

#### **KEY FINANCIALS**

After the first half of 2015 Charles Vögele recovered from the euro shock and posted a positive like-for-like sales performance in the third quarter. However, this positive momentum was halted in the fourth quarter by the warm autumn weather in all sales regions, leaving Group sales for the year as a whole below expectations.

#### **-2.5%**

#### Lower net sales after adjusting for exchange rates and floorspace

Charles Vögele's net sales fell 11% to CHF 803 million in the 2015 financial year. After adjusting for exchange rates and floorspace the decline was -2.5%.

#### **CHF 117 million**

#### **Record low inventories**

Despite the decline in sales, the company further improved its inventory structure and now has record low inventories of CHF 117 million (2014: CHF 140 million).

#### CHF-9 million

#### **Negative EBITDA**

EBITDA level fell to CHF -9 million (2014: CHF 41 million).

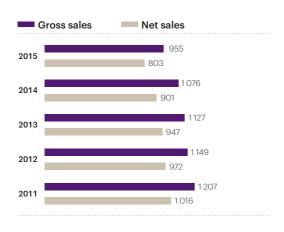
#### CHF-62 million

#### **Greater net loss**

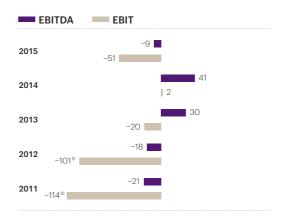
Owing to currency effects and the demanding environment, the Group's net loss rose to CHF -62 million (2014: CHF -11 million).

#### **FIVE-YEAR OVERVIEW**

#### Gross sales and net sales in CHF million

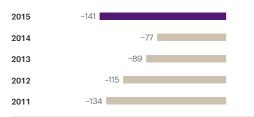


#### **EBITDA and EBIT** in CHF million

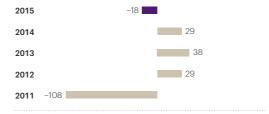


#### $\pmb{\mathsf{Net}\;\mathsf{debt}\;\mathsf{in}\;\mathsf{CHF}\;\mathsf{million}}$

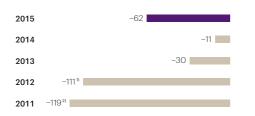
At 31 December



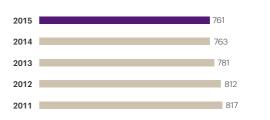
#### Cash flow from operating activities in CHF million



#### Net profit in CHF million

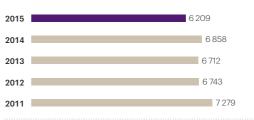


#### Branches At 31 December



#### Employees (without apprentices)

At 31 December



<sup>&</sup>lt;sup>1)</sup> Including impairments of CHF 32 million.

<sup>&</sup>lt;sup>2)</sup> Including goodwill impairment of CHF 36 million.

#### **GROUP KEY FIGURES**

CHF million	2015	2014	Change
Gross sales	955	1 076	(11.2%)
Change adjusted for currency	(3 %)	(4%)	
Change adjusted for expansion and currency	(3 %)	(1 %)	
Net sales	803	901	(10.9%)
Gross profit	517	604	(14.4%)
Gross profit margin	64%	67%	
Operating earnings before depreciation and impairment (EBITDA)	(9)	41	
EBITDA margin	(1%)	5%	
Operating result (EBIT)	(51)	2	
Net result of the year	(62)	(11)	
Cash flow from operating activities	(18)	29	
Cash provided/(used) in investing activities	(45)	(16)	
Free cash flow	(63)	13	
	2015	2014	Change
Number of stores at year-end	761	763	(0.3%)
Sales area at year-end in m <sup>2</sup>	578 408	583 729	(0.9%)
Net sales per average sales area in CHF	1 520	1 530	(0.7%)
Number of employees at year-end <sup>1)</sup>	6 209	6 858	(9.5%)
Average number of full-time employees on an annual basis 1)	4 182	4 264	(1.9%)
Net sales per average number of full-time employees in CHF <sup>1)</sup>	192 013	211 341	(9.1%)
Number of clothing articles sold in 1000	47 396	47 597	(0.4%)
Average net sales per article in CHF	16.9	18.9	(10.5%)
Share of turnover in %:			
- women's wear	56%	56%	
- men's wear	35%	35%	
- children's wear	9%	9%	
CHF million	31.12.2015	31.12.2014	
Net debt	141	77	83.1%
Shareholders' equity	88	155	(43.2%)
Balance sheet total	395	473	(16.5%)
Shareholders equity in % of balance sheet total	22%	33%	(.0.070)

<sup>&</sup>lt;sup>1)</sup> Excluding apprentices

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**Financial Report** 



**LETTER TO SHAREHOLDERS** 

# TOUGHER OPERATING CONDITIONS HURT RESULTS

Charles Vögele has made significant progress in the last years and achieved 2014 its turnaround on a operational level. The 2015 financial year however presented the company with additional challenges: the abolition of the minimum euro exchange rate severely affected results in the Swiss home market and caused negative conversion effects in the other sales regions. After a good start to the second half of the year and a positive sales performance in the third quarter, Charles Vögele's business slowed as a result of an unusually warm autumn. Consequently, Group sales failed to meet expectations.

In a tough economic environment the overall clothing market shrank compared with the prior year, and Charles Vögele Group's net sales adjusted for exchange rates and floorspace (like-for-like) for 2015 fell by -2.5%. In total, net sales fell by -11% to CHF 803 million (2014: CHF 901 million). The main reasons for this decline were negative currency effects, intense competition and price pressure in Switzerland, and a significantly warmer than average autumn. By taking immediate action on procurement, making additional cost savings and improving the collection and the stores, Charles Vögele recovered from this setback and managed to increase sales (like-for-like) in the third quarter. Then the trend reversed in the fourth quarter because of the exceptionally warm autumn in all of Charles Vögele's sales regions.

Despite the decline in sales, the Company further improved its inventory structure and now has record low inventories. On the costs side, it helped that the euro was weaker than in the same period of the previous year. Operating costs fell due to the currency effects to CHF 526 million. This was not sufficient to compensate for the currency losses on sales. Operating earnings at

## "After the euro-shock we recovered and reported a like-for-like increase in sales for the third quarter."

Max E. Katz, Chairman of the Board of Directors

the EBITDA level decreased to CHF -9 million (2014: CHF 41 million) and EBIT to CHF -51 million (2014: CHF 2 million). The consolidated loss increased as a result to CHF -62 million (2014: CHF -11 million).

## Germany slightly better than the market; Hungary again with a positive result

The sales development of our Germany, CEE and Benelux sales regions in 2015 remained stable. Charles Vögele Germany, for example, performed with an average decline in sale by -0.3% slightly better than the market. Thanks mainly to exceptionally good sales in the summer, the sales trend was positive in the first nine months, but this was neutralized by a decline in the final quarter of the year. The markets had to tackle the challenge of weak economic conditions and unusually warm temperatures lasting deep into autumn. Hungary performed pleasingly, significantly improving its sales and earnings for the second year in a row.

## "The 2016 spring collection has started well."

Markus Voegeli, CEO/CFO

#### New store format strategy has an effect

Despite the fall in sales from existing floorspace, significant progress was made in transforming the Company last year. The main improvements were in core areas: range focus, merchandise management and implementing the store format strategy. The new branch design concept improves the way customers are guided through the store, while the inspiring presentation of the clothes makes for a better shopping experience. By the end of 2015, 274 out of a total of 761 stores had been successfully converted and reconfigured. Customers responded positively to the clearly visible modernized look of the Charles Vögele brand.

### Monthly product highlights and relaunch of the online shop

Another main focus for the Company's management last year was the development of the "Fast-Track" collection. Under the slogan "create yourself" Charles Vögele is offering a new programme every month with the aim of responding as quickly as possible to market trends. Together with the updated look of the online shop, customers are now getting a diverse, varied and differentiated shopping experience through all sales channels. The new online shop, which went live in August 2015, forms an important step towards the Company's "omni-channel" strategy.

#### **Changes in Management**

Matthias Wunderlin, Chief Sales Officer, left Charles Vögele in November because of differences of opinion about the operational implementation of the turnaround strategy. The Board of Directors and the management thank Matthias Wunderlin for his work and for his commitment to the Company. Meinrad Fleischmann, Vice-Chairman of the Board of Directors, took over on an interim basis with immediate effect and joined the Group Management. Meinrad Fleischmann is a proven retail specialist and as the former CEO of Möbel Pfister, Schild, ABM and Herren Globus he has many years of experience in the Swiss retail market, especially in fashion retail.

## Outlook for 2016: secure financing, powerful transformation programme

The modernized 2016 spring collection was well received by customers, which makes us confident about the current financial year. We have also successfully renewed important bank credit facilities of CHF 245 million, that secure the funding base for Charles Vögele. This allows us to continue working hard on the turnaround measures we have started.

There is no doubt that 2016 will be another challenging year, but the more difficult operating conditions will continue to be an incentive to press ahead as fast as possible with the initiated turnaround measures. The lower level of sales and the ongoing shake-out of the clothing market make structural cost adjustments inevitable. This is why the management has launched the "CVision" transformation programme.

Charles Vögele is in a good position to tackle the challenges it faces this year and beyond. For the current financial year the company expects a positive operating result at EBITDA level and a positive operating results at EBIT level in 2018. More precise guidance concerning the actual financial year will be communicated on the occasion of the publication of the half-year figures 2016 in August.

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

Yours sincerely

Max E. Katz

Chairman of the Board of Directors

M.E. Wats

Markus Voegeli CEO/CFO

## My CV: the perfect fit



Sandra von Gunten, Regional Sales Manager, runs the CONTACT! training programme to help her employees develop their sales techniques. She recognizes the value of outstanding customer service at Charles Vögele and knows from her own experience how important opportunities for further development are.

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Frank Messmer, Head of Expansion and Store Development, is responsible for the roll-out of our store layout strategy. Working with his team to modernize our store network, he combines precision planning with an eye for details and is inspired by the sheer scope of this project at Charles Vögele.





Liliane Marano, sales associate, inspires customers in store with the "create yourself" collection, which showcases the latest trends from Charles Vögele every month. Because the collection is constantly changing, Liliane is always able to give customers a fresh perspective on their look.

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Regula Wieser, Online Marketing Manager, has created a contemporary sales channel for Charles Vögele in our online shop, offering customers a completely new shopping experience. She has brought fresh perspective to our Company by successfully establishing our presence in the digital fashion market.

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We pride ourselves on the initiative and love for fashion which our employees bring to their roles – they are the key to the successful implementation of our business strategy and are committed to the ongoing development of their own expertise. As Regional Sales Manager, I know just how important professional and friendly customer advice can be. So I work with my colleagues from Sales Management to support the regional CONTACT! courses for our employees from sales.

With the CONTACT! training programme we concentrate on the most direct point of contact with the customer: our sales staff in the fashion boutiques. They are the ones who really impact upon the customer's shopping experience. The ability to identify the customer's wishes and fulfil them with the right solution is a skill – and one with which our staff makes a significant contribution to the success of Charles Vögele.

#### The customer comes first

The CONTACT! training materials provide all the tools they will need. In the training programme, easy-to-remember principles and proven exercise modules teach our Sales teams how to make every sale a positive experience for their customers.

#### Further developing talents

I place particular emphasis on developing my staff. From my own experience, I know how important it is to be able to develop. Being able to watch committed employees enhance their talent for selling is a huge motivation in my own work at Charles Vögele.









Annual Report 2015



#### My love for fashion.

Fashion is a way to express my own personality.



#### My own initiative.

I am interested; I keep my knowledge up-to-date and pass it on to my staff.



#### My greatest opportunity.

Commitment and team spirit are valued and ecouraged.



#### My goal.

I enthusiastically accept the challenges of a dynamic fashion market.



#### PROGRESS REPORT

## SECURING A SUSTAINABLE FUTURE

Charles Vögele once again had to operate in a very difficult market environment in 2015, negotiating tough economic conditions and a difficult currency situation. The euro/Swiss franc exchange rate had a massive negative currency translation effect in the euro countries, but also stoked shopping tourism and price pressure in the Swiss home market. An exceptionally warm autumn further weakened consumers' desire to go shopping. The Company's management launched an intensified transformation programme called "CVision" to equip the Company for the continuing challenges of the market.

In a tough economic environment the overall clothing market shrank compared with the prior year, and Charles Vögele Group's net sales adjusted for exchange rates and floorspace (like-for-like) for 2015 fell by -2.5%. In total, net sales fell by -11% to CHF 803 million (2014: CHF 901 million). The main reasons for this decline were negative currency effects, intense competition and price pressure in Switzerland, and a significantly warmer than average autumn. After adjusting for exchange rates and floorspace (like-for-like) the fall in net sales was 2.5%. Charles Vögele employed an average of around 6209 people in eight countries.

#### Charles Vögele makes itself attractive

Despite the slight fall in sales from existing floorspace, the Group made significant progress in the implementation of its new store and collection concept last year. The main improvements were in core areas: range focus, merchandise management and implementing the store format strategy. Together with the updated look of the online shop, customers are now getting a diverse, varied and differentiated shopping experience through all sales channels.

#### Stable sales performances outside Switzerland

Sales development remained stable in our Germany, CEE and Benelux sales regions in 2015. Charles Vögele Germany, for example, performed with an average decline in sale by -0.3% slightly better than the market. Hungary performed pleasingly, significantly improving its sales and earnings for the second year in a row.

#### Risk assessment

The Board of Directors receives a detailed monthly written report from the 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 Group Internal Audit reports to the CFO in organizational terms, but has a direct functional link to the Audit Committee. Internal Audit's 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 Management team periodically produce a risk portfolio of the top 20 risks relevant to the Charles Vögele Group as a whole. These top risks are arranged into risk groups: "strategic", "financial", "operations" and "compliance". Management then assesses these risks in terms of financial impact on EBITDA and the likelihood of them actually occurring. The risk portfolio and the implementation status of defined measures are assessed and approved annually by the Board of Directors at its November meeting.

#### **Future prospects**

Management has launched an intensified turnaround programme, "CVision", which is based on the following three pillars:

- 1 PRODUCT inspire
- 2 POSITIONING emotionalize
- **3 PROCESSES** optimize

"CVision" includes measures to secure the sustainable future of Charles Vögele.

The syndicated credit facility has been extended with CHF 245 million for two years. This gives the Group the financial resources it needs to press ahead with the ongoing turnaround process and the Company's transformation.

There is no doubt that 2016 will remain challenging, but Charles Vögele is well-placed to tackle the challenges successfully. The Company expects a positive operating result at the EBITDA level for 2016 and a positive operating result at EBIT level in 2018.

In my role as Head of Expansion and Store Development, my sphere of activity is our store network. My team and I know our sales outlets like the backs of our hands. This knowledge is essential for the successful roll-out of our store layout strategy.

My team and I have the job of transferring the layout strategy from paper onto the shop floor. With over 160 sales outlets in Switzerland, I need an accurate knowledge of our stores portfolio in order to do this. Details are crucial when it comes to efficiently implementing a redesign. They affect how we deliver materials and the time

available to carry out the construction work.

#### Restructured expertise

To establish the basis for a successful roll-out of our store layout strategy, I put together the perfect team. Construction and expansion experts are integrated into the same department; we have centralized our valuable expertise. To be able to complete all the work on time and not hinder daily business in the stores, precision planning and close cooperation are essential.

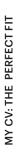
#### **Experiencing the effect**

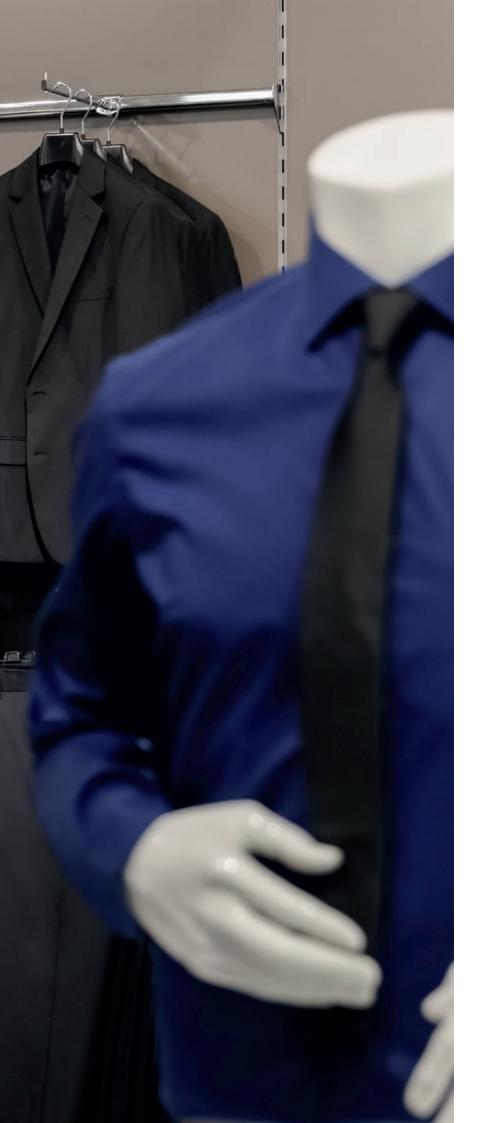
Taking the leading role in a project of this scope and being able to bring about progress has confirmed my commitment to Charles Vögele. I am convinced that every employee can contribute his or her abilities to the benefit and profit of our Company. And so ensure that the turnaround succeeds.











#### My love for fashion.

Fashion awakens emotions. I really enjoy reinforcing emotions with the elements of shop fitting.



#### My own initiative.

I have examined existing workflows and adapted them for the roll-out.



#### My greatest opportunity.

The current market situation is also an opportunity. It demands action from every employee.



#### My goal.

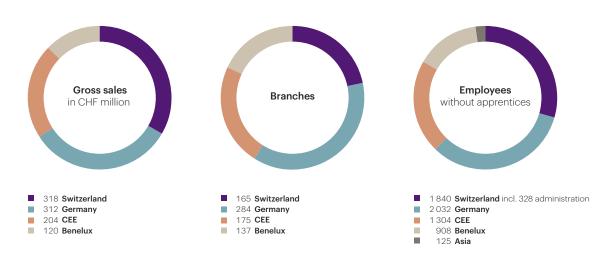
My goal is to ensure ongoing improvement and to use the knowledge we gain as valuable input.

#### **CHARLES VÖGELE**

## )VERVIEW OF REGIONS

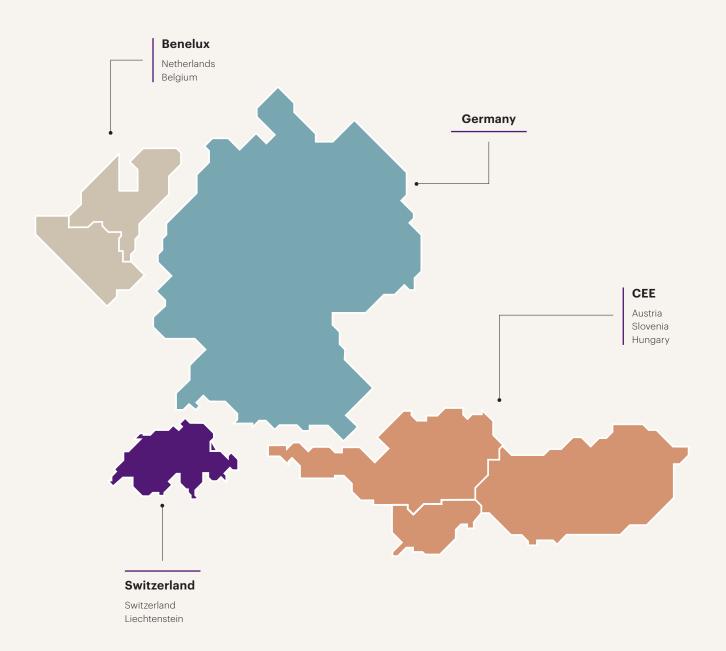
Charles Vögele is the leading Swiss fashion company. We bring current trends alive for our customers and offer fashion inspiration and best quality in the mid-price segment. With our friendly advice we are a reliable partner for people in the prime of their lives.

#### **Charles Vögele Group**



Charles Vögele was once again faced with a challenging market environment in 2015. The Swiss National Bank's abandonment of the minimum euro exchange rate led to significantly greater price pressure in the Swiss home market as well as to currency losses on sales in other regions.

In 2015, Charles Vögele and its 6209 employees generated gross sales of CHF 955 million. Sales regions Germany, CEE and Benelux were able to report a stable sales perfomance in local currencies.



As at 31 December 2015, the Group had 761 retail outlets (prior year 763) in four regions spanning eight countries. In 2015, Charles Vögele pressed ahead with its programme of store modernization in line with the new store format strategy.





#### SWITZERLAND REGION

Charles Vögele continued to modernize its stores in the Swiss home market and presented itself in a modern, fresh look. A difficult economic environment, intense price and competitive pressure, as well as heavily fluctuating demand led to a decline in sales.

The abolition of the minimum euro exchange rate at the beginning of the year increased pressure on the entire retail sector in Switzerland. Price and competitive pressure in the clothing sector rose as a result, and the market shrank by -5.2% over the year as a whole. Consumer sentiment deteriorated increasingly over the course of the year and this, combined with record high temperatures in autumn, ensured that there was no positive momentum in the second half of the year either.

#### **Business performance**

Charles Vögele's gross sales in Switzerland fell by -7.5% in 2015, or by -6.2% after adjusting for changes in florspace. The clothing industry countered increasing price pressure, shopping tourism and more intense competition from online retailers by offering heavy discounts. Charles Vögele had to follow suit, which meant a smaller return on sales. Positive feedback from customers about the new collections and the new shopping experience provide reason for optimism about the future course of business.

#### **Number of stores**

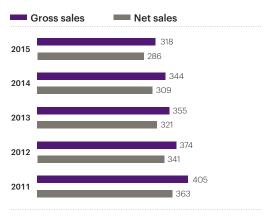
By the end of 2015, there were 165 Charles Vögele stores in Switzerland compared to 167 in 2014. The modernization programme was given a strong push last year and the new format strategy concept was introduced in a further 85 stores. This means, customers can now experience the range within a clearer structure and with inspiring presentation at more than 100 locations.

#### **Employees**

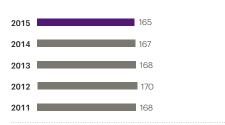
In 2015, Charles Vögele employed 1512 people in Switzerland (previous year 1557). Converted into full-time equivalents (FTE) the number of employees fell from 1002 to 985. In 2015, there were 79 apprentices in training at Charles Vögele (prior year 87).

#### Gross sales and net sales

in CHF million

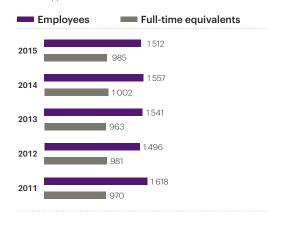


#### Branches



#### Employees and full-time equivalents

without apprentice





#### **GERMANY REGION**

Charles Vögele Germany performed slightly better than the market average with a decline in sales (like-for-like) of -0.3%. Thanks mainly to good sales in the summer months, the sales trend was positive in the first nine months, but this was neutralized by the effect of unusually high temperatures in the final quarter of the year.

Germany saw solid and continuous economic growth in 2015. Price-adjusted gross domestic product (GDP) rose by 1.7% year-on-year, putting it above the 1.3% average for the last ten years. Private consumer spending and employment both went up. Retailing in general saw the strongest rise in sales in 20 years, but the in-store fashion trade remained at the same level as in the previous year.

#### **Business performance**

After a mixed start in the first quarter, sales were particularly pleasing in the summer months. Thanks to an increase in the average transaction value as well as an increasing conversion rate, results at the end of the third quarter (like-for-like) were up on the year-back figure. From the middle of October to the end of the year exceptionally mild temperatures had a negative impact on footfall, slowed the sale of autumn goods and had a significant negative effect on business. Compared with the prior year, gross sales were down by -12.2% (-0.5% after adjusting for exchange rates and floorspace).

#### **Number of stores**

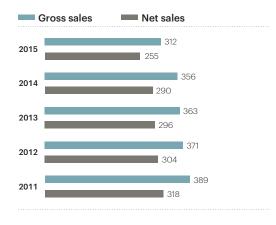
The number of stores went up by two year-on-year to 284. In 2015, six new stores were opened and four were closed. A total of 50 stores were renovated and set up in line with the new format strategy. This means that a fifth of all stores in Germany are now presenting their goods in this more attractive way.

#### **Employees**

In 2015, the number of employees at Charles Vögele Germany declined from 2646 to 2032. In terms of full-time equivalents (FTE) the number of posts went down to 1257 (previous year 1311). 244 new apprentices were taken on in 2015 (previous year 261).

#### Gross sales and net sales



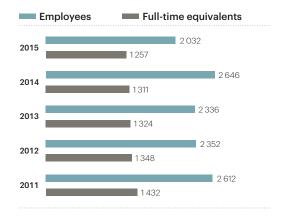


#### Branches



#### Employees and full-time equivalents

without apprentices





#### **CENTRAL & EASTERN EUROPE REGION (CEE)**

The CEE Region (Austria, Slovenia, Hungary) saw results fall by 0.5% in financial 2015 after adjusting for exchange rates and floorspace. Hungary significantly improved its sales and earnings for the second year in a row.

Economic conditions in Austria, Slovenia and Hungary were as challenging in 2015 as in the previous few years. Inflation was weaker in all three countries and consumer sentiment became increasingly gloomy. Gross Domestic Product (GDP) rose slightly in Austria and declined in Slovenia and Hungary.

#### **Business performance**

Despite double-digit like-for-like sales growth in Hungary (12.7%), gross sales in the CEE Region couldn't quite match the prior-year result, falling by a slight -0.5% after adjusting for exchange rates and floorspace. The gratifying performance in Hungary was not enough completely to offset the -2.5% like-for-like falls in sales in both in Austria and Slovenia. The spring season did not meet expectations, but as summer began the trend turned positive, and this lasted through the clearance sale and right up to the start of autumn trading. From October onwards sales suffered from exceptionally mild temperatures that lasted until the end of the year and had a negative effect on business.

#### **Number of stores**

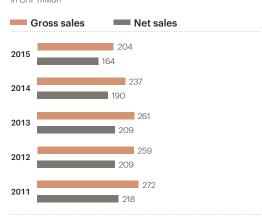
Charles Vögele continued with the optimization and modernization of its store portfolio in 2015. The number of branches in the CEE Region remaind stable with 175. Ten stores were given a complete conversion and another 35 were reconfigured to match the new format strategy concept.

#### **Employees**

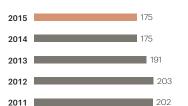
In 2015, Charles Vögele employed an average of 927 employees in the CEE Region (FTE, previous year 934). 33 trainees were employed in CEE (previous year: 29).

#### Gross sales and net sales

in CHF million

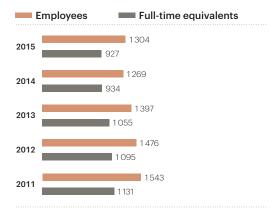


#### Branches



#### Employees and full-time equivalents

without apprentice





#### **BENELUX REGION**

2015 proved to be a difficult year for the retail trade in the Netherlands and Belgium Region. Although general market conditions improved in the course of the year, the challenging first quarter and a fourth quarter marked by unusually high temperatures stood in the way of a better result.

In the Netherlands and in Belgium sales in the textile trade stagnated for the whole of 2015. Improving economic conditions and consumer sentiment fuelled a year-on-year improvement in sales in the first three quarters. However, the emerging threat posed by terrorism and the tense geopolitical situation darkened the mood in the fourth quarter. Unusually warm temperatures also hampered sales and neutralized the positive trend of the first nine months.

#### **Business performance**

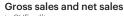
Owing to the repeal of the minimum euro exchange rate, the Benelux Region reported a currency-driven decline in gross sales of -13.7% compared to the previous year. After adjusting for exchange rates and floorspace the fall was -1.5%, which was due to a fourth quarter performance hit by unusual weather and political events. In the Netherlands the decline was -13.5% (after adjusting for exchange rates and floorspace -0.4%), and in Belgium -14% (-3.8%).

#### **Number of stores**

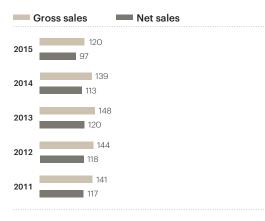
In 2015, the number of stores in the Benelux Region fell to 137 (previous year 139). There were five closures and three openings. During the period under review Charles Vögele renovated another 23 branches to fit the new store format strategy, 9 of them in Belgium and 14 in the Netherlands. The change had a particularly positive effect in the Dutch stores, where sales increased significantly.

#### **Employees**

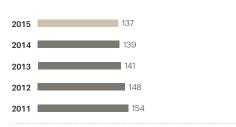
Charles Vögele employed an average of 908 employees in the Benelux Region (previous year 924); on an FTE basis the figure was 597 (prior year 599). The slight reduction is due to the continued optimization of the branch network.





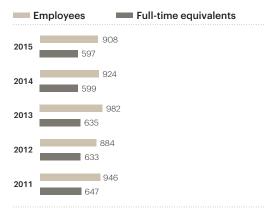


#### Branches



#### Employees and full-time equivalents

#### without apprentices



I get a real kick out of making our customers look great. With the "create yourself" collection from Charles Vögele, as a Sales Associate in my store I have the latest trends on the floor every month. This makes it so easy to inspire customers to opt for new, fashionable outfits.

With the "create yourself" collection, we always have our finger on the pulse. We are able to pick up on trends really quickly and bring them directly to our customers. The up-to-date range encourages my customers to come into the store regularly and browse through the new stock.

#### From the design studio to the store

Customers often ask me about the new trends. "create yourself" means that I always have an answer for them. Of course, this means that we need to get to merchandise into the store quickly. And this happens seamlessly with the aid of our dedicated production and supply chain in Europe. Our designers are able to respond flexibly to trends and quickly supplement our range.

#### **Keeping moving**

The way in which I present the stock to our customers makes the garments accessible to them: they can see the options for combining them. There is extra work involved in setting up a collection that changes every month on the sales floor, but I love doing it. "create yourself" has changed my work routine for the positive: it brings novelty and movement. These two aspects constitute the attraction for me in being a part of the Charles Vögele fashion house.











#### My love for fashion.

By presenting the fashions attractively, I inspire customers to try something



#### My own initiative.

Customers are very appreciative when I take the initiative in giving them advice.



#### My greatest opportunity.

My enthusiasm for clothes as a motivating factor.



#### My goal.

To prove myself in my job and advance my career by demonstrating my commitment.

#### **CORPORATE SOCIAL RESPONSIBILITY**

## ECONOMY, ENVIRONMENT AND COMMUNITY

#### 1 CUSTOMERS AND PRODUCTS

- Quality and product safety; continuous improvement process
- Further improve product integrity by streamlining of organizational structure

#### ACHIEVEMENTS IN 2015

- Successful introduction of organic coton products
- New test laboratory
- Successfully became member of "Fur Free Retailer" programme

#### AIMS FOR 2016

- Expand use of organic cotton
- "Responsible Down Standard" certification for the use of down

#### 2 SUPPLIER MANAGEMENT

- Environmental and social standards
- Introduction of new BSCI Code of Conduct 2014
- Continuation of "Accord on Fire and Building Safety" process in Bangladesh

#### **ACHIEVEMENTS IN 2015**

- Regular BSCI audits
- Successful start to implementation of new BSCI Code of Conduct
- Faster market response thanks to production in Turkey

#### AIMS FOR 2016

- Implementation of upgrades for "Accord on Fire and Building Safety" in Bangladesh
- Support for and monitoring of factories as set out in new BSCI Code of Conduct
- Targeted training on specific topics from new Code of Conduct

#### 3 OUR EMPLOYEES

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

#### ACHIEVEMENTS IN 2015

- Management strengthened through targeted training at all levels
- Implemented a culture-shaping, strengths-focused leadership programme
- Developed an employer branding concept
- Staff development/talent management concept

#### AIMS FOR 2016

- Implement the employer branding concept and strengthen the Company's image on the labour market
- Build up a talent management system
- Introduce a lean central organization focused on vertical and end-to-end processes

#### 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 success as a company. The following report is structured in line with these topics.

#### 4 SOCIAL COMMITMENT

 Supporting the "Zuversicht für Kinder" Foundation since 2013

#### ACHIEVEMENTS IN 2015

- Extended the centre by bringing the orthodontic department in Osh up to the same training and quality standards as the Bishkek site
- Education and training deployed to ensure treatment by local doctors and secure the sustainability of the centre.

#### AIMS FOR 2016

 Cooperation with the "Zuversicht für Kinder" Foundation was set for two years. New social project to be defined

#### 5 ENVIRONMENT AND CLIMATE PROTECTION

- Environmental principles and sustainable operations
- Recycling of textiles

#### ACHIEVEMENTS IN 2015

- Further Group-wide CO₂ savings of 11500 tonnes thanks to renewable energy sources
- Converted to energy-efficient lighting in 49 offices
- Pilot project with TEXAID successfully completed

#### AIMS FOR 2016

- Further expansion of energy monitoring
- Intelligent controls to reduce energy consumed by lighting, air conditioning, heating and cooling
- Intensify cooperation with TEXAID

#### Final control clothing items

Material defects Faulty workmanship Accurate measurements Color consistency Defects from washing or finishing Correct sizina 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) and 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, fibres and stitching it uses in products cannot cause skin irritation or other undesirable health issues. Charles Vögele requires all suppliers to follow strict guidelines with regard to their manufacturing methods, the additives they use and their compliance with local environmental protection rules. Charles Vögele also avoids using sand-blasting techniques on its denim products and does not sell items containing animal fur. Furthermore, no feathers or down derived from live plucking are used. Charles Vögele applies the principle of continuous improvement, ensuring that product performance improves and that Charles Vögele makes clothes that customers enjoy wearing.

#### **Responsible Down Standard certification**

The Responsible Down Standard (RDS) is currently recognized as the most comprehensive worldwide, independently certified animal protection and traceability standard for down and feathers. The standard is applied to all supply networks linked to waterfowl.

This certification commits Charles Vögele to high animal welfare standards starting with the 2016 autumn/ winter collection. Traceability within the supply network is guaranteed from chick to finished product.

#### Membership of "Fur Free Retailers"

Charles Vögele has not used genuine fur in its collection for some years now. The Company has been an official member of the "Fur Free Retailer" programme since February 2015.

The "Fur Free Retailer" programme is an international initiative that helps consumers to find guaranteed fur-free fashion. The programme identifies retailers who agree in writing to avoid fur in their range. The "Fur Free Alliance" (FFA) - an international coalition of leading animal and environmental protection organizations - also supports the worldwide "Fur Free Retailer" programme.

For more information about the "Fur Free Retailer" programme: www.furfreeretailer.com



#### **Expansion of organic cotton products**

The number of organic cotton products in the children's range was increased for spring/summer 2015, and from the autumn/ winter 2016 collection Charles Vögele will be using organic cotton throughout its range of children's outerwear.

The cotton used in these items are organic cotton and certified under the OCS Blended or OCS 100 Standard. Organic cultivation brings significant benefits to the people involved and the environment. There are other advantages too: the high quality of this cotton also makes it more comfortable to wear.

Charles Vögele adheres strictly to EU norms for children's clothes as well as for men's and ladies' fashions. Since 2015, Charles Vögele's quality standards have been assured across the Group by the world-renowned test laboratories UL and SGS Institut Fresenius. Before production begins, lab tests are carried out with defined quality standards for each product group, item and colour. Charles Vögele can thus guarantee that none of the harmful substances listed above has been used.

All items of clothing are subjected to an intensive final control process by the supplier.

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.

Charles Vögele also regularly carries out additional spot tests and has random items analyzed by independent European laboratories to ensure that all regulations are adhered to and that products are always safe for customers.

#### 2 Supplier management

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

#### **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 92% 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 goods in Turkey so that it can react faster to market requirements. The procurement offices act as local interfaces to the producers. Their responsibilities include creating transparency about our suppliers and their production structures, as well as improving procurement processes. The offices also play an important part in ensuring constant improvement in the quality of goods.

#### **BSCI-Principles**

Our enterprise agrees to respect the following labour principles set out in the BSCI Code of Conduct.



#### 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

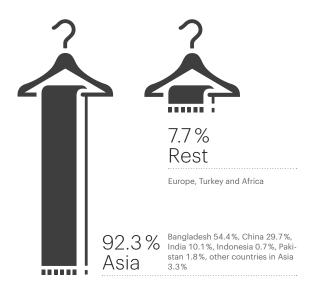
Our enterprise hires workers on the basis of documented contracts according to the law.



#### Protection of the environment

Our enterprise takes the necessary measures to avoid environmental degradation.

#### Goods manufacture 2015



#### **Member of the BSCI**

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

#### The BSCI process and Charles Vögele

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

## Environmental criteria in the supplier selection process

The production of clothing by our suppliers has a substantial environmental impact, so Charles Vögele tries to ensure that suppliers take an environmentally friendly approach to the resources they use.

#### "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 international trade union bodies IndustriAll Global Union and UNI Global Union, as well as other NGOs. It encompasses independent safety inspections as well as specialist support to help suppliers maintain standards. More than 190 companies have joined Charles Vögele in signing the accord, 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.

By the end of September 2014, initial inspections had been completed in every factory. The focus is 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 defects that could endanger the place of work. A "Corrective Action Plan" listing all remedial measures is currently being put together for each factory. In each case the implementation of these measures is supported by the accord and by Charles Vögele.

As a globally active company, Charles Vögele feels a responsibility, along with its suppliers, for working conditions along the whole value chain. By signing the accord, the Company is extending the reach of its responsible approach. 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 specific and, most importantly, lasting improvements for people in Bangladesh. Further information about the programme can be found on the official website: www.bangladeshaccord.org.

#### 3 Our employees

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

#### **Employee structure**

At end-2015 the Charles Vögele Group had a total of 6209 employees, equivalent to 4164 full-time employees. Charles Vögele has a widespread and diverse workforce. Germany and Switzerland are the biggest sales organizations, accounting for around a third each of total headcount. The remainder are split between the CEE and Benelux regions. Charles Vögele is committed to providing initial training and in 2015 employed 234 apprentices. Our employees come from almost 50 different nations, and their average age is 39. The vast majority of employees (90%) are women, most of whom work in sales, where 82% 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. The Company has therefore initiated targeted training and management development programmes to strengthen leadership skills at all functional levels. These are based on Charles Vögele's new leadership principles. The entire middle and upper management cohorts took part in a strengths-focused leadership programme in 2015. This identified the strengths of the managers and their teams, providing a basis for ongoing encouragement and development. All management tools make use of this strengths-focused approach.

#### **Employee development**

A comprehensive employee development concept was introduced to identify potential within the Company and to develop this potential at the appropriate level. Employee target meetings were used as the basis for assessing managers' potential. A talent management programme is being launched once this round of

#### Employees Charles Vögele



#### Management posts in sales



meetings has been completed in the spring. The aim is to identify and promote employees with potential.

#### **Employer branding**

Our employees' know-how and commitment are crucial to Charles Vögele Group'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. The project was finalized at the end of 2015.

The strategy and the Employer Value Proposition were drawn up and adopted during the year. In a first phase, new employee marketing instruments were developed, Group employees were deployed as ambassadors and the onboarding process was revised. These new tools are being launched through the revised career website, which goes live in spring 2016. At the same time, an electronic applicant management system is being introduced in all countries to optimize the application process.

#### 4 Social commitment

Since the beginning of 2013, Charles Vögele has supported the "Zuversicht für Kinder" Foundation, which works for disadvantaged children. The Foundation's two main projects are in Kyrgyzstan. In Bishkek in the north of the country, a multidisciplinary centre for treating children with cleft lips, jaws and palates has now been

#### Value-addes statement

CHF 1000	2015	2014
Net sales	802 577	901 160
Other operating income	6 581	7 479
Financial income	219	333
Group services	809 377	908 972
Purchased materials and services	(593 405)	(629 205)
Gross value added	215 972	279 767
Depreciation and impairment	(42 222)	(39 310)
Net value added	173 750	240 457
Distribution of net value added		
Employees	224 855	238 520
Government	1 922	1 707
Lenders	8 760	11 063
Shareholders (based on proposed appropriation of earnings by the Board of Directors)	-	_
Company	(61 787)	(10 833)
Total	173 750	240 457

built, and local doctors have been trained. Dentists and dental technicians are being trained locally and in Switzerland.

More than 500 new patients a year are treated in Bishkek. The majority of them are infants born with a cleft lip, jaw or palate.

At the request of doctors in southern Kyrgyzstan, construction of a second centre was started in Osh at the beginning of 2013. The focus here is on developing an orthodontic department, and the goal from the start has been to set up a medical centre and train doctors. Thanks to the Charles Vögele Foundation, this centre has been built very quickly. The aim is to replicate Bishek's high standards of training and quality in Osh. To ensure the two centres are sustainable, the ultimate goal is that Kyrgyz doctors can treat all patients with facial malformations to a high standard by themselves.

Swiss model Sarina Arnold is the ambassador for the children's foundations.

#### **5 Environment**

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

#### Climate friendly operations

- increased use of renewable energy sources
- expansion of energy monitoring
- environmentally-aware approach to transportation of goods

#### **Environmentally friendly products**

- reusable transportation materials and transit packaging
- waste recycling
- environmental criteria used in the supplier selection process

#### **Climate-aware operations**

Charles Vögele is committed to sustainable climate protection and aims to reduce CO₂ emissions. Because the great majority of its stores are housed in rented premises, the Company has limited opportunity to influence environmental aspects when these buildings are being constructed. However, Charles Vögele does the following things to help make its operations more climate friendly:

# Increasingly converting to renewable electricity sources

CO<sub>2</sub> emissions were reduced by 11500 tonnes in 2015 thanks to the use of hydroelectricity.

#### Climate-friendly products

#### Recycling

Charles Vögele manages its clothes-hangers in a cycle. Once clothes are sold, the hangers are returned to the distribution centres for use with new items. If any hangers are damaged, they are removed from the cycle and granulated. The granules are used to make new hangers. The stores return paper, card and plastic wrappings to the logistics centres, where they are disposed of professionally. Charles Vögele is also gradually switching to plastic crates for its deliveries to stores, which is significantly reducing cardboard consumption. The 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 committed to textiles recycling. Together with the organization TEXAID, the Company offers its customers the option to hand in old clothing at Charles Vögele branches in Switzerland.

Around 60 tonnes of old clothes were collected by Charles Vögele stores in 2015 and forwarded to TEXAID's sorting facility for processing.

TEXAID collects around 140 million items of used clothing every year. 65% of these are sold as second-hand goods in numerous countries, providing valuable jobs in the processing stage and in retail, for example. Most of the proceeds go to six Swiss aid organizations (Swiss Red Cross, Caritas Schweiz, Winterhilfe Schweiz, Solidar Suisse, Kolping Schweiz and HEKS) and to many regional organizations. These charities use the funds for social projects in Switzerland and abroad.

#### Public awareness and dialogue

Charles Vögele is a member of "Agence de l'énergie pour l'économie", which commits the Company to active reduction of CO<sub>2</sub> 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.

Annual Report 2015

"As Online Marketing Manager, I have worked with my team to establish Charles Vögele in the digital fashion market. With our online shop, we have created a contemporary sales channel that meets our customers' expectations."

The fashion industry has reached the digital age. In online marketing we know what customers want when they buy their fashions online. This knowledge was fundamental to the design of our online shop. It gave us a sound basis from which to find the optimum format for our own eCommerce channel. It had to be exactly right for Charles Vögele customers.

#### Online shopping as an experience

Of course, to ensure a great shopping experience, it is important for the online platform to look attractive and be easy to use. But fashion shopping online doesn't just need a practical website in order to run smoothly. The basic requirement is that customers want to visit the online shop. We have therefore developed a targeted online marketing strategy.

#### **Creating new outlooks**

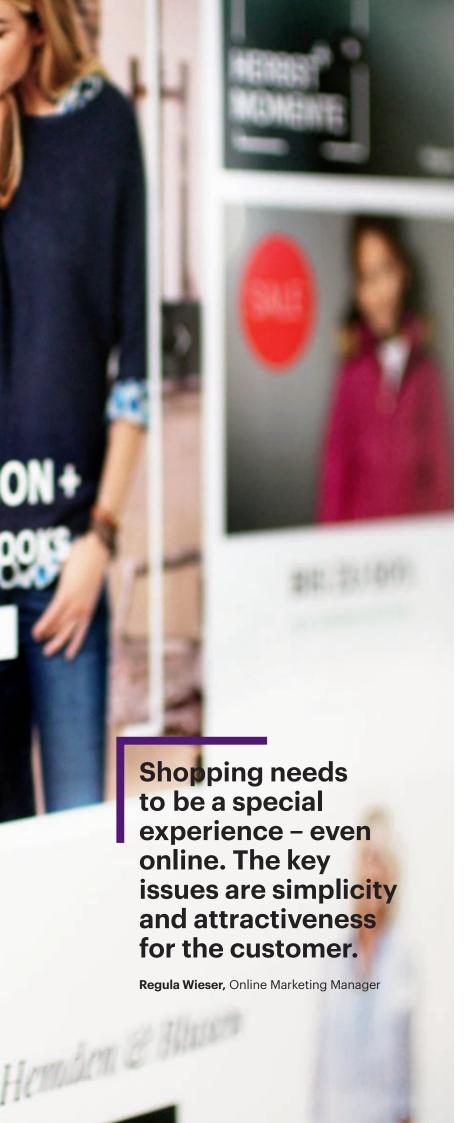
I was involved in the launch of our online shop from the creative design phase right through to the sales strategy. Obtaining this broad overview was an important incentive for me. I am proud that my little team and I were able to shape this trailblazing project from the ground up. The digital world often demands that we step away from our old thought patterns. The receptiveness to new ideas and perspectives in our Company is just great.







MY CV: THE PERFECT FIT





# My love for fashion.

The fashion industry is creative and full of life. This inspires me to be innovative myself.



# My own initiative.

My technical knowledge has allowed me to bring a new way of thinking into the Company.



# My greatest opportunity.

To increase and shape the importance of online sales.



# My goal.

To use the available data to make our online marketing even more relevant to our customers.

### **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 2015

#### HOLDING

### **Charles Vögele Holding AG**

Freienbach SZ, CH, Aktienkapital, 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 1453 457

# Charles Voegele trgovina stekstilom d.o.o.

Ljubljana, SI Partnership capital, EUR 667668

### Charles Vögele (Belgium) N.V.

Merksem (Antwerp), BE Share capital, EUR 10 063 906

#### Charles Vögele (Netherlands) B.V.

Utrecht, NL

Partnership capital, EUR 1000200

#### Charles Vögele Hungária Kereskedelmi Kft.

Budapest, HU

Partnership capital, HUF 240000000

#### SERVICE ORGANIZATION

Cosmos Mode AG, Pfäffikon Freienbach SZ, CH

Share capital, CHF 100 000

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, which was responsible for all Group-wide services, including purchasing, IT, marketing and communications, human resources, accounts, financial control, insurance, legal services, compliance and risk management, has been merged with Charles Vögele Mode AG, effective as of 30 June 2015.

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 3.2). 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, 33¼, 50 or 66¾ percent of voting rights in Charles Vögele Holding AG. For disclosures made in 2015 see note 3.2 of the Group 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 2015, the share capital of Charles Vögele Holding AG amounted to CHF 26400000 and was divided into 8800000 fully paid-up bearer shares (securities number: 693777/ISIN code: CH000693777) with a par value of CHF 3.00 each.

As at 31 December 2015, Charles Vögele Holding AG held 286 458 of its own shares (31 December 2014: 311727), 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 2.11 of the Group Financial Report.

# 2.2 Conditional capital

The Board of Directors is authorized to increase the Company's share capital by a maximum of CHF 792000, excluding shareholders' subscription rights, through the issue of 264000 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 Group Financial Report).

The Board of Directors is authorized to increase the Company's share capital by not more than CHF 5280000, representing a maximum of 1760000 bearer shares with a par value of CHF 3.00 each, to be fully paid in (conditional capital, art. 5<sup>bis</sup> 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 2.9–2.10 of notes to the Group Financial Report.

Annual Report 2015

#### 2.4 Shares and participation certificates

As at 31 December 2015, the share capital of Charles Vögele Holding AG was divided into 8800000 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 Group Financial Report).

# 3 Board of Directors

#### 3.1 Members of the Board of Directors

Max E. Katz, 1955, Swiss Chairman since 29 April 2015 Term of office 2012–2016, 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.

#### Meinrad Fleischmann, 1961, Swiss Vice Chairman since 29 April 2015 Term of office 2014 - 2016, first elected in 2014, executive Director

Lic. Oec., University of St.Gallen. CEO of the Pfister Group until Mai 2015. 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.

#### **Dr Ulla Ertelt,** 1954, German Term of office 2012 - 2016, 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 – 2016, 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.



#### Remo Masala, 1965, Italian

Term of office 2015 – 2016, first elected in 2015, non-executive Director

Master of Business Administration, Kempten University, Germany. Joined tour operator Thomas Cook plc as Chief Marketing Officer in London in 2014. Remo Masala has years of experience in the development and implementation of omni-channel marketing strategies, brand management, customer relationship management (CRM), content strategies and marketing effectiveness. Prior to joining Thomas Cook plc, he assisted clients such as Ricola and Audi as an independent consultant. From 2007 to 2013, he was Chief Branding and Marketing Officer at Kuoni Reisen Holding AG in Zurich. Before this, he worked as Marketing Officer for companies such as LTU Touristik and Design Hotels.com.

# Changes to the Board of Directors during the year under review

Hans Ziegler did not stand for re-election at the 2015 Annual Shareholder's Meeting. Remo Masala was elected at the 2015 Annual Shareholders' Meeting.

None of the members of the Board of Directors, except for Prof. Dr Matthias Freise (supporting Group Management on procurement matters in 2013) and Meinrad Fleischmann (supporting Group Management as CSO a.i. since November 2015), 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.

#### Max E. Katz

Chairman of the Swiss Travel Association, Zurich, since November 2012.

#### Meinrad Fleischmann

CEO of the Pfister Group until Mai 2015.

#### Remo Masala

Chierf Marketing Officer at Thomas Cook plc since 2014

# 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 five members. 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. In 2015, the AGM elected the Chairman of the Board of Directors as well as members of the Nomination and Compensation Committee. 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, one of which was a two-day meetings, and three telephone conference were held during 2015. All members of the Board attended all meetings. Depending on the agenda, the scheduled meetings lasted between three and nine hours. Members of Group Management and the Board secretary are always present at the Board meetings and telephone conferences; other employees or third parties are brought in as required.

#### **Chairman of the Board of Directors**

The Chairman of the Board of Directors is 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**

Dr Ulla Ertelt (chair since January 2016, before member since April 2015)

Meinrad Fleischmann (member since January 2016, before chair since April 2015)

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. Two committee meetings were held in 2015.

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) Prof. Dr Matthias Freise (member since April 2015)

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. Four working meetings took place in 2015.

# **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 500000);
- 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 500000 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 500000 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.



#### 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.

#### Meinrad Fleischmann

Lic. Oec., University of St.Gallen. CEO of the Pfister Group until Mai 2015. 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.

#### **Changes in Group Management**

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

- Matthias Wunderlin was Chief Sales Officer of Charles Vögele Group from November 2013 until November 2015.
- On 25 November 2015, Meinrad Fleischmann took over his position as Chief Sales Officer a.i.

#### 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.

#### 4.4 Management contracts

There are no management contracts.

#### **5 Management Organisationsstruktur**

As at 31 December 2015

#### CEO

<b>INTERNAL AUDITING*</b>
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Reports additionally to the Board of Directors.

Managed by the CEO. staff functions line functions

#### COMMUNICATIONS

cso	CFO**
Sales - CH - DE - CEE	Finance & Systems  - Controlling  - Finance  - Information & Communication
- Benelux - Marketing	Technology  - Business Information Center  Human Resources & Legal
Visual Merchandising  E-Commerce	- Human Resources (HR) - Legal & Compliance Indirect Procurement
	muneut rodulement

#### 6 Compensation, shareholdings and loans

# 6.1 Content and method of determining compensation and shareholding programmes

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 performancerelated 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 or Art. 125 para. 3 Finanzinfrastrukturgesetz of 19 June 2015, respectively.

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 29 April 2015 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 2015

For significant events after 31 December 2015 see note 31 of the Group Financial Report.

#### REMUNERATION REPORT

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.

This remuneration report complies with the latest corporate governance standards (SIX 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 remuneration in the financial year 2015 for the Board of Directors and Group Management consists of a number of components. These are described in detail in the following sections.

#### 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. 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 2015, Ulla Ertelt (Chairman) and Meinrad Fleischmann (member) were elected onto the Nomination and Compensation Committee.

Recipients	Proposal	Decision	2015 Annual Shareholders' Meeting
Chairman of the Board of Directors	Nomination and Compensation Committee	Board of Directors (excluding Chairman)	Maximum total sum for the period up to the next Annual Share-
Members of the Board of Directors	Nomination and Compensa- tion Committee	Board of Directors	holders' Meeting
CEO	Nomination and Compensa- tion Committee	Board of Directors	Maximum total remuneration for the next business year
Members of Group Management	CEO and Nomination and Compensation Committee	Board of Directors	

#### 2 Remuneration of the Board of Directors

Remuneration is reviewed annually by the Remuneration Committee and, if necessary, adjusted by the Board of Directors in response to a proposal by the Remuneration Committee prior to the total amount being submitted to the Annual Shareholders' Meeting for a vote. Charles Vögele's Board of Directors uses benchmark figures and external consultants to help with decisions on remuneration. The competitiveness of remuneration paid to the members of the Board of Directors is assessed and the latest market trends with regard to the design of board-level remuneration are discussed.

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 Chairman 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 nominal value of the RSUs is fixed. The number of RSUs is determined by dividing the fixed nominal value by the volume-weighted average share price (VWAP) for the first ten trading days of the year. RSUs are blocked from when they are allocated on the day of the Annual Shareholders' Meeting until the following Annual Shareholders' Meeting, at which point they are exchanged for shares in Charles Vögele Holding AG. If a Member of the Board of Directors resigns his or her mandate before the end of his or her term of office, it is at the sole discretion of the Board of Directors whether or not the number of RSUs converted into shares is reduced. The RSU programme is funded with treasury shares.

#### 3 Remuneration of Group Management

#### 3.1 Remuneration system

Charles Vögele's Board of Directors uses benchmark figures and external consultants to help with decisions on remuneration. The competitiveness of remuneration paid to members of Group Management is assessed, and the latest market trends with regard to the design of senior management remuneration are discussed.

As a rule, the basic salary for a member of Charles Vögele's Group Management is positioned between the market median and the upper quartile. Members of Group Management also have the opportunity to earn above-average variable remuneration for exceptional achievement.

In 2015, the Board of Directors primarily used data from Swiss companies (excluding financial services companies) of a similar size when setting remuneration levels for members of Group Management. In order to reflect industry-specific aspects, the Board also included European clothing companies from Fashion Shares Index (MAI) in its analysis.

The remuneration of Group Management consists of fixed and variable remuneration elements. The fixed component of the remuneration consists of the basic salary 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 remuneration for members of Group Management is based on the corporate goals which are defined for a financial year by the Board of Directors, and which are relevant to all managers. For management functions two to three corporate goals (e. g. EBITDA) are set as part of a standardized Group-wide process. Equal weight is given to each goal. At the end of the measurement period, the resulting bonus is calculated on the basis of the past year's results and paid out in cash after 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.

### 3.2. Remuneration of Group Management in 2015

The fixed remuneration for Group Management has been significantly reduced for 2015. A total amount (in CHF 1000) of 1750 was approved by the Shareholders' Meeting for overall Group Management basic salaries in 2015. If goals are achieved 100% (= target), a variable amount of 1075 will also be paid. If goals are exceeded, a maximum (= cap) of 150% of this amount can be paid (1613). Including the additional benefits, social and insurance benefits paid by the employer, the maximum overall remuneration for Group Management if maximum targets are achieved is 3678.

# 3.3 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 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 twelve 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 twelve 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.

### 3.4 Changes of control and defensive measures

The Articles of Association do not include any specific rules about "opting-out" or "opting-up" as defined in Art. 22 of the Federal Stock Exchanges and Securities Trading Act of 24 March 1995.

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.

#### 4 Long-term incentive programme (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 programme

The allocation of bonus shares to Members of the Board of Directors and Group Management in place of the above-mentioned previous plan occurred once a year in 2013 and 2014 and was done at the Board of Directors' discretion. This direct financial participation in the medium-term performance of Charles Vögele shares tied the interests of management to those of shareholders. The bonus shares were transferred to beneficiaries on issue and blocked for three years. If a beneficiary leaves the company, there is no obligation to return the shares. No such allocation occurred in 2015.

### **Remuneration paid to the Board of Directors**

All members of the Board of Directors, except Meinrad Fleischmann, are non-executives. The overall total remuneration paid to the five non-executive members of the Board of Directors in 2015 was CHF 554943. The approximately CHF 180000 reduction in total remuneration paid to the Board of Directors between 2014 and 2015 results from the shares that are only paid at the end of the period of office.

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

<b>2015</b> In CHF 1000	Max E. Katz Chairman	Meinrad Fleischmann <sup>3)</sup> Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Remo Masala <sup>4)</sup> Member	Hans Ziegler <sup>4)</sup> Member	Total for Board members
Fixed fees (gross)	146	80	76	74	42	83	501
Social benefits paid by employer	13	7	6	6	4	4	40
Lump-sum expenses 1)	7	5				1	13
Fee for consulting services				-			-
Total 2015	166	92	82	80	46	88	554
Restricted Stock Units (RSUs) <sup>2)</sup>	8 487	3 843	3 683	3 683	3 363	_	23 059

 $<sup>^{9}</sup>$  In accordance with Article 17c of the articles of association, lump-sum expenses do not qualify as remuneration.

<sup>&</sup>lt;sup>4)</sup> For changes on the Board of Directors during the 2015 financial year, please refer to the explanations in the Corporate Governance Report.

<b>2014</b> In CHF 1 0 0 0	Max E. Katz Vice Chairman	Meinrad Fleischmann Member	Matthias Freise Member	Ulla Ertelt Member	Hans Ziegler Chairman	Total for Board members
Fixed fees (gross)	113	55	90	90	250	598
Locked-up bonus shares <sup>1)</sup>	16	9	16	16	16	73
Social benefits paid by employer	7	3	5	5	14	34
Lump-sum expenses	5	4	=	=	5	14
Fee for consulting services	=	=	=	19	-	19
Total 2014	141	71	111	130	285	738

 $<sup>^{1)}</sup>$  Valuation: price at distribution on 30 June 2014: CHF 18.50, locked up until 30 June 2017.

<sup>&</sup>lt;sup>28</sup> RSUs are transferred after the end of the term of office, i.e. after the end of the Annual Shareholders' Meeting on 18 May 2016.
<sup>39</sup> Meinrad Fleischmann received an additional salary at the market rate for the duration of his delegation to Group Management (as of November 2015).

### **Remuneration paid to Group Management**

This section reveals the remuneration components actually paid in 2015, 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 2015, which amounted to CHF 2.03 million. The highest remuneration paid to a single member of Group Management was CHF 0.9 million.

The following remuneration was paid to the members of Group Management in the financial year 2015:

<b>2015</b> CHF 1000	Markus Voegeli CEO/CFO	Other members of Group Management <sup>3) 4)</sup>	Total for Group Management
Fixed salary	800	990	1 790
Variable salary (gross)	0	0	0
Social and insurance benefits paid by employer	106	119	225
Company car <sup>1)</sup>	9	11	
Bonus shares <sup>2)</sup>	-	-	-
Total 2015	915	1 120	2 035

<sup>&</sup>lt;sup>1)</sup> Private share (tax value: 9.6% of the purchase value).

<sup>&</sup>lt;sup>4)</sup> Including additional salary to Meinrad Fleischmann for his delegation to Group Management as CSO a. i.

<b>2014</b> CHF 1000	Markus Voegeli CEO/CFO	Other members of Group Managemen <sup>5) 6)</sup>	Total for Group Management
Fixed Salary	1 389 <sup>3)</sup>	2 229	3 618
Variable salary (gross)	275 <sup>4)</sup>	-	275
Social and insurance benefits paid by employer	152	199	351
Company car <sup>1)</sup>	7	13	20
Bonus shares <sup>2)</sup>	39	62	101
Total 2014	1 862	2 503	4 365

<sup>&</sup>lt;sup>1)</sup> Private share (tax value: 9.6% of the purchase value)

<sup>2)</sup> No shares were allocated during the year under review

<sup>&</sup>lt;sup>3)</sup> The other active members of Group Management in 2014 were: Beatrice Grünwald (Chief Purchasing Officer), Matthias Wunderlin (Chief Sales Officer from January to November 2015) and Meinrad Fleischmann (interim Chief Sales Officer from November to December 2015).

<sup>&</sup>lt;sup>2)</sup> Price at distribution on 30 June 2014: CHF 18.50, locked up until 30 June 2017.

<sup>3)</sup> CHF 189 of which was paid in the form of shares; price at distribution on 21 May 2014: CHF 12.06.

 <sup>4</sup> 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).

<sup>6)</sup> Including a comparative final payment to Frank Beeck (former CEO) in CHF 1000: CHF 1175.

### 7 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 2015 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 46 of the financial report, note 3.5 on the financial statements Holding).

As at 31 December 2015	Max E. Katz Chairman	Meinrad Fleischmann Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Remo Masala <sup>1)</sup> Member	Hans Ziegler <sup>2)</sup> Member	Total for Board members
Number of shares	11 000	2 284	2 000	2 000	-	0	17 284
As a percentage of the stock capital	0.13%	0.03%	0.02%	0.02%	-	-	0.20%
Number of management options	5 000	-	5 000	5 000	-	13 600	28 600
As a percentage of the stock capital	0.06%	-	0.06%	0.06%	-	0.15%	0.33%

<sup>&</sup>lt;sup>1)</sup> Member of the Board of Directors since the Annual Shareholders' Meeting on 29 April 2015.

<sup>&</sup>lt;sup>2)</sup> Hans Ziegler did not make himself available for re-election at the Shareholders' Meeting of 29 April 2015.

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

<sup>&</sup>lt;sup>1)</sup> Member of the Board of Directors since the Annual Shareholders' Meeting of 20 May 2014.

The tables below provide 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 2015 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 46 of the financial report, note 3.5 on the financial statements Holding).

As at 31 December 2015	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO	Matthias Wunderlin CSO 1)	Total for Group Management
Number of shares	42 100	8 760	2 000	52 860
As a percentage of the stock capital	0.48%	0.10%	0.02%	0.60%
Number of management options	20 050			20 050
As a percentage of the stock capital	0.23%			0.23%

<sup>&</sup>lt;sup>1)</sup> Matthias Wunderlin served as Chief Sales Officer until November 2015.

As at 31 December 2014	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO	Matthias Wunderlin CSO <sup>1)</sup>	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%

 $<sup>^{1\!{}^{}}</sup>$  Matthias Wunderlin served as Chief Sales Officer until November 2015.

# 8 Additional fees, remuneration and loans

The members of the Board of Directors and Group Management were not paid any further remuneration beyond what is specified in this report.

Nor are there any such transactions or amounts pending as at the end of 2015. No remuneration was paid to former members of the Board of Directors or any members of Group Management in 2015. Zurich, 20 April 2016

# Report of the statutory auditor to the General Meeting on the remuneration report 2015 of Charles Vögele Holding AG, Freienbach SZ

We have audited the remuneration report of Charles Vögele Holding AG (pages 50 to 53) for the year ended 31 December 2015.

#### **Board of Directors' responsibility**

The Board of Directors is responsible for the production and proper overall presentation of the Remuneration Report in accordance with the law and the Ordinance Against Excessive Pay at Stock Exchange Listed Companies (VegüV). It 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 based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with professional ethical standards and plan and perform the audit to obtain reasonable assurance about whether the Remuneration Report complies with the law and Art. 14–16 of the VegüV.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Remuneration Report with regard to remuneration, loans and credits in accordance with Art. 14–16 of the VegüV. The procedures selected depend on the auditor's judgement, including its assessment of the risk of material misstatements in the Remuneration Report, whether intentional or unintentional. This audit also includes evaluating the reasonableness of the valuation methods applied to 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 audit opinion.

### **Opinion**

According to our assessment, the Remuneration Report of Charles Vögele Holding AG for the financial year ending 31 December 2015 complies with the law and Art. 14–16 of the VegüV.

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 1000	Note	2015	in %	2014	in %
Net sales	3	802 577	100.0%	901 160	100.0%
Cost of goods	14.1	(286 029)	(35.6%)	(297 302)	(33.0%)
Gross profit		516 548	64.4%	603 858	67.0%
Personnel expenses	4	(224 855)	(28.0%)	(238 520)	(26.5%)
Rental expenses	5	(163 007)	(20.3%)	(180 667)	(20.0%)
Advertising and promotion expenses	6	(62 443)	(7.8%)	(62 196)	(6.9%)
General operating and adminstrative expenses	7	(81 605)	(10.2%)	(88 721)	(9.8%)
Other operating income	8	6 669	0.8%	8 328	0.9%
Other operating expenses	8	(409)	(0.1%)	(1 168)	(0.1%)
Operating results before depreciation and impairment (EBITDA)		(9 102)	(1.1%)	40 914	4.5%
Depreciation and impairment on property, plant and equipment	16.1	(39 846)		(37 006)	
Depreciation and impairment on intangible assets	18.1	(2 376)		(2 304)	
Operating results (EBIT)		(51 324)	(6.4%)	1 604	0.2%
Financial results, net	9	(8 541)		(10 730)	
Results for the period before income tax		(59 865)	(7.5%)	(9 126)	(1.0%)
Income tax expenses	10	(1 922)		(1 707)	
Net result		(61 787)	(7.7%)	(10 833)	(1.2%)
Basic earnings per share	11	(7.30)		(1.29)	
Diluted earnings per share	11	(7.30)		(1.29)	

The notes on pages 08 to 35 are an integral part of these consolidated financial statements.

#### At 31 December

# **CONSOLIDATED BALANCE SHEET**

CHF 1 000	Note	31.12.2015	31.12.2014
Assets			
Current assets			
Cash and cash equivalents		45 196	97 310
Trade account receivables	12	4 251	4 469
Other receivables	13	9 692	8 019
Prepaid expenses		2 419	3 257
Inventories	14	116 541	140 335
Total current assets		178 099	253 390
Non-current assets			
Property, plant and equipment	16	210 949	214 994
Financial assets	17	115	115
Intangible assets	18	5 372	4 797
Total non-current assets		216 436	219 906
Total assets		394 535	473 296
Liabilities and shareholders' equity			
Current liabilities			
Short-term financial liabilities	21	1 481	1 564
Trade payables		32 875	49 549
Other short-term liabilities	19	27 252	30 309
Accruals	20	30 432	34 075
Short-term provisions	22	1 910	2 105
Total current liabilities		93 950	117 602
Non-current liabilities			
Long-term financial liabilities	21, 23	184 818	172 540
Long-term provisions	22, 10	27 351	28 004
Total non-current liabilities		212 169	200 544
Shareholders' equity			
Share capital	24	26 400	26 400
Treasury shares	25	(7 299)	(7 609
Other reserves		148 983	148 983
Retained earnings		(79 668)	(12 624
Total shareholders' equity		88 416	155 150
Total liabilities and shareholders' equity		394 535	473 296

The notes on pages 08 to 35 are an integral part of these consolidated financial statements.

### From 1 January to 31 December

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

CHF 1000	Note	2015	2014
Net result		(61 787)	(10 833)
Adjustments:			
- Tax expenses	10	1 922	1 707
- Net financial expenses	9	8 541	10 730
- Depreciation		41 127	36 408
- Impairment	16.1	1 094	2 902
- Profit on disposal of assets	15	-	(1 781)
- Other non-cash expenses		358	199
Change in provisions		165	(339)
Change in inventories		16 985	7 014
Change in accounts receivables		(104)	(804)
Change in other receivables and prepaid expenses		(210)	5 218
Change in accounts payables		(12 685)	2 054
Change in other current liabilities and accruals		(3 044)	(9 272)
Financial expenses paid		(7 662)	(8 688)
Taxes paid		(2 936)	(5 522)
Cash flow from operating activities		(18 236)	28 993
Purchase of property, plant and equipment	16.1	(42 192)	(17 958)
Sale of property, plant and equipment	15	=	4 300
Purchase of intangible and financial assets	18.1	(2 951)	(1 921)
Net cash used from investing activities		(45 143)	(15 579)
Free cash flow		(63 379)	13 414
Change in current financial liabilities	21	134	73
Proceeds from loans	21, 23	70 000	105 000
Repayment of loans	21, 23	(55 000)	(90 000)
Repayment of non-current financial liabilities	21, 23	(1 596)	(1 648)
Disposal of treasury shares, net	25	(1 390)	820
Net cash provided from financing activities	ZJ	13 541	14 245
Net cash provided from imancing activities		13 341	14 245
Net increase/(decrease) in cash and cash equivalents		(49 838)	27 659
Net cash and cash equivalents at the beginning of the period		97 310	70 220
Effect of exchange rate changes		(2 276)	(569)
Net increase/(decrease) in cash and cash equivalents	••••••	(49 838)	27 659
Net cash and cash equivalents at the end of the period		45 196	97 310

The notes on pages 08 to 35 are an integral part of these consolidated financial statements.

From 1 January to 31 December

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-								
CHF 1000	Note	Share capital	Treasury shares	Share premium reserve	Retained earnings	Currency translation differences	Valuation share option plan	Total Retained earnings	Total
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
Balance 01.01.2015	24	26 400	(7 609)	148 983	(12 128)	(2 623)	2 127	(12 624)	155 150
Net result		-	-	-	(61 787)	_	_	(61 787)	(61 787)
Currency translation differences		-	-	-	-	(5 308)	-	(5 308)	(5 308)
Value of granted options	26	-	-	-	-	-	51	51	51
Value of exercised/expired options	26	-	-	-	1 088	-	(1 088)	-	-
Disposals of treasury shares	25	-	310	-	-	-	-	-	310
Purchase of treasury shares	25	-	-	-	-	-	_	-	-
Balance 31.12.2015	24	26 400	(7 299)	148 983	(72 827)	(7 931)	1 090	(79 668)	88 416

The notes on pages 08 to 35 are an integral part of these consolidated financial statements. The accumulated non-distributable reserves are CHF 146 million (previous year: CHF 165 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# **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 and Hungary.

The closing of the stores in the Czech Republic and Poland was completed by July 2014. Both Group companies were wound up in 2014 (Czech Republic) respectively in 2015 (Poland).

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

# 2 Summary of significant accounting policies

# 2.1 Preparation of financial statements

The consolidated financial statements were produced in accordance with Swiss GAAP FER (entire code). Swiss GAAP FER 31 "Supplementary standards for listed companies" (compulsary as of 1 January 2015) had already been applied for the annual report 2014.

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 notes 2.6 to 2.24.

#### 2.2 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 32.

# 2.3 Scope of consolidation

The Group company in Poland was liquidated in December 2015. The one in the Czech Republic in the previous year. The Swiss subsidiary Charles Vögele Mode AG absorbed Charles Vögele Trading AG in July 2015.

#### 2.4 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 (changes see note 2.3) matches the internal reporting to the Board of Directors and Group Management, it covers the 4 segments Switzerland, Germany, Benelux and CEE (Austria, Slovenia, Poland, Hungary, Czech Republic).

# 2.5 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 31.12.2015	Balance sheet 31.12.2014	Income statement 2015	Income statement 2014
Euro	EUR	1	1.08	1.20	1.07	1.21
Hong Kong	HKD	1	0.13	0.13	0.12	0.12
China	CNY	1	0.15	0.16	0.15	0.15
USA	USD	1	0.99	0.99	0.96	0.92
Hungary	HUF	100	0.34	0.38	0.34	0.39
Poland	PLN	100	25.38	28.21	25.49	29.03
Czech Republic	CZK	100	4.01	4.33	3.92	4.41

# 2.6 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.

#### **Vouchers**

There are two different types of voucher: traditional vouchers (gift and return vouchers) and vouchers from the customer loyalty programme (CRM).

# Traditional gift vouchers ("Gift Cards")

With these vouchers the sale is booked on redemption. When the voucher is first purchased, the cash flow is a pure balance sheet transaction which is disclosed under "other short-term liabilities"; see note 19.

# Vouchers from the customer loyalty programme

Loyalty vouchers are accrued on the basis of a sale made. This bonus, in the form of a discount, is reported as a reduction in sales at the time it is granted. Bonuses that have not yet been used are reported as liabilities from customer loyalty vouchers and shown under accrued expenses; see note 20.

# 2.7 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.

# 2.8 Employee pension plans

# Accounting and valuation methods for pension plans

The Group companies have 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.

# 2.9 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 3 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.

#### 2.10 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.

#### 2.11 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.

# 2.12 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.

# 2.13 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 2.15). This valuation is periodically checked on its recoverability by an independent external expert. Buildings are depreciated on a straight-line basis over a period of 40 years. Buildings in leasehold are depreciated over the lease-hold period up to a maximum of 40 years. Land is not depreciated.

### Equipment

Equipment includes store fittings, technical warehouse equipment, computer hardware, office fixtures and fittings and other tangible assets used in operations. They are capitalized if the Company derives a future economic benefit associated with them. Valuation is at acquisition cost less accumulated depreciation and impairments if necessary (see note 2.15). 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.

# 2.14 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 2.15). IT software is depreciated using the straight-line method over 5 years; licences and trademarks are depreciated over their estimated useful life.

# 2.15 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.

#### 2.16 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.

#### 2.17 Trade payables

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

# 2.18 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.

### 2.19 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.

# 2.20 Contingent liabilities

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

# 2.21 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.

# 2.22 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.

# 2.23 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).

#### 2.24 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	Switzerland		Germany		Benelux	
	2015	2014	2015	2014	2015	2014	
Gross sales	318 377	344 040	312 028	355 566	120 384	139 456	
Net sales	285 826	308 720	255 251	289 600	97 237	112 530	
Operating earnings before depreciation and impairment (EBITDA)	32 239	47 476	12 888	19 987	(5 499)	(6 309)	
in % of net sales	11.3%	15.4%	5.0%	6.9%	(5.7%)	(5.6%)	
Operating earnings (EBIT)	9 614	30 383	4 424	9 105	(6 695)	(8 143)	
EBIT in % of net sales	3.4%	9.8%	1.7%	3.1%	(6.9%)	(7.2%)	

CHF 1000	CEE <sup>1)</sup>		Group's head-quarte and consolidation	er	Group	
	2015	2014	2015	2014	2015	2014
Gross sales	204 317	237 223	-	=	955 106	1 076 285
Net sales	164 263	190 310	-	_	802 577	901 160
Operating earnings before depreciation and impairment (EBITDA)	1 827	4 636	(50 557)	(24 876)		40 914
in % of net sales	1.1%	2.4%		-	(1.1%)	4.5%
Operating earnings (EBIT)	(2 477)	(639)	(56 190)	(29 102)		1 604
EBIT in % of net sales	(1.5%)	(0.3%)	-	_	(6.4%)	0.2%

<sup>&</sup>lt;sup>1)</sup> CEE: Austria, Slovenia, Hungary, Poland, Czech Republic (see note 2.3).

# 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 129.5 million in 2015 (previous year: CHF 150.8 million).

# **Personnel expenses**

CHF 1000	2015	2014
Wages and salaries	185 908	196 438
Social security costs	26 046	27 669
Retirement and pension plan costs	5 572	5 821
Other personnel expenses	7 329	8 592
Total	224 855	238 520

# 4.1 Economic benefit/economic liability and pension costs

<b>2015</b> CHF 1000	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)	7 600	-	-	3 876	3 876
Pension plans with deficit	-	-	-	-	-
Pension institutions without own assets	-	(672)	(64)	1 760	1 696
Total	7 600	(672)	(64)	5 636	5 572

<sup>&</sup>quot; 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.

<b>2014</b> 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	1 941
Total	7 289	(818)	(105)	5 821	5 716

<sup>&</sup>quot; The pension plans with surpluses are fully reinsured pension solutions with disposable funds. The surplus reflects the balance on the PVE asset account

The surplus reported for the pension plans as at 31 December 2015 amounted to CHF 7.6 million (previous year: CHF 7.3 million). 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 2015 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 10 employees (previous year: 11 employees). In 2015 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 1.5 million in 2015 (previous year: CHF 1.7 million).

# 5 Rental expenses

CHF 1000	2015	2014
Rent	125 500	137 387
Incidental expenses, cleaning, maintenance	37 507	43 280
Total	163 007	180 667

The CHF 17.7 million decline in premises costs is mainly due to the general reduction in floor-space, the renegotiations of rental agreements, as well as the 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.

# 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 2.5 million (previous year: CHF 2.8 million). Operational leasing mainly involves vehicles.

# 8 Other operating income and expenses

CHF 1000	2015	2014
Operating real estate income, net	5 686	6 273
Income from asset disposals (see note 15)	=	1 866
Other operating income	983	189
Total	6 669	8 328
CHF 1000	2015	2014
General maintenance of buildings	(321)	(319)
Other operating expenses	(88)	(849)
Total	(409)	(1 168)

# 9 Financial result, net

CHF 1000	2015	2014
Financial income	219	333
Financial expenses	(8 761)	(9 694)
Foreign exchange differences	1	(1 369)
Total Financial results, net	(8 541)	(10 730)

The financial expenses mainly include interest expenses of CHF 6.2 million (previous year: CHF 6.4 million) as well as financing costs.

Financing costs are incurred in connection with the syndicated credit agreement and are made up of pro rata costs as well as amendment fees. The pro rata financing costs for financial year 2015 come to CHF 1.7 million (previous year: CHF 1.9 million). There were no amendment fees in 2015 (previous year: CHF 0.6 million).

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

#### 10 Income tax

# 10.1 Composition of income tax expense

CHF 1000	2015	2014
Current income taxes	1 802	3 525
Change in deferred income taxes	97	(2 548)
Income tax from previous years	23	730
Total income tax expense	1 922	1 707

# 10.2 Analysis of income tax expense

CHF 1000	2015	2014
Result before income taxes	(59 865)	(9 126)
Taxes on current result calculated on the expected Group tax rate of 16% (2014: 17%)	(9 578)	(1 551)
Reconciliation: - Effect of profits and losses with different tax rates	(583)	42
- Adjustments of deferred taxes from previous years	6	(47)
– Effect of deferred tax assets not capitalized	11 870	2 137
– Effect of other non-taxable transactions	184	396
– Taxes payable (refunds) from previous years	23	730
Total tax expense	1 922	1 707

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 11.9 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 1000	31.12.2015	31.12.2014
Expiring in the next year	8 958	8 348
Expiring in the next 2 to 5 years	102 933	55 064
Expiring in 5 to 9 years	80 375	130 754
Available without limitation	311 955	348 346
Total loss carry-forwards	504 221	542 512
Calculated potential tax assets thereof	126 068	135 291

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.

Redistribution between the ranges concerns creditable tax loss carry-forwards in Switzerland of CHF 47.9 million.

# 11 Earnings per share

		2015	2014
Net result	CHF 1000	(61 787)	(10 833)
Weighted average number of shares	number	8 469 172	8 404 521
Adjustment for potentially dilutive share options	number	-	-
Weighted average number of shares for diluted earnings per share	number	8 469 172	8 404 521
Basic earnings per share	CHF	(7.30)	(1.29)
Diluted earnings per share	CHF	(7.30)	(1.29)

# 12 Trade receivables

CHF 1000	31.12.2015	31.12.2014
Trade account receivables:		
- Credit card sales	2 722	2 481
- Sales e-commerce	405	645
- Other trade account receivables	1 493	2 135
Total trade account receivables, gross	4 620	5 261
Value adjustments	(369)	(792)
Total trade account receivables, net	4 251	4 469

# 13 Other current assets

CHF 1000	31.12.2015	31.12.2014
Tax refunds (value-added tax)	802	772
Income taxes	888	35
Reclaimable withholding taxes	2	8
Other receivables	1 819	1 797
Advance payments	1 812	710
Deposits/guarantee	4 369	4 697
Total other short time receivables	9 692	8 019

# 14 Inventories

CHF 1000	31.12.2015	31.12.2014
Current inventory, gross	81 469	103 190
Inventory valuation allowance	(14 656)	
Current inventory (current and previous seasons), net	66 813	83 768
Upcoming season	49 478	56 195
Heating oil	250	372
Total	116 541	140 335

# 14.1 Inventory valuation allowance

CHF 1000	2015	2014
Balance at 1 January	(19 422)	(22 033)
Release of value adjustments affecting cost of goods, net	3 331	2 307
Effect of exchange rates	1 435	304
Balance at 31 December	(14 656)	(19 422)

The release of systematic value adjustments amounting to CHF 3.3 million over the course of 2015 (previous year: release of CHF 2.3 million) was due mainly to a focus on the most upto-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.

# 16 Property, plant and equipment

# 16.1 Changes in value

CHF 1 000	Land 1)	Buildings	Equipment	Total
Financial year 2015				
Net book amount at 1 January 2015	43 246	75 424	96 324	214 994
Acquisition cost at 1 January 2015	52 645	195 548	445 831	694 024
Additions	-	256	41 936	42 192
Disposals	-	-	(90 844)	(90 844)
Reclassification	(32 966)	32 966	=	=
Effect of exchange rates	(462)	(4 375)	(25 076)	(29 913)
Balance at 31 December 2015	19 217	224 395	371 847	615 459
Accumulated depreciation at 1 January 2015	(9 399)	(120 124)	(349 507)	(479 030)
Depreciation	-	(4 661)	(28 692)	(33 353)
Impairment	-	-	(1 094)	(1 094)
Disposals	-	-	85 446	85 446
Effect of exchange rates	-	2 737	20 784	23 521
Balance at 31 December 2015	(9 399)	(122 048)	(273 063)	(404 510)
Net book amount at 31 December 2015	9 818	102 347	98 784	210 949
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)
Reclassification	_	_	_	_
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
***************************************				

 $<sup>^{\</sup>rm 1)}$  Thereof unbuilt TCHF 15 029/residual book value TCHF 5 630 (current as previous year).

The impairment of around 1.1 million made in the current financial year is mainly due to stores that are being renovated or closed in the next year.

The impairment of around CHF 2.9 million in the previous year referred mainly to stores closed within the actual financial year.

Land and buildings were encumbered with mortgage notes worth CHF 206.3 million as security for Group funding (see note 23) as at 31 December 2015 (previous year: CHF 156.2 million).

# 16.2 Finance lease

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

CHF 1000	Land	Buildings	Total
Acquisition cost	3 576	28 288	31 864
Accumulated depreciation	_	(15 263)	(15 263)
Balance at 31 December 2015	3 576	13 025	16 601
Additions 2015	-	-	-
Reclassification	-	-	-
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	-	-	-

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 1000	31.12.2015	31.12.2014
Investments	115	115
Total financial assets	115	115

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

#### Intangible assets 18

# 18.1 Changes intangible assets

		Other intangible	
CHF 1000	Software	assets	Total
Financial year 2015			
Net book amount at 1 January 2015	4 797	-	4 797
Acquisition cost at 1 January 2015	27 576	1 492	29 068
Additions	2 951	-	2 951
Disposals	(828)	-	(828)
Effect of exchange rates	(8)	-	(8)
Balance at 31 December 2015	29 691	1 492	31 183
Accumulated depreciation at 1 January 2015	(22 779)	(1 492)	(24 271)
Depreciation	(2 376)	-	(2 376)
Additions	_	-	_
Disposals	828	-	828
Effect of exchange rates	8	-	8
Balance at 31 December 2015	(24 319)	(1 492)	(25 811)
Net book amount at 31 December 2015	5 372	-	5 372
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	_		_
Effect of exchange rates	=	_	_
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	_	_	_
Effect of exchange rates	_	_	-
Balance at 31 December 2014	(22 779)	(1 492)	(24 271)
Net book amount at 31 December 2014	4 797	_	4 797

# 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 liabilities

CHF 1000	31.12.2015	31.12.2014
Sales tax	11 882	13 445
Vouchers <sup>1)</sup>	11 644	12 348
Income tax liabilities	3 726	4 372
Derivative financial instruments	-	144
Total	27 252	30 309

<sup>&</sup>lt;sup>1)</sup> This heading comprises the classical gift vouchers. Not included are vouchers out of the customer loyalty programme, see note 20.

# 20 Accruals

CHF 1000	31.12.2015	31.12.2014
Accruals: - Personnel expenses	9 314	13 138
– Rental expenses	3 049	3 840
- Vouchers out of the customer loyalty programme	6 171	7 654
– Other accruals	11 898	9 443
Total	30 432	34 075

# 21 Finance lease liabilities

	Residual term	Residual term	Residual term	
CHF 1000	<1 year	1-5 years	> 5 years	Total
Lease commitments, gross	1 710	5 837	-	7 547
Discounted	(229)	(297)	-	(526)
Balance at 31 December 2015	1 481	5 540	-	7 021
Lease commitments, gross	1 861	8 424		10 285
Discounted	(297)	(626)	_	(923)
Balance at 31 December 2014	1 564	7 798	_	9 362
CHF 1000			31.12.2015	31.12.2014
Disclosure: - Short-term financial liabilities (due <1 year)			1 481	1 564
- Lease liabilities		•	5 540	7 798
Total			7 021	9 362

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

#### 22 Provisions

CHF 1000	Deferred income tax liabilities	Pension-liabilities 1)	Provision for indemnity	Other provisions	Total
Book amount at 1 January 2015	18 711	818	10 000	580	30 109
Addition	1 051	-	1 438	11	2 500
Utilization	-	-	(642)	(80)	(722)
Decrease	(952)	(64)	(488)	(10)	(1 514)
Effect of exchange rates	=	(82)	(979)	(51)	(1 112)
Book amount at 31 December 2015	18 810	672	9 329	450	29 261
thereof short-term	_	71	1 400	439	1 910
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

 $<sup>^{1)}</sup>$  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: 2.5%).

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 2015 had an average interest rate of 2.8% (previous year: 3.0%).

In April 2016 (see note 31) the expiring syndicated credit agreement with a maximum credit facility of CHF 245 million has been prolonged. The term expires in June 2018. The interest rate is based on LIBOR plus a margin of between 100 and 450 basis points depending on key financial ratios.

The credit line totalling CHF 180 million drawn on 31 December 2015 (minus financing costs of CHF 0.7 million, leaving CHF 179.3 million) is reported under long-term liabilities. The credit line totalling CHF 165 million drawn in the previous year (minus financing costs of CHF 0.3 million, leaving CHF 164.7 million) was also reported under long-term liabilities.

# 24 Share capital

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

The Board of Directors is authorized to increase the Company's share capital by a maximum of CHF 792000, excluding shareholders' subscription rights, through the issue of 264000 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 5280 000, representing a maximum of 1760 000 bearer shares with a par value of CHF 3.00 each, to be fully paid in (conditional capital, art. 5<sup>bis</sup> 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 2015, treasury shares comprise 286 458 shares (previous year: 311727) 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 2.11 "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 2014 and 2015 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. 2015	Number of granted options	Number of expired options	Number of exercised options	Number of outstanding options at 31 Dec. 2015	Exercise price in CHF	Duration until	Vesting period until
2015	-		-	_	-	-	-	_
2014	-		-	-		_		_
2013	-		-	-		_		_
2012	78 865	=	(241)	=	78 624	15.85	2017	2015
2011	81 341	=	-	=	81 341	33.90	2016	2014
2010	95 802	=	(95 802)	=	=	42.85	2015	2013
Total	256 008	-	(96 043)	_	159 965			

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:

	2015 Weighted average exercise price in CHF	2015 Number of options	2014 Weighted average exercise price in CHF	2014 Number of options
Balance at 1 January	31.69	256 008	33.89	360 572
Granted options	-	-	=	-
Expired options	39.30	(96 043)	39.29	(104 564)
Exercised options	-	-	=	-
Balance at 31 December	25.03	159 965	31.69	256 008
Exercisable at 31 December	25.03	159 965	38.74	177 143

In the 2015 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 159 965 options outstanding on 31 December 2015 was 14 months (previous year: 256 008 options and 19 months). Exercise prices ranged between CHF 15.85 and CHF 33.90 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	snare 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

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 0.1 million (previous year: CHF 0.2 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 2015 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 0.2 million of personnel expenses (previous year: CHF 0.6 million).

# 27 Contingent liabilities

# 27.1 Outstanding merchandise orders and letters of credit

As of 31 December 2015, future commitments resulting from merchandise orders not yet included in the balance sheet amounted to CHF 67.0 million (previous year: CHF 100.9 million). As of 31 December 2015, letters of credit not included in the balance sheet amounted to CHF 9.9 million (previous year: CHF 20.6 million), guarantees not included in the balance sheet to CHF 10.2 million (previous year: CHF 8.1 million).

#### 28 Forward foreign exchange contracts

# 28.1 Derivative financial instruments (hedging balance sheet positions)

There were no open derivative financial instruments as at 31 December 2015. The currency swaps open on 31 December 2014 were undertaken to cover operational risks associated with exchange rate and market price fluctuations. These are valued at present value at year end.

<b>31.12.2015</b> CHF 1 000	Positive fair value	Negative fair value	Contract value	Scope
Currency swap: - EUR amounts	-	-	-	
– HUF amounts	_	-	_	
Total			_	
31.12.2014 CHF 1000	Positive fair value	Negative fair value	Contract value	Scope
Currency swap: - EUR amounts	_	12	24 050	Hedging
		12	24 000	ricaging
– HUF amounts	9	141	16 082	Hedging

# 28.2 Derivative financial instruments (cash flow hedging)

The following table shows open derivative financial instruments as at 31 December 2015. The 17 open positions (previous year: 32) 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.

<b>31.12.2015</b> CHF 1 000	Positive fair value	Negative fair value	Contract value	Scope
Currency forward: - USD/CHF amounts	1 064	345	84 337	Hedging
– USD/EUR amounts	-	74	4 961	Hedging
Total			89 298	
31.12.2014 CHF 1 000	Positive fair value	Negative fair value	Contract value	Scope
Currency forward: - USD/EUR amounts	12 990	_	158 304	Hedging
Total			158 304	

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#### **Rental commitments** 29

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

CHF 1000	31.12.2015	31.12.2014
Maturity <1 year	126 718	136 656
Maturity 1 to 5 years	289 020	289 175
Maturity > 5 years	82 486	72 807
Total	498 224	498 638

# 30 Related party transactions

Besides the emoluments (see remuneration report) no additional fees were paid out to the Board of Directors as consultancy fees (previous year: TCHF 19).

# 31 Post balance sheet events

These annual consolidated financial statements take account of events occurring after the balance sheet date and before 20 April 2016. The following events took place after the balance sheet date:

The term of the syndicated credit agreement, which ran until end of April 2016 was prolonged and runs now until end of June 2018 (see note 23).

The Board of Directors approved these consolidated financial statements on 20 April 2016.

# Structure of Charles Vögele Group as of 31 December 2015

Company		ISO Code	Share/partnership capital
Freienb	s Vögele Holding AG pach SZ, CH		
Holding		CHF	26 400 000
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%	<b>Charles Vögele Import GmbH</b> 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 <sup>1)</sup> Freienbach SZ, CH Sales organization/Central services	CHF	20 000 000
100%	<b>Charles Vögele Deutschland GmbH</b> Sigmaringen, DE		
4000/	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	FUR	10 063 906
100%	Charles Vögele (Austria) GmbH Kalsdorf, AT	LUN	10 003 900
	Sales organization	EUR	1 453 457
100%	Charles Voegele trgovina s tekstilom d.o.o. Ljubljana, SI Sales organization	EUR	667 668
100%	Charles Vögele Hungária Kereskedelmi Kft. Budapest, HU	LUN	007 000
	Sales organization	HUF	240 000 000

Changes in the scope of consolidation, see note 2.3  $^{\circ}$  Charles Vögele Trading AG was absorbed by Charles Vögele Mode AG as at 1 July 2015.

Zurich, 20 April 2016

# 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 35), for the year ended 31 December 2015.

# 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 2015 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

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# From 1 January to 31 December

# **INCOME STATEMENT HOLDING**

CHF 1 000	Note	2015	2014
Income from investments	2.5	137 527	1 910
Financial income	2.1	6 774	8 380
Total income		144 301	10 290
Amortization investments and financial assets	2.5	(237 884)	
Personnel expenses		(624)	(664)
Other operating expenses		(3 248)	(2 721)
Financial expenses	2.1	(1 790)	(897)
Exchange differences, net	2.2	(14 917)	(4 708)
Total expenses		(258 463)	(8 990)
Result before income tax		(114 162)	1 300
Direct tax expenses		(13)	(13)
Net result of the year		(114 175)	1 287

# At 31 December

# **BALANCE SHEET HOLDING**

CHF 1000	Note	31.12.2015	31.12.2014
Assets			
Current assets			
Cash and cash equivalents		19 187	25 267
Other short-term receivables	2.3	42 713	46 591
Prepaid expenses		78	2
Total current assets		61 978	71 860
Long-term assets			
Financial assets	2.4	2 585	149 789
Investments	2.5	177 548	283 648
Total long-term assets		180 133	433 437
Total assets		242 111	505 297
Liabilities and shareholders' equity			
Short-term liabilities			
Short-term interest-bearing liabilities	2.6	125 506	274 717
Other short-term liabilities	2.7	47	70
Short-term tax provisions		-	1
Accrued liabilities		424	200
Total short-term liabilities		125 977	274 988
Shareholders' equity			
Share capital	2.8	26 400	26 400
Legal capital reserves:			
- Reserves from capital contribution	2.9	173 789	173 789
Statutory retained earnings:	0.40	7.000	7.000
- Reserves for treasury shares	2.10	7 299	7 608
Voluntary retained earnings		11 259	11 259
Retained earnings:  - Retained earnings at 1 January		11 253	6 788
– Decrease of reserve for treasury shares		309	3 178
– Net result of the year		(114 175)	1 287
Total shareholders' equity		116 134	230 309
Total liabilities and shareholders' equity		242 111	505 297

#### NOTES TO THE FINANCIAL STATEMENTS HOLDING

# 1 General principles

# 1.1 In General

Charles Vögele Holding AG is based in Freienbach SZ 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.

# 1.2 First-time application of new accounting law

The 2015 annual financial statements were prepared for the first time in accordance with the new provisions of the Swiss Accounting Law (Code of Obligations, Title 32). To facilitate comparisons, the prior year's balance sheet and income statements have been adjusted to the new classification rules.

In accordance with the legal requirements the company decided to waive the cash flow statement, management report as well as additional information in the notes as the company prepares consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER).

#### 1.3 Financial investments

Financial investments include loans to participations. Foreign currency loans granted are valued at the exchange rate on the reporting date. Revaluations cannot take the value higher than acquisition costs.

# 1.4 Other short-term claims/short-term interest-bearing liabilities

Other short-term claims and liabilities comprise cash-pooling claims on and debts to participations. These are valued at nominal values and bear interest at market rates. Cash-pooling claims and debts in foreign currencies are valued using the exchange rate on the reporting date; any foreign currency differences are charged through the income statement.

### 2 Details concerning balance sheet and income statement items

### 2.1 Other financial income and expenses

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

### 2.2 Exchange rate influence, net

The exchange rate loss is due mainly to loans denominated in EUR in the amount of CHF 14.6 million (previous year: 3.0 million) and in HUF in the amount of CHF 0.3 Mio. (previous year: CHF 1.5 million).

### 2.3 Other short-term receivables

CHF 1000	31.12.2015	31.12.2014
Receivables from third parties	108	49
Cash-pool receivables from subsidiaries	42 605	46 542
Total other short-term receivables	42 713	46 591

### 2.4 Financial assets

CHF 1000	31.12.2015	31.12.2014
Loans to subsidiaries	2 585	149 789
Total financial assets	2 585	149 789

Loans to Group companies serve to finance various subsidiaries and are value-adjusted if necessary.

### 2.5 Investments

The complete structure of the Charles Vögele Group's long-term investments can be found in note 32 of the notes to the consolidated financial statements.

The income from investments results from the fact that Charles Vögele Mode AG waived receivables out of the cash-pooling system in the amount of CHF 137.5 million.

In the previous year the 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.

The position "Amortization investments and financial assets" consists out of impairments of investments in the amount of CHF 105.6 million as well as of loans in the amount of CHF 132.3 million.

# 2.6 Short-term interest-bearing liabilities

CHF 1 000	31.12.2015	31.12.2014
Cash-pool payables to subsidiaries	125 506	274 717
Total short-term interest-bearing liabilities	125 506	274 717

### 2.7 Other short-term liabilities

CHF 1000	31.12.2015	31.12.2014
Payables to third parties	47	70
Total other short-term payables	47	70

### 2.8 Equity

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

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).

## 2.9 Reserves from capital contribution

The shown reserves from capital contribution in the amount of CHF 173.8 million include CHF 2.9 million not accepted by the Swiss tax department (ESTV).

# 2.10 Reserves for treasury shares

For the holdings of treasury shares in the Charles Vögele Group as of 31 December 2015, a reserve was formed in Charles Vögele Holding AG to the amount of the purchase value of CHF 7.3 million (previous year: CHF 7.6 million).

# 2.11 Movement in treasury shares

		Price in CHF	Number of shares 1)
Treasury shares at 1 January 2014			363 655
Granting of employee shares	Q1 2014	10.34	(12 133)
Granting of bonus shares	Q2 2014	15.85	(15 000)
Granting of bonus shares	Q3 2014	18.50	(24 276)
Disposal of treasury shares	Q4 2014	14.57	(519)
Treasury shares at 31 December 2014			311 727
Granting of employee shares	Q1 2015	12.51	(10 028)
Disposal of treasury shares	Q1 2015	12.79	(241)
Granting of bonus shares	Q2 2015	12.10	(15 000)
Treasury shares at 31 December 2015			286 458

 $<sup>^{\</sup>rm 1)}\,$  All of the transactions were executed by Charles Vögele Mode AG.

# 3 Further disclosures

# 3.1 Full-time equivalents

There are no employees within the Charles Vögele Holding AG.

# 3.2 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: https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html

Shareholders	Share of capital as of 31.12.2015 <sup>1)</sup>	Share of capital as of 31.12.2014 1)
Migros-Genossenschafts-Bund, Zurich, Switzerland	11.12%	19.70%
Teleios Global Opportunities Master Fund Ltd.	15.02%	< 3 %
UBS Group AG	3.20%	5.81%
Dimensional Fund Advisors LP	3.00%	3.00%

<sup>&</sup>lt;sup>1)</sup> According to information submitted by shareholders to the Company until the specified date.

## 3.3 Contingent liabilities

CHF 1000	31.12.2015	31.12.2014
Rental and other guarantees to third parties	9 011	10 872
Guarantees to financing banks for: - syndicated Group financing	250 000	250 000
– bilateral credit lines	54 528	58 176

As at 31 December 2015, CHF 180 million of the guarantees for syndicated Group funding had been used (previous year: CHF 165 million). As at 31 December 2015, CHF 25.7 million of the bilateral credit lines had been used (previous year: CHF 33.4 million).

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

## 3.4 Pledged assets

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

#### 3.5 **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 2015	Max E. Katz Chairman	Meinrad Fleischmann <sup>1)</sup> Vice Chairman	Matthias Freise Member	Ulla Ertelt Member	Remo Masala <sup>1)</sup> Member	Hans Ziegler <sup>1)</sup> Member	Total Board of Directors
Number of shares	11 000	2 284	2 000	2 000	-	-	17 284
In percentage of share capital	0.13%	0.03%	0.02%	0.02%	-	_	0.20%
Number of management options	5 000	-	5 000	5 000	-	13 600	28 600
In percentage of share capital	0.06%	-	0.06%	0.06%	-	0.15%	0.33%

<sup>&</sup>lt;sup>1)</sup> Concerning the changes in the Board of Directors during the financial year 2015 see notes in the Corporate Governance report.

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

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

Balance, at 31 December 2015	Markus Voegeli CEO/CFO	Beatrice Grünwald CPO	Matthias Wunderlin <sup>1)</sup> CSO	Total Top Management
Number of shares	42 100	8 760	2 000	52 860
In percentage of share capital	0.48%	0.10%	0.02%	0.60%
Number of management options	20 050	-	=	20 050
In percentage of share capital	0.23%	-	_	0.23%

 $<sup>^{9}</sup>$  Concerning the changes in the Group Management during the financial year 2015 see notes in the Corporate Governance report.

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%

# 3.6 Post balance sheet events

There were no post balance sheet events that had a material impact on the financial statements.

Zurich, 20 April 2016

# 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 accompanying financial statements of Charles Vögele Holding AG, which comprise the income statement, balance sheet and notes (pages 40 to 46), for the year ended 31 December 2015.

# 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 2015 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 recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

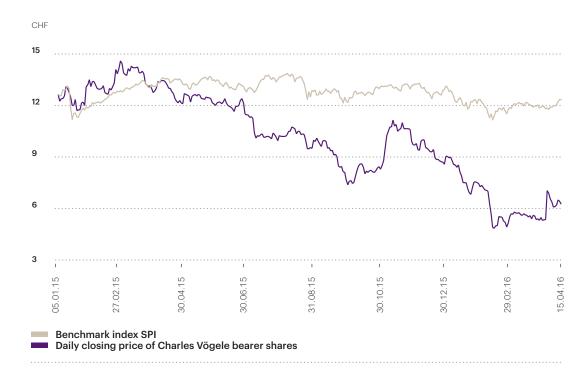
Hanspeter Gerber Audit expert Auditor in charge

Pascal Wintermantel Audit expert

# **SHARE INFORMATION**

# **Share performance**

Price performance of Charles Vögele Holding AG bearer shares from 1 January 2015 to 15 April 2016



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**

		31.12.2015	31.12.2014
Bearer shares	number	8 800 000	8 800 000
Par value	CHF	3.00	3.00
Share price as per closing date	CHF	9.03	12.60
Share price:			
- year high	CHF	15.10	18.90
- year low	CHF	7.10	10.25
Average trading volume per day	number	31 214	42 816
Free float 1)	%	74	80
Basic earnings per share	CHF	(7.30)	(1.29)
P/E ratio	factor	(1.24)	(9.77)
EV/EBITDA	factor	(24.5)	4.6
Stock capitalization	CHF mil.	79	111
Book value per share	CHF	10	18

<sup>&</sup>lt;sup>1)</sup> According to free-float declaration SIX.

# **FINANCIAL CALENDAR**

18 May 2016 General Meeting of Shareholders Business year results 2015

24 August 2016 Media and Analyst Conference Half-year results 2016

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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