

Supervisory Board Report

Wolford AG is reporting on an eventful year in which the Supervisory Board closely accompanied developments at the company. In the year under report, the Supervisory Board held five meetings together with the Management Board at which it held in-depth discussions about all major events, the company's business situation, and the implementation of the measures taken to cut costs and increase revenues. 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 providing additional information about special developments.

The individual committees of the Supervisory Board dealt with specific topics in greater detail and subsequently reported to the full Supervisory Board. The Supervisory Board Presidium obtained ongoing reports from the Management Board on the latest business developments. The Audit Committee met twice, while the Marketing and Strategy Committee held one meeting. All meetings of the committees and the Presidium were attended by all of their respective members. The composition and responsibilities of the committees are presented in the Corporate Governance Report. The criteria governing performance-related remuneration for the Management Board, the principles underlying retirement benefits, and the claims arising upon termination of employment are listed in the Remuneration Report, where the remuneration of the Management and Supervisory Board members is also disclosed on an individual basis.

Given Wolford's persistently weak revenue and earnings performance, in its deliberations in the past financial year the Supervisory Board focused in particular on measures to restructure the company and increase its revenues, as well as on the reorganization of sales activities. The results for the first half (May-October 2019) meanwhile once again fell significantly short of expectations. For this period, Wolford reported a reduction in revenues of more than four percent and an operating loss of more than Euro 9 million.

New Management Board members

On September 20, 2019, the Supervisory Board appointed Andrew Thorndike as a new member of the Management Board as of the beginning of October 1, 2019. This was preceded by Brigitte Kurz (Chief Financial Officer) standing down from her position on the Management Board as of September 20, 2019.

On October 29, 2019, the Supervisory Board appointed Silvia Azzali, previously Global Sales & Merchandising Director at Wolford AG, as a new member of the Management Board as of the beginning of November 1, 2019. Axel Dreher, previously Chief Executive Officer, simultaneously stood down from his position on the Management Board. Both former members of the Management Board left the company as of October 31, 2019.

Having thoroughly analyzed the situation together with the company's management, the new Management Board team introduced a new restructuring program comprising short, medium, and long-term measures to return the company to profitability.

The global outbreak of the COVID-19 pandemic and subsequent lockdown measures in spring 2020 nevertheless had a massive impact on business at Wolford AG, with a sharp reduction in revenues. Against this backdrop, on March 11, 2020 the company corrected its medium-term outlook with regard to the achievability of positive operating earnings. The management is currently working on a plan to sustainably reposition Wolford and is being actively supported in this by the Supervisory Board.

Sale of company property

Due not least to the fact that numerous sections of the building at the company's headquarters were now unused but nevertheless created expenses, at the end of 2019 the Management Board already initiated a bidding process to sell the property in Bregenz. This process led to exclusive negotiations being held with the neighboring Blum Group concerning the sale and lease back of the company property. This transaction was successfully agreed at the beginning of April 2020.

At the beginning of the new financial year, on May 28, 2020, the Blum Group, transferred the purchase price for the company property in Bregenz, amounting to around € 72 million, to Wolford AG. In the same move, Wolford repaid all credit lines to its financing banks and repaid a shareholder loan. This means that the company is debt-free and also has sufficient funds available to manage the consequences of the coronavirus crisis.

Several meetings of the Supervisory Board and its committees in the 2019/20 financial year / New Supervisory Board member

At its meetings in the past financial year, the Presidium dealt above all with those strategic, structural and organizational measures needed to enable the company to return to profitability.

In addressing the annual financial statements for the 2018/19 financial year, the Audit Committee invited the auditor to attend its meeting on July 10, 2019. The auditor presented a management letter and discussed its principal findings with the members of the Audit Committee. At its subsequent meeting, the Supervisory Board discussed and approved the annual financial statements of Wolford AG, reviewed the consolidated financial statements, the management report, the non-financial report, and the Management Board proposal for the appropriation of profit, while also approving 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 2019 Annual General Meeting. The Strategy and Marketing Committee had met on the previous day and mainly dealt with the topics of marketing strategy and marketing organization.

Prior to the 32nd Annual General Meeting, on September 24, 2019 the Management Board reported to the Supervisory Board on the company's latest business performance, and on developments in its online business and its marketing.

The Annual General Meeting on September 25, 2019 elected Prof. Dr. Matthias Friese as a new member of the Supervisory Board. At the constitutive meeting held subsequently, the Supervisory Board elected Dr. Junyang Shao as its Chairwoman and Thomas Dressendörfer as its Deputy Chairman.

The Supervisory Board held an unscheduled meeting on October 29, 2019, at which Silvia Azalli was appointed as a new member of the Management Board. Furthermore, the board discussed the company's latest business performance, including a forecast, and the measures taken to restructure the business and increase sales growth. On this occasion, the new member of the Management Board, Andrew Thorndike, also presented the insights gained in his first weeks at Wolford.

At the Supervisory Board meeting on December 10, 2019, the Management Board reported on the results for the first half of the 2019/20 financial year and on the newly introduced PITBOLI restructuring program, which was intended to contribute directly to stabilizing the company's revenues and earnings. A further key focus of the meeting was the company's personnel and organizational structure. At the Audit Committee meeting held on January 28, 2020, the Management Board informed the Supervisory Board about the business performance in December and the further business outlook. Furthermore, the auditor's audit plan for the 2019/20 financial year was presented.

The unscheduled meeting held on February 26, 2020 dealt with the business outlook in the context of the intensifying coronavirus crisis, as well as with the progress made in stabilizing revenues and earnings, and the topics of supply performance and pricing.

At its meeting on May 5, 2020, the Supervisory Board dealt, among other matters, with the preliminary financial statements for the 2019/20 financial year. Further material agenda items included the sale of the company property, developments with regard to the production of face masks, and the resumption of business activities following the closure of boutique locations due to COVID-19.

Furthermore, the Personnel Committee held several meetings, mostly by telephone, in the course of the financial year. Discussions in these meetings mainly focused on the identification of candidates for the Management Board and the target agreements with such, as well as on the determination of a successor for the position becoming vacant on the Supervisory Board.

The annual financial statements and management report of Wolford AG and the consolidated financial statements prepared in accordance with IFRS as of April 30, 2020 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, and provided with unqualified audit opinions.

All documents relating to the financial statements, the Management Board proposal for the appropriation of profit, and the auditors' reports were discussed in detail with the auditor at the Audit Committee meeting on July 20, 2020 and presented to the Supervisory Board at its subsequent meeting together with the management reports prepared by the Management Board, the corporate governance report, and the non-financial report.

The Supervisory Board reviewed these documents as required by the § 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 approved its report to the Annual General Meeting and its proposal for the election of the auditor for the 2020/21 financial year.

Dr. Junyang Shao
Supervisory Board Chairwoman

Bregenz, July 2020