

Corporate Governance Report

CORPORATE GOVERNANCE AT WOLFORD

Wolford is convinced that diligently implemented and embracing corporate governance makes a significant contribution to strengthening the confidence of the capital markets in the company. In September 2002, the Austrian Working Group for Corporate Governance issued a framework of rules for responsible corporate governance and management based on sustained value creation. These guidelines aim to safeguard the interests of all stakeholders whose well-being is linked to the success of the company.

The Austrian Corporate Governance Code ensures a high degree of transparency for all stakeholders of the company. Wolford has already committed itself to complying with the code's principles since the 2002/03 financial year. The currently valid version of the Austrian Corporate Governance Code is published by the Austrian Working Group for Corporate Governance and can be downloaded at www.corporate-governance.at and from the Wolford website. Most recently, the Austrian Corporate Governance Code was revised effective July 1, 2012 in response to the new stipulations contained in the Stock Corporation Act and in the Austrian Commercial Code, especially with respect to the remuneration of the Management Board and the composition of the Supervisory Board.

The basis of the Austrian Corporate Governance Code are the regulations contained in the Austrian stock corporation, stock exchange and capital market law, the recommendations of the European Commission relating to the tasks and responsibilities of the Supervisory Board and the remuneration of Management Board members as well as the OECD guidelines for corporate governance. The code provides a framework for the management and supervision of a company.

Key principles such as the equal treatment of all shareholders, transparency, the indepen-

dence of the Supervisory Board, open communication between the Supervisory Board and the Management Board, the avoidance of conflicts of interest among the corporate bodies together with efficient monitoring by the Supervisory Board and an independent auditor are designed to strengthen the confidence of investors in the company and in Austria as a financial hub. The importance of the code, whose stipulations exceed legal requirements, is based on the voluntary compliance by companies. This commitment to the code means that non-compliance with C-Rules ("Comply or Explain") must be explained. The Corporate Governance Report is integrated into this annual report, and can be found on pages 25 to 34.

In order to prevent insider trading, Wolford has developed its own compliance directive which implements the regulations contained in the Issuer Compliance Code of the Austrian Financial Market Authority (FMA). Adherence to the guidelines is monitored by a compliance officer.

Wolford's objective is to fulfill the expectations of the capital market with respect to transparency and to provide shareholders with a true and fair view of the company. The Issuer Compliance Code of the Austrian Financial Market Authority (FMA) demands the simultaneous and identical transmission of announcements. Wolford consistently puts this requirement into practice. We convey up-to-date and share-related information about the company simultaneously to analysts, investors and the media. We also put this information on the Wolford website at the same time in order to ensure that our private shareholders are equally well-informed.

The company has issued a total of 5,000,000 ordinary, no par value bearer shares. No preferential shares exist, nor have any restrictions been placed on these no par value bearer shares. The principle "one share – one vote" thus fully applies. The Austrian Takeover Act ensures that every shareholder will receive the same price for Wolford shares in the case of a takeover bid (public tender offer). The

shareholder structure is depicted on page 64 of this annual report.

Deloitte Audit Wirtschaftsprüfungs GmbH, Renngasse 1/Freyung, 1010 Vienna, was elected by the 25th Annual General Meeting to serve as the auditor of the annual financial statements of Wolford AG and the consolidated annual financial statements of the Wolford Group for the 2012/13 financial year. The audit fee invoiced by Deloitte for auditing the consolidated annual financial statements of the Wolford Group and related services amounted to € 0.29 million. In addition, Deloitte and its partner offices around the world sporadically perform tax and financial consulting services for the Wolford Group. In the 2012/13 financial year, total consulting fees invoiced by Deloitte excluding the audits of the annual financial statements amounted to € 0.03 million.

Wolford has set up an internal audit department as a staff unit reporting directly to the Management Board in order to optimize risk management on an ongoing basis. On the basis of an audit plan approved by the Management Board and a Group-wide risk assessment of all corporate activities, the Management Board and the internal audit department regularly evaluate operating processes to determine potential risks and possible improvements. At the same time, adherence to legal regulations, internal guidelines and processes is monitored. Moreover, for the early identification and monitoring of risks the Internal Control System is checked regularly, improvements and their implementation is monitored. The internal audit department reports to the Management Board and the Audit Committee about the audit plan for the following year and the results of the audit.

All information on mandatory disclosures pursuant to Section 243a Austrian Commercial Code can be found on page 78 of the Management Report.

The Management Board manages the business of the company in its own responsibility and in compliance with valid legal regulations, the Articles of Association of Wolford AG and the internal rules of procedure. The internal rules of procedure primarily stipulate the assignment of responsibilities as well as a list of measures

requiring the approval of the Supervisory Board. The Supervisory Board conducts its business in accordance with valid legal regulations, the Articles of Association and the internal rules of procedure.

The Management Board provides information to the Supervisory Board within the framework of regular meetings (at least once each quarter). Additional meetings are held when necessary, for example to consult on the budget or to discuss current strategic decisions. As a result, the Supervisory Board has access to all the relevant information required to enable it to perform its consulting and supervisory duties. Six meetings of the Supervisory Board were held in the 2012/13 financial year. In line with the Austrian Corporate Governance Code, the Management Board and the Supervisory Board maintain ongoing contact above and beyond the formal sessions to discuss the development and strategic orientation of the company.

The Supervisory Board makes decisions on issues of fundamental importance and on the strategic orientation of the company. The following committees were established: the **Presidium** represents the interests of the company in all matters pertaining to the Management Board. The **Audit Committee** deals with the consolidated annual financial statements of the Group and monitors the financial reporting. In addition, it also observes the effectiveness of the internal control, audit and risk management systems of the company and reviews the independence and qualifications of the auditor on the basis of "peer reviews". Emil Flückiger, in his position as a financial expert, is a member of the Audit Committee, which consists of the entire Supervisory Board due to the low total number of shareholder representatives (four members).

At Wolford, the **Personnel and Nomination Committee** corresponds to the Presidium and is responsible for preparing all appointments for membership on the Management Board and the Supervisory Board. The Personnel and Nomination Committee is required to prepare a job description before new members are appointed to the Management Board and the Supervisory Board. It also prepares the resolution to be adopted by the

Supervisory Board or the Annual General Meeting on the basis of predefined selection procedures and succession planning. Furthermore, it also serves as the **Remuneration Committee** with respect to the remuneration of Management Board members.

Employee participation in the Supervisory Board and its committees is a legally regulated aspect of the Austrian corporate governance system. In accordance with the Austrian Labor Constitution Act, employees are entitled to have one of their own representatives on the Supervisory Board and the committees of the company for every two Supervisory Board members (shareholder representatives) elected by the Annual General Meeting.

Members and responsibilities of the Supervisory Board committees are described on page 32. Every member of the Supervisory Board took part in more than half of the Supervisory Board meetings during the period under review.

All Supervisory Board members are to be considered as independent in line with the criteria contained in the Austrian Corporate Governance Code. All Supervisory Board members have submitted corresponding written declarations of their independence. In accordance with Section 95 Austrian Stock Corporation Act, the main responsibility of the Supervisory Board is to supervise the work of the Management Board. This responsibility is completely carried out by the currently appointed Supervisory Board. The company has a free float of more than 20% and less than 50%. At least two Supervisory Board members (Theresa Jordis and Werner Baldessarini) are neither owners of the company with a stake of more than 10%, nor do they represent the interests of a major shareholder.

Wolford AG has granted loans neither to Supervisory Board nor to Management Board members.

Dorda Brugger Jordis Rechtsanwälte GmbH, a law firm whose managing partner, Theresa Jordis, is a member of the Supervisory Board of Wolford AG, advises the company on individual legal matters. A fee schedule in line with prevailing market rates has been agreed on for these services, which are billed on the basis of

time worked (the total fees for the 2012/13 financial year amounted to € 0.03 million). In view of the level of her partnership interest in the law firm, Theresa Jordis does not derive any material economic benefit from this relationship.

The Swiss company RCI Unternehmensberatung AG, whose member of the administrative board is Emil Flückiger, a member of the Supervisory Board of Wolford AG, advises the company in business matters. A fee schedule in line with prevailing market rates has been agreed on for these services, which are billed on the basis of time worked (the total fees for the 2012/13 financial year amounted to € 0.01 million).

The internal audit department at Wolford AG evaluates compliance with the rules of the Austrian Corporate Governance Code by using a questionnaire developed by the Austrian Working Group for Corporate Governance. Based on the results, any deviations from C-Rules are explained below.

A management letter of the independent auditor and his report about the proper functioning of the risk management system were presented to the Chairwoman of the Supervisory Board and dealt with in detail by the entire Supervisory Board. An evaluation of the functioning of the risk management system was not commissioned by the auditor.

Wolford AG has not developed a specific plan designed to promote the career advancement of women to the Management Board, Supervisory Board and to executive positions in the company and its subsidiaries. The selection of candidates is based on the principle of identifying the best qualified person to fill vacant positions, regardless of the respective candidate's gender, age, religion and ethnic origin. Women have assumed management functions within Wolford AG and its subsidiaries. Attractive part-time working models designed to promote the compatibility of family and career are offered to women returning from maternity leave.

Women comprise about 80% of all employees in the Wolford Group due to the focus on operating its own retail stores as well as the product portfolio appealing to women. Two of the

four elected shareholder representatives on the Supervisory Board are women. The Supervisory Board of Wolford AG is also led by a Chairwoman, Theresa Jordis.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board and Management Board held a total of six meetings during the reporting year, intensively discussing the overall economic situation, the future strategic development of the company as well as significant events and investments. The Management Board informed the Supervisory Board about the present state of the business, the financial position of the Group and its strategic investments as well as the personnel situation within the context of its regular reporting and a comprehensive report submitted for all meetings. Additional information was supplied to the Supervisory Board concerning extraordinary developments.

The committees dealt with individual specific issues in detail and reported their conclusions to the Supervisory Board. The Presidium of the Supervisory Board was continually informed about the current business situation by the Management Board. The Audit Committee convened twice, whereas the Presidium met five times. The composition and responsibilities of the committees are presented in the Corporate Governance Report on page 32. Bonus criteria, the principles of retirement benefits and severance payments as well as the list of individual Management Board and Supervisory Board salaries and remuneration can be found in the Remuneration Report starting on page 33. No share option plan exists for executives of the Group. No member of the Supervisory Board was absent from more than half of the Supervisory Board meetings. All members were present at the respective sessions of the Audit Committee and Presidium.

Important focal points of the work done by the Supervisory Board in the past financial year were the plans of the Management Board to improve earnings, the expansion drive pursued by the Group as well as the new appointments to and enlargement of the Management Board. In the 2012/13 financial year, the company

generated revenues of € 156.47 million, a rise of 1.6%. In contrast, EBIT declined from € 6.86 to -0.91 million, and the earnings after tax for the year were down from € -1.26 million to € -2.76 million. As a consequence, Wolford was not able to generate the level of revenue growth required to compensate higher costs. Nevertheless, the Management Board is striving to return to positive operating results in the current financial year.

As per April 30, 2013, the Wolford Group had cash and cash equivalents of € 4.99 million at its disposal along with unused lines of credit to the amount of about € 75 million. The equity ratio totaled 55% on the balance sheet date. Accordingly, the company rests on a solid basis, from both a financing and a balance sheet perspective, as a means of achieving its ambitious growth targets.

In the extraordinary meeting of the Supervisory Board held on May 23, 2012, the auditor reported on the current status of the audit of the annual financial statements. Further items on the agenda were a more comprehensive evaluation of the budget for the 2012/13 financial year presented at the April 2012 meeting, as well as the company's three-year planning and a status report on the optimization of individual production departments and the company's expansion into China.

The five meetings of the Presidium held between May and October 2012 focused on the filling of the Management Board position vacated by Peter Simma, who resigned effective September 14, 2012, as well as the appointment of a new Management Board member for Production, Technology and Procurement. In this regard, the Presidium, in its role as the Personnel and Nomination Committee, was assisted by a personnel consultant in defining the structure of the new Management Board team, preparing a list of criteria to select the most suitable candidate and determining the procedure for choosing the new Management Board members.

The Audit Committee held a meeting on July 19, 2012 together with the auditor to discuss the annual financial statements for the 2011/12 financial year. The auditor also presented a management letter and discussed the most

important conclusions together with the members of the Audit Committee. In its subsequent meeting, the Supervisory Board reviewed and formally approved the annual financial statements of Woford AG as well as the consolidated financial statements, the Management Report, the Corporate Governance Report, the proposal for the distribution of the profit and the Report of the Supervisory Board to the Annual General Meeting. Moreover, a proposal was prepared with respect to the selection of the auditor, and the agenda of the Annual General Meeting was determined. The Supervisory Board meeting also focused on the current business development, Woford's distribution activities in the Middle East, as well as the current situation of Woford-owned boutiques, including an analysis and revised forecast pertaining to new store openings. Furthermore, the Supervisory Board reported on the required changes to the Articles of Association which had to be presented to the Annual General Meeting for its approval.

Before the Annual General Meeting on September 11, 2012, the Management Board informed the Supervisory Board about the current business and about measures to improve low-performing boutiques. Subsequently, Thomas Melzer introduced himself to the Supervisory Board. In cooperation with a personnel consultant, the Presidium identified Thomas Melzer to be the most suitable candidate for the Management Board, with responsibility for Finance, Internal Audit, Investor Relations, Legal Affairs, Human Resources and IT, and negotiated a corresponding employment contract with him. The Supervisory Board agreed with the proposal of the Presidium and unanimously resolved, with the Staff Council abstaining, to appoint Thomas Melzer as a Member of the Management Board of Woford AG for the period lasting until September 30, 2015. At the subsequent Annual General Meeting, Thomas Melzer was presented to the shareholders as the new member of the Management Board. The Supervisory Board would like to take this opportunity to thank Peter Simma for his many years of valuable and dedicated work for the benefit of the company and wishes him all the best for the future.

At the Audit Committee meeting held on December 13, 2012, the Management Board reported about the forecasts for the current

financial year as well as the internal control and risk management systems. Information on measures to improve the earnings of low-performing boutiques was also provided at the subsequent Supervisory Board meeting. Afterwards Axel Dreher introduced himself to the Supervisory Board. In cooperation with a personnel consultant, the Presidium identified Axel Dreher to be the most suitable candidate for the Management Board, with responsibility for Product Development, Production and Technology, Procurement, Logistics and Quality Management, and negotiated a corresponding employment contract with him. The Supervisory Board agreed with the proposal of the Presidium, and unanimously resolved, with the Staff Council abstaining, to appoint Axel Dreher as a Member of the Management Board of Woford AG for the period starting on March 1, 2013 and lasting until February 29, 2016. In the future, Chief Executive Officer Holger Dahmen will increasingly focus on the fields of Communications, Marketing and Sales as well as the coordination of Group Strategy and Planning, and drive the expansion of the Woford Group in growth markets.

The meetings held on March 7 and April 25, 2013 primarily focused on the proposed budget for the 2013/14 financial year, and the three-year planning, intensively discussing these issues with the Management Board before approving the budget on April 25, 2013. Furthermore, the priorities for the audit of the annual financial statements for the 2012/13 financial year were discussed with the auditor, as well as the current business development and a forecast for the current financial year. Other important items on the agenda included the presentation of forward exchange transactions, the new internal rules of procedure for the new Management Board, the decision to further optimize the floor space usage in the Slovenian production plant, the capitalization of the subsidiaries in Italy, Spain and China along with the sequence of steps for the Management Board to develop a corporate strategy.

The annual financial statements and Management Report of Woford AG as well as the consolidated financial statements as per April 30, 2013 prepared in accordance with IFRS were audited by Deloitte Audit

Wirtschaftsprüfungs GmbH, Vienna, and granted an unqualified auditor's opinion. All documentation related to the annual financial statements, the proposal for the distribution of the profit and the Independent Auditor's Report were discussed in detail with the auditors at the Audit Committee meeting on July 18, 2013 and presented to the Supervisory Board at its subsequent meeting together with the Management Reports and the Corporate Governance Report prepared by the Management Board. We have examined the documents in accordance with Section 96 Austrian Stock Corporation Act, and agree with the results of the audit. The Supervisory Board therefore approved the annual financial statements, which are thus formally adopted pursuant to Section 96 Para. 4 Austrian Stock Corporation Act. We also approved the proposal of the Management Board for the distribution of the profit for the 2012/13 financial year. Furthermore, the Report of the Supervisory Board to the Annual General Meeting was prepared along with a proposal for the election of the auditor of the annual financial statements for the 2013/14 financial year and the agenda for the Annual General meeting to be held on September 17, 2013.

The Supervisory Board wishes to take this opportunity to thank the management and all employees for their personal commitment in a challenging 2012/13 financial year.

Vienna, July 18, 2013
The Supervisory Board

MANAGEMENT BOARD

The Management Board of Wolford AG is composed of Holger Dahmen, Axel Dreher and Thomas Melzer. The rules of procedure applying to the Management Board which were adopted by the Supervisory Board regulate the mode of operation and responsibilities of the Management Board. The Management Board has joint responsibility for managing the company regardless of the assigned responsibilities to the individual board members. Matters of fundamental importance are subject to the approval of the entire board. In addition, the rules of

procedure for the Management Board include a catalogue of measures requiring the formal approval of the Supervisory Board.

A continuous exchange of information takes place between the Management Board members. This formally occurs within the framework of Management Board meetings which are held at least twice each month.

Holger Dahmen



Holger Dahmen, born in 1960, has served as Chief Executive Officer since January 2004. His current term of office lasts until August 2015. He also serves on the Advisory Board of Winter Holding GmbH & Co. KG.

Holger Dahmen has executive responsibility for the following areas: Corporate Communications, Marketing, Sales as well as the coordination of Group Strategy and Planning.

Holger Dahmen obtained a master's degree in business administration from the University of Cologne at the end of 1988. His professional career began in 1989 in Marketing at Kimberly-Clark/Kleenex in Germany. Subsequently, in the years 1992 to 1998, he assumed various management positions at Swatch AG in Biel, Switzerland: in the period 1992 to 1995, he led the Group Product Management International and

subsequently became Managing Director of Swatch Swiss from 1995 to 1998. His work led him to the USA, where he served as President of Swatch USA from 1998 to 2000 and then as President of Hamilton Worldwide (Hamilton is part of the Swatch Group, producing high quality watches) from 2000 to 2001. He continued to hold this position from 2002 to 2003, but was based at corporate headquarters in Switzerland. Holger Dahmen was appointed Chief Executive Officer of Wolford AG in January 2004.

Axel Dreher



Axel Dreher, born in 1965, has been a Member of the Management Board since March 2013, appointed for a term of office lasting until February 2016. No other functions are performed on behalf of any company outside the Wolford Group in Austria or abroad.

He has executive responsibility for the following areas: Product Development, Production and Technology, Procurement, Logistics and Quality Management.

Axel Dreher, business management graduate and MBA, has served as a Member of the Management Board of Wolford AG since March 2013. Previously, he was a member of the Management Board of Triumph International AG

based in Wiener Neustadt with responsibility for all commercial and operating divisions in the period 2005 to February 2013. In the course of his professional career at the German Schaeffler Group/FAG Kugelfischer AG (2001 to 2005), Axel Dreher was in charge of Finance & Controlling, Human Resources Management, IT and Procurement of FAG Austria AG and of Finance & Controlling and Procurement of the utility vehicle segment of FAG Kugelfischer AG. Subsequently, he assumed global management responsibility for a business unit, the core tasks being Sales, Product Engineering, Purchasing and Production, combined with further Management and Supervisory Board roles in Hungary and India. He also gained additional management experience in Research & Development, Finance & Controlling and operative management in the automobile component supply industry during his work on behalf of ITT Automotive Europe (1995 to 1998) and BorgWarner (1998 to 2001).

Thomas Melzer



Thomas Melzer, born in 1970, has been a Member of the Management Board since September 2012, appointed for a term of office lasting until September 2015. No other functions are performed on behalf of any company outside the Wolford Group in Austria or abroad.

He has executive responsibility for the following areas: Finance, Internal Audit, Investor Relations, Legal Affairs, Human Resources and IT.

Thomas Melzer, who holds a master's degree in business administration, has been serving as the Chief Financial Officer of Wolford AG since September 2012. From 2008 to 2011, he served as Chief Financial Officer and Deputy CEO of Brain Force Holding AG, an international IT service and software company listed on the Vienna Stock Exchange. He started his career at Wienerberger AG, the world's largest brick manufacturer, where he worked in various positions between 1997 and 2008: from 1997 to 1999 in controlling and Group accounting and from 2000 to 2008 as director of investor relations and corporate communications. From 2001 to 2008 Thomas Melzer was also a member of the Management Committee of Wienerberger AG and served on the Supervisory Board of the Pipelife Group from 2007 to 2008. In addition, Thomas Melzer was a member of the Management Board of Cercle Investor Relations Austria (C.I.R.A.), serving as its chairman from 2004 to 2007.

SUPERVISORY BOARD MEMBERS AND COMMITTEES

In the 2012/13 financial year, the Supervisory Board of Wolford AG consisted of four members elected by the Annual General Meeting and two employee representatives designated by the Staff Council.

Theresa Jordis, Chairwoman

Independent pursuant to Rule 53 Austrian Corporate Governance Code, first elected on September 3, 2003, serving until the 30th Annual General Meeting discharging the Management and Supervisory boards for the 2016/17 financial year, born in 1949

- Founding partner of the law firm Dorda Brugger Jordis Rechtsanwälte GmbH

Additional mandates:

- Supervisory Board Chairwoman of Miba AG
- Deputy Chairwoman of the Supervisory Board of Erste Group Bank AG

- Member of the Supervisory Board of Österreichische Industrieholding AG

Emil Flückiger, Deputy Chairman

Independent pursuant to Rule 53 Austrian Corporate Governance Code, first elected on December 14, 1992, serving until the 26th Annual General Meeting discharging the Management and Supervisory boards for the 2012/13 financial year, born in 1939

Birgit G. Wilhelm, Member

Independent pursuant to Rule 53 Austrian Corporate Governance Code, first elected on September 12, 2006, serving until the 30th Annual General Meeting discharging the Management and Supervisory boards for the 2016/17 financial year, born in 1975

Werner Baldessarini, Member

Independent pursuant to Rule 53 Austrian Corporate Governance Code, first elected on September 14, 2010, serving until the 26th Annual General Meeting discharging the Management and Supervisory boards for the 2012/13 financial year, born in 1945

Anton Mathis, Member

Designated by the Staff Council, first appointed on December 16, 1999, born in 1960

Peter Glanzer, Member

Designated by the Staff Council, first appointed on March 19, 2001, born in 1954

The Supervisory Board held six meetings during the 2012/13 financial year. The Supervisory Board established the following committees consisting of its own members, and approved internal rules of procedure for each:

Presidium

Personnel and Nomination Committee Remuneration Committee

- Theresa Jordis, Chairwoman
- Emil Flückiger

In the 2012/13 financial year, the Presidium held a total of five meetings, at which the criteria for the selection of new Management Board members were defined, also dealing with the final selection of the new members, the terms

and conditions of Management Board employment contracts and the general definition of variable remuneration for the Management Board.

Audit Committee

This function is carried out by the entire Supervisory Board. In the 2012/13 financial year, the Audit Committee held two meetings, mainly focusing on the following issues:

- The Independent Auditor’s Report on the audit of the annual financial statements for the 2011/12 financial year
- Preparation of a proposal to the Supervisory Board for the selection of the auditor of the annual financial statements (auditor of the consolidated annual financial statements) for the 2012/13 financial year
- Report of the Management Board on the financing situation and risk management of the Group
- Preliminary discussions on the audit of the annual financial statements for 2012/13

REMUNERATION REPORT

The Remuneration Report summarizes the principles applied in determining the remuneration paid to the members of the Management Board and explains the amount and structure of the income received by the Management Board members. It also describes the principles and amount of remuneration paid to the members of the Supervisory Board. The Supervisory Board delegated responsibility for determining the remuneration for the Wolford AG Management Board to the Presidium, which also serves as the Remuneration Committee.

Pursuant to the stipulations contained in the Austrian Stock Corporation Act, the Management Board is appointed for a specified period of time. The employment contracts for the individual Management Board members of Wolford AG were concluded for the respective term of office, defining the amount and structure of their remuneration. The objective of the remuneration scheme is to provide appropriate compensation for the Management Board members in accordance with the scope of their functions and areas

of responsibility, taking national and international comparisons in the industry into account.

Basically, the remuneration system is divided into fixed and variable salary components. The fixed salary component is based on the areas of responsibility assumed by each Management Board member and is paid in fourteen monthly installments, which is standard practice in Austria. The variable salary component complies with the success of the company and the performance of the individual Management Board members, and is particularly linked to the achievement of quantitative targets as well as sustainable, long-term and strategic objectives. The total remuneration is commensurate to the responsibilities and performance of the individual Management Board members, the situation of the company and accepted remuneration practices in the industry.

The variable pay is determined by the following four components:

- achievement of sales growth targets
- achievement of the EBIT budgeted for the financial year
- enhancement of shareholder value based on the increase in the share price of Wolford AG
- as well as a sustainable, long-term and strategic objective

These four components comprising the variable salaries of the Management Board members Holger Dahmen, Axel Dreher und Thomas Melzer have been set at a maximum of 118%, 86% and 85% of their respective fixed salaries. The Chief Executive also participates in a profit sharing scheme in addition to the above-mentioned bonus, which is calculated as a pre-defined percentage of the earnings before tax of the Wolford Group and for which no maximum has been defined.

The total remuneration paid to the members of the Management Board for the 2012/13 financial year amounted to € 1.11 million (previous year: € 1.54 million), of which 81% comprise the fixed basic remuneration (previous year: 59%) and 19% represent the variable remuneration (previous year: 41%).

| Remuneration of Management Board in € | 2012/13 | | Total |
|---------------------------------------|----------------|----------------|------------------|
| | Fixed | Variable | |
| Holger Dahmen | 477,343 | 151,893 | 629,236 |
| Axel Dreher (since 1.3.2013) | 45,714 | 11,540 | 57,255 |
| Thomas Melzer (since 1.10.2012) | 187,500 | 25,313 | 212,813 |
| Peter Simma (until 14.9.2012) | 188,340 | 20,000 | 208,340 |
| Total | 898,897 | 208,746 | 1,107,643 |

In the case of termination of the employment contract with a particular member of the Management Board, the respective member has a claim for severance payments by analogous application of the stipulations contained in the Austrian Employee Act. In case the employment contract of CEO Holger Dahmen, which expires on August 12, 2015, is not extended, he is entitled to severance payments amounting to seven-twelfths of his average annual salary. Neither pension fund agreements nor performance-oriented obligations exist for the Management Board members of Wolford AG. In the 2012/13 financial year, commitments to former Management Board members totaled € 0.66 million (previous year: € 0.57 million).

Supervisory Board approval is required for a Management Board member to assume professional duties outside the company. This ensures that the time involved or the remuneration received does not lead to a conflict of interest with the individual's responsibilities on behalf of the company. No remuneration is paid for positions assumed in Wolford's subsidiaries.

Remuneration for the work by the members of the Supervisory Board as well as attendance fees are determined by the Annual General

Meeting. A total of € 0.08 million was paid to the members of the Supervisory Board in the 2012/13 financial year (previous year: € 0.08 million), distributed as shown in the table below.

Payments granted for services above and beyond the above-mentioned Supervisory Board duties are described in the Corporate Governance Report on page 27. No pension fund obligations exist for members of the Supervisory Board of Wolford AG.

A directors and officers (D&O) insurance policy has been concluded for members of the Supervisory and Management boards and top managers of the company, with a liability sum of € 10 million. The costs of the insurance policy are borne by the company.

Acquisitions and sales of Wolford AG shares by members of the Management Board and Supervisory Board must be reported to the Financial Market Authority pursuant to Section 48 Austrian Stock Exchange Act and published on the website of the company under "Investor Relations/Corporate Governance/Directors' Dealings". No directors' dealings were reported during the year under review.

| Remuneration of Supervisory Board in € | 2012/13 | 2011/12 |
|--|---------------|---------------|
| Theresa Jordis, Chairwoman | 26,550 | 26,550 |
| Emil Flückiger, Deputy Chairman | 21,550 | 21,550 |
| Birgit G. Wilhelm | 15,050 | 15,050 |
| Werner Baldessarini | 15,050 | 15,050 |
| Anton Mathis | 900 | 900 |
| Peter Glanzer | 900 | 900 |
| Total | 80,000 | 80,000 |