

## **Report of the Management Board and of the Supervisory Board**

of

Wolford Aktiengesellschaft

**FN 68605 s**

Wolford Aktiengesellschaft is headquartered in Bregenz. Its business address is Wolfordstraße 1, A-6900 Bregenz (the "**Company**"). The Company currently owns 100,000 shares of its own stock. These treasury shares were acquired on the basis of the resolution passed at the Annual General Meeting of the Company held on September 6, 1999. The resolution passed by the Annual General Meeting resolved to allow the purchasing of treasury shares and, as well, their issuance, with the latter according to the stock options plan resolved upon at the respective Annual General Meeting, and to be during a period of time to begin two years subsequent to the day of the passing of the resolution, and concluding five years subsequent to that day. The Annual General Meeting's authorizations enabled the repeated extension of the term of disposal of the 100,000 treasury shares acquired in accordance with the resolution passed by the Annual General Meeting held on September 6, 1999. The last time that this occurred was through the resolution passed by the Annual General Meeting of September 18, 2014. This set the term of sale of treasury shares to be until September 6, 2017.

The Supervisory Board and the Management Board of the Company now intend to use or to sell the up to 100,000 treasury shares acquired in accordance with the resolution passed by the Annual General Meeting held on September 6, 1999 in ways other than via securities exchanges or via the making of a public offer. These ways are to form part of (i) a Long Term Incentive Program (**Reporting point I**) to be set up by the Supervisory Board and (ii) a program for employee participation also encompassing members of the Management Board and senior employees (**Reporting point II**) to be set up in the future by the Management Board and to be approved by the Supervisory Board, which is manage this.

§ 65 Paragraph 1b AktG (Austrian Stock Corporation Act) stipulates that the passing of a resolution by the Annual General Meeting is as a rule requisite whenever a company resells its shares in ways other than via exchanges or via the staging of a public offer. Applicable in such cases are the rules on the exclusion of rights of procurement laid down in § 153 Paragraph 3 and 4 AktG, as well as those on the exclusion of rights of procurement in cases of authorized capital contained in §§ 169 ff AktG. Sentence 4 leg cit does, however, stipulates that such an Annual General Meeting resolution is precisely

not required whenever the treasury shares are being issued to satisfy the stock options held by the group of persons cited in Paragraph 1 Z 4 leg cit (employees, senior employees and members of the Management Board or the Supervisory Board). Conventional wisdom does assume - notwithstanding the non-explicit mentioning of such in § 65 Paragraph 1b AktG - that this also applies to the straightforward issuance of shares.

The applicable legal codes therefore do not require the passing of a resolution by the Annual General Meeting in order to authorize employee and profits participation programs, with these encompassing stock options programs and *stock appreciation rights*. Taking into account the resolution passed by the Annual General Meeting held on September 6, 1999, the members of the Management Board and of the Supervisory Board plan, however, on securing the authorization by the Annual General Meeting of the issuance or reselling of treasury shares of the Company. This will form part of the *Long Term Incentive Program* set up by the Supervisory Board for members of the Management Board, and of other employee and profits participation programs to be set up in the years to come.

In accordance with § 65 Paragraph 1b AktG and § 95 Paragraph 6 AktG, and with § 159 Paragraph 2 Z 3 AktG, the members of the Management Board and of the Supervisory Board of Wolford Aktiengesellschaft are thus issuing the following report.

## I.

### **Report of the Supervisory Board on the intended sale of the treasury shares of the Company in ways other than via stock exchanges or the making of a public offering, and forming part of a *Long Term Incentive Program***

A long-term bonus was established on December 9, 2014 and on April 21, 2015 by the Supervisory Board of Wolford Aktiengesellschaft (the "**Company**"). The bonus takes the form of a *Long Term Incentive Program* for the current members of the Management Board of the Company - Mr. Axel Dreher and Mr. Ashish Sensarma - for the following financial years of 2015/2016, 2016/2017 and 2017/2018.

In accordance with § 95 Abs 6 AktG and with 159 Paragraph 2 Z 3 AktG, the Supervisory Board thus renders the following report:

**1. Principles and incentives for performance of the Long Term Incentive Program**

1.1 The Company grants the Management Board a long-term bonus (*Long Term Incentive program*, hereafter "**LTI**") for the financial years of 2015/2016, 2016/2017 and 2017/2018. This takes the form of a plan for *Stock Appreciation Rights*. The long-term bonus is intended to provide the members of the Management Board with a further incentive to continue to contribute to the success of the Company and of affiliated corporations. This incentive transforms these persons into (future) shareholders and co-owners of the Company capable of partaking of its successes. This agreement does not grant any such LTI for subsequent financial years. No member of the Management Board has any claim for such a LTI, or for a long-term bonus taking another form.

1.2 The LTI's objective is to link the overall recompense of the beneficiaries – Management Board members – to the results of the Company and thus to the development of the Company's stock. This link will enable the beneficiary members of the Management Board to participate in a results-dependent way in the successes achieved by the Company. This recompense is in addition to the remuneration stemming from the managers' relationships of employment. The LTI is to further increase and cement the beneficiary members of the Management Board's identification with the corporations of the Company. This will be by elevating the members into the position of being co-owners. The members of the Management Board are to thus more strongly orient themselves to the objectives of the Company's shareholders by enabling the former to participate in the success achieved.

**2. Number and distribution of SAR already granted and to be granted; terms of such**

2.1 The members of the Management Board are to be granted as of April 30, 2015 the following numbers of *Stock Appreciation Rights* (hereafter referred to as "**SAR**"): 80,000 (eighty thousand) for Mr. Axel Dreher, and 133,333 (one hundred thirty three thousand three hundred and thirty three) for Mr. Ashish Sensarma.

2.2 The SAR are rights to participate in rises in stock quotes. They are based on the actual quotes of Woford's stock. The SAR plan does not involve the granting of shares themselves.

- 2.3 The basic price (*strike price*) of the SAR is to be determined on April 30, 2015 (date of allocation). It corresponds to the average closing quote of the Company's stock on the Vienna Stock Exchange during the last twelve months of the calendar year preceding the date of allocation. The stock's quote is the closing quote on the Xetra platform.
- 2.4 Comprised in the LTI are to be Mr. Axel Dreher and Mr. Ashish Sensarma, as they are the sole members of the Management Board of the Company.
- 2.5 The term of retention until the exercising of the SAR extends from September 30, 2015 to April 30, 2018.

### **3. Conditions of exercising of the options**

#### **a. Conditions of participation and of provision**

- 3.0 The individual members of the Management Board are required to make investments in order to participate in the LTI. The requisite proprietary investment to be made by Mr. Axel Dreher corresponds to shares of the Company whose value comes as of April 30, 2015 to at least €100,000.00 (EURO one hundred thousand). The requisite proprietary investment to be made by Mr. Ashish Sensarma corresponds to shares of the Company whose value comes as of April 30, 2015 to at least €150,000.00 (EURO one hundred fifty thousand).
- 3.1 The proprietary investments are to have been made – on a one-time basis - by September 30, 2015. These are to take the following forms. Mr. Axel Dreher is make a payment of €100,000.00 (EURO one hundred thousand) and Mr. Ashish Sensarma a payment of €150,000.00 (EURO one hundred fifty thousand) by no later than September 30, 2015. These payments are to be made to an escrow account opened by the Company, or to a sub-account. The payees are to instruct the Company to use the respective amount, upon the granting of the requisite authorizations by the Annual General Meeting of the Company for the purchasing of the treasury shares currently held by the Company at the conditions established below. Upon the receipt of the appropriate authorization from the Annual General Meeting for the use of the amount for the purchasing for the respective member of the Management Board of the treasury shares of the company, this purchase is then to be carried out.

- 3.2 The respective member of the Management Board is required to maintain his proprietary investment – taking the form of the shares purchased (in the case of Mr. Axel Dreher, these shares number 4,744 [four thousand seven hundred and forty four]; in the case of Mr. Ashish Sensarma, these shares number 7,116 [seven thousand one hundred and sixteen]) – until the actual exercising of the SAR.
- 3.3 The benefit arising from the SAR and the increase in value of key import are calculated using the difference between the average closing quote of the stock of Wolford Aktiengesellschaft on the Vienna Stock Exchange during the last twelve calendar months preceding the actual date of exercising and the basic price set in Point 2.3. This is then multiplied by the percentage established in accordance with Point 3.10. This formula yields the following benefit and increase in value for the members of the Management Board:

For Mr. Axel Dreher:

$$\textit{Benefit from the SAR} = 80,000 \textit{ shares} \times (\textit{average closing quote} - \textit{basic price according to Point 2.3}) \times \textit{percentage according to Point 3.10}$$

For Mr. Ashish Sensarma:

$$\textit{Benefit from the SAR} = 133,333 \textit{ shares} \times (\textit{average closing quote} - \textit{basic price according to Point 2.3}) \times \textit{percentage according to Point 3.10}$$

- 3.4 The advantage arising from the exercising of the SAR has been limited to the following gross amounts: for Mr. Axel Dreher, to at most €1.2 million (EURO one million two hundred thousand); for Mr. Ashish Sensarma, to at most €2 million (EURO two million). This also applies in cases in which the calculations made in accordance with Point 3.3 should lead to a greater amount of allocation.

b. Price of exercising

- 3.5 The purchase of the shares by the respective member of the Management Board, in accordance with Point 3.1, is to be at the price of €21.08 (EURO twenty one and eight cents) per share (this corresponds to the average quote of the stock during the period from December 10, 2014 – April 30, 2015). This takes the form of the Company's appropriating the amounts deposited in the escrow account of €100,000.00 (EURO one hundred thousand) and of €150,000.00 (EURO one hundred and fifty thousand), and, on a step-by-step basis, taking the shares purchased through it and consigning them to the securities account named by the

respective Management Board member. Mr. Axel Dreher is to receive, upon this purchasing, from the Company 4,744 (four thousand seven hundred and forty four) shares; and Mr. Ashish Sensarma, upon this purchasing, 7,116 (seven thousand one hundred and sixteen) shares.

c. Term of retention and window of exercising

3.6 The term of retention until the permissible exercising of the SAR extends from September 30, 2015 to April 30, 2018. The SAR are allowed to be exercised therefore starting on May 1, 2018.

d. General stipulations

3.7 The declaration of exercising of the members of the Management Board is to be rendered in writing and sent to the chairman of the presidency of the Supervisory Board of the Company. Non-exercised SAR completely lapse upon expiry of April 30, 2019.

3.8 Should the proprietary investment in the above form not have been made by June 30, 2015, or should – with this applying to the number of shares – not have been thoroughly maintained until the point of actual exercising, the SAR completely lapse. Should the value of the shares held as the proprietary investment amount to as of September 30, 2015 at least €100,000.00 (EURO one hundred thousand) or €150,000.00 (EURO one hundred and fifty thousand), and should the value then decline, and with this being due to the development of the stock's quote and not to a partial selling of the shares, the amount below the floor of the minimum amount of €100,000.00 (EURO one hundred thousand) or €150,000.00 (EURO one hundred and fifty thousand) does not apply to the claim. The SAR are rights held by an individual person. They cannot be sold, pledged, assigned or traded on public markets.

3.9 In cases in which the average EBT ratio defined in accordance with the contract of employment of the respective member of the Management Board, and incorporating, however, the deduction of any bonus (*Short Term Incentive*, hereafter "**STI**") granted for the individual financial years, come to less than 5% during the financial years of 2015/2016, 2016/2017 and 2017/2018, or in which the net revenues from sales – based on the consolidated financial accounts of the Company calculated in accordance with the IFRS – amount to less than €150 million (EURO one hundred and fifty million) in one of the following financial years - 2015/2016, 2016/2017 and 2017/2018, the SAR completely lapse.

- 3.10 In cases in which the average EBT ratio defined in accordance with the contract of employment of the respective member of the Management Board, and incorporation, however, the deduction of any STI granted for the individual financial years, amount to at least 5% during the financial years of 2015/2016, 2016/2017 and 2017/2018, and in which the net revenues from sales– based on the consolidated financial accounts of the Company calculated in accordance with the IFRS – amount to at least €150 million (EURO one hundred and fifty million) in each one of the following financial years - 2015/2016, 2016/2017 and 2017/2018, the EBT ratio – calculated in accordance with the conditions set in the contract of employment of the respective member of the Management Board, with this to include the deduction of any STI granted for the individual financial year - is the key indicator determining how many of the SAR can be actually exercised subsequent to the expiry of the term of retention established in Point 3.6:
- In cases in which the average EBT ratio for financial years 2015/2016, 2016/2017 and 2017/2018 amounts to at least 5% but less than 6%, 75% of the SAR allocated can be actually granted.
  - In cases in which the average EBT ratio for financial years 2015/2016, 2016/2017 and 2017/2018 amount to at least 6% but less than 7%, 85% of the SAR allocated can be actually granted.
  - In cases in which the average EBT ratio for financial years 2015/2016, 2016/2017 and 2017/2018 amount to at least 7%, 100% of the SAR allocated can be actually granted.
- 3.11 To prevent any misuse of insider or compliance-relevant information, the exercising of the SAR immediately prior to the issuing of information of relevance to the Company's quote to the general public (with this especially involving quarterly reports, conferences on the Company's balance sheet, Annual General Meetings etc) is not permissible ("*black out periods*"). In a further consideration, the respective member of the Management Board also has to observe during the term of exercising of the SAR and/or during each transaction involving shares all of the limitations arising from the generally-applicable legal rules (with this especially including regulations applying to securities exchanges and other capital markets, with this encompassing those on insider trading).
- 3.12 Should the relationship of employment of the individual member of the Management Board change in a way other than the expiry of the term of limitation

of the contract of employment of the respective member of the Management Board, all SAR lapse, without replacement, upon the termination of the relationship of employment. This is regardless of the nature of the termination – with, however, the exceptions of the termination's involving a termination or firing not justified by the contract of employment of the respective member, or the justified ahead-of-schedule departure of the member of the Management Board.

- 3.13 In cases in which the financial year is rescheduled during the term of the LTI, an agreement of replacement will be immediately reached. This will correspond to the intention of the LTI. In cases in which a restatement of the annual financial accounts causes an ex post facto alteration of the key indicators of significance to the system (with this especially applying to the EBT ratio), a reverse transaction is to take place. In cases in which the member of the Management Board wishes to exercise his SAR under the new conditions, this is to be performed on the basis of the altered figures.

#### **4. Repurchasing of treasury shares**

The satisfying of the stock options is to be undertaken through treasury shares. In order to perform the granting of the SAR, the Supervisory Board plans – taking into account the resolution passed by the Annual General Meeting held on September 6, 1999 and involving the authorization of the Annual General Meeting of the purchasing of up to 100,000 shares of treasury stock for purposes of issuing them to members of the Management Board and of the Supervisory Board and to certain senior employees of the Company and of affiliated companies; and involving the issuance of the shares in accordance with the stock option plan resolved upon by the respective Annual General Meeting – to secure the authorization from Annual General Meeting of the sale of treasury shares intended, in accordance with § 65 Paragraph 1 Z 4 AktG and Paragraph 1b AktG.

## **II.**

### **Report of the Management Board and of the Supervisory Board on the sale of the Company's treasury shares planned and to be undertaken in a way other than via securities exchanges or via a public offer, with this to form part of a program of employee participation**

1. The Management Board and the Supervisory Board of the Company intend, with this not forming part of the Long Term Incentive Program already established for the current members of the Management Board, to launch in the future employee

and profits participation programs for members of the Management Board and for other corporate leaders (with this especially including senior employees).

2. Entitled to participate in the employee participation program, with this including stock options plans and the straightforward issuance of shares, are the respective members of the Management Board and certain other managers of the Company, but not members of the Supervisory Board of the Company.
3. The creation of the employee participation program and of stock options programs and the straightforward issuance of shares have been undertaken to yield incentives for plan participants to continue to contribute to the success of the Company and of affiliated corporations, and to enable these parties to partake of corporate success. The introduction of the employee participation program augments their identification with the corporations of the Company. Such programs transform employees and managers to into co-owners.
4. The concrete stipulations of the future's employee participation program open to the members of the Management Board and to other corporate leaders (with this especially including senior employees) are to be established for members of the Management Board of the Company by the Supervisory Board, and for other employees of the Company (with this especially including senior employees) by the Management Board, which has to secure the approval of the Supervisory Board for such.
5. The Company's treasury shares are to be used to satisfy the need for shares arising from the employee participation program. Taking into account the resolution passed by the Annual General Meeting held on September 6, 1999 and comprising the authorization bestowed by the Annual General Meeting and involving the acquisition of up to 100,000 shares of treasury stock for purposes of their being issued to members of the Management Board and of the Supervisory Board, and to certain senior employees of the Company and of affiliated companies, and, as well the issuing of the shares in accordance with the stock options plan elucidated at and passed by the respective Annual General Meeting, the Management Board and the Supervisory Board plan on securing the approval of the Annual General Meeting of the intended selling of treasury shares in accordance with § 65 Paragraph 1 N 4 of Austria's Stock Act (AktG) and Paragraph 1b AktG.

6. In a final note, to be taken into account is that, in accordance with the current and thus valid regulations, requirements to compile and publish reports exist in cases of the use of treasury shares for future employee participation programs set up for members of the Management Board and for senior employees. These guarantee that shareholders will be informed on a prior and comprehensive basis of the deployment of treasury shares intended for use in a concrete program. The equipping of such programs with treasury shares is, in every case, to be approved of by the Supervisory Board.

Vienna, August 2015

The Supervisory Board

The Management Board