

## **Company History and Operations**

NatureWear was founded in Frankfurt/Main in 2008. It produces high-quality clothing for outdoor sports, such as hiking, rock climbing, skiing, fly-fishing, parasailing, and kayaking. Over the years, the company's product line has grown to include casual wear, accessories, shoes, camping gear and backpacks. NatureWear offers its products through three options: catalogues, retail outlets, as well as online through their website.

The company prides itself in providing high-quality products at affordable prices. NatureWear commits to providing outstanding customer service and to keep its environmental footprint low.

All facilities are insulated, recycle and conserve power. The company continuously monitors the environmental impact of its products in common interest with its customers.

NatureWear offers regular mailings of its monthly catalogue. The company has seven outlet stores in Germany, six in the USA, five in the UK, four in France, and two in Denmark, Sweden and Japan. All outlets were setup by the company itself, except for the US outlets, which were acquired in 2019 through the acquisition of 100% of the shares in WearingNature Inc. a US retailer with a similar business as the Company.

The company's website is also available in these countries. In 2018, NatureWear expanded its global presence by launching sites in Belgium, Finland, Hungary, Ireland, Italy, Norway, Poland, Singapore Slovenia and Spain.

In 2024, revenue from catalogue sales, retail outlets and the website were 74 per cent, 5 per cent, 21 per cent respectively. Management forecasts that Internet sales will grow significantly in the next five years, possibly replacing catalogues as a major source of sales.

NatureWear went public on the Frankfurter Wertpapierbörse in 2017.

### **Company Growth Strategy**

NatureWear's growth strategy has three elements:

- i) Attempt to increase sales by expanding customer base and increasing sales to existing customers
- ii) Generate additional sales through targeted mailings of special issues of catalogues and by offering products online
- iii) Pursue additional opportunities to expand merchandising skills on an international level

### **Catalogues and Sales Operations**

In 2024, NatureWear mailed 12 issues of its regular monthly catalogue averaging 75 pages per issue. Worldwide, the company mailed approximately 160 million full-price catalogues. The catalogues are viewed as a unique opportunity to communicate with customers and to give each product a meaningful story that led to its production.

Each issue of the regular catalogue offers basic products for men and women as well as seasonal merchandise. In addition, NatureWear mails two end-of-season clearance catalogues to prospective customers who are identified based on lists of magazine subscribers and demographics. Prospective new customers are identified through NatureWear's national advertising campaign. In 2023, the company introduced its first business specialty catalogue offering branding options and corporate incentive programs. As of 2024, only five issues of the business catalogue were mailed out.

Catalogues mailed internationally are written in the local languages and denominated in local currencies. NatureWear has launched local websites in each of these countries with their local language and currency as well.

### **Customer Database**

A principal factor in NatureWear's success has been the development of its own list of active customers. At the end of 2023 the company's mailing list consisted of 21.1 million people, approximately 7 million were viewed as customers because they had made a purchase within the last 24 months.

From a survey conducted in 2022 about demographic characteristics, 55 per cent of the customers are in the 30-55 age group and had median incomes of €59,000. The company continues to advertise to build its reputation and to attract new customers. In 2023, this advertising campaign appeared in 70 international magazines and 9 national television networks. Advertisement is also on a number of Internet search engines and websites.

## **Product Development**

NatureWear's products are crafted to meet the changing tastes of the company's customers and ignores the changes of the fashion world. The company seeks to maintain customer interest by developing new products, improving existing core products, and reinforcing its value positioning.

The company continues to research and incorporate innovations in fabric, construction, and detail that add value and excitement to NatureWear's products and differentiate the company from its competitors.

NatureWear deals directly with its suppliers and seeks to avoid intermediaries. All goods are produced by independent manufacturers except for the backpack line assembled at the company's facilities. During 2024, the company purchased merchandise from approximately 300 domestic and foreign manufacturers. In 2024, one manufacturer and one intermediary accounted for 14 and 29 per cent of the company's received merchandise, respectively. Around 80 per cent of the merchandise was imported from Asia (Bangladesh, China, India, and Malaysia). Management would like to continue worldwide sourcing without sacrificing quality standards.

## **Order Entry, Fulfillment and Delivery**

NatureWear has toll-free numbers that customers can call anytime to place orders or to request a catalogue. Approximately 90 per cent of catalogue orders are placed by telephone. Telephone calls are answered by trained professionals located in either the USA, England, Japan, or Germany.

The company's order and fulfillment system permits shipment of in-stock orders on the following day; custom orders are shipped within 2-3 days. The company's sales representatives enter orders into an online order entry and inventory control system. All available colors, sizes and so on are listed online. If a customer shops directly online, they fill out an online form for the desired products and then enter their delivery address and credit card information. Expedited delivery services are available at an extra charge.

## **Merchandise Liquidation**

Liquidations (sales of overstock and end-of-season merchandise at reduced prices) were approximately 12 per cent, 11 per cent and 8 per cent of net sales in 2024, 2023, and 2022, respectively. Most liquidation sales were made through catalogues and other print media. The balance was sold principally through the company's outlet retail stores.

## **Competition**

The primary competitors are retail stores (such as OutdoorWear), specialty shops (such as LeafGroup), department stores and other catalogue companies. In addition, globalization has increased the variety of merchandise offered online (most of the competitors have an online shop). Further, innovative competitors such as GreenFuture also use channels as social media and festivals as distribution channels. The apparel retail business in general is intensely competitive. NatureWear competes principally on the basis of merchandise value (quality and price), an established customer base, great customer service and fast order fulfillment and guarantees.

## **Seasonality of the Business**

NatureWear's business is highly seasonal. Historically, a disproportionate amount of the company's net sales and most of its profits have been realized during the fourth quarter. If the company's sales were materially different from seasonal norms during the fourth quarter, the company's annual operating results could be materially affected. In 2023, 37 per cent of the company's total revenue came from the fourth quarter.

## **Employees**

The majority of employees are covered by collective bargaining agreements, and the company considers its employee relations to be excellent. With the highly seasonal nature of the business, the workforce size varies, ranging from 3,500 individuals to 5,300 individuals in 2024. During the peak of the winter season, 51 per cent of the employees were temporary employees.

## **Market Information**

The high and low prices of the company's common shares for 2024 were €52.50 and €21.75 per share. The closing price of the company's shares on December 31, 2024 was €40.25 per share. The number of shareholders of record of common stock of the company was 2,120.

## **Financial Reporting**

The consolidated financial statements are reported in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable within in European Union.