 employees). In 2014 and the previous year no contributions by the Group company were booked against the income statement.

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 1.7 million in 2014 (previous year: CHF 1.9 million).

5 Rental expenses

CHF 1 000	**2014**	2013
Rent	137 387	145 143
Incidental expenses, cleaning, maintenance	43 280	45 834
Total	**180 667**	**190 977**

The CHF 10.3 million decline in premises costs is mainly due to the general reduction in floor-space, the closure of stores in the Czech Republic and Poland, and optimization of ancillary costs associated with the store portfolio.

6 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 9.8 million year-on-year decrease is due to the lower number of advertising initiatives, the lack of an image campaign and improved advertising efficiency.

7 General operating and administrative expenses

This item includes branch transportation, logistics costs and general administrative expense. It also includes operational leasing costs amounting to CHF 2.8 million (previous year: CHF 3.0 million). Operational leasing mainly involves vehicles.

8 Other operating income and expenses

CHF 1 000	**2014**	2013 [1]
Operating real estate income, net	6 273	6 137
Income from asset disposals (see note 15)	1 866	309
Other operating income	189	272
Total	**8 328**	**6 718**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

CHF 1 000	**2014**	2013 [1]
General maintenance of buildings	(319)	(268)
Other operating expenses	(849)	(187)
Asset disposals expenses	–	(283)
Total	**(1 168)**	**(738)**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

9 Financial result

CHF 1 000	**2014**	2013
Financial income	333	306
Financial expenses	(9 694)	(10 698)
Foreign exchange differences	(1 369)	4 007
Total Financial results, net	**(10 730)**	**(6 385)**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements)

The financial expenses mainly include interest expenses of CHF 6.4 million (previous year: CHF 7.5 million) as well as proportional financing costs of CHF 2.5 million (previous year: CHF 2.5 million), that are associated with the syndicated loan agreement (see note 23).

The foreign exchange differences are mainly the result of EUR-exposures.

10 Income tax

10.1 Composition of income tax expense

CHF 1 000	2014	2013 [1]
Current income taxes	3 525	3 080
Change in deferred income taxes	(2 548)	(3 247)
Income tax from previous years	730	3 309
Total income tax expense	**1 707**	**3 142**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the concolidated financial statements).

10.2 Analysis of income tax expense

CHF 1 000	2014	2013 [1]
Result before income taxes	(9 126)	(26 421)
Taxes on current result calculated on the expected Group tax rate of 17 % (2013: 18 %)	(1 551)	(4 756)
Reconciliation: – Effect of profits and losses with different tax rates	42	(3 873)
– Adjustments of deferred taxes from previous years	(47)	42
– Effect of deferred tax assets not capitalized	2 137	9 292
– Effect of other non-taxable transactions	396	(872)
– Taxes payable (refunds) from previous years	730	3 309
Total tax expense	**1 707**	**3 142**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the concolidated financial statements).

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 results is due to the fact that taxable results occur to companies with lower tax rates. The pronounced difference in the year under review between reported and expected tax expense is due primarily to the noncapitalization of deferred tax assets of CHF 2.1 million from Group companies posting losses (see note 10.3). The reported income tax expense results mainly from profit-making subsidiaries.

10.3 Deferred tax assets from loss carry-forwards

CHF 1 000	31.12.2014	31.12.2013
Expiring in the next year	8 348	11 285
Expiring in the next 2 till 5 years	55 064	52 051
Expiring in 5 to 9 years	130 754	118 853
Available without limitation	348 346	376 846
Total loss carry-forwards	**542 512**	**559 035**
Calculated potential tax assets thereof	135 291	144 104

The reduction of the tax relevant loss carry-forwards, which are available without limitation, is due to monetary influences and corrections resulting from tax audits.

11 Earnings per share

		2014	2013 [1]
Net result	CHF 1000	(10 833)	(29 563)
Weighted average number of shares	number	8 404 521	8 397 484
Adjustment for potentially dilutive share options	number	–	–
Weighted average number of shares for diluted earnings per share	number	8 404 521	8 397 484
Basic earnings per share	**CHF**	**(1.29)**	**(3.52)**
Diluted earnings per share	**CHF**	**(1.29)**	**(3.52)**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

12 Trade receivables

CHF 1 000	31.12.2014	31.12.2013 [1]
Trade account receivables: – Credit card sales	2 481	2 447
– Sales e-commerce	645	591
– Other trade account receivables	2 135	1 825
Total trade account receivables, gross	**5 261**	**4 863**
Value adjustments	(792)	(1 124)
Total trade account receivables, net	**4 469**	**3 739**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

13 Other current assets

CHF 1 000	**31.12.2014**	31.12.2013 [1]
Tax refunds (value-added tax)	772	4 866
Income taxes	35	113
Derivative financial instruments	–	42
Reclaimable withholding taxes	8	9
Other receivables	1 797	2 582
Advance payments	710	39
Deposits/guarantee	4 697	5 294
Total other short time receivables	**8 019**	**12 945**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

14 Inventories

CHF 1 000	**31.12.2014**	31.12.2013
Current inventory, gross	103 190	110 826
Inventory valuation allowance	(19 422)	(22 033)
Current inventory (current and previous seasons), net	**83 768**	**88 793**
Upcoming season	56 195	59 670
Heating oil	372	308
Total	**140 335**	**148 771**

14.1 Inventory valuation allowance

CHF 1 000	**2014**	2013
Balance at 1 January	**(22 033)**	**(23 266)**
Release of value adjustments affecting cost of goods, net	2 307	1 542
Effect of exchange rates	304	(309)
Balance at 31 December	**(19 422)**	**(22 033)**

The release of systematic value adjustments amounting to CHF 2.3 million over the course of 2014 (previous year: release of CHF 1.5 million) was due mainly to a focus on the most up-to-date possible inventories and on the resulting improved age structure of goods in stock.

15 Non-current assets held for sale

In 2013 this item related to a property in Switzerland. This was sold in September 2014, resulting in a profit of CHF 1.8 million (see note 8).

16 Property, plant and equipment

16.1 Changes in value

CHF 1 000	Land [1]	Buildings	Equipment	Total
Financial year 2014				
Net book amount at 1 January 2014	**43 341**	**80 195**	**111 909**	**235 445**
Acquisition cost at 1 January 2014	**52 740**	**196 101**	**466 793**	**715 634**
Additions	–	341	17 617	17 958
Disposals	–	–	(32 602)	(32 602)
Effect of exchange rates	(95)	(894)	(5 977)	(6 966)
Balance at 31 December 2014	**52 645**	**195 548**	**445 831**	**694 024**
Accumulated depreciation at 1 January 2014	**(9 399)**	**(115 906)**	**(354 884)**	**(480 189)**
Depreciation	–	(4 772)	(27 954)	(32 726)
Impairment	–	–	(2 902)	(2 902)
Disposals	–	–	31 223	31 223
Effect of exchange rates	–	554	5 010	5 564
Balance at 31 December 2014	**(9 399)**	**(120 124)**	**(349 507)**	**(479 030)**
Net book amount at 31 December 2014	**43 246**	**75 424**	**96 324**	**214 994**
Financial year 2013				
Net book amount at 1 January 2013	**44 604**	**90 696**	**138 669**	**273 969**
Acquisition cost at 1 January 2013	**54 003**	**198 035**	**480 610**	**732 648**
Additions	–	88	9 399	9 487
Disposals	(1 339)	(2 742)	(27 296)	(31 377)
Effect of exchange rates	76	720	4 080	4 876
Balance at 31 December 2013	**52 740**	**196 101**	**466 793**	**715 634**
Accumulated depreciation at 1 January 2013	**(9 399)**	**(107 339)**	**(341 941)**	**(458 679)**
Depreciation	–	(5 082)	(32 025)	(37 107)
Impairment	–	(4 542)	(4 916)	(9 458)
Disposals	–	1 383	26 922	28 305
Effect of exchange rates	–	(326)	(2 924)	(3 250)
Balance at 31 December 2013	**(9 399)**	**(115 906)**	**(354 884)**	**(480 189)**
Net book amount at 31 December 2013	**43 341**	**80 195**	**111 909**	**235 445**

[1] Thereof unbuilt TCHF 15 029 / residual book value TCHF 5 630 (current as previous year).

The impairment of around CHF 2.9 million in the current financial year refers mainly to stores that are being renovated or closed in the next year.

In the previous year the value of store fittings and fixtures and real estate in Germany was adjusted. This led to an impairment cost of around CHF 9.5 million.

Land and buildings were encumbered with mortgage notes worth CHF 156.2 million as security for Group funding (see note 23) as at 31 December 2014 (previous year: CHF 158.6 million).

The fire insurance value of fixed assets is CHF 655.0 million as at 31 December 2014 (previous year: CHF 679.1 million).

16.2 Finance lease

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

CHF 1 000	Land	Buildings	Total
Acquisition cost	3 971	31 411	35 382
Accumulated depreciation	–	(15 990)	(15 990)
Balance at 31 December 2014	**3 971**	**15 421**	**19 392**
Additions 2014	–	–	–
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.

17 Financial assets

CHF 1 000	**31.12.2014**	31.12.2013
Investments	115	115
Total financial assets	**115**	**115**

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

18 Intangible assets

18.1 Changes intangible assets

CHF 1 000	Software	Other intangible assets	Total
Financial year 2014			
Net book amount at 1 January 2014	**5 180**	**–**	**5 180**
Acquisition cost at 1 January 2014	**25 657**	**1 492**	**27 149**
Additions	1 919	–	1 919
Disposals	–	–	–
Balance at 31 December 2014	**27 576**	**1 492**	**29 068**
Accumulated depreciation at 1 January 2014	**(20 477)**	**(1 492)**	**(21 969)**
Depreciation	(2 302)	–	(2 302)
Additions	–	–	–
Disposals	–	–	–
Balance at 31 December 2014	**(22 779)**	**(1 492)**	**(24 271)**
Net book amount at 31 December 2014	**4 797**	**–**	**4 797**
Financial year 2013			
Net book amount at 1 January 2013	**6 393**	**–**	**6 393**
Acquisition cost at 1 January 2013	**29 458**	**1 492**	**30 950**
Additions	1 486	–	1 486
Disposals	(5 287)	–	(5 287)
Balance at 31 December 2013	**25 657**	**1 492**	**27 149**
Accumulated depreciation at 1 January 2013	**(23 065)**	**(1 492)**	**(24 557)**
Depreciation	(2 699)	–	(2 699)
Additions	–	–	–
Disposals	5 287	–	5 287
Balance at 31 December 2013	**(20 477)**	**(1 492)**	**(21 969)**
Net book amount at 31 December 2013	**5 180**	**–**	**5 180**

18.2 Other intangible assets

Other intangible assets are brand rights and licences that have already been fully written down in previous years.

19 Other short-term liablitites

CHF 1 000	31.12.2014	31.12.2013 [1]
Sales tax	13 445	18 333
Vouchers	12 348	13 542
Income tax liabilities	4 372	5 807
Derivative financial instruments	144	–
Other short-term liabilities	–	333
Total	**30 309**	**38 015**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

20 Accruals

CHF 1 000	31.12.2014	31.12.2013 [1]
Accruals:		
– Personnel expenses	13 138	14 638
– Rental expenses	3 840	4 377
– Other accruals	17 097	18 907
Total	**34 075**	**37 922**

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).

21 Finance lease liabilities

CHF 1 000	Residual term < 1 year	Residual term 1 – 5 years	Residual term > 5 years	Total
Lease commitments, gross	1 861	8 424	–	10 285
Discounted	(297)	(626)	–	(923)
Balance at 31 December 2014	**1 564**	**7 798**	**–**	**9 362**
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**

CHF 1 000	31.12.2014	31.12.2013
Disclosure:		
– Short-term financial liabilities (due < 1 year)	1 564	1 534
– Lease liabilities	7 798	9 553
Total	**9 362**	**11 087**

The average discount rate of finance lease commitments (mainly in EUR) amounted to 4.0 % (previous year: 4.0 %).

22 Provisions

CHF 1 000	Deferred income tax liabilities [1]	Pension liabilities [1] [2]	Provision for indemnity [1]	Other provisions	Total
Book amount at 1 January 2014	**21 264**	**932**	**9 097**	**1 925**	**33 218**
Addition	384	–	4 475	341	5 200
Utilization	–	–	(2 187)	(1 271)	(3 458)
Decrease	(2 937)	(105)	(1 207)	(383)	(4 632)
Effect of exchange rates	–	(9)	(178)	(32)	(219)
Book amount at 31 December 2014	**18 711**	**818**	**10 000**	**580**	**30 109**
thereof short-term	–	97	1 504	504	2 105
Book amount at 1 January 2013 [1]	**20 907**	**1 014**	**8 414**	**2 423**	**32 758**
Addition	2 604	–	3 265	1 655	7 524
Utilization	(2 247)	–	(2 057)	(341)	(4 645)
Decrease	–	(98)	(615)	(1 857)	(2 570)
Effect of exchange rates	–	16	90	45	151
Book amount at 31 December 2013	**21 264**	**932**	**9 097**	**1 925**	**33 218**
thereof short-term	–	107	3 929	1 550	5 586

[1] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2 in the notes to the consolidated financial statements).
[2] See note 4 in the notes to the consolidated financial statements.

Provisions for settlements are mainly associated with severance payment and long-service obligations under local laws, which are discounted with an interest rate of 2.5% (previous year: 3.5%).

The increases and decreases are attributable to alterations to pension and settlement liabilities recognized in the income statement. Utilization reflects the annual pension payments that are offset by the provisions. The decreases in the year under review and the 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.

23 Loans

Loans used in 2014 had an average interest rate of 3.0 % (previous year: 3.2 %).

The syndicated credit agreement in place since February 2012 provides a credit facility of CHF 250 million. The original term expires in September 2015 but has been extended until end of April 2016 (see note 32). The interest rate is based on LIBOR plus a margin of between 100 and 375 basis points depending on key financial ratios.

The credit line totalling CHF 165 million drawn on 31 December 2014 (minus financing costs of CHF 0.3 million, leaving CHF 164.7 million) is reported under long-term liabilities. The credit line totalling CHF 150 million drawn in the previous year (minus financing costs of CHF 2.2 million, leaving CHF 147.8 million) was also reported under long-term liabilities.

24 Share capital

The share capital comprises 8 800 000 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 792 000, excluding shareholders' subscription rights, through the issue of 264 000 bearer shares to be paid up in full with a par value of CHF 3.00 each (conditional capital, art. 5 of the Articles of Association). These bearer shares are to be used exclusively for people entitled to participate in the management share option plan (please also refer to note 26.1).

The Board of Directors is authorized to increase the Company's share capital by not more than CHF 5 280 000, representing a maximum of 1 760 000 bearer shares with a par value of CHF 3.00 each, to be fully paid in (conditional capital, art. 5^{bis} AoA). This is to be effected by the exercise of conversion and/or option rights granted in connection with convertible bonds, warrant bonds or similar bond issues or other financial instruments of the Company or any of its Group companies. The Board of Directors may adopt a resolution to limit or exclude the shareholders' priority subscription rights in case such financial instruments are issued a) to finance (or refinance) the acquisition of enterprises, parts thereof, participations or new investment projects by the Company or any of its affiliated companies or b) if the issuance takes place on capital markets in Switzerland or abroad including private placements with selected strategic investors. The issuance of the new shares shall be effected at current conversion resp. option terms. Convertible and warrant bonds are to be issued at market conditions.

25 Treasury shares

As of 31 December 2014, treasury shares comprise 311727 shares (previous year: 363655) held by the Charles Vögele Group and earmarked for share participations by the Management of the Charles Vögele Group (see note 26). For a detailed overview please refer to the notes to the financial statements of Charles Vögele Holding AG note 8 “Movement in treasury shares”.

26 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.

26.1 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 and 2014 financial year, please see note 26.2. 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. 2014	Number of granted options	Number of expired options	Number of exercised options	Number of outstanding options at 31 Dec.2014	Exercise price in CHF	Duration until	Vesting period until
2014	–	–	–	–	–	–	–	–
2013	–	–	–	–	–	–	–	–
2012	79 384	–	(519)	–	78 865	15.85	2017	2015
2011	82 977	–	(1 636)	–	81 341	33.90	2016	2014
2010	95 802	–	–	–	95 802	42.85	2015	2013
2009	102 409	–	(102 409)	–	–	39.50	2014	2012
Total	**360 572**	**–**	**(104 564)**	**–**	**256 008**			

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:

	2014 Weighted average exercise price in CHF	**2014 Number of options**	2013 Weighted average exercise price in CHF	2013 Number of options
Balance at 1 January	**33.89**	**360 572**	**39.27**	**457 029**
Granted options	–	–	–	–
Expired options	39.29	(104 564)	66.13	(96 457)
Exercised options	–	–	–	–
Balance at 31 December	**31.69**	**256 008**	**33.89**	**360 572**
Exercisable at 31 December	**38.74**	**177 143**	**41.12**	**198 211**

In the 2014 financial year as well as in the previous financial year no options were exercised or issued. Therefore a disclosure of corresponding weighted average share prices is inapplicable.

The above-mentioned tranches are serviced exclusively by treasury shares purchased by the Charles Vögele Group for this purpose (see note 25).

The weighted average remaining contractual term of the 256 008 options outstanding on 31 December 2014 was 12 months (previous year: 360 572 options and 19 months). Exercise prices ranged between CHF 15.85 and CHF 42.85 per option (previous year: between CHF 15.85 and CHF 42.85).

The actual 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

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 0.2 million (previous year: CHF 0.5 million) was charged through personnel expenses for the proportional actual value.

26.2 Granting of bonus shares

In September 2013, the Board of Directors decided not to grant any further tranches of options from 2013 onwards and to let existing tranches expire. The same beneficiaries were instead given bonus shares for 2014 as well as for the previous year. 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 0.6 million of personnel expenses (previous year: CHF 0.2 million).

27 Contingent liabilities

27.1 Outstanding merchandise orders and letters of credit

As of 31 December 2014, future commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 100.9 million (previous year: CHF 91.7 million). As of 31 December 2014, letters of credit not included in the balance sheet amounted to CHF 20.6 million (previous year: CHF 14.8 million).

28 Forward foreign exchange contracts

28.1 Derivative financial instruments (hedging balance sheet positions)

The following table shows open derivative financial instruments as at 31 December 2014. These are valued at present value on the latest cut-off date. The currency swaps open on 31 December 2014 were undertaken to cover operational risks associated with exchange rate and market price fluctuations. The present values of these transactions are not reported but only shown in the notes.

31.12.2014 CHF 1 000	**Positive fair value**	**Negative fair value**	**Contract value**	**Scope**
Currency swap:				
– EUR amounts	–	12	24 050	Hedging
– HUF amounts	9	141	16 082	Hedging
Total			**40 132**	

31.12.2013 CHF 1 000	Positive fair value	Negative fair value	Contract value	Scope
Currency swap:				
– EUR amounts	–	–	–	Hedging
– HUF amounts	42	–	10 733	Hedging
Total			**10 733**	

28.2 Derivative financial instruments (cash flow hedging)

The following table shows open derivative financial instruments as at 31 December 2014. The 32 open positions (previous year: 20) related to merchandise purchased by Charles Vögele Group and were undertaken to cover operational risks associated with exchange rate and market price fluctuations. The hedging transactions are subject to cash flow hedging. The present values of these transactions are not reported but only shown in the notes.

31.12.2014 CHF 1 000	**Positive fair value**	**Negative fair value**	**Contract value**	**Scope**
Currency forward:				
– USD amounts	12 990	–	158 304	Hedging
Total			**158 304**	

31.12.2013 CHF 1 000	Positive fair value	Negative fair value	Contract value	Scope
Currency forward:				
– USD amounts	–	2 930	89 130	Hedging
Total			**89 130**	

29 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	**31.12.2014**	31.12.2013
Maturity < 1 year	136 656	139 570
Maturity 1 – 5 years	289 175	306 648
Maturity > 5 years	72 807	78 423
Total	**498 638**	**524 641**

30 Related party transactions

Besides the emoluments (see compensation report) TCHF 19 (previous year: TCHF 115) were paid out to the Board of Directors as consultancy fees.

31 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.

32 Post balance sheet events

These annual consolidated financial statements take account of events occurring after the balance sheet date and before 23 March 2015. The following events took place after the balance sheet date:

The term of the syndicated credit agreement, which initially ran until end of September 2015 was prolonged and runs now until end of April 2016 (see note 23).

The decision by the Swiss National Bank (SNB) to remove the lower limit on the EUR-CHF-exchange rate has no material effect on these annual consolidated financial statements.

The Board of Directors approved these consolidated financial statements on 23 March 2015.

33 Structure of Charles Vögele Group as of 31 December 2014

	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 Sales organization	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.** Antwerpen, 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.** Warschau, PL Sales organization	PLN	9 000 000
100%	**Charles Vögele Hungária Kereskedelmi Kft.** Budapest, HU Sales organization	HUF	240 000 000

Changes in the scope of consolidation, see note 2.5.

Zurich, 23 March 2015

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, balance sheet, cash flow statement, statement of changes in equity and notes (pages 4 to 37), for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER 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. 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 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER 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 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

Hanspeter Gerber 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	2014	2013
Income			
Income from investments	6	1 910	290 000
Financial income	2	8 380	10 923
Total income		**10 290**	**300 923**
Expenses			
Amortization investments	6	–	(294 487)
Administration expenses		(3 385)	(5 251)
Financial expenses	2	(897)	(1 989)
Impairment of loans to subsidiaries		–	(59)
Exchange differences, net	3	(4 708)	3 073
Total expenses		**(8 990)**	**(298 713)**
Result before income tax		**1 300**	**2 210**
Tax expenses		(13)	(12)
Net result of the year		**1 287**	**2 198**

At 31 December

BALANCE SHEET HOLDING

CHF 1 000	Note	31.12.2014	31.12.2013
Assets			
Current assets			
Cash and cash equivalents	4	25 267	12 431
Receivables from subsidiaries	5	46 542	35 185
Other receivables and prepaid expenses		51	117
Total current assets		**71 860**	**47 733**
Long-term assets			
Loans to subsidiaries	5	149 789	159 404
Investments	6	283 648	283 648
Total long-term assets		**433 437**	**443 052**
Total assets		**505 297**	**490 785**
Liabilities and shareholders' equity			
Short-term liabilities			
Accounts payable third parties		70	75
Accounts payable subsidiaries	5	274 717	261 440
Accrued liabilities		200	247
Short-term tax liabilities		1	–
Total short-term liabilities		**274 988**	**261 762**
Shareholders' equity			
Share capital	7	26 400	26 400
Legal reserves to contribution of capital	7	173 789	173 789
Free reserves		11 259	11 259
Reserve for treasury shares	8	7 608	10 787
Retained earnings: – Retained earnings at 1 January		6 788	(98 741)
– Compensation with free reserves		–	98 741
– Decrease of reserve for treasury shares		3 178	4 590
– Net result of the year		1 287	2 198
Total retained earnings		11 253	6 788
Total shareholders' equity		**230 309**	**229 023**
Total liabilities and shareholders' equity		**505 297**	**490 785**

NOTES TO THE FINANCIAL STATEMENTS

1 Basis for the financial statements

Charles Vögele Holding AG is based in Pfäffikon SZ, municipality of Freienbach, 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 Exchange rate influence, net

The exchange rate loss is due mainly to loans denominated in EUR (CHF 3.0 million) and HUF (CHF 1.5 million), as well as to miscellaneous exchange rate losses amounting to CHF 0.2 million. In the previous year there was an exchange rate gain of CHF 3.1 million thanks mainly to the rise in the value of the EUR.

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.

6 Investments

The complete structure of the Charles Vögele Group's long-term investments can be found in note 33 of the notes to the consolidated financial statements.

Income from investments resulted partly from a CHF 1.6 million partial repayment of cash-pooling loans by the Polish sales company, which had been completely written off in the previous year, and partly from a CHF 0.3 million payment from the liquidation of the Czech sales company. In the previous year the reported investment income came from the Swiss sales company, and additionally from the central service company.

In the previous year 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. No impairments were carried out in the 2014 financial year.

7 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 Swiss Federal Tax Administration (SFTA).

The explanations about the statutory designated conditional and authorized capital increases can be found in the notes to the consolidated financial statements (see note 24).

8 Movement in treasury shares

		Price in CHF	Number of shares [1]
Treasury shares at 1 January 2013			**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**
Granting of employee shares	Q1 2014	10.34	(12 133)
Purchase of treasury shares		–	–
Granting of bonus shares	Q2 2014	15.85	(15 000)
Purchase of treasury shares		–	–
Granting of bonus shares	Q3 2014	18.50	(24 276)
Purchase of treasury shares		–	–
Disposal of treasury shares	Q4 2014	14.57	(519)
Purchase of treasury shares		–	–
Treasury shares at 31 December 2014			**311 727**

[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 2014, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 7.6 million (previous year: CHF 10.8 million).

9 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.sixexchangeregulation.com/publications/published_notifications/major_share-holders_en.html

Shareholders	**Share of capital as of 31.12.2014** [1]	Share of capital as of 31.12.2013 [1]
Migros-Genossenschafts-Bund, Zurich, Switzerland	19.70 %	24.996 %
UBS Group AG	5.81 %	0.00 %
Norges Bank (the Central Bank of Norway)	< 3 %	3.01 %
Dimensional Fund Advisors LP	3.00 %	0.00 %

[1] According to information submitted by shareholders to the Company until the specified date.

10 Contingent liabilities

CHF 1 000	**31.12.2014**	31.12.2013
Rental and other guarantees to third parties	10 872	12 693
Guarantees to financing banks for:		
– syndicated Group financing	250 000	255 000
– bilateral credit lines	58 176	47 920

As at 31 December 2014, CHF 165 million of the guarantees for syndicated Group funding had been used (previous year: CHF 150 million). As at 31 December 2014, CHF 33.4 million of the bilateral credit lines had been used (previous year: CHF 30.6 million).

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

11 Pledged assets

In connection with the syndicated refinancing agreement signed in February 2012 (see note 23 in the notes to the consolidated financial statements), Charles Vögele Holding AG issued a guarantee towards the lending banks.

12 Board of Directors and Group Management shareholdings

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

Balance, at 31 December 2014	Hans Ziegler Chairman	Max E. Katz Vice-Chairman	Matthias Freise Member	Ulla Ertelt Member	Meinrad Fleischmann Member [1]	Total Board of Directors
Number of shares	2 000	11 000	2 000	2 000	2 284	19 284
In percentage of share capital	0.02 %	0.13 %	0.02 %	0.02 %	0.03 %	0.22 %
Number of Management options	13 600	5 000	5 000	5 000	–	28 600
In percentage of share capital	0.15 %	0.06 %	0.06 %	0.06 %	–	0.33 %

[1] Concerning the changes in the Board of Directors during the financial year 2014 see notes in the Corporate Governance report.

Balance, at 31 December 2013	Hans Ziegler Chairman	Max E. Katz Vice-Chairman	Matthias Freise Member	Ulla Ertelt Member		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 %		0.04 %
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 %

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

Balance, at 31 December 2014	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO	Matthias Wunderlin CSO	Total top Management
Number of shares	27 100	7 800	2 850	37 750
In percentage of share capital	0.31 %	0.09 %	0.03 %	0.43 %
Number of Management options	28 850	–	–	28 850
In percentage of share capital	0.33 %	–	–	0.33 %

Balance, at 31 December 2013	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO [1]	Matthias Wunderlin CSO [1]	Total top Management
Number of shares	6 600	1 600	–	8 200
In percentage of share capital	0.08 %	0.02 %	–	0.10 %
Number of Management options	37 650	–	–	37 650
In percentage of share capital	0.43 %	–	–	0.43 %

[1] Concerning the changes in the Group Management during the financial year 2013 see notes in the Corporate Governance report.

13 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 31) of this Annual Report.

14 Application of transitional arrangements

These annual financial statements were prepared using the transitional provisions for the new Accounting Law in accordance with the Swiss Code of Obligations' provisions on accounting and financial reporting valid up to 31 December 2012.

15 Post balance sheet events

The decision by the Swiss National Bank (SNB) to remove the lower limit on the EUR-CHF-exchange rate has no material effect on these annual accounts.

At 31 December 2014

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors is proposing to the Annual General Meeting of 29 April 2015 to carry forward the retained earnings of CHF 11.3 million.

CHF 1 000	
Retained earnings at 31 December 2014	11 253
Balance to be carried forward	**11 253**

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

Zurich, 23 March 2015

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 42 to 49), for the year ended 31 December 2014.

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 2014 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

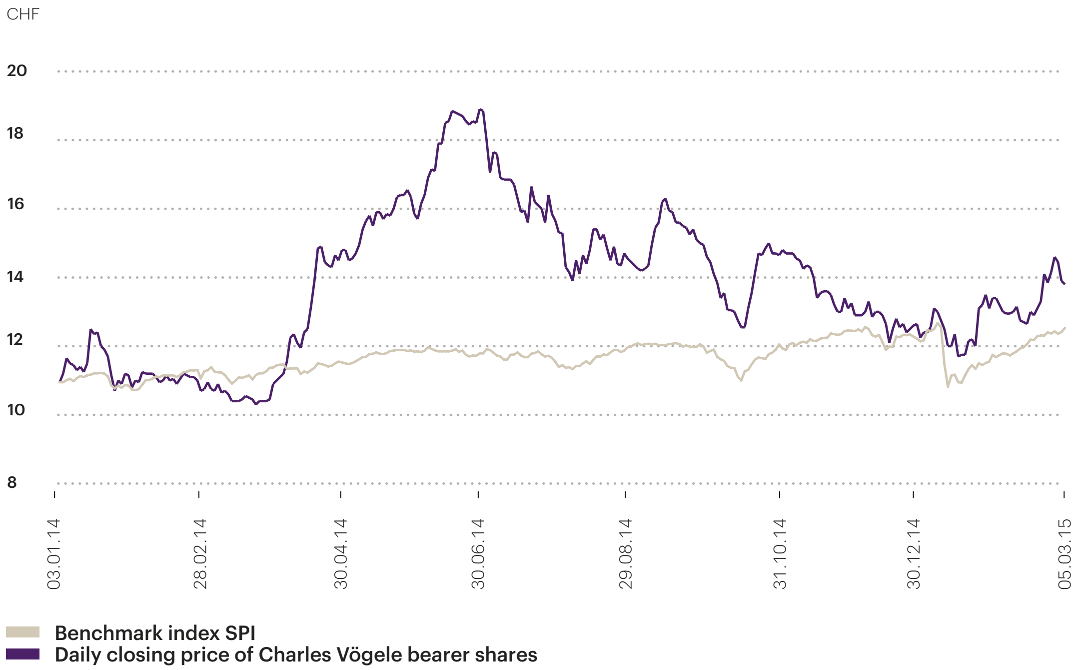
Hanspeter Gerber
Audit expert
Auditor in charge

Pascal Wintermantel
Audit expert

SHARE INFORMATION

Share performance

Price performance of Charles Vögele Holding AG bearer shares from 1 January 2014 to 5 March 2015



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

		31.12.2014	31.12.2013 [2]
Bearer shares	number	8 800 000	8 800 000
Par value	CHF	3.00	3.00
Share price as per closing date	CHF	12.60	10.90
Share price:			
– year high	CHF	18.90	19.60
– year low	CHF	10.25	7.00
Average trading volume per day	number	42 816	55 866
Free float [1]	%	80	75
Basic earnings per share	CHF	(1.29)	(3.52)
P/E ratio	factor	(9.77)	(3.10)
EV/EBITDA	factor	4.6	6.2
Stock capitalization	CHF mil.	111	96
Book value per share	CHF	18	19

[1] According to free-float declaration SIX.
[2] For reasons of comparability the prior-year figures were adjusted to Swiss GAAP FER (see note 2.2. in the notes to the consolidated financial statements).

FINANCIAL CALENDAR

29 April 2015
General Meeting of Shareholders
Business year results 2014

25 August 2015
Media and Analyst Conference
Half-year results 2015

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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