



# Looking *FORWARD*

Annual Report  
2021





# Key Figures

## 5 YEARS

INCOME STATEMENT		2021	2020*	2019/20**	2018/19**	2017/18**
Sales	in EUR million	108.95	68.04	118.54	137.22	149.07
EBIT	in EUR million	-5.26	19.94	-28.68	-8.98	-9.22
Earnings before tax	in EUR million	-9.42	17.33	-35.02	-10.11	-11.43
Earnings after tax	in EUR million	-12.33	12.77	-27.42	-11.10	-11.54
Free cash flow	in EUR million	-0.22	53.25	4.27	-10.88	1.83
Employees (average)	number	1,091	1,169	1,243	1,347	1,433
KEY BALANCE SHEET FIGURES		12/31/2021	12/31/2020	04/30/2020	04/30/2019	04/30/2018
Equity capital	in EUR million	15.24	28.54	15.02	42.72	33.90
Net debt	in EUR million	0.29	positive	33.16	19.62	30.09
Working Capital	in EUR million	32.13	31.37	38.05	31.07	34.59
Balance sheet total	in EUR million	134.65	138.90	161.69	117.99	114.33
Equity capital ratio	in %	11.3	20.5	9.3	36.2	29.7
Gearing	in %	10.17	-	>100	45.9	88.8
STOCK MARKET INDICATORS		2021	2020*	2019/20**	2018/19**	2017/18**
Earnings per share	in EUR	-1.86	1.93	-4.14	-1.76	-2.35
Dividend per share	in EUR	0.00	0.00	0.00	0.00	0.00
Equity per share	in EUR	0.00	4.30	2.26	6.44	6.90
Annual high	in EUR	10.30	8.80	11.40	17.70	19.75
Annual low	in EUR	6.55	4.82	3.20	10.60	11.36
Year-end price	in EUR	7.20	7.45	6.00	11.40	13.60
Number of shares (weighted average)	in thousand	6,631	6,631	6,631	6,320	4,912
Number of shares traded (daily average)	in EUR million	47.74	49.40	39.79	75.59	68.00

\* May to December

\*\* May to April



# The CONTENTS

<b>Company</b>	<b>006</b>
Letter From the Management Board	008
LOOKING FORWARD	012
The Wolford Share	028
Corporate Governance Report	030
Supervisory Board Report	038
<b>Group Management Report</b>	<b>040</b>
Group Information	042
Business Climate	046
Financial Review	048
Development of the Business Areas	054
Outlook and Targets	056
Events After the Balance Sheet Date	058
Opportunity and Risk Management	059
Research and Development (R&D)	065
Human Resources	067
Further Disclosures	069
<b>Consolidated Accounts</b>	<b>070</b>
Consolidated Statement of Comprehensive Income	072
Consolidated Cash Flow Statement	073
Consolidated Balance Sheet	074
Consolidated Statement of Changes in Equity	075
Segment Reporting	076
Consolidated Non-current Asset Schedule	078
Notes	082
Declaration by the Management Board of Wolford AG	126
Auditor's Report	127
<b>Further Information</b>	<b>134</b>
The Wolford Group at a Glance	136
Glossary	146
Financial Calendar	150
Contact & Imprint	151







# WOLFORD

**founded in 1950 in Bregenz, Austria, is the market leader in skinwear. In the decades of our existence, we have produced numerous product innovations, many of which are still bestsellers today. We are represented by 229 monobrand stores and more than 2,500 retail partners worldwide in around 45 countries. Our company has been listed on the Vienna Stock Exchange since 1995.**



# 01

## The COMPANY

**Letter From the Management Board**

**008**

**LOOKING FORWARD**

**012**

**The Wolford Share**

**028**

**Corporate Governance Report**

**030**

**Supervisory Board Report**

**038**





Wolford



14%

Sales climbed by  
approx. 14% in the 2021  
financial year against 2020  
to €108.9 million.



# Straight *LINE*

## Dear Shareholders,

The international market environment was again unsettled in 2021, resulting in a mixed picture concerning the development of our industry: While trade in the USA and China continued to grow solidly, renewed Covid-19 measures in Europe continued to lead to significant business losses, all of which clearly impacted consumer sentiment and hence sales, especially at the beginning of the year but also in the fourth quarter.

### **Best EBITDA in 10 years, best EBIT in 4 years, double-digit sales and earnings growth**

With sales of €108.9 million for the reporting period from January to December 2021, we beat the previous year (January to December 2020) by approximately €13.2 million (about 14%). EBITDA (operating earnings before depreciation, amortization and other financial expenses) turned clearly positive at €+8.5 million, up from €-8.0 million, and is the best EBITDA result in 10 years (adjusted for property sales). With EBIT (operating earnings before interest and taxes) of €-5.3 million, an operating improvement of over €33 million was achieved. This is the best operating result since the 2015/16 financial year!

In addition to the significant reduction in operating costs (personnel expenses and other operating expenses) by 14%, the primary driver behind this jump in earnings is a year-on-year gross profit margin increase of 80.7%.

As part of the PITBOLI (Program for Immediate Top and Bottom Line Impact) restructuring program, we launched and fully implemented the measures adopted from the beginning of 2020 as planned.





**Andrew Thorndike, COO**  
**Silvia Azzali, CCO**

### **Sales growth in all channels and geographic locations, double-digit growth online, in the U.S. and China, driven by new brand architecture**

Compared to the previous year, sales increased by a total of 14%. The Chinese business with 79% growth and U.S. business with 38% growth were the key geographic growth drivers. In EMEA we grew by 7% despite Covid-19. With total growth of 21% compared to the previous year, we succeeded in putting our own retail business back on a sustainable growth track. Wholesale and online grew at 3% and 27% respectively.

The product range growth drivers included the collections of the brand extension “The W” (modern, young and sporty) and “The W Lab” (collaborations with external star designers), which grew 11-fold in the Legwear product group and 10% in the Ready-to-wear product group. This once again confirmed the strategy adopted for the brand architecture.

The first international collaboration of the year 2021, Amina Muaddi x Wolford, significantly exceeded our expectations in every channel. The outstanding performance of the capsule within our wholesale network –



supported by dedicated pop-ups in some of the most high-end shopping destinations – allowed us to boost our business overall and to open the doors to exclusive designer stores worldwide. We were also able to attract predominantly young and fashion-conscious consumers thanks to a strong digital marketing approach, which we developed in partnership with the footwear designer.

In addition, with the aim of expanding our business in certain key markets, we started developing collaborations with locally relevant talents and brands. For example, the lingerie capsule collection in partnership with Neiwai (a Shanghai-based brand recognized for its simple and sustainable styles) was developed with our Chinese clientele in mind, but it was very well received in other markets, too, such as the U.S.

#### **Restructuring program largely completed, costs again reduced, sustainable efficiency gains in key areas**

After we were already able to report a noticeable reduction in operating costs (personnel costs and other operating expenses and depreciation and amortization) for the 2020 financial year of around 6% compared with the same period of the previous year, the PITBOLI restructuring program delivered a further reduction in operating costs of around €17.6 million in the reporting period, a 12% reduction compared with the previous year. The key cost drivers were consistently addressed over the long term – among those were costs for personnel, rent, purchasing, production, and logistics, with the latter being outsourced successfully in the fourth quarter. Furthermore, there were relevant efficiency improvements in the administrative areas, particularly finance, customer service, and HR.

#### **Outlook: Further increase in profitability, over €200 million growth trajectory targets in sales, further digitalization of the business model**

After ten years, Wolford is back, stronger than ever before, as the world's leading supplier of women's skinwear in the upper premium segment due to strong results from 2021 and solid planning for the coming years.

Wolford has launched a transformation program for the next 12 to 36 months to continue the systematic implementation of the Northstar corporate strategy. This includes initiatives for growth and to further restructure and, above all, increasingly digitalize the business model.

On the brand and product strategy side, we are continuing to leverage the label extension. Our newest label "The W" reached 14% of the trend sales in 2021. We continue to pursue our successful collaborations with "The W Lab": Alberta Ferretti and GCDS marked the beginning of numerous international campaigns and a total of four collaborations with outstanding international designers in the first quarter of this year. In terms of geographic locations, we continue to invest in our core markets of the USA, German-speaking countries, and China.





# 11x

"The W" and "The W Lab" grew 11-fold in the Legwear product group and 10% in the Ready-to-wear product group.

We plan to open 15 new boutiques in the current financial year and invest in all distribution channels – retail, wholesale, and online – including a new store concept called "The Green Experience" to emphasize our sustainability strength. The plan is to return to pre-pandemic sales levels as quickly as possible and to crack the €200 million sales mark in the next four to five years with consistent growth.

Dear shareholders, with the reported results for the 2021 financial year, we have put Wolford back on track. We are committed to this and will continue forward with total dedication and conviction for success in the realignment of Wolford.

We thank you very much for your trust.

Bregenz, June 14, 2022

The Management Board



Andrew Thorndike



Silvia Azzali



# Wolford

**The first brand pillar is Wolford, the legendary core of the company whose collections include Icons and Essentials, setting the standards for the trends of today.**

**Incorporating all our foundation pieces, quality basics that enhance and complement all looks, your fashion best friends ready any time of day or night, season-less design with an unforgettable touch for an elegance that is timeless.**



[[Wolford]]

time  
less  
*elegance*



# *setting the standards for the trends of today*









[[Wolford]]



THE  
[W]  
[[Wolford]]



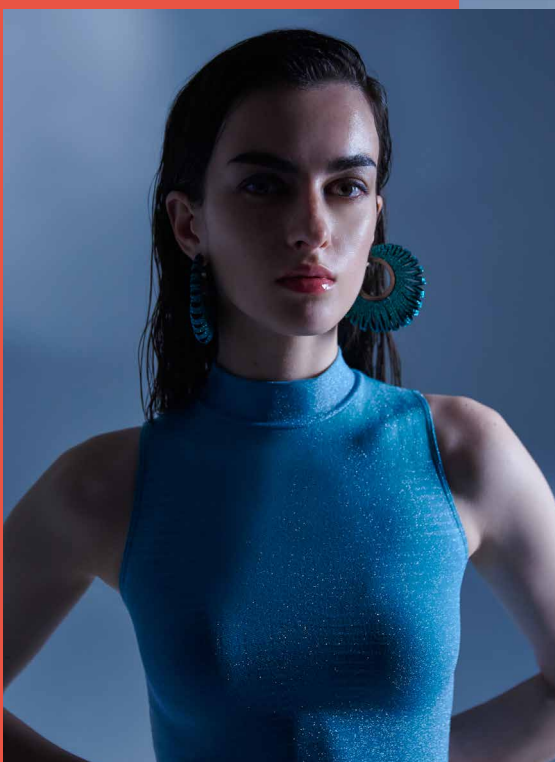
# 2021 UN USUAL BUSI NESS

The second brand pillar is **The W**. It is an intrinsic part of our company's DNA and designed for the spirit of our times. In these collections for both active and dynamic people as well as those who just want the ultimate comfort, fashion meets sports to follow its own rhythm.

Innovative knitting technology produces top quality athleisure wear made of high-performance and functional textiles that feel like a second skin and set trends for the gym or the town.

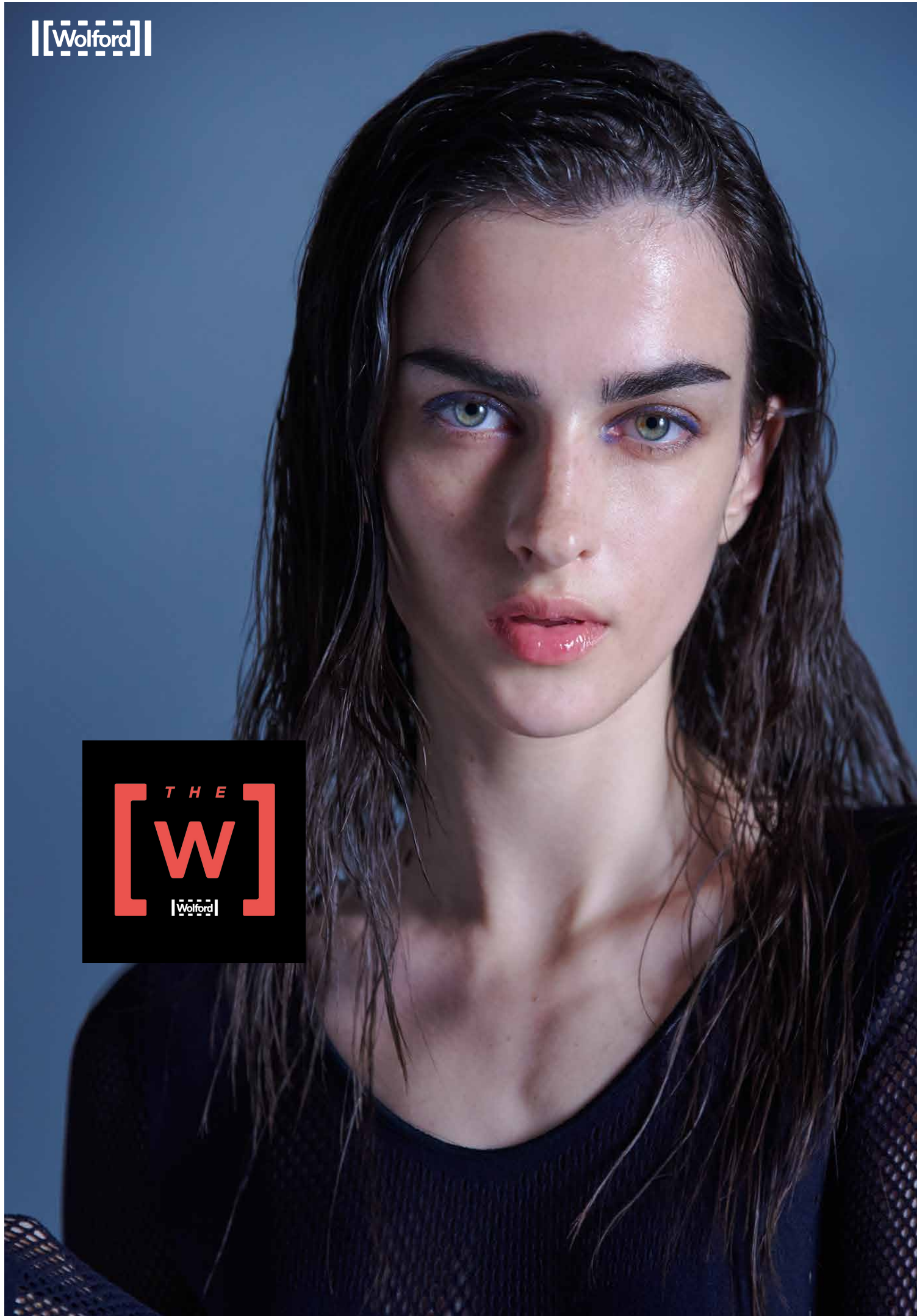


*THE LOOK*  
**FASHION  
MEETS  
SPORTS**





[[Wolford]]





# A story of strength, femininity and sensuality

Wolford and Alberta Ferretti collaborated in the creation of a capsule collection that tells a story of strength, femininity, and sensuality through the eye of tradition, craftsmanship, and the excellence of Made in Italy.

Graphic geometries define bodysuits, dresses, tops, tights, and leggings, creating a second skin on the body that envelops the silhouette, sustaining and revealing it with sophisticated elegance.

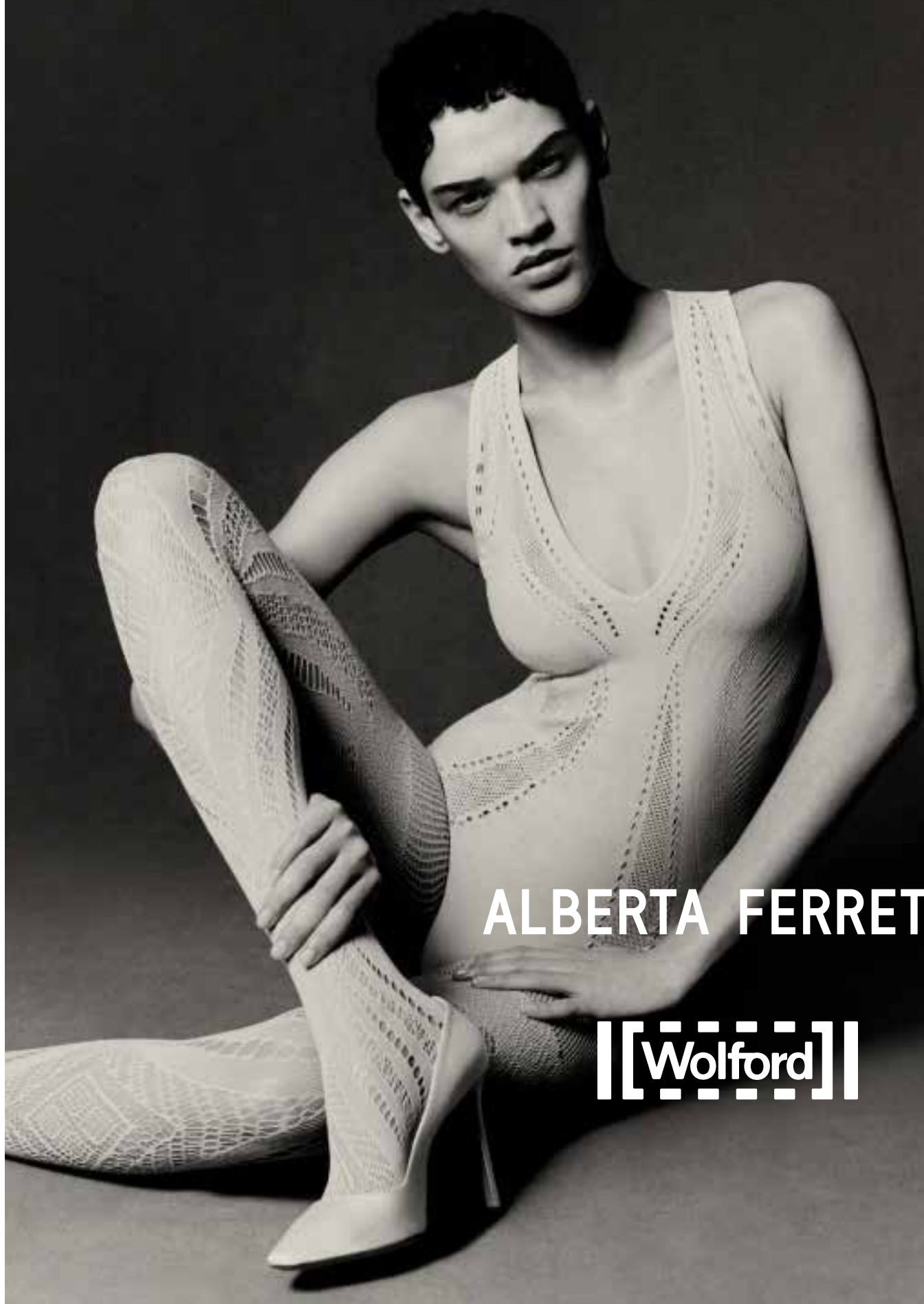
Thanks to the seamless processing and the overlapping of different thicknesses, a play of transparencies, of solids and voids, is outlined on the body, shaping the female silhouette and decorating it in an intertwining of graceful lines.







[[Wolford]]

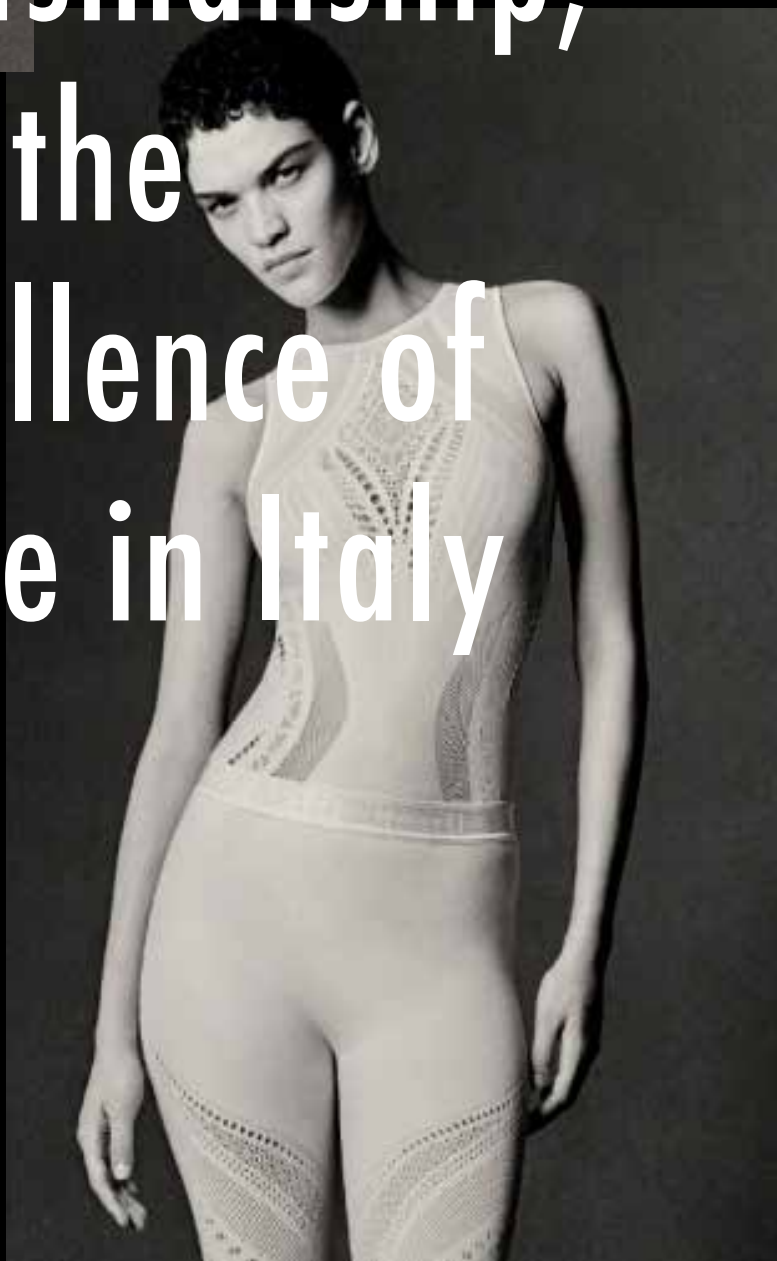


ALBERTA FERRETTI

[[Wolford]]



Tradition,  
craftsmanship,  
and the  
excellence of  
Made in Italy





[[Wolford]]

GCDS

[[Wolford]]





# A NEW FASHION FUSION: WOLFORD'S LEGENDARY EX- PERTISE AND THE TRENDY STYLE OF GCDS – THE ITALIAN STREET BRAND FOUNDED BY GIULIANO CALZA.

GCDS x Wolford is the latest collaboration created from an unexpected union, where style is infused with seduction, creating a series of pieces that highlight the silhouette. The designer Giuliano Calzo took his inspiration from a streetwear world that is playful and ironic, using graphic patterns, futuristic details, and inlays that reveal the body in new ways, whilst incorporating fabric combinations, visual effects, and different textures.

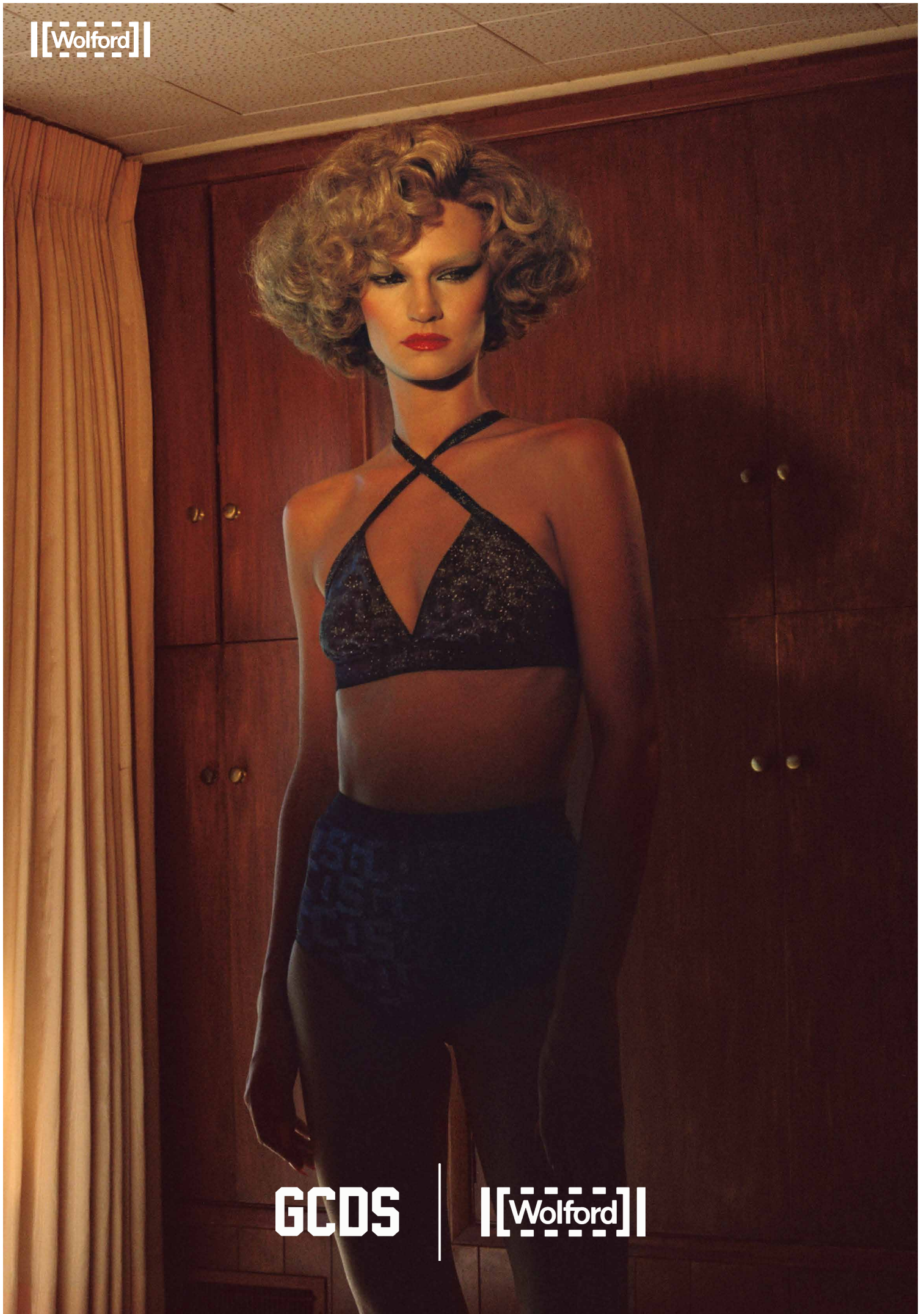
A signature collaboration of top quality and attention to detail, where Wolford's 70 years of innovative technological know-how is combined with the trendy style of GCDS, both thinking outside the box,  
**SHAPING THE "CULTURE" STREETWEAR  
OF THE FUTURE.**







[[Wolford]]



GCDS

[[Wolford]]



# The Wolfford Share

## CAPITAL MARKET DEVELOPMENTS

In 2021, developments on the capital markets were once again shaped by the Covid-19 pandemic. Global stock exchanges registered significant drops in share prices as the coronavirus spread around the world in early 2020. One year after the low of the coronavirus crash, most markets have largely recovered. In many places, they reached record highs. This showed they were unfazed by the ongoing pandemic as well as by other sources of uncertainty, such as disruptions to supply chains, rising energy prices and geopolitical tensions.

The leading Austrian share index, the ATX, grew by 38.9% in 2021. European indices such as the DAX (+15.8%) and the EURO-STOXX 50 (+21.0%) showed positive growth, although not to the same extent

as the ATX. The Dow Jones also showed a similar trajectory (+18.7%). On the global markets, the trend was towards significant growth: The MSCI World Index recorded capital growth of 31.1% in 2021. The MSCI World Textiles, Apparel and Luxury Goods Index, the most important index for the textile industry, improved by 34.0% over the course of the year.

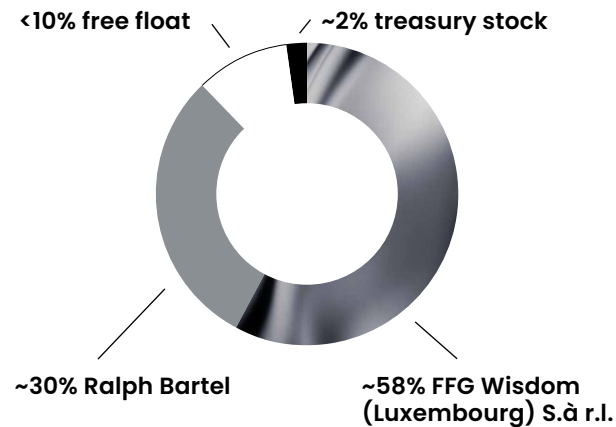
## WOLFFORD'S SHARE PRICE PERFORMANCE

The Wolfford share had a volatile growth trajectory in 2021. While the share price was able to generally outstrip the ATX in the first half of the year, it experienced a significant drop in the second half. The share reached a high of €10.30 on May 26, 2021. A low of €6.55 was recorded on October 4, 2021. The share finished the

KEY DATA ON WOLFFORD SHARES in EUR/shares		2021	2020
Earnings per share	in EUR	-0.99	1.93
Dividend per share	in EUR	0.00	0.00
Equity per share	in EUR	0.00	4.30
Annual high	in EUR	10.30	8.80
Annual low	in EUR	6.55	4.82
Year end price	in EUR	7.20	7.45
Number of shares (weighted average)	shares	6,631,011	6,631,011
Year-end market capitalization	in EUR	47,743,279	49,401,031
Number of shares traded (daily average)	shares	2,076	4,614



## 01 // OWNERSHIP STRUCTURE OF THE WOLFORD SHARE, in percent



ISIN CODE	AT00000834007
Stock exchanges	Vienna (Standard Market), Frankfurt (Freiverkehr), New York (ADR-Level 1)
Ticker symbols	Vienna: WOL Reuters: WLFD.VI Bloomberg: WOL:AV WLFDY: US, WOF:GR
IPO	February 14, 1995
Stock type	Bearer shares (no-par value)
Number of shares as of Dec. 31, 2021, of which with dividend entitlement	6,719,151 shares 6,631,011 shares

year at a price of €7.20. Over the course of the year, the share price dropped slightly by €-0.25 or 3.36%. The average share price was €8.30. The average number of shares traded per day was 2,076 (previous year: 4,614).

### SHAREHOLDER STRUCTURE

Fosun Fashion Group Wisdom (Luxembourg) S.à r.l. is the majority shareholder holding around 58% of the shares in Wolford. The private investor Ralph Bartel holds over 30% of the bearer shares. Wolford AG owns almost 2% of the shares as treasury stock. The remaining almost 10% of the shares are in free float.

### INVESTOR RELATIONS

As a listed company, Wolford accords high priority to communicating professionally and reliably with the financial markets. Here, the company adheres to

the principles of continuity, equal treatment of all shareholders, and transparency and consistency of information.

Wolford regularly and comprehensively informs both its existing owners and potential shareholders about developments in the company. It does this via regular reporting in the form of annual and interim reports, by participating in capital market conferences, and by engaging in direct dialogue.

From an organizational perspective, Investor Relations reports directly to the CFO. In the current phase of strategic positioning, engaging in dialogue with the capital market is very important to the Management Board. The communication with private and institutional investors was, as a result, correspondingly close during the year under review. The company was also on hand at short notice to answer questions from capital market participants.



# Corporate Governance Report

## CORPORATE GOVERNANCE AT WOLFFORD

### Commitment to the Corporate Governance Code

Wolfford is convinced that carefully implemented and actively practiced corporate governance can make an important contribution to enhancing the trust placed in the company by the capital markets. In September 2002, the Austrian Working Group for Corporate Governance issued a framework for responsible corporate management and control that is designed to support the sustainable creation of value. The goal of this guideline is to protect the interests of all stakeholders whose welfare is linked to the success of the company.

The Austrian Corporate Governance Code ensures a high degree of transparency for all of the company's stakeholders. Wolfford has been committed to the principles of the code since the 2002/2003 financial year. The Austrian Working Group for Corporate Governance is responsible for publishing the Corporate Governance Code in its respective versions. The current version is available at [www.corporate-governance.at](http://www.corporate-governance.at) and on Wolfford's [website](#). The latest revision to the code, which took effect as of January 1, 2021, focused on another adaptation of the code to the requirements of the Austrian Stock Corporation Amendment Act 2019.

The code is based on the requirements of Austrian stock corporation, stock exchange and capital market law, the recommendations of the European Commission concerning the duties of the Supervisory Board and the remuneration of Management Board members, and the corporate governance guidelines issued by the OECD. The code provides a framework for corporate management and control.

### Enhancing Trust

The guiding principles of the code are intended to enhance the trust placed by investors in the company – and in Austria as a place to do business. They include equal treatment of all shareholders, transparency, the independence of the Supervisory Board, open communication between the Supervisory Board and the Management Board, the avoidance of conflicts of interest on the part of directors and officers, and efficient control by the Supervisory Board and auditor. Compliance with the code, which goes beyond legal requirements, is voluntary, and takes the form of a self-imposed obligation on the part of the company. Observance of the code also means that any failure to meet C rules must be explained and disclosed ("comply or explain"). The Corporate Governance Report of Wolfford AG forms part of this annual report and is also available in the ["Investor Relations"](#) section of Wolfford's website.



To prevent insider trading, Wolford has issued a compliance guideline that implements the requirements of the Market Abuse Regulation issued by the European Union. Adherence to this guideline is monitored by the compliance officer. Wolford's objective is to meet the expectations of capital market participants with respect to transparency and to provide shareholders with a true and fair view of the company. The Market Abuse Regulation issued by the European Union requires the simultaneous and identical communication of information. Wolford consistently meets this requirement by distributing the latest company news, including information with the potential to influence its share price, in parallel to analysts, investors, and the media. This information is simultaneously published on the company website to also provide private shareholders with equal access to the information.

### One Share – One Vote

The company has issued 6,719,151 no-par value common shares. There are no preference shares or restrictions on the common shares. The principle of "one share – one vote" is therefore met in full. The Austrian Takeover Act ensures that every shareholder receives the same price for their Wolford shares in the event of a takeover (mandatory offer). The current shareholder structure is shown in the "Wolford Shares" section of this annual report.

### Systematic Risk Management

The Management Board of Wolford AG has the overall responsibility of ensuring an effective risk management system. The central risk management unit is tasked by the Management Board with coordinating the implementation and ongoing further development of the risk management system. It also reports directly to the Chair of the Supervisory Board's Audit Committee. The Supervisory Board of Wolford AG has the task of monitoring the effectiveness of the risk management system. This responsibility is assumed by the Supervisory Board's Audit Committee.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Wagramer Straße 19, 1220 Vienna, was elected by the 33rd ordinary Annual General Meeting (AGM) to audit the annual financial statements of Wolford AG and the consolidated financial statements of the Wolford Group for the 2021 financial year. There are no grounds for exclusion or prejudice that would be incompatible with a conscientious and objective audit by the Group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The fees for the audit of the consolidated financial statements and related services amounted to €0.2 million. All mandatory disclosures required by Section 243a of the Austrian Commercial Code (UGB) can be found on [page 69](#) of the management report.



## MANAGEMENT BOARD

### Andrew Thorndike

Andrew Thorndike (born in 1966), Management Board member since October 1, 2019. He is appointed through to December 31, 2024, and does not hold any Supervisory Board or comparable functions outside the company. He is responsible for the Product Management and Technical Product Development, Purchasing and Procurement, Supply Chain, Finance (including Accounting, Controlling and Treasury), Legal Affairs, Investor Relations, Corporate Communications, Corporate IT & Infrastructure and Corporate HR at Wolford AG. Andrew Thorndike most recently worked as COO and CSO at the Berlin startup Thermondo GmbH. Prior to that, he worked as COO and CRO at ADLER Modemärkte, where he was responsible for areas including purchasing, product development, and supply chain management. Between 2013 and 2017, Andrew Thorndike worked as COO at Africa's largest fashion retailer, Ecdon (Pty) Ltd, in Johannesburg, where he was directly responsible for 2,300 employees. He previously gained further management experience, particularly in retail and finance, as a consultant at McKinsey & Company and at Accenture Ltd. Born in Cologne, he holds a degree in Mining and Energy Technology from the Technical University of Berlin.

### Silvia Azzali

Silvia Azzali (born in 1971), Management Board member since November 1, 2019. She is appointed through to December 31, 2024, and does not hold any Supervisory Board or comparable functions outside the company. She is responsible for the Sales, Merchandising,

Brand & Marketing, and Design divisions. Prior to this, she worked at Wolford as Global Sales & Merchandising Director from January 2019. Silvia Azzali joined Wolford as Managing Director for Southern Europe in 2011 and was later promoted to Head of International Wholesale. She subsequently left Wolford to work as Global Retail, Online & Franchising Director at Ermanno Scervino (2016–2018). Before returning to Wolford in January 2019, she worked as Head of Global Retail & Franchising at Moschino. Silvia Azzali's has gained a great deal of experience in her career in the fashion industry. In 2000 and 2001, she worked in the Recruitment & Training department at Gucci, before moving to Dolce & Gabbana as Europe Retail HR Manager (2002–2004). She later decided to move to sales and gained experience at various brands, such as in Retail Management at Trussardi (2005–2007), as Italy Country Manager at L'Occitane en Provence (2007–2009), and as Retail Director Europe & Worldwide Top Doors at La Perla (2009–2011). Silvia Azzali studied philosophy at the University of Parma and was awarded a scholarship in 1996 to obtain a master's degree in personnel management in Milan.

## SUPERVISORY BOARD MEMBERS AND COMMITTEES

### Supervisory Board

The Supervisory Board of Wolford AG currently comprises four members elected at the AGM and two representatives delegated by the Works Council. The Supervisory Board held four meetings during the 2021 financial year. One Supervisory Board member was absent from more than half the meetings.



NAME	END OF FUNCTION PERIOD	DIVERSITY FACTORS**	COMMITTEE MEMBERSHIP	SUPERVISORY BOARD POSITIONS OR COMPARABLE FUNCTIONS
<b>Dr. Junyang Shao</b> Independent  First appointed: May 4, 2018 Supervisory Board Chair  Global Partner, Fosun International Co-Chair, Fosun Lifestyle Group Supervisory Board Chair, Tom Tailor GmbH Managing Director, Koller Group	Appointed through to the 35th ordinary Annual General Meeting (which resolves on the formal approval of the actions of the Supervisory Board for the 2021 financial year)	Female, born in 1981, German	Chair of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, and the Strategy and Marketing Committee, and Member of the Audit Committee	No additional positions at listed companies
<b>Thomas Dressendörfer</b> Independent  First appointed: May 4, 2018 Deputy Supervisory Board Chair	Appointed through to the 36th ordinary Annual General Meeting (which resolves on the formal approval of the actions of the Supervisory Board for the 2022 financial year)	Male, born in 1958, German	Member of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, and Chair of the Audit Committee	No additional positions at listed companies
<b>Yun Cheng</b> Independent  First appointed: September 13, 2018  Chair of Lanvin Group Chair of the Board of Jeanne Lanvin S.A.	Appointed through to the 36th ordinary Annual General Meeting (which resolves on the formal approval of the actions of the Supervisory Board for the 2022 financial year)	Female, born in 1976, Chinese		No additional positions at listed companies
<b>Prof. Dr. Matthias Freise</b> Independent  First appointed: September 25, 2019 Professor at Reutlingen University	Appointed through to 37th ordinary Annual General Meeting (which resolves on the formal approval of the actions of the Supervisory Board for the 2023 financial year)	Male, born in 1965, German	Member of the Strategy and Marketing Committee	No additional positions at listed companies
<b>Anton Mathis*</b> Independent  First appointed: December 16, 1999		Male, born in 1960, Austrian	Member of the Personnel and Nomination Committee and the Strategy and Marketing Committee	No additional positions at listed companies
<b>Alexander Greußing*</b> Independent  First appointed: September 30, 2020		Male, born in 1965, Austrian	Member of the Audit Committee	No additional positions at listed companies

\* Delegated by the Works Council

\*\* Diversity factors include gender, age, and nationality



The Supervisory Board has established five committees: The Presidium, the Personnel and Nomination Committee, the Remuneration Committee, the Audit Committee, and the Strategy and Marketing Committee.

In the 2021 financial year, the **Presidium** comprised the Supervisory Board Chair Dr. Junyang Shao and her Deputy Thomas Dressendörfer. The Presidium represents the company's interests in all matters related to the Management Board and also acts as the **Remuneration Committee** in respect of Management Board remuneration. In this function, it reviews the remuneration policy for the Management Board members at regular intervals and ensures compliance with the relevant provisions of the Corporate Governance Code.

At Wolfford, the Presidium, supplemented by the Works Council representative Anton Mathis, serves as the **Personnel and Nomination Committee**. This body is responsible for preparing all appointments to the Management and Supervisory Boards. Prior to the appointment of persons to the Management Board or Supervisory Board, the Personnel and Nomination Committee defines a requirements profile and prepares resolutions for the Supervisory Board or Annual General Meeting based on a predefined selection process and succession planning. The Personnel and Nomination Committee is also responsible for taking decisions concerning personnel-related matters at the company to the extent that transactions requiring approval pursuant to Section 95 (5) of the Austrian Stock Corporation Act are involved or that such decisions are required by the articles of association or the Supervisory Board. The Personnel and Nomination Committee held one meeting in the past financial year. There were also several telephone discussions relating

to Personnel and Nomination Committee matters.

The **Audit Committee** deals with the audit of the Group's annual financial statements and supervises financial reporting. It also monitors the effectiveness of the internal control, internal audit, and risk management systems and reviews the independence of the auditor. In the 2021 financial year, the Audit Committee consisted of Thomas Dressendörfer (Chair), Dr. Junyang Shao and Alexander Greußing. The Audit Committee met three times in the 2021 financial year and primarily dealt with the following issues:

- ▣ The auditor's report on the Annual Financial Statements for the 2020 short financial year
- ▣ Preparation of the suggestion to the Supervisory Board for the selection of the auditor (auditor of the consolidated financial statements) for the 2021 financial year
- ▣ Discussion and release of the 2021 budget
- ▣ Results from the PITBOLI program

The **Strategy and Marketing Committee** in the 2021 financial year consisted of Dr. Junyang Shao (Chair), Prof. Dr. Matthias Freise, and Anton Mathis. In the 2021 financial year, this committee met once and mainly discussed the Northstar strategic plan.

## RESPONSIBILITIES AND WORKING METHODS OF THE MANAGEMENT AND SUPERVISORY BOARDS

The Management Board is responsible for conducting the company's business in compliance with the relevant laws, the articles of association of Wolfford AG,



and the applicable rules of procedure. It manages the business to the benefit of the company, and in keeping with the interests of all shareholders, employees, and the general public. The rules of procedure for the Management Board, which are issued by the Supervisory Board, regulate working procedures and responsibilities. Irrespective of the allocation of specific responsibilities (allocation to a department), the Management Board bears overall responsibility for managing the company. Issues of fundamental significance or importance must be approved by resolution of the Management Board. In addition, the rules of procedure for the Management Board include a catalog of measures that require the approval of the Supervisory Board.

There is a continuous flow of information between the members of the Management Board. This takes place formally in at least two monthly Management Board meetings.

At regular meetings (at least once per quarter), the Management Board provides the Supervisory Board with timely and comprehensive information on all issues that are relevant to the company's economic and strategic development, including the risk situation and risk management at the company and major subsidiaries. Urgent information is communicated to the Supervisory Board Chair immediately by the Management Board. Additional meetings are scheduled to deal with important issues such as the discussion of the company's strategy. The Management Board reports at least once a year to the Supervisory Board on the precautionary measures taken to combat corruption at the company. The Supervisory Board is therefore furnished with all the information it requires to perform its advisory and supervisory functions. Consistent with the Corporate Governance Code, the Management and Supervisory Boards also hold regular discussions on

the company's performance and strategic alignment outside the framework of Supervisory Board meetings.

The Supervisory Board performs its duties in accordance with legal requirements, the articles of association, and its rules of procedure. The Supervisory Board is responsible for decisions on issues of fundamental importance to the company and its strategic alignment. It establishes qualified committees in accordance with specific circumstances at the company and its own number of members. These committees are designed to increase the efficiency of the Supervisory Board's work and help deal with complex issues. However, issues delegated to individual committees may still be handled by the full Supervisory Board. Each committee chairperson regularly reports to the full Supervisory Board on the work of their committee.

Employee participation on the Supervisory Board and its committees is a legally regulated aspect of the Austrian Corporate Governance system. Consistent with the Austrian Labor Constitution Act, employees are entitled to delegate one representative to the Supervisory Board and its committees for every two Supervisory Board members (shareholder representatives) elected by the Annual General Meeting. Employee representatives exercise this function on a voluntary basis and can be recalled by the Works Council at any time. None of the Supervisory Board members has business or personal relationships with the company or the Management Board that could provide grounds for a material conflict of interest and therefore influence the behavior of the respective Supervisory Board member.

All members of the Wolfford AG Supervisory Board are considered independent according to the criteria defined by the Austrian Corporate Governance Code.



Statements to this effect were submitted by all Supervisory Board members. In determining the criteria used to assess the independence of its members, the Supervisory Board is guided by the independence guidelines set out in the Corporate Governance Code (Annex 1). In accordance with Section 95 of the Austrian Stock Corporation Act, the Supervisory Board's main responsibility is to supervise the work of the Management Board. The Supervisory Board members appointed met and meet this responsibility in full. The company has a free float component of less than 20%. Wolford AG has not granted any loans to members of the Supervisory or Management Boards.

Wolford AG evaluates compliance with the provisions of the code each year based on a questionnaire developed by the Austrian Working Group for Corporate Governance. Based on the results of this evaluation, the deviations from the C rules are explained below.

## DEVIATIONS FROM CORPORATE GOVERNANCE CODE C RULES

C RULE	DESCRIPTION
16, question 2	Until such time that the position of CEO, currently vacant, is successfully filled, the Management Board comprises two members with equal rights.
36, question 3	The Supervisory Board did not conduct a self-evaluation in the past 2021 financial year. The reason for this was the limited travel and meeting options due to the pandemic.
62, question 1	The company's compliance with the C RULE of the code has not been evaluated by any external institution in the past three years. However, an annual review is carried out by the company departments entrusted with internal audit topics. A separate review by an external institution would not produce any different results and would cause avoidable costs. The decision in favor of exclusively performing an internal audit of compliance with the C RULE was taken by the Management Board following agreement with the Supervisory Board.
83, question 1	The audit assignment did not include an evaluation of the effectiveness of the risk management system. The Supervisory Board took this decision in agreement with the Management Board. However, the auditor issued a management letter that reports on select aspects of the internal control system in respect of the financial reporting process. This letter was presented to the Chair of the Supervisory Board and discussed in detail at a Supervisory Board meeting. The Audit Committee also held three meetings during the past financial year in which it addressed the findings of the company's risk management activities. In addition, there is a direct reporting line from the employees responsible for internal audit to the Chair of the Supervisory Board Audit Committee. Overall, the Supervisory Board is therefore able to form its own impression of the effectiveness of the risk management system.

## DIVERSITY CONCEPT AND MEASURES TO PROMOTE WOMEN

Mutual respect, diversity, and inclusivity are integral and indispensable compo-

nents of the corporate culture at Wolford AG and are accounted for when identifying candidates for all functions at the company. With regard to the candidates proposed to the Annual



General Meeting for election to the Supervisory Board and the nomination of Management Board members, the company pays due attention to achieving a balance in terms of specialist skills and diversity. After all, this can play a key role in ensuring the professionalism and effectiveness of the activities of the Supervisory and Management Boards. Alongside specialist and personal qualifications, the company also takes due account of aspects such as the age structure, background, gender, professional training, and previous experience of potential candidates.

At the end of the 2021 financial year, the Supervisory Board of Wolford AG comprised four members elected by the Annual General Meeting, of which two are women and two are men. Four Supervisory Board members are of non-Austrian nationality.

The members of the Supervisory Board were between 40 and 63 years old at the reporting cut-off date. In terms of their professional skills, they covered areas including business administration, finance, production and process management, and procurement. Furthermore, they have experience in the fashion industry and corporate strategy.

The Management Board of Wolford AG comprised one male member (aged 55) and one female member (aged 50) at the end of the 2021 financial year. Both members have non-Austrian roots. The Management Board members together have expertise in sales and operating processes and experience of restructuring, as well as longstanding management experience gained both within the Group and at competitors and in other industries.

Unlike at many other listed companies, two out of four of the Supervisory Board members elected by the AGM at Wolford AG in the 2021 financial year were women. This corresponds to a proportion of female members of 50%. Since August 2017, the Management Board of Wolford AG has been 50% female. Women made up around 40% of the extended management team in the 2021 financial year. Beyond this, the company does not have any specific plan for the promotion of women on the Management Board, Supervisory Board, or in other key functions at the company and its subsidiaries. The best possible candidates are selected for available positions, irrespective of their gender, age, religion, or ethnic origin. Many of the leading positions at Wolford AG and its subsidiaries are held by women. Attractive part-time models are offered to mothers returning from maternity leave, helping them to balance their family and professional commitments. The Wolford Group focuses on its own retail locations and its product line chiefly targets female customers. These factors are reflected in its workforce, in which women make up 80.25% of employees.

## CHANGES AFTER THE BALANCE SHEET DATE

There were no other matters with a material impact on the financial position, financial performance, and cash flows of the Wolford Group.



# Supervisory Board Report

Wolford AG is reporting on another financial year marked by the pandemic, which the Supervisory Board followed closely. However, this has not only been another year shaped by a pandemic, but also another challenging financial year for Wolford AG. Despite the consistently implemented measures to increase sales and earnings, as well as the completed business realignment, the company unfortunately was not able to reach its goal of positive operational earnings due to difficult external circumstances. On a positive note, however, we can report positive EBITDA once again after four years, and succeeded in reducing the operating loss by more than €30 million. Despite the difficult conditions and challenges, the company laid another cornerstone for future success.

## MEETINGS OF THE SUPERVISORY BOARD COMMITTEES IN THE 2021 FINANCIAL YEAR

In the period under review, the Supervisory Board held four meetings together with the Management Board to discuss in detail all significant events and developments, the company's business situation, and the implementation of the measures to cut costs and increase sales. 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 three times, while the Marketing and Strategy Committee met once. 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, and which will be submitted to the vote of the Annual General Meeting.

Due to the extraordinary situation resulting from the pandemic, in the past financial year the Supervisory Board placed particular importance on the discussion of measures to stabilize sales and earnings.

In the past financial year, Presidium meetings primarily comprised advising on strategic, structural, and organizational measures that are needed for stabilization of the business and returning it to the black.

On January 26, 2021, the Marketing and Strategy Committee met and mainly discussed the Northstar strategic plan.

In addressing the annual financial statements for the 2020 financial year, the Audit Committee invited the auditor to attend its meeting on April 21, 2021/



May 12, 2021. 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 2021 ordinary Annual General Meeting.

Prior to the 34th ordinary Annual General Meeting on June 17, 2021, the Management Board reported to the Supervisory Board on the company's latest business performance, and on the progress of the PITBOLI restructuring program and the new omnichannel architecture.

In the ordinary Annual General Meeting of June 18, 2021, the Remuneration Report was adopted for the first time due to new legal requirements. At its subsequent constituent meeting, the Supervisory Board elected Dr. Junyang Shao as Chair and Thomas Dressendörfer as Deputy Chair.

At its meetings on September 21, 2021 and November 30, 2021, the Audit Committee discussed current business developments, among other topics. Other key items on the agenda were the budget and forecast, and progress in implementing the PITBOLI restructuring program, and the outsourcing of logistics. These subjects were addressed in greater depth in the Supervisory Board meeting on November 9, 2021.

At the Supervisory Board meeting on December 21, 2021, the Management Board provided an outlook for the 2022 financial year and an update and

outlook for the PITBOLI restructuring program. The stipulation of the budget for the 2022 financial year was another focus of this meeting.

In addition, the Personnel and Nomination Committee also met once in the course of the financial year; this meeting was primarily dedicated to the personnel-related organizational structure of Wolford Group.

The annual financial statements and management report of Wolford AG and the consolidated financial statements prepared in accordance with IFRS as of December 31, 2021, 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 June 14, 2022, 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 Section 96 of the Austrian Stock Corporation Act and concurred with the audit findings. The Supervisory Board approved the annual financial statements, which are therefore formally adopted in accordance with Section 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 2022 financial year.

Dr. Junyang Shao  
Supervisory Board Chair  
Bregenz, June 2022



# 02

## Group Management *REPORT*

**Group Information**

**042**

**Business Climate**

**046**

**Financial Review**

**048**

**Development of the Business Areas**

**054**

**Outlook and Targets**

**056**

**Events After the Balance Sheet Date**

**058**

**Opportunity and Risk Management**

**059**

**Research and Development (R&D)**

**065**

**Human Resources**

**067**

**Further Disclosures**

**069**



# 7.8

The EBITDA margin was 7.8%  
in the financial year 2021.



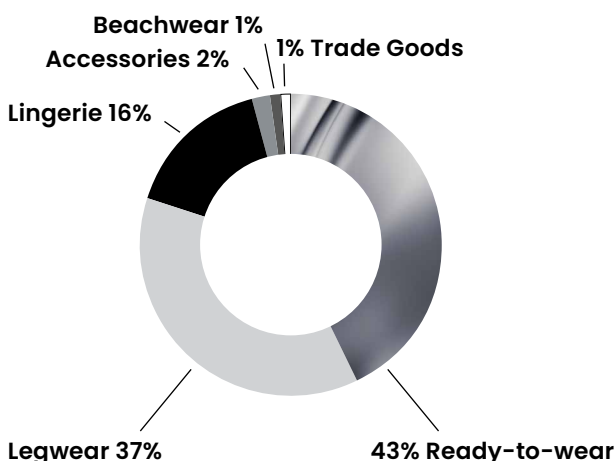


# Group Information

## WOLFORD IN BRIEF

Wolford is a market leader in the area of high-quality skinwear. The brand is represented in 45 countries worldwide, at 229 monobrand points of sale and at more than 2,500 retail partners. The Austrian company manufactures products solely in Europe, in compliance with the strictest ecological and socially sustainable standards. Wolford creates its designs in the Italian fashion metropolis of Milan and produces its creations at its headquarters in Bregenz, located near Lake Constance, as well as in the Slovenian town of Murska Sobota – both regions which have a long and illustrious tradition of textile production. As of the end of the financial year, the Wolford Group has a total workforce of 1,081 employees (FTE), of which 392 employees (FTE) are based at its headquarters in Bregenz, Austria. Wolford was founded in 1950 in Bregenz and is listed on the stock exchanges in Vienna, Frankfurt and New York. The brand is part of the global luxury fashion group Lanvin Group, which was founded by Wolford's Chinese majority shareholder Fosun.

## 02 // SALES BY PRODUCT CATEGORY, in percent



## PRODUCTS WITH HIGH QUALITY STANDARDS

Wolford generates around 37% of its sales with its core Legwear product group, to which all other product groups are aligned. The largest product group is Ready-to-wear (43%), which includes close-fitting products such as bodies and shirts (bodywear), as well as dresses and pullovers. The Legwear and Bodywear product groups are based on special round-knit technology, which Wolford developed and continually refines. This forms the basis for the well-known comfort and quality of Wolford's products. These two product groups are complemented by a select offering of attractive and in some cases figure-shaping lingerie. The collections are supplemented with a small selection of accessories such as scarves and belts, which contribute sales in a low single-digit million euro range.

Wolford makes a distinction between fashionable Trend products and the Essential collection, which includes all of its timeless classics, such as the Satin Touch tights it has been producing since 1988.

Overall, Wolford launches two collections with Trend products onto the market each calendar year. One collection covers spring/summer and the other fall/winter. Depending on the collection, four to five delivery intervals take place with new products. Backed up by suitable marketing and communications, these are intended to generate new momentum on the shop floor.



## THE BUSINESS MODEL

The Wolford Group's business model is based on covering the majority of the value chain – from design and development to parts of production to global omnichannel distribution including proprietary boutiques. This makes the company highly independent and enables it to respond quickly to the latest fashion trends, for example. The company is supported by external partners and selected suppliers in sections of its Lingerie and Ready-to-wear ranges. Tasks relating to product development are centralized at the company's headquarters in Bregenz.

When developing a new collection, product management, the design team, and product development all work together hand in hand. Product management analyzes trends and identifies which products will be in demand on the market – these findings then form the basis for the work performed by the design team. The close cooperation between the design team and product development in turn results in a stream of new products, often based on new production methods, such as 3D printing or the adhesive technology developed by Wolford and now patented. "Pure Tights", the world's first bonded pantyhose, are one result of this cooperation.

Product and goods management also deal with requirements planning for the retail sales areas at proprietary boutiques and for wholesale customers. This department determines which items

have to be produced in what quantities and colors, and for which retail spaces. It also controls the flow of goods from the warehouse to the retail space.

Purchasing is almost all about the materials. The raw materials, and yarns in particular, are procured from long-standing partners in neighboring regions in Austria, Germany, and Switzerland, as are upstream lingerie products and externally purchased Lingerie and Ready-to-wear products. All these suppliers share Wolford's high standards when it comes to the quality and innovation of their products. Some of the yarns are sourced from Japan, a country known for its innovative materials. All raw materials are stored at the company's headquarters in Bregenz and prepared here for subsequent production and assembly.

Finished products are stored in three central warehouses: At the central warehouse in Peine, northern Germany, which also supplies the online business in Europe, and in two other warehouses in the U.S. and China. The warehouse in the U.S. supplies the American market, while the one in China supplies the Asian region.

## GLOBAL SALES

Wolford's products are distributed in 45 countries worldwide, via a network of proprietary locations (retail), i.e., directly to end customers, and via trading partners (wholesale). In the 2021 financial year, the company generated the largest

## 03 // PRODUCT DEVELOPMENT



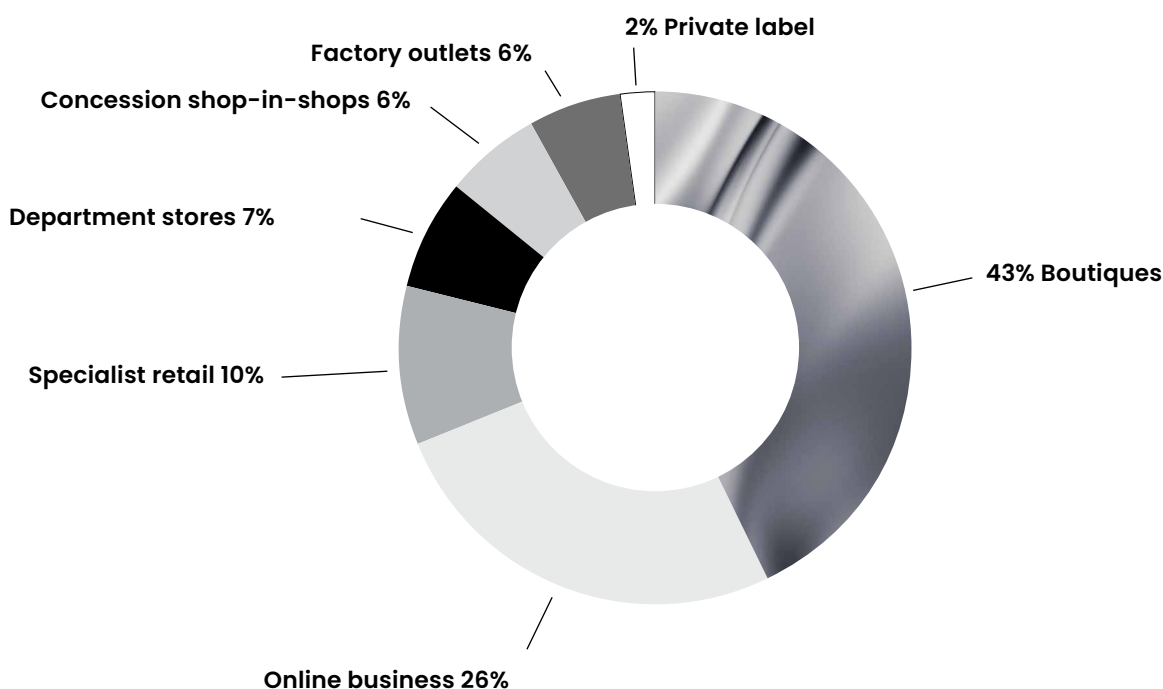


share of its sales (43%) with its international network of boutiques. At the end of December 2021, 39 of Wolford's 101 boutiques were under proprietary management, while 62 were managed by partners. Overall, the Wolford Group controls around 70% of its distribution. Alongside bricks-and-mortar retail, online business is also playing an ever-more significant role, accounting for 26% of sales in the 2021 financial year.

- ▣ **Boutiques:** Boutiques under Wolford's own management and boutiques run by partners.
- ▣ **Department stores:** Exclusive shop-in-shops with Wolford look and feel at numerous international department stores

- ▣ **Concession shop-in-shops:** Sales areas under Wolford management within department stores
- ▣ **Specialist retail:** Exclusive fashion and specialist retailers offering Wolford products
- ▣ **Online business:** Proprietary online boutiques
- ▣ **Private label:** Products manufactured for other brands or offered under other brand names at retailers
- ▣ **Factory outlets:** Sales locations at which Wolford collections from previous seasons and cut-price goods are sold

#### 04 // SALES BY DISTRIBUTION CHANNEL in percent

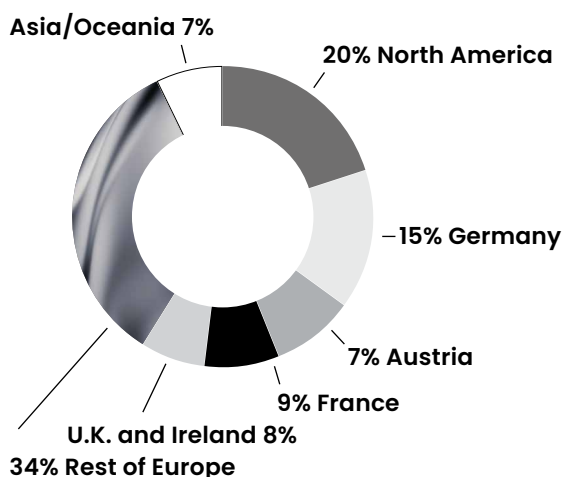




## EUROPE – THE MOST IMPORTANT MARKET

Accounting for around 73% of revenue, the European market is the most important sales region for the Wolford Group. Here, in particular, the markets in Germany (15%), France (9%), the U.K. and Ireland (8%) and Austria (7%) as headquarters contributed the majority of sales. North America, with a 20% share of sales, is the most important individual market. The ownership structure of the Chinese principal shareholder Fosun facilitates access to the Asian market, and Fosun Fashion Brand Management is a partner here. In the medium term, the share of sales generated in this region should match that in Wolford's existing core markets of the U.S. and Germany and reach between 15% and 20%.

## 05 // SALES BY MARKET in percent



**Note on the data basis:** Actual geographical allocation as against segment reporting (consolidated financial statements), which is based on local units.

## CENTRAL MANAGEMENT

The Wolford Group is managed by Wolford AG, which is based in Bregenz. Wolford has a dualistic corporate management and monitoring system with a Management Board and Super-

visory Board. The Management Board manages the company from its corporate headquarters in Bregenz as well as its second office in Milan. It is responsible for strategy and Group management, while the Supervisory Board advises the Management Board and monitors its management of the company.

The company's core objective is to generate profitable growth and increase its free cash flow. The company's internal management system supports the management team in aligning company processes to this objective.

Key aspects of this approach involve increasing sales and operating earnings (EBIT). Accordingly, the company's key management figures are sales (absolute and like-for-like, i.e., excluding revenue at sales areas newly opened or closed) and free cash flow (net cash flow from operations, plus cash flow from investments). Further key management figures are working capital and the Group's net debt.

The supply chain management team is responsible for managing inventories and trade receivables. They are also responsible for consistently implementing measures to reduce raw material holdings and circulating stocks. Receivables management is based on close coordination between the finance department, which manages the process, and the relevant sales employees. Clear targets for DSO (Days Sales Outstanding) support the company in prioritizing and systematically reducing its receivables. In monthly business performance reviews, the management monitors target achievement for all key management figures and implementation of the relevant target achievement action plans.



# Business Climate

2021 saw the global economy recovering from the coronavirus-related slump of the previous year. Global production increased by 5.7%, after a decline of 3.1% in the previous year. In the first few months of the year in particular, the economy experienced perceptible growth despite renewed pandemic-related restrictions. The effects of the pandemic remain largely limited to service areas. Industrial production and global trade significantly expanded up until spring. Momentum declined in most regions in the second half of the year.

Despite the economic recovery, the Covid-19 pandemic continued to markedly influence economic activity. It could be seen that countries with higher vaccination rates increasingly also tolerated higher incidence rates without implementing containment measures. In summer, rising infection numbers primarily in the Asia region caused economic dips. The effects remained at a lower level in the USA and Europe. As of year-end, new risks to the economy arose with the occurrence of the new Omicron virus variant and increasing inflationary pressure. Supply bottlenecks continued persistently.

In the USA, the economy developed positively again following the decline of the previous year. Gross domestic product increased by 5.6% (previous year: -3.4%). Private consumption rose significantly, by 8% (previous year: -3.8%). In November, the savings rate hit the pre-crisis level for the first time, reaching 7.3%, and indicating a stable propensity for consumption.

The recovery continued in the euro area. Following slight stumbles in winter, economic production overall increased significantly in the second and third quarters. At year-end, signs indicated that containment measures to fight the pandemic were slowing down again. Economic output increased by 5.0% in 2021 (previous year: -6.5%).

In pursuing its strict zero-Covid policy China put containment measures in place, some dramatic, which at times caused noticeable impairment of international delivery chains. Problems in energy supply and the real estate crisis were two additional critical brakes on growth for the country. Chinese economic growth almost reached a standstill in the third quarter, at +0.2%. Looking at the whole year, the Chinese economy achieved growth of 7.8% (previous year: +2.3%).



The geopolitical environment remained strained in 2021. The relationship between the USA and China threatened to harden under the new American leadership. In Eastern Europe, the conflict between Russia and Ukraine resulted in a violent invasion of Ukraine by Russia. This resulted in a considerable influx of refugees to Austria and Europe. The situation deteriorated into the early summer of 2022. The sanctions imposed by Western countries are now having a tangible impact on economic activity. The economy was also confronted with rising inflation in the early months. This presents European societies in particular with further challenges. Wolford operates in both Russia and Ukraine, but generates only insignificant sales there, which means that the war in Ukraine will not have a significant direct impact on the company's sales and earnings.

The framework conditions for the European textile and clothing industry remained difficult, though they did improve. According to the European Apparel and Clothing Industry Confederation (Euratex), the sector was able to slightly recover from the coronavirus pandemic. While the textile industry as of half-year 2021 exceeded the pre-pandemic level in the fourth quarter of 2019 by 3.6%, the clothing sector was still 11.5% below the comparable level. A look at the first half of 2021 confirms the upward trend: Sales in the textile sector increased by 3.3% in the second quarter of 2021, after having slightly dropped in the first quarter of 2021. Business activities in the clothing sector expanded in a similar manner in the first quarter of 2021, by 7% following a rise of 1% in the first quarter.



# Financial Review

At the 33rd ordinary Annual General Meeting on September 30, 2020, a resolution was passed to change the balance sheet date to December 31, starting with the previous financial year. The current financial year is therefore a calendar financial year for the first time; it will end on December 31, 2021 (comparative period as a short financial year: May 1, 2020, to December 31, 2020). In the cash flow analyses, it must be taken into account that the income statement for the financial year covers twelve months, while the comparative period contains only eight months as it is a short financial year.

## EARNINGS

In the 2021 financial year, the Wolford Group achieved sales of €108.95 million, putting it 60.1% above the previous year's figure (€68.04 million). Compared to the comparative period in the previous financial year (months from January 2020 to December 2020) there was an increase in sales of €13.1 million (13.7%).

The global outbreak of coronavirus and resultant closures of retail outlets that affected the 2020 short financial year also led to cash flow restrictions in the 2021 financial year in comparison to the 2019/2020 financial year.

Even given the effect arising from consideration of different periods, nearly all distribution channels recorded increases. Sales from online retail in the 2021 fiscal year rose to €28.31 million (2020 short financial year: €20.20 million), but declined slightly in a twelve-month comparison.

Regional sales also showed significant increases over all main markets, with the highest rises occurring in the Asia, North America, Rest of Europe and Germany segments. Compared to the 2020 short financial year, but also overall in the 2020 year, the proprietary retail segment was placed on a sustainable growth course.

At 43%, the Ready-to-wear product group's share in revenue represented the largest share in Group sales for the first time in the 2021 financial year (2020 short financial year: 30%). With a share of 37% (2020 short financial year: 42%) in the 2021 financial year, the Legwear product group now takes second place. As was also the case for Ready-to-wear, there was a disproportionately high increase in the Lingerie product group, and it achieved 16% (2020 short financial year: 14%) of Group sales. In the Accessories, Beachwear and Trade Goods sector, despite a twelve-month reporting period, with a share in revenue of 4% (2020 short financial year: 15% share in revenue) sales were more than 60% below the level of the 2020 short financial year with just eight months.



KEY EARNINGS FIGURES in percent	2021	2020
Materials expense ratio (including changes in inventories)	19.3	21.4
Personnel expense ratio	43.3	49.0
Other operating expenses as a share of revenue	41.1	42.8
EBITDA margin	7.8	52.6
EBIT margin	-4.8	29.3

Material expenditure in relation to sales (materials expense ratio) as well as the personnel expense ratio were reduced thanks to increasing revenue. The lower personnel expenses ratio is mainly due to a reduction of the average number of full-time employees by 78 to 1,091, as well as the utilization of government subsidies for short-time work that are recognized in personnel expenses.

Despite the also lower depreciation and amortization (including impairments and reversals of impairment losses) (decline of €15.86 million in the 2020 short financial year to €13.80 million in the 2021 financial year), an EBIT of only €-5.26 million was achieved (2020 short financial year: €19.94 million). This is due to the significantly lower other operating income of €12.60 million and the higher other operating expenses, including for sales channel optimization. A key earnings driver in the 2020 short financial year was the sale of the company property in Bregenz, which made an earnings contribution of €40.99 million and was therefore decisive for the clearly positive EBITDA and EBIT in the 2020 short financial year.

Intangible assets with indefinite useful lives are tested for impairment at least annually. In determining possible impairment, the recoverable amount of the

cash-generating unit (CGU) is compared with its carrying amount as of the balance sheet date. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount recognized for this cash-generating unit, the carrying amount of the asset is reduced to the recoverable amount. Estimates made by management in determining the recoverable amount consist primarily of determining expected cash flows, discount rates, and growth rates, as well as to expected changes in disposal prices and related direct costs.

As of each balance sheet date, Wolford AG is required to assess whether any triggering event has occurred that could indicate that an asset is impaired. If there is an indication that this is the case, the company has to estimate the recoverable amount of the asset. The following triggering events have been defined for Wolford AG: Significant deterioration in the net cash flow from the use of cash-generating units or failure to achieve budgeted net cash flows.

The impairment tests performed on property, plant and equipment and intangible assets are based on the corporate planning in accordance with the planning calculation for 2022 from the



most recent budget presented to the Supervisory Board. In the further planning for 2023 to 2025, sales growth is assumed depending on regional and structural changes. For the main markets of Europe and the USA, growth rates of between 3.3% and 19.5% are planned for the individual years. After 2025, a 1% increase in revenue is applied to all regions. The cost of sales will increase proportionally to sales. Personnel costs are considered at an annual growth rate of 5% and operating expenses at an annual growth rate of 2% and are not directly related to the development of sales, as the scope of the respective business operations remains unchanged. Replacement and maintenance investments were included in the calculation according to the size of the boutiques (clustering by m<sup>2</sup>) based on historical experience. Expansion investments or complete store refurbishments were not taken into account in line with current budget planning. Forecasts based on past experience, current operating results, consultant analyses and management's best estimate of future developments, as well as market assumptions, were used to determine the budget planning calculations. The discount factors (WACC after tax) of 5.0%–8.5% (December 31, 2020: 5.2%–8.4%) used for impairment tests are derived from regional interest rates, taking into account the risk-free base interest rate with maturities matching the average remaining opening period of the boutiques in the respective country, country risk premiums, the credit spread based on a 30-year consumer discretionary bond with a BBB rating, and different tax rates. The

remaining opening time of the boutique locations is evaluated on a boutique-by-boutique basis, taking into account the remaining lease term, possible termination options, expected performance and economic and strategic considerations. Impairments of €0.38 million were recognized in the 2021 financial year (2020 short financial year: €4.98 million).

Expected reimbursements in connection with the loss compensation in Austria amounting to €8.18 million are recognized in other operating income, following €3.70 million for the fixed-cost subsidy in the 2020 short financial year. While a gain on the disposal of property, plant and equipment of €0.79 million was generated in the 2021 financial year, the disposal of the company property in Bregenz, which made a €40.99 million contribution to earnings in the 2020 short financial year and was accordingly crucial to the significantly positive BITDA and EBIT, was a key earnings driver in the 2020 short financial year.

The obtaining and in-year top-up of a shareholder loan with an interest rate of 12% from Fosun Fashion Group (Cayman) Limited resulted in a significant deterioration in the financial result in the 2021 financial year by €-1.54 million to €-4.15 million, in comparison with the 2020 short financial year's €-2.61 million.

Income tax expenses decreased by €1.64 million to €-2.92 million compared to the 2020 short financial year, with tax expenses of €-4.56 million, which was influenced by the change in deferred taxes.



In total, earnings after tax reduced from €+12.77 million in the 2020 short financial year to €-12.33 million in the 2021 financial year. Earnings per share were at

€-1.86 following €1.93 in the 2020 short financial year.

INCOME STATEMENT (CONDENSED) in EUR million	2021	2020	CHANGE IN %
<b>Revenue</b>	<b>108.95</b>	<b>68.04</b>	<b>60.1</b>
Other operating income	12.60	45.21	-72.1
Change in inventories	-2.36	-1.38	70.9
Cost of materials	-18.62	-13.16	41.6
Personnel expenses	-47.19	-33.37	41.4
Other operating expenses	-44.81	-29.10	54.0
Impairments of trade receivables	-0.04	-0.45	91.0
Depreciation and amortization	-13.80	-15.85	-13.0
<b>EBIT</b>	<b>-5.26</b>	<b>19.94</b>	<b>&gt;-100.0</b>
Financial result	-4.15	-2.61	59.0
<b>Earnings before tax</b>	<b>-9.41</b>	<b>17.33</b>	<b>&gt;-100.0</b>
Income tax	-2.92	-4.56	-36.0
<b>Earnings after tax</b>	<b>-12.33</b>	<b>12.77</b>	<b>&gt;-100.0</b>

## FINANCIAL POSITION AND FINANCIAL PERFORMANCE

At €134.65 million, the balance sheet total for the Wolford Group as of the balance sheet date December 31, 2021, was below the previous year's level (€138.90 million). This decrease is due to the lower level of property, plant and equipment and inventories, despite a simultaneous increase in trade receivables as well as other receivables and assets, in particular from the legal entitlement to fixed-cost subsidies and loss compensation.

Non-current assets amounted to €65.56 million as of the balance sheet date (December 31, 2020: € 71.71 million), corresponding to 49% of total assets (December 31, 2020: 52%). As the property that was disposed of was classified as

an asset held for sale in the previous year, the transaction did not result in a decrease of non-current assets. At €0.74 million in the 2021 financial year (excluding rights of use in accordance with IFRS 16), investments remained at approximately the previous year's level (€0.77 million in the 2020 short financial year).

Current assets accounted for 51% of total assets as of December 31, 2021 (previous year: 48%). The increase in trade receivables of €3.20 million to €12.01 million (December 31, 2020: €8.81 million) is due in particular to a deterioration in payment behavior. The increase in other receivables is primarily driven by the recognition



of fixed-cost subsidies of €8.18 million (December 31, 2020: €3.70 million).

Shareholders' equity at the Wolford Group amounted to €15.24 million as of December 31, 2021, and as such, due to the negative result in the financial year under report, was below the compara-

tive figure in the consolidated financial statements as of December 31, 2020 (€28.54 million). With a simultaneous increase in the balance sheet total, the equity capital share deteriorated to 11.3% (December 31, 2020: 20.5%).

KEY BALANCE SHEET FIGURES in EUR million/in percent	12/31/2021	12/31/2021
Equity in EUR million	15.24	28.54
Net debt in EUR million	0.29	positiv
Working capital* in EUR million	32.13	31.37
Balance sheet total in EUR million	134.65	138.90
Equity capital ratio in %	11.3	20.5
Gearing in %	10.17	–
Working capital as a share of revenue in %	29.49	46.1

\* Inventories + trade receivables + other receivables and assets – trade payables – other liabilities

CALCULATION OF NET DEBT in EUR million	12/31/2021	12/31/2021	CHANGE IN %
Non-current financial liabilities	0	0	–
Current financial liabilities	10.70	0	–
– Financial assets	–1.26	–1.32	–4.8
– Cash and cash equivalents	–9.15	–14.13	–35.2
<b>Net debt</b>	<b>0.29</b>	<b>–15.45</b>	<b>–101.9</b>

Due to the raising of a new shareholders' loan and the decline in cash, the value of the net debt (without consideration of lease liabilities) was negative at €0.29 million as of December 31, 2021.



## CASH FLOW

The cash flow from operating activities (operating cash flow) was €-0.51 million, far above the level of the short financial year (€-17.98 million). The significant rise in 2021 was attributed in particular to good sales and relatively lower costs, even though the rise in trade receivables delayed a cash inflow until 2022.

During the reporting period, the cash flow from investing activities was €0.29 million, and therefore €70.94 million below the value arising due to the sale of real estate in the 2020 short financial year (€71.23 million). Outgoing payments for investments in the 2021 financial year were €-0.74 million. By contrast, proceeds from the disposal of property,

plant and equipment were €1.03 million, largely stemming from the sale of another property in the amount of €0.79 million.

Also in contrast was the rise of €38.21 million in cash flow from financing activities, to €-5.34 million (2020 short financial year: €-43.55 million) due to the taking up of a new shareholders' loan of €10.00 million in 2021. The cash flow from financing activities during the 2020 short financial year largely consisted of the repayment of financial liabilities, which was enabled by cash inflows from the property sale.

CASH FLOW STATEMENT (ABRIDGED) in EUR million	2021	2020	SHORT YEAR
			CHANGE IN %
Cash flow from operating activities	-0.51	-17.98	>100
Cash flow from investment activities	0.29	71.23	>100
<b>Free cash flow</b>	<b>-0.22</b>	<b>53.25</b>	<b>&gt;100</b>
Cash flow from financing activities	-5.34	-43.55	+87.74
Change in cash and cash equivalents	-5.56	9.70	>100
Effects of exchange rate movements on cash and cash equivalents	0.58	0	>100
<b>Cash and cash equivalents at end of period</b>	<b>9.15</b>	<b>14.13</b>	<b>-35.24</b>



# Development of the Business Areas

Consistent with the requirements of IFRS 8 (management approach), Wolford AG reports on the following business segments:

- ▣ Austria
- ▣ Germany
- ▣ Rest of Europe
- ▣ North America
- ▣ Asia

## Austria

External sales (revenue less intragroup sales) in the Austria segment increased from €21.29 million (2020 short financial year) to €29.84 million in the reporting period. This segment includes the production and sales activities in Austria and the sales activities in all countries in which Wolford does not have any proprietary subsidiaries. The segment contributed 27% of consolidated revenue (2020 short financial year: 31%). The operating result (EBIT) declined by €38.35 million in the short financial year, going from €27.98 million to €-10.36 million. This was mainly due to the one-time effect from the disposal of the property (gain on disposal of €40.99 million) in the 2020 short financial year.

## Germany

External sales in the Germany segment increased during the last financial year, from €6.93 million to €10.86 million in the 2020 short financial year. The segment contributed 10% of consolidated revenue (2020 short financial year: 10%). EBIT reached €0.42 million following €0.03 million in the short financial year.

## Rest of Europe

External sales from companies in the Rest of Europe segment also rose significantly from €26.24 million in the 2020 short financial year to €39.45 million. This segment includes the European distribution companies outside Austria and Germany and the production firm in Slovenia. This segment contributed 36% (2020 short financial year: 39%), the largest share of consolidated revenue. Increased sales meant that the EBIT of €3.23 million was significantly improved compared to the 2020 short financial year (€1.00 million). This was primarily due to factors including lower depreciation and amortization.



### North America

External sales for Group companies in the North America segments more than doubled from €10.30 million in the 2020 short financial year to €21.68 million. The North America segment includes the distribution companies in the USA and Canada. At 20%, the companies in this segment made a much greater contribution to consolidated revenue than in the 2020 short financial year (15%). As a result of increased sales, EBIT rose to €-1.18 million from €-4.73 million in the 2020 short financial year.

### Asia

At €7.11 million, external sales at companies in the Asia segment were also well above the level of the 2020 short financial year (€3.29 million). This segment includes the distribution companies in Hong Kong and China. The segment contributed 7% of consolidated revenue (2020 short financial year: 5%). EBIT was €0.12 million, above the level of the 2020 short financial year (€-1.51 million).



# Outlook and Targets

## DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

Global economic expansion continued in the winter half-year, and global production increased by 1.5% in the closing quarter of 2021. At the same time, the Covid-19 pandemic continued to influence economic activity. The war in Ukraine brought new stresses for the global economy, which will significantly impact production and supply chains in the coming months, and noticeably dampen expansion. Inflation has also already greatly increased and the Federal Reserve has called time on its extremely expansive monetary policy. In this context, experts from the Institute for the World Economy in Kiel have significantly lowered their growth forecasts compared to their year-end forecasts. It expects production growth of 4.5% for the 2022 financial year (2021: +5.7%). Germany has seen significant price increases, especially since the outbreak of the war in Ukraine; in May 2022, the inflation rate was 7.9%.

The U.S. economy will weaken in 2022 in the context of more restrictive monetary and financing policy, high inflation, and geopolitical conflicts. High rates of price increases reduce buying power, while at the same time high savings support consumption. Overall, U.S. economic output is expected to grow by 2.2%, with a temporarily significantly increased inflation rate of 7%. In May 2022, the inflation rate was 8.6%.

In the euro area, economic output has surpassed the pre-coronavirus level. At the same time, inflation has significantly accelerated. The negative effects of the Ukraine war stand in contrast with powerful upward-driving economic forces. For example, propensity to consume also remains high, and growth of 2.8% is expected for the overall year. At the same time, at 5.2% in the current year, consumer prices are expected to increase at the fastest pace since the formation of the currency union. In May 2022, however, the inflation rate was 8.1%.

In China, consumption and production continued to be dampened by pandemic-related measures. In addition, there are stresses such as the energy, property and Ukraine crises, with a resulting expected increase in gross domestic product of 4.8%.

## WOLFORD'S DEVELOPMENT

After the Covid-19 waves during the previous calendar year produced a marked decline in sales, Wolford anticipates that consumer confidence, and therefore demand, will recover during the current 2022 financial year. Management expects that Wolford will be able to take advantage of the new environment, and return to the pre-Covid-19 sales levels of 2019 in 2022. With regard to operating income (EBIT), the company assumes an improvement in the current financial year. This is assuming that no further, more dangerous virus variants, which may lead to a lockdown being imposed, will emerge during the year, and that the situation in Eastern Europe will not lead to further disruptions on the global economic stage.



A series of cost drivers stand in the way of growth this year, including higher inflation. This is putting the economy as a whole, and therefore also Wolford, under pressure. A weakening of the upward trend in prices is not expected before 2023.

Supply chains continue to be vulnerable, an issue only exacerbated by the conflict in Ukraine. Wolford expects to see costs for transport, production, personnel, services, and other direct and indirect cost items to increase in the single-digit-percentage range in the 2022 financial year.

Other material cost drivers include energy prices, in particular for oil and gas, which have risen steeply over the past year. The uncertain situation in Eastern Europe means that costs are not about to improve.

Nevertheless, management feels positive about this and subsequent years, as projects that were part of the PITBOLI restructuring program have been successfully implemented in full, and the effects of this are to be felt during the current year. Without exception, the measures taken are sustainable in character and therefore allow transparent and consistent cost control.

Markets remain fiercely competitive, and so management has created 22 strategic initiatives for the top and bottom line through PITBOLI and the Northstar strategic plan. The aim of these initiatives is to form a targeted response to the present challenges through appropriate mitigation measures, including adjusting price strategies, seeking long-term framework contracts, improving efficiency and avoiding costs, and other optimization measures along the three distribution channels.

Successful brand positioning on international markets is crucial to Wolford's continued development. To this end, the company will continue to focus its approach on positioning the brand globally with its "The W" and "W Lab" lines. This will involve continuing existing and successful collaborations in the current financial year, as well as launching four more capsule collections on the market in collaboration with international star designers.

Wolford sees excellent growth prospects in the U.S. and China markets, with healthy double-digit annual growth rates. As a consequence, an important operational focus is on measures to tap this potential.

Based on the measures taken, the management believes that Wolford is well positioned to continue its sales growth while at the same time increasing profitability.



# Events After the Balance Sheet Date

In January 2022, Fosun Fashion Group (Cayman) Limited granted a further shareholder loan in the amount of €2.50 million at an interest rate of 12% p.a., with a term until the end of 2022. In May 2022, a further loan in the amount of €5.00 million was granted subject to the same conditions.

The maturities of the loans in the amount of €10.00 million existing as of December 31, 2021, and the financing listed above were extended in June 2022 to December 31, 2023.

In November 2021, a factoring agreement for receivables was concluded, which provides for the sale of receivables worth up to €5.00 million, with the first transactions under the agreement taking effect in 2022.

The Eco-Social Tax Reform was enacted on January 20, 2022. It envisages an incremental lowering of the corporation tax rate in Austria from 25.00% to 23.00% (2023: 24.00%; from 2024 onwards: 23.00%). This change to the corporation tax rate does not have a significant impact on the calculation of deferred taxes from 2022 onwards.

The first few months of 2022 were impacted globally by the coronavirus pandemic, with figures increasing significantly, particularly for the Omicron variant, with regional variations in infection rates. In many countries, restrictions in public life continue in order to further contain

the spread of Covid-19. The effects of the Covid-19 crisis continue to have a significant impact on the Wolford Group after the balance sheet date in the form of sales restrictions. The growing Chinese market, of key significance to Wolford, is particularly affected, which led to delays in the scheduled openings of new stores. No definitive statements can currently be made on when these measures may end in countries in which the Group is active. We refer to the detailed impacts set out in the Management Report under Opportunity and Risk Management.

The ongoing development of the global situation and its effects on Wolford remain unclear. Cost increases and supply bottlenecks are a global concern, particularly since the outbreak of the war in Ukraine, although this has, as yet, had little impact on Wolford's business activities. Wolford operates in both Russia and Ukraine, but generates only insignificant sales there, which means that the war in Ukraine will not have a significant direct impact on the company's sales and earnings.

Up to the point of publication, there were no further matters with a material impact on the financial position, financial performance and cash flows of the Wolford Group.



# Opportunity and Risk Management

To remain competitive on a sustainable basis, companies have no alternative but to deliberately enter into certain risks. This is also true for Wolford AG. In its global business activities, the company is exposed to various risks, and it views effective risk management as a key success factor when it comes to sustainably safeguarding the company's existence and creating shareholder value. However, alongside risks, the company also faces opportunities that have the potential to be turned into a competitive advantage. For this reason, Wolford always works to identify opportunities and risks at an early stage of development, and to respond to them appropriately. This is the objective of the company's internal guidelines and systems.

## **BASIS FOR OPPORTUNITY AND RISK MANAGEMENT**

Recognizing opportunities and risks in good time is a factor that significantly influences Wolford's ability to meet its targets. The company defines risks as internal or external events that could adversely affect its ability to meet its business targets. In line with this, Wolford defines opportunities as internal or external events that could positively influence its ability to meet its business targets. Following this approach, the company identified its own opportunities and risks in discussion with select managers from a wide variety of departments. On this basis, the management team discussed both the potential top opportunities and the top risks.

## **Opportunity and Risk Management System**

Opportunity and risk management is directly under the control of the Management Board. This ensures comprehensive, integrated and effective management of all material opportunities and risks. The objective of risk management is to identify at an early stage any risks and opportunities which could threaten or, conversely, facilitate the company's achievement of its targets, as well as to implement suitable measures enabling these targets to be met. Defining the respective targets is therefore a key component of the opportunity and risk management system.

To ensure that the opportunity and risk management system can be implemented effectively, it has been based on the requirements of the internationally established framework for company-wide risk management and internal control systems (COSO – Internal Control and Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission). Opportunity and risk management is adapted to Wolford's size, structure and risk environment on an ongoing basis.



## Explanation of Material Risks and Opportunities

The coronavirus crisis and its impact on the global economy and our main markets pose significant risks to the further development of Wolford's business. Due to the limited visibility caused by the ongoing coronavirus crisis, it is currently difficult to assess the business risks, as these depend heavily on the duration and intensity of the crisis and the further consequences for the global economy. The decrease was clearly noticeable in the short financial year and recovery was delayed by the serious occurrence of a second wave, which has led to new lockdowns in various countries. Although improvement in the situation occurred in the financial year, in particular due to the expansion of online business, business development was still subject to the influence of the pandemic. The further development of the pandemic and the resulting political measures continue to be difficult to assess at this point. Accordingly, further negative developments in Group's sales and earnings may occur.

## Strategic Development

Wolford operates in a market that is dynamic and rapidly changing, and so it is important to develop an appropriate strategy. In the long term, the lack of such a strategy puts the competitiveness and future of the company at risk. Developing a consistent strategy for the company and communicating it internally to ensure that it is embraced by all employees is therefore of central importance. One material risk when developing such a strategy involves failure to respond to, or misinterpretation of, current trends. Wolford therefore on an ongoing basis analyses the development in the market environment, the behavior of its target groups, and the latest trends, and adapts its own strategy accordingly. Given the ongoing trend toward online shopping, for example, Wolford has long worked to systematically expand its own online business and to enter into collaboration with relevant providers in this area. As most of the growth of luxury brands is expected to be generated in Asia, and above all in China, Wolford has systematically invested in the expansion of its presence in China over recent years.

## Market Communications

For a company such as Wolford, which is dependent on the brand's fantastic reputation, the question of brand image is highly significant. For this reason, targeted market communications with a stringent marketing strategy are needed. An appropriate market presence that also enables the company to attract younger potential consumers is required. Further investments in global market presence are crucial for Wolford, and have been made accordingly.



## Personnel Development

Wolford views its employees as its most important resource. It is therefore a matter of course for Wolford to both protect and promote its staff. Working conditions and training influence the employee performance in development and production, as well as their success at the point of sale. Well-trained sales staff have a decisive impact on the company's sales performance. However, more than anything else, Wolford relies on the recognized quality of the products it manufactures itself. This is, of course, closely linked to working conditions in production at its two plants in Austria and Slovenia. Not only does the loss of key personnel represent a significant risk, but there is also the risk that the company may be unable to identify, recruit, and retain sufficient numbers of well-trained, highly motivated employees. Wolford operates in a dynamic competitive environment and the flexibility, mobility, and adaptability requirements for the company as a whole and its employees in particular change rapidly. This means that Wolford has to make systematic investments in training and developing its employees while also permanently enhancing its recruitment activities to attract well-trained, flexible employees in a highly competitive labor market (war for talent).

## IT Implementation

Requirements in IT are constantly increasing, and companies therefore each need an efficient and process-oriented IT system. The parallel existence of different IT systems represents a potential risk for the company: From procurement to production planning through to sales – Wolford has numerous independent IT systems and databases that are only compatible to a limited extent. Data synchronization and general IT support are correspondingly time-consuming and personnel-intensive, and accordingly the overall system at Wolford AG can be prone to error. System breakdowns may lead to the loss of important data and, as a result, to financial damages. Against this backdrop, Wolford plans to standardize its IT landscape in the medium term by introducing a standard piece of ERP software throughout the company.



## Market Changes

Wolford is exposed to numerous external factors and risks, such as those resulting from any changes in the macro-economic framework or within society. As a company with global operations, Wolford is subject to economic developments on international markets, and dependent on customer behavior. Any decline in demand due to economic developments or other external factors (such as the Covid-19 pandemic in the 2020 short financial year and the past 2021 financial year, and political conflicts such as the Ukraine crisis) may result in excess capacity in the company's production plans. To avoid this, Wolford permanently monitors its capacity utilization rates and adjusts these in line with market requirements where necessary. Short-term work subsidies were also utilized as a measure in this context in the 2021 financial year. In addition, Wolford is focused on the optimization of various processes in the company in the framework of the projects set up specifically for this purpose. Furthermore, the underlying conditions in the fashion retail sector continue to be difficult, as increasing globalization and the advance of digitalization are extending the range of goods available to consumers and leading to increasingly intense competition. To minimize the risks resulting from these developments, Wolford is working to retain its quality leadership and ensure strong market communications. The company's growing extensive network of proprietary

retail locations is regularly reviewed in terms of its economic viability, with insufficiently profitable boutiques being closed upon the expiry of the relevant rental agreements. Alongside this, Wolford has long worked to systematically expand its proprietary online business and to collaborate with relevant e-tailers.

Following the trend of 2020, in the 2021 financial year the coronavirus crisis has again significantly accelerated the process of structural change already long apparent in the fashion industry. The future of bricks-and-mortar retail is now more in question than ever. To safeguard its continued existence, Wolford will also have to find new strategic answers by realigning its business and implementing the sales-boosting measures stated above. The management will continue to systematically pursue its chosen path of sales growth in the current financial year, while at the same time improving profitability. It will focus on implementing the restructuring measures that have already been defined and are showing clear signs of success, while also implementing targeted measures to increase sales, such as further expanding the online business.



### Political and Societal Risks

As a company with global operations, Wolford AG is exposed to political and social risks. Consumer behavior may be adversely affected by changes in the political or regulatory framework, geopolitical tension, or terrorist attacks. Global uncertainty as a result of political and societal upheaval is also to be expected in 2022, as demonstrated not least by the Ukraine crisis in February of this year. Here, the potential direct effects include the emergence of new refugee movements and mounting inflation. These developments also involve risks for providers of luxury goods in particular and lie outside the control of individual companies.

### Financial Risks

Wolford is exposed to financial risks as a result of changes in interest rates and exchange rate fluctuations. The risk of floating interest rates was significantly reduced by the repayment of financial liabilities in the financial year. However, given the international focus of its business model, Wolford is also subject to exchange rate risks. The development of material foreign currency exposures is monitored constantly, and hedging through derivatives is not currently performed.

### Liquidity Risk

In May and July 2021, Wolford AG utilized the credit line granted by Fosun Fashion Group (Cayman) Limited of €10.00 million in the form of a shareholder loan in several tranches.

To ensure solvency, the Wolford Group holds liquidity in the form of bank balances, the majority of which are available on a daily basis, in order to be able to service expected operating expenses and financial liabilities. However, the impact of further lockdowns and restrictions on business activity as a consequence of Covid-19 on the Group's liquidity is currently difficult to assess. The resulting uncertainty is taken into account by intensified monitoring of liquidity.

### Credit Risks

Credit risk refers to risk that arises due to business partners failing to meet their contractual obligations and that may lead to losses. Wolford is exposed to potential credit risks when it grants terms of payment to wholesale customers with the associated payment default risks. This risk is partly covered by a credit insurer. Furthermore, the company is exposed to a default risk in connection with purchases made by end consumers in its online business. For this reason, the company works with an external credit check provider, enabling the creditworthiness of customers to be checked when they place their orders. Furthermore, incoming orders are continually monitored and checked by the relevant online shop managers.



## INTERNAL CONTROL SYSTEM

The Management Board is responsible for designing and implementing an accounting-related internal control and risk management system and ensuring compliance with all legal requirements. From an organizational perspective, Wolford AG is responsible for the financial reporting of the Wolford Group. The group accounting department (responsible for external reporting) and Group Controlling department (responsible for internal reporting) report directly to the Management Board of Wolford AG.

The processes underlying Group accounting and reporting are based on an accounting manual that is issued by Wolford AG and updated whenever new information becomes available. This manual contains key accounting and reporting requirements based on IFRS on a uniform basis for the overall Group.

The regular impairment testing of goodwill and groups of assets attributed to the individual cash-generating units (CGUs) is performed in accordance with applicable IFRS requirements. The recording, posting and recognition of all transactions at the Group are handled using software solutions. Accounting processes are only outsourced to local tax advisors in China and Hong Kong. The subsidiaries submit monthly reporting packages that contain all relevant accounting data for the income statement, balance sheet, and cash flow statement. These data are

entered into the central consolidation system. This financial information is verified at Group level by the Corporate Accounting and Corporate Controlling departments and forms the basis for the IFRS reports issued by the Wolford Group.

Established planning and reporting software is used for internal management reporting. Automated interfaces have been created for adopting actual data from primary systems, and values for forecasts have been input in a standardized process. Reports are issued based on regions and for each company. Alongside an operating result development report for each expired month, a rolling whole-year forecast was issued in the past short financial year.

In combination with the respective quarterly figures, the described financial information is the basis of the Management Board's reports to the Supervisory Board. The Supervisory Board is informed of economic development in regular meetings. This information is provided in the form of consolidated figures, which cover segment reporting, earnings performance figures with budget/previous year comparisons, forecasts, consolidated financial statements, data on personnel and order development, and selected key financial figures.

In the past financial year, it was not possible to carry out all control activities in the planned manner due to high staff turnover and resource bottlenecks.



# Research and Development (R&D)

Innovation is at the heart of Wolford's product worlds and part of its DNA. The product portfolio is clearly aligned to the company's core expertise: the creation of close-fitting, round-knit products, such as legwear and bodies, known as skinwear, offering great comfort and first-class quality. Wolford had 60 employees (FTE) working in product development in the 2021 financial year.

The development of recyclable, sustainable products is a key topic in this area. The Cradle to Cradle® concept (C2C) pursues the vision of closed material cycles, and is intended to help make waste fully avoidable in the future. The focus is on two cycles: the technical and the biological. Products are designed in such a way that after use (after being worn) they can be brought into a biological cycle as "nutrients", while non-biodegradable products (made from synthetic fibers) are further processed to create new, different products in technical cycles. Wolford AG now offers a wide range of certified C2C products, which are made from a biodegradable elastane developed specially for Wolford (ROICA™, from the Japanese Asahi Kasei Group), from a correspondingly modified polyester fiber made by German company Lauffenmühle, and from a

TENCEL™ modal fiber, which is obtained from sustainable forestry and supplied by the Austrian textile manufacturer Lenzing. Under Wolford's leadership, a total of 13 companies and research institutes from the Vorarlberg region that either manufacture the relevant product components or contribute their technical and scientific expertise are participating in this COIN (Cooperation Innovation) project supported by the Austrian Research Promotion Agency (FFG). The company once again expanded its range of sustainable products in the 2021 financial year – with the first C2C "Sheer Opaque" products now available in the technical cycle, for example. It has also successfully developed its first warp-knit products for the technical cycle. In addition, in the flat-knit range, the C2C range for the biological cycle has also been supplemented with fine-wool quality.

We have been able to create powerful momentum in the high-demand leggings sector. In the reporting year, we brought to market the "Aurora Shape Leggings" (technical cycle), anti-cellulite "Wellness Leggings", and the "Wonderful Leggings" for tired legs. The "Workout Leggings" in six different fashion colors completed the range.



## EFFICIENT DEVELOPMENT PROCESS VIA 3D INTEGRATION

The integration of the 3D process not only facilitates a more efficient development cycle but also opens up more options in terms of product presentation. Design decisions can be made directly on the screen from anywhere. Different colors, patterns and shapes can be implemented at short notice. This not only reduces the number of physical prototypes but also shortens process times and opens up a broader range of possibilities. Our team is also working on the presentation of photo-realistic collections. This may reduce the need for photo shoots. A digital studio has neither physical nor creative limits. We are committed to continuing to research and invest in this benefit. In summary, this digital process opens up new and exciting opportunities: A faster design process through digital mapping, reduction of physical samples, shortening of the development process, and high-end reproduction of photo-realistic product images, as well as research and development of digital showrooms.



# Human Resources

Highly committed employees are the basis for any company's success. Wolford therefore accords high priority to promoting the health of its employees and boosting their identification with the company. New employees are introduced to Wolford's philosophy, products, and structure in a custom-tailored orientation program conducted at the company's headquarters in Bregenz. In the 2021 financial year, Wolford had a worldwide average total of 1,091 employees (FTE). At 80%, women made up the same share of the workforce as in the previous year. Women also made up around 42% of the Wolford Group's management team (Management Board and managers of relevant divisions across the company). The Management Board duo consists of one male and one female member. The BCG Gender Diversity Index Austria 2021 confirms that Wolford is a trailblazer when it comes to diversity. The index analyzed the proportion of women on the Management Board and Supervisory Board of Austria's 50 largest publicly traded companies. Wolford was ranked as the number three company in terms of gender diversity. An average total of around 422 employees (FTEs) worked at corporate headquarters in Bregenz. The company currently offers vocational training to 13 apprentices in seven different training vocations at its Bregenz site. Since 1989, Wolford has consistently held "state-approved training company" status pursuant to Section 30a of the Austrian Vocational Training Act (BAG).

Internal and external workshops for trainees take place on a regular basis. The apprenticeship program itself also includes general training sessions such as a "money workshop" aimed at

teaching people how to handle their earnings. Excursions are organized and the apprentices can get to know other Wolford sites through job rotation programs, especially in the retail segment. The company also organizes in-house workshops to train and promote the trainers.

To safeguard workplace safety, Wolford has two trained occupational health and safety specialists, eleven safety officers for production employees, 32 first-aiders and a company fire department. An internal officer sees to the implementation of environmental protection and energy efficiency measures. Two company doctors perform all of the necessary occupational health and safety checks and oversee health promotion measures.

At Wolford, all governmental regulations relating to Covid-19 are implemented consistently and in full in their respective areas of application. In 2021, a central Coronavirus Task Force was set up and a specific hygiene concept was developed to minimize the risks of possible infection within the company and to act quickly in the event of infections. To avoid face-to-face contact, teams were formed that worked in rotating shifts. There was also the option to work from home, taking into account business requirements. In addition, at the headquarters in Bregenz, there was the option of being tested for Covid-19 and being vaccinated against the virus. An internal reporting system has been introduced at Wolford to monitor Covid-19 cases worldwide. Wolford's additional health promotion measures include an extensive range of services aimed at helping employees maintain their work-life balance. There is a range of corre-



sponding programs in place, such as yoga courses. An occupational physician is available at both production sites, who, together with preventive officers, for example, regularly inspects all workplaces. Also, in Bregenz, Wolford operates a newly renovated staff canteen and its own in-house restaurant offering employees meals at reduced prices. In today's world, flexibility and lifelong learning are two basic requirements for successful personal and professional development. Wolford offers its employees a range of working and development opportunities across various departments and also across national boundaries. The vacancy advertising process is transparent for all positions advertised. When suitably qualified for the roles on offer, internal applicants are given priority. The company also offers financial support to enable employees to acquire any qualifications they are still lacking.

Wolford also aims to respond flexibly to any changes in its employees' personal circumstances, and also goes beyond legal requirements in this respect. The company offers employees returning from parental leave the opportunity to work part time, an option utilized by 17 employees in Austria alone in the past financial year. Individual requests, such as for more flexible working hours or a change in assignment within the company, are evaluated together with the relevant supervisor and the Works Council and implemented where operationally possible. Since 2013, Wolford has also been offering older employees a partial retirement model with an ongoing reduction in working hours. In the 2021 financial year, nine employees made use of the partial retirement model.



# Further Disclosures

## DISCLOSURES PURSUANT TO SECTION 243A (1) OF THE AUSTRIAN COMMERCIAL CODE (UGB)

Wolford AG is listed on the Standard Market of the Vienna Stock Exchange. At the balance sheet date of December 31, 2021, the company had share capital of €48,848,228, which was divided into 6,719,151 no-par value bearer shares. The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares. There are no shares with special control rights.

According to the information available to the company, the following direct or indirect interests in the capital of Wolford AG equaled or exceeded 10% as of December 31, 2021: Fosun Industrial Holding held around 58%. Since May 22, 2019, the shares in Wolford AG have no longer been held directly by Fosun Industrial Holding, but have rather been transferred to the subsidiary FFG Wisdom (Luxembourg) S.à r.l. Ralph Bartel also held more than 30% of the shares.

Wolford AG continued to hold 88,140 shares as treasury stock (without voting rights), corresponding to around 2% of the company's share capital. The remaining shares were in free float. Management Board members do not hold any authorizations over and above those stipulated by law, particularly in respect of the possibility of issuing or buying back shares. There is no authorized capital.

## NON-FINANCIAL DECLARATION PURSUANT TO SECTION 243B AND SECTION 267A OF THE AUSTRIAN COMMERCIAL CODE (UGB)

Wolford AG has compiled a separate non-financial report that meets the legal requirements of Section 243b in conjunction with Section 267a of the Austrian Commercial Code (UGB). This report is available in the "Investor Relations" section of the company's website.

Bregenz, June 14, 2022



Andrew Thorndike  
COO

Responsible for product development, supply chain management, finances, legal affairs, investor relations, IT, and HR



Silvia Azzali  
CCO

Responsible for sales & merchandising, marketing, and design



# 03

## Consolidated *ACCOUNTS*

<b>Consolidated Statement of Comprehensive Income</b>	<b>072</b>
<b>Consolidated Cash Flow Statement</b>	<b>073</b>
<b>Consolidated Balance Sheet</b>	<b>074</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>075</b>
<b>Segment Reporting</b>	<b>076</b>
<b>Consolidated Non-current Asset Schedule</b>	<b>078</b>
<b>Notes</b>	<b>082</b>
<b>Declaration by the Management Board of Wolford AG</b>	<b>126</b>
<b>Auditor's Report</b>	<b>127</b>



# 80.7%

The gross profit margin increased  
by 80.7% in comparison with the  
previous year.





# Consolidated Statement of Comprehensive Income

in EUR k	NOTE NO.	2021	2020
<b>Revenues</b>	<b>(1)</b>	<b>108,945</b>	<b>68,037</b>
Other operating income	(2)	12,602	45,209
Changes in inventories of finished goods and work in progress		-2,360	-1,381
Cost of materials and purchased services	(3)	-18,623	-13,156
Personnel expenses	(4)	-47,185	-33,370
Other operating expenses	(5)	-44,809	-29,098
Impairments of trade receivables	(6)	-35	-448
Depreciation and amortization	(7)	-14,421	-11,404
Impairments	(7)	-380	-4,980
Reversals of impairment losses	(7)	1,003	529
<b>EBIT</b>		<b>-5,263</b>	<b>19,939</b>
Interest and similar income	(8)	32	17
Interest and similar expenses	(8)	-4,014	-2,540
Income from securities	(8)	13	44
Expenses from securities	(8)	-64	0
Interest cost of employee benefit liabilities	(8)	-119	-134
Financial result	(8)	-4,153	-2,612
<b>Earnings before tax</b>		<b>-9,415</b>	<b>17,327</b>
Income tax	(9)	-2,917	-4,561
<b>Earnings after tax</b>		<b>-12,332</b>	<b>12,766</b>
<b>Other comprehensive income*</b>			
Amounts that will not be recognized through profit and loss in future periods		-78	-171
of which actuarial gains and losses	(10)	-120	-233
of which deferred tax	(10)	42	62
Amounts that will potentially be recognized through profit and loss in future periods		-894	927
of which currency translation for foreign operations	(10)	-894	927
<b>Other comprehensive income*</b>	<b>(10)</b>	<b>-972</b>	<b>757</b>
<b>Total comprehensive income</b>		<b>-13,305</b>	<b>13,522</b>
Attributable to owners of the parent company		-13,305	13,522
Earnings after tax attributable to owners of the parent company		-12,332	12,766
<b>Earnings per share in EUR (diluted = basic)</b>	<b>(11)</b>	<b>-1.86</b>	<b>1.93</b>

\* Other comprehensive income is reported after taxes



# Consolidated Cash Flow Statement

in EUR k	NOTE NO.	2021	2020
<b>Earnings before tax</b>		<b>-9,415</b>	<b>17,327</b>
Depreciation and impairments of property, plant and equipment and amortization of intangible assets	(7)	14,801	16,384
Write-backs to property, plant and equipment	(7)	-1,003	-529
Gains on disposals of non-current assets	(2)	-790	-40,864
Interest expenses/interest income	(8)	3,982	2,523
Other non-cash income and expenses	(8)	64	-44
Changes in inventories		3,563	156
Changes in trade receivables		-2,985	-3,442
Changes in other receivables and assets		-9,754	-6,275
Changes in trade payables		1,759	3,311
Changes in other provisions and employee benefits		-4,331	-1,903
Changes in other liabilities		3,883	-1,859
Interest received		32	2
<b>Interest paid*</b>		<b>-41</b>	<b>-2,481</b>
Income tax paid		-273	-290
<b>Cash flow from operating activities</b>		<b>-507</b>	<b>-17,985</b>
Payments for investments in property, plant and equipment and other intangible assets		-741	-770
Proceeds from disposals of property, plant and equipment and other intangible assets		1,033	72,001
<b>Cash flow from investing activities</b>		<b>292</b>	<b>71,231</b>
Proceeds from current and non-current financial liabilities	IV.	10,000	0
Repayment of current and non-current financial liabilities		0	-38,983
Repayment of interest payments on lease liabilities*	IV.	-15,341	-4,562
<b>Cash flow from financing activities</b>		<b>-5,341</b>	<b>-43,545</b>
<b>Cash-effective change in cash and cash equivalents</b>		<b>-5,557</b>	<b>9,701</b>
Cash and cash equivalents at beginning of period	IV.	14,126	4,519
Effects of exchange rate movements on cash and cash equivalents		579	-94
<b>Cash and cash equivalents at end of period</b>		<b>9,148</b>	<b>14,126</b>

\* Since the 2021 financial year, the interest paid in the framework of leases has been shown as an outflow in the cash from financing activities; in the 2020 short financial year, this was shown in the cash flow from operating activities for the interest paid.



# Consolidated Balance Sheet

in EUR k	NOTE NO.	12/31/2021	12/31/2020
<b>ASSETS</b>			
Property, plant and equipment (including rights of use)	(12)	56,209	61,125
Goodwill	(13)	89	86
Other intangible assets	(14)	719	1,165
Non-current financial assets	(15)	1,259	1,323
Non-current receivables and assets	(16)	3,281	1,923
Deferred tax assets	(17)	4,001	6,091
<b>Non-current assets</b>		<b>65,557</b>	<b>71,713</b>
Inventories	(18)	30,874	33,848
Contract assets	(28)	44	69
Trade receivables	(19)	12,007	8,814
Other receivables and assets	(20)	17,024	10,303
Cash and cash equivalents		9,148	14,126
<b>Current assets</b>		<b>69,097</b>	<b>67,159</b>
<b>Non-current assets held for sale</b>	<b>(21)</b>	<b>0</b>	<b>25</b>
<b>Total assets</b>		<b>134,654</b>	<b>138,898</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		48,848	48,848
Capital reserves		10,533	10,533
Other reserves		-39,028	-26,618
Treasury shares		-4,413	-4,413
Currency differences		-704	190
<b>Equity</b>	<b>(22)</b>	<b>15,236</b>	<b>28,541</b>
Lease liabilities	(30)	43,169	51,687
Other liabilities	(25)	1,007	870
Provisions for long-term employee benefits	(24)	14,592	16,300
Other non-current liabilities		133	0
Deferred tax liabilities	(17)	110	0
<b>Non-current liabilities</b>		<b>59,011</b>	<b>68,857</b>
Current financial liabilities	(23)	10,697	0
Trade payables		13,058	11,026
Lease liabilities	(30)	17,199	13,166
Other liabilities	(27)	14,716	10,565
Income tax liabilities		1,304	1,332
Other provisions	(26)	1,277	3,929
Contract liabilities	(28)	2,156	1,483
<b>Current liabilities</b>		<b>60,407</b>	<b>41,500</b>
<b>Total equity and liabilities</b>		<b>134,654</b>	<b>138,898</b>



# Consolidated Statement of Changes in Equity

in EUR k	NOTE NO.	ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY					CURRENCY TRANS- LATION	EQUITY CAPITAL
		SHARE CAPITAL	CAPITAL RESERVES	ACTUARIAL LOSS	OTHER RESERVES	TREASURY SHARES		
<b>05/01/2020</b>	<b>(22)</b>	<b>48,848</b>	<b>10,533</b>	<b>-4,944</b>	<b>-34,268</b>	<b>-4,413</b>	<b>-737</b>	<b>15,019</b>
Earnings after tax	(22)	0	0	0	12,766	0	0	12,766
Other comprehensive income	(22)	0	0	-171	0	0	927	757
<b>12/31/2020</b>	<b>(22)</b>	<b>48,848</b>	<b>10,533</b>	<b>-5,115</b>	<b>-21,503</b>	<b>-4,413</b>	<b>190</b>	<b>28,541</b>
<b>01/01/2021</b>	<b>(22)</b>	<b>48,848</b>	<b>10,533</b>	<b>-5,115</b>	<b>-21,503</b>	<b>-4,413</b>	<b>190</b>	<b>28,541</b>
Earnings after tax	(22)	0	0	0	-12,332	0	0	-12,332
Other comprehensive income	(22)	0	0	-78	0	0	-894	-972
<b>12/31/2021</b>	<b>(22)</b>	<b>48,848</b>	<b>10,533</b>	<b>-5,193</b>	<b>-33,835</b>	<b>-4,413</b>	<b>-704</b>	<b>15,236</b>



# Segment Reporting

2021 in EUR k	AUSTRIA	GERMANY	REST OF EUROPE	NORTH AMERICA	ASIA	RECONCILIATION	GROUP
<b>Revenues</b>	<b>61,206</b>	<b>10,864</b>	<b>46,700</b>	<b>21,678</b>	<b>7,105</b>	<b>-38,608</b>	<b>108,945</b>
of which intersegmental sales	31,361	0	7,247	0	0	-38,608	0
<b>External sales</b>	<b>29,845</b>	<b>10,864</b>	<b>39,453</b>	<b>21,678</b>	<b>7,105</b>	<b>0</b>	<b>108,945</b>
<b>EBIT</b>	<b>-10,362</b>	<b>423</b>	<b>3,237</b>	<b>-1,176</b>	<b>122</b>	<b>2,493</b>	<b>-5,263</b>
Segment assets	101,982	16,240	57,466	14,258	6,987	-76,687	120,246
Segment liabilities	24,639	8,510	23,853	13,757	13,092	-52,358	31,493
Investments (including modifications and additions of right of use assets)	518	1,307	6,100	1,957	801	0	10,683
Depreciation and amortization, including impairments and write-backs	2,853	1,796	5,089	3,192	868	0	13,798
Employees (FTE)*	392	78	518	71	22		1,081

\* as of December 31



2020 in EUR k	AUSTRIA	GERMANY	REST OF EUROPE	NORTH AMERICA	ASIA	RECONCILIATION	GROUP
<b>Revenues</b>	<b>37,303</b>	<b>6,927</b>	<b>32,247</b>	<b>10,304</b>	<b>3,285</b>	<b>-22,028</b>	<b>68,037</b>
of which intersegmental sales	16,017	0	6,011	0	0	-22,028	0
<b>External sales</b>	<b>21,285</b>	<b>6,927</b>	<b>26,236</b>	<b>10,304</b>	<b>3,285</b>	<b>0</b>	<b>68,037</b>
<b>EBIT</b>	<b>27,983</b>	<b>31</b>	<b>998</b>	<b>-4,730</b>	<b>-1,509</b>	<b>-2,834</b>	<b>19,939</b>
Segment assets	115,249	11,035	46,303	18,651	4,688	-72,476	123,499
Segment liabilities	16,222	2,587	9,489	10,702	10,191	-19,986	29,205
Investments (including modifications and additions of right of use assets)	4,006	807	4,749	1,871	612	-25	12,020
Depreciation and amortization, including impairments and write-backs	2,357	1,604	5,729	5,748	439	-23	15,855
Employees (FTE)*	478	81	522	70	17	0	1,169

\* as of December 31



# Consolidated Non-current Asset Schedule

in EUR k	ACQUISITION/PRODUCTION COSTS				
	AS OF 01/01/2021	CURRENCY DIFFERENCES	ADDITION	DISPOSAL	AS OF 12/31/2021
<b>Property, plant and equipment</b>					
Land, leasehold rights and buildings, including buildings on third-party land	19,475	675	401	-524	20,027
Technical equipment and machinery	28,903	0	14	-302	28,615
Other equipment, furniture and fixtures	29,681	444	301	-366	30,060
Right-of-use assets	81,437	2,553	9,942	-3,171	90,761
Prepayments made on assets under construction	1,731	0	16	0	1,747
	<b>161,227</b>	<b>3,672</b>	<b>10,674</b>	<b>-4,363</b>	<b>171,210</b>
<b>Goodwill</b>	<b>1,481</b>	<b>59</b>	<b>0</b>	<b>0</b>	<b>1,540</b>
<b>Other intangible assets</b>					
Concessions, industrial property rights, and similar rights and values, as well as licenses to such	15,995	19	9	-28	15,995
	<b>15,995</b>	<b>19</b>	<b>9</b>	<b>-28</b>	<b>15,995</b>
<b>Total</b>	<b>178,704</b>	<b>3,750</b>	<b>10,683</b>	<b>-4,391</b>	<b>188,746</b>



	ACCUMULATED DEPRECIATION AND AMORTIZATION						CARRYING AMOUNTS		
	AS OF 01/01/2021	CURRENCY DIFFERENCES	IMPAIRMENT	WRITE- BACKS	ADDITION	DISPOSAL	AS OF 12/31/2021	AS OF 01/01/2021	AS OF 12/31/2021
	15,219	672	34	-385	989	-310	16,219	4,256	3,807
	27,072	0	0	0	479	-302	27,249	1,831	1,367
	27,303	417	11	-40	1,243	-337	28,597	2,378	1,463
	28,776	1,428	335	-578	11,254	-11	41,204	52,661	49,557
	1,731	0	0	0	0	0	1,731	0	16
	100,101	2,517	380	-1,003	13,965	-960	115,001	61,125	56,209
	1,395	56	0	0	0	0	1,451	86	89
	14,830	19	0	0	456	-28	15,277	1,165	719
	14,830	19	0	0	456	-28	15,277	1,165	719
	116,326	2,592	380	-1,003	14,421	-988	131,729	62,376	57,017



# Consolidated Non-current Asset Schedule

in EUR k	ACQUISITION/PRODUCTION COSTS					AS OF 12/31/2020
	AS OF 05/01/2020	CURRENCY DIFFERENCES	ADDITION	DISPOSAL	ADJUSTING ENTRIES*	
<b>Property, plant and equipment</b>						
Land, leasehold rights and buildings, including buildings on third-party land	20,485	-891	431	0	-550	19,475
Technical equipment and machinery	29,183	0	134	-293	-121	28,903
Other equipment, furniture and fixtures	31,333	-553	184	-1,565	281	29,681
Right-of-use assets	79,327	-3,321	11,251	-5,819	0	81,437
Prepayments made on assets under construction	1,835	0	0	0	-104	1,731
	<b>162,163</b>	<b>-4,765</b>	<b>12,000</b>	<b>-7,677</b>	<b>-494</b>	<b>161,227</b>
<b>Goodwill</b>	<b>2,210</b>	<b>-87</b>	<b>0</b>	<b>-318</b>	<b>-324</b>	<b>1,481</b>
<b>Other intangible assets</b>						
Concessions, industrial property rights, and similar rights and values, as well as licenses to such	15,427	81	21	-4	471	15,995
Internally generated intangible assets	471	0	0	0	-471	0
	<b>15,898</b>	<b>81</b>	<b>21</b>	<b>-4</b>	<b>0</b>	<b>15,995</b>
<b>Total</b>	<b>180,271</b>	<b>-4,770</b>	<b>12,021</b>	<b>-7,999</b>	<b>-818</b>	<b>178,704</b>

\* In connection with the disposal of the production property, a data correction was performed in the register of assets in the abridged financial year. Consequently, some adjustments between acquisition costs and accumulated depreciation occurred across several categories. The net remaining carrying amount as a reclassification concerns reclassifications to IFRS 5 (€25k for the property newly classified as IFRS 5 in the financial year, and €265k as an adjustment to the final disposal values for the property sold in the financial year).



ACCUMULATED DEPRECIATION AND AMORTIZATION								CARRYING AMOUNTS	
AS OF 05/01/2020	CURRENCY DIFFERENCES	IMPAIR- MENT	WRITE- BACKS	ADDITION	DISPOSAL	ADJUSTING ENTRIES*	AS OF 12/31/2020	AS OF 05/01/2020	AS OF 12/31/2020
15,655	-815	327	-42	934	0	-841	15,219	4,830	4,256
26,980	0	0	0	337	-125	-120	27,072	2,203	1,831
27,465	-570	150	-78	1,176	-1,016	177	27,303	3,868	2,378
17,642	-1,184	4,281	-409	8,461	-14	0	28,776	61,685	52,661
1,731	0	0	0	0	0	0	1,731	104	0
<b>89,473</b>	<b>-2,569</b>	<b>4,759</b>	<b>-529</b>	<b>10,907</b>	<b>-1,156</b>	<b>-784</b>	<b>100,101</b>	<b>72,689</b>	<b>61,125</b>
<b>1,905</b>	<b>-88</b>	<b>221</b>	<b>0</b>	<b>0</b>	<b>-642</b>	<b>0</b>	<b>1,395</b>	<b>305</b>	<b>86</b>
14,192	-83	0	0	497	0	224	14,830	1,235	1,165
224	0	0	0	0	0	-224	0	247	0
<b>14,416</b>	<b>-83</b>	<b>0</b>	<b>0</b>	<b>497</b>	<b>0</b>	<b>0</b>	<b>14,830</b>	<b>1,482</b>	<b>1,165</b>
<b>105,794</b>	<b>-2,741</b>	<b>4,980</b>	<b>-529</b>	<b>11,404</b>	<b>-1,474</b>	<b>-1,109</b>	<b>116,326</b>	<b>74,477</b>	<b>62,376</b>

\* In connection with the disposal of the production property, a data correction was performed in the register of assets in the abridged financial year. Consequently, some adjustments between acquisition costs and accumulated depreciation occurred across several categories. The net remaining carrying amount as a reclassification concerns reclassifications to IFRS 5 (€25k for the property newly classified as IFRS 5 in the financial year, and €265k as an adjustment to the final disposal values for the property sold in the financial year).



# Notes

The Wolford Group is an international group specialized in the production and marketing of Legwear, Ready-to-wear and Lingerie, Beachwear, Accessories, and Trade Goods and is specialized in the affordable luxury product segment. The parent company, Wolford AG, is a stock corporation that is headquartered in Austria, 6900 Bregenz, Wolfordstraße 1, and registered with the district court of Feldkirch, Austria, under FN 68605s. Wolford AG prepares consolidated financial statements for the smallest group of Group companies and is included in the superordinate consolidated financial statements of Fosun International Limited, Shanghai, China.

Apart from the subsidiary in Slovenia, the business activities of the subsidiaries primarily focus on marketing products purchased from the parent company. The subsidiary in Slovenia acts as a production company for Wolford AG.

## I. ACCOUNTING PRINCIPLES

### 1. Basis of Preparation

The consolidated financial statements of Wolford AG as of December 31, 2021, were prepared pursuant to Section 245a Austrian Commercial Code (UGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). All valid and binding standards issued by the IASB and interpretations of the IFRS Interpretations Committee that are applicable in the EU have been applied for the 2021 financial year.

At the 33rd ordinary Annual General Meeting on September 30, 2020, a reso-

lution was passed to change the balance sheet date from May 1, 2020, to December 31, starting with the financial year. The current financial year is therefore for the first time a financial year covering the period from January 1, 2021, to December 31, 2021 (comparative period: May 1, 2020, to December 31, 2020). Comparability of the periods presented in the previous year's statement of comprehensive income is therefore limited.

The consolidated financial statements of Wolford AG comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, and the notes to the consolidated financial statements. The consolidated financial statements are presented in euros. Unless otherwise indicated, all amounts are stated in thousand euros (EUR thousand). The Management Board is responsible for the preparation of the consolidated financial statements. Due to commercial rounding, rounding differences may occur.

The following standards and interpretations require application in the EU for the first time in the 2021 financial year:

STANDARD/ INTER- PRETATION	DESCRIPTION	DATE OF FIRST APPLICATION
IFRS 16	Extension of application period for the changes to IFRS 16 in connection with Covid-19-related rent concessions (after June 30, 2021)	04/01/2021
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Amendments as a result of the interest rate benchmark reform Phase 2	01/01/2021
IFRS 4	Postponement of the effective date of IFRS 9 for insurance contracts	01/01/2021



Overview of standards and interpretations requiring application in subsequent financial years (adoption by

the EU is still outstanding for some elements):

STANDARD/ INTERPRETATION	DESCRIPTION	DATE OF FIRST APPLICATION
<b>STANDARDS ALREADY ADOPTED BY THE EU</b>		
IFRS 17	Insurance Contracts	01/01/2023
IAS 16	Changes to IAS 16: Property, Plant and Equipment – Proceeds before intended use	01/01/2022
IFRS 3	Changes to IFRS 3: Reference to the IFRS Conceptual Framework	01/01/2022
IAS 37	Changes to IAS 37: Onerous Contracts – Cost of fulfilling a contract	01/01/2022
Annual improvements to IFRS	2018–2020 cycle	01/01/2022
<b>STANDARDS NOT YET ADOPTED BY THE EU</b>		
IAS 1	Changes to IAS 1: Classification of liabilities as current or non-current	01/01/2023
Changes to IAS 1 and IFRS Practice Statement 2	Definition of material in connection with accounting and valuation principles	01/01/2023
Changes to IAS 8	Definition of accounting estimates and their distinction from changes in accounting policies	01/01/2023
Changes to IAS 12	Counter-exception from initial recognition exemption for leases recognized by the lessee and disposal and/or restoration obligations	01/01/2023

### IFRS 16 – Covid-19-related rent concessions and extension of the application period of IFRS 16

As a result of the Covid-19 pandemic, rent concessions were granted in various forms (e.g., payment exemptions and deferral of lease payments). In May 2020, the IASB published the amendments to IFRS 16 in connection with Covid-19. The amendments provide optional, temporary Covid-19-related relief for lessees. This allows lessees, under certain conditions, to waive the assessment of whether a lease concession is a modification of the lease under IFRS 16 and instead to account for the lease concession as if it were not a modification but variable lease payments. This relief

only applies to rent concessions that arise as a direct result of the Covid-19 pandemic and only if certain conditions are met. With the extension of the application period, lease payments due as of June 30, 2022, are affected.

The Group has implemented the amendments and has also applied the practical expedient for qualifying rent concessions (€80k) consistently.

The (other) new or revised standards/interpretations had no material impact on the consolidated financial statements of the Wolford Group and no material impact is expected from the standards/interpretations to be applied in the future.



### Going concern

In the short financial year 2020, the Wolford Group was unable to avoid the turbulence also triggered in the retail sector in the 2021 financial year by the Covid-19 crisis. Steps taken by the government to restrict contact, such as lockdowns, had a significant impact with revenue falling short of budget in the 2021 financial year. As a result, the assumptions made in the previous year's going concern forecast with regard to the development of sales and liquidity were not achieved. To safeguard the liquidity requirement that arose due to this, loans in the amount of €10 million were granted by the majority shareholder, which had a term until December 2022 as of December 31, 2021, and which were extended to December 31, 2023, in June 2022. The Wolford Group is accommodating the economic and political circumstances with updated liquidity planning, wherein the following areas are taken into account:

- The sales planning for 2022 and subsequent years was prepared on the basis of developments in the first few months of 2022 and the best possible estimate for the remaining period, with Group-wide sales of €135 million being budgeted. The Northstar sales growth program has also set the course for future growth for further years.

- In addition, the restructuring measures initiated in the 2019/2020 financial year under the PITBOLI program were advanced further to achieve additional cost savings. In particular, locations that cannot be operated profitably are being closed, the headcount at headquarters is being significantly reduced and logistics and IT processes optimized. The 2022 budget provides for price increases in the individual expense items of between 2% and 8%.
- To ensure liquidity, additional loans were obtained from the majority shareholder in the amount of €2.5 million in January 2022, and €5 million in May 2022; these have a term until December 2022. There is a commitment to extend this financing to December 2023.
- The updated liquidity planning provides for ensuring a further €15 million in liquidity through the sale of inventories to a financing partner. There is an indicative offer on the part of the potential financing partner with a financing volume of € 25 million; however, this is still subject to internal approvals by the financing partner.
- To be able to cover a possible further financing need arising from budget deviations such as coronavirus-related restrictions applying for longer or more extensively, and economic restrictions or increasing costs due to political crises such as the Ukraine crisis and



the associated impact on the economy, the Management Board has negotiated a higher level of reserve financing than that stated in the liquidity planning, as mentioned above, and is considering further financing measures (such as implementing a capital increase in coordination with the majority shareholder).

Based on the currently available information, which is taken into account in the updated liquidity planning, the assumption of the Group's continued existence as a going concern is therefore given in the view of the Management Board. However, the Management Board points out that the continued existence of the Group as a going concern could be put at risk if the measures described above, in particular via the sale of storage space, cannot be successfully executed, or in the event that larger-scale budget deviations – such as coronavirus-related restrictions being applied for longer or more extensively, or economic restrictions or increasing costs due to political crises such as the Ukraine crisis and the associated impact on the economy – trigger an additional need for financing that cannot be covered by further financing measures.

## 2. Disclosures Relating to the Covid-19 Pandemic

The consequences of the Covid-19 pandemic have significant effects on these financial statements, which are presented in summary below.

### Sales performance

As in 2020, the global outbreak of Covid-19 also led to containment measures such as curfews and store closures in 2021. This health crisis continued to impact the entire global economy. Despite these framework conditions and the temporary closures as a result of local lockdowns, a significant increase in sales of 60.1% (€68,037k) to €108,945k was achieved in the financial year; this was predominantly a result of the longer 2021 financial year (12 months versus 8 months). Compared to the corresponding period of the previous calendar year (January to December 2020) (€95,800k), this represents an increase of 13.7%.

### Government subsidies

Government subsidies were claimed where the relevant requirements could be met, predominantly in Austria, to mitigate the negative effects of Covid-19 (mainly fixed-cost subsidy, loss compensation, and short-time working). Further opportunities to apply for subsidies through government support and subsidy programs for all countries in which the Wolfford Group operates are being examined on an ongoing basis.



### Impact of the COVID-19 crisis on estimation uncertainties and discretionary decisions

The Covid-19 crisis has impacted the IFRS consolidated financial statements, particularly with regard to assumptions, estimates and discretionary decisions in the following areas:

- ▣ As of the balance sheet date, there was a total update to planning, in the course of which continuing extensions of measures in the countries that are important to the Wolford Group, as well as the restructuring measures decided upon in December 2020, were taken into account. Impairment losses of €380k (2020 short financial year: €4,980k) were recognized in 2021, which were offset by reversals of impairment losses of €1,003k (2020 short financial year: €529k).
- ▣ Valuation of receivables: The development of receivables is subject to close monitoring as a result of the negative economic development and the increase in online sales. Due to the high level of coverage provided by the existing credit insurance, no need to adjust the existing fundamental allowance system was identified; however, the percentages for the allowance were adjusted depending on days overdue in 2021.
- ▣ IFRS 16 assumptions: Some rent concessions in the context of economic burdens due to the Covid-19 crisis were granted to the Wolford Group. There were non-material effects both in the 2020 short financial year and in

the 2021 (€80k). To the extent that these rental concessions are modifications of lease contracts and the requirements of the "Amendment to IFRS 16" were met, these rent concessions were not treated as contract modifications and recognized as profit or loss. As a result of the changed framework conditions, there was an evaluation of the extent to which changes in the assumptions on the exercising of termination or extension options became necessary. Corresponding steps were taken.

- ▣ Recognition of deferred tax assets: As per IAS 12.56, deferred tax assets were valued on the basis of an estimate of the expected annual income tax rate in the updated medium-term planning.

### 3. Scope of Consolidation and Consolidation Principles

The scope of consolidation is determined in accordance with IFRS 10 (consolidated financial statements). In addition to the parent company, the following companies have been directly included in the consolidated financial statements by way of full consolidation:

COMPANY NAME	REGISTERED OFFICE	DIRECT INTEREST IN %
Wolford Beteiligungs GmbH	Bregenz	100
Wolford proizvodnja in trgovina d.o.o.	Murska Sobota	100



Wolford Beteiligungs GmbH holds all of the shares in the following companies:

COMPANY NAME	REGISTERED OFFICE	DIRECT INTEREST IN %
Wolford Deutschland GmbH	Bielefeld	100
Wolford (Schweiz) AG	Opfikon	100
Wolford Paris S.A.R.L.	Paris	100
Wolford London Ltd.	London	100
Wolford Italia S.r.L.	Milan	100
Wolford España S.L.	Madrid	100
Wolford Scandinavia ApS	Copenhagen	100
Wolford America, Inc.	New York	100
Wolford Nederland B.V.	Amsterdam	100
Wolford Canada Inc.	Vancouver	100
Wolford Asia Limited	Hong Kong	100
Wolford Belgium N.V.	Antwerp	100
Wolford (Shanghai) Trading Co., Ltd.	Shanghai	100

Branch offices are operated in Finland, Norway and Sweden by Wolford Scandinavia ApS, in Ireland by Wolford London Ltd., in Luxembourg by Wolford Belgium N.V., in Macao by Wolford Asia Limited, and in Portugal by Wolford España S.L.

The scope of consolidation has not changed in the financial year.

The consolidated financial statements include all assets, liabilities, income, and expenses at Wolford AG and its consolidated subsidiaries after the elimination of all intragroup transactions.

The capital consolidation for fully consolidated companies is based on the requirements of IFRS 3. This requires the assets, liabilities, and contingent liabilities at subsidiaries identifiable upon acquisition to be measured at fair value as of the acquisition date. Where the acquisition costs for the respective

company exceed the fair value of the identifiable acquired assets, liabilities, and contingent liabilities, the difference is recognized as goodwill. Negative differences are recognized immediately as profit or loss. Companies acquired or sold during the financial year must be included in the consolidated financial statements as of the acquisition date or up to the disposal date.

The functional currency method is used to translate foreign currency financial statements of companies included in consolidation. This is the respective national currency for all companies. The assets and liabilities of companies with functional currencies other than the euro are translated using the reporting date rate. Income and expenses are translated at annual average rates. Any resultant differences are recognized in the statement of comprehensive income.



The major exchange rates used for financial currency translation developed as follows:

CURRENCIES	AVERAGE RATE ON THE BALANCE SHEET DATE		AVERAGE RATE FOR THE YEAR	
	12/31/2021	12/31/2020	2021	2020
1 EUR/USD	1.134600	1.23010	1.181830	1.15568
1 EUR/GBP	0.838100	0.90160	0.860270	0.89877
1 EUR/CHF	1.032100	1.08310	1.081640	1.07170
1 EUR/DKK	7.437000	7.44010	7.437170	7.44921
1 EUR/SEK	10.242600	10.00830	10.136360	10.40828
1 EUR/NOK	10.002200	10.48170	10.166150	10.82570
1 EUR/CAD	1.444000	1.56680	1.485610	1.54700
1 EUR/HKD	8.845200	9.51640	9.184790	8.95749
1 EUR/CNY	7.215800	8.01205	7.630300	7.92614
1 EUR/MOP	9.109000	9.79565	9.452490	9.23088

#### 4. Accounting Policies

Property, plant and equipment are measured at acquisition or production cost pursuant to IAS 16. Depreciation is generally recognized on a straight-line basis over the expected useful life of the asset.

Straight-line depreciation of property, plant and equipment and amortization of intangible assets is based on the following useful lives:

Land, leasehold rights and buildings, including buildings on third-party land	10–50 years
Technical equipment and machinery	4–20 years
Other equipment, furniture and fixtures	2–10 years
Concessions, industrial property rights, and similar rights and values, as well as licenses to such	4–10 years
Right-of-use assets	Depending on the expected term of the lease

Where necessary, material reductions in value exceeding depreciation or amortization are accounted for by recognizing impairment losses pursuant to IAS 36 (Impairment of Assets).

Repair and maintenance costs relating to property, plant and equipment are generally recognized as expenses. These

costs are capitalized if the expenditures are likely to increase the future economic benefits from use of the respective asset.

Leases: At the start of the contractual agreement, the Group assesses whether the contract constitutes or contains a lease. This is the case if the contract gives the right to control the use of an



identified asset for a certain period of time against payment of a fee. From the date on which the object is made available, the Group recognizes an asset for the granted right of use and a lease liability. The right of use asset is initially valued at acquisition cost, which is the initial value of the lease liability, adjusted for payments made on or before the date of availability, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives granted.

The right of use is depreciated over the expected term of the relevant lease in accordance with the specifications for property, plant and equipment. The lease liability is recognized in accordance with the provisions of IFRS 16 and reduced by the lease payments made and increased by the interest expense. Among other elements, the lease liabilities were composed of the total of not-yet-paid fixed lease payments, variable lease payments that are coupled to an index or (interest) rate, and amounts that are expected to be due in the framework of residual value guarantees. In the case of index-based payments, indexation is taken into account as of the effective date of the lease payment adjustment. In addition, lease extension options and any lease termination payments are included if there is sufficient certainty. If the lease liability is subsequently revalued, a corresponding adjustment is made to the carrying amount of the right of use or it is recognized in profit or loss if the carrying amount of the right of use has decreased to zero. In accordance with IFRS 16, the lease liability is discounted over the term using the effective interest method.

Wolford AG uses the exemption from recognition for short-term leases with a maximum term of twelve months and for leases of low-value assets. The option not to separate lease and non-lease components (e.g., operating costs in the case of rental agreements) is not practiced and, accordingly, the non-lease component is not taken into account in determining the lease liability and the right of use. In some countries, the store rents are fully variable and are not based on any index or interest rate. In accordance with IFRS 16, no rights of use or lease liabilities are recognized in the statement of financial position for these leases; instead, the rent payments continue to be recognized as an expense in the consolidated statement of comprehensive income.

In accordance with the extension of the application period for the amendments to IFRS 16 Covid-19-related rent concessions, Wolford AG continued to apply the amendments to IFRS 16 in the 2021 financial year. Accordingly, it was not assessed whether permitted rent concessions as a direct result of the Covid-19 pandemic constitute a lease modification. Wolford AG uniformly applies the practical expedient to contracts with similar characteristics and in similar circumstances. For rental concessions under leases to which the practical expedient is not applicable, the Group assesses whether a lease modification exists.



Goodwill resulting from acquisitions is recognized as an asset. In accordance with IAS 36, goodwill is tested for impairment at least once a year and more frequently if there are indications of impairment.

Intangible assets with indefinite useful lives are tested for impairment at least annually. In determining possible impairment, the recoverable amount of the cash-generating unit (CGU) is compared with its carrying amount as at the balance sheet date. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount recognized for this cash-generating unit, the carrying amount of the asset is reduced to the recoverable amount. Estimates made by management in determining the recoverable amount consist primarily of determining expected cash flows, discount rates, and growth rates, as well as to expected changes in disposal prices and related direct costs.

As of each balance sheet date, Wolford AG is required to assess whether any triggering event has occurred that could indicate that an asset is impaired. If there is an indication that this is the case, the company has to estimate the recoverable amount of the asset. The following triggering events have been defined for Wolford AG: Significant deterioration in the net cash flow from the use of cash-generating units or failure to achieve budgeted net cash flows. The impairment tests performed on property, plant and equipment and intangible assets are based on the corporate planning in accordance with the planning calculation for 2022 from the most recent budget presented to the Supervisory Board. In the further planning for

2023 to 2025, sales growth is assumed depending on regional and structural changes. For the main markets of Europe and the USA, growth rates of between 3.3% and 19.5% are planned for the individual years. After 2025, a 1% increase in sales is applied to all regions. The cost of sales will increase proportionally to revenue. Personnel costs are considered at an annual growth rate of 5% and operating expenses at an annual growth rate of 2% and are not directly related to the development of revenue, as the scope of the respective business operations remains unchanged. Replacement and maintenance investments were included in the calculation according to the size of the boutiques (clustering by m<sup>2</sup>) based on historical experience. Expansion investments or complete store refurbishments were not taken into account in line with current budget planning. Forecasts based on past experience, current operating results, consultant analyses, and management's best estimate of future developments, as well as market assumptions, were used to determine the budget planning calculations. The discount factors (WACC after tax) of 5.0%-8.5% (December 31, 2020: 5.2%-8.4%) used for impairment tests are derived from regional interest rates, taking into account the risk-free base interest rate with maturities matching the average remaining opening period of the boutiques in the respective country, country risk premiums, the credit spread based on a 30-year consumer discretionary bond with a BBB rating, and different tax rates. The remaining opening time of the boutique locations is evaluated on a boutique-by-boutique basis, taking into account the remaining lease term, possible termination options, expected performance, and economic and strategic considerations.



For the purpose of determining recoverability, the individual stores are considered as cash-generating units.

In accordance with IAS 38 (Intangible Assets), research expenses are not eligible for capitalization and are therefore expensed in the year in which they are incurred.

Development expenses may only be capitalized when there is sufficient likelihood that the related activities will generate inflows of financial resources that will cover not only the normal costs, but also the associated development expenses. Moreover, development projects must cumulatively meet the criteria listed in IAS 38.

As was also the case in the 2020 short financial year, there were no development costs eligible for capitalization in the 2021 financial year.

**Financial instruments:** Transactions involving financial instruments are recognized as at the settlement date in accordance with IFRS 9. The financial assets line item comprises other securities and investment funds. Pursuant to IFRS 9, these are measured at fair value through profit or loss (FVTPL). Fair value corresponds to the market prices of the instruments as at the balance sheet date. The gain or loss arising from valuation is recognized in the financial result.

**Inventories:** Raw materials and supplies are measured at the lower of acquisition cost or net realizable value. Work in progress and finished goods are also measured at the lower of production cost or net realizable value. Production costs include all expenses that can be directly allocated to the product. These also include material and production overheads. Appropriate allowances are recognized to reflect any inventory risks resulting from the storage duration and reduced marketability.

**Trade receivables and other receivables and assets:** In accordance with IFRS 9, receivables are recognized at acquisition cost and subsequently measured at amortized acquisition cost. Other assets are capitalized at acquisition cost. Should there be any indications of credit impairment and the receivables are not expected to be fully collectible, then individual allowances (Level 3 impairment) are recognized for such receivables. Receivables are derecognized upon becoming uncollectible. A receivable is deemed definitively "uncollectible" when an attorney/debt collector/court confirms it as such. For all other receivables, any expected losses are accounted for by recognizing a suitable impairment on trade receivables, where the allowances are valued in the amount of the credit loss to be expected over the term (Level 2 impairment).



The first time they are recognized, financial liabilities are in principle classified as financial liabilities through profit or loss at fair value, as loans, as liabilities, or as derivatives that have been designed as a hedging instrument and are effective as such. Upon first recognition, all financial liabilities are valued at fair value and, in the case of loans and liabilities, minus the directly attributable transaction costs. The Group's financial liabilities concern trade payables and other liabilities and loans including overdrafts.

Following first recognition, interest-bearing loans are valued under application of the effective interest method, at amortized acquisition cost. Profits and losses are recorded through profit or loss if the liabilities are derecognized, as well as in the framework of amortization using the effective interest method. Amortized acquisition costs are calculated taking into account a premium or discount in the event of acquisition as well as any fees or costs that represent an integral component of the effective interest rate. Amortization using the effective interest method is included in the profit and loss statement as part of finance expenses.

Consistent with IAS 32, treasury shares are recognized in the balance sheet as a deduction from equity.

Income tax: The provisions for current taxes include all tax obligations that exist on the balance sheet date. In addition, deferred tax assets and liabilities are recognized using the balance sheet liability method prescribed by IAS 12. This involves the recognition of deferred taxes for all temporary accounting differences arising between the tax

balance sheets and the IFRS balance sheets of the individual companies and for consolidation processes. Reference is made to the tax rate expected to be valid in the period in which the asset will be realized or the liability settled. Furthermore, deferred tax assets are recognized for all tax loss carryovers that are realistically expected to be utilized and that are expected to be recoverable. For entities within Austria, the measurement of deferred taxes is based on a tax rate of 25%. For entities outside Austria, the respective local tax rate of 12.00% to 31.04% is applied.

Provisions for employee benefits: In accordance with IAS 19 revised and the projected unit credit method, the following parameters were used to calculate the obligations for severance payments at the Austrian parent company (equivalent to approximately 84% of the obligations recognized in the balance sheet):

<b>BIOMETRIC PRINCIPLES</b>		<b>2021: AVÖ 2018-P (2020: AVÖ 2018-P)</b>
Discount rate		1.13% p.a. (2020: 0.78%)
Wage/salary trend		2.30% p.a. (2020: 1.80%)

The calculation of severance pay provisions at subsidiaries is based on locally applicable biometric principles, interest rates, wage and salary trends, and suitably adjusted retirement ages.



Provisions for anniversary bonuses at the Austrian parent company (corresponds to approximately 96% of the obligations recognized in the balance sheet) are measured in accordance with the requirements of IAS 19 and the projected unit credit method. The following parameters were applied:

BIOMETRIC PRINCIPLES	2021: AVÖ 2018-P (2020: AVÖ 2018-P)
Discount rate	0.99% p.a. (2020: 0.62%)
Wage/salary trend	2.30% p.a. (2020: 1.80%)
Retirement age	64-65/59-65
Staggered employee turnover:	
0-2 years	24% (2020: 24%)
3-4 years	22% (2020: 22%)
5-9 years	16% (2020: 16%)
10-14 years	14% (2020: 14%)
15-19 years	9% (2020: 9%)
20-29 years	3% (2020: 3%)
30 years or more	0% (2020: 0%)

The provision for pensions is calculated in accordance with recognized actuarial principles taking due account of the calculation requirements of IAS 19. The calculation of the provision recognized using the projected unit credit method (corresponds to around 98% of the obligations recognized in the balance sheet) was based on the following parameters:

BIOMETRIC PRINCIPLES	2021: AVÖ 2018-P (2020: AVÖ 2018-P)
Discount rate	1.23% p.a. (2020: 0.90%)
Valorization of salaries	1.70% to 2.30% p.a. (2020: 1.70% to 2.29% p.a.)

Provisions: Other provisions were recognized in accordance with IAS 37 when the company has a current obligation

arising from a past event and it is probable that an outflow of resources will be required to meet this obligation. Non-current provisions are discounted if the interest component of the obligation is material. The obligations for variable salary components that are recognized under other provisions as of December 31, 2020, for Supervisory Board remuneration and publication costs, are recognized under other liabilities as of December 31, 2021.

Earnings per share: Earnings per share are calculated by dividing earnings after tax by the weighted average number of ordinary shares issued and in circulation in the reporting period.

Revenue recognition: IFRS 15 provides for a uniform five-step revenue recognition model that is generally applicable to all contracts with customers. Accordingly, revenues are only recognized upon the transfer of control to the customer.

Wolfford AG essentially generates revenues by selling apparel, with a distinction made between the three business models of wholesale, online, and retail. Different goods are not bundled in single contracts and consideration is not dependent on prices in other contracts. Revenues are recognized in accordance with the uniform five-step revenue recognition model in IFRS 15 that is generally applicable to all contracts with customers and determines the amount and time at which revenues are recognized.



Wolford AG generally recognizes revenues upon the transfer of control. In all of the company's distribution channels, this is generally the time at which the contract is satisfied by supplying or selling products. The transfer of risk is determined in individual cases by reference to the respective supply clauses.

In some cases, contracts with customers include variable consideration which may, for example, take the form of sales bonuses. In this respect, the expected rebate is estimated on the basis of past experience. Contributions, i.e. grants provided to retailers for the acquisition of shop fittings customary for Wolford AG, are demarcated and recognized as profit or loss on a pro rata basis over the term of the respective contract. These contributions are recognized as a reduction to revenues. For vouchers sold, the portion that, based on the management team's assessment, is not expected to be redeemed is credited to earnings.

Contracts with customers do not exceed a period of one year. It is therefore not necessary to account for any major financing components.

Foreign currency translation: Currency differences arising from the translation of monetary items resulting from exchange rate movements between the transaction date and the balance sheet date are recognized through profit or loss in the respective period. Currency differences of €1,833k were recognized in the 2021 financial year (2020 short financial year: €-1,618k).

Derivative financial instruments: As was also the case in the previous year, Wolford AG did not conclude any hedging transactions in the year under report.

Assets and liabilities with terms to maturity of up to one year are classified as current, and items with terms to maturity of more than one year are classified as non-current.

Wolford received government grants as defined in IAS 20, mainly in the form of Covid-19 measures, in the financial year under report. These grants are recognized as revenue on the basis of binding commitments, official notifications, and legal entitlement. Around €2,758k (2020 short financial year: €2,400k) of subsidies granted relate to short-time working, and were netted directly with personnel expenses. For a further €8,177k (2020 short financial year: €3,700k) in loss compensation, the eligibility criteria were met as of the reporting date, and as a result they were recognized as profit under other operating income and demarcated under other receivables. In addition, Wolford Group received subsidized public sector loans that were recognized under non-current financial liabilities.

Uncertainties involved in estimates, and sensitivities: To a certain degree, the preparation of the consolidated financial statements requires estimates and assumptions to be made that influence the recognition and measurement of assets, provisions and liabilities, the disclosure of other obligations as at the balance sheet date, and the recognition



of revenues and expenses during the reporting period. These assumptions and estimates mainly relate to the determination of the economic useful lives for property, plant and equipment, intangible assets, and right of use assets, the forecasts and assumptions used for impairment tests, the recognition of impairment losses for receivables and inventories (Notes 18 and 19), the recognition and measurement of deferred taxes (Note 17) and of provisions. The amount of provisions required is estimated on the basis of past experience and reflects all information available upon the preparation of the consolidated financial statements. Reference is made to actuarial calculations when determining long-term employee-related provisions. These calculations are based on assumptions for factors including discount rates, future increases in wages and salaries, employee turnover and mortality rates, retirement ages and life expectancy, as well as future pension trends. Changes in these parameters may significantly affect earnings. The calculation of allowances for receivables is also significantly based on assumptions and estimates relating, among other factors, to customer creditworthiness and expected future economic developments. Deferred taxes have been capitalized on the basis of expected future tax rates and on an assessment of the company's ability to generate taxable earnings in future. Potential changes in tax rates or deviations between actual and expected taxable earnings may result in deferred tax assets being written down.

Lease terms are determined by reference to the non-terminable basic lease term and take into account periods resulting from lease extension options that are deemed sufficiently certain. Discretionary decisions are made when assessing whether it is sufficiently certain that the option to extend or terminate the lease will be exercised or not. These decisions consider all relevant factors that present an economic incentive. These are reviewed and reassessed whenever new information arises. This may lead to adjustments being made to the term of the leases, as well as to the amounts stated for lease liabilities and the right of use.

## 5. Segment Reporting

The Wolford Group is organized in regions in order to achieve the maximum possible level of market penetration. Each sales company has a market director who is best able to evaluate the country-specific circumstances locally and manage business operations accordingly. The country-specific companies are responsible for the distribution of all products developed by Wolford as well as Trade Goods. These products are high-quality Legwear, Ready-to-wear, Lingerie, Beachwear, and Accessories.

The Wolford Group has five reporting segments: Austria, Germany, Rest of Europe, North America, and Asia, consisting of the legal entities located there. The Austria segment includes production and sales activities for Austria and for those countries which do not have their



own Wolford subsidiaries. In determining the structure of its segments, the company ensured that both economic characteristics and aspects such as the respective product and service, customer group, and distribution channel were aligned within the aggregated segments. The Rest of Europe segment includes all European sales companies outside Austria and Germany, as well as the production company in Slovenia. The sales companies are centrally managed through Wolford AG. The North America segment pools the company's activities in the U.S. and Canada, while the Asia segment represents the companies in Hong Kong and Shanghai.

The regional sales companies are managed by reference to their operating earnings (EBIT). Monthly reports also containing an evaluation of proprietary retail points of sale at boutique level are prepared for the sales companies. Reporting for the wholesale segment focuses on the most important key accounts. Intersegment pricing is based on standard wholesale prices less country-specific discounts.

Revenue in the Rest of Europe segment is divided as follows: France at €8,129k or 17% (2020 short financial year: 14%), U.K. (including the Ireland branch) at €5,830k or 12% (2020 short financial year: 9%), Scandinavia at €6,127k or 13% (2020 short financial year: 18%), Italy at €5,842k or 13% (2020 short financial year: 9%), Spain (including the Portugal

branch) at €3,773k or 8% (2020 short financial year: 5%) as well as other European states at 37% (2020 short financial year: 45%). Of the revenues in the North America segment, €20,731k, or 96% (2020 short financial year: 92%), were attributable to the U.S., and €947k, or 4% (2020 short financial year: 8%), to Canada. Segment information is prepared by reference to the same accounting, recognition, and measurement methods as applied in the consolidated financial statements. No customers or customer groups account for more than 10% of total sales. The amounts shown in the consolidation column are the result of Group consolidation procedures. With a contribution of 44% in the 2021 financial year (2020 short financial year: 30%) the Ready-to-wear product section accounts for the largest share of sales for the first time. With a sales contribution of 37% (2020 short financial year: 41%) Legwear is the second-largest product group in the 2021 financial year. Lingerie, Beachwear, Accessories, and Trade Goods generated a total sales share of 19% in the past financial year (2020 short financial year: 29%).



## II. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

### (1) Revenue

Wolford generates its revenue almost exclusively from the sale of Legwear, Ready-to-wear, Lingerie, Beachwear, Accessories, and Trade Goods.

Revenues from contracts with customers are broken down into the most important product groups and distribution channels in the tables below. The breakdown into the company's main geographical markets can be found in the information about operating segments contained in "I. Accounting Principles" under "5. Segment Reporting".

#### Revenues by product group and distribution channel

in EUR k	2021	2020
Legwear	40,621	28,169
Ready-to-wear	47,279	20,166
Lingerie	17,013	9,320
Accessories, Beachwear, and Trade Goods	4,032	10,382
<b>Total</b>	<b>108,945</b>	<b>68,037</b>

Revenue in the Accessories product group were strongly driven by Wolford Care Masks in 2020; sales have slowed in 2021 compared to the height of the coronavirus pandemic.

in EUR k	2021	2020
Boutiques	46,414	24,016
Concession shop-in-shops	5,954	3,917
Online business	28,307	20,199
Factory outlets	6,991	4,638
Department stores	7,650	5,220
Specialist retail	11,285	8,310
Private label	2,344	1,737
<b>Total</b>	<b>108,945</b>	<b>68,037</b>

### (2) Other Operating Income

in EUR k	2021	2020
Grants and subsidies	8,177	3,700
Gains from currency differences	1,851	0
Restaurant revenues	184	90
Gains on disposals of non-current assets	790	40,987
Other	1,600	432
<b>Total</b>	<b>12,602</b>	<b>45,209</b>

Income from grants and subsidies relates to loss compensation received in connection with Covid-19 (2021) and fixed-cost subsidies (2020). For further information on gains on disposals of non-current assets refer to [note 21](#).

The profits and losses from currency differences arise from the translation of claims and liabilities into foreign currency as at the balance sheet date or at the transaction date, e.g. for payment, in local financial statements.



### (3) Cost Of Materials and Purchased Services

in EUR k	2021	2020
Raw materials	13,678	10,560
Energy	1,065	698
Services	3,880	1,899
<b>Total</b>	<b>18,623</b>	<b>13,156</b>

### (4) Personnel Costs

in EUR k	2021	2020
Wages	6,842	5,048
Salaries	30,324	20,102
Expenses for statutory social security contributions, payroll-based duties, and other mandatory contributions	8,736	6,269
Expenses for severance compensation and pensions	369	1,341
of which for management	0	0
Other employee benefits	914	609
<b>Total</b>	<b>47,185</b>	<b>33,370</b>

Personnel expenses include income from short-time working in the amount of approximately €2,758k (2020 short financial year: €2,400k).

#### Head count

The Wolford Group had the following average number of employees on a full-time basis:

Headcount on a full-time basis (FTE)	2021	2020
Total average number	1,091	1,169
of which waged employees	342	347
of which salaried employees	736	810
of which apprentices	13	13

### (5) Other Operating Expenses

in EUR k	2021	2020
Rent and lease expenses	3,097	1,019
Marketing expenses	6,644	5,050
Legal and consulting fees	11,053	7,408
Freight costs	3,896	1,098
Online distribution	4,715	3,889
Travel costs	345	219
Customs duties	1,577	850
Credit card fees and bank charges	1,682	1,003
IT costs	3,073	1,850
Insurance premiums	828	425
Taxes (excluding income tax)	429	435
Maintenance expenses	450	411
Commissions	495	435
Telephone expense	385	362
Fees and charges	741	263
Other	5,399	4,381
<b>Total</b>	<b>44,809</b>	<b>29,098</b>

The proportionately higher rent and lease expenses are due, in part, to the higher proportion of contracts with variable, sales-dependent rent and lease terms. The increase in legal and consulting fees as well as the IT costs results in particular from the omnichannel project for distribution channel optimization.

In March 2021, an externally managed fraud incident ("Fake President Incident") resulted in an unlawful outflow of cash and cash equivalents of €1,151k from the Group, which was recognized in profit or loss (other).



In the 2021 financial year, the following amounts were recognized through profit or loss in the context of lease contracts:

in EUR k	2021	2020
Depreciation and amortization for rights of use	11,254	8,461
Reversals of impairment losses	-578	-409
Impairments on rights of use	335	4,281
Expense for rights of use	3,097	1,019
<b>Total</b>	<b>14,108</b>	<b>13,352</b>

The expense for rights of use primarily concerns leases with variable lease payments.

The expenses for services performed by the auditor of the consolidated financial statements are structured as follows:

in EUR k	2021	2020
Fees for consolidated and annual financial statements	229	205
Other assurance services	0	13
Other services	0	0
<b>Total</b>	<b>229</b>	<b>218</b>

## (6) Impairments of Trade Receivables

Impairment losses of €35k were recognized on trade receivables in the financial year (2020 short financial year: €448k). For details on impairment losses for trade receivables as well as IFRS 9 disclosures, see [III. Notes to the Balance Sheet, \(19\) Trade Receivables](#).

## (7) Depreciation and Amortization, Impairments and Reversal of Impairment Losses

Depreciation and amortization amounted to €14,421k in the 2021 financial year (2020 short financial year: €11,404k).

The impairment tests performed in the 2021 financial year led to the recognition of impairments of €380k (2020 short financial year: €4,980k) and reversals of impairment losses of €1,003k (2020 short financial year: €529k). Impairments related to property (including rights of use) at €380k (2020 short financial year: €4,759k) and goodwill at €0k (2020 short financial year: €221k), and are distributed among the segments of Asia €73k (2020 short financial year: €15k), North America €0k (2020 short financial year: €2,673k), Rest of Europe €277k (2020 short financial year: €2,003k), Germany €21k (2020 short financial year: €289k). Impairment of €9k was recognized in Austria in the financial year (2020 short financial year: €0k). The reason for the impairment losses across all segments was the Covid-19-related negative current business development. This led to a decrease in recoverable amounts based on values in use.

The reversals of impairment losses related entirely to property, plant and equipment (including rights of use) and are distributed among the segments as follows: Rest of Europe at €614k (2020 short financial year: €373k), North America at €272k (2020 short financial year: €47k), Austria at €0k (2020 short financial year: €1k), Germany at €12k (2020 short financial year: €11k), and Asia at €105k (2020 short financial year: €108k). The write-backs were attributable to the sustained improvement in the cost structure resulting from the restructur-



ing program and the associated improvement in business performance. This led to an increase in recoverable amounts based on values in use.

## (8) Financial Result

in EUR k	2021	2020
Interest and similar income	32	17
Interest on shareholder loans	-697	0
Interest and similar expenses	-41	-63
Income from securities	13	44
Expenses from securities	-64	0
Interest on lease liabilities	-3,276	-2,477
Interest on employee benefit liabilities	-119	-134
<b>Financial result</b>	<b>-4,153</b>	<b>-2,612</b>

With an interest rate of 12%, interest of €697k in the 2021 financial year (2020 short financial year: €0k) is recognized for shareholder loans made available for Fuson Fashion Group (Cayman) Limited in May and July 2021 in three tranches.

## (9) Income Taxes

The material components of income tax expenses are structured as follows:

in EUR k	2021	2020
<b>Statement of comprehensive income</b>		
Current tax expense	-367	-936
Deferred tax expense	-2,550	-3,626
<b>Total</b>	<b>-2,917</b>	<b>-4,561</b>

Current tax expenses include taxes in the amount of €-37k from previous periods (2020 short financial year: €95k).

in EUR k	2021	2020
<b>Development of net deferred taxes</b>		
Net deferred tax assets and deferred tax liabilities as of January 1 (2020 short financial year: as of May 1)	6,090	9,903
Currency differences	309	-248
Deferred taxes recognized in earnings after tax	-2,550	-3,626
Deferred taxes recognized in other comprehensive income	42	62
<b>Net deferred tax assets and deferred tax liabilities as of December 31</b>	<b>3,891</b>	<b>6,090</b>

The reconciliation of the income tax charge based on the Austrian corporate tax rate of 25% (2020 short financial year: 25%) with the effective tax rate for the period is as follows:

in EUR k	2021	2020
<b>Earnings before tax</b>	<b>-9,415</b>	<b>17,327</b>
Tax expenses/income at 25% tax rate	2,354	-4,332
Effects of changes in tax rate	253	0
Divergent foreign tax rates	-36	-10
Tax effects due to divergences in tax assessment base	315	217
Taxes from prior periods	-37	95
Losses in current year for which no deferred tax assets were recognized	-3,332	-2,603
Non-recognition of deferred taxes/differences due to utilization of deferred taxes not recognized in previous periods	-2,506	2,100
Other	72	-28
<b>Effective tax burden</b>	<b>-2,917</b>	<b>-4,561</b>
<b>Effective tax rate</b>	<b>31%</b>	<b>-26%</b>



In the financial year, deferred tax assets on temporary differences in the amount of €1,966k (December 31, 2020: €954k) were fully impaired due to the economic development and the resulting uncertainty.

The "Other" line item also includes corrections for currency differences. The effective tax burden of -31% (2020 short financial year: 26%) is mainly attributable to the non-recognition of deferred tax assets.

By tax assessment notice dated August 16, 2006, Wolford AG's application for the specification of a Group in accordance with Section 9 (8) Austrian Corporate Income Tax Act (KStG 1988) was approved. Since the 2006 assessment, the company has been the Group parent; as of the balance sheet date, the Group included Wolford Beteiligungs GmbH as one of its members. This company was included as a member of the Group by the Group and tax-sharing agreement dated April 15, 2008. The agreement was amended in the short financial year as a result of the changed balance sheet date, while retaining the existing settlement logic.

Should Wolford Beteiligungs GmbH generate a taxable profit in a given business year, it is required to pay a tax charge to Wolford AG. Should it generate a taxable loss or a loss not eligible for tax sharing, then the loss is held evident. Should Wolford Beteiligungs GmbH generate a taxable profit once again in subsequent years, then this previous loss is offset against such profit.

Upon the termination of the Group and tax-sharing agreement, Wolford AG is required to make an adequate payment as settlement for any tax losses or losses not eligible for tax sharing generated by Wolford Beteiligungs GmbH during the period in which the Group was in effect.

## (10) Notes on Other Comprehensive Income

Wolford AG recognized an actuarial loss before tax of €120k in the 2021 financial year (2020 short financial year: €233k). Deferred taxes of €42k are attributable to this loss (2020 short financial year: €62k). Together with the result of €-894k from currency translation of operations outside Austria (2020 short financial year: €927k), this resulted in other comprehensive income of €-972k (2020 short financial year: €757k).

## (11) Earnings per Share/Proposed Appropriation of Profit

Earnings per share are calculated by dividing the earnings after tax of €-12,332k (2020 short financial year: €12,766k) by the weighted average number of common shares, adjusted for treasury shares held on a pro rata basis (6,631,011; 2020 short financial year: 6,631,011). Earnings per share for the 2021 financial year amounted to €-1.86 (2020 short financial year: €1.93). Given the currently challenging earnings situation, the Management Board will propose to the Annual General Meeting due to be held on July 20, 2022 that no dividend should be paid for the 2021 financial year.



The basis for calculating earnings per share is as follows:

	2021	2020
Weighted total number of shares in circulation	6,719,151	6,719,151
Less average number of treasury shares	-88,140	-88,140
	<b>6,631,011</b>	<b>6,631,011</b>

### III. NOTES TO THE BALANCE SHEET

#### (12) Property, Plant and Equipment

The development in this line item is presented in detail in the non-current asset schedule. Land with a carrying amount of €521k (December 31, 2020: €521k) is presented within the line item "Land, leasehold rights, and buildings, including buildings on third-party land."

Total obligations for the purchase of property, plant and equipment amounted to €16k as of the balance sheet date (December 31, 2020: €1k). For explanations of recognized impairments, refer to (II.) Notes to the Statement of Comprehensive Income, Note (7) Depreciation and Amortization, Impairments and Reversal of Impairment Losses.

The pledges of property, plant and equipment of Wolfford AG, which were required in the course of the refinancing agreement, were reversed upon repayment of the outstanding loan amount in the 2020 short financial year.

#### (13) Goodwill

No impairments were recognized on goodwill in the 2021 financial year (2020 short financial year: €221k). The reason for the impairment losses in the prior year was negative business development. This led to a reduction of the fair values based on values in use.

#### (14) Other Intangible Assets

The development in this line item is presented in detail in the non-current asset schedule. There were no commitments for the acquisition of intangible assets in the current or previous financial year. Intangible assets primarily consist of material software and the access system at the headquarters in Bregenz.

No impairment requirements were identified for intangible assets in the 2021 financial year, as was also the case in the 2020 short financial year.

No intangible assets are pledged as security.



### (15) Non-current Financial Assets

Non-current financial assets mainly include shares in investment funds recognized at fair value through profit or loss in accordance with IFRS 9, with changes in value recognized in profit or loss.

The change in fair value recognized through profit or loss in the 2021 financial year amounted to €-64k (short financial year 2020: €26k).

### (16) Non-current Receivables and Assets

The amounts recognized in this line item relate primarily to security deposits and restricted non-current cash and cash equivalents.

### (17) Deferred Taxes Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities result from temporary accounting differences between the carrying amounts recognized in the IFRS financial statements and the corresponding tax measurement base for the respective items.

in EUR k	12/31/2021		12/31/2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Property, plant and equipment	1,019	12,581	2,494	10,040
Intangible assets	2,051	40	1,990	348
Inventories	625	284	707	20
Trade receivables and other receivables and assets	854	1,807	873	2,311
Provisions for long-term employee benefits	1,545	0	1,799	88
Other provisions	133	677	449	455
Liabilities	13,515	480	12,571	1,683
Other	18	0	0	0
Tax loss carryforwards and effected current-value depreciations	0	0	152	0
<b>Deferred tax assets/deferred tax liabilities</b>	<b>19,760</b>	<b>15,869</b>	<b>21,035</b>	<b>14,945</b>
<b>Offset for items due to same tax authority</b>	<b>-15,759</b>	<b>-15,759</b>	<b>-14,945</b>	<b>-14,945</b>
<b>Net deferred tax assets and liabilities</b>	<b>4,001</b>	<b>273</b>	<b>6,091</b>	<b>0</b>



As of the balance sheet date, the company had unutilized tax loss carry-forwards of €90,116k (December 31, 2020: €68,609k). Of these, €90,116k were not capitalized (December 31, 2020: €68,001k). In the financial year, deferred tax assets on temporary differences in the amount of €1,966k (December 31, 2020: €954k) were fully impaired due to the economic development and the resulting uncertainty.

As of the balance sheet date, the company had unutilized tax loss carry-forwards of €90,116k (December 31, 2020: €68,609k). The loss carryforwards and temporary differences against which no deferred taxes were recognized amount to €90,116k (prior year: €67,800k). Loss carryforwards of €87,661k (previous year: €66,222k) are non-forfeitable. Losses of €2,455k (previous year: €2,387k) are forfeitable within 1 to 5 years.

## (18) Inventories

The details of the structure of inventories are as follows:

in EUR k	12/31/2021	12/31/2020
Finished products and trade goods	20,313	22,426
Works in progress	5,268	5,515
Raw materials and supplies	5,293	5,907
<b>Total</b>	<b>30,874</b>	<b>33,848</b>

Inventories are measured separately by product. This measurement procedure accounts for the different resale potential of the essentials and trend products, as well as for the age of the respective products. As of the balance sheet date, the allowance for inventories amounted to €1,734k (December 31, 2020: €1,907k).

Inventories are measured on the basis of moving averages.

No inventories were pledged as security.

## (19) Trade Receivables

in EUR k	12/31/2021	12/31/2020
Trade receivables	14,456	11,483
Impairment losses	-2,449	-2,670
<b>Trade receivables after impairment losses</b>	<b>12,007</b>	<b>8,814</b>

For trade receivables, Level 2 allowances of €24k (December 31, 2020: €576k) were recognized due to expected credit losses (ECL Level 2) and Level 3 allowances of €2,425k were also recognized (December 31, 2020: €2,094k).

Trade receivables mainly relate to the wholesale and online business of Wolford AG. To monitor default risk, customers are structured into these categories according to their creditworthiness. When determining the recoverability of trade receivables, account is taken of all changes in the creditworthiness of customers from the initial establishment of payment terms through to the balance sheet date. There are no material clusters of credit risks because individual items account for a low share of total receivables and there is no correlation between individual items. The increase in trade receivables is due to the greater scope of business activities.



The payment terms granted vary from customer to customer but nevertheless remain within a customary range. Customer creditworthiness and contractual capacity are checked in advance before entering into any business relationship. Trade receivables are monitored continuously and external service providers are used to collect overdue payments.

In the wholesale business, the risk of receivables default is reduced by concluding credit insurance policies which are subject to a deductible of 10%. The ECLs recognized are based on external ratings. The allowances recognized for receivables in the online business were based on historic default statistics.

A Level 3 allowance is recognized for credit-impaired receivables. Receivables are assigned to this category at the latest upon being handed over to an attorney/debt collector/court. The allowances recognized on trade receivables developed as follows:

in EUR k	2021	2020
<b>Jan. 1/May 1 (2020)</b>	<b>2,670</b>	<b>2,377</b>
Added (+)/reversed (-)	35	422
Utilized	-274	-121
Currency differences	18	-8
<b>December 31</b>	<b>2,449</b>	<b>2,670</b>

The following tables present information about the default risk and the expected credit losses for trade receivables at December 31, 2021, and December 31, 2020.

12/31/2021 in EUR k	LOSS RATE	GROSS CARRYING AMOUNT	ALLOWANCE
<b>Wholesale</b>	<b>17.14%</b>	<b>14,287</b>	<b>2,449</b>
ECL receivables	0.23%	10,584	24
Receivables (credit impaired)	65.49%	3,703	2,425
<b>Online</b>	<b>0.0%</b>	<b>169</b>	<b>0</b>
ECL receivables	0.0%	0	0
Receivables (credit impaired)	0.0%	0	0

12/31/2020 in EUR k	LOSS RATE	GROSS CARRYING AMOUNT	ALLOWANCE
<b>Wholesale</b>	<b>23.61%</b>	<b>11,311</b>	<b>2,670</b>
ECL receivables	6.25%	9,217	576
Receivables (credit impaired)	100.0%	2,094	2,094
<b>Online</b>	<b>0.0%</b>	<b>172</b>	<b>0</b>
ECL receivables	0.0%	0	0
Receivables (credit impaired)	0.0%	0	0



Allowances with a flatrate approach have been separated from allowances under the pure ECL approach for this presentation in 2021 and allocated to "Receivables (credit impaired)." This results in an "ECL receivables" allowance of €24k. Of the impairment losses of €576k in the previous year, €8k relates to allowances under the pure ECL approach.

Uncollectible receivables are derecognized. A receivable is deemed definitively "uncollectible" when an attorney/debt collector/court confirms it as such. The insurance income from credit insurance has already been taken into account here. With respect to trade receivables that are neither impaired nor overdue, there were no indications at the balance sheet date for the previous year that customers would be unable to meet their contractual obligations.

A global assignment agreement governing the pledging of receivables at Wolford AG as security to Raiffeisen Bank International AG has been in place since April 14, 2017. This agreement has been acceded to by UniCredit Bank Austria AG, BAWAG P.S.K. Bank für Arbeit und Wirtschaft, and Österreichische Postsparkasse Aktiengesellschaft. In the 2020 short financial year, this agreement was ended through the repayment of the remaining loan amounts.

in EUR k	12/31/2021	12/31/2020
<b>Trade receivables after allowance</b>	<b>12,007</b>	<b>8,814</b>
Not due	7,749	5,678
Due in <30 days	2,046	1,554
Due in >31 <60 days	958	900
Due in >61 <90 days	670	301
Due in >91 <120 days	237	312
Due in >121 days	347	70

## (20) Other Receivables and Assets

Other receivables were composed primarily of the following line items:

in EUR k	12/31/2021	12/31/2020
Receivables from grants	10,639	3,700
Income tax receivables	147	207
Receivables from other taxes	226	559
Prepaid expenses and deferred charges	2,032	1,438
Other receivables	3,980	4,400
<b>Total</b>	<b>17,024</b>	<b>10,303</b>

Receivables from subsidies concern government subsidies from loss mitigation and fixed-cost subsidies in the context of the Covid-19 pandemic.

Other items include substantial items in the form of clearing accounts from B2C (€1,067k) (December 31, 2020: €597k), security deposits (€1,327k) (December 31, 2020: €2,631k) and creditors with debit balances (€984k).



## (21) Non-current Assets Held for Sale

In the first quarter of the 2020 short financial year, Wolford AG signed an agreement concerning the sale of its company property at Wolfordstraße 1 and 2 in Bregenz. The net proceeds of the sale amount to €72,001k. Wolford AG continues to use the sold building as a tenant; accordingly, the book profit was reduced proportionately by the amount attributable to the retained right of use. The book profit as of December 31, 2020 was therefore €40,987k and was recorded in other operating income. In the course of the sale, a lease contract concerning parts of the property was concluded and recognized in the rights of use and lease liabilities item.

In February 2021, a contract was concluded for the sale of a further property at a net sale price of €805k. In the 2021 financial year, after the transfer of benefits and encumbrances as of the end of September 2021, the sale resulted in a book profit of €780k, which was recognized in other operating income.

## (22) Equity

The composition of equity and its development are presented separately in the statement of changes in equity.

### Share capital

The share capital consists of 6,719,151 no-par value shares, with each no-par share representing the same proportion of the share capital, and remaining

unchanged in the financial year, as was also the case in the previous year. There are no shares with special preferential or control rights.

### Capital reserves

Appropriated capital reserves result from the premiums (less issue costs) on the stock issues in 1995 and 2018. Expenses of €791k incurred to issue new shares have been deducted.

### Other reserves

No dividend was distributed for the 2020 short financial year.

### Reserve for actuarial gains/losses

in EUR k	2021	2020
<b>Jan. 1/May 1 (2020)</b>	<b>-5,115</b>	<b>-4,944</b>
Actuarial losses and gains for the financial year	-120	-233
of which deferred tax	42	62
<b>December 31</b>	<b>-5,193</b>	<b>-5,115</b>

### Treasury shares

Wolford AG holds 88,140 treasury shares (December 31, 2020: 88,140). There were no movements in treasury shares in the financial year. As a result, 1.3% of share capital is still held by the company (December 31, 2020: 1.3%).



### Going concern

In the short financial year 2020, the Wolford Group was unable to avoid the turbulence also triggered in the retail sector in the 2021 financial year by the Covid-19 crisis. Steps taken by the government to restrict contact, such as lockdowns, had a significant impact with revenue falling short of budget in the 2021 financial year. As a result, the assumptions made in the previous year's going concern forecast with regard to the development of sales and liquidity were not achieved. To safeguard the liquidity requirement that arose due to this, loans in the amount of €10 million were granted by the majority shareholder, which had a term until December 2022 as of December 31, 2021, and which were extended to December 31, 2023, in June 2022. The Wolford Group is accommodating the economic and political circumstances with updated liquidity planning, wherein the following areas are taken into account:

- ▣ The sales planning for 2022 and subsequent years was prepared on the basis of developments in the first few months of 2022 and the best possible estimate for the remaining period, with Group-wide sales of €135 million being budgeted. The NORDSTERN sales growth program has also set the course for future growth for further years.
- ▣ In addition, the restructuring measures initiated in the 2019/2020 financial year under the PITBOLI program were advanced further to achieve additional cost savings. In particular, locations that cannot be operated

profitably are being closed, the head-count at headquarters is being significantly reduced and logistics and IT processes optimized. The 2022 budget provides for price increases in the individual expense items of between 2% and 8%.

- ▣ To ensure liquidity, additional loans were obtained from the majority shareholder in the amount of €2.5 million in January 2022, and €5 million in May 2022; these have a term until December 2022. There is a commitment to extend this financing to December 2023.
- ▣ The updated liquidity planning provides for ensuring a further €15 million in liquidity through the sale of inventories to a financing partner. There is an indicative offer on the part of the potential financing partner with a financing volume of € 25 million; however, this is still subject to internal approvals by the financing partner.
- ▣ To be able to cover a possible further financing need arising from budget deviations such as coronavirus-related restrictions applying for longer or more extensively, and economic restrictions or increasing costs due to political crises such as the Ukraine crisis and the associated impact on the economy, the Management Board has negotiated a higher level of reserve financing than that stated in the liquidity planning, as mentioned above, and is considering further financing measures (such as implementing a capital increase in coordination with the majority shareholder).



Based on the currently available information, which is taken into account in the updated liquidity planning, the assumption of the Group's continued existence as a going concern is therefore given in the view of the Management Board. However, the Management Board points out that the continued existence of the Group as a going concern could be put at risk if the measures described above, in particular via the sale of storage space, cannot be successfully executed, or in the event that larger-scale budget deviations – such as coronavirus-related restrictions being applied for longer or more extensively, or economic restrictions or increasing costs due to political crises such as the Ukraine crisis and the associated impact on the economy – trigger an additional need for financing that cannot be covered by further financing measures.

### (23) Financial Liabilities

Financial liabilities are structured as follows:

in EUR k	12/31/2021	12/31/2020
Loans from Fosun Fashion Group (Cayman) Limited (12%)	10,697	0
<b>Total</b>	<b>10,697</b>	<b>0</b>
of which non-current	0	0
of which current	10,697	0

Scheduled repayments for financial liabilities have the following maturity structures:

in EUR k	UP TO 1 YEAR	1-5 YEARS	OVER 5 YEARS
As of 12/31/2021	10,697	0	0
As of 12/31/2020	0	0	0

As a result of the repayment of liabilities to banks in the 2020 short financial year, as of December 31, 2021, there is no longer any collateral from bill of exchange guarantees of the Republic of Austria with a refinancing commitment of Oesterreichische Kontrollbank Aktiengesellschaft or collateral pledges (blanket assignment of all receivables, pledging of machinery and all real estate as well as intellectual property).

### (24) Provisions for Long-term Employee Benefits

The provisions for pensions, severance compensation, and anniversary payments are calculated in accordance with the requirements of IAS 19.

in EUR k	12/31/2021	12/31/2020
Pension provisions	4,880	5,275
Severance compensation provisions	8,139	9,280
Provisions for anniversary payments	1,573	1,745
<b>Total</b>	<b>14,592</b>	<b>16,300</b>

### Provisions for pensions and severance compensation

Wolford AG has direct pension obligations based on individual commitments to three former Management Board members. Collective agreements in France require the company to make payments to employees upon retirement. The relevant calculation is based on generally accepted actuarial rules.



Legal requirements entitle employees who joined the Austrian parent company before 2003 to a one-off severance compensation payment if their employment relationship is terminated or when they retire. The amount of these payments depends on the length of service and the employee's wage or salary at the end of employment. In Switzerland, the company is required to make certain payments to employees on retirement, death, or inability to work. The payments are dependent on the employee's age, number of years worked, salary, and individual contributions up to that point. This plan is financed jointly by the employees and the employer, with the obligation being counterfinanced by the insurance company Swiss Life by way of qualified insurance policies that serve as plan assets. Further defined benefit plans for severance payments exist to a minor extent in Italy and Slovenia.

Provisions for pensions developed as follows:

in EUR k	2021	2020
<b>Cash value of the obligation as of Jan. 1/May 1 (2020)</b>	<b>5,275</b>	<b>5,163</b>
Interest expenses	47	46
Pension payments	-247	-187
Actuarial gains/losses	-195	252
<b>Present value of obligation as of December 31</b>	<b>4,880</b>	<b>5,275</b>

Provisions for severance compensation developed as follows:

in EUR k	2021	2020
<b>Cash value of the obligation as of Jan. 1/May 1 (2020)</b>	<b>10,221</b>	<b>11,277</b>
Exchange rate differences	34	-71
Service cost	608	439
Interest expenses	62	79
Severance compensation payments	-2,035	-1,560
Actuarial losses	492	58
<b>Present value of obligation as of December 31 (gross obligation)</b>	<b>9,383</b>	<b>10,221</b>

The plan assets relating to the provision for severance compensation developed as follows:

in EUR k	2021	2020
<b>Fair value of plan assets as of Jan. 1/May 1 (2020)</b>	<b>942</b>	<b>961</b>
Exchange rate differences	17	11
Paid-in contributions	100	52
Interest income	2	3
Payments made	6	-163
Actuarial gain	177	77
<b>Fair value of plan assets as of December 31</b>	<b>1,244</b>	<b>942</b>



The net obligation for severance compensation is structured as follows:

in EUR k	2021	2020
<b>Net obligation as of Jan. 1/May 1 (2020)</b>	<b>9,280</b>	<b>10,316</b>
Exchange rate differences	17	-82
Service cost/contributions received	508	386
Interest	61	76
Payments	-2,041	-1,397
Actuarial loss/profit	315	-20
<b>Net obligation as of December 12</b>	<b>8,139</b>	<b>9,280</b>

Plan assets comprise:

in EUR k	2021	2020
Equity investments	614	482
Bonds	130	114
Real estate	323	233
Alternative investments	65	37
Liquid funds	112	77
<b>Total plan assets</b>	<b>1,244</b>	<b>942</b>

The actuarial gains reported in the Group for the 2021 financial year comprise adjustments due to past experience of €0k (2020 short financial year: €112k) and financial adjustments of €95k (2020 short financial year: €-334k).

Defined benefit payments of €630k are planned for provisions for pensions and severance compensation in the coming 2022 financial year (2021: €742k).

## Provision for anniversary payments

The provision for anniversary payments developed as follows:

in EUR k	2021	2020
<b>Cash value of the obligation as of Jan. 1/May 1 (2020)</b>	<b>1,746</b>	<b>1,952</b>
Service cost	77	56
Interest expenses	11	13
Anniversary payments	-76	-174
Actuarial gain	-185	-102
<b>Present value of obligation as of December 31</b>	<b>1,573</b>	<b>1,746</b>

Defined benefit payments from anniversary provisions of €56k are planned for the 2022 financial year (2021: €75k).

## Provisions for retirement, severance compensation, and anniversary payments

The actuarial gains and losses result from changes due to adjustments from past experience and changes in financial assumptions and are reported under other comprehensive income for retirement and severance compensation provisions and under personnel expenses for anniversary payment provisions.



The following sensitivities were determined for the Austrian defined benefit obligations (corresponding to €13,154k, a significant portion of the total obligations of €14,592k), each of which relates to the level of the provision:

in EUR k	2021		2020	
	Increase	Reduction	Increase	Reduction
Discount rate (1% change)	-1,370	1,635	-1,578	1,807
Future wage and salary increases (1% change)	866	-760	1,013	-889
Future pension increases (1% change)	670	-558	764	-631

The sensitivities with regard to earnings before taxes for the Austrian defined benefit obligations are as follows:

in EUR k	2021		2020	
	Increase	Reduction	Increase	Reduction
Discount rate (1% change)	-69	91	-81	101
Future wage and salary increases (1% change)	-45	39	-50	44
Future pension increases (1% change)	-8	7	-7	6

Service cost is reported under "Expenses for severance compensation and pensions" (provision for severance compensation and pensions) or under "Wages" and "Salaries" (provision for

anniversary payments), while interest expenses are included under "Interest on employee benefits."

The average remaining term of the anniversary obligations is 9.1 years (December 31, 2020: 9.4 years). The average remaining term of the pension obligations is 13.2 years (December 31, 2020: 13.3 years). The average remaining term of the severance compensation obligations is 11.0 years (December 31, 2020: 11.0 years).

## (25) Other Non-current Liabilities

Other non-current liabilities are structured as follows:

in EUR k	12/31/2021	12/31/2020
Slovenia project subsidy	679	710
Other	328	160
<b>Total</b>	<b>1,007</b>	<b>870</b>

The construction of the production facility in Slovenia was subsidized with a grant that is being reversed by way of depreciation and amortization and expenses (personnel expenses).

## (26) Current Provisions

Other material provisions recognized in accordance with IAS 37 developed as follows:



in EUR k	AS OF 01/01/2021	CURRENCY DIFFERENCES	UTILIZED	REVERSED	ADDED	CHANGE OF STATEMENT	AS OF 12/31/2021
Personnel	1,121	31	-608	-241	109	-412	0
Restructuring	1,258	0	-646	0	63	0	675
Other	1,550	-3	-527	-213	1,048	-1,253	602
<b>Total</b>	<b>3,929</b>	<b>28</b>	<b>-1,781</b>	<b>-454</b>	<b>1,220</b>	<b>-1,665</b>	<b>1,277</b>

As of January 1, 2021, personnel provisions mainly included obligations for variable salary components which, due to the circumstances and their measurement, were reclassified to other liabilities as of December 31, 2021.

The restructuring provision mainly comprises severance scheme payments and severance compensation in connection with the company's realignment.

Other provisions as of December 31, 2021, comprise obligations from onerous contracts in the amount of €602k. As of January 1, 2021, these also included still-outstanding remuneration for the Supervisory Board and publication costs which, as of December 31, 2021, are also recognized under other liabilities.

## (27) Other Current Liabilities

Other current liabilities include the following owed amounts:

in EUR k	12/31/2021	12/31/2020
Liabilities to tax authorities	3,827	3,244
Outstanding vacation entitlement	2,244	1,875
Wage and salary obligations	2,054	0
Other accrued payments	1,583	3,166
Liabilities for social security	1,309	1,211
Liabilities for tax advice and audit	1,081	0
Liabilities from variable salary components	412	0
Special payments	336	0
Overtime	286	286
Other	1,584	783
Other non-financial liabilities	14,716	10,565
Other financial liabilities	0	0
<b>Total</b>	<b>14,716</b>	<b>10,565</b>

## (28) Contract Assets and Contract Liabilities

Contract assets include €44k (December 31, 2020: €69k) relating to grants provided to retailers for the acquisition of shop fittings typical for Wolford AG.



The contract liabilities recognized pursuant to IFRS 15 include voucher-related liabilities of €985k (December 31, 2020: €1,118k) and €1,171k for revenue bonuses not yet disbursed and customer returns (December 31, 2020: €365k).

### (29) Contingent Liabilities

The company has issued rent guarantees totaling €1,505k (December 31, 2020: €2,421k) and other guarantees of €0k (December 31, 2020: €49k).

### (30) Leasing in the Consolidated Balance Sheet

As of December 31, the acquisition costs and accumulated depreciation and amortization for rights of use were composed as follows:

#### Acquisition/production costs

in EUR k	AS OF 01/01/2021	CURRENCY DIFFERENCES	ADDITION	DISPOSAL	AS OF 12/31/2021
Rights of use on land, leasehold rights and buildings, including buildings on third-party land	80,717	2,552	9,645	-3,141	89,773
Rights of use on technical equipment and machinery	400	0	12	0	412
Rights of use on other equipment, furniture and fixtures	320	1	285	-30	576
<b>Total</b>	<b>81,437</b>	<b>2,553</b>	<b>9,942</b>	<b>-3,171</b>	<b>90,761</b>

in EUR k	AS OF 05/01/2020	CURRENCY DIFFERENCES	ADDITION	DISPOSAL	AS OF 12/31/2020
Rights of use on land, leasehold rights and buildings, including buildings on third-party land	78,758	-3,322	11,090	-5,808	80,717
Rights of use on technical equipment and machinery	400	0	0	0	400
Rights of use on other equipment, furniture and fixtures	169	1	161	-11	320
<b>Total</b>	<b>79,327</b>	<b>-3,321</b>	<b>11,251</b>	<b>-5,819</b>	<b>81,437</b>



## Depreciation and amortization

in EUR k	AS OF 01/01/2021	CURRENCY DIFFER- ENCES	IMPAIR- MENT	REVERSAL OF IM- PAIRMENT LOSSES	ADDITION	DISPOSAL	AS OF 12/31/2021
Rights of use on land, leasehold rights and buildings, including buildings on third-party land	28,409	1,427	335	-578	10,933	0	40,526
Rights of use on technical equipment and machinery	148	1	0	0	203	-11	341
Rights of use on other equipment, furniture and fixtures	219	0	0	0	118	0	337
<b>Total</b>	<b>28,776</b>	<b>1,428</b>	<b>335</b>	<b>-578</b>	<b>11,254</b>	<b>-11</b>	<b>41,204</b>

in EUR k	AS OF 05/01/2020	CURRENCY DIFFER- ENCES	IMPAIR- MENT	REVERSAL OF IM- PAIRMENT LOSSES	ADDITION	DISPOSAL	AS OF 12/31/2020
Rights of use on land, leasehold rights and buildings, including buildings on third-party land	17,436	-1,184	4,279	-409	8,302	-14	28,409
Rights of use on technical equipment and machinery	72	0	2	0	74	0	148
Rights of use on other equipment, furniture and fixtures	134	0	0	0	85	0	219
<b>Total</b>	<b>17,642</b>	<b>-1,184</b>	<b>4,281</b>	<b>-409</b>	<b>8,461</b>	<b>-14</b>	<b>28,776</b>

## Carrying amounts

in EUR k	AS OF 12/31/2021	AS OF 12/31/2020/ 01/01/2021
Rights of use on land, leasehold rights and buildings, including buildings on third-party land	49,247	52,308
Rights of use on technical equipment and machinery	71	252
Rights of use on other equipment, furniture and fixtures	239	101
<b>Total</b>	<b>49,557</b>	<b>52,661</b>

As of December 31, 2021, the lease liabilities comprised a portion that was due in the short term in the amount of €43,169k (December 31, 2020: €51,687k) and a portion that was due in the long term in the amount of €17,199k (December 31, 2020: €13,166k).



#### IV. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement of the Wolford Group shows the changes in cash and cash equivalents resulting from cash-effective transactions during the reporting period. Consistent with IAS 7, the cash flows are broken down by origin and use, and separately for operating activities and investment and financing activities. The inflows and outflows of funds from operating activities are derived indirectly based on the Group's annual net income. By contrast, cash flows from investment and financing activities are calculated directly based on the respective inflows and outflows.

Financial funds correspond to the relevant cash and cash equivalents balance sheet line item and include credit balances and demand deposits at banks, and other financial funds.

The effects of exchange rate movements on cash and cash equivalents related to the subsidiaries in the U.S., the U.K., Asia, Scandinavia, and Switzerland.

Non-cash expenses and income relate in particular to unrecognized foreign exchange gains and losses.

#### Cash flow from financing activities in respect of financial liabilities and related assets

in EUR k	01/01/2021	INTEREST (NON-CASH)	ADDITION TO RIGHTS OF USE (NON-CASH)	CASH FLOW	OTHER (NON-CASH)	12/31/2021
Current financial liabilities	0	697	0	10,000	0	10,697
Lease liabilities	64,852	3,276	9,942	-15,341	-2,361	60,368
<b>Total financial liabilities</b>	<b>64,852</b>	<b>3,973</b>	<b>9,942</b>	<b>-5,341</b>	<b>-2,361</b>	<b>71,065</b>

in EUR k	05/01/2020	INTEREST (NON-CASH)	ADDITION TO RIGHTS OF USE (NON-CASH)	CASH FLOW	OTHER (NON-CASH)	12/31/2020
Current financial liabilities	38,983	63	0	-39,046	0	0
Lease liabilities	61,142	2,477	11,250	-7,106	-2,911	64,852
<b>Total financial liabilities</b>	<b>100,125</b>	<b>2,540</b>	<b>11,250</b>	<b>-46,152</b>	<b>-2,911</b>	<b>64,852</b>



The Other (non-cash) item contains modifications and currency translation effects.

The movements in non-current and current financial liabilities are presented in the cash flow statement. Other non-cash movements mainly relate to disposals or revaluations of lease liabilities in connection with the retirement of rights of use in the current financial year, as well as to exchange rate effects.

Due to exchange rate translation, the changes in those balance sheet line items that are presented in the cash flow statement cannot be derived directly from the balance sheet.

## V. FINANCIAL INSTRUMENTS

### Financial Risk Management

#### Objectives and methods of financial and capital management

The objective of financial risk management is to record and assess uncertainty factors that could negatively impact the company's business performance. The most important objective of Wolford's financial and capital management is to ensure sufficient liquidity at all times to enable the Group to offset seasonal fluctuations customary to its sector and finance its further strategic growth.

Due to its use of financial instruments, the Wolford Group is exposed in particular to the following risks:

- Capital risk
- Credit and default risk
- Interest rate risk
- Currency risk
- Liquidity risk

The Group does not have any material clusters of risks.

Material primary financial liabilities as of the balance sheet date comprise trade payables and loan liabilities newly entered into in 2021 with respect to the principal shareholder; bank loans and the loan liabilities existing in 2020 with respect to the principal shareholder were repaid with the proceeds from the sale of the real estate in 2020. Wolford has various financial assets such as trade accounts receivable and bank balances, cash in hand, and short-term deposits resulting directly from its business activities.

Wolford was not party to any hedge transactions either in the 2020 short financial year or in the year under review.

#### Capital risk management

The primary objective of capital risk management is to minimize the company's financing costs by maintaining a high equity ratio and a sound credit rating, thereby keeping any negative effects on earnings as low as possible.



The key indicator used in the Group's capital risk management is the gearing ratio, which presents the ratio of net debt to equity. Net debt is defined as non-current and current financial liabilities less non-current financial assets and cash and cash equivalents. The development in this key figure in recent years is presented in the following table:

in %	12/31/2021	12/31/2020
Gearing	10.2%	–%

As a result of again taking up financial liabilities in the financial year, there was net debt and a significant deterioration in the equity base.

#### Credit and default risk management

The Wolford Group only concludes business transactions with creditworthy third parties. The creditworthiness of new customers is checked, particularly in the Group's wholesale business. Furthermore, trade receivables are continuously monitored and default risk is limited in part through credit insurance (deductible charged for insured receivables 10% analogous to previous year).

Wolford does not have any credit insurance for receivables relating to its proprietary online business. In view of this, the company works together with an external credit check provider so that the creditworthiness of customers can be checked when they place their orders. Furthermore, incoming orders are continually monitored and checked by the relevant online shop managers.

#### Interest rate risk management

Due to the repayment of the loan liabilities in the 2020 short financial year, there is no material interest rate risk in the view

of the Management Board. The newly taken-up shareholder loans are fixed-interest. With regard to the interest rate sensitivity of personnel provisions, reference is made to [Note 24](#).

#### Currency risk management

Currency risk refers to the risk of fluctuations arising in the value of financial instruments due to changes in exchange rates. This risk occurs when transactions are handled in currencies other than the company's functional (local) currency.

Risks relating to exchange rates from existing foreign currency receivables and planned sales are reviewed monthly by Group Treasury using liquidity planning. No hedging transactions were concluded either in the financial year or in the previous financial year.

The Group companies generally conduct transactions in their functional currency. Therefore, from the Management Board's current perspective, there is no material currency risk.

#### Liquidity risk management

At the Wolford Group, liquidity risks are managed and financial risks monitored by the central treasury department. This department compiles monthly liquidity forecasts for the overall Group and reports to the Management Board on the current financial status.

To ensure solvency, the Wolford Group holds liquidity in the form of bank balances, the majority of which are available on a daily basis, in order to be able to service expected operating expenses and financial liabilities. However, the impact of further lockdowns and restrictions on business activity as a consequence of Covid-19 on the Group's liquidity is currently difficult to assess. The resulting uncertainty is taken



into account by intensified monitoring of liquidity. The Going Concern section is referenced in this respect.

The following table is based on the undiscounted cash flows (interest and principal) of financial liabilities and shows the contractual terms of the financial liabilities held by the Wolford Group:

in EUR k	CARRYING AMOUNT, 12/31/2021	CASH FLOW 2022	CASH FLOW 2023–2026	CASH FLOW 2027 ONWARDS
Lease liabilities	60,368	17,199	33,820	13,145
Financial liabilities	10,697	11,897	0	0
Trade payables	13,058	13,058	0	0
Other financial liabilities	328	0	328	0
<b>Total</b>	<b>84,451</b>	<b>42,154</b>	<b>34,148</b>	<b>13,145</b>

in EUR k	CARRYING AMOUNT, 12/31/2020	CASH FLOW 2021	CASH FLOW 2022–2025	CASH FLOW 2026 ONWARDS
Lease liabilities	64,852	13,166	37,586	14,101
Trade payables	11,026	11,026	0	0
Other financial liabilities	160	160	0	0
<b>Total</b>	<b>76,038</b>	<b>24,351</b>	<b>37,586</b>	<b>14,101</b>

No open credit lines exist as of December 31, 2021; this was also the case as of December 31, 2020.

### Primary financial instruments

The primary financial instruments held by the Wolford Group are reported in the balance sheet. On the asset side, these include securities, cash and cash equivalents, trade receivables, and other receivables. On the liabilities side, they involve trade payables, other liabilities, and interest-bearing financial liabilities. The carrying amounts of the primary financial instruments reported in the balance sheet are largely equivalent to their fair values. The amounts recognized also represent the maximum creditworthiness and default risks as no offsetting agreements are in place.



### Fair value

The following hierarchy is used to determine and report the fair values of financial instruments in line with the respective valuation method:

**Level 1:** Listed prices for identical assets or liabilities on active markets;

**Level 2:** Input factors other than listed prices that are observable for assets and liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices);

**Level 3:** Input factors for assets and liabilities that are not based on observable market data.

The financial assets reported in Level 1 include publicly listed investment fund shares. No items were reclassified between levels 1 and 3 in the 2021 financial year.

12/31/2021 in EUR k	LEVEL 1	LEVEL 2	LEVEL 3
<b>Non-current assets</b>			
Non-current financial assets	1,259	0	0
<b>Total</b>	<b>1,259</b>	<b>0</b>	<b>0</b>

01/01/2021 in EUR k	LEVEL 1	LEVEL 2	LEVEL 3
<b>Non-current assets</b>			
Non-current financial assets	1,323	0	0
<b>Total</b>	<b>1,323</b>	<b>0</b>	<b>0</b>

The carrying amounts of cash and cash equivalents, trade accounts receivable and payable, and current liabilities can be considered reasonable estimates of their fair values due to the short-term nature of these assets and liabilities.

The **acquisition cost, market values, and carrying amounts** of non-current securities are as follows:

12/31/2021 in EUR k	ACQUISITION COSTS	MARKET VALUE = CARRYING VALUE	REALIZED PROFITS/ LOSSES
<b>Non-current financial assets</b>			
Investment fund shares	1,398	1,259	-139
<b>Total</b>	<b>1,398</b>	<b>1,259</b>	<b>-139</b>

01/01/2021 in EUR k	ACQUISITION COSTS	MARKET VALUE = CARRYING VALUE	REALIZED PROFITS/ LOSSES
<b>Non-current financial assets</b>			
Investment fund shares	1,398	1,323	-75
<b>Total</b>	<b>1,398</b>	<b>1,323</b>	<b>-75</b>



### Carrying amounts and fair values of financial instruments based on measurement criteria, maturities, and classes

The following table shows the reconciliation of the carrying amounts of financial instruments in accordance with IFRS 9 measurement categories:

12/31/2021 in EUR k	VALUATION CATEGORY IN ACCORDANCE WITH IFRS 9	CARRYING AMOUNT	FAIR VALUE	CURRENT	NON- CURRENT
Cash and cash equivalents	AC	9,148	9,148	9,148	0
Trade receivables	AC	12,007	12,007	12,007	0
Other receivables and assets	AC	20,305	20,305	17,024	3,281
Non-current financial assets	FVPL	1,259	1,259	0	1,259
<b>Total financial assets</b>		<b>42,719</b>	<b>42,719</b>	<b>38,179</b>	<b>4,540</b>
Trade payables	AC	13,058	13,058	13,058	0
Financial liabilities	AC	10,697	10,697	10,697	0
Lease liabilities	AC	60,368	60,368	17,199	43,169
Other financial liabilities	AC	328	328	0	328
<b>Total financial liabilities</b>		<b>84,451</b>	<b>84,451</b>	<b>40,954</b>	<b>43,497</b>

12/31/2020 in EUR k	VALUATION CATEGORY IN ACCORDANCE WITH IFRS 9	CARRYING AMOUNT	FAIR VALUE	CURRENT	NON- CURRENT
Cash and cash equivalents	AC	14,126	14,126	14,126	0
Trade receivables	AC	8,814	8,814	8,814	0
Other receivables and assets	AC	10,023	10,023	8,276	1,747
Non-current financial assets	FVPL	1,323	1,323	0	1,323
<b>Total financial assets</b>		<b>34,285</b>	<b>34,285</b>	<b>31,216</b>	<b>3,070</b>
Trade payables	AC	11,026	11,026	11,026	0
Lease liabilities	AC	64,852	64,852	13,166	51,686
Current financial liabilities	AC	160	160	0	160
<b>Total financial liabilities</b>		<b>76,038</b>	<b>76,038</b>	<b>24,192</b>	<b>51,846</b>



Valuation categories in accordance with IFRS 9:

AC: Valuation at amortized cost

FVPL: Fair value through profit and loss

### Net results by class

2021 in EUR k	FROM INTEREST	FROM OTHER	FROM SUBSEQUENT MEASUREMENT AT FAIR VALUE	FROM ALLOWANCES	FROM DISPOSALS	TOTAL RECOGNIZED THROUGH PROFIT OR LOSS
Cash and cash equivalents (AC)	32	0	0	0	0	32
Trade receivables (AC)	0	0	0	-35	0	-35
Assets measured at fair value through profit or loss (FVPL)	0	0	-64	0	0	-64
Financial liabilities (AC)	-4,014	0	0	0	0	-4,014
<b>Net results</b>	<b>-3,982</b>	<b>0</b>	<b>-64</b>	<b>-35</b>	<b>0</b>	<b>-4,081</b>

2020 in EUR k	FROM INTEREST	FROM OTHER	FROM SUBSEQUENT MEASUREMENT AT FAIR VALUE	FROM ALLOWANCES	FROM DISPOSALS	TOTAL RECOGNIZED THROUGH PROFIT OR LOSS
Cash and cash equivalents (AC)	17	0	0	0	0	17
Trade receivables (AC)	0	0	0	-448	0	-448
Assets measured at fair value through profit or loss (FVPL)	0	18	26	0	0	44
Financial liabilities (AC)	-2,540	0	0	0	0	-2,540
<b>Net results</b>	<b>-2,523</b>	<b>18</b>	<b>26</b>	<b>-448</b>	<b>0</b>	<b>-2,927</b>

## VI. OTHER DISCLOSURES

### Events After the Balance Sheet Date

In January 2022, Fosun Fashion Group (Cayman) Limited granted a further shareholder loan in the amount of €2,500k at an interest rate of 12% p.a., with a term until the end of 2022. In May 2022, a further loan in the amount of €5,000k was granted subject to the same conditions. The maturities of the

loans in the amount of €10,000k existing as of December 31, 2021, and the financing listed above were extended in June 2022 to December 31, 2023.

In November 2021, a factoring agreement for receivables was concluded, which provides for the sale of receivables worth up to €5,000k, with the first transactions under the agreement taking effect in 2022.



The Eco-social Tax Reform was enacted on January 20, 2022. It envisages an incremental lowering of the corporation tax rate in Austria from 25.00% to 23.00% (2023: 24.00%; from 2024 onwards: 23.00%). This change to the corporation tax rate does not have a significant impact on the calculation of deferred taxes from 2022 onwards.

The first few months of 2022 were characterized globally by the coronavirus pandemic, with figures increasing significantly, particularly for the Omicron variant, with regional variations in infection rates. In many countries, restrictions in public life continue in order to further contain the spread of Covid-19. The effects of the Covid-19 crisis continue to have a significant impact on the Wolford Group after the balance sheet date in the form of sales restrictions. The growing Chinese market, of key significance to Wolford, is particularly affected, which led to delays in the scheduled openings of new stores. No definitive statements can currently be made on when these measures may end in countries in which the Group is active. We refer to the detailed impacts set out in the Management Report under Opportunity and Risk Management.

The ongoing development of the global situation and its effects on Wolford remain unclear. Cost increases and supply bottlenecks are a global concern, particularly since the outbreak of the war in Ukraine, although this has, as yet, had little impact on Wolford's business activities. Wolford operates in both Russia and Ukraine, but generates only insignificant sales there, which means that the war in Ukraine will not have

a significant direct impact on the company's sales and earnings.

Up to the point of publication, there were no further matters with a material impact on the financial position, financial performance, and cash flows of the Wolford Group.

### Transactions With Related Parties

None of the Supervisory Board members maintains any business or personal relationships with the company or its Management Board which provides grounds for a material conflict of interests and is therefore suited to influence the conduct of the respective Supervisory Board member. The company did not maintain business relationships with any member of the Supervisory Board in the 2021 financial year.

As of February 1, 2019, the Wolford Group entered into a business relationship with Fosun Fashion Brand Management (FFBM) in order to reinforce and extend its market presence in China. FFBM is a subsidiary of Fosun Fashion Group and acts on behalf of Wolford as a full-service provider focusing on sales and marketing. As well as extending market access, FFBM is also responsible for the operating management of all wholesale and retail channels, as well as for online retail. The contract between FFBM and Wolford provides for monthly payment of a fixed amount and performance-based commission for each distribution channel (retail, wholesale, online). A total of €1,009k was paid to FFBM in the financial year; the amount of outstanding balances as of December 31, 2021, is €1,185k (liability for Wolford).



The ultimate beneficial owner of Fosun Fashion Brand Management (FFBM) is Mr. Guangchang Guo, who is also the ultimate beneficial owner of FFG Wisdom (Luxembourg) S.à r.l., which owns 58.45% of the shares in Wolford.

In June 2019, Fosun Fashion Investment Holdings (HK) Limited granted a shareholder's loan of €10,000k. The interest on this loan was 12% p.a. and the loan had an original term through to June 30, 2021. The interest rate thereby agreed for a subordinate loan in the company's current situation is deemed to be customary to the market, as was also confirmed by an external market study. The shareholder's loan was repaid in the 2020 short financial year. In May 2021, Fosun Fashion Group (Cayman) Limited again granted a shareholder loan with a term until the end of 2022 totaling €10,000k, which was paid out in two

tranches in May (€3,500k and €4,000k) and one tranche in July (€2,500k). Interest expense of €697k was recognized for the loan in the 2021 financial year, which was booked as a liability. In January 2022, Fosun Fashion Group (Cayman) Limited granted a further shareholder loan in the amount of €2,500k at an interest rate of 12% p.a., with a term until the end of 2022. In May 2022, a further loan in the amount of €5,000k was granted subject to the same conditions.

The maturities of the loans in the amount of €10,000k existing as of December 31, 2021, and the financing listed above were extended in June 2022 to December 31, 2023.

## Disclosures on the Management and Supervisory Boards

2021 in EUR k	REMUNERATION	SEVERANCE COMPENSATION	PENSIONS	TOTAL REMUNERATION
Expenses for members of the Management Board	657	0	0	657
of which variable	67	0	0	67
Former members of the Management Board	0	0	247	247
<b>Total</b>	<b>657</b>	<b>0</b>	<b>247</b>	<b>904</b>

2020 in EUR k	REMUNERATION	SEVERANCE COMPENSATION	PENSIONS	TOTAL REMUNERATION
Expenses for members of the Management Board	685	0	0	685
of which variable	309	0	0	309
Former members of the Management Board	0	0	180	180
<b>Total</b>	<b>685</b>	<b>0</b>	<b>180</b>	<b>865</b>



Expenses for remuneration to the Supervisory Board amounted to €152k in the financial year (2020 short financial year: €94k). No advances were paid out in the 2021 financial year, nor were there any liabilities for members of the Management Board or the Supervisory Board. There were no off-balance sheet transactions.

The **members of the Management Board** in the 2021 financial year were:

Andrew Thorndike, Chief Operating Officer (COO)  
Silvia Azzali, Chief Commercial Officer (CCO)

The **members of the Supervisory Board** in the 2021 financial year were:

Dr. Junyang Shao, Chair  
Thomas Dressendörfer, Deputy Chair  
Yun Cheng, Member  
Dr. Prof. Matthias Freise, Member

The **Works Council's representatives** on the Supervisory Board in the 2021 financial year were:

Anton Mathis  
Alexander Greußing

The terms of office of the Supervisory Board members and the composition of the Supervisory Board committees are presented in the Corporate Governance Report.

The Management Board of Wolford AG approved the consolidated financial statements for submission to the Supervisory Board on June 14, 2022. The Supervisory Board is required to perform its own review of the consolidated financial statements and to declare whether it has approved them.

Bregenz, June 14, 2022



**Andrew Thorndike**  
COO

Responsible for product development, supply chain management, finances, legal affairs, investor relations, IT, and HR



**Silvia Azzali**  
CCO

Responsible for sales & merchandising, marketing, and design



# Declaration by the Management Board of Wolford AG

## PURSUANT TO SECTION 124 (1) NO. 3 BÖRSEG

We hereby confirm to the best of our knowledge that the consolidated financial statements as of December 31, 2021, give a true and fair view of the financial position, financial performance and cash flows of the Group as required by the applicable accounting standards and that the Group management report presents the business earnings and the position of the Group in such a way that creates a true and fair view of its financial position, financial performance and cash flows, together with a description of the principal risks and uncertainties to which the Group is exposed.

We confirm to the best of our knowledge that the annual financial statements as of December 31, 2021, give a true and fair picture of the financial position, financial performance and cash flows of the parent company as required by the applicable accounting standards and that the Management Report presents the business earnings and the position of the company in such a way that creates a true and fair view of its financial position, financial performance and cash flows, together with a description of the principal risks and uncertainties to which the company is exposed.

Bregenz, June 14, 2022



**Andrew Thorndike**  
COO

Responsible for product development, supply chain management, finances, legal affairs, investor relations, IT, and HR



**Silvia Azzali**  
CCO

Responsible for sales & merchandising, marketing, and design



# Auditor's Report

To the members of the Management Board and Supervisory Board of Wolford Aktiengesellschaft, Bregenz

We have audited the consolidated financial statements of

## **Wolford Aktiengesellschaft, Bregenz**

and of its subsidiaries (the Group) comprising the consolidated balance sheet as of December 31, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year then ended and the notes to the consolidated financial statements.

Based on our audit, the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the financial position and financial performance of the Group as of December 31, 2021, and cash flows for the year ending on this cut-off date in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code (UGB).

## **BASIS FOR OPINION**

We conducted our audit in accordance with EU regulation no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on

Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained up to the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion as of this date.

## **MATERIAL UNCERTAINTY REGARDING GOING CONCERN**

We refer to chapter I.1 (Accounting Principles – Basis of Preparation) of the notes to the consolidated financial statements and to section "Outlook and Targets" in the Group management report, where the Management Board states that Wolford Aktiengesellschaft Group as of the financial year ending December 31, 2021, was not able to achieve the planning assumptions made in the previous year's going concern forecast and achieved a negative annual result after tax of €-12,332k. Among other causes, this was particularly down to continued restrictions as a result of the measures implemented in response to the Covid-19 pandemic. The Management Board further states that



going concern depends on the implementation of the measures included in the updated liquidity planning, i.e., in particular on achieving the planned increases in revenue and cost savings as well as the successful implementation of the planned financing measures, and the ability to compensate for deviations from the budget that have arisen due to related countermeasures. If the Group is not able to successfully implement these measures or to secure any additional liquidity required as a result, this would cause significant doubts regarding going concern and the Group may not have the ability to realize or repay its assets or liabilities recognized in the consolidated financial statements as of December 31, 2021, within the ordinary course of business. Our audit opinion is not modified in regard of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year. In addition to the matter described in the section titled "Material Uncertainty Regarding Going Concern" the following matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following we present the audit matters that are key in our view:

1. Recoverability of property, plant and equipment and intangible assets

### Description

In the consolidated financial statements as of December 31, 2021, Wolford Aktiengesellschaft reports property, plant and equipment amounting to €56.2 million and goodwill as well as other intangible assets amounting to €0.8 million. Of property, plant and equipment, €49.6 million pertain to rights of use from leases.

As part of impairment testing in accordance with IAS 36, the legal representatives have to make significant assumptions and estimates when assessing whether there is an impairment requirement and, if necessary, when quantifying such impairments. The material risk related is the estimation of future cash flows and discount rates when determining the value in use.

The corresponding disclosures from Wolford Aktiengesellschaft for property, plant and equipment and other intangible assets are included in the notes in section I.4 (Accounting and Valuation Methods) and section II.7 (Depreciation and Amortization) in the consolidated financial statements.



### How we addressed the matter in the audit:

Our audit procedures included, among other elements, the following:

- ▣ Assessment of conceptualization and design of the process for the validation of recoverability, particularly taking into account the rights of use recognized in accordance with IFRS 16
- ▣ Review of the definitions of cash-generating units and the assignment of assets and liabilities to these CGUs
- ▣ Assessment of the applied methodology and the mathematical accuracy of the calculations provided as well as plausibility check of discount rates
- ▣ Review of planning documents for consistency with cash flow calculations included in the updated going concern prognosis as well as plausibility checks and analysis of the material assumptions
- ▣ Assessment of the appropriateness of disclosures in the notes concerning impairment tests and related assumptions

### OTHER INFORMATION

The legal representatives are responsible for the other information. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the Group Management Report or the auditor's report thereon. The Annual Report is expected to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.



## RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The legal representatives are responsible for the preparation of the consolidated financial statements and that the consolidated financial statements give a true and fair picture of the Group's financial position, financial performance and cash flows in compliance with IFRS as must be applied in the EU, and the additional requirements of Section 245a Austrian Commercial Code (UGB). In addition, the legal representatives are responsible for the internal controls that they deem necessary to enable the preparation of the consolidated financial statements that are free from material misstatement due to deceit or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern, as applicable disclosing matters related to going concern and using the going concern basis of accounting unless the legal representatives either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement if such exists. Misstatements can arise from fraud or error and are considered material if, considered individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.



In addition:

- ▣ We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve fraudulent collusion, forgery, intentional omissions, misstatement, or the override of internal controls.
- ▣ We obtain an understanding of internal control relevant to the audit 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 Group's internal control system.
- ▣ We evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates provided by the legal representatives and related disclosures.
- ▣ We make conclusions on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether material

uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. We come to our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may result in the Group ceasing to operate as a going concern.

- ▣ We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▣ We obtain sufficient appropriate audit evidence regarding the financial information of the units or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.



We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any material deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters concerning which we have communicated with the Audit Committee, we determine those matters that were most significant to the audit of the consolidated financial statements for the financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure concerning the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Comments on the Group Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with the applicable legal requirements.

The legal representatives are responsible for the preparation of the Group management report in accordance with Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with the professional standards applicable to auditing the Group management report.



## Opinion

In our opinion, the Group management report was prepared in accordance with the valid legal requirements, contains the disclosures in accordance with Section 243a Austrian Company Code (UGB), and is consistent with the consolidated financial statements.

## Statement

Based on the findings during the audit of the consolidated financial statements and due to the understanding determined in this way concerning the Group and its circumstances, no material misstatements in the Group management report were identified.

## Supplement

Regarding the material uncertainty relating to going concern, we refer to the sections of the economic environment and the analysis of the results and the balance sheet in the Group management report, which covers the analysis of the Group's position. We refer further to the section "Outlook and Targets" in the Group management report, which covers the expected development of the Group and the explanations of material risks in the Group management report.

## ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

We were elected as auditor by the Annual General Meeting on September 30, 2020.

We were appointed by the Supervisory Board on October 26, 2021. We have been the auditor since 2019/2020.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU regulation.

We declare that we did not provide any prohibited non-audit services (Article 5(1) of the EU regulation) and that we remained independent of the audited company in conducting the audit.

## RESPONSIBLE CERTIFIED PUBLIC ACCOUNTANT

The responsible Certified Public Accountant is Mr. Mag. (FH) Severin Eisl.

Linz, June 14, 2022

**Ernst & Young**  
**Wirtschaftsprüfungsgesellschaft m.b.H.**

Mag. (FH) Severin Eisl  
Wirtschaftsprüfer/  
Certified Public Accountant

ppa DI (FH) Hans Eduard Seidel  
Wirtschaftsprüfer/  
Certified Public Accountant



# 04

## Further *INFORMATION*

**The Wolford Group at a Glance**

**136**

**Glossary**

**146**

**Financial Calendar**

**150**

**Contact & Imprint**

**151**



# 229

At our 229 monobrand  
sites, we take our brands  
to customers worldwide.





# The WOLFORD Group at a Glance

**Wolford is the market leader  
in high-quality skinwear.**

The brand is present in **45 countries** worldwide, with **229 monobrand points of sale** and more than **2,500 wholesale partners**. The Austrian company produces exclusively in Europe in compliance with the highest environmental and social standards: Wolford designs in the Italian fashion capital of Milan and manufactures its creations at its headquarters in Bregenz on Lake Constance as well as in Murska Sobota, Slovenia, both regions where textile manufacturing has had a long and illustrious tradition. The Wolford Group had a total of **1,081 employees (FTE)** at the end of the fiscal year, **of which 422 employees (FTE) worked at the corporate headquarters in Bregenz**. Wolford was founded in Bregenz in 1950 and is listed on the stock exchanges in Vienna, Frankfurt, and New York. The brand is part of the global luxury fashion conglomerate Lanvin Group, which was founded by Wolford's Chinese majority shareholder Fosun.

Wolford generates more than **40% of its sales** with Ready-to-wear, and the company's skinwear creations, supplemented by a small selection of accessories are closely matched with the Group's core product.

# 40%

Ready-to-wear complements our core products with a significant share.



Characteristics of the brand architecture include the fashionable Trend products and the Essential collections. The **Essentials**, which include all of Wolford's legendary, timeless classics, such as its **Satin Touch tights, which have been on sale since 1988, account for around 65% of sales.** The Trend products are represented by The W and The W Lab. The first, created in 2019, presenting the contemporary face of Wolford to a more youthful and leisure-oriented audience with innovative athleisure wear, now represents 14%. "The W Lab", with a lustrous history of partnerships in the past with the world's best-known designers from Valentino to Karl Lagerfeld, Vivienne Westwood to Giorgio Armani, has evolved into an integral part of new business, **increasing to 12%**, with powerhouse collaborations with external star designers, most recently the renowned capsule collections designed by Amina Muaddi and Alberta Ferretti.



**Wolford's headquarters  
in Bregenz, Austria**



# OUR mixture of innovation and tradition

Having started out in 1950 as a producer of pure silk and rayon stockings in Bregenz on Lake Constance, Wolford is now the epitome of exclusive skinwear for all women worldwide.

The success story is based upon innovative **seamless technology** especially developed and constantly refined by Wolford, enhanced by sophisticated craftsmanship and **rigorous quality checks**. In conjunction with the finest yarns, responsibly sourced, exceptional touch sensations and durable top quality is generated, creating the foundations of the Wolford brand and its legendary reputation. Built over generations, the industrial pole position is second to none; 264 individually customized seamless knitting machines are operating in Bregenz in a climatically controlled environment. Along with the R&D department, the company headquarters is also home to a doubling mill, steaming facility, dyeing room, molding workshop, and a proprietary color laboratory – all the essential elements for a complete cutting-edge and sustainable facility, all managed and controlled in-house.

# 264

The 264 seamless knitting machines at the Bregenz site underscore Wolford's pole position in the competitive arena.







7

Wolford has had its finger on the pulse of the times for seven decades and has helped shape the trends.





**We are the first and only company in our industry to receive “Gold” certification from Cradle to Cradle for the development of environmentally friendly products in both categories – biodegradable and technically recyclable.**

Silvia Azzali, CCO

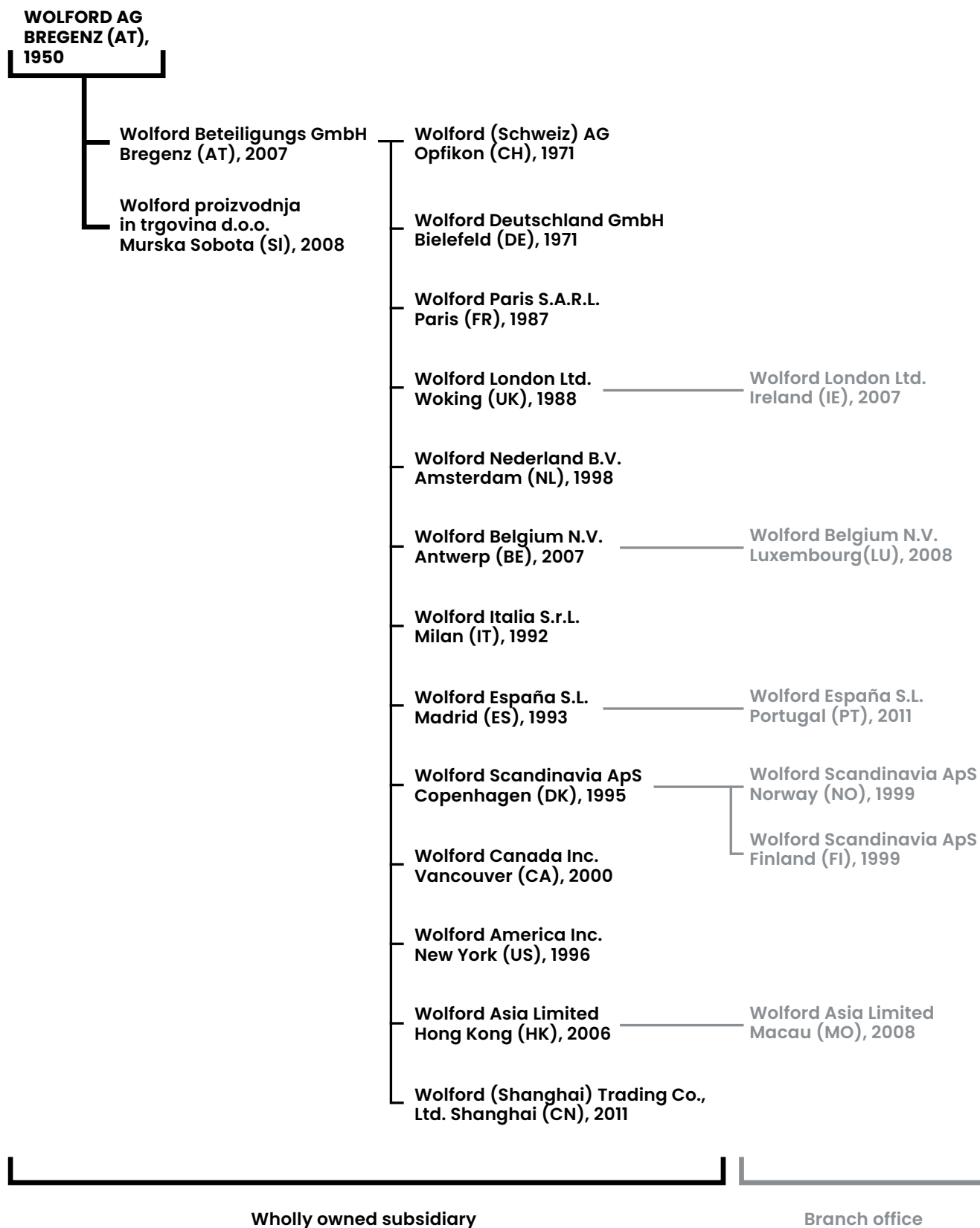
For over seven decades, Wolford has continually introduced **pioneering product innovations** that have become bestsellers, a plethora of tights have graced female fashion from **“Miss Wolford” (1977) to “Luxe 9” in the mid-2000s**, each first in offering numerous benefits such as transparencies, shaping, comfort, invisibility, adaptable waist size, etc. Textile research has led to the development of many unique yarns, but in particular, most worthy of note, those capable of creating the first seamless bodysuit (1992), a real revolution in the new market for intimate beauty and a continued success. The same with bras, for example the seamless 3W Skin Bra (on the market since January 2017) is made out of a single piece of material and is without clips, heightening its wearability and second-skin sensations, as with all of Wolford’s unique quality creations.

In September 2018, Wolford launched its **first biodegradable sweaters, T-shirts, and leggings**. Developed within the Austrian smart textiles industry initiative, these products are fully eco-sustainable. In April 2019, the company received the **Cradle to Cradle Certified™ (Gold) award** for developing fully recyclable creations. In 2020, “Aurora 70” was launched, the first recyclable tights available. Wolford is so far the first and only company in the apparel and textile industry to receive gold certification from Cradle to Cradle for developing environmentally compatible products in both sustainable categories (biodegradable and technically recyclable). 2021 saw the introduction of the vegan leather collection, equal to the original but more stretchable, durable and machine-washable, as well as, above all, animal cruelty-free. This past fiscal year saw another incredible innovation, the introduction of a special textile Emana® that interacts with the skin on wearing, bringing many distinctive benefits and cosmetic results, including stimulating blood microcirculation and also reducing the appearance of cellulite.



**Further information on sustainability at Wolford can be found in the Wolford AG Sustainability Report, which is available online at [company.wolford.com](https://company.wolford.com) under the heading “Investor Relations.”**





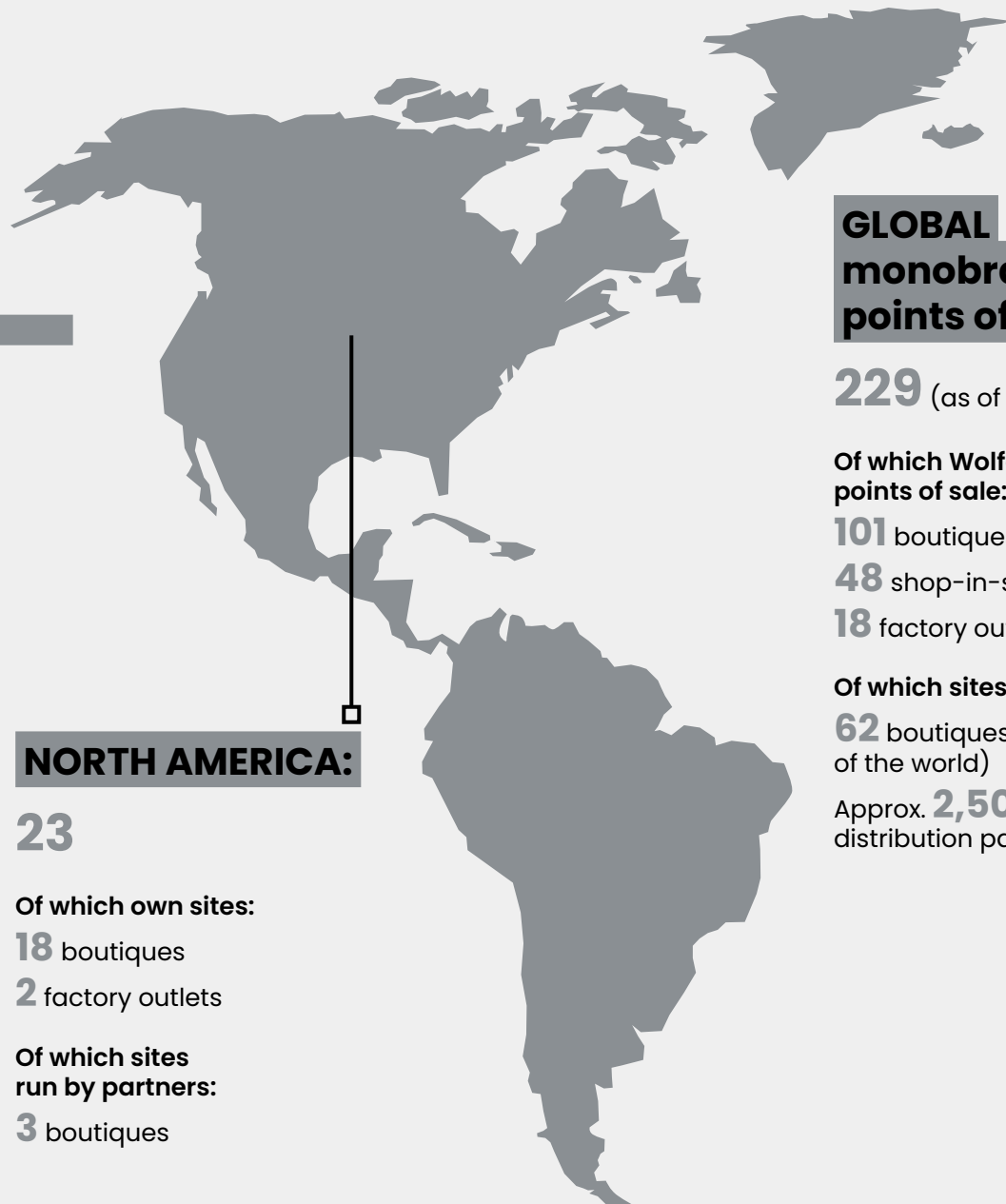






# Global *PRESENCE*

**Wolford has a well-connected network** of monobrand boutiques in prestigious locations in the world's fashion capitals – a mix of partner boutiques and its own locations in strategically relevant cities. In late December 2021, the company had 229 monobrand sites, of which 169 were in Europe, 23 were in North America and 32 were in Asia. 62 of these sites are run by partners.



## GLOBAL monobrand points of sale:

**229** (as of December 31, 2021)

**Of which Wolford-owned  
points of sale:**

**101** boutiques

**48** shop-in-shops

**18** factory outlets

**Of which sites run by partners:**

**62** boutiques (5 in the rest  
of the world)

Approx. **2,500** other  
distribution partners

## NORTH AMERICA:

**23**

**Of which own sites:**

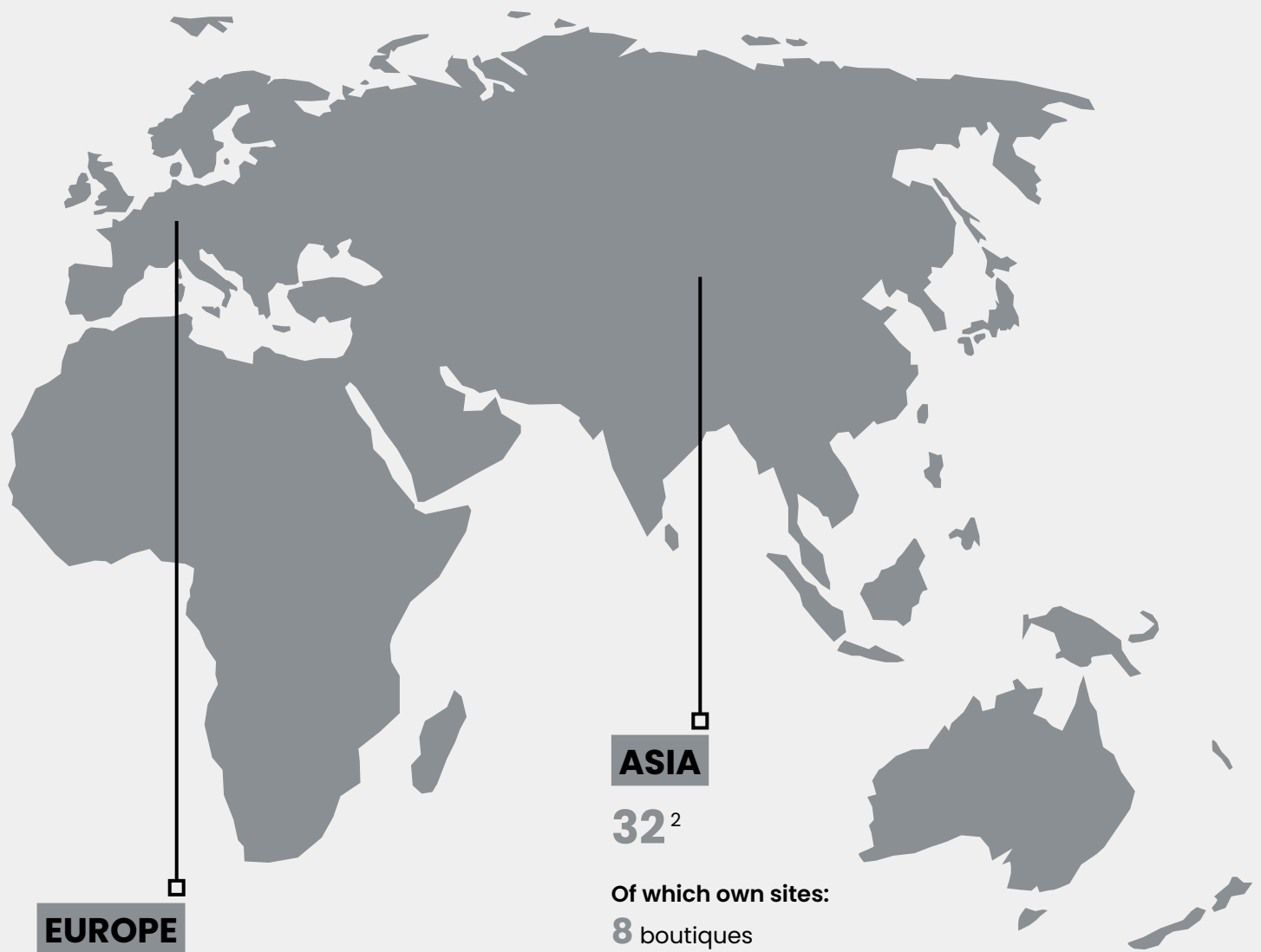
**18** boutiques

**2** factory outlets

**Of which sites  
run by partners:**

**3** boutiques





## EUROPE

**169**<sup>1</sup>

Of which own sites:

**75** boutiques

**47** shop-in-shops

**14** factory outlets

Of which sites  
run by partners:

**33** boutiques

<sup>1</sup> Excluding Russia and Ukraine

## ASIA

**32**<sup>2</sup>

Of which own sites:

**8** boutiques

**1** shop-in-shops

**2** factory outlets

Of which sites  
run by partners:

**21** boutiques

<sup>2</sup> Excluding Russia

**62 sites are run by partners.** Added to this are our own online boutiques in 16 countries and 13 travel retail sites, for example, at airports. Wolford also sells its products via approximately 2,500 wholesale partners, such as department stores and specialist retail stores.



# Glossary

## NON-FINANCIAL TERMS

<b>Accessories</b>	Textile and non-textile items that seasonally complete and complement the fashion collection
<b>Beachwear</b>	Bikinis and swimsuits that can also be worn as lingerie or outerwear, as well as pareos
<b>Bodywear</b>	Classic bodysuits and all close-fitting knitwear such as tops and shirts
<b>B2B</b>	Business to Business; sales of goods to other companies, such as wholesalers or department stores
<b>B2C</b>	Business to Customer; sales of goods directly to end consumers
<b>Commission Affiliation (COAFF)</b>	A distribution concept for partner boutiques, offering far-reaching support in merchandise planning, storage, logistics, and marketing, as well as product training
<b>Compliance</b>	Compliance adherence and measures to monitor adherence to laws, directives, and voluntarily recognized codices
<b>Concession shop-in-shops</b>	Sales areas operated by Wolford within department stores
<b>Corporate design</b>	Uniform appearance of the brand
<b>Corporate governance</b>	Rules of conduct and legal framework for responsible corporate management and supervision
<b>Cradle to Cradle®</b>	Designates the secure and potentially unlimited circulation of materials or nutrients in closed cycles. Once a product has been worn or consumed, the commodities used to manufacture the product can be reinput into a biological or technical cycle and then reprocessed into new commodities. (Source: EPEA)
<b>Denier</b>	Abbreviation: den or D; measure used to designate yarn density. The lower the denier value, the finer the yarn (1 den means that 9,000 m of a given yarn weigh 1 gramme)
<b>Department store</b>	Store with broad, cross-sector assortment
<b>Essentials</b>	Includes all Wolford products which – unlike Trend products – form part of the assortment over several seasons and years
<b>Factory outlets</b>	Sales locations at which Wolford collections from previous seasons and discounted goods are sold
<b>Franchise</b>	As independent companies, franchisees draw on their own capital to offer the goods of a given manufacturer in line with the manufacturer's own uniform marketing concept
<b>FTE</b>	Full-time equivalents
<b>Trade goods</b>	Products from exclusive brands which complement Wolford's product range and are offered at select boutiques and factory outlets
<b>ISO 50001</b>	Systematic energy management standard
<b>Capsule collection</b>	Limited collection produced on a one-off basis with a small number of articles relating to a specific topic
<b>Controlled distribution</b>	Proprietary and partner-operated boutiques, concession shop-in-shops, e-commerce and factory outlets where Wolford products are presented in a uniform corporate design
<b>Legwear</b>	Product group comprising hosiery products: pantyhose, tights, leggings, stay-ups, knee-highs, and socks
<b>Lingerie</b>	Product group comprising bras, briefs, bodies, garter belts, and slips
<b>Master franchise</b>	Master franchisees receive a license from the manufacturer permitting them to build up a franchise network in a given region or country
<b>Micro-sites</b>	Small websites operating independently of the company website with low navigational depth and mostly dealing with just one topic
<b>Monobrand distribution</b>	Distribution boutiques which only sell Wolford products (including online business)
<b>Multi-channel distribution</b>	Parallel deployment of several distribution channels, e.g., boutiques, online shops, and concession shop-in-shop areas



<b>NOOS collection</b>	Never-out-of-stock collection; articles that are permanently available
<b>OePR</b>	Österreichische Prüfstelle für Rechnungslegung (Austrian financial reporting enforcement panel)
<b>Omni-channel distribution</b>	Integration of all available distribution channels and customer touchpoints
<b>Partner boutiques</b>	Wolford boutiques that are operated by trading partners – in contrast to boutiques operated directly by Wolford itself
<b>POS</b>	Point of sale; sales location where Wolford products are offered
<b>Private label products</b>	Products manufactured for other brands or sold under third-party labels
<b>Ready-to-wear</b>	Product group comprising the established bodywear line as well as knitted and fabric items such as sweaters, dresses, skirts, and trousers
<b>Retail</b>	Proprietary points of sale; direct sales to end consumers
<b>Season</b>	The spring/summer collection is largely available for sale starting in January, the autumn/winter collection in July
<b>Shape &amp; Control</b>	Body-shaping products in the Legwear, Lingerie and Beachwear segments
<b>Shop-in-shop</b>	Separate sales areas at a department store or multibrand retailer specially dedicated to Wolford products
<b>Stock-keeping unit</b>	Abbreviation “SKU”, product option (color, size)
<b>Time-to-market</b>	The timespan from the creation and development through to the final placement of products on the market
<b>Travel retail</b>	Points of sale mainly frequented by travelers, e.g., at airports or railroad stations
<b>Trend products</b>	All designs that (unlike Essentials) are only seasonal, i.e., offered only in the spring/summer or autumn/winter collections; after the end of the season these designs are only available in factory outlets
<b>USP</b>	Unique selling proposition
<b>Visual merchandising</b>	Optic sales promotion relating to the visual regulation of sales directly at the points of sale (POS)
<b>Wholesale</b>	Direct sales to trading partners, including partner-operated boutiques, department stores, multi-brand retailers, and private labels



## FINANCIAL TERMS

<b>ADR</b>	American Depositary Receipt; an ADR securitizes part of foreign shares and is traded like shares on U.S. exchanges or over the counter. U.S. banks buy shares and issue ADRs to give foreign companies access to the U.S. capital market
<b>AFRAC</b>	Austrian Financial Reporting and Auditing Committee
<b>Afs</b>	Available for Sale; available-for-sale assets
<b>ATX</b>	Austrian Traded Index; the lead share index of the Vienna Stock Exchange
<b>Capital employed</b>	Shareholders' equity plus net debt
<b>Capital increase (against cash contribution)</b>	Way of procuring equity by issuing new shares and increasing share capital
<b>CFH</b>	Cash flow hedging; used to hedge risks associated with fluctuations in cash flows
<b>CGU</b>	Cash generating unit; smallest identifiable group of assets generating cash inflows largely independent of cash inflows from other assets
<b>Deferred taxes</b>	Line item to present temporary differences between tax items recognized in the IFRS and tax balance sheets
<b>D&amp;O insurance</b>	Directors and Officers Insurance; financial loss liability insurance for executive and non-executive directors
<b>EBT</b>	Earnings before taxes
<b>EBIT</b>	Earnings before interest and taxes
<b>EBIT adjusted</b>	Adjusted earnings before interest and taxes, adjusted to eliminate one-off income and expenses resulting from strategic realignment
<b>EBITDA</b>	Earnings before interest, taxes, depreciation, and amortization
<b>EBITDA adjusted</b>	Earnings before interest and taxes, depreciation, and amortization adjusted to eliminate one-off income and expenses resulting from strategic realignment
<b>EBIT margin</b>	EBIT as a percentage of sales
<b>Equity ratio</b>	Shareholders' equity as a percentage of total assets
<b>EPS</b>	Earnings per share; net profit for the year divided by the number of shares with dividend entitlement
<b>FL</b>	Financial liabilities
<b>Free cash flow</b>	Cash flow from operating activities less cash flow from investing activities; the free cash flow is the amount available for acquisitions, dividend payments, and share buybacks
<b>GDP</b>	Gross domestic product
<b>Gearing</b>	Net debt-to-equity ratio
<b>HfT</b>	Held for Trading; held-for-trading assets
<b>IFRS</b>	International Financial Reporting Standards
<b>Like-for-like</b>	To compare the productivity of different sales areas, sales are expressed in relation to the size of the sales areas
<b>Like-for-like revenue performance</b>	Development in sales excluding points of sale newly opened or closed
<b>L&amp;R</b>	Loans and Receivables; credit lines and customer receivables
<b>LTI</b>	Long-term Incentive; long-term variable remuneration
<b>Market capitalization</b>	Number of shares outstanding multiplied by the market price (as of the balance sheet date)
<b>Materials expense ratio</b>	Cost of materials plus changes in inventories of finished goods and work-in progress as percentage of sales
<b>Net debt</b>	Current and non-current financial liabilities less financial assets and cash and cash equivalents
<b>Personnel expense ratio</b>	Personnel expenses as percentage of sales
<b>Premium (agio)</b>	Difference between par value and issue price of shares; the premium is recognized in the capital reserve
<b>Prospectus</b>	Written document providing information about the type, object, and risks involved in securities: required, for example, when issuing new shares in the context of a capital increase



<b>Sales</b>	Net sales, i.e. gross revenues less sales tax and any sales deductions
<b>SAR</b>	Stock Appreciation Rights; compensation model based on hypothetical stock options
<b>Share capital</b>	Total par value of all shares issued/total number of shares issued multiplied by their par value
<b>STI</b>	Short-term Incentive; short-term variable compensation
<b>Subscription right</b>	In the context of a capital increase, subscription rights denote the right of existing shareholders to procure new shares proportionate to the share of share capital they previously held
<b>Takeover bid</b>	Public offer made by a bidder to shareholders to acquire the shares in a company at a specified price: mandatory offer if control gained
<b>UGB</b>	Unternehmensgesetzbuch (Austrian Commercial Code)
<b>Working capital</b>	Sum of inventories, trade receivables, and other current receivables and assets less trade payables and other current liabilities



# Financial Calendar

The Wolford AG financial calendar can be found at <https://company.wolford.com/investor-relations/financial-calendar/>. Wolford AG publishes half-year and annual results in accordance with the regulations of the standard markets.

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