Figure hugging



ANNUAL REPORT 2016/17

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Wolford Group Key Data

Earnings Data		2016/17	2015/16*	Chg. in %
Revenues	in € mill.	154.28	162.40	-5
EBIT	in € mill.	-15.72	-2.92	> 100
Earnings before tax	in € mill.	-16.57	-3.85	> 100
Earnings after tax	in € mill.	-17.88	-10.66	+68
Capital expenditure	in € mill.	6.72	7.30	-8
Free cash flow	in € mill.	-9.45	-2.98	> 100
Employees (on average)	FTE	1,544	1,571	-2

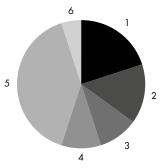
Balance Sheet Data		30.04.2017	30.04.2016*	Chg. in %
Equity	in € mill.	44.88	63.81	-30
Net debt	in € mill.	31.27	20.86	+50
Working capital	in € mill.	45.73	43.15	+6
Balance sheet total	in € mill.	138.39	137.47	+1
Equity ratio	in %	32	46	-
Gearing	in %	70	33	-

Stock Exchange Data		2016/17	2015/16*	Chg. in %
Earnings per share	in €	-3.64	-2.17	+68
Share price high	in €	26.01	25.48	+2
Share price low	in €	19.10	21.35	-11
Share price at end of period	in €	19.28	24.67	-22
Shares outstanding (weighted)	in 1,000	4,912	4,912	-
Market capitalization (ultimo)	in € mill.	96.38	123.35	-22

REVENUES BY MARKET

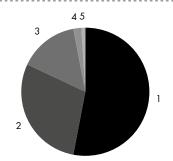
REVENUES BY PRODUCT GROUP

REVENUES BY DISTRIBUTION

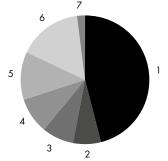




- North America 20%
- Germany 15%
- Austria 10%
- France 10%
- Rest of Europe 40%
- Asia/Oceania 5%



- Legwear 53%
- Ready-to-wear 29%
- Lingerie 15%
- 4 Accessories 2%
 5 Trading goods 1%



- Boutiques 46%
- Concession Shop-in-Shops 7%
- Online Business 8%
- Factory Outlets 9%
- Department Stores 12%
- Multi-brand Retailers 16%
- Private Label 2%

^{*} Adjusted (see Section II of the Notes).

A statement with facts and figures.



STRENGTHS

GLOBAL PRESENCE

267 monobrand locations worldwide

More than 3,000 retail partners

16 online stores

44 travel retail points of sale

UNBEATABLE QUALITY - AND SUSTAINABLY PRODUCED

Wolford has for decades been renowned for the quality, comfort and durability of its products. Made in Europe – that creates trust. Wolford's production processes meet the highest global sustainability standards in the textile industry. Since 2015, we've been securing and enhancing these processes in our partnership with bluesign technologies ag.

You can find out more on page 16.



LOYAL CUSTOMERS

470,000

registered customers worldwide regularly buy Wolford products. Two thirds of these products are Essentials – timeless classics not affected by trends.

90

percent of the 1,000 customers surveyed in the core German and U.S. markets stated that they would "certainly buy Wolford tights again".

Source: customer survey conducted by böttcher marktforschung, 2013



HIGH COSTS

67

years: Over this time our structures have become staff-intensive and very costly. Wolford needs to increase its sales by around 25% to operate profitably.

WEAKNESSES

COMPLEX PROCESSES

Our IT infrastructure has become ever more complex over the decades.

The numerous standalone IT systems and databases
from the various departments – from procurement to production
planning to sales – are limited in terms of their compatibility.

The necessary data synchronization and general IT support
take time and staff effort, while the system as a whole is error prone.

Standardizing the company's IT landscape by implementing

ERP standard software will take time.



CHANGING SHOPPING HABITS

3.1

percent fewer visitors to German and Italian retail stores since June 2016.

Source: data analysis by ShopperTrak (June 2016 to July 2017)

SMART SHOPPERS

A challenging trend: Today's consumers are constantly online and optimally informed. They expect personalized offers and multichannel service, and they refer to price check portals and social networks to stay up to date. "One in three customers inform themselves about products on their smartphones while in stores. One in two would like to scan the barcodes or QR codes at stores to find out more about specific products."

Source: Ipsos, "Aktuelle Omni-Channel-Strategien", survey of 1,500 internet users aged 18 to 65 in France and the U.K., 2016

THREATS

SOPHISTICATED OMNI-CHANNEL DISTRIBUTION

Seamlessly dovetailing online, retail, and wholesale distribution channels does not happen overnight. "One in five, or more precisely 17 percent, of retailers in Europe believe that they currently offer a seamless omni-channel shopping experience.

Only half of consumers see their favorite retailers as providing a consistent, high-quality multichannel approach."

Source: PwC, "Customers are calling the shots", January 2017

GREAT POWER OF

5

percent of Wolford's revenues are invested in research and development. That comes to around € 7 million. Since 2014, the company has registered four patents, of which three have already been granted for Austria and two for Europe.

OPPORTUNITIES

SUSTAINABLE PRODUCTS

Wolford is synonymous with unmatched comfort and is therefore positioned to be right in line with the latest trend. "Feeling good is the new looking good. Consumers are increasingly on the lookout for fashion that feels good to wear, with the boundaries of the booming lifestyle and sports apparel markets becoming ever more fluid. The health and lifestyle trend is characterized more and more by an interest in environmental awareness and sustainability. A holistic approach to clients who prefer good-feeling clothing will open up new growth opportunities for the fashion industry."



A NATURAL FIT FOR ONLINE RETAIL

Wolford products are light, crease-resistant, and easy to pack

More than two
thirds of our product
range is comprised
of classics which
are independent of
specific trends. Our
customers know their
sizes and favorite
colors

Returns rate of just 22 percent

Letter from the Board

Dear Shareholders, Ladies and Gentlemen,

The past year at Wolford was difficult, even turbulent at times. Due to substantial impairments, we are obliged to post a significant loss for the year. Additionally, earnings from our operations were negative at € 8.5 million. As we have already communicated on several occasions, this situation was due not least to mistakes we ourselves made in the first half of the year. We aimed to achieve too much too quickly and were hasty in reorganizing our sales planning, along with the associated delivery dates and merchandise management. And at precisely that moment our company also faced the effects of a distinctly weak market. This led to a loss in revenues, and in the second half of the year we were only able to make up for part of the ground we had lost.

We have since rectified these mistakes. This is also reflected in our revenues, which stabilized in the second half of the year and the first three months of the new 2017/18 financial year. The market climate is nevertheless set to remain difficult for our company for the foreseeable future. In view of this, we expect at this point to generate only slight growth from the previous year's lower level of revenues. That is one reason for the impairment losses recognized on several boutique locations, a factor which unmistakably left its mark on our earnings.

We will incur further losses in 2017/18 and only expect to regain profitability in the new financial year starting in May 2018. The organizational structures that

have evolved over the past 67 years are still too complex and costly, not least due to complicated IT infrastructure. This is currently the area where action is needed most. The key objective has to be that of operating profitably based on our current level of revenues. For this purpose, we are now focusing more closely on cutting our costs by systematically reorganizing our structures and processes. You can find further details about this in the Management Report on page 41.

What is equally true is that Wolford is far from having lost its status as a provider of affordable luxury goods. We are officially one of the world's top 100 luxury brands. Our products are synonymous with quality, comfort, and sustainability. Having said that,





Axel Dreher (CEO since August 1, 2017) and Brigitte Kurz (CFO since August 1, 2017)

our sophisticated customers expect to feel the exclusivity of the brand at every point of sale – and here we still have some way to go. In the past financial year, Wolford tried out a completely new store concept at its proprietary boutique on Berlin's Kurfürstendamm. The result was revenue growth of more than 13% since the store was reopened in September 2016 – that is strong evidence for the potential inherent to this concept.

At present, however, we do not have the resources to press ahead with our plans to rapidly roll out this concept at other locations. Not only that, as with the entire fashion industry we have to find answers to the transformation in the market and changing patterns of consumer behavior. We

have already taken various measures to boost our online business. Our products - light, non-creasing, and easy to pack - are perfectly suited for this distribution channel. Seamlessly linking all of our distribution channels and ensuring adequate online marketing will nevertheless take time and cost money. With these factors in mind, the Management Board is supporting the company's shareholders at the family foundations in identifying parties potentially interested in acquiring their stakes. After all, the takeover of their majority interest should also give a sustainable boost to the company's financial structure. With a stronger equity base, Wolford could at last make the investments needed to take optimal advantage of its existing opportunities.

In the past financial year, we clearly put our shareholders' patience to the test. At this point, we can assure you that we will take all steps necessary to return Wolford to profitability based on its current revenues. At the same time, we will leave no stone unturned to exploit further potential for our company's future.

Sincerely yours,

Axel Dreher

Brigitte Kurz

TAKINGA LOOKAT WOLFORD





Wolford headquarters in Bregenz, Austria

Wolford Profile

Founded in the Austrian city of Bregenz in 1950, Wolford is the market leader for luxury legwear and bodywear and has also established itself in the exclusive lingerie segment. The company designs and manufactures its products exclusively in Europe (in Austria and Slovenia), meets the highest environmental standards, and has a workforce of 1,544 employees (FTE). The brand is present in around 60 countries worldwide with

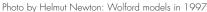
267 monobrand points of sale (POS) and more than 3,000 distribution partners. Wolford has been listed on the Prime Standard of the Vienna Stock Exchange since 1995.

Wolford generates more than half its revenues with its core legwear product group. Closely matched with this product group are the company's lingerie and ready-to-wear products – decorative and in some cases figure-embracing products, such as bodies and shirts (bodywear) or matching dresses and pullovers. These products are supplemented with a

small selection of accessories such as scarves and bracelets.

A distinction is made between fashionable Trend products and the Essential collection, which includes all of Wolford's timeless classics, such as the Satin Touch tights offered since 1988. The Essential collection accounts for around 70% of revenues.







Eve Cup Bandeau Bra, spring/summer collection 2018

Tradition and Innovation

Starting out in 1950 as a producer of pure silk and rayon stockings on Lake Constance, Wolford is now the epitome of exclusive legwear and bodywear for many women worldwide. Wolford customers are very loyal: Of the 1,000 customers in the core German and U.S. markets most recently surveyed in 2013, 90% stated that they would "certainly buy Wolford tights again".

This success is based on a round-knitting technology specially developed and constantly refined by Wolford, as well as on sophisticated workmanship and quality checks. In combination with the finest yarns, this creates the specific comfort and product quality associated with the Wolford brand and its reputation. All products are made in Europe. The tights

and bodies, in particular, are produced in Bregenz on 380 individually customized round-knitting machines operated in premises with optimized climatic conditions. Alongside the research and development department, the company headquarters is also home to a knitting mill, steaming facility, dyeing room, and molding workshop, as well as a proprietary color laboratory. Manufacturing takes place in Murska Sobota, Wolford's location in Slovenia, where textile manufacturing also has a long tradition.

For nearly 70 years now, Wolford has repeatedly introduced pioneering products, which have become real bestsellers – from Miss Wolford (1977), the first transparent shaping tights, and the first seamless Body (1992) to the Pure 50 tights (2014), whose seamlessness allow them to remain invisible under tight-fitting clothing. The innovative Comfort Cut tights have been on the market since

September 2016. These tights have waist sizes that can be individually adapted to every figure, which significantly enhances their comfort.

The company's visual presentation is also unmistakable. Wolford has set standards in this area over the past decades through, for example, its cooperation with the world-famous photographer Helmut Newton in the 1990s. He played a key role in creating the image of the strong, self-confident Wolford woman. Always open to creative ideas, Wolford has consistently worked with prestigious designers - from Armani, Valentino, and Karl Lagerfeld to Missoni, and most recently Marina Hoermanseder.







Prototype of the first cradle-to-cradle recyclable products

Sustainability as Key Priority

Wolford's production processes meet the highest global sustainability standards in the textile industry. This fact is confirmed by the company's partnership, starting in 2015, with bluesign technologies ag, a global network whose system stands for safe textiles and environmentally-friendly production. Here, the focus is not only on evaluating select end products, as is the case at many eco-labels, but also on analyzing each individual stage of production and each chemical used, these being optimized or replaced if necessary. Following an equally extensive auditing process, Wolford has now become the world's first tights producer recognized as a bluesign® system partner. Furthermore, all legwear products knitted and dyed by Wolford on a cotton and polyamide basis for its Essential collection have received "bluesign® approved"

status. This certification has been confirmed once again in 2017.

The production facility operated in Bregenz since 1950 borders directly on the Lake Constance water conservation zone and therefore has to meet particularly high environmental standards. But it is not only because of this that efficient resource use has been an active tradition at Wolford for decades now. Key goals here are the consistent enhancement of energy efficiency and the optimization of heat recovery. The measures taken to modernize the boiler house, steam boiler, and water processing at Wolford, which have halved the volume of emissions harmful to the environment, have just recently received public acknowledgement: Since the end of 2016, Wolford has been proud to call itself a project partner of "klimaaktiv", the climate protection initiative organized by the Austrian Federal Ministry of Agriculture, Forestry, Environment, and Water Management.

As part of the smart-textiles industry network, Wolford is also

working to develop a Cradle to Cradle® lingerie series. This involves developing legwear and lingerie products made of raw materials that can either be recycled in full or that are fully biodegradable. Under Wolford's leadership, 13 companies in the Vorarlberg region that produce suitable lingerie components are participating in the project. The first prototypes of lingerie and tights designed according to the Cradle to Cradle® concept were presented in Paris in February 2017 and the first recyclable tights are due to be brought onto market in the 2018/19 autumn/winter collection.



Wolford boutique on Berlin's Kurfürstendamm

A Presence in the World's Top Shopping Centers

Wolford has a dense network of monobrand boutiques situated in some of the most prestigious locations in the world's fashion capitals – with a mix of partner boutiques and proprietary locations in strategically relevant cities. Of the 194 Wolford boutiques in operation as of the end of April 2017, 109 were managed by the company itself and 85 were operated by partners.

Wolford's light, non-creasing products are especially well suited for easy repeat purchases from home over the Internet. Customers in a total of currently 16 countries can already shop around the clock in their "own" online Wolford boutique. Not only that, Wolford products are also sold at numerous international department stores. At Harrods and Selfridges in London or Bergdorf Goodman in New York, for example, the products are offered in exclusive shop-in-shops that present the products in Wolford's own unique atmosphere.

Wolford's creations are also available at a large number of exclusive fashion and specialist retail stores. These are supplemented by the travel retail businesses at airports and major railroad stations. Wolford currently has a presence with 44 POS at airports such as Milan and Frankfurt.

Wolford is working hard to integrate its online and boutique distribution channels more closely with one another. Individualized product information provided through the preferred channel makes shopping more flexible for customers in terms of where and when they shop while also ensuring the broadest possible product selection. The "My Wolford" customer loyalty program introduced in 2010 now has more than 470,000 registered regular customers.

Highlights of the 2016/17 Financial Year

PRINCIPAL SPONSOR FOR HELMUT NEWTON RETROSPECTIVE

Wolford acted as principal sponsor to the major Helmut Newton retrospective held at the Foam museum in Amsterdam from June to September 2016 – the perfect way to honor the link between the company's history and this icon of fashion photography. With his photographs of models sporting Wolford products, Helmut Newton played a key role in shaping the brand in the 1990s. The retrospective attracted more than 88,000 visitors.

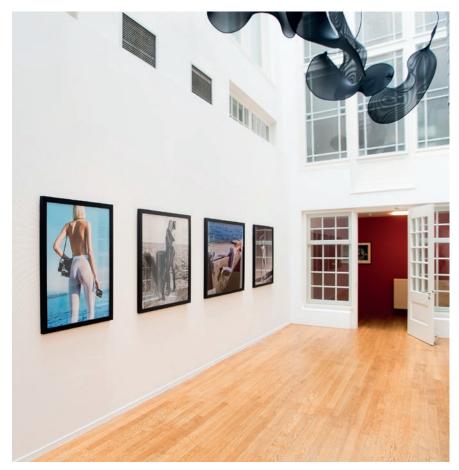
CRADLE-TO-CRADLE® PROTOTYPES PRESENTED IN PARIS

Wolford presented the first recyclable lingerie and tights, part of the line of clothing designed according to the Cradleto-Cradle® approach, in Paris in February 2017. These products are made of materials that can either be recycled in full or are fully biodegradable.

The first Cradle-to-Cradle® tights are due to be launched onto the market in the 2018/19 autumn/winter collection.

NEW PRODUCT DEVELOPMENTS

- New product line: Since April 2017, the new beachwear collection, comprising around 20 products from bikinis to pareos, has been available at select Wolford locations. Their fast-drying fabrics and clear cuts make the products in this new line multifunctional – they can be worn as lingerie, swimwear, or beachwear.
- New technology: By working with 3D printing, Wolford is putting to use for the first time in the textile sector a technology so far mostly deployed in the metal industry. This involves spraying silicon lines onto fabrics. In bras, for example, these lines then assume the function previously performed by elastic rubber sewn into the edges and strap. That makes it possible to spread the supportive function evenly across the product, avoiding nicks or pressure spots on the body.
- New design applications: The innovative foil application in the Night Glow Tights stores light and then actively illuminates the henna-style filigree pattern when in the dark.
 The points glued onto the Reflector tights act as reflectors and are also clearly visible in the dark.



"Wolford Room" at the Helmut Newton Retrospective



Beachwear: Top and panty with 3D print

WOLFORD BY MARINA HOERMANSEDER

At her autumn/winter collection show at the Berlin Fashion Week in January 2017, Marina Hoermanseder presented the exclusive "Wolford by Marina Hoermanseder" capsule collection. This cooperation with the renowned Austrian designer has given rise to two sets of tights, a body, and a dress. These all contain the iconic buckle of the Marina Hoermanseder label, eye-catchingly woven into the fabric in black and nude colors. The four designs were given a very enthusiastic reception by both specialists and guests at the show and are available at select stores from autumn 2017.

BOUTIQUES AND SHOP-IN-SHOPS NEWLY OPENED WORLDWIDE

- May 2016: Hasselt, Belgium (Wolford-operated boutique)
- June 2016: Mall of America,
 Midrand, South Africa
 (Wolford partner boutique)
- July 2016: HR Square One, Toronto Suburb, Canada (shop-in-shop)
- July 2016: Europa Mall, Vilnius, Lithuania (Wolford partner boutique)
- August 2016: Sogo Causeway
 Bay, Hong Kong (shop-in-shop)
- September 2016: Plaza 66, Shanghai, China (Wolfordoperated boutique)
- September 2016: The Parisians, Macao (Wolford-operated boutique)
- September 2016: Monaco (Wolford partner boutique)
- October 2016: Yorkdale, Canada (Wolford partner boutique)

VIPS AT WOLFORD

- Singer Taylor Swift wears the Opaque Transparent Nature String Body in the video presenting her own "NOW" streaming channel.
- Supermodel Karlie Kloss appears in the Colorado Body during the 2017 New York Fashion Week. Her model colleague Gigi Hadid and singer Selena Gomez also don the Body in New York and Los Angeles.
- Actress Kate Hudson and top models Bella Hadid and Kendall Jenner sport the Twenties Tights in New York.
- Actress Kristen Stewart hosts the American comedy show "Saturday Night Live" in the Cotton Contour Control Panty.
- Actress Teresa Palmer wears the Wool Lace Top at the Chanel Dinner.
- Supermodel Alessandra Ambrosio sports the Mat Opaque 80 Tights and the Buenos Aires String Body.
- Kim Kardashian and her family enjoy appearing in Wolford bodies and the Fatal Dress.



TO OUR SHARLHOLDERS



Wolford Shares

CAPITAL MARKET DEVELOPMENTS

Developments on the international capital markets during Wolford's past financial year (May 1, 2016 to April 30, 2017) were shaped by political events, such as the British vote to exit the EU and the election of Donald Trump. The government crisis in Italy also led to temporary market uncertainty. Factors with a significantly positive impact on markets included the recovery in the oil price, the upturn in stock markets in emerging economies, and the raising of U.S. interest rates accompanied by hopes of further increases. The ECB is upholding its loose monetary policy and extended its bond purchase program through to the end of 2017, a factor which lent further momentum to the stock markets.

Against this backdrop, Germany's DAX index gained almost 23% in the period referred to above, surging above 12,000 points once again in February 2017. The pan-European EURO STOXX 50 index rose by more than 17%. The key U.S. index, the Dow Jones Industrial, also gained 17%.

The MSCI World Textiles, Apparel & Luxury Goods Index, the most important index for the textile industry, increased by 15% over the same period.

WOLFORD'S SHARE PERFORMANCE

Wolford's shares began the new financial year on May 2, 2016, at € 24.49 and slightly outperformed the ATX Prime in the first months of the 2016/17 financial year. From September 2016 onward, however, the shares were unable to match the strong growth in the ATX Prime (27.3% in total).

Overall, Wolford's share price fell by 21.3% in the past financial year, posting a consistently negative performance from the presentation of the first-quarter results (September 9, 2016) and the preceding correction in the forecast for the 2016/17 financial year (August 31). Through to mid-March, the share price managed to hold its ground above € 20. Following publication of the ninemonth results on March 17, however, it fell below this mark and was listed at € 19.28 at the end

of the financial year (April 28, 2017). The Wolford share price recorded its lowest value during the period under report at € 19.10 (April 18, 2017), while its annual high came at € 26.01 on August 31, 2016.

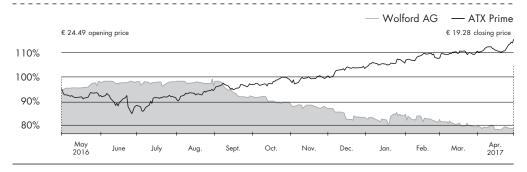
Trading volumes with Wolford shares totaled 377,072 in the year under report (double-count). The average daily turnover on the Vienna Stock Exchange therefore came to 1,895 shares, based on the 199 trading days in the period under report. The highest trading volume (25,646 shares) was reported on January 23, 2017, while the lowest volume (4 shares) was seen on January 2, 2017.

SHAREHOLDER STRUCTURE

Based on the published notifications of its holdings, the WMP private family foundation held more than 25% of the shares at the balance sheet date (directly and indirectly). More than 15% of the shares are owned by the Sesam private foundation. The private foundations and their subsidiary M. Erthal & Co. Beteiligungsgesellschaft m.b.H. are legal entities which act in concert and exercise their voting rights by consensus.

Ralph Bartel, a private investor, holds more than 25% of the bearer shares. Wolford AG continues to hold almost 2% of the shares as treasury stock. Erste Asset Management GmbH has held more than 4% of the shares since September 6, 2016. The remaining shares are held in free float by institutional and retail investors.

WOLFORD SHARE PRICE DEVELOPMENT IN % (INDEXED)



Key data on Wolford shares		2016/17	2015/16*
Earnings per share	in€	-3.64	-2.17
Dividend per share	in€	0.20	0.20
Equity per share	in€	9.14	12.99
Share price high	in€	26.01	25.48
Share price low	in€	19.10	21.35
Share price at end of period	in€	19.28	24.67
Shares outstanding (weighted)	in pcs.	4,911,860	4,911,860
Market capitalization (end of period)	in€	96,375,000	123,350,000
Volume of shares traded (daily average)	in pcs.	1,895	1,823

^{*} Adjusted (see section II of the Notes).

Information on Wolford shares

ISIN code:

AT0000834007

Stock exchanges:

Vienna (Prime Market) Frankfurt (OTC Segment) New York (ADR Level 1)

Indeces:

ATX Prime ATX Global Players

Ticker symbols:

Wien: WOL Reuters: WLFD.VI Bloomberg: WOL:AV, WLFDY:US, WOF:GR

IPO date:

February 14, 1995

Stock type:

Bearer shares (zero par value)

Number of shares:

5,000,000, of which 4,900,000 with dividend entitlement

Investor relations:

Maresa Hoffmann +43 5574 690 1258 investor@wolford.com company.wolford.com

On June 9, 2017, the private foundations, M. Erthal & Co. Beteiligungsgesellschaft m.b.H., and closely related natural persons announced their intention to sell their majority interest in Wolford AG. To this end, the shareholders have initiated an investor selection process that is being accompanied by Deloitte Financial Advisor GmbH and supported by the management of Wolford AG. The expected acquisition of the equity package by a future core shareholder is to be linked to an equity measure that will sustainably boost the company's liquidity.

INVESTOR RELATIONS

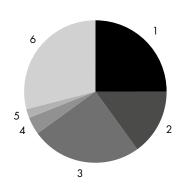
As a listed company, Wolford gives high priority to communicating professionally and reliably with the financial markets. In organizational terms, this function reports directly to the Chief Financial Officer.

Wolford maintained a close dialogue with retail and institutional investors once again in the past financial year. Here, the company adheres to the principles of continuity, equal treatment of all shareholders, and transparency and consistency of information. A wide range of communication

measures provides detailed information on the company to existing shareholders and also targets potential new investors. Wolford presents the company's development in one-to-one meetings with financial journalists, analysts, and investors in European markets. The company also makes all relevant information available to the financial community in the "Investor Relations" section of its website at company.wolford.com.

Wolford shares are regularly covered by an analyst at Raiffeisen Centrobank. The latest reports are available on Wolford's website.

WOLFORD'S SHAREHOLDER STRUCTURE



- 1 WMP Private Family Foundation > 25%
- 2 Sesam Private Foundation > 15%
- 3 Ralph Bartel > 25%
- 4 Erste Asset Management GmbH > 4%
- 5 Treasury Stock ~ 2%
- 6 Free Float ~ 29%

Corporate Governance at Wolford

COMMITMENT TO THE CORPORATE GOVERNANCE CODE

Wolford is convinced that carefully implemented and actively practiced corporate governance can significantly enhance 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. Wolford has been committed to the principles of the code since the 2002/ 03 financial year. The Austrian Working Group for Corporate Governance is responsible for publishing the Corporate Governance Code. The current version is available at www.corporategovernance.at and at Wolford's website. The latest revision to the code, which took effect as of January 1, 2015, implements a recommendation made by the European Commission on April 9, 2014 concerning the quality of reporting on corporate management ("comply or explain"). It also reflects the latest AFRAC opinion on the preparation and external evaluation of a corporate governance report as required by § 243b of the Austrian Commercial Code.

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

Boosting confidence

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 Management Board and Supervisory 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 Wolford AG forms part of this annual report (pages 24 to 33) and is also available under "Investor Relations" on Wolford'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 and of the Issuer Compliance Code published by the Austrian Financial Market Authority (FMA). 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 Issuer Compliance Code of the FMA requires the simultaneous and identical communication of information. Wolford consistently meets this re-

quirement by distributing the latest company news, including information with the potential to influence its share price, simultaneously to analysts, investors and the media. This information is simultaneously published on the company website to provide private shareholders with equal access to the information.

One share - one vote

The company has issued 5,000,000 zero par value common shares. There are no preferred 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 would receive the same price for his or her Wolford shares in the event of a takeover (mandatory tender). The shareholder structure is shown on page 23 of this annual report.

To ensure the continuous optimization of risk management, Wolford has established an internal audit function in the form of a staff unit reporting directly to the Chief Financial Officer. This function also has a direct reporting line to the Chairwoman of the Supervisory Board Audit Committee. Based on an internal audit plan approved by the Management Board and the Audit Committee, as well as a group-wide risk assessment of all corporate activities, the Management Board and the internal audit function regularly review operating processes to identify potential risks and opportunities for their improvement. Adherence to legal requirements, internal guidelines and processes is also monitored. To support the early identification and monitoring of risks, the internal control system is reviewed on a regular basis, improvements are implemented, and the results are reviewed. The internal audit function reports to the Management Board and the Audit Committee on the audit plan for the following year and on its audit findings.

Deloitte Audit Wirtschaftsprüfungs GmbH, Renngasse 1/Freyung, 1010 Vienna, was elected by the 29th Annual General Meeting (AGM) to audit the annual financial statements of Wolford AG and the consolidated financial statements of the Wolford Group for the 2016/17 financial year. There are no grounds for exclusion or prejudice that would be incompatible with a conscientious and objective audit by the group auditor, Deloitte Audit Wirtschaftsprüfungs GmbH. The fees for the audit of the consolidated financial statements and related services

amounted to € 0.13 million. All mandatory disclosures required by § 243a of the Austrian Commercial Code (UGB) can be found on page 58 of the Management Report.

Management Board



Ashish Sensarma, CEO

Ashish Sensarma

Ashish Sensarma (born in 1959) was CEO from January 7, 2015, and stood down from his position as of July 31, 2017. He is also a member of the Board of Directors of Shubh Properties Investments B.V.

He was responsible for marketing and sales, as well as for coordinating corporate strategy.

Ashish Sensarma has more than 30 years of experience in the fashion industry. He is a retail expert for brands in the mid-priced and luxury segments and has a global understanding of customer needs and extensive expertise in integrating sales channels. Born in

India and a Dutch citizen, Mr. Sensarma began his career with Mexx, where he developed the retail business for more than 20 years and oversaw revenues of more than € 400 million at more than 300 shops. He left Mexx in 2006, several years after the takeover by Liz Claiborne. Prior to joining Wolford, he served as Chief Operating Officer for the luxury swimwear brand Vilebrequin, which he developed into the global market leader in this segment. Mr. Sensarma is married and has two adult children. He holds a BSc in business administration from Nichols College, Dudley, Massachusetts, where he majored in Finance.



Axel Dreher, COO/CFO

Axel Dreher

Axel Dreher (born in 1965), has been a member of the Management Board since March 1, 2013, and Deputy CEO from January 7, 2015. His appointment runs until October 31, 2018. He does not hold any supervisory board or other similar functions outside the company.

He is responsible for design, product development, production and technology, supply chain management, quality management, finance, internal audit, investor relations, legal affairs, IT, and human resources.

Since August 1, 2017, Axel Dreher has been CEO of Wolford AG and is responsible for the company's strategy, marketing, and sales. Furthermore, he will continue to perform his existing functions as COO with responsibility for development, production, and logistics.

Axel Dreher studied business administration and also received an MBA from the University of

Pittsburgh with a major in Finance. From 2005 to February 2013, he served on the Management Board of Triumph International AG in Wiener Neustadt, where he was responsible for all commercial and operating activities. During his time at the German Schaeffler Group/FAG Kugelfischer AG (2001 to 2005), Axel Dreher was responsible for finance and controlling, human resources, IT, and procurement for FAG Austria AG, as well as for finance, controlling, and procurement for the utility vehicle segment of FAG Kugelfischer AG. He then assumed global management responsibility for a business unit where his core duties involved sales, product engineering, purchasing, and production. He also held management and supervisory board positions in Hungary and India. He gained additional management experience in research and development, finance and controlling and operating management in the automotive components supply industry while working at ITT Automotive Europe (1995 to 1998) and BorgWarner (1998 to 2001).



Brigitte Kurz

Brigitte Kurz

Brigitte Kurz (born in 1974), appointed until October 31, 2018, has been the new Chief Financial Officer (CFO) since August 1, 2017. She holds Board responsibility for finance, investor relations, legal affairs, IT, and human resources. She has been responsible for all finance-related topics at the Wolford Group since September 2015 (then as Director of Corporate Finance). From 2010 to 2015, Brigitte Kurz acted as CFO of the Zurich-based machine tool engineering company DMG Mori Europe, where she was responsible for finance and controlling at

a total of 12 sales locations across Europe. She previously worked for four years at the Carcoustics Group, an automotive supplier with global operations based in Leverkusen, initially as Commercial Director of Carcoustics Austria GmbH in Vorarlberg and from 2008 onward as Vice President Controlling at Carcoustics International. In this function, she was responsible for worldwide controlling. Born in Tyrol, Brigitte Kurz has lived in Vorarlberg for around 20 years and holds a master's degree in International Corporate Management from Dornbirn Technical College.

Supervisory Board Members and Committees

Since the 27th Annual General Meeting (AGM), the Supervisory Board of Wolford AG has comprised four members elected at the AGM and two representatives delegated by the Staff Council. The Supervisory Board held six meetings during the 2016/17 financial year. No Supervisory Board member was absent from more than half the meetings.

Antonella Mei-Pochtler, Supervisory Board Chairwoman

Since the 27th AGM: Chairwoman of Presidium, Personnel and Nomination Committee, Compensation Committee; member of Strategy and Marketing and Audit Committees. Independent; born in 1958, appointed until the 31st AGM (2017/18), first elected on September 17, 2013

- Senior Partner and Managing Director of the Boston Consulting Group in Vienna and Munich
- No additional functions at listed companies

Claudia Beermann, Deputy Supervisory Board Chairwoman

Since the 27th AGM: member of Presidium, Personnel and Nominations Committee, and Compensation Committee; Chairwoman of Audit Committee. Independent; born in 1966, appointed until the 31st AGM (2017/18), first elected on September 17, 2013

- Chief Financial Officer of Falkensteiner Michaeler Tourism Group AG
- No additional functions at listed companies

Lothar Reiff, Member

Chairman of Strategy and Marketing Committee. Independent; born in 1954, appointed until the 31st AGM (2017/18), first elected on September 17, 2013

- Managing Director of Lothar Reiff Consultancy
- No additional functions at listed companies

Birgit G. Wilhelm, Member

Member of Strategy and Marketing Committee. Independent; born in 1975, appointed until the 30th AGM (2016/17), first elected on September 12, 2006

- Real estate manager
- No additional functions at listed companies

Anton Mathis, Member

Member of Audit Committee as well as Strategy and Marketing Committee. Delegated by the Staff Council; born in 1960, first delegated on December 16, 1999.

Peter Glanzer, Member

Delegated by the Staff Council; born in 1954, first delegated on March 19, 2001. Retired from the Supervisory Board as of May 18, 2017.

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

The **Presidium**, which comprises the Supervisory Board Chairwoman Antonella Mei-Pochtler and her Deputy Claudia Beermann, represents

the company's interests in all matters related to the Management Board.

The Presidium held five meetings in the 2016/17 financial year and discussed current issues relating to the Management Board.

At Wolford, the Presidium serves as the Personnel and Nomination Committee and is responsible for preparing all appointments to the Management and Supervisory Boards. Prior to the appointment of persons to these corporate bodies, the Personnel and Nomination Committee defines a requirement profile and prepares resolutions for the Supervisory Board or AGM based on a predefined selection process and succession planning. It also serves as the Compensation Committee for the Management Board. In this function, the committee reviews the compensation policy for the Management Board at regular intervals and ensures compliance with the relevant provisions of the Corporate Governance Code.

The **Audit Committee** deals with the audit of the Group's consolidated 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 and qualifications of the auditor based on peer reviews. Since the 27th AGM, the Audit Committee has comprised Claudia Beermann (Chairwoman), Antonella Mei-Pochtler, and Anton Mathis.

The Audit Committee met twice in the 2016/17 financial year and primarily dealt with the following issues:

- The auditor's report on the audit of the annual financial statements for the 2015/16 financial year
- The preparation of a recommendation to the Supervisory Board for the selection of the (group)

- auditor for the 2016/17 financial year
- The company's performance in the first half of 2016/17
- The report by the Management Board on risk management at the Group
- The report by the Management Board on the AFREP review
- The report by the internal auditor on its audit findings.

The **Strategy and Marketing Committee** comprises the following members: Lothar Reiff (Chairman), Antonella Mei-Pochtler, Birgit Wilhelm, and Anton Mathis. This committee held one meeting in the 2016/17 financial year and mainly dealt with the topics of marketing organization and marketing strategy.

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 Wolford 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, the Management Board bears joint responsibility for managing the company. Issues of fundamental importance must be approved by the full 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 Chairwoman of the Supervisory Board 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 thus 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 improve the resolution of 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 his or her committee.

Employee participation on the Supervisory Board and its committees is a legally regulated part 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 AGM. Employee representatives exercise this function on an honorary basis and can be recalled by the Staff 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 that could, in turn, influence the behavior of the respective Supervisory Board member. The company maintains business relationships with individual members of the Supervisory Board, which are billed at ordinary market rates and are not material in total. Specifically, Lothar

Reiff has advised the company in matters relating to its market communications and the design of its collection. A customary fee of € 67,500 was invoiced for these services in the 2016/17 financial year, with the amount charged being based on the work performed.

All members of the Wolford 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 accordance with § 95 of the Austrian Stock Corporation Act, the Supervisory Board's main responsibility is to supervise the work of the Management Board. The current Supervisory Board meets this responsibility in full. Wolford AG has a free-float component of more than 20% and less than 50%. Since the 27th AGM, the Supervisory Board has included at least three members

(Antonella Mei-Pochtler, Claudia Beermann, and Lothar Reiff) who are neither shareholders with interests of more than 10% in the company nor representatives of the interests of large shareholders.

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 using 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 C-Rules of the Corporate Governance Code

C-Rule 18, Question 1

The internal audit department is no longer established as a Management Board staff office. In the course of restructuring the company, the tasks performed by the internal audit department were allocated to other company departments. This is intended to enhance the integration of such tasks within company structures and thus to ensure that internal company processes can be continually and sustainably improved. Internal audit tasks thus continue to be performed without restriction. Outsourcing these tasks to

a standalone department would merely create unnecessary additional expenses. This decision was jointly made by the Management and Supervisory Boards.

C-Rule 27, Question 3

Variable compensation does not account for any non-financial key figures. From the point of view of the Supervisory Board, the key balance sheet figures on which variable compensation is based already adequately account for all aspects of company management.

C-Rule 36, Question 3

The Supervisory Board once again forewent performing any self-evaluation in the past 2016/17 financial year. This was due to the company's business performance and the substantial additional time input thereby required.

C-Rule 39, Question 2

The Supervisory Board is only permitted to make decisions with the votes of all its members. Thanks to its size, however, the Supervisory Board is at all times able to make decisions, even in urgent cases.

C-Rule 43, Question 5

The principles underlying the compensation system are presented in great detail in the Compensation Report within the Corporate Governance Report. Additional reporting to the Annual General Meeting would therefore be superfluous. Potential questions about these principles at the Annual General Meeting are answered immediately. This decision was made by the Supervisory Board.

C-Rule 62

The company's compliance with the C-Rules 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 responsibilities. A separate review by an external institution would not produce any different results

and would only cause avoidable costs. The decision in favor of exclusively performing an internal audit of compliance with the C-Rules was made by the Management Board following agreement with the Supervisory Board.

C-Rule 81a, Question 1

The (group) auditor was only invited to one meeting of the Audit Committee. Although the Audit Committee did not hold more than two meetings, only one of these meetings dealt with topics relevant to the financial statements. This decision was made by the Supervisory Board.

C-Rule 83, Question 1

The audit assignment did not include an evaluation of the effectiveness of the risk management system. The Supervisory Board made 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 concerning the financial reporting process. This letter was presented to the Chairwoman of the Supervisory Board and discussed in detail at a Supervisory Board meeting. The Audit Committee also held two meetings during the past financial year which focused on the results of internal audit activities. In addition, there is a direct reporting line from the employees responsible for the internal audit to the Chairwoman of the Supervisory Board Audit Committee. Overall, the Supervisory Board is thus able to form its own impression of the effectiveness of the risk management system.

Compensation Report

The Compensation Report summarizes the principles used to determine the compensation paid to the Management Board of Wolford AG and sets out the amount and structure of this compensation. It also describes the underlying principles and amount of Supervisory Board compensation. The Supervisory Board has assigned responsibility for determining the compensation of Wolford's Management Board to the Presidium, which also acts as the Compensation Committee.

Consistent with the requirements of the Austrian Stock Corporation Act, members of the Management Board are appointed for specific terms in office. The employment contracts with members of

Wolford's Management Board have been concluded for these periods and also set out the level and structure of compensation. The goal of the compensation system is to provide Management Board members with compensation that is in line with national and international practice and adequately reflects the scope of their functions and responsibilities.

The Management Board compensation system comprises fixed and variable components.

The fixed component reflects the respective area of responsibility of each Management Board member and, in line with standard practice in Austria, is retrospectively disbursed in the form of 14

monthly installments. The variable component is based on the company's performance and on that of the individual Management Board member. It is linked in particular to the achievement of quantitative targets and sustainable, long-term and strategic goals. The total amount of compensation is appropriate to the duties and responsibilities of the individual Management Board members, as well as to the position of the company and compensation customary to the sector in which it operates.

The variable component of compensation for Ashish Sensarma and Axel Dreher is based on the ratio of earnings before tax to revenues. This compensation

component is capped at a maximum of 30% of annual fixed compensation. Furthermore, a longterm incentive ("LTI") program is also in place for Management Board members for the financial years from 2015/16 to 2017/18. This takes the form of a stock appreciation rights plan and is based on Wolford's share price performance and the achievement of targets for the ratio of earnings before tax to revenues. As of April 30, 2015, Axel Dreher and Ashish Sensarma were allocated 133,333 and 80,000 stock appreciation rights ("SARs") respectively. The SARs involve stock appreciation rights based on Wolford' actual share price. However, no actual shares are granted within this plan. This compensation component is potentially payable for the first time upon the conclusion of the

2017/18 financial year. The benefit resulting from exercising the SARs is capped at maximum gross amounts of € 1.2 million for Axel Dreher and € 2.0 million for Ashish Sensarma. Further information about the LTI program can be found in the "Investor Relations" section at the Wolford AG website.

Participation in the LTI program requires the individual Management Board member to make a personal investment in company shares. This condition has been met by Ashish Sensarma and Axel Dreher, who acquired 7,116 and 4,744 company shares respectively. The Management Board members acquired the shares at a price of € 21.08 per share (corresponding to the average share price in the period from December 10, 2014 to April 30, 2015).

The individual Management Board member is required to hold this personal investment in the form of the shares acquired until the end of the 2017/18 financial year.

Total current compensation of the Management Board members for the 2016/17 financial year amounted to € 1.08 million (2015/16: € 1.12 million). Of this total, 100% involved fixed (2015/16: 94%) and 0% variable compensation (2015/16: 6%). There is no stock option plan for the Group's management.

The compensation paid to Ashish Sensarma was settled via several group companies: Wolford AG (35%); Wolford Nederland B.V.: (25%); Wolford Deutschland GmbH: (20%); Wolford London Ltd. (20%).

Current Management Board compensation in €	2016/17 Fixed	2016/17 Variable	2016/1 <i>7</i> Total	2015/16 Total
Ashish Sensarma	600,000	0	600,000	500,000
Axel Dreher	475,000	0	475,000	400,000
Thomas Melzer (until July 31, 2015)	0	0	0	215,304
Total	1,075,000	0	1,075,000	1,115,304

Upon the termination of a Management Board contract, the respective member is entitled to severance pay with analogous application of the requirements of the Austrian Salaried Employees Act.

There are no pension fund agreements or defined benefit commitments for active Management Board members at Wolford AG. Expenses of € 0.20 million were recognized in the 2016/17 financial year for former Management Board members (2015/16: € 0.24 million).

A member of the Management Board may only take on additional duties outside the company with the approval of the Supervisory Board. This ensures that neither the time involved nor the compensation received lead to any conflict of interest with the individual's responsibilities vis-à-vis the company.

The AGM determines the compensation paid to elected Supervisory Board members and meeting allowances. The 27th AGM approved a new compensation

structure for the Supervisory Board that took effect from the 2014/15 financial year and applies until further notice.

Compensation for the function assumed and for preparing and attending four regular Supervisory Board meetings each financial year: Chairwoman € 50,000, Deputy Chairwoman € 35,000, members € 25,000.

Committee members receive the following additional compensation:

Audit Committee with two regular meetings per financial year: Chairwoman €5,500 and members €5,000 each; Strategy and Marketing Committee with two regular meetings per financial year: Chairman €5,500 and members €5,000 each; additional meetings are remunerated with €4,000 per member and meeting. The compensation for the year under report thus totaled € 0.19 million (2015/16: € 0.19 million) and was structured as follows:

Supervisory Board compensation in €	2016/17	2015/16
Antonella Mei-Pochtler, Chairwoman (6 Supervisory Board meetings, 2 Audit Committee meetings, 5 Presidium meetings, and 1 Strategy and Marketing Committee meeting)	73,500	74,500
Claudia Beermann, Deputy Chairwoman (6 Supervisory Board meetings, 2 Audit Committee meetings, and 5 Presidium meetings)	56,500	52,500
Lothar Reiff (6 Supervisory Board meetings and 1 Strategy and Marketing Committee meeting)	27,750	33,250
Birgit G. Wilhelm (6 Supervisory Board meetings and 1 Strategy and Marketing Committee meeting)	27,500	32,500
Total	185,250	192,750

Reference is made to the comments in the Corporate Governance Report on page 30 for information about payments made for services over and above the aforementioned Supervisory Board duties, and especially consulting services. No pension commitments have been made to Supervisory Board members at Wolford AG. Wolford AG has

concluded directors and officers (D&O) insurance with coverage of € 25 million for the members of the Supervisory and Management Boards, key employees, and the managing directors of subsidiaries. The company covers the cost of this insurance. Purchases and sales of treasury stock by members of the Management and Supervisory Boards and closely

related individuals ("directors' dealings") are made public in accordance with Article 19 of the Market Abuse Regulation and are published in the "Investor Relations" section of the Wolford AG website pursuant to the Austrian Corporate Governance Code.

Measures to Promote Women

Unlike at many other listed companies, in the 2016/17 financial year the Supervisory Board at Wolford AG already had a comparatively large share of female members, who accounted for three of the total of six members. There is nevertheless no 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, thus helping them to reconcile their family and professional commitments. The Wolford Group focuses on its own points of sale, and its product line chiefly targets female customers. These factors are reflected in its workforce, in which women make up more than 80% of employees.

Report of the Supervisory Board

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

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

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

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

It was nevertheless not possible to adequately make up for the loss of revenues in the first half. In the 2016/17 financial year,
Wolford's revenues fell by 5%
to € 154.28 million (currency-adjusted: -4.1%). EBIT came to
€ -15.72 million, while earnings
after taxes amounted to € -17.88
million as against € -10.66 million (adjusted) in the previous
year. As of April 30, 2017, the
Wolford Group had liquid funds
of € 10.31 million, and an equity
ratio of 32%.

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

Numerous meetings in 2016/17 financial year

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

In addressing the annual financial statements for the 2015/16 financial year, the Audit Committee invited the auditor to attend its meeting on July 13, 2016. The auditor presented a management letter and discussed its key findings with the members of the Audit Committee. At the subsequent Supervisory Board meeting, the Supervisory Board discussed and approved the annual financial statements of Wolford AG, reviewed the consolidated financial statements, the management report, the Management Board proposal for the appropriation of profit, and the Supervisory Board's report to the Annual General Meeting. Furthermore, the Supervisory Board agreed a proposal to the Annual General Meeting for the election of the auditor and set the agenda for the 2016 Annual General Meeting. Other major agenda items at the meeting included the Management Board's report on the current financial year and on the "NOW" project.

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

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

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

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

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

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

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

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

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

Composition of Management Board

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

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

The Supervisory Board Vienna, August 2017

MANAGEMENT REPORT



Management Report

Group Information

Wolford at a glance

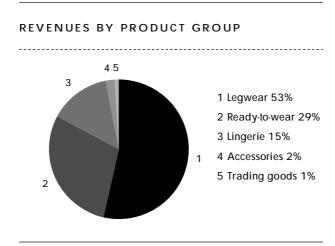
Founded in the Austrian city of Bregenz in 1950, Wolford designs, manufactures and sells luxury legwear and bodywear and exclusive lingerie. It designs and manufactures its products exclusively in Europe, at two locations in Austria and Slovenia, in accordance with the highest environmental standards (partner in the bluesign® system). With its 267 mono-brand points of sale (POS) and more than 3,000 retail partners, the brand is represented in around 60 countries worldwide. Overall, Wolford has a total workforce of 1,544 employees (FTE), of which 678 employees (FTE) are based in Austria.

Focus on round-knitting

Products meet the highest quality standards

Wolford generates more than 50% of its revenues with its core Legwear product group, to which all other product groups are aligned. The second-largest product group is Ready-to-wear, which includes figure-embracing products such as bodies and shirts (bodywear), as well as dresses and pullovers. The Legwear and Bodywear product groups are based on a special round-knitting technology that was developed by Wolford and is continually being enhanced. This gives Wolford's products their unique comfort and quality. These two product groups are complemented by a select offering of decorative and, in some cases, figure-shaping lingerie. A distinction is made between fashionable Trend products and the Essential collection, which includes all of Wolford's timeless classics, such as the Satin Touch tights offered since 1988. The Essential products account for around 70% of revenues.

The collections are supplemented by a small selection of accessories, such as scarves and bracelets, which contribute revenues in a low single-digit million euro range. At the beginning of the 2016/17 financial year, Wolford also introduced Beachwear as a new product category. This promises to generate additional revenue potential for the traditionally weak summer months.



Covering the whole of the value chain

The Wolford Group's business model covers the entire value chain – from design and development to production to global omni-channel distribution, including proprietary boutiques. The company is supported in various sections of the value chain by external partners and select suppliers. Most activities are centralized at the company's headquarters in Bregenz.

When developing a new collection, the design team works hand in hand with the product development department. Many of Wolford's innovations result from new production methods, such as adhesive technology or 3D printing. Merchandise management deals above all with requirements planning for the retail sales areas at proprietary boutiques and for wholesale customers. This department determines which articles have to be produced in which quantities and colors and for which retail space. It also controls the flow of goods from the warehouse to retail space.

Design and product development cooperate closely

The raw materials, yarns in particular, are procured from long-standing partners in neighboring regions in Austria, Germany, and Switzerland, as are upstream lingerie products. Some of the yarns are sourced from Japan. All raw materials are stored at the company's headquarters in Bregenz and prepared here for subsequent production and assembly.

Production takes place at the location in Bregenz, which serves as a textile development and production center, and in Murska Sobota (Slovenia), where the largely manual assembly activities are performed by 281 employees (FTE). The knitting mill in Bregenz processes around 430,000 kilometers of yarn each day. Around 20,000 pairs of tights, 5,000 pairs of stockings, and 2,000 bodies are manufactured each day on 380 individually modified knitting machines. The knitted hoses for bodies or tights are taken to Slovenia for assembly and subsequently dyed and checked in Bregenz. Products not involving round-knitting, such as lingerie, are produced directly in Slovenia.

All goods produced in Europe

Finished products are stored in the following warehouses: at the central warehouse in Bregenz and at three warehouses for the online business. The warehouse in Germany supplies the EMEA region, while the warehouses in the U.S. and China supply the American and Asian markets respectively.



Global sales

Wolford products are currently sold via a network of proprietary locations and retail partners in around 60 countries worldwide. In the 2016/17 financial year, the company generated the largest share of its revenues (46%) with its international network of boutiques. At the end of April 2017, 109 of Wolford's 194 boutiques were under proprietary management, while 85 were managed by partners. Overall, the Wolford Group controls 70% of its distribution.

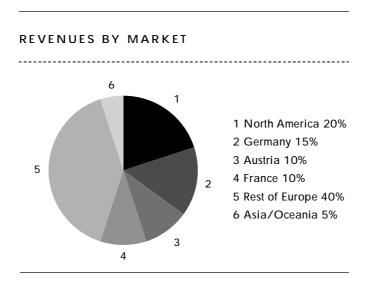
Wolford controls 70% of its distribution

Distribution channels

Distribution diaminos	
Boutiques: boutiques under Wolford management	Department stores: exclusive shop-in-shops with the Wolford look and feel at numerous international department stores
Partner boutiques: boutiques managed by	Multi-brand retailers: exclusive fashion and
retail partners	specialist retailers offering Wolford models
Concession shop-in-shops: sales areas	Franchise: independent companies with their
under Wolford management within department	own capital which offer Wolford products in line
stores	with Wolford's uniform marketing concept
Online business: proprietary online bou-	Private label: products manufactured for
tiques	other brands or offered under other brand names at retailers
Factory outlets: sales locations at which	Travel Retail: points of sale at airports and
Wolford collections from previous years and cut-	railroad stations
price goods are sold	

Europe as most important market

Accounting for around 75% of revenues, the European market is the most important sales market for the Wolford Group. Specifically, Germany (15%) contributes a major share of the Group's revenues, as do Austria (10%) and France (10%). The U.S., with a 20% share of revenues, is the single most important market.



Central management

The Management Board manages the company from its corporate headquarters in Bregenz. It is responsible for strategy and group management, while the Supervisory Board assists the Management Board in an advisory capacity and monitors its management of the company.

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

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

Revenues and EBITDA as key management figures

Supply chain managers are responsible for managing inventories and trade receivables. They are also responsible for consistently implementing measures to reduce raw material holdings and stocks. Receivables management is based on close liaison 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.

Strategic opportunities and challenges

Wolford's objective as a company is to generate profitable growth and thus sustainably increase its value. The quality of Wolford's products, its sustainable production activities, and its loyal customer base – these are undeniable assets for the company. In recent years, Wolford has made efforts to boost its core competencies and power of innovation and to revitalize its brand. It is not by chance that Wolford is one of the 100 highest-revenue global luxury brands listed in Deloitte's current report "Global Power of Luxury Goods" (2017).

Typical Wolford customers are self-confident, often have careers of their own, and speak two or more languages. They expect to feel the same exclusivity wherever they come into contact with the brand. Substantial investments, particularly in designing our own boutiques, are needed to ensure an optimal impression at the point of sale. In the 2016/17 financial year, Wolford developed an entirely new store concept and tested this at its proprietary boutique on Berlin's Kurfürstendamm. The revenue growth of around 13% reported since the store was opened in September 2016 offers strong evidence of the potential in this new concept. At present, however, Wolford is unable to make the investments needed to roll out this new store concept using its own resources.

New store concept offers potential

Wolford also has to continue investing in its online business, especially in its online marketing activities and in linking its online business to other distribution channels. This is an area in which the company has already made some progress in recent years. Visitor numbers at large city locations are falling consistently and luxury good and fashion manufacturers face the challenge of offering a seamless omni-channel shopping experience to match their customers' increasingly "smart" shopping patterns.

The challenges presented by the market are accompanied by in-house challenges. Having evolved over 67 years, the company's organizational structures are still overly complex and costly, a factor further exacerbated by the excessive complexity of the IT infrastructure. To cover costs if these structures were to remain as they are, group revenues would have to be around 25% higher. It is clear that growth on this scale is not feasible in the current market, even if Wolford further optimizes its market presence.

Costly organizational structures

Against this backdrop, the management is currently focusing on cutting costs by systematically reorganizing the company's structures and processes. Achieving profitability based on the company's current level of revenues – that is the important milestone for now.

Reorganization of processes

To this end, Wolford launched Project NOW at the beginning of 2016 and began implementing key parts of the program in the 2016/17 financial year. One of these is the decision to focus all European sales activities in Bregenz. Rather than maintaining independent sales and marketing functions with corresponding administrative structures at nine locations across Europe, the company now has one platform performing these activities for the EMEA region. This supplements the existing sales and marketing platforms in the U.S. and Asia. In parallel, Wolford has centralized its international customer service at its Antwerp location.

Furthermore, Project NOW also involves the process, now largely completed, of relocating manual activities to Slovenia, a country with more favorable cost structures, as well as initial measures to restructure processes at Wolford's headquarters. The company has streamlined its development structures, for example, and reduced the number of prototypes. Not only that, it is currently introducing a new corporate marketing structure. Alongside these measures, the company plans to introduce new product packaging that is less costly to produce, and also has medium-term plans to insource the online business logistics processes currently performed by two external partners. The company also intends to reorganize its market presence in China in the medium term. Here, Wolford plans to rely on partners in the future and to agree to a master franchise arrangement comparable to the solution in place in Russia.

Building on Project NOW, at the beginning of 2017 Wolford defined further restructuring measures for the second phase. A single-digit number of retail locations is under review, while the rental agreements at 17 proprietary retail locations are to be renegotiated. Wolford is currently checking stocks at its proprietary boutiques and, where necessary, redistributing these in line with requirements, such as increasing product depth or reducing stock holdings at individual boutiques. Furthermore, structures and processes at the company's headquarters are now being scrutinized on a systematic basis. For this, Wolford has also drawn on external advice since the end of July 2017.

The Business Environment

The global economy grew by 3.1% in the 2016 calendar year, a period which included the first eight months of Wolford's past financial year. Global growth was thus at the same level as in the previous year. Following a rather weak first half, the global economy gained new momentum, especially in emerging economies, in the second half of the year. Economic developments were facilitated not least by persistently favorable financing conditions and a recovery in labor markets across Europe. Overall, however, global GDP (gross domestic product) growth still fell short of precrisis levels.

Slight upturn in the euro area

The euro area, where Wolford generates around 75% of its revenues, generated economic growth of 1.7% in 2016, as against 1.5% in the previous year. This improvement was chiefly driven by rising private consumer spending in countries including Germany. Overall, private consumer spending grew by around 2% in the euro area, a development supported not least by low interest rates.

In Germany, Wolford's second-largest market, GDP grew by 1.8% in 2016. In the U.K., the outcome of the referendum on leaving the EU created uncertainty initially, but the direct impact on the economy and financial markets then proved to be marginal: GDP here also rose by 1.8%. Spain reported GDP growth of 3.2%, while the French and Italian economies grew by 1.2% and 0.9% respectively.

Despite strong development in the services sector, economic growth in the U.S. came to just 1.5% in 2016, down from 2.4% one year earlier. Among other factors, this was due to the weakness of U.S. exports in the final quarter of 2016. China's GDP growth continued to slow down, from 6.8% in the previous year to 6.7% in 2016.

In the first four months of 2017, i.e., the final third of Wolford's financial year, GDP in the euro area grew by 0.5% (previous year: 0.6%). Germany reported growth of 0.6%, as against 0.7% in the previous year. Growth in the U.S., by contrast, came to a mere 0.2%, this being due, among other factors, to weak private consumer spending.

The European textile retail sector witnessed another weak year in 2016. Fashion retailers in France and Belgium continued to feel the aftereffects of the terrorist attacks and reported revenue decreases of 2.7% and 3.2% respectively. In the U.K., the approaching departure from the European Union created uncertainty. Sector revenues here fell by 2%. Germany also reported a 2% reduction in textile retail revenues. This was due not least to a heatwave in the late summer and to Christmas revenues persisting at the previous year's level despite substantial discounts of up to 70%. Italy was the only country to report rising retail fashion revenues, albeit at a weak level of 0.7%, achieved in spite of rising unemployment.

Fashion retail performs weakly in key markets

The European fashion and textile retail sector continued to post weak growth in the first months of 2017 as well, with Italy once again the only country able to increase its three-month sector revenues, in this case by 1.8%. Apart from surprisingly positive developments in March (+9%), fashion retail revenues in Germany continued to decline in the first three months (January: -7%; February: -9%), while France also reported a negative trend (January – March: -1.1%). The downturn in the German fashion retail sector continued in April as well, with a -7% reduction in revenues. Not only that, the number of customers visiting stores also declined further in this key market, with German retailers reporting a 7.1% downturn in customer visits in the first quarter of 2017.

Sources: IMF, European Central Bank, TextilWirtschaft-Testclub, Federal Statistical Office of Germany (Statistisches Bundesamt), Eurostat, Institut Français de la Mode, Handelsblatt, FashionUnited, finanzen.net

Financial Review

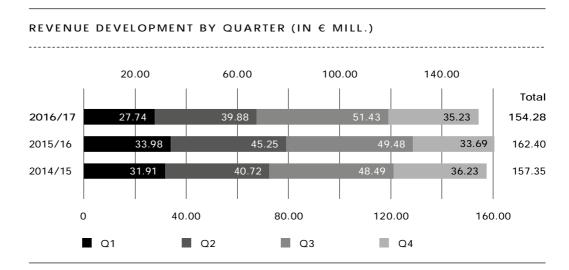
Earnings

The Wolford Group generated revenues of € 154.28 million in the 2016/17 financial year. Revenues thus fell 5.0% short of the equivalent figure for the previous year (€ 162.40 million). Excluding exchange rate movements, the reduction in revenues came to 4.1%. The overall impact of movements in exchange rates, especially in the British pound and Swiss franc, amounted to € 1.5 million in the past financial year.

The decline in revenues was mainly due to the weak first half of the year. This period was affected on the one hand by difficult market conditions. In the key German market, for example, turnover at textile retailers witnessed a double-digit fall in some cases in the late summer of 2016. This factor was exacerbated, on the other hand, by internal problems concerning requirements and sales planning. These difficulties resulted not least from overly hasty restructuring of merchandise management activities in the Retail business. This, along with delays in deliveries for the autumn/winter collection, meant that Wolford did not have sufficient merchandise, or enough fresh merchandise, available at its points of sale in the period from May to October 2016. This led to a substantial loss of revenues, as well as to costly follow-up production and increased stock holdings.

In the second half of the year, Wolford managed to compensate for only part of this loss in sales. Some of the revenues lost due to delayed deliveries were made up in the third quarter, but revenues in the important Christmas season failed to exceed the previous year's level. Revenues for the fourth quarter rose year-on-year by 4.5% to $\leqslant 35.2$ million, with this growth being partly driven by numerous special sales campaigns in France in particular.

Wolford's proprietary locations (proprietary boutiques, concession shop-in-shops, and factory outlets) reported a \in 6.01 million (-5.7%) reduction in revenues in the past financial year. On a like-for-like basis (i.e., excluding locations newly opened or closed) the decline in revenues came to -3.8%. Revenues in the wholesale business decreased by \in 2.5 million (-4.2%). By contrast, the proprietary online business showed further growth and increased its revenues year-on-year by \in 0.63 million (+5.1%).



Regional revenues, which were influenced in some cases by exchange rate movements, developed as follows in the 2016/17 financial year: Revenues in the U.K., which were affected by the Brexit referendum and the depreciation in the British pound, fell by 17%. Weak revenues were also reported in the key markets of the U.S. (-4%), Germany (-6%), and Austria (-2%), as well as in Italy (-3%), Scandinavia (-9%), the Netherlands (-4%), and Belgium (-6%). Revenues rose, by contrast, in Spain (+1%) and above all in France (+6%), where the significant revenue growth was driven, among other factors, by a higher volume of sales campaigns on internet sales platforms. Revenues developed negatively in Asia (-14%) and in Central and Eastern Europe (-8%).

With a 53% share of revenues, and thus unchanged on the previous year, Legwear once again accounted for more than half of consolidated revenues in the 2016/17 financial year. Revenues in this product group declined by 6% compared with the previous year. Ready-to-wear, where revenues fell 4% short of the previous year, remained the second-largest product group, with a 29% share of revenues. The Lingerie product group accounted for 15% of consolidated revenues (2015/16: 14%) and also reported a 4% drop in revenues. Trading good revenues (1% of revenues) fell by 3% compared with the previous year, while Accessories (2% of consolidated revenues) reported a substantial double-digit downturn of -27%.

	2016/17	2015/16*
Profitability indicators	in %	in %
Materials cost (including changes in inventories) as a percentage of revenue	16.9	14.1
Staff costs as a percentage of revenue	48.7	45.5
Other operating expenses as a percentage of revenue	37.3	36.7
EBITDA margin	-2.2	5.2
Capital expenditure to depreciation	54.5	64.6
EBIT margin	-10.2	-1.8

^{*} Adjusted (see Section II of the Notes).

The internal problems with requirements and sales planning also led to higher inventories in the past financial year. These rose by \in 1.56 million to \in 49.39 million. Furthermore, the cost of materials rose year-on-year by \in 0.25 million to \in 27.63 million, a development also reflected in the deterioration in the materials cost ratio (including changes in inventories) by 2.8 percentage points.

Staff costs rose by \in 1.35 million to \in 75.21 million (2015/16: \in 73.86 million). This was due to provisions and to compensation payments already made in connection with the introduction of the centralized EMEA sales platform. The staff cost ratio showed a corresponding deterioration of 3.2 percentage points. Initial measures intended to streamline administrative structures in Bregenz led to a reduction in the average number of employees (full-time equivalents) by 27 to 1,544 (average for 2015/16: 1,571 employees).

Depreciation and amortization of intangible assets and property, plant and equipment, which rose to € 12.33 million (2015/16: € 11.30 million; adjusted), clearly left their mark on the results for the past financial year.

Explanation: The Wolford Group's consolidated financial statements as of 30 April 2016 and its half-year financial reports as of 31 October 2015 and 31 October 2016 were selected for a random audit review by the Austrian Financial Reporting Enforcement Panel (AFREP) and reviewed pursuant to § 2 (1) No. 2 of the Austrian Accounting Inspection Act (audit without particular cause). In the consolidated financial statements as of 30 April 2016, the assumptions underlying the cash flow forecasts referred to when determining the values in use for IAS 36 impairment test purposes were erroneous. Furthermore, the cash flow statement for the period from May 1, 2015 to April 30, 2016, included erroneous information in several detailed items (e.g., due to netting). Errors from earlier periods are adjusted retrospectively. These retrospective adjustments did not have any implications for the information presented in the opening balance sheet for the previous period (May 1, 2015). The implications of these retrospective adjustments for individual line items are presented in the notes to the consolidated financial statements (Section II Adjustments pursuant to IAS 8).

The depreciation and amortization of € 12.33 million recognized for the 2016/17 financial year include impairment losses of € 1.97 million resulting from the impairment tests performed on several underperforming boutiques at locations in Austria, Germany, France, Italy, Spain, the U.S., Canada, Shanghai, and Macau. These one-off write-downs are also indirectly linked to the downturn in revenues in the past financial year.

Other operating expenses include one-off items of \in 3.92 million. Alongside the derecognition of a previously capitalized customs refund of \in 0.82 million in the U.S., these also include provisions of \in 0.93 million for a legal dispute with a former partner in Switzerland, and \in 0.90 million for a contractual penalty due to failure to meet sales target agreements with Hermes.

The loss in revenues as well as the aforementioned one-off items are clearly reflected in the company's operating earnings in the past financial year: EBITDA (earnings before interest, tax, depreciation and amortization) amounted to \in -3.39 million, as against \in 8.38 million one year earlier. As outlined above, the previous year's figure (originally communicated at \in 11.01 million) was retrospectively adjusted.

Given the high volume of special write-downs and the one-off items outlined above, EBIT came to \in -15.72 million, as against \in -2.92 million in 2015/16 (adjusted). In the previous year, EBIT still benefited by \in 1.12 million from the sale of rental apartments (located in Hard) not required for operations.

Random audit review by AFREP

Earnings after tax of € -17.88 million

The financial result showed a marginal improvement from € -0.93 million to € -0.86 million. Earnings before tax therefore came to € -16.57 million, as against € -3.85 million (adjusted) in the previous year. Income tax amounted to € -1.31 million (2015/16: € -6.81 million). In the previous year, deferred taxes of € 6.53 million were reversed because there were no substantial indications that they would be usable. Earnings after tax totaled € -17.88 million (2015/16: € -10.66 million; adjusted), while earnings per share came to € -3.64 (2015/16: € -2.17; adjusted).

Income Statement (summary)			
in € mill.	2016/17	2015/16*	Chg. in %
Revenues	154.28	162.40	-5
Other operating income	0.95	2.30	-59
Changes in inventories	1.58	4.40	-64
Other own work capitalized	0.14	0.09	+56
Operating output	156.95	169.19	-7
Cost of materials	-27.63	-27.38	+1
Staff costs	-75.22	-73.86	+2
Other operating expenses	-57.49	-59.57	-3
Depreciation and amortization	-12.33	-11.30	+9
EBIT	-15.72	-2.92	> 100
Financial result	-0.86	-0.93	+8
Earnings before tax	-16.57	-3.85	> 100
Income tax	-1.31	-6.81	-81
Earnings after tax	-17.88	-10.66	+68

^{*} Adjusted (see Section II of the Notes).

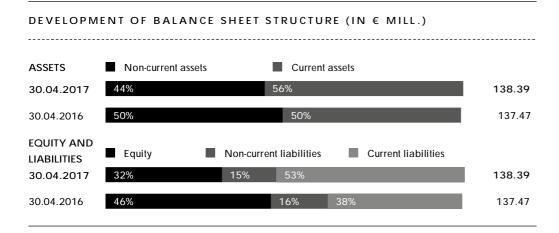
Assets

At € 138.39 million, total assets at the Wolford Group as of the balance sheet date (April 30, 2017) were slightly higher than the previous year's figure (€ 137.47 million). On the equity and liabilities side of the balance sheet, by contrast, equity fell significantly due to the substantial loss incurred in the 2016/17 financial year. This was accompanied by a significant year-on-year increase in financial liabilities, as the company was obliged to make increasing use of bank credit lines on account of its negative results.

Non-current assets amounted to € 61.49 million at the balance sheet date, corresponding to 44% of total assets (2015/16: 50%*). Property, plant and equipment and other intangible assets fell by 9% to € 56.23 million. In the past financial year, Wolford invested € 6.72 million in property, plant and equipment and intangible assets (2015/16: € 7.30 million), with these investments being channeled into, among other areas, the new concept for the flagship stores in Berlin and Shanghai, the new store in Macau, and a new software for the B2C and B2B distribution channels. Further investments related to the showroom in Dusseldorf and the introduction of 3D/silicon technology. These investments were countered, as outlined above, by depreciation and amortization of € 12.33 million (2015/2016: € 11.30 million*).

Increase in inventories

Current assets accounted for 56% of total assets as of April 30, 2017 (2015/16: 50%). As a result of the problems variously referred to above in respect of requirements and sales planning, inventories rose by 3% to € 49.39 million, or 36% of total assets. Trade receivables increased by 28% to € 11.19 million, or 8% of total assets. Cash and cash equivalents totaled € 10.31 million at the balance sheet date (2015/16: € 3.87 million).



Shareholders' equity at the Wolford Group amounted to € 44.88 million at the balance sheet date (April 30, 2017) and thus fell € 18.94 million short of the comparative figure in the previous year, a development due above all to negative earnings after tax. The equity ratio amounted to 32% as of the balance sheet date (previous year: 46%*).

Equity ratio of 32% at balance sheet date

Non-current liabilities showed a marginal reduction of 4% from € 21.92 million to € 21.08 million, equivalent to 15% of total assets (2015/16: 16%*).

Balance sheet indicators		30.04.2017	30.04.2016*
Equity	in € mill.	44.88	63.81
Net debt	in € mill.	31.27	20.86
Working capital	in € mill.	45.73	43.15
Balance sheet total	in € mill.	138.39	137.47
Equity ratio	in %	32.4	46.4
Gearing	in %	69.7	32.7
Working capital as a percentage of revenue	in %	29.6	26.6
Net debt to EBITDA		-9.2	2.5

^{*} Adjusted (see Section II of the Notes).

Current liabilities, by contrast, rose year-on-year by 40% to € 71.42 million (2015/16: € 51.73 million*). This was mainly due to current financial liabilities, which grew by € 17.59 million given the company's need to draw on bank credit lines. Due above all to the increase in inventories, working capital (defined as the sum of inventories, trade receivables, and other receivables and assets, less trade payables and other current liabilities) rose to € 45.73 million at the balance sheet date (2015/16: € 43.15 million). Net debt grew year-on-year by € 10.41 million to € 31.27 million, leading to gearing (net debt/equity ratio) of 70%.

Calculation of Net debt	30.04.2017 in € mill.	30.04.2016 in € mill.	Chg. in %
Non-current financial liabilities	0.21	0.98	-79
Current financial liabilities	42.65	25.06	+70
- Financial assets	-1.28	-1.31	-2
- Cash on hand and cash equivalents	-10.31	-3.87	> 100
Net debt	31.27	20.86	+50

^{*} Adjusted (see Section II of the Notes).

On account of the losses incurred, the company has breached the requirements of existing loan agreements and classified the relevant financial liabilities as current.

To secure its liquidity, in July 2017 the company agreed a financing arrangement with a consortium of banks. This is limited until the end of June 2018 and is subject to various terms and conditions, the fulfilment of which is dependent on future events. These conditions specifically include the initiation of an investor identification process with the objective of obtaining a significant equity injection by the end of June 2018.

Furthermore, upon agreement of the financing arrangement the company was obliged to provide extensive security (global assignment of all receivables, pledging of machinery and all properties, as well as of intellectual property).

Although the Management Board currently expects all terms and conditions to be successfully met, the fact that this also depends on circumstances beyond the company's control means that substantial uncertainties remain. These may also involve a residual risk (especially for the period following expiry of the financing arrangement at the end of June 2018) in terms of the Group's ability to uphold its business operations.

Cash flow

Operating cash flow significantly down on previous year

At € -1.70 million, the cash flow from operating activities (operating cash flow) was significantly lower than in the previous year. This was chiefly due to the lower level of earnings before tax and the increase in working capital. At € 49.39 million (2015/16: € 47.84 million), the high volume of inventories resulted from the company's internal difficulties with requirements and sales planning. A certain amount of lead time is required between materials procurement and production. This led to a delay in the company adjusting its processes to the significantly lower sales figures in the financial year under report.

The cash flow from investing activities came to € 6.51 million in the period under report and was thus slightly (€ 0.57 million) higher than the previous year's figure. In the year under report, Wolford mainly channeled its investments into the new store concept in Berlin and Shanghai, as well as into new software for its B2C and B2B distribution channels. Further investments related to the showroom in Dusseldorf and 3D/silicon technology.

As a result, the free cash flow (cash flow from operating activities less cash flow from investing activities) fell from \in -2.98 million to \in -9.45 million.

The cash flow from financing activities showed a substantial increase of € 14.05 million to € 15.84 million in the period under report. This was due above all to the company's earnings performance and its correspondingly higher level of bank credit line utilization.

Cash Flow Statement (summary)	2016/17 in € mill.	2015/16* in € mill.	Chg. in %
Net cash flow from operating activities	-2.94	2.96	> 100
Cash flow from investing activities	-6.51	-5.94	+10
Free cash flow	-9.45	-2.98	> 100
Cash flow from financing activities	15.84	1.79	> 100
Change in cash and cash equivalents	6.40	-1.19	> 100
Cash and cash equivalents at end of period	10.31	3.87	> 100

^{*} Adjusted (see Section II of the Notes).

Development of Business Segments

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

- Austria
- Rest of Europe
- North America
- Asia

Austria

External revenues in the Austria segment (revenues less intragroup revenues) showed a marginal reduction from \in 33.41 million to \in 33.00 million in the period under report. This segment includes the production and sales activities in Austria and all other countries in which Wolford does not have any proprietary subsidiaries. The Austria segment contributed 21% of consolidated revenues (2015/16: 21%). EBIT amounted to \in -13.33 million, as against \in 4.36 million in the previous financial year. Alongside the negative earnings performance, this year-on-year variance was mainly due to charges incurred in connection with the restructuring program now underway.

Austria segment posts significantly negative EBIT

Rest of Europe

External revenues at the companies in the Rest of Europe segment decreased from \in 89.63 million to \in 83.95 million. This segment includes the European sales companies outside Austria and the production company in Slovenia. Rest of Europe contributed 54%, and thus the largest share of consolidated revenues (2015/16: 55%). EBIT came to \in 1.96 million, as against \in -0.34 million in the previous year. This was due above all to the lower cost of materials resulting from the new transfer pricing policy.

EBIT in Rest of Europe segment up on previous year

North America

External revenues at the group companies in the North America segment declined from € 31.93 million to € 30.90 million. This segment, which comprises the sales companies in the U.S. and Canada, contributed 20% of consolidated revenues (2015/16: 20%). The U.S. market generated the highest revenues of all sales companies within the Wolford Group in the past financial year.

EBIT in North America segment with adjusted previous year's figures

EBIT amounted to € -0.67 million, as against the previous year's figure which was originally communicated at € -0.51 million but has now been adjusted to € -4.98 million. The cash flow forecasts referred to for impairment tests in the U.S., which had assumed substantial revenue growth, have now been adjusted to slight revenue growth. This led to a retrospective impairment requirement of € 1.84 million for the 2015/16 financial year. This was accompanied by a provision, also recognized retrospectively for the 2015/16 financial year, for pending losses in connection with rental agreements in the U.S. (€ 2.63 million). Together, these items reduced the previous year's EBIT by € 4.47 million.

Asia

Consistent revenues at Asian companies

At € 6.43 million, external revenues at the companies in the Asia segment fell short of the previous year's figure of € 7.44 million. This segment, which includes the sales companies in Hong Kong and China, accounted for 4% of consolidated revenues (2015/16: 5%). Due above all to one-off write-downs at several weak-performing boutiques in Shanghai and Macau, as well as to higher other operating expenses, EBIT in this segment fell from € -0.9 million to € -3.35 million.

Outlook and Goals

The first half of 2017 witnessed a revival in global trading volumes and an improvement in the economic outlook for the euro area and the U.S., and that despite the weak first quarter in the United States. China has also reported more stable growth once again. Based on a forecast issued in June, the OECD, for example, expects the global economy to grow by 3.5% in 2017. It has therefore raised its forecast slightly since the beginning of the year.

Following a difficult year in 2016, the market for personal luxury goods has also shown initial signs of recovery in 2017. Strategy consultants at Bain & Company and Altagamma, the association of the Italian luxury goods industry, expect to see full-year growth of 2% to 4% in 2017, with this growth being driven not least by an improvement in consumer confidence in Europe.

Conditions remain difficult in fashion retail sector

Underlying conditions, particularly for the fashion retail sector, are nevertheless set to remain difficult for the foreseeable future. According to the consumer research company GfK, revenues in the German textile and fashion market, for example, fell by 3.2% in May and then by 0.9% in June. Following an exceptionally weak June (-8.9%), the Paris-based Institut Français de la Mode also expects to see a weak performance in 2017, with French textile apparel providers reporting a reduction of around 1.4% in their first-half revenues.

Furthermore, retailers across Europe have complained about declining numbers of customers visiting their stationary stores, a development also to be viewed in connection with consumers' fear of terrorist attacks. Based on an analysis compiled by ShopperTrak, walk-in customer totals in Germany declined by 3.1% between July 2016 and June 2017. In the first quarter of 2017 alone, the number of off-the-street customers at German stores fell by 7.1%, with a similar trend being reported for Italy (-3.6%), the U.K. (-2.7%), and France (-1.9%). According to investment bank Credit Suisse, at least 8,600 retail stores in the U.S. are set to close their doors this year, one third of these with product ranges featuring fashion items.

Slight revenue growth expected

Wolford itself was able to increase its currency-adjusted revenues by around 3% in the first three months of its current financial year (May to July 2017). This growth is nevertheless based on the weak performance in the previous year's period. Given the market conditions outlined above, the management expects only very slight year-on-year revenue growth for the current financial year. A time line of two years is envisaged for the implementation of the planned restructuring measures to improve the company's earnings. The measures will also only take full effect in the 2018/19 financial year.

Against this backdrop, Wolford still expects to generate negative operating earnings in the 2017/18 financial year. Having reached a corresponding agreement with its long-standing bank partners, the company's financing for the current financial year is now secure. Wolford expects to generate positive operating earnings once again from the 2018/19 financial year.

Profitability expected to be regained in 2018/19

The management is actively supporting the process initiated by the principal shareholders to identify parties interested in taking over their majority interest. The acquisition of the equity package by a future core shareholder should also involve an equity measure to boost the company's liquidity in the medium and long term. This measure should assist the company in accelerating the expansion of its online marketing, as well in gradually rolling out the new store concept designed in the past financial year.

Sources: TextilWirtschaft, Institut Français de la Mode, Bain & Company, German Federal Ministry for Economic Affairs and Energy (BMWI)

Events After the Balance Sheet Date

On June 9, 2017, Wolford's principal shareholder group, comprising the WMP private family foundation, the Sesam private foundation, their joint subsidiary M. Erthal & Co. Beteiligungsgesell-schaft m.b.H., and closely related natural persons announced their intention to sell their majority interest in Wolford AG. To this end, the shareholders have initiated an investor selection process that is being supported by the management of Wolford AG. The acquisition of an equity package by a future core shareholder should be linked to an equity measure that sustainably boosts the company's liquidity.

On July 5, 2017, Wolford announced that Ashish Sensarma, CEO of Wolford AG since January 2015, would be standing down from the company's Management Board as of July 31, 2017. Axel Dreher, previously Deputy CEO, has been appointed as CEO as of August 1, 2017, and now has additional responsibility for strategy, marketing, and sales. The Supervisory Board of Wolford AG has also appointed Brigitte Kurz, previously head of the finance department, to the Management Board, in this case also as of August 1, 2017. She will take over the function of Chief Financial Officer (CFO) from Axel Dreher and will also assume Board responsibility for human resources, IT, legal affairs, and investor relations. The tasks of COO, with Board responsibility for development, production, and logistics, will continue to be performed by Axel Dreher.

On July 11, 2017, Wolford AG communicated by ad-hoc announcement that it had agreed with its Austrian banking partners to extend its credit lines through to June 30, 2018, as well as a bridge financing facility of up to € 10 million to cover peak seasonal liquidity requirements. The company has therefore secured its financing for the current financial year.

Risk Management

Wolford AG is exposed to a variety of risks in connection with its global business operations. For Wolford, effective risk management is a key success factor in ensuring the company's sustainable success and creating shareholder value. Alongside potential negative deviations from targets, risks are also seen as including any failure to realize potential profits and exploit potential opportunities. The objective of our risk management is to identify and utilize opportunities in a systematic manner and to detect risks at an early stage and implement suitable measures to counter these risks and thereby minimize deviations from targets.

Meeting the above-mentioned objectives requires that opportunities and risks be identified, evaluated, managed, and monitored – steps that are regularly performed within our opportunity and risk management process. The risks assessed in prior periods are updated by Wolford's top management at least once a year. The risks thereby identified are ranked in terms of their probability of occurrence and potential damage, with the largest risks being analyzed in detail. The measures designed on the basis of this analysis are implemented by the management, a process led by the relevant risk manager involving periodic follow-up measures and status reporting.

Extensive insurance programs

One key instrument used by the company to limit potential risks and their consequences involves taking out suitable insurance policies. Wolford AG has an extensive range of international insurance programs providing strong coverage. Among others, these include all-risk asset and business interruption insurance, various liability insurance policies, D&O insurance, travel and accident insurance, cyber risk and fidelity insurance, and credit insurance. These policies are centrally monitored and managed to ensure optimal damage coverage at all times and to make sure that the amount of the deductible selected is in keeping with the corporate strategy. The most important instruments used to monitor and manage risks are planning and controlling processes and group-wide guidelines, as well as ongoing reporting and forecasting. In the interests of risk avoidance and management, risks are deliberately only entered into in the operating business and are always analyzed in relation to the potential gains. In particular, speculative activities outside the scope of normal business operations are prohibited. Risks beyond the scope of the company's operating activities, such as financial risks, are monitored by Wolford AG and hedged as required.

Based on its current assessment, the Wolford Group is not exposed to any individual risks with a significant probability of occurrence which could endanger its continued existence. The main risks are described in greater detail below.

Market, production and price risks

Optimization of proprietary retail locations

The business performance of companies in the fashion industry is dependent above all on consumer sentiment, a factor that is closely correlated with economic developments in the respective countries. New concepts have been developed in order to improve the performance of the wholesale business, which has declined in recent years. At the same time, Wolford AG is also working to further optimize its own retail locations, at which the company has been consistently able to generate revenue growth in the past years. To reduce the risk of losses, poorly performing locations have been and are being closed, while new proprietary points of sale will in the future only be opened in strategically important cities and top locations. Any weakness in the macroeconomic climate and resultant decline in demand would increase the risk of idle capacities and uncovered fixed costs, especially considering the medium and long-term rental agreements concluded. This may lead to pressure on prices and make it necessary to adjust retail prices in response. In the 2016/17 financial year, Wolford was only able to partially offset cost inflation with price increases. To minimize the impact of these risks on earnings, Wolford continually evaluates capacity utilization rates and adjusts these where necessary in line with market requirements.

Wolford competes directly with other brands in its various product segments and is therefore exposed to substitution risk. The company is working to minimize price risks by positioning itself even more clearly as the quality leader for legwear and other figure-embracing products and by developing new creative and functional products.

One risk that is currently difficult to assess relates to the increasing number of terrorist attacks in European capital cities. This situation, which has considerable implications for our customers' shopping patterns, is being closely monitored on an ongoing basis.

Terrorist attacks make consumers nervous

To minimize the risk of production stoppages, the potential dangers posed by natural hazards (flooding, heavy rain, lightning, gales, etc.) are addressed by implementing extensive technical and organizational measures. A business continuity concept has been developed and is now being gradually implemented to address possible emergencies, with key protective measures now already in place.

Financial risks

The main financial risks faced by the company are insufficient liquidity and financing. Accordingly, two key priorities for Wolford AG are to ensure the availability of sufficient liquidity and to maintain and safeguard a strong capital base. To this end, Wolford AG has reached an agreement with its financing banks which secures an adequate financing framework for the current financial year. To reduce default risk on trade receivables, Wolford AG has been working with two credit insurance companies for many years now. Liquidity risk is monitored by regular financial planning carried out by the treasury department at Wolford AG.

Agreement with financing banks

In addition to liquidity risk, the Group is exposed to currency and interest rate risks. Wolford manufactures all of its products in the euro area and markets them around the world. The company's main foreign currencies are the U.S. dollar, Swiss franc, British pound, Danish crown, and Hong Kong dollar. The goal is to hedge around 50% of the free cash flow from foreign currencies with foreign currency forwards in order to minimize the effects of exchange rate fluctuations on group equity and to improve budgeting reliability.

Wolford's objectives in respect of managing capital risk are on the one hand to safeguard the company's continued existence and on the other hand to maintain a cost-optimized capital structure. The company's articles do not stipulate any minimum capital requirements.

Procurement risks

To manage quality and supply risks in its procurement of materials, semi-finished and finished goods, Wolford AG has implemented extensive quality management procedures along the entire supply chain and also carries out on-site supplier inspections. The quality management department, for example, regularly performs supplier quality assurance (SQA) audits at all major suppliers. Efficient procurement management also involves systematic supplier development and regular supplier evaluations. For Wolford, yarns and fabrics are particularly important resources for the production process. The company counters the risk of supply shortages or price increases for its main materials by continuously monitoring the situation on the relevant markets, specifying procurement prices at an early stage and concluding long-term supply contracts. Wolford AG therefore also selects key suppliers and development partners with which it aims to establish long-term cooperations. A major share of the required quantities of key yarns has already been secured for 2017/18. The prices of synthetic fibers track listed crude oil prices and have fluctuated significantly in recent years. The company identifies and establishes relationships with substitute suppliers in good time should any material supplier be in any way at economic risk. This requires flexible and timely management in the procurement process.

Early planning is required to manage the very long lead times for textile materials that result from the complex production process. Wolford counters the risks of material shortages by limiting the pre-order phase and by applying extensive planning and management systems to its sales and production operations. The avoidance of surplus production is a further key management focus in this respect and is an area that receives ongoing attention.

Long-term cooperation with key suppliers

Legal risks

The company has taken out insurance policies to provide protection against specific liability risks and damages claims. The coverage offered by these policies is regularly reviewed and aims to achieve an optimal balance in economic terms between maximum risk and the insurance premiums. Based on both internal and external consultations, the management makes decisions to effectively counteract the risks arising from the diverse range of tax, competition, patent, antitrust, and environmental regulations and laws. Consistent adherence to all applicable requirements and the supervision and management of employees in their handling of risks are part of the basic responsibilities of all group managers.

INTERNAL CONTROL SYSTEM

The Management Board is responsible for designing and implementing an internal control and risk management system in respect of the financial reporting process for 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 consolidation department (responsible for external reporting) and group controlling department (responsible for internal reporting) report directly to the Chief Financial Officer of Wolford AG.

Accounting manual ensures uniform group-wide reporting

The processes underlying group accounting and reporting are based on an accounting manual that is published by Wolford AG and updated on a regular basis. This manual contains uniform key accounting and reporting requirements based on IFRS for the overall Group. Specifically, these include the accounting and reporting principles for non-current assets, trade receivables and accruals, financial instruments and provisions, as well as the reconciliation of deferred tax assets and liabilities.

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 is handled by standard software solutions. Only in China and Hong Kong are accounting processes outsourced to local tax advisors. The subsidiaries submit monthly reporting packages that contain all relevant accounting data for the income statement, balance sheet and cash flow statement. This data is entered into the central consolidation system, where it is verified at group level by the group consolidation and group controlling departments and forms the basis for the IFRS quarterly reports issued by the Wolford Group.

Internal management reporting is based on a standard planning and reporting software solution, with automatic interfaces used to transfer actual data from the primary systems. A standardized process is used to enter the figures for forecasts. Reporting is structured by region and company. In addition to the reports on the company's operating earnings performance for the preceding month, in the 2016/17 financial year Wolford AG also introduced a rolling full-year forecast.

Together with the quarterly performance data, the financial information referred to above forms the basis for Management Board reporting to the Supervisory Board. The Supervisory Board is provided with information on the company's business performance at regular meetings. This information is based on consolidated figures, which cover segment reporting, earnings performance figures with budget/actual comparisons, forecasts, consolidated financial statements, data on personnel totals and order intake, and select key financial figures.

INTERNAL AUDIT

The internal audit function¹ ensures compliance with the principles of corporate governance and the company's internal control system (ICS). Based on an annual internal audit plan agreed to by the Supervisory Board's Audit Committee, as well as on a group-wide risk assessment of all company activities, the Management Board and internal audit function regularly review operating processes in terms of risk management, their effectiveness, and any opportunities to improve efficiency. Moreover, the internal audit function monitors compliance with legal requirements, and with internal guidelines and processes.

¹ The internal audit department is no longer established as a Management Board staff office. In the context of the company restructuring program, its functions have been allocated to other company departments.

A further activity performed by the internal audit function involves ad-hoc audits focusing on current and future risks that are carried out at the request of the management. To support the early detection and monitoring of risks resulting from inadequate monitoring systems or fraudulent actions, the internal control system implemented at the Wolford Group is regularly assessed by the company departments involved by way of self-assessments. Furthermore, the internal control system is revised and expanded on an ongoing basis by the internal audit function together with the relevant specialist departments. This system is based on the standards defined in the COSO (COSO – Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission), a recognized international guideline for internal control procedures. Together with the group-wide guidelines and standardized reporting system, it provides management with a comprehensive set of tools to analyze and manage the risks involved in all of the company's business activities and to ensure compliance.

The business unit managers and department heads at Wolford AG, as well as the general managers of the individual subsidiaries, are required to evaluate and document compliance with the controls defined in the ICS guidelines on the basis of self-assessments. The internal audit function subsequently monitors local managers' compliance with these audit procedures. The results are reported to the individual managing directors and, further down the line, to the overall Management Board of Wolford AG. The internal audit function reports to the Supervisory Board Audit Committee at least once a year on the main conclusions from its risk management analysis as well as on its audit findings, relevant implementation activities, and improvement measures for the weaknesses identified in the internal control system.

Reporting plays a key role in the monitoring and control of the economic risks associated with operating activities. Furthermore, the control systems in individual company departments are reviewed by the external auditor as part of the annual year-end audit. The results of the audit are presented to the Management Board and the Audit Committee and are subsequently followed up by the management and the internal audit function.

Research and Development

Innovation is at the heart of our product development – it boosts our competitiveness and forms the basis for our success. The product portfolio is clearly aligned to the company's core competence – the creation of figure-embracing round-knit products, such as legwear and bodies offering great comfort and first-class quality. In its lingerie business, Wolford is increasingly relying on cooperation with external partners while focusing its own energy on design and quality requirements for select suppliers. This process is taking place alongside a systematic reduction in the depth of production activities.

Control system with decentralized implementation and central monitoring

R&D focuses on core competencies

Wolford has 58 employees (full-time equivalents) working in product development. In the 2016/17 financial year, the company spent a total of \in 6.9 million on development activities (2015/16: \in 7.4 million).

Recyclable products as core topic

One core R&D initiative at Wolford is the development of recyclable products (Cradle to Cradle®) within the smarttextiles industry network. This involves developing legwear and lingerie products that are consistent with the biological cycle. The products are made from biologically degradable elastane (ROICA™, Asahi Kosei), a modified PES fiber (Infinito®, Lauffenmühle) and Modal® (Lenzing). Under Wolford's leadership, a total of 13 companies and research institutes from the Vorarlberg region are participating in this COIN (Cooperation Innovation) project supported by the Austrian Research Promotion Agency (FFG). As part of this effort, they are manufacturing suitable product components or contributing their technical and scientific expertise. Wolford presented the first recyclable prototypes (lingerie and legwear) at the Avantex Fair in Paris in February 2017. The first Cradle-to-Cradle® tights are due to be launched onto the market with the 2018/19 autumn/winter collection.

New processes and products

One particular focus of our R&D activities in the past financial year was the development of new processing technologies and materials. The new beachwear collection, for example, has been on the market since April 2017. The fast-drying fabrics and clear cuts in the collection make the products in this new line multifunctional – they can be worn as lingerie, swimwear, or beachwear. In some cases, these round-knit products also have a body-enhancing function.

This product line has also made use of innovative 3D printing for the first time. Using this technology taken from the metal industry, a fine silicon line is sprayed onto the fabric. In bras, for example, this line then assumes the function performed by elastic rubber sewn into the edges and strap. This makes it possible to spread supportive functions evenly across the product, avoiding nicks or pressure spots on the body. Wolford is the first textile company to adopt this kind of 3D printing technology. Alongside the Beachwear product line, this process will also be used in the Lingerie and Legwear product lines in the future.

Furthermore, the R&D department is also working to develop completely new processes to manufacture so-called Layer 1 textiles (next to the skin) and Layer 2 textiles (dresses, pants, skirts, and blazers). These should facilitate the development of a whole new generation of figure-enhancing products. The new processes are based on the use of innovative knitting technologies, specially developed yarns, and novel fibers.

Further development of successful Pure Line

One new Wolford product is Pure 30 Complete Support – the world's first glued tights with shape and control functionality. Strong supportive functions in the leg and body section create a push-up effect, while the elastane-free toe section makes the tights very comfortable to wear. Thanks to the glued seams, the tights remain invisible even under very close-fitting clothing. The Pure line is one of Wolford's most innovative and successful product lines. The company's gluing technology, which has received several awards, was protected by a pan-European patent in 2014.

Overall, Wolford has registered four patents in Austria and Europe respectively since 2014, of which two European patents and three Austrian patents have already been granted.

Human Resources

Worldwide average total of 1,544 employees in 2016/17

Highly committed employees are crucial to any company's success. Wolford therefore gives high priority to promoting the health of its employees, enhancing their motivation, and boosting their identification with the company. New employees are introduced to Wolford's philosophy, products, and structure in a special orientation program offered at corporate headquarters in Bregenz. Wolford

had an average of 1,544 employees (full-time equivalents) in the 2016/17 financial year, with women making up around 80% of this total. Women also accounted for around 45% of the Wolford Group management team (Management Board and managers of relevant divisions across the company). An average of 624 employees worked at corporate headquarters. In Bregenz, the company currently offers vocational training to 30 apprentices in eight different training vocations.

Since 1989, Wolford has consistently maintained "state-approved training company" status pursuant to § 30a of the Austrian Vocational Training Act (BAG). The company has also cooperated with the Baden-Württemberg Cooperative State University (DHBW) since 2012. Students in the Retail Business Administration/Textiles Management course at this university are given the opportunity to do the practical stages of their studies at various departments across the company. This way, they can directly apply the recently learned material. Since 2015, Wolford has also cooperated with the University of Lichtenstein. Here, a group of 5-6 master's degree students works over a period of several months on a real-life business task, enabling them to apply the knowledge gained in their studies of the "Innovation Lab" topic on a practical project.

Cooperation with universities

In order to ensure workplace safety, Wolford has five trained occupational health and safety specialists, one of whom working on a full-time basis. In addition to that there are 23 safety officers available to the production employees, 60 first-aiders, and an in-house fire brigade. Internal officers supervise the implementation of environmental protection and energy efficiency measures. Two company doctors oversee all of the necessary occupational health and safety checks and health promotion measures.

Wolford's health promotion measures also include an extensive range of services aimed at helping employees maintain their respective work-life balances. The numerous options on offer, particularly at the Bregenz location, are listed in the company's annual "Health Calendar". They range from medical support to healing massages and yoga courses to organized walks and running groups.

Promoting employees' work-life balance

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 work and development opportunities across various departments and in different countries. The job vacancy advertising process is transparent for all positions advertised. So long as they are suitably qualified for the positions advertised, internal applicants are preferred. The company also offers financial support to enable employees to acquire any qualifications they are still lacking. Wolford invested a total of € 0.04 million in training and professional development for its employees in the 2016/17 financial year.

Wolford also aims to respond flexibly to any changes in the personal circumstances of its employees, going beyond the legal requirements in this respect. The company offers employees returning from parental leave the opportunity to work part time, an option taken by 39 employees in the past financial year. Individual requests, e.g., for more flexible working hours or a change in assignment, are evaluated together with the supervisor and staff council representative and granted where operationally possible. Since 2013, Wolford has also offered older employees the possibility of steadily reducing their working hours according to a part-time early retirement plan, with 6 employees taking this option in the 2016/17 financial year.

Flexible working hour models and part-time early retirement

Disclosures pursuant to § 243a (1) of the Austrian Commercial Code

Wolford AG is listed in the Prime Market of the Vienna Stock Exchange. The company has share capital totaling € 36,350,000, which is divided into five million zero-par value bearer shares. The Management Board is not aware of any restrictions on 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%: the WMP family private foundation held more than 25% of the shares, while more than 15% were held by the Sesam private foundation. These private foundations and their subsidiary, M. Erthal GmbH, are legal entities which act in concert and exercise their voting rights by consensus. Ralph Bartel also held more than 25% of the shares. Since September 6, 2016, Erste Asset Management GmbH has held more than 4% of the shares. Wolford AG still held about 2% of the shares as treasury stock. The remaining shares were in free float. Management Board members do not enjoy any authorizations over and above those stipulated by law, particularly in respect of the possibility of issuing or buying back shares. Wolford AG has no authorized capital.

The Wolford Group has a stock appreciation rights (SARs) plan. This does not involve the allocation of any shares. The SARs plan is currently only effective for Management Board members. Other than that, the company has no stock option plan or employee participation models. There are no provisions for members of the Management Board or Supervisory Board that go beyond those stipulated by law. The company has not concluded any material agreements that would take effect, be amended, or expire upon a change of control resulting from a takeover bid.

Bregenz, July 31, 2017

Ashish Sensarma

Axel Dreher

CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Financial Statements as of April 30, 2017

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Statement of Comprehensive Income

in TEUR	Note	2016/17	2015/16*
Revenues	(1)	154,277	162,404
Other operating income	(2)	956	2,302
Changes in inventories of finished goods and work-in-process		1,584	4,396
Own work capitalized		135	86
Operating output		156,952	169,188
Cost of materials and purchased services	(3)	-27,634	-27,376
Staff costs	(4)	-75,209	-73,862
Other operating expenses	(5)	-57,493	-59,570
Depreciation and amortization	(6)	-12,331	-11,303
EBIT		-15,715	-2,923
Net interest cost	(7)	-539	-575
Net investment securities income	(8)	4	-61
Interest cost of employee benefit liabilities		-324	-292
Financial result		-859	-928
Earnings before tax		-16,574	-3,851
Income tax	(9)	-1,304	-6,807
Earnings after tax		-17,878	-10,658
Amounts that will not be recognized through profit and loss in future periods		-87	-203
thereof actuarial gains and losses	(21)	-87	-203
Amounts that will potentially be recognized through profit and loss in future periods		15	578
thereof currency translation differences	(20)	14	567
thereof change from cash flow hedges	(20)	1	11
Other comprehensive income ¹⁾	(10)	-72	375
Total comprehensive income		-17,950	-10,283
Attributable to the equity holders of the parent company		-17,950	-10,283
Earnings after tax attributable to equity holders of the parent company		-17,878	-10,658
Earnings per share (diluted = basic)	(11)	-3.64	-2.17

¹⁾ The items presented under other comprehensive income are shown after tax.

^{*)} Adjusted (see Section II of the Notes).

Cash Flow Statement

in TEUR	Note	2016/17	2015/16*
Earnings before tax		-16,574	-3,851
Depreciation and amortization / write-backs		12,331	11,303
Gains / losses from disposals of non-current assets		331	-1,011
Other non-cash income and expenses		375	833
Changes in inventories		-1,557	-5,370
Changes in trade receivables		-2,431	1,455
Changes in other receivables and assets		1,850	1,628
Changes in trade payables		-52	432
Changes in other provisions and employee-related provisions		4,478	37
Changes in other liabilities		-446	-957
Cash flow from operating activities		-1,695	4,499
Interest received		43	26
Interest paid		-575	-601
Net balance of income taxes paid / received		-711	-968
Net cash flow from operating activities		-2,938	2,956
Payments for investments in property, plant and equipment and other intangible assets	(30)	-6,658	-7,667
Proceeds from disposals of property, plant and equipment and other intangible assets	(30)	153	1,472
Changes in securities and other financial assets		0	258
Cash flow from investing activities		-6,505	-5,937
Proceeds from current and non-current financial liabilities		23,522	5,673
Repayment of current and non-current financial liabilities		-6,697	-3,150
Dividends paid		-982	-980
Changes in treasury stock		0	250
Cash flow from financing activities		15,843	1,793
Cash-effective change in cash and cash equivalents		6,400	-1,188
Cash and cash equivalents at beginning of period		3,870	4,785
Effects of exchange rate movements on cash and cash equivalents		42	273
Cash and cash equivalents at end of period		10,312	3,870

^{*)} Adjusted (see Section II of the Notes).

Balance Sheet

in TEUR	Note	30.04.2017	30.04.2016*
Property, plant and equipment	(12)	45,553	50,240
Goodwill	(13)	188	686
Other Intangible assets	(14)	10,681	11,570
Financial assets	(15)	1,283	1,305
Non-current receivables and assets	(16)	1,891	1,931
Deferred tax assets	(17)	1,891	2,898
Non-current assets		61,487	68,630
Inventories	(18)	49,392	47,836
Trade receivables	(19)	11,190	8,758
Other receivables and assets	(20)	3,261	5,111
Prepaid expenses		2,744	3,262
Cash and cash equivalents		10,312	3,870
Current assets		76,899	68,837
Total assets		138,386	137,467
Share capital		36,350	36,350
Capital reserves		1,817	1,817
Other reserves		7,375	26,321
Currency translation differences		-660	-674
Equity	(21)	44,882	63,814
Financial liabilities	(22)	214	974
Other liabilities	(24)	924	972
Provisions for long-term employee benefits	(23)	17,546	17,896
Other long-term provisions	(25)	2,347	2,018
Deferred tax liabilities	(16)	53	60
Non-current liabilities		21,084	21,920
Financial liabilities	(22)	42,645	25,060
Trade payables		5,035	5,086
Other liabilities	(27)	13,076	13,476
Income tax liabilities		520	1,464
Other provisions	(26)	11,144	6,647
Current liabilities		72,420	51,733
Total equity and liabilities		138,386	137,467

^{*)} Adjusted (see Section II of the Notes).

Statement of Changes in Equity

		Attributable to equity holders of the parent company							
		Share	Capital	Hedging	Actuarial	Other	Treasury	Currency	Total
in TEUR	Note	capital	reserves	reserve	gain/loss	reserves	stock	translation	equity
01.05.2015		36,350	1,817	-5	-3,867	46,437	-4,663	-1,241	74,828
Dividends 2014/15	(21)	0	0	0	0	-980	0	0	-980
Issue of treasury stock		0	0	0	0	0	250	0	250
Earnings after tax*		0	0	0	0	-10,659	0	0	-10,659
Other comprehensive income*		0	0	11	-203	0	0	567	375
30.04.2016*		36,350	1,817	6	-4,070	34,798	-4,413	-674	63,814
Dividends 2015/16	(21)	0	0	0	0	-982	0	0	-982
Issue of treasury stock		0	0	0	0	0	0	0	0
Earnings after tax		0	0	0	0	-17,878	0	0	-17,878
Other comprehensive income		0	0	1	-87	0	0	14	-72
30.04.2017		36,350	1,817	7	-4,157	15,938	-4,413	-660	44,882

^{*)} Adjusted (see Section II of the Notes).

Segment Reporting

2016/17 in TEUR	Austria	Rest of Europe	North America	Asia	Consolidations	Group
Revenues	83,840	93,967	30,901	6,426	-60,857	154,277
thereof intersegment	50,843	10,014	0	0	-60,857	0
External revenues	32,997	83,953	30,901	6,426	0	154,277
EBIT	-13,327	1,959	-671	-3,345	-331	-15,715
Segment assets	158,331	47,739	10,732	4,417	-82,833	138,386
Segment liabilities	77,778	37,476	13,273	6,615	-41,638	93,504
Investments	3,367	1,693	695	971	-7	6,719
Depreciation	6,819	3,889	539	1,089	-5	12,331
Employees on average (FTE)	678	720	108	38	0	1,544

2015/16 in TEUR	Austria	Rest of Europe	North America*	Asia	Consolidations	Group
Revenues	94,331	98,725	31,932	7,435	-70,019	162,404
thereof intersegment	60,925	9,094	0	0	-70,019	0
External revenues	33,406	89,631	31,932	7,435	0	162,404
EBIT	4,360	-340	-4,980	-904	-1,059	-2,923
Segment assets	156,831	47,999	11,724	3,811	-82,897	137,468
Segment liabilities	58,482	38,334	13,429	3,319	-39,911	73,653
Investments	3,762	2,274	937	341	-17	7,297
Depreciation	5,149	3,114	2,618	439	-17	11,303
Employees on average (FTE)	714	726	97	34	0	1,571

^{*)} Adjusted (see Section II of the Notes).

Statement of Changes in Fixed Assets

			Costs				
		Currency translation			Reclassi-		
in TEUR	01.05.2016	differences	Additions	Disposals	fication	30.04.2017	
Property, plant and equipment							
Land, land rights and buildings, including buildings on third-party land	89.278	172	1.691	1.760	58	89.439	
thereof land	3.095	0	0	0	0	3.095	
Technical equipment and machinery	31.545	0	619	436	648	32.376	
Other equipment, furniture and fixtures	31.772	84	1.788	1.691	344	32.296	
Prepayments made and assets under construction	1.538	0	1.785	79	-1.512	1.732	
	154.133	256	5.883	3.966	-463	155.843	
Goodwill	1.460	28	0	0	0	1.488	
Other Intangible assets							
Concessions, patents and licenses	16.278	4	836	839	463	16.742	
Self-developed intangible assets	471	0	0	0		471	
Security deposits paid for leased real estate	13.384	7	0	0	0	13.391	
Customer relationship	727	0	0	0	0	727	
	30.860	11	836	839	463	31.331	
Total	186.453	295	6.719	4.805	0	188.661	

		Currency translation			Reclassi-	
n TEUR	01.05.2015	differences	Additions	Disposals	fication	30.04.2016
Property, plant and equipment						
and, land rights and buildings, including buildings on						
nird-party land	90,142	-286	831	1,623	214	89,278
thereof land	3,075	0	20	0	0	3,095
echnical equipment and machinery	30,972	0	1,029	449	-7	31,545
Other equipment, furniture and fixtures	31,335	-167	2,581	2,115	138	31,779
repayments made and assets under construction	365	0	1,537	12	-352	1,538
	152,814	-453	5,978	4,199	-7	154,133
Goodwill	1,477	-17	0	0	0	1,460
Other Intangible assets						
concessions, patents and licenses	15,924	-10	471	114	7	16,278
elf-developed intangible assets	0	0	471	0		471
ecurity deposits paid for leased real estate	13,106	-92	370	0	0	13,384
Customer relationship	727	0	0	0	0	727
	29,757	-102	1,312	114	7	30,860
otal	184,048	-572	7,297	4,313	0	186,460

mounts	Carrying a		n	and amortizatio	ated depreciation	Accumul Currency	
						translation	
30.04.2017	01.05.2016	30.04.2017	Disposals	Additions	Impairment	differences	01.05.2016
35,352	38,298	54,087	1,599	3,569	993	145	50,979
3,095	3,095	0	0	0	0	0	0
4,275	4,027	28,101	395	978	0	0	27,518
5,928	6,377	26,369	1,492	2,109	263	93	25,395
0	1,538	1,731	0	1,731	0	0	0
45,554	50,240	110,289	3,486	8,388	1,257	238	103,892
188	686	1,300	0	0	497	29	774
3,431	3,416	13,311	835	1,280	0	4	12,862
420	471	51	0	51	0	0	0
6,830	7,683	6,561	0	646	213	1	5,701
0	0	727	0	0	0	0	727
10,681	11,570	20,649	835	1,977	213	5	19,290
56,423	62,496	132,238	4,321	10,364	1,967	272	123,956

	lated depreciation and amortization			Carrying	amounts		
01.05.2015	translation differences	Impairment	Additions	Disposals	30.04.2016*	01.05.2015	30.04.2016*
48,050	-251	1,139	3,590	1,549	50,979	42,092	38,299
0	0	0	0	0	0	3,075	3,095
26,871	0	0	1,010	363	27,518	4,101	4,027
24,423	-137	355	2,608	1,846	25,403	6,912	6,376
0	0	0	0	0	0	365	1,538
99,344	-388	1,493	7,208	3,758	103,899	53,470	50,240
199	-21	596	0	0	774	1,278	686
11,647	-9	0	1,336	112	12,862	4,277	3,416
0	0		0	0	0	0	471
5,072	-41	0	670	0	5,701	8,034	7,683
727	0	0	0	0	727	0	0
17,446	-50	0	2,006	112	19,290	12,311	11,570
116,989	-459	2,089	9,214	3,870	123,963	67,059	62,496

Notes to the Consolidated Financial Statements

The Wolford Group is an international group specialized in the production and marketing of Legwear, Ready-to-wear and Lingerie, Beachwear, Accessories and Trading goods and is positioned in the segment of affordable luxury products. The parent company, Wolford AG, is a stock corporation that is headquartered in Austria, 6900 Bregenz, Wolfordstrasse 1 and registered with the provincial court of Feldkirch, Austria, under FN 68605s.

The business activities of the subsidiaries primarily focus on marketing products purchased from the parent company.

I. Accounting Principles

1. BASIS OF PREPARATION

The consolidated financial statements of Wolford AG as of April 30, 2017 were prepared pursuant to § 245a of the Austrian Commercial Code in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The 2016/17 financial year covers the period from May 1, 2016 to April 30, 2017.

Application has been made of the current versions of all valid and binding standards issued by the IASB and interpretations of the IFRS Interpretations Committee that are applicable in the EU for the 2016/17 financial year.

In accordance with § 245a of the Austrian Commercial Code in conjunction with Art.4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19,2002, all publicly traded companies whose headquarters are located in the EU are required to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The following standards and interpretations required application in the EU for the first time in the financial year under report:

Standard/ Interpretation	Description	Effective date
	Description	
Amendments to IAS 1	Note Disclosures	January 1, 2016
Amendments to IAS 16	Clarification of Acceptable Methods of Depreciation and	
and IAS 38	Amortisation	January 1, 2016
Amendments to IAS 16		
and IAS 41	Agriculture: Bearer Plants	January 1, 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016
Amendments to IFRS 10,		
IFRS 12 and IAS 28	Applying the Consolidation Exception	January 1, 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Improvements to IFRS		
2012-2014	Amendments to IFRS 5, IFRS 7, IAS 19, and IAS 34	January 1, 2016

Overview of standards and interpretations requiring application in subsequent financial years:

Standard/		
Interpretation	Description	Effective date
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
IAS 7	Statement of Cash Flows: Disclosure Initiative	January 1, 2017
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IAS 40	Accounting for Investment Properties under Construction	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 15	Revenue from Contracts with Customers (including clarification to IFRS 15)	January 1, 2018
Sundry	Amendments to several IFRSs as a result of the 2014-2016 Improvement Process	January 1, 2017 & January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019

Given its lease arrangements, Wolford expects the first-time application of IFRS 16 to have implications for its consolidated financial statements. These are currently being evaluated.

Apart from additional or amended note disclosures, the other amendments are not expected to have any significant implications for the consolidated financial statements.

The preparation of the consolidated financial statements is the responsibility of the Management Board. The financial reporting of the Wolford Group is based on thousand euros (\in k). Discrepancies may arise due to figures being rounded up or down in line with commercial practice.

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 subsidiaries are directly included in the consolidated financial statements:

Company	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 shares in the following companies:

Company	Registered office	Direct interest in %
Wolford Deutschland GmbH	Munich	100
Wolford (Schweiz) AG	Glattbrugg	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 Boutiques, LLC. 1)	New York	100
Wolford Asia Limited	Hong Kong	100
Wolford Belgium N.V.	Antwerp	100
Wolford (Shanghai) Trading Co., Ltd.	Shanghai	100

¹⁾ Wolford Boutiques, LLC., New York, is a wholly owned subsidiary of Wolford America, Inc.

Branch offices are operated in Norway, Finland, 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.

There were no changes in the scope of consolidation compared with the previous year.

The balance sheet date for the consolidated financial statements of the parent company and all companies included in consolidation is April 30, with the exception of Wolford Asia Limited and Wolford (Shanghai) Trading Co., Ltd., whose balance sheet date is December 31 in accordance with national laws. For consolidation purposes, these two companies prepare interim financial statements as of April 30.

The consolidated financial statements include estimates and discretionary decisions made by the management.

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 cost for the respective company exceeds the fair value of the identifiable assets, liabilities, and contingent liabilities thereby acquired, the difference is recognized as goodwill. Negative differences are recognized immediately through profit or loss. Companies acquired or sold during the financial year are 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 the 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:

Average rate on the					
	balance sheet date		for the year		
Currency	30.04.2017	30.04.2016	2016/17	2015/16	
1 EUR / USD	1.0948	1.1380	1.09374	1.10264	
1 EUR / GBP	0.8439	0.7789	0.83783	0.73520	
1 EUR / CHF	1.0822	1.0958	1.08269	1.07303	
1 EUR / DKK	7.4389	7.4430	7.44003	7.46072	
1 EUR / SEK	9.6325	9.1575	9.49777	9.38693	
1 EUR / NOK	9.3150	9.2100	9.14873	9.13657	
1 EUR / CAD	1.4905	1.4235	1.43233	1.45162	
1 EUR / HKD	8.4980	8.8250	8.49583	8.56193	
1 EUR / CNY	7.5133	7.3859	7.36493	7.05410	

3. ACCOUNTING POLICIES

Property, plant and equipment are measured at cost pursuant to IAS 16. Depreciation is generally recognized on a straight-line basis over the expected useful life of the asset. Borrowing costs are capitalized if the asset meets the criteria for recognition as a qualifying asset pursuant to IAS 23. No borrowing costs were capitalized in 2016/17 financial year or the previous year.

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

Site values (based on rental agreements)	max. 10 years
Land, land rights and buildings	10 to 50 years
Technical equipment and machinery	4 to 20 years
Other equipment, furniture and fittings	2 to 10 years

Where necessary, material reductions in value exceeding depreciation 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 expensed as incurred. These costs are only capitalized if the additional expenditures are likely to increase the future economic benefits from use of the respective asset.

Assets that are obtained through lease or rental contracts are attributed to the lessor or landlord and accounted for as operating leases if the applicable requirements are met. The related lease and rental payments are recognized as expenses.

Goodwill resulting from business combinations 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.

Other amortizable intangible assets are measured at cost and subject to straight-line amortization over a useful life of three to ten years, with the additional recognition of impairment losses where necessary. Intangible assets with indefinite useful lives are annually tested for impairment. The procedure for impairment testing involves comparing the recoverable amount of the cash-generating unit (CGU), i.e. the higher of the fair value less costs to sell and the value in use, with the carrying amount as of the balance sheet date. If the recoverable amount is less than the carrying amount recognized for the respective asset, the carrying amount is reduced to the recoverable amount. The management estimates referred to when determining recoverable amounts relate above all to expected cash flows, discount rates and growth rates, as well as to expected changes in disposal prices and related direct costs.

The discount factors used for the impairment tests (WACC) range from 7.7% to 12.4% (2015/16: 6.8% to 12.5%) and are derived from regional interest rates. The discount factors reflect the differences in inflation compared with the risk-free base rate, country risk premiums and different tax rates in the respective countries. The changes in disposal prices and related direct costs are based on past experience and estimates of possible future changes in the relevant markets. Boutique locations are included up to the end of the respective lease Given the limited usage period, no perpetual yield is calculated. The Wolford Group prepares cash flow forecasts for the next four years based on the latest budget presented to the Supervisory Board.

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 various criteria listed in IAS 38. No development expenses were eligible for capitalization in the 2016/17 financial year (2015/16: € 471k). Research and development expenses of € 6,931k were recognized as expenses in the 2016/17 financial year (2015/16: € 7,384k).

Financial instruments: Transactions involving financial instruments are recognized as of the settlement date in accordance with IAS 39. The financial assets line item comprises other securities and investment funds. These are classified as available for sale and measured at fair value pursuant to IAS 39. Fair value corresponds to the market prices of the instruments as of the balance sheet date. Measurement gains or losses are recognized under other comprehensive income. Upon the sale of these securities, previously accumulated gains and losses are transferred to the income statement and recognized under net investment securities income.

Inventories: Raw materials and supplies are measured at the lower of cost or net realizable value. Work in progress und finished goods are measured at the lower of cost or net realizable value. Production costs include all expenses that can be directly allocated to the product. Appropriate allowances are recognized to reflect inventory risks resulting from stockholding periods and reduced marketability.

Receivables and other assets: In accordance with IAS 39, receivables are capitalized at the fair value of the goods or services provided. Other assets are capitalized at cost. Appropriate allowances are recognized to reflect any risks discernible.

Consistent with IAS 32, treasury stock is recognized in the balance sheet as a deduction to equity.

Taxes on income: The provisions for current taxes include all tax obligations known of as of the balance sheet date. 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 measurement and recognition 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 loss carryovers that are realistically expected to be utilized. For domestic entities, the measurement of deferred taxes is based on a tax rate of 25%. For foreign entities, the respective local tax rate is used.

Liabilities are initially recognized at the fair value of the goods or services provided. Financial liabilities are measured at amortized cost as of the balance sheet date.

Employee-related provisions: Provisions for severance pay and anniversary bonuses at the Austrian parent company are measured in accordance with the requirements of IAS 19 (revised) and the projected unit credit method. Application was made of the following parameters:

Biometric parameters	AVÖ 2008 - P
Interest rate	1.64% p.a. (2015/16: 1.90%)
Wage/salary trend	2.29% p.a. (2015/16: 2.43%)
Retirement age	64 - 65/59 - 65 years
Employee turnover (graduated):	
0 – 3 years	19%
3 – 5 years	13%
5 – 10 years	9%
10 - 15 years	5%
15 – 20 years	1%
over 20 years	0%

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

The provision for pensions is calculated in accordance with recognized actuarial principles taking due account of the requirements of IAS 19 (revised). The calculation of the provision recognized using the projected unit credit method was based on the following parameters:

Biometric parameters	AVÖ 2008 - P
Interest rate	1.64% p.a. (2015/16: 1.90%)
Wage/salary trend	2.29% p.a. (2015/16: 2.43%)

Provisions: Other provisions are 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.

Earnings per share are calculated by dividing earnings after tax by the number of shares issued and in circulation.

The following table shows the basis for the calculation of earnings per share:

	2016/17	2015/16
Total number of shares outstanding	5,000,000	5,000,000
Less average number of treasury shares	-88,140	-96,783
	4,911,860	4,903,217

Revenue recognition: Revenue is regularly recognized when the risks and rewards of ownership have been transferred or when the service has been rendered and in accordance with the other criteria listed in IAS 18. Interest income and expenses are recognized using the effective interest method, while step-up leases are recognized on a time-apportioned basis.

Foreign currency translation: Foreign exchange 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 translation differences of € 31k were recognized in the 2016/17 financial year (2015/16: € -529k).

Derivative financial instruments: Wolford concludes hedging transactions in the form of forward exchange contracts to hedge the currency risks on existing balance sheet items and on future transactions. When entering into hedging transactions, the individual derivatives are assigned to specified hedged items. The IAS 39 requirements governing qualification as hedges are therefore met.

Assets and liabilities with terms to maturity of up to one year are classified as current, whereas items with terms to maturity of more than one year are classified as non-current. The Wolford Group received government grants as defined in IAS 20 totaling € 214k in the financial year under report (2015/16: € 306k). These grants are recognized as revenue on the basis of binding commitments, official notifications, and legal entitlement. They mainly comprise non-repayable subsidies for research and development projects and employee qualification measures.

Discretionary decisions: The preparation of the consolidated financial statements requires certain estimates and assumptions to be made that influence the recognition and measurement of assets, provisions and liabilities, the disclosure of other obligations as of 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 and intangible assets, the forecasts and assumptions used for impairment tests, the recognition of impairment losses for receivables and inventories, the recognition of deferred taxes, and the measurement of financial liabilities and 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 impact on the results of the calculations. The calculation of impairments of receivables was also significantly based on assumptions and estimates relating, among other factors, to customer creditworthiness, and expected future economic developments.

In the context of a random audit review performed by the Austrian Financial Reporting Enforcement Panel (OePR), the Wolford Group's consolidated financial statements as of April 30, 2016 and its half-year financial reports as of October 31, 2015 and October 31, 2016 were selected and reviewed pursuant to § 2 (1) No. 2 of the Austrian Accounting Inspection Act (audit without particular cause).

In the consolidated financial statements as of 30 April 2016, the assumptions underlying the cash flow forecasts referred to when determining the values in use for IAS 36 impairment test purposes were erroneous. Furthermore, the cash flow statement for the period from May 1, 2015 to April 30, 2016 included erroneous information in several detailed items (e.g. due to netting).

Errors from earlier periods are adjusted retrospectively. These retrospective adjustments did not have any implications for the information presented in the opening balance sheet for the previous period (May 1, 2015). The implications of these retrospective adjustments for individual line items are presented in the tables in Section II, Adjustments pursuant to IAS 8.

4. 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 on location and manage business operations accordingly. The country companies are responsible for the distribution of all products developed by Wolford: high-quality Legwear, Ready-to-wear, Lingerie, Swimwear, Accessories, and Trading goods.

The Wolford Group has four reporting segments: Austria, Other Europe, North America, and Asia. The Austria segment includes production and sales activities for Austria and for those countries which do not have their own Wolford subsidiaries. Other Europe contains the European sales subsidiaries outside Austria, as well as the manufacturing subsidiary in Slovenia. North America cover the company's operations in the U.S. and Canada, while Asia includes 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 the 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.

Revenues in the Other Europe segment were generated in the following countries: 20% in Germany (2015/16: 23%), 17% in France (2015/16: 16%), 12% in the U.K. (2015/16: 16%), 10% in Scandinavia (2015/16: 12%), 5% in Switzerland (2015/16: 6%), and 36% in other European countries (2015/16: 27%). Of the revenues in the North America segment, 91% were attributable to the USA (2015/16: 92%) and 9% to Canada (2015/16: 8%). 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 revenues. The amounts shown in the consolidation column are the result of group consolidation procedures. The Legwear product group generated more than half of the Group's revenues in the 2016/17 financial year, with a 53% share of revenues (2015/16: 53%). Ready-to-wear, which contributed 29% of revenues (2015/16: 29%), was the second-largest product group once again in the 2016/17 financial year. Lingerie, Beachwear, Accessories, and Trading goods were responsible for a combined share of 18% of revenues in the past financial year (2015/16: 18%).

II. Adjustments pursuant to IAS 8

(1) STATEMENT OF COMPREHENSIVE INCOME AND BALANCE SHEET

The adjustments made to the 2015/16 statement of comprehensive income and the balance sheet as of April 30, 2016 involve the recognition of impairment losses for cash generating units (especially on goodwill and property, plant and equipment at boutiques), as well as for pending losses in the U.S., and can be summarized as follows:

STATEMENT OF COMPREHENSIVE INCOME

in TEUR	Reported 2015/2016	Adjustment	Adjusted 2015/2016
Revenues	162,404	0	162,404
Other operating income	2,302	0	2,302
Changes in inventories of finished goods and work-in-process	4,396	0	4,396
Own work capitalized	86	0	86
Operating output	169,188	0	169,188
Cost of materials and purchased services	-27,376	0	-27,376
Staff costs	-73,862	0	-73,862
Other operating expenses	-56,940	-2,630	-59,570
Depreciation and amortization	-9,464	-1,839	-11,303
EBIT	1,546	-4,469	-2,923
Net interest cost	-575	0	-575
Net investment securities income	-61	0	-61
Interest cost of employee benefit liabilities	-292	0	-292
Financial result	-928	0	-928
Earnings before tax	618	-4,469	-3,851
Income tax	-6,807	0	-6,807
Earnings after tax	-6,189	-4,469	-10,658
Other comprehensive income	236	139	375
Total comprehensive income	-5,953	-4,330	-10,283

BALANCE SHEET

in TEUR	Reported 30.04.2016	Adjustment	Adjusted 30.04.2016
Property, plant and equipment	51,444	-1,204	50,240
Goodwill	1,263	-577	686
Other Intangible assets	11,570	0	11,570
Financial assets	1,305	0	1,305
Non-current receivables and assets	1,931	0	1,931
Deferred tax assets	2,898	0	2,898
Non-current assets	70,411	-1,781	68,630
Inventories	47,836	0	47,836
Trade receivables	8,758	0	8,758
Other receivables and assets	5,111	0	5,111
Prepaid expenses	3,262	0	3,262
Cash and cash equivalents	3,870	0	3,870
Current assets	68,837	0	68,837
Total assets	139,248	-1,781	137,467
Share capital	36,350	0	36,350
Capital reserves	1,817	0	1,817
Other reserves	30,790	-4,469	26,321
Currency translation differences	-812	138	-674
Equity	68,145	-4,331	63,814
Financial liabilities	974	0	974
Other liabilities	972	0	972
Provisions for long-term employee benefits	17,896	0	17,896
Other long-term provisions	0	2,018	2,018
Deferred tax liabilities	60	0	60
Non-current liabilities	19,902	2,018	21,920
Financial liabilities	25,060	0	25,060
Trade payables	5,086	0	5,086
Other liabilities	13,476	0	13,476
Income tax liabilities	1,464	0	1,464
Other provisions	6,115	532	6,647
Current liabilities	51,201	532	51,733
Total equity and liabilities	139,248	-1,781	137,467

(2) CASH FLOW STATEMENT

The adjustments made to the 2015/16 cash flow statement result on the one hand from the adjustments made to the 2015/16 statement of comprehensive income and the balance sheet as of April 30, 2016 and on the other to corrections made to several detailed items (e.g. due to netting in the previous year):

CASH FLOW STATEMENT

in TEUR	Reported 2015/2016	Adjustment	Adjusted 2015/2016
Earnings before tax	618	-4,469	-3,851
Depreciation and amortization / write-backs	9,464	1,838	11,302
Gains / losses from disposals of non-current assets	-824	-187	-1,011
Other non-cash income and expenses	603	231	834
Changes in inventories	-5,419	49	-5,370
Changes in trade receivables	1,215	240	1,455
Changes in other receivables and assets	2,403	-775	1,628
Changes in trade payables	502	-70	432
Changes in other provisions and employee-related provisions	-2,983	3,020	37
Changes in other liabilities	-659	-298	-957
Cash flow from operating activities	4,920	-421	4,499
Interest received	0	26	26
Interest paid	-574	-27	-601
Net balance of income taxes paid / received	-967	-1	-968
Net cash flow from operating activities	3,379	-423	2,956
Payments for investments in property, plant and equipment and other intangible assets	-7,110	-557	-7,667
Proceeds from disposals of property, plant and equipment and other intangible assets	1,117	355	1,472
Changes in securities and other financial assets	258	0	258
Cash flow from investing activities	-5,735	-202	-5,937
Proceeds from current and non-current financial liabilities	6,524	-851	5,673
Repayment of current and non-current financial liabilities	-4,569	1,419	-3,150
Dividends paid	-980	0	-980
Changes in treasury stock	250	0	250
Cash flow from financing activities	1,225	568	1,793
Cash-effective change in cash and cash equivalents	-1,131	-57	-1,188
Cash and cash equivalents at beginning of period	4,785	0	4,785
Effects of exchange rate movements on cash and cash equivalents	216	57	273
Cash and cash equivalents at end of period	3,870	0	3,870

III. Notes to the Statement of Comprehensive Income

(1) REVENUES

Detailed information on revenues can be found in information about operating segments contained in the segment report in I. Accounting Principles under 4. Segment Report.

(2) OTHER OPERATING INCOME

in TEUR	2016/17	2015/16
Grants and subsidies	214	306
Restaurant revenue	215	194
Insurance benefits	83	124
Commissions	0	78
Gain on disposal of property, plant and equipment and intangible assets	34	1,117
Rental income	0	182
Other	410	301
Total	956	2,302

(3) COST OF MATERIALS

in TEUR	2016/17	2015/16
Cost of raw materials	19,505	20,154
Cost of energy	1,409	1,500
Cost of services	6,720	5,722
Total	27,634	27,376

(4) PERSONNEL EXPENSES

in TEUR	2016/17	2015/16
Wages	8,906	9,928
Salaries	48,246	47,808
Expenses for statutory social security contributions, payroll-based duties and		
other mandatory contributions	13,005	13,299
Expenses for severance compensation and pensions	3,762	1,471
thereof Management Board	0	0
thereof management	97	84
Other employee benefits	1,290	1,356
Total	75,209	73,862

Personnel totals

The Wolford Group had the following average number of employees (full-time equivalents):

Number of employees, full-time basis	2016/17	2015/16
Average number of employees	1,544	1,571
thereof wage	472	501
thereof salaried	1,042	1,042
thereof apprentices	30	28

(5) OTHER OPERATING EXPENSES

in TEUR	2016/17	2015/16*
Rental and lease payments	22,474	22,536
Marketing expenses	5,836	7,131
Legal and consulting fees	5,425	3,146
Freight costs	2,345	2,668
Online distribution	5,320	3,461
Travel costs	1,368	1,622
Customs duties	2,912	3,050
Credit card fees and bank charges	1,573	1,755
IT expenses	1,926	1,628
Insurance premiums	900	1,172
Other taxes	686	925
Maintenance expenses	627	942
Vehicle fleet	666	647
Other*	5,435	8,886
Total	57,493	59,570

^{*)} Adjusted (see Section II of the Notes).

Other non-current and current provisions were increased in the 2015/16 financial year to account for the risk of losses on pending transactions in connection with rental agreements in the U.S. This adjustment has affected the "Rental and lease payments" and "Other" line items within other operating expenses.

The expenses for services performed by the group auditor, Deloitte Audit Wirtschaftsprüfung GmbH, are structured as follows:

in TEUR	2016/17	2015/16
Audit of financial and consolidated financial statements	129	119
Other assurance services	4	5
Other services	51	0
Total	184	124

(6) DEPRECIATION AND AMORTIZATION

Scheduled depreciation and amortization amounted to \in 12,331k in the 2016/17 financial year (2015/16: \in 11,303k). Due to the impairment tests performed, impairment losses of \in 1,967k were recognized on intangible assets and property, plant and equipment in the 2016/17 financial year. These related to property, plant and equipment (\in 1,257k), goodwill (\in 497k), and other intangible assets (\in 213k).

The adjustments to depreciation and amortization recognized in the 2015/16 financial year relate to goodwill and property, plant and equipment. Having revised its forecasts for its U.S. business performance, Wolford AG deemed it necessary to recognize impairment losses retrospectively as of April 30, 2016 already. These adjustments are structured as follows:

in TEUR	Reported 2015/2016	Adjustment	Adjusted 2015/2016
Depreciation and			
amortization	9,464	1,839	11,303

(7) NET INTEREST COST

in TEUR	2016/17	2015/16
Interest and similar income	49	26
Interest and similar expenses	-588	-601
Total	-539	-575

(8) NET INVESTMENT SECURITIES INCOME

in TEUR	2016/17	2015/16
Income from investments in securities	4	0
Expenses from investments in securities	0	-61
Total	4	-61

(9) INCOME TAX

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

in TEUR	2016/17	2015/16
Statement of comprehensive income		
Tax expense / income for the reporting year	-345	-412
Deferred taxes	-959	-6,395
Total	-1,304	-6,807

in TEUR	2016/17	2015/16
Development of net deferred taxes		
Net deferred tax assets and deferred tax liabilities as of 01.05.	2,838	10,391
Currency translation differences	-61	48
Deferred taxes recognized in after tax profit	-959	-6,395
Deferred taxes recognized in other comprehensive income	21	-1,206
Net deferred tax assets and deferred tax liabilities as of 30.04.	1,839	2,838

The reconciliation of the income tax charge based on the Austrian corporate tax rate of 25% with the effective tax rate for the period is as follows:

in TEUR	2016/17	2015/16
Profit before tax	-16,574	618
Tax expense / income at 25%	4,144	-155
Foreign tax rates	107	210
Losses for which no deferred tax assets were recognized	-4,749	0
Permanent differences	-47	19
Taxes from prior periods	161	88
Reversal of deferred taxes	-1,085	-6,528
Other	165	-441
Effective tax expense / income	-1,304	-6,807
Effective tax rate	-8 %	1,101 %

The "Other" line item also includes corrections for currency differences. The effective tax rate of -8% (previous year: due to write-downs of € 6,528k on deferred tax assets and further write-downs of € 1,188k on deferred tax assets recognized in OCI, the effective tax rate amounted to 1,101%) is mainly attributable to the non-recognition of deferred tax assets for current losses.

(10) NOTES TO OTHER COMPREHENSIVE INCOME

A reduction in benchmark interest rates in particular gave rise to an actuarial loss of € 87k. Together with a result of € 14k from currency translation of foreign operations and a positive change of € 1k in the hedging reserve, other comprehensive income (OCI) came to € -72k (previous year: € 375k). Added to the earnings after tax of € -17,878k (previous year: € -10,658k), this produced total comprehensive income of € -17,950k (previous year: € -10,283k).

The adjustments made to the previous year's figure for depreciation and amortization, other operating expenses, and foreign currency measurement led to the following changes in comprehensive income:

in TEUR	Reported 2015/2016	Adjustment	Adjusted 2015/2016
Earnings after tax	-6,189	-4,469	-10,658
Other comprehensive income	236	+139	375
Total comprehensive income	-5,953	-4,330	-10,283

(11) EARNINGS PER SHARE/RECOMMENDATION FOR THE USE OF EARNINGS

Earnings per share are calculated by dividing earnings after tax by the weighted average number of ordinary shares excluding time-apportioned treasury stock holdings (2016/17: 4,911,860; previous year: 4,903,217). Earnings per share for the 2016/17 financial year amounted to € -3.64 (2015/16: € -2.17). In view of this earnings situation, the Management Board will propose to the Annual General Meeting due to be held on September 14, 2017 that no dividend should be paid for the 2016/17 financial year.

IV. Notes to the Consolidated Balance Sheet

(12) PROPERTY, PLANT AND EQUIPMENT

The development in this line item is presented in detail in the non-current asset schedule.

Total obligations for the purchase of property, plant and equipment as of the balance sheet date amounted to € 558k (April 30, 2016: € 4,723k).

The adjustments made to property, plant and equipment reported for the 2015/16 financial year related to buildings on third-party land, other equipment, and plant and office equipment. Having revised the forecasts for its U.S. business performance, Wolford AG deemed it necessary to recognize impairment losses for Wolford Boutiques LLC., New York, retrospectively as of April 30, 2016, already. These adjustments are structured as follows:

in TEUR	Reported 2015/2016	Adjustment	Adjusted 2015/2016
Property, Plant and Equipment	51,444	-1,204	50,240

(13) GOODWILL

Having revised the forecasts for its U.S. business performance, Wolford AG deemed it necessary to recognize impairment losses of € 577k for Wolford Boutiques LLC., New York, and Wolford America Inc., New York, retrospectively as of April 30, 2016, already.

Due to a persistently negative business performance, impairment losses of € 437k and € 60k were recognized for Wolford Belgium N.V. and Wolford Deutschland GmbH respectively in the 2016/17 financial year.

(14) OTHER INTANGIBLE ASSETS

The development in this line item is presented in detail in the non-current asset schedule. There were no commitments to purchase intangible assets in the current or previous financial years. Key money (payments for rental rights) totaling € 6,830k was capitalized as of the balance sheet date (April 30, 2016: € 7,683k). Of this amount, € 5,293k represented key money with an indefinite useful life (April 30, 2016: € 4,172k) and € 1,537k involved key money with a limited useful life (April 30, 2016: € 3,510k). An impairment requirement of EUR 213k was recognized for intangible assets in the 2016/17 financial year in connection with Wolford's proprietary location in Nice. No development expenses were capitalized in the 2016/17 financial year (April 30, 2016: € 471k).

(15) FINANCIAL ASSETS

The securities included in this line item are classified as available for sale and recognized at fair value in accordance with IAS 39. The fair value of these financial assets corresponds to the respective market value as of the balance sheet date. The change in fair value amounted to \in -22k in the 2016/17 financial year (2015/16: \in +32k).

(16) NON-CURRENT RECEIVABLES AND ASSETS

The amounts recognized in this line item chiefly involve advance rental and lease payments and security deposits.

(17) DEFERRED TAXES

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

	30.04.	2017	30.04	.2016
in TEUR	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment, intangible assets	118	0	80	-40
Valuation of inventories	9	-28	0	-36
Accrued rental costs	0	0	0	0
Provisions for employee benefits	127	0	119	0
Other provisions	38	-16	0	0
Treasury shares	0	0	0	0
Untaxed reserves	0	0	0	0
Foreign currency translation	0	0	0	0
Deferred taxes on loss carryforwards and write-				
downs to fair value	30	0	892	0
Consolidation entries	1,541	0	1,603	0
Other	37	-18	247	-27
Deferred tax assets and deferred tax				
liabilities	1,900	-62	2,941	-103
Offset within legal tax units and				
jurisdictions	-9	9	-43	43
Net deferred tax assets and liabilities	1,891	-53	2,898	-60

As of the balance sheet date, the company had unutilized tax loss carryovers of \in 57,961k (April 30, 2016: \in 29,379k). Of existing tax loss carryovers, an amount of \in 12,237k is forfeitable (April 30, 2016: \in 12,204k).

(18) INVENTORIES

Inventories are structured as follows:

in TEUR	30.04.2017	30.04.2016
Finished goods and trading goods	34,748	33,111
Work-in-process	8,089	8,305
Raw materials and supplies	6,555	6,420
Total	49,392	47,836

Inventories are measured separately by article. This valuation procedure accounts for the different resale characteristics of the Essentials and Trend models, as well as for the age of the respective articles. These assessments were updated by reference to sell-through rates and discounting patterns in the 2016/17 financial year. Write-downs on inventories amounted to \in 3,494k as of the balance sheet date (April 30, 2016: \in 2,488k).

(19) TRADE RECEIVABLES

in TEUR	30.04.2017	30.04.2016
Trade receivables	11,594	9,296
Impairment losses	-404	-538
Trade receivables after impairment losses	11,190	8,758

No trade receivables were secured by bills of exchange either in the 2016/17 financial year or in the previous financial year.

Impairment losses of € 404k were recognized on trade receivables (April 30, 2016: € 538k). The development in these items was as follows:

in TEUR	2016/17	2014/15
01.05.	538	468
Addition (+) / release (-)	-16	259
Use	-116	-184
Currency translation differences	-2	-5
30.04.	404	538

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 are not correlated.

The payment terms granted vary from customer to customer and reflect standard practices in the respective country. Customer creditworthiness is checked in advance before entering into any business relationship. Trade receivables are monitored continuously and external service providers are used to collect overdue payments. Furthermore, the company reduces its receivable default risk with credit insurance policies.

in TEUR	30.04.2017	30.04.2016
Trade receivables after impairment losses	11,190	8,758
thereof neither impaired nor overdue as of the balance sheet date	6,751	6,698
thereof overdue as of the balance sheet date as follows (net amount):		
less than 30 days	1,791	1,084
30 – 90 days	1,493	500
91 – 180 days	852	399
181 – 365 days	278	61
over 1 year	25	16

Receivables of € 101k were derecognized due to uncollectibility in the 2016/17 financial year (2015/16: € 90k). This amount includes the deduction of compensation received from credit insurance. With respect to trade receivables that are neither impaired nor overdue, there were no indications at the balance sheet date that customers would be unable to meet their contractual obligations.

(20) OTHER RECEIVABLES AND ASSETS

in TEUR	30.04.2017	30.04.2016
Other receivables and assets	3,261	5,111
thereof cash flow hedge	11	15
Total	3,261	5,111

Other receivables and assets, prepaid expenses and deferred charges have terms to maturity of less than one year.

(21) EQUITY

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

Share capital

Share capital consists of 5,000,000 zero par value shares, each of which represents an equal interest in share capital. There are no preferred shares or shares with special control rights.

Capital reserves

Appropriated reserves result from the premium (less issue costs) on the stock issue in 1995.

Other reserves

Due to the adjustments outlined in the notes to the statement of comprehensive income, other reserves as of April 30, 2016 decreased from € 30,790k to € 26,321k.

A dividend of € 982k was distributed for the 2015/16 financial year.

Reserve for cash flow hedges

in TEUR	2016/17	2015/16
01.05.	6	-5
Fair value measurement of derivatives	55	-42
Realized hedge transactions	-58	59
Applicable income taxes	4	-6
30.04.	7	6

Reserve for actuarial gains/losses

in TEUR	2016/17	2015/16
01.05.	-4,070	-3,867
Actuarial gains and losses resulting from changes in actuarial parameters	-87	898
Revaluation of deferred taxes	0	-1,101
30.04.	-4,157	-4,070

Currency translation differences

Due to the adjustments outlined in the notes to the statement of comprehensive income, the net balance of currency translation differences as of April 30, 2016 changed from € -812k to € -674k.

Treasury stock

Wolford AG holds 88,140 treasury stock shares (April 30, 2016: 88,140). As a result, 2% of share capital is held by the company (April 30, 2016: 2%). Within its long-term incentive program, on January 22, 2016 Wolford AG sold a total of 11,860 zero par bearer treasury stock shares to members of the Management Board at an equivalent value of € 21.08 per share. The shares were acquired by Ashish Sensarma, CEO, and Axel Dreher, COO/CFO, on January 22, 2016 and are subject to a holding period running until April 30, 2018. The shares thereby disposed of by the company had a total value of € 250k. The sale and purchase of these shares was executed over the counter.

Stock appreciation rights

The Wolford Group has granted a long-term variable bonus (LTI) to its Management Board in the form of stock appreciation rights (SARs). Participation is based on a mandatory proprietary investment in return for which the company assigns treasury stock shares at a stipulated average price. The proprietary investment remains mandatory through to the time at which the SARs are exercised.

The SARs oblige the Wolford Group for each right thereby granted to make a cash payment to settle the differential amount between the average closing price of Wolford AG shares on the Vienna Stock Exchange in the twelve calendar months preceding the actual exercise date and a defined average price, multiplied by a percentage based on average EBIT in the 2015/16, 2016/17, and 2017/18 financial years.

The differential amount has an upper limit (cap) in each case.

The SARs granted are subject to a lockup period running until April 30, 2018. Following expiry of the lockup period, the SARs may be exercised by the participants in the plan provided that the following conditions are met and no blackout periods apply:

Performance conditions:

- Net annual revenues averaging at least € 150.0 million are generated in the financial years from 2015/16 and 2017/18;
- EBT averaging at least 5% of annual net sales is generated in the financial years from 2015/16 and 2017/18.

Should these conditions not be met, then the respective rights lapse. This is also the case when a plan participant leaves the company in circumstances other than due to expiry of the employment contract except in cases in which the conclusion of employment is not due to termination or dismissal

for reasons justified by the employment contract of the respective Management Board member or to the legitimate premature departure of the Management Board member.

The present value of the SARs upon being granted is determined using an option price model. Expected volatility is derived by reference to observable historic market prices. Where no historic information is available concerning exercise patterns for the SARs, it is assumed that the expected term corresponds to the period of time until the SARs lapse. The assessment of the expected number of exercisable SARs accounts for performance conditions that do not include any market conditions.

As of April 30, 2017, this did not result in any relevant obligation for the Wolford Group, as the performance conditions mean that the expected number of SARs deemed exercisable amounted to zero at this date.

The assumptions used to calculate the present value of the SARs upon being granted are as follows.

		2016/17
Average share price	EUR	22.75
Average dividend yield	%	0.74
Average interest rate	%	-0.56
Expected volatility	%	18.24

(22) FINANCIAL LIABILITIES

Financial liabilities are structured as follows:

in TEUR	30.04.2017	30.04.2016
Loans from banks, variable interest rates from 0.25% to 1.7%	41,556	20,844
(30.04.2016: 0.25% to 6.2%)		
Loans from banks, fixed interest rates from 1.75%	800	4,600
(30.04.2016: 1,75% to 5.1%)		
Loans from the Austrian Research Promotion Agency,	439	466
fixed interest rates from 0.75% (30.04.2016: 0.75%)		
Interest-free loan from the Federal Province of Vorarlberg	64	124
Total	42,859	26,034
thereof current	42,646	25,060

The scheduled repayments for financial liabilities have the following maturity structures:

in TEUR	Up to 1 year	1 - 5 years	Over 5 years
As of 30.04.2017	42,646	214	0
As of 30.04.2016	25,060	974	0

As of April 30, 2017, the fair value of fixed-interest financial liabilities was € 16k higher than cost (April 30, 2016: € 98k).

The carrying amounts of liabilities to banks are equivalent to their respective cost. Collateral for current liabilities is provided by maturity-linked surety commitments issued by the Republic of Austria with refinancing commitments by Oesterreichische Kontrollbank Aktiengesellschaft.

On account of the losses incurred, the company has breached the requirements of existing loan agreements and classified the relevant financial liabilities as current.

To secure its liquidity, in July 2017 the company agreed a financing arrangement with a consortium of banks. This is limited until the end of June 2018 and is subject to various terms and conditions, the fulfilment of which is dependent on future events. These conditions particularly include the initiation of an investor identification process with the objective of obtaining a significant equity injection by the end of June 2018.

Furthermore, upon agreement of the financing arrangement the company was obliged to provide extensive security (global assignment of all receivables, pledging of machinery and all properties, as well as of intellectual property).

Although the Management Board currently expects all terms and conditions to be successfully met, the fact that fulfilment of such also depends on circumstances outside the company's control means that substantial uncertainties remain. These may also involve a residual risk (especially for the period following expiry of the financing arrangement at the end of June 2018) in terms of the Group's ability to uphold its business operations.

(23) PROVISIONS FOR LONG-TERM EMPLOYEE BENEFITS

The provisions for pensions, severance pay, and anniversary payments are calculated in accordance with IAS 19 (revised).

in TEUR	30.04.2017	30.04.2016
Provisions for pensions	4,922	4,984
Provisions for severance pay	10,416	10,599
Provisions for jubilee payments	2,209	2,313
Total	17,547	17,896

Provision for pensions

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.

Provisions for severance pay

Legal requirements entitle employees who joined the Austrian parent company before 2003 to a one-off severance 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. This plan is financed jointly by the employees and the employer, with the obligation being counter-financed by the insurance company Swiss Life by way of qualified insurance policies that serve as plan assets. There are other smaller defined benefit severance pay plans in Italy and Slovenia. Provisions for pensions and severance pay developed as follows:

in TEUR	2016/17	2015/16	2014/15	2013/14	2012/13
Present value of obligations as of 01.05.	15,583	16,949	13,730	13,319	12,069
Current service cost	680	508	534	601	561
Past service cost	0	0	0	0	0
Interest expense	282	258	412	466	522
Pension and severance compensation payments	-1,294	-1,234	-822	-1,401	-1,443
Actuarial gain / loss	87	-898	3,095	745	1,610
Present value of obligations as of 30.04.	15,338	15,583	16,949	13,730	13,319

Expenses of € 238k were recognized in the year under report for defined contribution obligations (2015/16: € 244k). Defined benefit payments of € 465k are planned for provisions for pensions and severance pay in the coming 2017/18 financial year (2016/17: € 467k).

Provision for jubilee payments

The provision for jubilee payments developed as follows:

in TEUR	2016/17	2015/16	2014/15	2013/14	2012/13
Present value of obligation as of 01.05.	2,313	2,271	1,967	1,903	1,658
Current service cost	141	126	161	156	141
Interest expense	42	34	59	67	72
Jubilee payments	-112	-109	-136	-71	-54
Actuarial gain / loss	-175	-9	220	-88	86
Present value of obligation as of 30.04.	2,209	2,313	2,271	1,967	1,903

Defined benefit payments from jubilee obligations are expected to total € 38k in the 2017/18 financial year (2016/17: € 146k).

Provisions for pensions, severance and jubilee payments

The actuarial gains and losses result solely from changes in financial assumptions and are reported under other comprehensive income for the retirement and severance pay provisions and under personnel expenses for the anniversary payment provisions.

Current and past service cost are reported under expenses for severance pay and pensions, while interest expenses are included under interest on employee benefits.

in TEUR	2016/17	2015/16	2014/15	2013/14	2012/13
Expenses for pensions, severance compensation and jubilee payments	821	634	695	757	702
Interest on employee benefits	324	292	471	533	594

The weighted average term of the defined benefit obligation amounts to 15 years.

(24) OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are structured as follows:

in TEUR	30.04.2017	30.04.2016
Government grant for Slovenia project	850	908
Other	74	64
Total	924	972

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

(25) OTHER NON-CURRENT PROVISIONS

Provisions for onerous contracts have been recognized as non-current provisions at an amount of € 2,347k for the risk of losses on pending transaction in connection with rental agreements in the U.S., Canada, Asia, and Europe (2015/16: € 2,018k). The classification of these items as non-current provisions has been based on the terms of the respective rental agreements.

(26) CURRENT PROVISIONS

Other major provisions recognized in accordance with IAS 37 are structured as follows:

		Currency translation				
in TEUR	01.05.2016*	differences	Use	Reversal	Addition	30.04.2017
Sales bonuses	894	2	-778	-2	709	825
Staff	1,569	8	-823	-357	2,853	3,250
Advertising	1,166	1	-462	-703	303	305
Tax consulting / auditing	524	-1	-417	-31	751	826
Legal fees	57	1	-47	0	692	703
Other*	2,437	20	-6,020	-69	8,867	5,235
Total	6,647	31	-8,547	-1,162	14,175	11,144

^{*)} Adjusted (see Section II of the Notes).

The current provisions reported for the 2015/16 financial year have been increased to account for the risk of losses on pending transactions in connection with short-term rental agreements in the US. This adjustment affects other provisions and is structured as follows:

in TEUR	Reported 30.04.2016	Adjustment	Adjusted 30.04.2016
Other	1,905	+532	2,437

The provision for sales bonuses relates to as yet unsettled obligations to customers. The staff provisions mainly involve provisions for variable salary components and severance pay. Among other items, other provisions include outstanding compensation for the Supervisory Board and outstanding commissions on revenues.

The provisions also recognized under current provisions as of May 1, 2016 to account for the risk of losses on pending transactions in connection with short-term rental agreements in the U.S. were fully utilized in the financial year under report.

(27) OTHER CURRENT LIABILITIES

Other current liabilities are structured as follows:

in TEUR	30.04.2017	30.04.2016
Outstanding vacation entitlement	2,701	2,982
Liabilities to taxation authorities	2,494	2,420
Special payments	1,767	1,821
Accrued rental and lease payments	2,334	1,803
Liabilities for credit vouchers	1,310	1,296
Liabilities for social security	1,237	1,231
Liabilities to staff	37	783
Overtime	198	219
Other	997	921
of which cash flow hedges	4	4
Total	13,075	13,476

(28) CONTINGENT LIABILITIES

The company has issued rental guarantees totaling € 3,023k (2015/16: € 3,008k) and other guarantees of € 1,042k (2015/16: € 1,657k).

(29) OTHER FINANCIAL OBLIGATIONS

The company has concluded a substantial volume of rental agreements that qualify as operating lease arrangements in terms of their economic content, as a result of which the leased items are attributed to the lessor. Lease arrangements will result in the following payments in subsequent periods:

in TEUR	30.04.2017	30.04.2016
Minimum lease and rental payments due in		
up to 1 year	16,264	14,495
1 to 5 years	33,183	31,819
over 5 years	12,395	7,782

The rental agreements relate to office space used by group companies and to the worldwide retail activities of the Wolford Group. Most of the related leases are based on minimum lease payments. The Wolford Group has also concluded rental agreements that call for contingent, in particular revenue-based, payments. Rental and leasing expenses totaled € 22,474k in the 2016/17 financial year (2015/16: € 22,536k). This total includes contingent payments due to revenue-based rents (rents and ancillary costs) of € 9,637k (2015/16: € 9,877k). As of April 30, 2017, the Wolford Group expects future payments of € 46k from sub-leases (April 30, 2016: € 42k). These are due within one year.

V. Notes to the Cash Flow Statement

The cash flow statement of the Wolford Group shows the changes in cash and cash equivalents resulting from inflows and outflows of cash during the financial year. Within the cash flow statement, a distinction is made between cash flows from operating, investing, and financing activities. The cash flow from operating activities is calculated using the indirect method. This calculation is based on earnings before tax, which are adjusted to exclude non-cash income and expenses. The cash flow from operating activities is then determined by including the impact of changes in net working capital. Inflows and outflows of cash from interest income and interest expenses are recognized in the cash flow from operating activities.

(30) INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

In the period under report, the Wolford Group invested a total amount of \in 6,719k in property, plant and equipment and other intangible assets (2015/16: \in 7,297k), of which an amount of \in 6,658k was cash-effective (2015/16: \in 7,667k). In the same period, the Group received proceeds of \in 153k from disposals of property, plant and equipment and intangible assets (2015/16: \in 1,472k).

VI.Financial Instruments

FINANCIAL RISK MANAGEMENT

Objectives and methods of financial and capital management

The objective of financial risk management is to record and assess uncertain factors that could impact negatively on the company's business performance. Financial risk management serves to protect liquidity, ensure efficient liquidity management throughout the Group, increase the Group's financial strength, and reduce financial risk, also by deploying financial instruments. 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.

The main risks to which the Group is exposed in connection with financial instruments are interestrelated cash flow risks, as well as liquidity, creditworthiness, currency, and credit risks. The Management Board has implemented strategies and processes to manage individual types of risk.

Major primary financial liabilities include bank loans, overdrafts, and trade payables. The main purpose of these financial liabilities is to finance the Wolford Group's business activities. Wolford has a variety of financial assets, such as trade receivables, credit balances at banks, cash on hand, and short-term investments directly relating to its business activities.

The Wolford Group also deploys derivative financial instruments, especially forward exchange contracts. Derivative financial instruments are financial instruments whose value changes in response to a change in a hedged item (e.g. interest rate), that require little or no initial net investment and that are settled at a future date. At the Wolford Group, derivative financial instruments are used exclusively to hedge risks resulting from exchange rate movements and interest rate changes. The purpose of exchange rate hedging is to create a sufficiently secure calculation basis for a budgeting horizon of a minimum of three months and a maximum of six months.

Capital risk management

The primary objective of capital risk management is to minimize the company's cost of capital by maintaining a high equity ratio and a sound credit rating and thereby limit any negative effects on earnings. Wolford AG manages the Group's capital structure and makes adjustments where necessary to account for changes in the underlying economic climate. The strategy of the Wolford Group has remained largely unchanged since the previous year.

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 financial assets and cash and cash equivalents. Based on medium-term forecasts, the Management Board expects a long-term capital structure with gearing of around 20%. The development in this key figure in recent years is presented in the following table:

in %	30.04.2017	30.04.2016	30.04.2015	30.04.2014
Gearing	69.7%	32.7%*	22.9%	22.9%

^{*)} Adjusted (original gearing in 2015/16: 30.6%).

Credit and default risk management

The Wolford Group only concludes business transactions with creditworthy partners and checks the creditworthiness of new customers. Furthermore, trade receivables are continuously monitored and default risk is limited by credit insurance. There is no significant concentration of default risk at the Group.

The default risk associated with other financial assets held by the Wolford Group, such as cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, is deemed low as the company works exclusively with banks with strong credit ratings.

Interest rate risk management

The Wolford Group manages its interest charge by ensuring a combination of fixed and floating interest rates on its borrowings. The following table shows the sensitivity of earnings before tax to changes in the interest rates on floating-rate financial liabilities. The sensitivity refers to an interest rate change of +/- 0.5 percentage points:

in TEUR	2016/17	2015/16
Interest rate risk	+/- 235	+/- 117

The following table shows the sensitivity of other comprehensive income before tax to changes of +/- 1.0 percentage points in the interest rates for employee-related provisions:

in TEUR	2016/17	2015/16
Interest rate risk	+/- 332	+/- 150

Foreign exchange risk management

Exchange rate risks arising from existing foreign currency receivables and planned revenues are partly hedged by the group treasury department using forward ex-change contracts and options.

The following table shows the sensitivity of earnings before tax to exchange rate movements of +/10 percent based on the cash flows of the Wolford Group:

in TEUR for currency	2016/17	2015/16
USD	+/- 669	+/- 688
GBP	+/- 383	+/- 483
CHF	+/- 46	+/- 130
DKK	+/- 283	+/- 375
SEK	+/- 70	+/- 73
NOK	+/- 82	+/- 50
CAD	+/- 46	+/- 44
HKD	+/- 16	+/- 178

The carrying amounts of the Group's assets and liabilities held in foreign currencies as of the balance sheet date were as follows:

in TEUR for currency	Assets 30.04.2017	Assets 30.04.2016	Liabilities 30.04.2017	Liabilities 30.04.2016
USD in USA	10,313	8,839	380	1,802
GBP in Great Britain	2,449	3,613	386	1,341
CHF in Switzerland	1,251	1,807	29	599
DKK in Denmark	0	2,895	168	442
Other	5,148	4,330	282	666
Total	19,161	21,484	1,245	4,850

The following table shows the sensitivity of other comprehensive income before tax to exchange rate movements of +/- 10 percent based on the carrying amounts of the assets and liabilities held by the Wolford Group:

in TEUR for currency	2016/17	2015/16
USD	+/- 1,104	+/- 782
GBP	+/- 229	+/- 252
CHF	+/- 136	+/- 134
Other	+/- 522	+/- 680

For derivative financial instruments, exchange rate movements of +/- 10 percent would lead to currency sensitivities of \in +/- 79k (April 30, 2016: \in +/- 159k).

Liquidity risk management

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

The aim is to ensure sufficient liquidity at all times by concluding appropriate credit lines with banks, continuously monitoring forecast and actual cash flows, and coordinating the maturity profiles of financial assets and liabilities.

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

	Carrying amount	Cash flows	Cash flows	Cash flows
			2018/19 to	
in TEUR	30.04.2017	2017/18	2021/22	2022/23 ff
Financial liabilities - interest-				
bearing	42,795	41,896	977	0
Financial liabilities - non-				
interest-bearing	64	19	46	0
Total	42,859	41,914	1,023	0

	Carrying amount	Cash flows	Cash flows 2017/18 to	Cash flows
in TEUR	30.04.2016	2016/17	2020/21	2021/22 ff
Financial liabilities - interest- bearing	25,910	25,101	946	0
Financial liabilities - non- interest-bearing	124	71	52	0
Total	26,034	25,172	998	0

As of April 30, 2017, 99% of existing credit lines had been drawn down (April 30, 2016: 49%). Of total credit lines, 61% are committed.

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.

Derivative financial instruments

Forward exchange contracts are used to hedge the risks resulting from exchange rate movements. The derivative positions open as of April 30, 2017, had terms of less than twelve months.

	Nominal	amount	Fair v	/alue
	Foreign currency		Positive	Negative
30.04.2017	in 1,000	TEUR	TEUR	TEUR
Currency forwards				
USD	400	374	8	0
GBP	200	233	0	-4
CHF	200	187	3	0
DKK	0	0	0	0
SEK	0	0	0	0
NOK	0	0	0	0
CAD	0	0	0	0
HKD	0	0	0	0

	Nominal	amount	Fair v	/alue
	Foreign currency		Positive	Negative
30.04.2016	in 1,000	TEUR	TEUR	TEUR
Currency forwards				
USD	500	450	12	0
GBP	600	765	1	-4
CHF	300	275	2	0
DKK	0	0	0	0
SEK	0	0	0	0
NOK	0	0	0	0
CAD	0	0	0	0
HKD	1,000	113	0	0

Forward exchange contracts are measured at fair value in accordance with IAS 39. In cash flow hedge accounting, the effective portion of the change in fair value is recognized in other comprehensive income, while the ineffective portion is recognized in earnings before tax. If a cash flow hedge results in an asset or a liability, the amounts recognized in equity are transferred to the income statement at the time when the hedged item influences earnings. All hedges were effective in the 2016/17 and 2015/16 financial years.

Fair value

Due to the short-term nature of the assets and liabilities involved, the carrying amounts of cash holdings, current financial funds, receivables and other assets, trade payables, current liabilities, and provisions can be regarded as reasonable estimates of their respective fair values.

30.04.2017 in TEUR	Level 1	Level 2	Level 3
Non-current assets			
Financial investments	1,283	0	0
Current assets			
Other receivables	0	11	0
Securities and financial investments	0	0	0
Current liabilities			
Other liabilities	0	-4	0
Total	1,283	7	0

30.04.2016			
in TEUR	Level 1	Level 2	Level 3
Non-current assets			
Financial investments	1,305	0	0
Current assets			
Other receivables	0	15	0
Securities and financial investments	0	0	0
Current liabilities			
Other liabilities	0	-4	0
Total	1,305	11	0

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, while the securities and financial assets presented in current assets involve securities used to hedge rental and lease obligations. The other receivables and other liabilities reported in Level 2 result from the valuation of outstanding foreign currency derivative transactions.

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

30.04.2017 in TEUR		Market value = rying amount	Recognized gains/losses	thereof recognized in profit or loss
Non-current securities				
Investment fund shares	1,398	1,283	-115	-115
Total	1,398	1,283	-115	-115

30.04.2016 in TEUR	Cost	Market value = carrying amount	Recognized gains/losses	thereof recognized in profit or loss
Non-current securities				
Investment fund shares	1,668	1,555	-113	-113
Disposal	270	250	-20	-20
Total	1,398	1,305	-93	-93

Carrying amounts, valuation base and fair values of financial instruments according to measurement criteria, maturities and classes

The following table shows the reconciliation of the carrying amounts of financial instruments with IAS 39 measurement categories:

30.04.2017 in TEUR	IAS 39 valuation category	Carrying amount	Amortized cost	Fair value not through profit / loss	Fair value through profit / loss	Current	Non- current
Cash and cash equivalents	L&R	10,312	10,312	0	0	10,312	0
Securities and financial investments	Afs	0	0	0	0	0	0
Trade receivables	L&R	11,190	11,190	0	0	11,190	0
Prepaid expenses and deferred charges	L&R	2,744	2,744	0	0	2,744	0
Other receivables and assets	L&R	5,152	5,152	0	0	3,261	1,891
Derivatives	CFH	11	0	11	0	11	0
Financial assets	Afs	1,283	0	1,283	0	0	1,283
Total financial assets		30,692	29,398	1,294	0	27,518	3,174
Trade payables	FL	5,035	5,035	0	0	5,035	0
Bank loans and overdrafts	FL	41,846	41,846	0	0	41,846	0
Financial liabilities, non-current	FL	1,014	1,014	0	0	0	1,014
Financial liabilities, current	FL	0	0	0	0	0	0
Derivatives	CFH	4	0	4	0	4	0
Other financial liabilities	FL	14,000	14,000	0	0	13,076	924
Total financial liabilities		61,899	61,895	4	0	59,961	1,938

The financial instruments are classified into the following IAS 39 categories:

Loans and receivables	L&R	TEUR	29,398
Cash flow hedge	CFH	TEUR	7
Available-for-sale assets	Afs	TEUR	1,283
Other financial obligations	FL	TEUR	61,895

30.04.2016 in TEUR	IAS 39 valuation category	Carrying amount	Amortized cost	Fair value not through profit / loss	Fair value through profit / loss	Current	Non- current
Cash and cash equivalents	L&R	3,870	3,870	0	0	3,870	0
Securities and financial investments	Afs	0	0	0	0	0	0
Trade receivables	L&R	8,758	8,758	0	0	8,758	0
Prepaid expenses and deferred charges	L&R	3,262	3,262	0	0	3,262	0
Other receivables and assets	L&R	7,027	7,027	0	0	5,096	1,931
Derivatives	CFH	15	0	15	0	15	0
Financial assets	Afs	1,303	0	1,305	0	0	1,305
Total financial assets		24,235	22,917	1,320	0	21,001	3,236
Trade payables	FL	5,086	5,086	0	0	5,086	0
Bank loans and overdrafts	FL	24,867	24,867	0	0	24,867	0
Financial liabilities, non-current	FL	974	974	0	0	0	974
Financial liabilities, current	FL	193	193	0	0	193	0
Derivatives	CFH	4	0	4	0	4	0
Other financial liabilities	FL	14,442	14,442	0	0	13,390	1,052
Total financial liabilities		45,566	45,562	4	0	43,540	2,026

The financial instruments are classified into the following IAS 39 categories:

Loans and receivables	L&R	TEUR	22,917
Cash flow hedge	CFH	TEUR	11
Available-for-sale assets	Afs	TEUR	1,305
Other financial obligations	FL	TEUR	45,562

Net results by class

2016/17			From subsequent measurement at		Total through	Total not through
in TEUR	From interest	From other 1)	fair value	From disposal	profit or loss	profit or loss
Loans and receivables (L&R)	49	0	0	0	49	0
Derivatives (CFH)	0	0	4	-58	-58	4
Available-for-sale assets (AfS)	4	0	0	0	4	0
Other financial liabilities (FL)	-463	-125	0	0	-588	0
Net results	-410	-125	4	-58	-593	4

2015/16 in TEUR	From interest	From other ¹⁾	From subsequent measurement at fair value	From disposal	Total through profit or loss	Total not through profit or loss
Loans and receivables (L&R)	26	0	0	0	26	0
Derivatives (CFH)	0	0	-42	59	59	-42
Available-for-sale assets (AfS)	-61	0	0	0	-61	0
Other financial liabilities (FL)	-263	-337	0	0	-600	0
Net results	-298	-337	-42	59	-576	-42

^{1) &}quot;From other": fees and other premiums that cannot be directly classified as interest income.

VII. Other Disclosures

EVENTS AFTER THE BALANCE SHEET DATE

On June 9, 2017, Wolford's principal shareholder group, comprising the WMP private family foundation, the Sesam private foundation, their joint subsidiary M. Erthal & Co. Beteiligungsgesell-schaft m.b.H., and closely related natural persons announced their intention to sell their majority interest in Wolford AG. To this end, the shareholders have initiated an investor selection process that is being supported by the management of Wolford AG. The acquisition of an equity package by a future core shareholder should be linked to an equity measure that sustainably boosts the company's liquidity.

On July 5, 2017, Wolford announced that Ashish Sensarma, CEO of Wolford AG since January 2015, would be standing down from the company's Management Board as of July 31, 2017. Axel Dreher, previously Deputy CEO, has been appointed as CEO as of August 1, 2017, and now has additional Board responsibility for strategy, marketing, and sales. The Supervisory Board of Wolford AG has also appointed Brigitte Kurz, previously head of the finance department, to the Management Board, in this case also as of August 1, 2017. She will take over the function of Chief Financial Officer (CFO) from Axel Dreher and will also assume Board responsibility for human resources, IT, legal affairs, and investor relations. The tasks of COO, with responsibility for development, production, and logistics, will continue to be performed by Axel Dreher.

On July 11, 2017, Wolford AG communicated by ad-hoc announcement that it had agreed with its Austrian banking partners to extend its credit lines through to June 30, 2018, as well as a bridge financing facility of up to € 10 million to cover peak seasonal liquidity requirements. The company has therefore secured its financing for the current financial year.

RELATED PARTY TRANSACTIONS

The company maintains business relationships with individual members of the Supervisory Board. These are immaterial in scope and are all invoiced at customary market rates.

INFORMATION ON THE MANAGEMENT AND SUPERVISORY BOARDS

2016/17 in TEUR	Remuneration	Severance compensation	Pensions	Total
Expenses for members of the		<u> </u>		
•	4.075			4.075
Management Board	1,075	0	0	1,075
thereof variable	0	0	0	0
Former members of the				
Management Board	0	0	200	200
Total	1,075	0	200	1,275

2015 /1/ in TELID	Domoumonation	Severance	Donoiono	Total
2015/16 in TEUR	Remuneration	compensation	Pensions	Total
Expenses for members of the				
Management Board	1,115	0	0	1,115
thereof variable	66	0	0	66
Former members of the				
Management Board	0	0	241	241
Total	1,115	0	241	1,356

A provision of \in 196k was recognized for Supervisory Board compensation in the 2016/17 financial year (2015/16: \in 194k).

The members of the Management Board in 2016/17 were:

Ashish Sensarma, Chief Executive Officer Axel Dreher, Deputy Chief Executive Officer

The members of the Supervisory Board in 2016/17 were:

Antonella Mei-Pochtler, Chairwoman Claudia Beermann, Deputy Chairwoman Lothar Reiff, Member Birgit G. Wilhelm, Member

The Staff Council's representatives on the Supervisory Board were:

Anton Mathis Peter Glanzer

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 approved the consolidated financial statements for submission to the Supervisory Board on July 31, 2017. The Supervisory Board is required to perform its own review of the consolidated financial statements and to declare whether it has approved them.

Declaration by the Management Board of Wolford AG pursuant to § 82 (4) Z 3 BörseG

We hereby confirm to the best of our knowledge that the consolidated financial statements as of April 30, 2017 give a true and fair view of the asset, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate financial statements as of April 30, 2017 give a true and fair picture of the assets, liabilities, financial position, and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Bregenz, July 31, 2017

Ashish Sensarma CEO

Responsible for Marketing and,
Sales, Information Technology, and
Coordination of Corporate Strategy

Axel Dreher Deputy CEO

Responsible for Product Development, Production and Technology, Procurement, Distribution Logistics, Quality Management,

Finance, Internal Audit, Investor Relations, Legal

Affairs and Human Resources

Audit Opinion

Report on consolidated financial statements

AUDIT OPINION

We have audited the consolidated financial statements of Wolford AG, Bregenz, and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of April 30, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the financial year ending on that date, as well as the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and provide a true and fair view of the financial position of the Group as of April 30, 2017, as well as of its financial performance and its cash flows for the financial year ending on that date in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and additional requirements of § 245a UGB.

BASIS FOR AUDIT OPINION

We conducted our audit in accordance with the Austrian Standards on Auditing. These standards require application of International Standards on Auditing (ISA). Our responsibilities pursuant to these requirements and standards are set out in greater detail in the "Responsibilities of the Auditor for the Audit of the Consolidated Financial Statements" section of our audit opinion. Consistent with the requirements of Austrian corporate law and our own professional standards, we are independent of the Group and performed our other professional obligations in accordance with the aforementioned requirements and standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material uncertainties in respect of the company's continuation

We refer to the disclosures made in Sections III (22) and VII of the consolidated financial statements and the "Financial Review" section of the group management report, which set out the disadvantageous changes that have arisen in the company's asset, financial, and earnings position, as well as the conditions governing the financing arrangement intended to safeguard its liquidity. As stated in these sections, circumstances would indicate the existence of material uncertainties which give rise to significant doubts concerning the Group's ability to continue its business activities. We have not modified our audit opinion to account for this circumstance.

PARTICULARLY IMPORTANT AUDIT MATTERS

Particularly important audit matters designate those matters which, based on our professional assessment, are of the greatest significance for our audit of the consolidated financial statements for the financial year under report. These matters were accounted for in our audit of the consolidated financial statements as a whole and in the forming of our audit opinion in respect of the consolidated financial statements. We have not issued any separate audit opinion on these matters. In addition to the circumstance referred to in "Material uncertainties in respect of the company's continuation", we have identified the matters referred to below as particularly important audit matters requiring communication in our audit opinion.

ADJUSTMENTS PURSUANT TO IAS 8 (IMPAIRMENT OF ASSETS AND CONSOLIDATED CASH FLOW STATEMENT)

Description of matter

It was ascertained in the 2016/17 financial year that the cash flow forecasts used to determine the values in use for the impairment tests performed on cash-generating units in the past financial year and to measure provisions for onerous contracts in the United States of America were not appropriate.

Furthermore, the presentation of individual items in the consolidated cash flow statement included in the previous year's consolidated financial statements was erroneous (e.g. due to netting).

The Management Board adjusted these items retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The scope of retrospective adjustments to the impairments and provisions for onerous contracts is highly dependent on the assessment made by the company's legal representatives in respect of the cash flow forecasts.

Reference is made to the relevant disclosures in Section II of the notes to the consolidated financial statement.

Audit approach

We assessed the appropriateness of the retrospective adjustments to the impairments of assets and provisions for onerous contracts in the United States of America by reference to the planning documents used by the Management Board (including cash flow forecasts). We reviewed the adjustments made to the comparative figures in the consolidated cash flow statement by reference to the detailed analyses compiled by the company.

IMPAIRMENT OF ASSETS

Description of matter

The disadvantageous changes arising in the company's financial performance in the 2016/17 financial year and the associated reduction in expected earnings constitute an indication for impairment of assets and cash-generating units. Based on the impairment tests performed, impairments of EUR 2.0 million were recognized on intangible assets and property, plant and equipment in the 2016/17 financial year.

The scope of impairment is highly dependent on the assessment made by the company's legal representatives with regard to future developments, as well as on other parameters relevant to valuation.

Reference is made to the relevant disclosures in Section III (6) of the notes to the consolidated financial statements.

Audit approach

We assessed the recoverability of intangible assets and property, plant and equipment, as well as the scope of impairments recognized, also by reference to the budgets compiled by the Management Board and approved by the Supervisory Board, and appraised the appropriateness of the assumptions on which the budgets were based. In checking the plausibility of the assumptions thereby used in individual aspects of the budgeting we also drew on advice from internal experts. Furthermore, we evaluated the consistency and arithmetic accuracy of the valuation model thereby used

OTHER INFORMATION

The company's legal representatives are responsible for the other information. This information involves all information included in the annual report apart from the consolidated financial statements, group management report, and audit opinion. We assume that the annual report will be published after the date of the audit opinion.

Our audit opinion on the consolidated financial statements does not cover the other information and we can offer no assurances as to that information.

In connection with our audit of the consolidated financial statements, it is our responsibility to read the other information referred to above and to consider whether, in view of the understanding we have gained from our audit, such information materially contradicts the information included in the consolidated financial statements or otherwise appears to constitute a materially misstatement.

RESPONSIBILITIES OF THE COMPANY'S LEGAL REPRESENTATIVES AND OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's legal representatives are responsible for preparing the consolidated financial statements and ensuring that these provide a true and fair view of the Group's financial position, its financial performance and its cash flows in accordance with IFRS as adopted by the EU and the additional requirements of § 245a UGB. Furthermore, the company's legal representatives are responsible for the internal control measures they deem necessary to ensure that the consolidated financial statements as prepared are free of material misstatements, whether intended or unintended.

In preparing the consolidated financial statements, the company's legal representatives are responsible for assessing the Group's ability to continue its business activities, to disclose any matters pertaining to the continuation of its business activities, where relevant, and to apply the going concern accounting principle unless they intend to wind up the Group or discontinue its business activities, or have no realistic alternative to doing so.

The Audit Committee is responsible for monitoring the Group's financial reporting processes.

RESPONSIBILITIES OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS

Our aim is to gain reasonable assurance that the consolidated financial statements as a whole are free of any material misstatements, whether intended or unintended, and to issue an audit opinion that contains our audit findings. Reasonable assurance is a high degree of assurance, but does not constitute any guarantee that the audit of the financial statements conducted in accordance with the Austrian Standards on Auditing, which require application of ISA, will always detect any material misstatement, should such be the case. Misstatements may result from acts of intent or errors and are deemed material when they, individually or aggregately, can be expected to influence the financial decisions taken by users on the basis of these consolidated financial statements.

The audit of the financial statements does not entail any assurance concerning the future existence of the Group thereby audited or of the economic expedience or effectiveness of its present or future management.

One component of our audit of the financial statements in accordance with Austrian Standards on Auditing, which require application of ISA, involves exercising professional discretionary judgement throughout the audit process and maintaining a critical basic approach.

The following aspects also apply:

- We identify and assess the risks of material misstatements, whether intended or unintended, in the financial statements, plan audit actions in response to these risks, perform these actions, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinion. The risk that material misstatements resulting from acts of intent will not be detected is higher than the risk of non-detection of misstatements resulting from error. This is because acts of intent may also involve fraudulent cooperation, falsified documents, intentional incompleteness, misleading statements, or the bypassing of internal control measures.
- We gain an understanding of the internal control system relevant to the audit of the financial statements to enable us to plan audit actions that are appropriate in the given circumstances, but not with the aim of issuing an audit opinion concerning the effectiveness of the Group's internal control system.
- We assess the appropriateness of the accounting policies applied by the company's legal representatives and the reasonableness of the values presented by the representatives in the accounts and associated disclosures.
- We draw conclusions as to how appropriately the company's legal representatives have applied the going concern accounting principle and, based on the audit evidence thereby obtained, whether there is material uncertainty in connection with events or circumstances which may give rise to significant doubts concerning the Group's ability to continue its business activities. Should we conclude that there is material uncertainty in this respect, we are obliged to refer in our audit opinion to the relevant disclosures in the consolidated financial statements or, should these disclosures be inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may nevertheless result in the Group discontinuing its business activities.
- We assess the overall presentation, structure, and contents of the consolidated financial statements, including the note disclosures, and evaluate whether the consolidated financial statements provide a true and fair view of the underlying business transactions and events.
- We obtain adequate and suitable audit evidence concerning the financial information provided for units or business activities within the Group to enable us to issue an audit opinion on the consolidated financial statements. We are responsible for initiating, monitoring, and executing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.

We exchange information with the Audit Committee on matters including the planned scope and schedule for the audit of the financial statements, as well as on material audit findings, including any material deficiencies in the internal control system that we identify during our audit of the financial statements.

We also submit a declaration to the Audit Committee in which we confirm that we have complied with the relevant professional code of conduct with respect to our independence and exchange information with the Audit Committee on all relationships and other matters that can reasonably be assumed to influence our independence and, where relevant, any related precautionary measures.

Based on the matters discussed with the Audit Committee, we determine which matters were of greatest significance for the audit of the consolidated financial statements for the financial year under report and which matters therefore constitute particularly important audit matters. We set out these matters in our audit opinion, unless laws or other legal requirements preclude the public disclosure of such or we ourselves determine in exceptional cases that such matters should not be disclosed in our audit opinion because the negative effects of such disclosure could reasonably be expected to exceed the benefits of such in terms of the public interest.

REPORT ON GROUP MANAGEMENT REPORT

Pursuant to the requirements of Austrian corporate law, the group management report is to be audited to ascertain whether it is consistent with the consolidated financial statements and whether it was prepared in accordance with applicable legal requirements.

The company's legal representatives are responsible for preparing the group management report in accordance with the requirements of Austrian corporate law.

We conducted our audit in accordance with the professional standards applicable to audits of group management reports.

OPINION

In our opinion, the group management report has been prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to § 243a UGB, and is consistent with the consolidated financial statements.

DECLARATION

Based on the insights gained from the audit of the consolidated financial statements and the understanding gained of the Group and its environment, we did not identify any material misstatements in the group management report.

SUPPLEMENT

With regard to the material uncertainties in respect of the continuation of business activities, reference is made to the "Financial Review" section of the group management report, which provides an analysis of the Group's situation. Furthermore, reference is made to the "Outlook and Targets" section of the group management report, which addresses the Group's expected development.

AUDITOR RESPONSIBLE FOR ASSIGNMENT

The auditor responsible for the auditor of the financial statements is Walter Müller.

Vienna, August 1, 2017

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Walter Müller

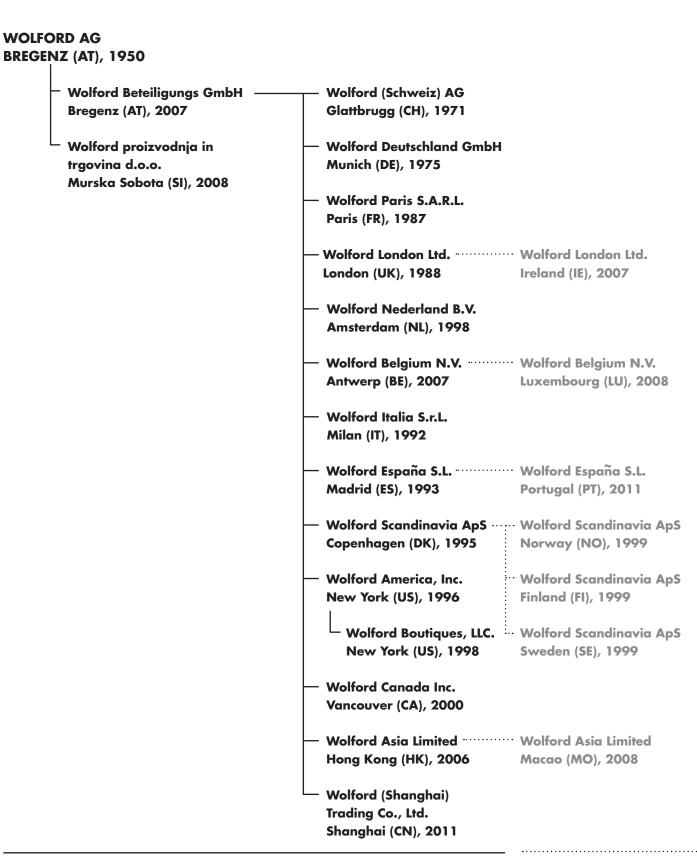
Certified Public Auditor

These consolidated financial statements may only be published or transmitted together with our audit opinion based on the above audited version. This audit opinion refers exclusively to the complete German version of the consolidated financial statements and the group management report. The requirements of § 281 (2) of the Austrian Commercial Code (UGB) apply to all different versions.

SERVICE

Service

The Wolford Group at a glance



Points of Sale

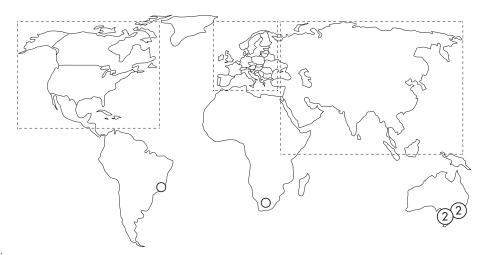
WORLDWIDE

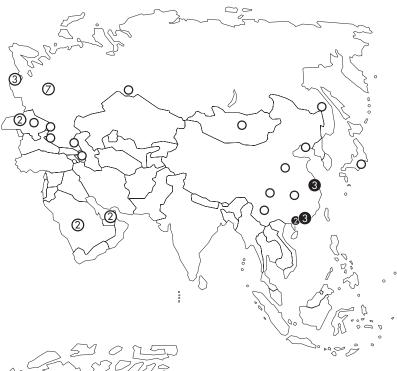
Monobrand points of sale April 30, 2017: 267

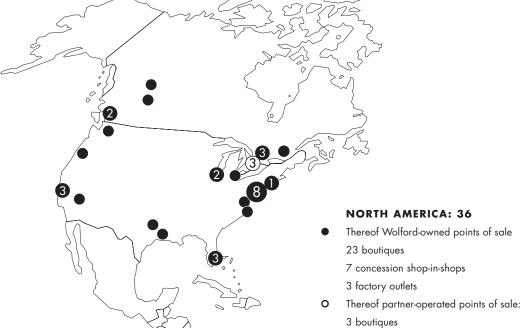
- Thereof Wolford-owned points of sale:
 109 boutiques
 - 51 concession shop-in-shops
 - 22 factory outlets
- O Thereof partner-operated points of sale:
 - 85 boutiques and about
 - 3,000 other distribution partners

ASIA: 321)

- Thereof Wolford-owned points of sale:
 - 5 boutiques
 - 2 concession shop-in-shops
 - 1 factory outlet
- O Thereof partner-operated points of sale:
 - 24 boutiques
 - 1) including Russia and Ukraine









Glossary

NON-FINANCIAL TERMS

Accessories Textile and non-textile items that seasonally complete and complement

the fashion collection

AFREP Austrian financial reporting enforcement panel (Österreichische

Prüfstelle für Rechnungslegung, OePR)

Beachwear Bikinis and swimbodies that can also be worn as lingerie or outerwear,

as well as pareos

Bodywear Classic bodysuits and all close-fitting knitwear such as tops and shirts

B2B Business to Business; sales of goods to other companies, such as

wholesalers or department stores

B2C Business to Customer; sales of goods directly to end consumers

Capsule collection Limited collection produced on a one-off basis with a small number of

articles relating to a specific topic

Commission affiliation

(COAFF)

A distribution concept for partner boutiques, offering far-reaching support in merchandise planning, storage, logistics, and marketing,

as well as sales and product training

Compliance Adherence and measures to monitor adherence to laws, directives,

and voluntarily recognized codices

Concession shop-in-shops Sales areas operated by Wolford within department stores

Controlled distribution Proprietary and partner-operated boutiques, concession shop-in-shops,

online business and factory outlets where Wolford products are

presented in a uniform corporate design

Corporate governance Rules of conduct and legal framework for responsible corporate

management and supervision

Cradle to Cradle® 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.)

Denier 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)

Essentials Includes all Wolford products which – unlike Trend products – form

part of the assortment over several seasons and years

Factory outlets Sales locations at which Wolford collections from previous seasons and

reduced goods are sold

Franchise 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

FTE Full-time equivalents

ISO 50001 Systematic energy management standard

Legwear Product group comprising hosiery products: pantyhose, tights, leggings,

stay-ups, knee-highs, and socks

Lingerie Product group comprising bras, briefs, garter belts and slips

Master franchise Master franchisees receive a license from the manufacturer permitting

them to build up a franchise network in a given region or country

Microsites Small websites operating independently of the company website with

low navigational depth and mostly dealing with just one topic

Monobrand distribution Boutiques which only sell Wolford products (including online business)

Multi-channel distribution Parallel deployment of several distribution channels, e.g., boutiques,

online shops, and concession shop-in-shop areas

NOOS collection Never-out-of-stock collection; articles that are permanently available

Omni-channel distribution Integration of all available distribution channels and customer

touchpoints

Partner boutiques Wolford boutiques that are operated by trading partners – in contrast

to boutiques operated directly by Wolford itself

POS Point of sale; sales location where Wolford products are offered

Private label Products manufactured for other brands or sold under third-party labels

Ready-to-wear Product group comprising the established bodywear line as well as

knitted and fabric items such as pullovers, dresses, skirts and trousers

Retail Proprietary points of sale; direct sales to end consumers

Season The spring/summer collection is largely available for sale starting in

January, the autumn/winter collection in July

Shape & Control Body-shaping products in the Legwear, Lingerie and Beachwear

segments

Shop-in-shop Separate sales areas at a department store or multi-brand retailer

specially dedicated to Wolford products

Stock-keeping unit Abbreviation "SKU", product option (color, size)

Time-to-market The timespan from the creation and development through to the final

placement of products on the market

Travel retail Points of sale mainly frequented by travelers, e.g., at airports or

railroad stations

Trend products 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

USP Unique selling proposition

Visual merchandising Optic sales promotion relating to the visual regulation of sales directly

at the points of sale (POS)

Wholesale Direct sales to trading partners, including partner-operated boutiques,

department stores, multi-brand retailers, and private labels

FINANCIAL TERMS

ADR American Depositary Receipt; an ADR securitizes part of foreign

shares and is traded like shares on a U.S. or other stock exchange. U.S. banks buy shares and issue ADRs to give foreign companies

access to the U.S. capital market.

AFRAC Austrian Financial Reporting and Auditing Committee

AfS Available for Sale; financial assets available for disposal

ATX Austrian Traded Index; the leading stock index of the Vienna Stock

Exchange

Capital employed Shareholders' equity plus net debt

CFH Cash flow hedging; to hedge against fluctuations in cash flows

CGU Cash-generating unit; smallest identifiable group of assets generating

cash inflows largely independent of cash inflows from other assets

Deferred taxes Line item to present temporary differences between tax items

recognized in the IFRS and tax balance sheets

D&O insurance Directors and Officers insurance; financial loss liability insurance for

executive employees

EBIT Earnings before interest and taxes

EBIT adjusted Earnings before interest and taxes, adjusted to eliminate one-off income

and expenses resulting from strategic realignment

EBITDA Earnings before interest, taxes, depreciation and amortization

EBITDA adjusted Earnings before interest, taxes, depreciation and amortization,

adjusted to eliminate one-off income and expenses resulting from

strategic realignment

EBT Earnings before taxes

EPS Earnings per share; net profit for the year divided by the number of

shares with dividend entitlement

Equity ratio Shareholders' equity as percentage of total assets

FL Financial liabilities

Free cash flow 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

FTE Full-time equivalent

GDP Gross domestic product

Gearing Net debt-to-equity ratio

HfT Held for Trading; assets held for trading purposes

IFRS International Financial Reporting Standards

Like-for-like development Development in revenues excluding points of sale newly opened or

closed

Loans and Receivables; credit lines and customer receivables

LTI Long-Term Incentive; long-term variable compensation

Market capitalization Number of shares outstanding multiplied by the market price

(as of the balance sheet date)

Net debt Current and non-current financial liabilities less financial assets and

cash and cash equivalents

Revenues Net revenues less sales tax and any sales deductions

SAR Stock Appreciation Rights; compensation model based on hypothetical

stock options

STI Short-Term Incentive; short-term variable compensation

Working capital Sum of inventories, trade receivables and other current receivables and

assets less trade payables and other current liabilities

Financial Calendar

Date	Event
August 24, 2017	Press conference in Vienna
September 4, 2017	AGM record date
September 8, 2017	Q1 Report 2017/18
September 14, 2017	30th Annual General Meeting (AGM)
September 19, 2017	Deduction of dividends (ex-day)
September 20, 2017	Dividend record date
September 21, 2017	First day of dividend payment
December 15, 2017	Half-Year Report 2017/18
March 16, 2018	Q3 Report 2017/18
July 13, 2018	Press conference in Vienna

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Reuters	WLFD.VI
Bloomberg	WOL:AV, WLFDY:US, WOF:GR

Overview of Key Indicators (5 Years)

Earnings Data		2012/13	2013/14	2014/15	2015/16*	2016/17
Revenues	in € mill.	156.47	155.87	157.35	162.40	154.28
EBITDA	in € mill.	7.89	3.36	10.94	8.38	-3.39
EBITDA margin	in %	5.04	2.16	6.95	5.16	-2.20
EBIT	in € mill.	-0.91	-4.72	2.17	-2.92	-15.72
EBIT margin	in %	-0.58	-3.03	1.38	-1.80	-10.19
Earnings before tax	in € mill.	-2.25	-5.89	1.21	-3.85	-16.57
Earnings after tax	in € mill.	-2.76	-2.81	1.03	-10.66	-17.88
Capital expenditure	in € mill.	6.03	7.87	10.97	7.30	6.72
Free cash flow	in € mill.	0.48	-0.96	-0.54	-2.98	-9.45
Employees on average	FTE	1,606	1,562	1,574	1,571	1,544

Balance Sheet Data (at April 30)		2013	2014	2015	2016*	2017
Equity	in € mill.	78.15	74.38	74.83	63.81	44.88
Net debt	in € mill.	15.96	17.04	17.12	20.86	31.27
Working capital	in € mill.	38.49	33.72	38.14	43.15	45.73
Balance sheet total	in € mill.	142.32	138.12	147.44	137.47	138.39
Equity ratio	in %	55	54	51	46	32
Gearing	in %	20	23	23	33	70

Stock Exchange Data		2012/13	2013/14	2014/15	2015/16*	2016/17
Earnings per share	in €	-0.56	-0.57	0.21	-2.17	-3.64
Dividend per Share	in €	0.00	0.00	0.20	0.20	0.20
Dividend	in € mill.	0.00	0.00	0.98	0.98	0.98
Equity per share	in €	15.95	15.18	15.27	12.99	9.14
Share price high	in €	28.90	22.77	24.12	25.48	26.01
Share price low	in €	20.53	16.81	18.75	21.35	19.01
Share price at end of period	in €	20.62	19.10	24.00	24.67	19.28
Shares outstanding (weighted)	in 1,000	4,900	4,900	4,900	4,912	4,912
Market capitalization (ultimo)	in € mill.	103.08	95.48	120.00	123.35	96.38

^{*}Adjusted (see Section II of the Notes).

Notes

Notes

Notes



Imprint

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The Management Board of the Wolford AG

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To ensure readability, statements referring to he or she are intended to be gender neutral and are equally valid for both women and men.

The annual report (in German or English) can be ordered by phone at +43 5574 690 1258. It is also available on the Internet at company.wolford.com.

Disclaimer

The consolidated annual report of the Wolford Group has been drafted with the greatest possible care. All data have been carefully checked. Nevertheless, rounding, typesetting or printing errors cannot be excluded. This English version of the annual report has been prepared for information purposes only. Please note that only the German version of the report is official and legally binding. This annual report contains forward-looking statements which reflect the opinions and expectations of the Management Board and include risks and uncertainties that could have a significant impact on actual circumstances and thus actual results. For this reason, readers are cautioned against placing undue reliance on any forward-looking statements. Wolford AG is not obliged to publish any update of or revision to the forward-looking statements contained in this report unless otherwise specifically required to do so by law.