

# Report of the Supervisory Board

The Supervisory and Management Boards held six meetings in the year under report, at which they held in-depth discussions about the company's business situation and the implementation of its corporate strategy, as well as about major events and forthcoming investments. At all of these meetings and in its regular reporting, the Management Board provided the Supervisory Board with detailed information about the business and financial situation of the Group and its investments, as well as about its personnel situation. Special developments were also reported.

The committees dealt with individual topics in greater detail and subsequently reported to the Supervisory Board. The Supervisory Board Presidium received regular reports from the Management Board on the latest business developments. The Audit Committee met twice, while the Presidium held five meetings. The composition and responsibilities of the committees are presented in the Corporate Governance Report on page 28. The criteria governing performance-related compensation for the Management Board, the principles underlying retirement benefits, and the claims arising upon termination of employment are listed in the Compensation Report from page 31 onward, where the compensation of each Management and Supervisory Board member is also

disclosed separately. As part of a long-term incentive ("LTI") program, there is a (fictitious) stock option plan (stock appreciation rights) for the Management Board of the Group (further information can be found on page 32 or in the "Investor Relations" section of the company website). All meetings of the Audit Committee and Presidium were attended by all of their respective members. The Marketing and Strategy Committee held one meeting which was also attended by all members.

In its activities in the past financial year, the Supervisory Board focused above all on the company restructuring program. In the 2016/17 financial year Wolford witnessed a reduction in its revenues, further exacerbated by negative exchange rate movements. Walk-in customer totals in important large cities fell sharply at times, and this factor could only be compensated for in part by other markets and online revenues. Not only that, errors in requirements planning and sales area management further intensified the situation in the retail business in particular. The merchandise delivery system was fully converted from late summer 2016 onwards, a measure which enabled revenues to stabilize following a very weak first half.

It was nevertheless not possible to adequately make up for the loss of revenues in the first half. In the

2016/17 financial year, Wolford's revenues fell by 5% to € 154.28 million (currency-adjusted: -4.1%). EBIT came to € -15.72 million, while earnings after taxes amounted to € -17.88 million as against € -10.66 million (adjusted) in the previous year. As of April 30, 2017, the Wolford Group had liquid funds of € 10.31 million, and an equity ratio of 32%.

Against this backdrop, the company has adjusted its medium-term planning. In the current financial year, Wolford's management will be focusing on implementing restructuring measures until the company regains profitability. To achieve this, numerous tasks have to be successfully accomplished. These have been listed in a catalog of measures approved by the Management and Supervisory Boards. The Supervisory Board has held detailed discussions with the Management Board concerning the new business plan compiled on this basis.

## **Numerous meetings in 2016/17 financial year**

At its meetings in the past financial year, the Presidium concentrated above all on the structural and organizational measures required to generate profitable growth.

In addressing the annual financial statements for the 2015/16 financial year, the Audit Committee

invited the auditor to attend its meeting on July 13, 2016. The auditor presented a management letter and discussed its key findings with the members of the Audit Committee. At the subsequent Supervisory Board meeting, the Supervisory Board discussed and approved the annual financial statements of Woldorf AG, reviewed the consolidated financial statements, the management report, the Management Board proposal for the appropriation of profit, and the Supervisory Board's report to the Annual General Meeting. Furthermore, the Supervisory Board agreed a proposal to the Annual General Meeting for the election of the auditor and set the agenda for the 2016 Annual General Meeting. Other major agenda items at the meeting included the Management Board's report on the current financial year and on the "NOW" project.

Prior to the 29th Annual General Meeting on September 14, 2016, the Management Board reported to the Supervisory Board on the company's latest business performance.

An unscheduled meeting was held on November 3, 2016, at which the Management Board informed the Supervisory Board about the company's current business performance. This meeting also dealt with personnel-related matters and addressed the progress made with the "NOW" restructuring project.

At the Audit Committee meeting held on December 14, 2016, the Management Board reported on the first half of the financial year, as well as on the insights gained from the internal control and risk management system and the measures derived on this basis. Furthermore, the Management Board

reported on the status of the AFREP review then underway. At the subsequent 115th Supervisory Board meeting, the Management Board submitted an updated organizational structure chart and presented a new merchandise management software.

At the unscheduled meeting held on February 13, 2017, the Management Board reported on the latest financing status and on the sales recovery plan intended to boost revenues.

At its unscheduled meeting on March 15, 2017, the Supervisory Board was informed about the status of the sales recovery plan then underway and about the company's business performance.

The Supervisory Board met on July 12, 2017, to obtain information above all about the progress made with the investor selection process (see page 23 for details) and with the implementation of the business plan.

The annual financial statements and management report of Woldorf AG and the consolidated financial statements prepared in accordance with IFRS as of April 30, 2017, were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, and granted unqualified audit opinions. All documents relating to the financial statements, the Management Board proposal for the appropriation of profit, and the auditor's reports were discussed in detail with the auditor at the Audit Committee meeting on August 22, 2017, and presented to the Supervisory Board at its subsequent meeting together with the management reports prepared by the Management Board and the corporate governance report. The Supervisory Board reviewed these

documents as required by § 96 of the Austrian Stock Corporation Act and concurred with the audit findings. The Supervisory Board approved the annual financial statements, which are thus formally adopted in accordance with § 96 (4) of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board also prepared its report to the Annual General Meeting and its proposal for the election of the auditor for the 2017/18 financial year.

### **Composition of Management Board**

Ashish Sensarma, previously CEO, left the company as of July 31, 2017. He will continue to accompany Woldorf in an advisory capacity in the process of approaching investors, which is now underway. The Supervisory Board would like to thank Ashish Sensarma for the impetus he provided in restructuring the company, particularly in its international sales organization and in online business.

Axel Dreher, previously Deputy CEO, will take over as CEO as of August 1, 2017, and will also assume responsibility for strategy, marketing, and sales. The Supervisory Board of Woldorf AG has appointed Brigitte Kurz, previously head of the finance department, as a new member of the Management Board, also starting on August 1, 2017. She will take over the function of Chief Financial Officer (CFO) from Axel Dreher and will also assume responsibility for human resources, IT, legal affairs, and investor relations. The tasks of COO, with responsibility for development, production, and logistics, will continue to be performed by Axel Dreher.

The Supervisory Board  
Vienna, August 2017