MORE AND MORE
MORE AND MORE
MORE AND MORE
MORE AND MORE
MORE AND MORE

ANNUAL REPORT 2017/18

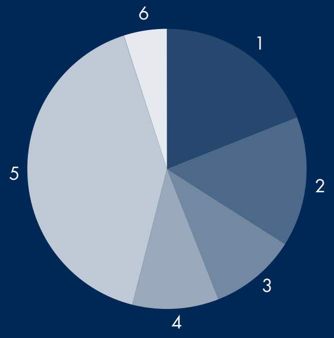
Wolford Group Key Data

Earnings Data		2017/18	2016/17	Change in %
Revenues	in € mill.	149.07	154.28	-3
EBIT	in € mill.	-9.22	-15.72	-41
Earnings before tax	in € mill.	-11.43	-16.57	-31
Earnings after tax	in € mill.	-11.54	-17.88	-36
Capital expenditure	in € mill.	1.40	6.72	-79
Free cash flow	in € mill.	1.83	-9.45	> 100
Employees on average	FTEs	1,433	1,544	-7

Balance Sheet Data		30.04.2018	30.04.2017	Change in %
Equity	in € mill.	33.90	44.88	-25
Net debt	in € mill.	30.09	31.27	-4
Working Capital	in € mill.	34.59	45.73	-24
Balance sheet total	in € mill.	114.33	138.39	-17
Equity ratio	in %	30	32	-9
Gearing	in %	89	70	27

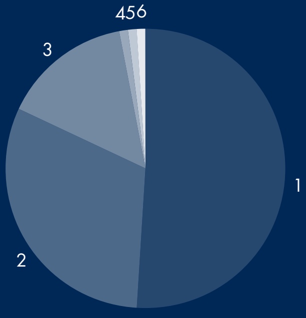
Stock Exchange Data		2017/18	2016/17	Change in %
Earnings per share	in €	-2.35	-3.64	-35
Share price high	in €	19.75	26.01	-24
Share price low	in €	11.36	19.10	-41
Share price at end of period	in €	13.60	19.28	-30
Shares outstanding (weighted)	in 1,000	4,912	4,912	0
Market capitalization (ultimo)	in € mill.	68.00	96.38	-29

REVENUES BY MARKET



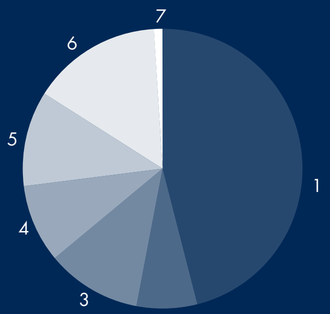
1 North America 19%
2 Germany 15%
3 Austria 10%
4 France 10%
5 Rest of Europe 41%
6 Asia / Oceania 5%

REVENUES BY PRODUCT GROUP



1 Legwear 51%
2 Ready-to-wear 31%
3 Lingerie 15%
4 Accessories 1%
5 Beachwear 1%
6 Trading goods 1%

REVENUES BY DISTRIBUTION



1 Boutiques 46%
2 Concession-shop-in-shops 7%
3 Online business 11%
4 Factory outlets 9%
5 Department stores 11%
6 Multi-brand retailers 15%
7 Private label 1%

MORE AND MORE EFFICIENT

We have streamlined and optimized our internal processes while systematically removing excess capacity. This has made a clear impact on our current expense structures: Personnel expenses fell by more than € 6 million in 2017/18 already. In the current year, the results of our restructuring measures will be even more apparent, as the one-off expenses incurred during our restructuring will not be carried over.

MORE AND MORE DYNAMIC

MORE AND MORE DYNAMIC
MORE AND MORE DYNAMIC
MORE AND MORE DYNAMIC
MORE AND MORE DYNAMIC

For Wolford, e-commerce presents an excellent opportunity for dynamic growth. In the past financial year we invested in this area and hired new staff, especially in front-end departments close to customers. Revenues in the online business grew by 23%, and that is just the start. “Digital first” – that will be the motto from now on – with greater use of social media to target younger customers as well as partnerships with international e-tailers.

MORE AND MORE INTERNATIONAL

The Wolford brand has fans all around the world. With 267 POS in 60 countries, it is represented at nearly all of the world's top shopping locations. But for a luxury niche player of our size, it is anything but easy to gain a foothold in Asia. That is especially true of the rapidly growing Chinese market with its consumption-oriented middle class. With the help of our new anchor shareholder and its all-round experience and expertise in fashion and luxury, Wolford will now be systematically addressing this market.

Management Board Foreword

Dear Shareholders,
Ladies and Gentlemen,

It is no secret that the past financial year was a turbulent period for Wolford AG. That applied in equal measure to the company's performance as well as to the changes in our shareholder structure. The withdrawal of our longstanding majority shareholders and parallel restructuring process led the company's management, employees and investors to hold their breath and doubtlessly also led to uncertainties on the market.

In the meantime, however, we have found a new, financially robust majority shareholder, one that will open up new opportunities for the company. Not only that, we have made substantial progress with our restructuring program, systematically streamlined our processes, and sustainably reduced our costs. Our personnel expenses alone fell by more than € 6 million in the past financial year. We are now on the right track – and that is apparent in a number of ways, not least in the positive development in our operating cash flow and in the fact that Wolford generated a positive free cash flow for the first time in five years.

The development shown by our revenues was clearly unsatisfactory. In part, that was due to negative exchange rate factors and temporary market uncertainties. However, this development is also symptomatic of a fundamental shift in customers' shopping behavior, a factor that is presenting brick-and-mortar retailers with massive problems all around the world. Wolford too was unable to escape this trend, which was reflected in a number of ways, not least in the poor performance of the wholesale business. Having said that, it is worth looking at the figures in greater detail. Revenues in our online business, for example, surged by 23% in the past financial year.

And it is here that we must and will redouble our efforts. The substantial boost to our finances provided by the successful capital increase will enable us – at last – to make substantial investments in expanding our online business and our market presence.

What's more, we will further expand our market presence in Asia, in particular in China where Fosun's excellent network

Axel Dreher (CEO) and Brigitte Kurz (CFO)

offers us new opportunities. We are currently looking into this in detail and have already held numerous talks. With the assistance of our new anchor shareholder and its all-round experience and expertise in the fashion and luxury sectors, Wolford will systematically address this highly promising market from now on.

We believe our company is on course to regain the trust it had previously lost. We still have a great deal of work ahead, of course. We aim to make our business more efficient, dynamic, and international. That is why we have chosen "More and More … Efficient, Dynamic, and International" as the motto for this year's Annual Report.

We are well aware that the various initiatives now underway will not produce higher revenues at the drop of a hat. Now is also not the time to issue promises about our revenue growth – the transformation in our sector is too far-reaching and the challenges too extensive for us to do that. What this means is that we will have to return to profitability without any favorable tailwind from our revenues. And it is here that we laid some important foundations in the past financial year.

It goes without saying that the results of our restructuring measures will only be clearly visible in the current financial year, once the lasting savings made to our fixed costs are fully reflected in our figures and once most of the advisory expenses and costs incurred for our refinancing are no longer current. Against this backdrop, Wolford still expects to generate positive operating earnings in the current financial year.

Thank you for the trust you have placed in us.

Sincerely yours,

Axel Dreher

Brigitte Kurz

TAKING
A LOOK
AT WOLFORD

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 1,433 employees (FTEs). The brand is present in more than 60 countries worldwide with 267 monobrand points of sale (POS) and more than 3,000 retail partners. Wolford has been listed in the Prime Standard of the Vienna Stock Exchange since 1995.

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

In its product offering, Wolford makes a distinction between fashionable Trend products and the Essential collection, which includes all of the company's timeless classics, such as the Satin Touch tights offered since 1988 already. The Essential collection accounts for around 70% of revenues.

Wolford headquarters in Bregenz, Austria

Tradition and Innovation

Having started 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 US markets most recently surveyed in 2013, 90% stated that they would "certainly return to buy" Wolford tights.

Sail Print String Body, spring/summer collection 2019

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 underlying the Wolford brand and its reputation. All products are made in Europe: The tights and bodies are produced in Bregenz on 404 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 doubling 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 product innovations that have become real bestsellers – from Miss Wolford (1977), the first transparent shaping tights, to the first seamless Body (1992) to the Pure 50 tights (2014), whose lack of any seam mean that they also remain invisible under tight-fitting clothing. Comfort is Wolford's trump card. The Comfort Cut tights, which have been on the market since 2016, have waist sizes that can be individually adapted to every figure. The seamless 3W Skin Bra (on the market since January 2017) does without clips and is made out of a single piece of material. This makes it especially comfortable to wear.

The company's visual presentation is also unmistakable. Wolford has set standards here over the past decades, as is exemplified by 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 repeatedly worked together with prestigious designers – from Armani, Valentino, and Karl Lagerfeld to Missoni, and most recently Marina Hoermanseder.

Photo by Helmut Newton: Wolford models in 1997

Sustainability as Key Priority

Wolford's production processes also meet the highest global sustainability standards in the textile industry. This claim is confirmed by the company's partnership since 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 rather on analyzing each individual stage of production and each chemical used, with these being optimized or replaced when necessary. Following a correspondingly extensive auditing process, Wolford is now the world's first tights producer recognized as a bluesign® system partner. Furthermore, all legwear products knitted and dyed by Wolford itself on a cotton and polyamide basis for the Essential collection have "bluesign® approved" status. This certification was 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. Not least because of this, efficient resource use has been an active tradition at Wolford for decades now. Wolford has been certified under the international energy efficiency standard ISO 50001 since 2015. This confirms that Wolford complies with the requirements in company energy management systems and is committed to enhancing its energy efficiency and reducing its energy needs. The measures taken to modernize the boiler house, steam boiler, and water processing at Wolford, which have optimized the use of waste heat and halved the volume of emissions harmful to the environment, were publicly acknowledged at the end of 2016. Since then, Wolford has been entitled 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 using 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 biodegradable leggings and pullovers will be presented with the 2018/19 autumn/winter collection.

Further information about Wolford's approach to sustainability can be found in the Sustainability Report of Wolford AG, which is available online under "Investor Relations" on Wolford's website.

Knitting machines – the technical heart of the Wolford brand

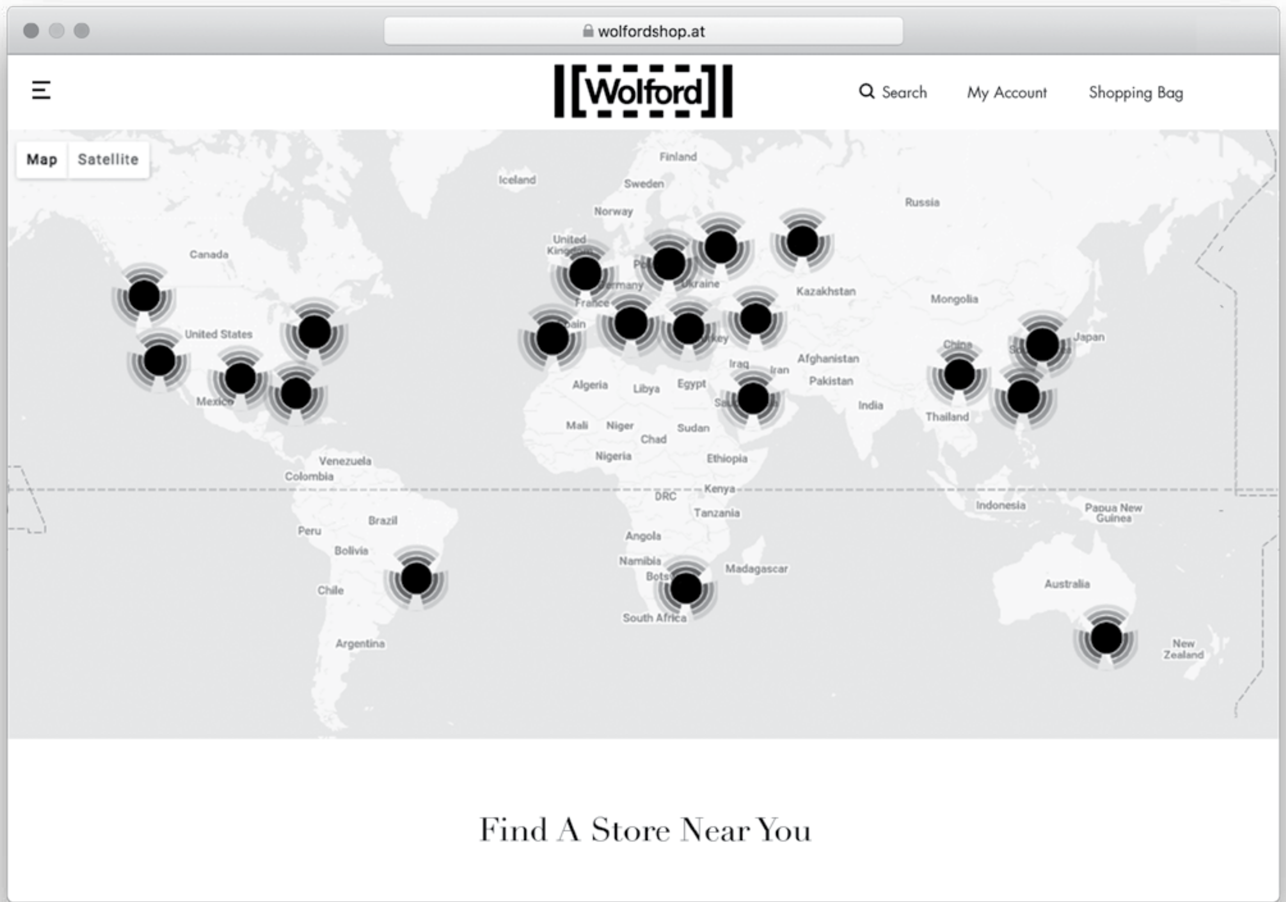
Present in the World's Top Shopping Centers

Wolford has a dense network of prestigiously situated monobrand boutiques in the world's fashion capitals – with a mix of partner boutiques and proprietary locations in strategically relevant cities. Of the 196 Wolford boutiques in operation at the end of April 2018, 107 were managed by the company itself and 89 were operated by partners.

Wolford's light, non-creasing products are especially well suited for easy repeat purchases via the internet from home. Customers in a current total of 17 countries can already shop around the clock in Wolford-owned online boutiques. 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 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 business at airports and major railroad stations. Wolford is currently present with 59 POS at airports such as Milan and Frankfurt.

Wolford is working hard to integrate its online and boutique distribution channels more closely with each other. Individualized product information combined with the preferred shopping channel offer customers flexibility in terms of where and when they shop while also ensuring the broadest possible product selection. The "My Wolford" customer loyalty program, which has been in place since 2010, now has a worldwide total of more than 483,000 registered regular customers.



Available worldwide at the POS and online

TO OUR SHARE-HOLDERS

Wolford Shares

CAPITAL MARKET DEVELOPMENTS

Developments on the international capital markets during Wolford's past financial year (May 1, 2017 to April 30, 2018) were influenced by political events, such as the conflict between North Korea and the US, as well as by elections in Germany, France, and the Netherlands. The controversial referendum on the constitution in Turkey also created uncertainties on the markets. Furthermore, the world continued to be exposed to the risk of terrorist attacks.

Stock markets were positively affected by macroeconomic developments in Europe. At 2.5%, growth in the euro area in 2017 turned out to be higher than originally expected. The tax cuts and key interest rate rises in the US also lent upward momentum to the markets. The ECB continued its loose monetary policy and extended its bond-purchasing program, which will most likely continue until the end of September 2018, although it had already halved the volume of this program.

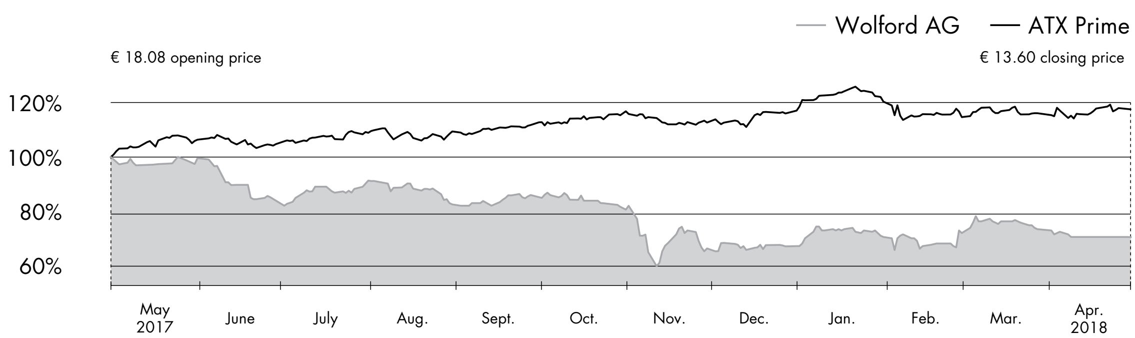
Against this backdrop, Germany's DAX index showed a slight increase of 0.8% in the period referred to above. In January 2018, it reached its highest level ever at more than 13,500 points. The pan-European EURO STOXX 50 index fell slightly by 0.6%. By contrast, the key US index, the Dow Jones Industrial, posted substantial growth of 15.5%. The MSCI World Textiles, Apparel & Luxury Goods Index, the most important index for the textile industry, rose by 30.7% over the same period.

WOLFORD'S SHARE PERFORMANCE

Wolford's shares were listed at € 19.17 on May 5, 2017, and fell by 29.07% in the course of the financial year, whereas the ATX Prime rose by 14.9% over the same period. The company's share price performance was substantially influenced by the developments surrounding the planned sale of the stake held by its longstanding principal shareholder group. On June 9, 2017 – after the plans to sell the 50.87% stake in Wolford were announced – the company's share price fell 7% in a single trading day and continued to decline in subsequent weeks. The share price was also negatively affected by the announcement on July 3 of a routine review of the most recent annual financial statements by the Austrian Financial Reporting Enforcement Panel (AFREP) and the associated postponement in the publication of the annual financial statements. The overall downward trend was halted, if only temporarily, by the announcement of changes to the composition of the Management Board on July 5, 2017. Upon publication of the annual results on August 8, the share price showed a further slight drop before moving sideways for several weeks.

The first half of November 2017 saw a further substantial drop in Wolford's share price, in this case to € 11.36, this being due in large part to the exit of an investment fund. In subsequent months, the share price fluctuated between € 12 and € 14.

WOLFORD SHARE PRICE DEVELOPMENT IN % (INDEXED)



Key data on Wolford shares		2017/18	2016/17
Earnings per share	in €	-2.35	-3.64
Dividend per share	in €	0.00	0.20
Equity per share	in €	6.90	9.14
Share price high	in €	19.75	26.01
Share price low	in €	11.36	19.10
Share price at end of period	in €	13.60	19.28
Shares outstanding (weighted)	in pcs.	4,911,860	4,911,860
Market capitalization (end of period)	in €	68,000,000	96,375,000
Volume of shares traded (daily average)	in pcs.	4,042	1,895

Information on Wolford shares

ISIN code:
AT0000834007

Stock exchanges:
Vienna (Prime Market)
Frankfurt (OTC segment)
New York (ADR Level 1)

Indices:
ATX Prime
ATX Global Players

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

IPO date:
February 14, 1995

Stock type:
Bearer shares (no-par value)

Number of shares as of 30.04.2018:
5,000,000, of which 4,911,860 with dividend entitlement

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

A substantial recovery occurred only after the announcement of Fosun's takeover plans on March 1, 2018. In the days following this announcement, Wolford's share price experienced a significant increase and peaked at € 15.20. After the publication on April 6, 2018, of the anticipatory mandatory offer to take over all outstanding shares in Wolford, however, the share price began to lose ground once again.

The share price was listed at € 13.60 at the end of the financial year (April 30, 2018). Wolford shares posted their 12-month low at € 11.36 (November 13, 2017) and their 12-month high at € 19.75 (May 26, 2017).

Trading volumes with Wolford shares totaled 889,308 in the year under report (double-count). The average daily turnover on the Vienna Stock Exchange therefore came to 4,042 shares based on the 220 trading days in the period under report. The highest trading volumes (34,350 shares) were reported on June 12, 2017, several days after the announcement of the longstanding principal shareholder group's plans to sell its majority stake, while the lowest volume (0 shares) was reported for December 22, 2017.

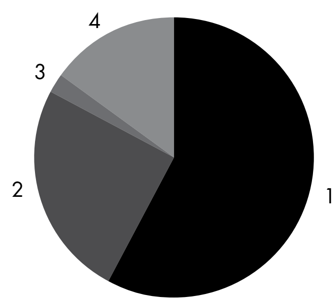
DIVIDEND POLICY

In the wake of substantial losses in the two previous years, Wolford AG completed work on implementing key aspects of an extensive restructuring process in the past financial year. The positive impact of this restructuring, however, will only become clearly visible in the 2018/19 financial year, as the company has posted a further loss for the past financial year. Primarily due to these considerations, the company will not distribute any dividend for the 2017/18 financial year.

SHAREHOLDER STRUCTURE

At the extraordinary shareholders' meeting held on May 4, 2018, it was decided to increase the share capital of Wolford AG by € 12,498,227.77 to € 48,848,227.77 by issuing 1,719,151 new no-par ordinary bearer shares. The same day witnessed the closing of the contract between the Chinese financial investor Fosun Industrial Holdings Limited (Fosun) and the previous principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung and

WOLFORD'S SHAREHOLDER STRUCTURE



1 Fosun Industrial Holdings Ltd. ~58%
2 Ralph Bartel >25%
3 Treasury Stock ~2%
4 Free float <15%

M. Erthal & Co. Beteiligungsgesellschaft m.b.H., and related natural persons). Announced on March 1, 2018, this contract concerns the purchase of the majority stake (50.87%) in Wolford. Just a few days later, on May 9, 2018, Fosun announced the results of the anticipatory mandatory offer made to Wolford's shareholders. Accordingly, the offer was accepted by the bearers of 358,724 Wolford shares in total, corresponding to 7.17% of all Wolford shares in circulation. Once the associated transactions have been executed, Fosun Industrial Holdings Limited will therefore hold a 58.048% stake in Wolford AG.

Ralph Bartel, a private investor, continues to hold more than 25% of the bearer shares. Wolford AG owns almost 2% of the shares as treasury stock, while Erste Asset Management GmbH held a 4% stake through to the end of the 2017/18 financial year. The remaining shares are held in free float by institutional and retail investors.

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 dialog with retail and institutional investors once again in the past financial year. In doing so, 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 is also aimed at potential new investors. In the past financial year, one major goal was to ensure prompt and transparent communication, particularly when it comes to measures to address parties interested in taking over the stake held by the previous principal shareholders. This process was actively supported by the Management Board and the Investor Relations department.

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

Corporate Governance at Wolford

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

The Austrian Corporate Governance Code ensures a high degree of transparency for all of the company's stakeholders. 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 in its respective versions. The current version is available at www.corporate-governance.at and at Wolford's website. The latest revision to the code, which took effect on January 1, 2018, focuses on adapting the "L-Rules" (legal compliance) to statutory requirements and Annex 2a (basic structure of the CG report) to the revised AFRAC statement concerning corporate governance reports.

The code is based on the requirements of Austrian stock corporation, stock exchange and capital market law, the recommendations of the European Commission concerning the duties of the Supervisory Board and the 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 20–33) and is also available in the "Investor Relations" section of 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. Adherence to this guideline is monitored by the compliance officer.

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

One share – one vote

The company originally issued 5,000,000 no-par value common shares. By resolution of the extraordinary shareholders' meeting on May 4, 2018, the number of shares increased to 6,719,151. 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 receives the same price for his or her Wolford shares in the event of a takeover (mandatory offer). On April 6, 2018, Fosun Industrial Holdings Limited addressed an anticipatory mandatory offer (takeover offer) to Wolford AG shareholders. To date, a total of 7.17% of Wolford's shares (358,724 shares) has been tendered to Fosun. The current shareholder structure (subsequent to the balance sheet date on April 30, 2018) is shown on page 19 of this Annual Report.

Systematic risk management

The Management Board of Wolford AG bears overall responsibility for ensuring that an effective risk management system is in place at the company. Acting on its behalf, the central risk management function coordinates the implementation of the risk management system and ensures that this is continually updated and enhanced. This function has a direct reporting line to the Chairman of the Supervisory Board Audit Committee. The Supervisory Board of Wolford AG is responsible for monitoring the effectiveness of the risk management system. This responsibility is met by the 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 potential improvements. 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.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1010 Vienna, was elected by the 30th Annual General Meeting (AGM) to audit the annual financial statements of Wolford AG and the consolidated financial statements of the Wolford Group for the 2017/18 financial year. There are no grounds for exclusion or prejudice that would be incompatible with a conscientious and objective audit by the group auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The fees for the audit of the consolidated financial statements and related services amounted to € 0.14 million. All mandatory disclosures required by § 243a of the Austrian Commercial Code (UGB) can be found on page 56 of the Management Report.

The Management Board

Axel Dreher

Axel Dreher (born in 1965), has been a member of the Management Board since March 1, 2013, and CEO since August 1, 2017. His appointment runs through to April 30, 2021. He does not hold any supervisory board or comparable functions outside the company.

Since August 1, 2017, he has been responsible for Wolford's strategy, sales and marketing, and development, production, and logistics activities.

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, as well as further management and supervisory board positions in Hungary and India. He gained additional management experience in research and development, finance and controlling and operative 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 (born in 1974), has been a member of the Management Board since August 1, 2017. Her appointment runs through to April 30, 2021. She does not hold any supervisory board or comparable functions outside the company.

She is responsible for finance, investor relations, legal affairs, IT, and human resources and 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 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.

Ashish Sensarma

Ashish Sensarma (born in 1959) was CEO starting on January 7, 2015, and left the company on July 31, 2017.

Brigitte Kurz and Axel Dreher

Supervisory Board Members and Committees

Supervisory Board
The Supervisory Board of Wolford AG currently comprises four members elected at the AGM and two representatives delegated by the Staff Council. The Supervisory Board held seven meetings during the 2017/18 financial year. No Supervisory Board member was absent from more than half the meetings. Upon the conclusion of the extraordinary shareholders' meeting held on May 4, 2018, two of the members elected by the AGM (Lothar Reiff and Thomas Tschol) stood down from their positions. The extraordinary shareholders' meeting on May 4, 2018, simultaneously appointed Dr. Junyang Shao and Thomas Dressendörfer as new members of the Wolford AG Supervisory Board.

Name	End of period in function	Diversity factors[1]	Committee membership	Supervisory Board positions or comparable functions
Antonella Mei-Pochtler Supervisory Board Chairwoman from 27th AGM until 09.08.2017, independent First appointed: 17.09.2013 Managing Director of Antonella Mei-Pochtler Advisory GmbH, Senior Advisor at Boston Consulting Group	Originally appointed until 31st AGM (2017/18); resignation led to premature departure on 08.09.2017	Female, born in 1958, Italian	Until 09.08.2017: Chairwoman of the Presidium, the Personnel and Nomination Committee, and the Compensation Committee, and member of the Audit Committee and the Strategy and Marketing Committee	No additional positions at listed companies
Claudia Beermann Deputy Supervisory Board Chairwoman from 27th AGM until conclusion of 30th AGM; Supervisory Board Chairwoman from 30th AGM until extraordinary shareholders' meeting on 04.05.2018; member of Supervisory Board since extraordinary shareholders' meeting on 04.05.2018, independent First appointed: 17.09.2013 CFO of Falkensteiner Michaeler Tourism Group AG	Appointed until 31st AGM (2017/18)	Female, born in 1966, German	Until 30th AGM: Member of the Presidium, the Personnel and Nomination Committee, and the Compensation Committee, and Chairwoman of the Audit Committee; since 30th AGM: Chairwoman of the Presidium, the Personnel and Nomination Committee, and the Compensation Committee and member of the Audit Committee and the Strategy and Marketing Committee; since 04.05.2018: Member of the Audit Committee	No additional positions at listed companies

Name	End of period in function	Diversity factors[1]	Committee membership	Supervisory Board positions or comparable functions
Thomas Tschol Deputy Supervisory Board Chairman from 30th AGM until extraordinary shareholders' meeting on 04.05.2018, independent First appointed: 14.09.2017 Managing Director of Management Factory in Vienna, CFO of Zumtobel Group AG	Originally appointed until 35th AGM (2021/22); resignation led to premature departure at the extraordinary shareholders' meeting on 04.05.2018	Male, born in 1970, Austrian	From 30th AGM until extraordinary shareholders' meeting on 04.05.2018: Member of the Presidium, the Personnel and Nomination Committee, and the Compensation Committee, and Chairman of the Audit Committee	No additional positions at listed companies
Lothar Reiff independent First appointed: 17.09.2013 Managing Director of Lothar Reiff Consultancy	Originally appointed until 31st AGM (2017/18); resignation led to premature departure at the extraordinary shareholders' meeting on 04.05.2018	Male, born in 1954, German	Chairman of the Strategy and Marketing Committee	No additional positions at listed companies
Birgit G. Wilhelm independent First appointed: 12.09.2006 Real estate manager	Appointed until 35th AGM (2021/22)	Female, Born in 1975, Austrian	Member of the Strategy and Marketing Committee	No additional positions at listed companies
Dr. Junyang Shao Supervisory Board Chairman since extraordinary shareholders' meeting on 04.05.2018, independent First appointed: 04.05.2018 Managing Director of the Fosun Fashion Group, Managing Director of the Koller Group	Appointed until 35th AGM (2021/22)	Female, born in 1981, Chinese	Since extraordinary shareholders' meeting on 04.05.2018: Chairman of the Presidium, the Personnel and Nomination Committee, the Compensation Committee, and the Strategy and Marketing Committee	Supervisory Board member at Tom Tailor Holding SE
Thomas Dressendörfer Deputy Supervisory Board Chairman since extraordinary shareholders' meeting on 04.05.2018, independent First appointed: 04.05.2018 CFO of Tom Tailor Holding SE	Appointed until 31st AGM (2017/18)	Male, born in 1958, German	Since extraordinary shareholders' meeting on 04.05.2018: Member of the Presidium, the Personnel and Nomination Committee, the Compensation Committee, and Chairman of the Audit Committee	No additional positions at listed companies
Anton Mathis[2] Independent First appointed: 16.12.1999		Male, born in 1960, Austrian	Member of the Audit Committee (until 04.05.2018) and of the Strategy and Marketing Committee	No additional positions at listed companies
Christian Medwed[2] Independent First appointed: 18.05.2017		Male, born in 1979, Austrian	Member of the Audit Committee (since 04.05.2018)	No additional positions at listed companies

[1] Diversity factors include gender, age (year of birth), and nationality.

[2] Delegated by the Staff Council.

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

In the 2017/18 financial year, the **Presidium** comprised the Supervisory Board Chairwoman Claudia Beermann and her Deputy Thomas Tschol (until August 9, 2017: Antonella Mei-Pochtler and Claudia Beermann). Since the extraordinary shareholders' meeting held on May 4, 2018, the Presidium has comprised Dr. Junyang Shao and Thomas Dressendörfer. The Presidium represents the company's interests in all matters related to the Management Board.

The Presidium held one meeting in the 2017/18 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 requirements 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 annual financial statements and supervises financial reporting. It also monitors the effectiveness of the internal control, internal audit, and risk management systems and reviews the independence of the auditor. In the 2017/18 financial year, the Audit Committee comprised Claudia Beermann (Chairwoman through to the 30th AGM), Antonella Mei-Pochtler (until September 8, 2017), Thomas Tschol (Chairman since the 30th AGM), and Anton Mathis. Since the extraordinary shareholders' meeting held on May 4, 2018, the Audit Committee has comprised Thomas Dressendörfer (Chairman), Claudia Beermann, and Christian Medwed.

The Audit Committee met twice in the 2017/18 financial year and primarily dealt with the following issues:

- The auditor's report on the audit of the annual financial statements for the 2016/17 financial year
- The preparation of a recommendation to the Supervisory Board for the selection of the (group) auditor for the 2017/18 financial year
- The company's performance in the first half of 2017/18
- The report by the Management Board on risk management at the Group.

The **Strategy and Marketing Committee** comprised the following members in the 2017/18 financial year: Lothar Reiff (Chairman), Antonella Mei-Pochtler (until September 8, 2017), Claudia Beermann (from the 30th AGM), Birgit Wilhelm, and Anton Mathis. Since the extraordinary shareholders' meeting held on May 4, 2018, the Strategy and Marketing Committee has comprised Dr. Junyang Shao (Chairwoman), Birgit Wilhelm, and Anton Mathis. This committee held two meetings in the 2017/18 financial year and mainly dealt with the topics of marketing strategy and marketing organization.

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 catalogue 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 treatment 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 aspect of the Austrian Corporate Governance system. Consistent with the Austrian Labor Constitution Act, employees are entitled to delegate one representative to the Supervisory Board and its committees for every two Supervisory Board members (shareholder representatives) elected by the 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 and therefore influence the behavior of the respective Supervisory Board member. The company maintained a business relationship on customary market terms with one member of the Supervisory Board. Following the departure of the company's creative manager at her own request at the beginning of the 2017/18 financial year, Lothar Reiff advised the company for its shooting of the photo campaign for the autumn/winter collection 2018/19 and in designing its collection. He also accompanied the search for a new Head of Design. A fee of € 118,400 – consistent with market standards – was invoiced commensurate with the services 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 determining the criteria used to assess the independence of its members, the Supervisory Board is guided by the independence guidelines set out in the Corporate Governance Code (Annex 1).

In accordance with § 95 of the Austrian Stock Corporation Act, the Supervisory Board's main responsibility is to supervise the work of the Management Board. The Supervisory Board members appointed met and meet this responsibility in full. Since the extraordinary shareholders' meeting on May 4, 2018, Wolford AG has had a free-float component of less than 20%. In the 2017/18 financial year (free-float component of more than 20% and less than 50%), the Supervisory Board included at least three members (Antonella Mei-Pochtler until September 8, 2017, and Thomas Tschol from September 14, 2017, Claudia Beermann, and Lothar Reiff) who were 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 based on a questionnaire developed by the Austrian Working Group for Corporate Governance. Based on the results of this evaluation, the deviations from the C-Rules are explained below.

Deviations from C-Rules Corporate Governance Code

C-Rule 18, Question 1
The internal audit department is not (no longer) established as a Management Board staff office. In the course of restructuring the company, the responsibilities of the internal audit department were allocated to other company departments. This is intended to enhance their integration into company structures and thus seize associated opportunities to continually and sustainably improve internal company processes. 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 taken by the Management and Supervisory Boards.

C-Rule 27, Question 2
Variable compensation components are linked only to measurable, sustainable, long-term, and multiyear performance criteria in the case of the CEO and do not provide incentives to take inappropriate risks, as the appointment of the CFO was limited to a term of 15 months.

C-Rule 27, Question 3
The variable compensation does not take into account any nonfinancial 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 2017/18 financial year. This decision was taken because identifying a new principal shareholder would require substantial additional time input and would result in changes in the composition of the Supervisory Board.

C-Rule 39, Question 2
The Supervisory Board is only permitted to take decisions with the votes of all its members. Given its size, however, the Supervisory Board is at all times able to take 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 taken by the Supervisory Board.

C-Rule 62, Question 1
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 duties. A separate review by an external institution would not produce any different results and would only create avoidable costs. The decision in favor of exclusively performing an internal audit of compliance with the C-Rules was taken 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 taken 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 took this decision in agreement with the Management Board. However, the auditor issued a management letter that reports on select aspects of the internal control system in respect of the financial reporting process. This letter was presented to the 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 in which it addressed the findings of the company's risk management activities. In addition, there is a direct reporting line from the employees responsible for internal audit to the Chairman 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 stands up to comparison 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 retroactively 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 the compensation customary to the sector in which it operates.

The variable component of compensation for Axel Dreher is based on the ratio of profit before tax to revenues. This compensation component is capped at a maximum of 30% of annual fixed compensation. Furthermore, a long-term incentive ("LTI") program is also in place for Axel Dreher 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 profit before tax to revenues. As of April 30, 2015, Axel Dreher was allocated 80,000 stock appreciation rights ("SARs"). The SARs involve stock appreciation rights based on Wolford's 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 a maximum gross amount of € 1.2 million for Axel Dreher. Due to non-achievement of the parameters, no payment is due in connection with this program.

Participation in the LTI program requires the individual Management Board member to make a personal investment in company shares. This condition was met by Axel Dreher, who acquired 4,744 company 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). Axel Dreher was required to hold this personal investment in the form of the shares acquired through to the end of the 2017/18 financial year.

The variable portion of Management Board compensation paid to Brigitte Kurz is based on the implementation of the restructuring program.

Total current compensation of the Management Board members for the 2017/18 financial year amounted to € 0.97 million (2016/17: € 1.08 million). Of this total, 90% involved fixed compensation (2016/17: 100%) while 10% involved variable compensation (2016/17: 0%). 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%).

Management Board compensation in €	**2017/18 Fixed**	**2017/18 Variable**	**2017/18 Total**	**2016/17 Total**
Axel Dreher	525,000	0	525,000	475,000
Brigitte Kurz (since August 1, 2017)	187,500	96,000	283,500	0
Ashish Sensarma (until July 31, 2017)	162,500	0	162,500	600,000
Total	**875,000**	**96,000**	**971,000**	**1,075,000**

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 2017/18 financial year for former Management Board members (2016/17: € 0.20 million).

Members 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 on behalf of the company.

The AGM determines the compensation paid to elected Supervisory

Board members as well as meeting allowances. The 27th AGM approved a new compensation structure for the Supervisory Board that took effect in 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: Chair(wo)man: € 50,000; Deputy Chair(wo)man: € 35,000; members: € 25,000.

Committee members receive the following additional compensation:

- Audit Committee with two regular meetings per financial year: Chair(wo)man: € 5,500 and members: € 5,000 each
- Strategy and Marketing Committee with two regular meetings per financial year: Chair(wo)man: € 5,500 and members: € 5,000 each
- Attendance at unscheduled meetings is compensated with € 4,000 per member and meeting.

Furthermore, a fixed allowance of € 4,000 was paid to each active member of the Supervisory Board in the past financial year as compensation for their participation in various conference calls and unscheduled Supervisory Board meetings in connection with the M&A and restructuring processes.

The compensation for the year under report totaled € 0.19 million (2016/17: € 0.19 million) and was structured as follows:

Supervisory Board compensation in €	**2017/18**	**2016/17**
Antonella Mei-Pochtler, Chairwoman (prorated compensation from May to August: 3 Supervisory Board meetings, 1 Audit Committee meeting, and 1 Strategy and Marketing Committee meeting)	21,668	73,500
Claudia Beermann, Deputy Chairwoman (prorated compensation from May to August: 3 Supervisory Board meetings and 1 Audit Committee meeting = € 14,418); Chairwoman (prorated compensation from September to April: 4 Supervisory Board meetings, 1 Audit Committee meeting, 1 Presidium meeting, and 1 Strategy and Marketing Committee meeting = € 46,336)	60,754	56,500
Thomas Tschol, Deputy Chairman (prorated compensation from September to April: 3 Supervisory Board meetings, 1 Audit Committee meeting, and 1 Presidium meeting)	34,086	
Lothar Reiff (7 Supervisory Board meetings and 2 Strategy and Marketing Committee meetings)	34,500	27,750
Birgit G. Wilhelm (7 Supervisory Board meetings and 2 Strategy and Marketing Committee meetings)	34,000	27,500
Total	**185,008**	**185,250**

Reference is made to the comments in the Corporate Governance Report on page 27 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.

Diversity Concept and Measures to Promote Women

Mutual respect, diversity, and inclusivity are integral and indispensable components of the corporate culture at Wolford AG and are taken into consideration when identifying candidates for all functions at the company. With regard to the candidates proposed to the Annual General Meeting for election to the Supervisory Board and the nomination of Management Board members, the company pays due attention to achieving a balance in terms of specialist skills and diversity. After all, this can play a key role in ensuring the professionalism and effectiveness of the activities of the Supervisory and Management Boards. Alongside specialist and personal qualifications, the company also takes into account criteria such as the age, background, gender, professional training, and previous experience of potential candidates.

At the end of the 2017/18 financial year, the Supervisory Board of Wolford AG comprised four members, of which two were women and two men. Two Supervisory Board members have non-Austrian nationalities.

As of the balance sheet date, the Supervisory Board members were aged between 42 and 64. In terms of their professional skills, they covered areas including business administration, law, marketing, and design. Furthermore, they can contribute experience gained in a variety of industries including fashion, hotels, and real estate, as well as in corporate restructuring.

The Management Board of Wolford AG comprised one male member (aged 53) and one female member (aged 43) at the end of the 2017/18 financial year. One member, namely the CEO, has non-Austrian roots. The Management Board members together have business administration and production expertise, as well as longstanding management experience gained both within the Group and in other industries.

Unlike at many other listed companies, three out of the four Supervisory Board members at Wolford AG in the 2017/18 financial year were women (after September 8, 2017: two). This corresponds to a female quota of 75% (66% after September 8, 2017, and 50% after September 14, 2017). Since August 2017, the Management Board of Wolford AG has been 50% female. Women made up around 45% of the extended management team in the 2017/18 financial year. The company nevertheless does not have any specific plan for the promotion of women on the Management Board, Supervisory Board, or in other key functions at the company or 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 options are offered to mothers returning from maternity leave, thus helping them to honor both their family as well as 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.

Events After the Balance Sheet Date

At the extraordinary shareholders' meeting held on May 4, 2018, it was decided to increase the company's share capital by € 12,498,227.77, from €36,350,000 to €48,848,227.77, by issuing 1,719,151 new common bearer shares. Furthermore, Dr. Junyang Shao and Thomas Dressendörfer were appointed at the meeting as Supervisory Board members.

The same day witnessed the closing of the share purchase agreement concluded between Fosun Industrial Holdings Limited and the previous principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung, and M. Erthal & Co. Beteiligungsgesellschaft m.b.H., as well as related natural persons) and dated March 1, 2018.

On May 9, 2018, Fosun Industrial Holdings Limited published the results of the anticipatory mandatory offer (takeover offer) made to acquire all outstanding shares in Wolford AG. Accordingly, the offer was accepted by the bearers of 358,724 Wolford shares in total, corresponding to 7.17% of all Wolford shares in circulation. Once the associated transactions have been executed, Fosun Industrial Holdings Limited will therefore hold 2,902,418 shares, corresponding to a 58.048% stake in Wolford AG. For Wolford shareholders who have not yet accepted the offer made by Fosun Industrial Holdings Limited during this acceptance period, the period will be extended pursuant to § 19 (3) No. 1 of the Austrian Takeover Act (ÜbG) by a further three months ("additional acceptance period") from the date on which the results of the takeover offer were announced.

On June 18, 2018, the Management Board of Wolford AG decided to execute the capital increase resolved by the extraordinary shareholders' meeting on May 4, 2018. The subscription price amounts to € 12.80 per share and the subscription ratio comes to 20:7 (20 subscription rights entitle their bearer to subscribe 7 new common shares). One subscription right is granted for each existing Wolford AG share held.

On June 22, 2018, the Supervisory Board of Wolford AG decided to extend the Management Board contracts with Axel Dreher (CEO) and Brigitte Kurz (CFO), which were due to expire on October 31, 2018, until April 30, 2021.

Supervisory Board Report

The Supervisory and Management Boards held seven meetings in the year under report, at which they held in-depth discussions about the company's business situation, the implementation of its restructuring program, and about major events. 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 one meeting. The meetings of the Audit Committee and Presidium were each attended by all of their respective members. The Marketing and Strategy Committee held two meetings, both of which were also attended by all its members. The composition and responsibilities of the committees are presented in the Corporate Governance Report on page 26. 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 29 onwards, where the compensation of the Management and Supervisory Board members is also disclosed on an individual basis.

In its activities in the past financial year, the Supervisory Board focused above all on the refinancing and restructuring of the company, the reorganization of the Management Board, and the process of identifying a new majority shareholder. Overall, the 2017/18 financial year was characterized by fundamental changes. Another major focus in the 2017/18 financial year was the identification and implementation of potential optimization measures in the company's administration and related activities at its Bregenz location along with the associated reduction in personnel expenses by around € 7 million. A restructuring consultancy was commissioned to accompany the implementation of these measures.

On June 9, 2017, the principal shareholder group of Wolford AG (WMP Familien-Privatstiftung, Sesam Privatstiftung, and its subsidiary M. Erthal & Co. Beteiligungsgesellschaft m.b.H., as well as related natural persons) announced their intention to sell their majority stake in Wolford AG. At the beginning of July 2017, the Supervisory Board agreed the rescission – as of July 31, 2017 – of the Management Board contract with Ashish Sensarma, Chairman of the Management Board (CEO) of Wolford AG since January 2015. Axel Dreher, previously COO/CFO, was appointed as Chairman of the Management Board (CEO) on August 1, 2017. The Supervisory Board simultaneously appointed Brigitte Kurz, previously head of the finance department, as the new Chief Financial Officer (CFO).

The Supervisory Board also witnessed changes in its composition. On August 9, the Supervisory Board Chairwoman Antonella Mei-Pochtler announced her desire to stand down from the Supervisory Board, effective September 8, 2017, to enable her to participate in the bidding process then underway for the majority stake in Wolford AG. She was succeeded as Chairwoman by Claudia Beermann, previously Deputy Chairwoman.

The process of addressing investors potentially interested in taking over the shares held by the principal shareholder group and the subsequent detailed negotiations with individual interested parties took up the entire second half of 2017 and lasted into spring 2018. The principal shareholder group and Wolford AG commissioned Deloitte Financial Advisory GmbH to manage this process.

On March 1, 2018, the previous principal shareholder group concluded a sales agreement for the majority stake in Wolford AG with the Chinese financial investor Fosun Industrial Holdings Limited. In parallel, Wolford AG and Fosun agreed a capital increase to reinforce the company's financial structure. This would provide the company with fresh equity totaling € 22,000,000.

This capital increase was approved by the extraordinary shareholders' meeting on May 4, 2018, on which occasion the Fosun representatives Dr. Junyang Shao and Thomas Dressendörfer were also appointed as new members of the Supervisory Board. At its subsequent constitutive meeting, the Supervisory Board appointed Dr. Junyang Shao as Supervisory Board Chairman and Thomas Dressendörfer as Deputy Chairman.

Restructuring measures gradually taking effect

The latest figures show that the restructuring measures are starting to take effect and that the company has substantially reduced its fixed costs. The operating cash flow has also developed positively.

Revenues, however, were not satisfactory. Having risen slightly through mid-December 2017, revenues in the Christmas business season fell short of the previous year's figure.

As a result, Wolford's revenues for the 2017/18 financial year were 3.4% lower at € 149.07 million. EBIT amounted to € -9.22 million. The loss after tax came to € -11.54 million compared with € -17.88 million in the previous year. As of April 30, 2018, the Wolford Group had liquid funds of € 2.73 million and an equity ratio of 30%.

Numerous meetings of Supervisory Board and its committees in 2017/18 financial year
At its meeting in the past financial year, the Presidium discussed structural and organizational measures while also deliberating the necessary decisions concerning the restructuring process, which will enable the company to generate profitable growth.

In addressing the annual financial statements for the 2016/17 financial year, the Audit Committee invited the auditor to attend its meeting on August 23, 2017. The auditor presented a management letter and discussed its principal findings with the members of the Audit Committee. At its subsequent meeting, the Supervisory Board discussed and approved the annual financial statements of Wolford AG, reviewed the consolidated financial statements, the management report, the 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 2017 Annual General Meeting.

Prior to the 30th Annual General Meeting on September 13, 2017, the Management Board reported to the Supervisory Board on the company's latest business performance, the progress made with the restructuring measures, and the ongoing investor selection process. Thomas Tschol, a restructuring consultant, was newly appointed to the Supervisory Board at the AGM on September 14, 2017. At its subsequent meeting, the Supervisory Board elected Claudia Beermann as its Chairwoman and Thomas Tschol as Deputy Chairman.

At the Audit Committee meeting held on December 13, 2017, 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 from these. At its subsequent 122nd meeting, the Supervisory Board was informed once again about the restructuring process and the investor selection process. Furthermore, Gwenda van Vliet, the new Global Brand & Marketing Director, and Birgit Kaufmann-Rehm, the new Head of Design, were introduced to the Supervisory Board.

At an unscheduled meeting held on February 2, 2018, the Supervisory Board dealt in particular with measures to increase the company's revenues and boost its sales activities. Moreover, the implementation status for the ongoing restructuring program was also discussed, as was the planned reorganization of internal processes.

At its meeting on April 18, 2018, the Supervisory Board addressed, in particular, the budget submitted for the 2018/19 financial year, which it discussed in detail with the Management Board and subsequently approved. Furthermore, the M&A consultants from Deloitte Financial Advisory GmbH provided the Supervisory Board with a concluding report on the investor selection process, while the auditors from KPMG Austria GmbH informed the Supervisory Board of their audit focuses for the forthcoming annual financial statements.

The annual financial statements and management report of Wolford AG and the consolidated financial statements prepared in accordance with IFRS as of April 30, 2018, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and provided with unqualified audit opinions.

All documents relating to the financial statements, the Management Board proposal for the appropriation of profit, and the auditor's reports were discussed in detail with the auditor at the Audit Committee meeting on July 11, 2018, and presented to the Supervisory Board at its subsequent meeting together with the management reports prepared by the Management Board, the corporate governance report, and the non-financial report. The Supervisory Board reviewed these documents as required by § 96 of the Austrian Stock Corporation Act and concurred with the audit findings. The Supervisory Board approved the annual financial statements, which are thus formally adopted in accordance with § 96 (4) of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board also approved its report to the Annual General Meeting and its proposal for the election of the auditor for the 2018/19 financial year.

Claudia Beermann
Supervisory Board Chairwoman
in the 2017/18 financial year

Bregenz, July 2018

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 and in accordance with the highest environmental standards (partner to the bluesign® system). With its 267 monobrand 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 1,433 employees (FTEs), of which 613 employees (FTEs) in Austria.

Focus on round-knitting

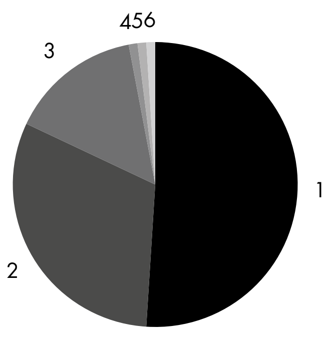
Products meet the highest quality standards

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 being continually enhanced. This forms the basis for the unique comfort and quality of Wolford's products. These two product groups are complemented by a select offering of decorative and in some cases figure-shaping lingerie. The collections are supplemented with a small selection of accessories such as scarves and bracelets, which contribute revenues in a low single-digit million-euro range. At the end 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.

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.

Overall, Wolford launches two collections with Trend products onto the market each calendar year. One collection covers the spring/summer period and the other is destined for the fall and winter. Depending on the collection, four to five delivery intervals take place with new products. These create fresh momentum at the sales areas.

REVENUES BY PRODUCT GROUP



1 Legwear 51%
2 Ready-to-wear 31%
3 Lingerie 15%
4 Accessories 1%
5 Beachwear 1%
6 Trading goods 1%

Covering the whole of the value chain

The Wolford Group's business model covers the entire value chain – from design and development via production to global omni-channel distribution including proprietary boutiques. That makes the company highly autonomous and enables it to react quickly, for example to the latest fashion trends. The company is supported by external partners and select suppliers in sections of its Lingerie and Ready-to-wear ranges. Most tasks are centralized at the company's headquarters in Bregenz.

Design and product development cooperate closely

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 surfaces. It also controls the flow of goods from the warehouse to retail surfaces.

The raw materials, and yarns in particular, are procured from longstanding partners in neighboring regions in Austria, Germany, and Switzerland, as are upstream lingerie products and externally purchased Lingerie and Ready-to-wear 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.

All goods produced in Europe

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 249 employees (FTEs). The knitting mill in Bregenz processes around 281,000 kilometers of yarn each day. Around 14,000 pairs of tights, 4,000 pairs of stockings, and 1,200 bodies are manufactured each day on 404 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.

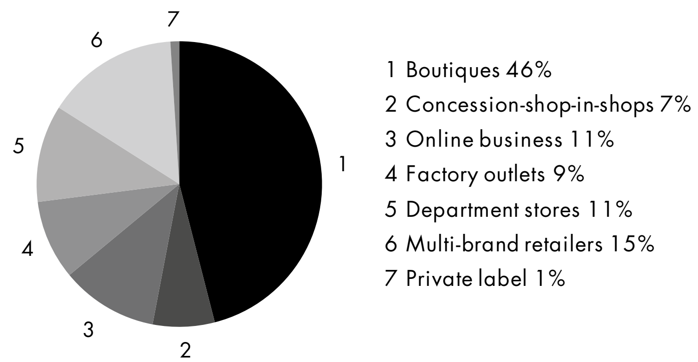
Finished products are stored in three warehouses – at the central warehouse in Bregenz, which also supplies the online business in Europe, and in two other warehouses in the US and China. The warehouse in the US supplies the online business in the American market, while that in China supplies the Asian region.

Global sales

Around 70% of distribution controlled

Wolford products are currently sold via a network of proprietary locations, i.e. directly to end customers (Retail) and via trading partners (Wholesale) in around 60 countries worldwide. In the 2017/18 financial year, the company generated the largest share of its revenues (46%) with its international network of boutiques. At the end of April 2018, 107 of Wolford's 196 boutiques were under proprietary management, while 89 were managed by partners. Overall, the Wolford Group controls around 70% of its distribution. Alongside brick-and-mortar retail, the online business is also playing an ever more significant role – in the 2017/18 financial year it accounted for 11% of revenues.

REVENUES BY DISTRIBUTION



Distribution channels

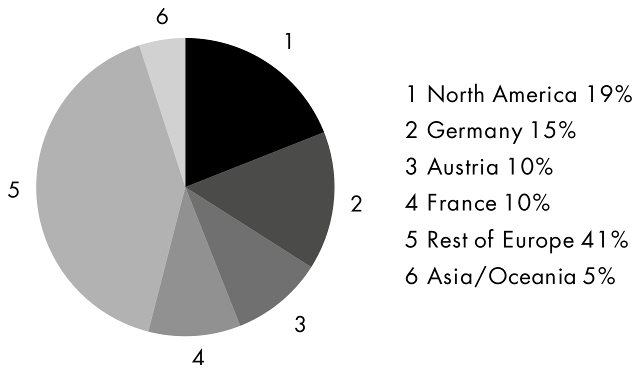
Boutiques: boutiques under Wolford management	**Department stores:** exclusive shop-in-shops with Wolford look and feel at numerous international department stores
Partner boutiques: boutiques managed by retail partners	**Multi-brand retailers:** exclusive fashion and specialist retailers offering Wolford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

Europe as most important market

Expanding presence in Asian 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 US, with a 19% share of revenues, is the most important individual market. Fosun's entry as the new principal shareholder will assist Wolford in gaining access to the Asian market, where it will now significantly expand its market presence.

REVENUES BY MARKET



Note on data used: actual geographical distribution as against segment report (consolidated financial statements), which is based on local units.

Central management

The Wolford Group is managed by Wolford AG, which is based in Bregenz (Austria). Wolford has a dualistic corporate management system with a Management Board and a Supervisory Board. The Management Board manages the company from its corporate headquarters in Bregenz. It is responsible for strategy and group management, while the Supervisory Board accompanies 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.

Revenues and EBIT as key management figures

Key aspects of this approach involve increasing revenues and operating earnings (based on EBIT). 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) 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.

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.

Business Climate

The global economy grew by 3.5% in 2017, a period which also included the first eight months of Wolford's past financial year (May to December 2017). Global growth was thus slightly higher than in the previous year (3.1%). Global trade picked up even more significantly than expected, with parallel upturns in nearly all regions of the world. Economic developments benefited from factors including growth in the emerging economies of Brazil and Russia, and strong developments in industrialized economies such as China, Japan, the US, and the euro area. Overall, however, global GDP growth still fell short of the levels seen in the years prior to the financial crisis.

Upturn in the euro area

Economic growth in the euro area, in which Wolford generates around 75% of its revenues, came to 2.5% in 2017, up from 1.7% in the previous year. This improvement was driven among other reasons by substantial growth in the French and German economies. In France, GDP grew by 1.8%, and thus noticeably faster than in 2016 (+1.2%). The economic recovery in the euro area was also boosted by positive developments on labor markets.

In Germany, Wolford's second largest market, GDP grew by 2.2%, and thus at its highest rate for 6 years, in 2017. In Spain, the Catalonian crisis may have led to uncertainty among investors and consumers, but GDP nevertheless rose by 3.1%. Italy is also making headway: After years of marking time, GDP there rose by 1.5%. In the UK, GDP grew by 1.8%.

Driven by factors such as higher domestic demand and the beneficial impact on exports of a weaker dollar, the US economy grew by 2.3% in 2017, up from 1.5% one year earlier. The move by the Federal Reserve to increase the key interest rate also had a positive impact. China's rate of growth improved slightly once again, with GDP growth rising from 6.7% in the previous year to 6.9% in 2017.

In the first three months of 2018, GDP in the euro area grew by 0.3% (previous year: 0.5%). In Germany, growth also came to just 0.3%, down from 0.6% in the previous year's period. The US, by contrast, could point to economic growth of 2.3%, a development due among other factors to the US tax reform taking effect in January 2018.

Compared with the previous year, 2017 was a good year for European textile retailers. In Germany, the textile retail sector reported revenue growth of 1.5% – and that despite a marked reduction of 6.7% in the number of customers visiting stores in the final quarter of 2017 and a renewed decrease in revenues (-3.9%) in the important month of December. Sector revenues in France grew by 0.6%. In the UK, the prospect of Brexit and higher inflation led consumer spending to decline for the fourth consecutive month in December 2017. In Italy, fashion revenues performed significantly better than expected and grew by 2.5% (1.8% excluding accessories and shoes). On the other hand, revenues in the US apparel market fell by 2% in 2017.

Weak fashion retail in Europe

In the first months of 2018, by contrast, the European fashion and textile retail sector reported weaker overall developments. Apart from a positive performance in the month of January (+3%), fashion retail revenues in Germany fell sharply in the first quarter (February: -4%, March: -6%). France also witnessed a downturn in revenues (January to March: -3.3%). Revenues in the German fashion retail sector rose by 7% in April, but this growth was accompanied by a further reduction in the number of customers visiting stores. Compared with the previous year's period, German retailers posted a consistent decline in customer totals in the first months of 2018 (January: -12.8%, February: -3.8%, March: -6.8%; in each case compared with the previous month).

Sources: BTE (Institute of German Textile Retail Traders), Bureau of Economic Analysis, Der Spiegel, European Central Bank, Eurostat, Federal Statistical Office, Frankfurter Allgemeine Zeitung, Handelsblatt, IMF, Institut Français de la Mode, IWD, Manager-Magazin, Textilwirtschaft-Testclub

Financial Review

Earnings

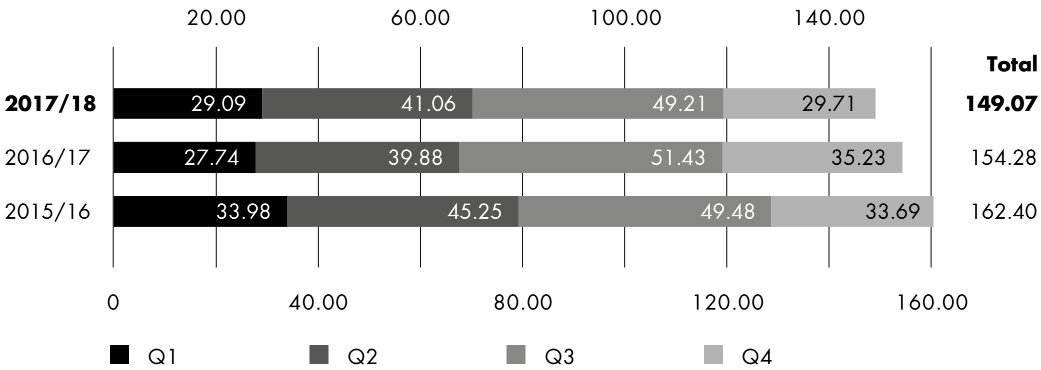
The Wolford Group generated revenues of € 149.07 million in the 2017/18 financial year. Revenues thus fell 3.4% short of the equivalent figure for the previous year (€ 154.28 million). Excluding exchange rate movements, the reduction in revenues came to 1.4%. The overall impact of movements in exchange rates, and in the US dollar and British pound in particular, amounted to € 3.03 million in the past financial year.

From summer 2017 onward, Wolford noted a certain reticence among key customers concerning its future prospects. The company also felt the effects of the vacancy in the Head of Design role from April through September. The summer collection 2018 only included a small number of new highlights and the market response was correspondingly subdued. Revenues showed slight growth through to mid-December 2017, but Christmas business volumes fell short of the previous year's level. Fourth-quarter revenues fell by 15.7%, a development nevertheless largely due to one-off factors in the 2016/17 financial year. The fourth quarter of the 2016/17 financial year had witnessed the sale of merchandise at cost via a retail platform in France. This had boosted revenues by around € 3 million.

Further revenue growth in online business

Wolford's proprietary locations (proprietary boutiques, concession shop-in-shops, and factory outlets) reported a € 3.19 million (-3.7%) reduction in revenues in the past financial year, with this being due in part to exchange rate movements. On a like-for-like basis (i.e. excluding locations newly opened or closed), the decline in revenues came to 1.8%. Revenues in the wholesale business showed a substantial reduction of € 4.8 million (-8.4%). Wholesalers around the world are suffering to a particularly marked extent from the structural transformation in the retail sector and the rapid advance of e-commerce. In view of these developments, numerous department stores have restructured their sales areas and, for example, relocated hosiery products from their attractive positions close to store entrances to upper floors. Wolford has clearly felt the effects of these moves. By contrast, the company's proprietary online business performed very well. Revenues here showed a significant increase of € 2.99 million, corresponding to year-on-year growth of 23.1%.

REVENUE DEVELOPMENT BY QUARTER (IN € MILL.)



Regional revenues showed disparate developments in the past financial year. Revenues in the UK fell by 9.6%. Alongside the depreciation in the British pound, this market has felt the effects of Brexit and the loss of one high-revenue shop location. The following key markets also reported weak revenue performances, which in some cases were due to the aforementioned exchange rate movements: US (-6.3%), Germany (-0.9%), Switzerland (-3.2%), and Scandinavia (-3.2%). In France, the downturn in revenues even amounted to 13.6%. However, this was mainly due to the unusually high volume of revenues due to the sale of goods in the fourth quarter of 2016.

On the other hand, Wolford generated revenue growth in the following markets: Austria (+2.7%), Italy (+1.8%), Spain (+2.6%), the Netherlands (+3.5%), and Belgium (+0.6%). In these countries, the online business was able to offset the downturn in revenues in the retail and wholesale businesses. Revenues in East European markets performed particularly strongly (+32.3%), a development largely attributable to the recovery in the Russian market in general and the expansion in the trading relationship with Wolford's most important Russian wholesale partner. Due to the closure of two underperforming boutiques, revenues in Asia declined (-6.4%) compared with the previous year.

Legwear as core product group

With a 51% share of revenues, Legwear still accounted for more than half of consolidated revenues in the 2017/18 financial year. Excluding the negative effects of exchange rate movements, Legwear reported a 7.1% decline in revenues compared with the previous year. This related in particular to the Essential business and was due to weak demand in wholesale, an area particularly dependent on Essential products. The Ready-to-wear product group remained Wolford's second largest product group, with a 31% share of revenues. Here, the company managed to increase its revenues by 1.5%. The Lingerie product group which, like in the previous year, contributed 15% of consolidated revenues, showed only a slight downturn in revenues (-0.9%). Trading good revenues (1% share of revenues) fell 14% short of the previous year's figure, while Accessories (1% share of revenues) showed a marked reduction of -18.4%. The fall in revenues resulted from the streamlining of product ranges in these segments. The Beachwear product group introduced in April 2017 contributed € 2.0 million to consolidated revenues (1% share of revenues).

Profitability indicators	**2017/18 in %**	**2016/17 in %**
Materials cost (including changes in inventories) as a percentage of revenue	18.9	16.9
Staff costs as a percentage of revenue	46.2	48.7
Other operating expenses as a percentage of revenue	37.3	37.3
EBITDA margin	-1.7	-2.2
Capital expenditure on depreciation	18.0	54.5
EBIT margin	-6.2	-10.2

In the 2017/18 financial year, the only way to reduce inventories in the absence of sell-off measures was to work with systematic requirements planning. This way, inventories fell by € 8.40 million year-on-year to € 40.99 million. Against this backdrop, the cost of materials also decreased by € 7.30 million to € 20.33 million. As a result of the systematic reduction in inventories, changes in inventories of finished goods and work in process decreased by € 9.52 million to € -7.94 million, a development also reflected in a 2-percentage point increase in the materials cost ratio (including changes in inventories).

Personnel expenses cut by € 6.35 million

Due to the reduction in administrative functions in European sales regions and administrative positions in Bregenz, the average number of full-time employees fell by 111 to 1,433 in the 2017/18 financial year (average for 2016/17: 1,544 full-time employees). Wolford significantly streamlined and enhanced the efficiency of its company processes while also systematically reducing excess capacities in the past year. The company will sustainably benefit from the corresponding cost savings. The measures taken within the restructuring program are reflected above all in personnel expenses, which fell by € 6.35 million to € 68.86 million.

The extensive restructuring measures and refinancing process resulted in non-recurring legal and advisory expenses. As a result, one-off expenses rose by € 1.72 million to € 7.15 million. Despite this factor, other operating expenses decreased from € 57.49 million to € 55.64 million in the past financial year, with particularly marked year-on-year reductions in the following expense items:

customs duties (-39%), travel expenses (-16%), freight charges (-15%), insurance premiums (-10%) and rental expenses (-6%).

The figures for the past financial year also benefited from write-ups recognized for several boutiques at locations in Austria, Germany, Spain, the US, and Canada. These had posted unexpectedly weak performances in the previous year, leading to one-off write-downs. The resultant write-ups to property, plant and equipment totaled € 0.75 million.

Notwithstanding lower revenues, the systematic reduction in current expenses enabled Wolford to improve its operating earnings (EBIT) by € 5.21 million from € -15.72 million in the previous year to € -9.22 million in the year under report.

Due in particular to a high volume of non-recurring expenses for interest, pledging and registration fees, the financial result amounted to € -2.21 million (2016/17: € -0.86 million). The loss before tax therefore came to € -11.43 million, compared to € -16.57 million in the previous year. Income tax amounted to € -0.1 million (2016/17: € -1.31 million). Profit after tax improved by € 6.34 million to € -11.53 million (2016/17: € -17.88 million). Earnings per share amounted to € -2.35, compared to € -3.64 in the previous year.

Income statement (summary) in € mill.	**2017/18**	**2016/17**	**Chg. in %**
Revenues	**149.07**	**154.28**	**-3**
Other operating income	1.22	0.96	28
Changes in inventories	-7.94	1.58	>100
Other own work capitalized	0.00	0.14	>100
Operating output	**142.35**	**156.95**	**-9**
Cost of materials	-20.33	-27.63	-26
Staff costs	-68.86	-75.22	-8
Other operating expenses	-55.63	-57.49	-3
Depreciation and amortization	-6.75	-12.33	-45
EBIT	**-9.22**	**-15.72**	**-41**
Financial result	-2.21	-0.86	>100
Earnings before tax	-11.43	-16.57	-31
Income tax	-0.10	-1.31	>100
Earnings after tax	**-11.54**	**-17.88**	**-36**

Asset and financial position

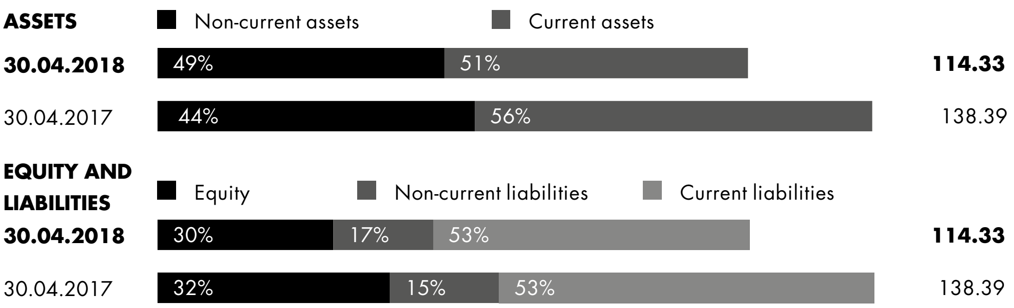
At € 114.33 million, total assets at the Wolford Group as of the balance sheet date on April 30, 2018, were significantly lower than the previous year's figure (€ 138.39 million). This was due above all to the successful reduction in inventories from € 49.39 million to € 40.99 million. Furthermore, on the equity and liabilities side of the balance sheet, equity fell significantly due to the substantial loss incurred in the 2017/18 financial year.

Non-current assets amounted to € 55.60 million at the balance sheet date, corresponding to 49% of total assets (2016/17: 44%). Property, plant and equipment and other intangible assets fell by 10.5% to € 50.34 million. In the 2017/18 financial year, Wolford chiefly invested in improving its merchandising system and expanding its online platform. These investments were countered by depreciation and amortization of € 6.75 million (2016/17: € 12.33 million). Depreciation and amortization also include write-ups and impairment losses.

Inventories reduced

Current assets accounted for 51% of total assets as of April 30, 2018 (2016/17: 56%). Inventories amounted to € 40.99 million (2016/17: € 49.39 million) and, as in the previous year, accounted for 36% of total assets. Trade receivables decreased by 21.7% to € 8.76 million (2016/17: € 11.19 million), or 7.6% of total assets. Cash and cash equivalents totaled € 2.73 million at the balance sheet date (2016/17: € 10.31 million).

DEVELOPMENT OF BALANCE SHEET STRUCTURE (IN € MILL.)



Equity ratio of 30% as of April 30, 2018

Shareholders' equity at the Wolford Group amounted to € 33.90 million at the balance sheet date on April 30, 2018, and thus fell € 10.99 million short of the comparative figure in the financial statements for the previous year, a development due above all to the loss after tax. The equity ratio amounted to 30% as of the balance sheet date (2016/17: 32%).

Non-current liabilities fell by 8,4% from € 21.08 million to € 19.32 million, equivalent to 16% of total assets (2016/17: 15%). Thanks to scheduled and unscheduled repayments, current liabilities decreased by 16% to € 61.12 million (2016/17: € 72.42 million).

Balance sheet indicators		**30.04.2018**	**30.04.2017**
Equity	in € mill.	33.90	44.88
Net debt	in € mill.	30.09	31.27
Working capital	in € mill.	34.59	45.73
Balance sheet total	in € mill.	114.33	138.39
Equity ratio	in %	29.7	32.4
Gearing	in %	88.8	69.7
Working capital as a percentage of revenue	in %	23.2	29.6
Net debt to EBITDA		-12.2	-9.2

Net debt at Wolford AG fell by € 1.18 million year-on-year to € 30.09 million, leading to gearing (net debt/equity ratio) of 88.8%.

Wolford also only drew on half of the bridge financing facility (€ 10.0 million) agreed with banks in July 2017 to cover peak seasonal liquidity requirements, and fully repaid this facility in November and December 2017 already.

In April 2018, the agreement reached with banks (also in July 2017) concerning the terms of credit lines (standstill agreement until the end of June 2018) was extended until June 30, 2019. This is conditional on the successful execution of the planned cash capital increase by an amount of around € 22.0 million and repayment of non-current financial liabilities of € 10.0 million by August 31, 2018.

Calculation of net debt	**30.04.2018 in € mill.**	**30.04.2017 in € mill.**	**Chg. in %**
Non-current financial liabilities	0.19	0.21	-9
Current financial liabilities	33.89	42.65	-21
- Financial assets	-1.27	-1.28	-1
- Cash on hand and cash equivalents	-2.73	-10.31	-74
Net debt	**30.09**	**31.27**	**-4**

Cash flow

Operating cash flow far higher than previous year

At € 4.89 million, the cash flow from operating activities (operating cash flow) was significantly higher than in the previous year. This was chiefly due to the successful reduction in working capital and the lower level of loss before tax. By working with systematic requirements planning, the company significantly reduced its inventories in the 2017/18 financial year. This line item fell by € 8.40 million to € 40.99 million.

At € -1.37 million in the period under report, the cash flow from investing activities was € 5.13 million, and thus significantly higher than in the previous year. In the year under report, Wolford mainly invested in optimizing its merchandising system and in expanding its online platform. Given the lower level of loss, the successful reduction in inventories, and the lower volume of investments, the free cash flow (net cash flow less cash flow from investing activities) showed a substantial improvement, rising from € -9.45 million to € 1.83 million.

The cash flow from financing activities showed a significant reduction of € 25.12 million to € -9.27 million in the period under report. This was due above all to the improved earnings performance and corresponding repayments of bank loans.

Cash flow statement (summary)	**2017/18 in € mill.**	**2016/17 in € mill.**	**Chg. in %**
Net cash flow from operating activities	3.20	-2.94	>100
Cash flow from investing activities	-1.37	-6.51	-79
Free cash flow	**1.83**	**-9.45**	**>100**
Cash flow from financing activities	-9.27	15.84	>100
Change in cash and cash equivalents	7.58	6.40	18
Cash and cash equivalents at end of period	**2.73**	**10.31**	**-74**

Business Segment Performance

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

– **Austria**
– **Germany**
– **Rest of Europe**
– **North America**
– **Asia**

Austria

External revenues in the Austria segment (revenues less intragroup revenues) increased from € 33.00 million to € 35.33 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 24% of consolidated revenues (2016/17: 21%). EBIT amounted to € -15.58 million, compared to € -13.33 million in the previous financial year. The increased loss was chiefly due to one-off charges for measures to refinance and restructure the company.

Germany

External revenues in the Germany segment fell from € 18.78 million to € 17.88 million in the past financial year. This segment contributed 12.0% of consolidated revenues (2016/17: 12%). EBIT came to € 0.6 million, compared to € -0.06 million in the previous year. This slight growth in EBIT was due above all to a € 0.33 million reduction in personnel expenses.

Rest of Europe

EBIT in Rest of Europe segment at previous year's level

External revenues at the companies in the Rest of Europe segment decreased from € 65.17 million to € 60.42 million. This segment includes the European sales companies outside Austria and Germany and the production company in Slovenia. Rest of Europe contributed 41%, and thus the largest share of consolidated revenues (2016/17: 42%). At € 1.79 million, EBIT was approximately at the previous year's level. This segment basically benefited, with a corresponding charge on the Austria segment, from a transfer pricing policy newly introduced in the past financial year already.

North America

External sales at the group companies in the North America segment declined from € 30.90 million to € 28.70 million. This segment, which comprises the sales companies in the US and Canada, contributed 19% of consolidated revenues (2016/17: 20%). The US generated the highest revenues of all sales companies within the Wolford Group in the past financial year. EBIT rose to € 0.09 million, compared to € -0.67 million in the previous year, in which operating earnings were adversely affected by the endowment of a provision for pending losses at several boutiques in the US and Canada (due to an unexpectedly weak performance).

Asia

EBIT in Asia segment higher than previous year

At € 6.76 million, external revenues at the companies in the Asia segment were slightly ahead of the previous year's figure of € 6.43 million. This segment, which includes the sales companies in Hong Kong and China, accounted for 5% of consolidated revenues (2016/17: 4%). In the previous year, impairment losses recognized on poorly performing boutiques in Shanghai and Macau had resulted in a substantial charge on earnings.

Outlook and Goals

The upturn currently underway in Europe and Asia can be expected to lead to further growth in the global economy in 2018 and 2019 as well. In its March forecast, for example, the OECD predicts global economic growth of 3.9% in 2018, following on from 3.7% in the previous year. In terms of the market for personal luxury goods, strategy consultants at Bain & Company and Altagamma, the association of the Italian luxury goods industry, expect to see full-year growth of 4% to 5% in 2018. This will be driven not least by the growing prosperity of the middle classes in China and the recovery in consumer spending in saturated markets there.

Conditions remain difficult in fashion retail sector

The underlying conditions nevertheless remain difficult, particularly for fashion retailers. Increasing globalization and the advance of digitization are extending the range of goods available to consumers and leading to increasingly intense competition among providers. The sector is confronted with extremely well informed buyers who are increasingly less likely to remain faithful to one brand. The advance of online retail is creating great difficulties for brick-and-mortar retailers in Europe, who are suffering massively from ever lower footfall in stores. In the final quarter of 2017 alone, the number of consumers visiting German fashion retail stores fell by 6.7% year-on-year. In France the number of visitors to stores dropped by 3.6%.

Wolford is also feeling the effects of this transformation in the market. Its online revenues have risen sharply, but so far only compensated in part for the loss of revenues in the brick-and-mortar wholesale business in particular. It will therefore be investing far greater sums in the current financial year than previously in expanding its online business.

Positive operating earnings expected for 2018/19 financial year

In the past financial year, Wolford nevertheless laid important foundations enabling it to operate profitably once again even without positive revenue effects. The company's personnel expenses alone fell by € 6.35 million in the past financial year, and that on a sustainable basis. The positive impact of the restructuring program will become clearly visible in the current financial year. As a result, Wolford still expects to generate positive operating earnings in 2018/19.

Sources: Bain & Company, GfK, IMF, OECD, Textilwirtschaft

Events After the Balance Sheet Date

The extraordinary shareholders' meeting held on May 4, 2018, resolved to increase the share capital by € 12,498,227.77, from € 36,350,000 to € 48,848,227.77, by issuing 1,719,151 new common bearer shares. Furthermore, Dr. Junyang Shao and Thomas Dressendörfer were appointed by the meeting as Supervisory Board members.

The same day witnessed the closing of the share purchase agreement dated March 1, 2018, and concluded between Fosun Industrial Holdings Limited and the previous principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung, and M. Erthal & Co. Beteiligungsgesellschaft m.b.H., as well as related natural persons).

On May 9, 2018, Fosun Industrial Holdings Limited published the results of the anticipatory mandatory offer (takeover offer) made to acquire all outstanding shares in Wolford AG. Accordingly, the offer was accepted by the bearers of 358,724 Wolford shares in total, corresponding to 7.17% of all Wolford shares in circulation. Once the associated transactions have been executed, Fosun Industrial Holdings Limited will therefore hold 2,902,418 shares, corresponding to a 58.05% stake in Wolford AG. For Wolford shareholders who did not yet accept the offer made by Fosun Industrial Holdings Limited during this acceptance period, the period will be extended pursuant to § 19 (3) No. 1 of the Austrian Takeover Act (ÜbG) by a further three months ("additional acceptance period") from the date on which the results of the takeover offer were announced.

On June 18, 2018, Wolford AG announced that it would execute the capital increase resolved by the extraordinary shareholders' meeting on May 4, 2018, in the period up to and including July 11, 2018. The subscription price amounts to € 12.80 per new share. The prospectus drawn up in accordance with the Austrian Capital Markets Act (KMG) and the Prospectus Regulation for the subscription offer in Austria was approved by the Austrian Financial Market Authority on June 18, 2018. Fosun Industrial Holdings Limited has undertaken to take over all subscription rights not drawn on, as a result of which Wolford AG is certain to receive funds of around € 22 million from the capital increase.

Opportunity and Risk Management

To remain competitive on a sustainable basis, companies have no alternative but to deliberately take on certain risks. This also holds true for Wolford AG. In its global business activities, the company is exposed to various risks and views effective risk management as a key success factor when it comes to sustainably safeguarding the company's existence and creating shareholder value. Alongside risks, however, the company also faces opportunities that have the potential to become competitive advantages. This being so, Wolford endeavors to always identify opportunities and risks at an early stage of development, and to adequately react to these. That is the objective of the company's internal guidelines and systems.

Basis for opportunity and risk management

Recognizing opportunities and risks in good time is a factor that significantly influences Wolford's ability to meet its targets. The company defines risks as internal or external events that could adversely affect its ability to meet its business targets. By analogy, Wolford regards opportunities as internal or external events that could positively influence its ability to meet its business targets. In line with this approach, the company identified its own opportunities and risks by holding numerous evaluation meetings with select managers from a wide variety of departments. On this basis, the management team performed a qualitative assessment of both the potential top opportunities and the top risks, prioritized these accordingly, and subsequently categorized them. The assessment was performed using a matrix which presented the respective probabilities of occurrence and potential damages.

Opportunity and risk management system

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

Annual assessment by management team

To ensure its effectiveness, the opportunity and risk management system has been implemented in accordance with the internationally recognized regulations for company-wide risk management and internal control systems (COSO – Internal Control and Enterprise Risk Management Framework of the **Co**mmittee of **S**ponsoring **O**rganizations of the Treadway Commission). Accordingly, within our opportunity and risk management process opportunities and risks are identified, assessed, managed, and systematically documented at regular intervals. In future, all opportunities and risks documented in the prior period will be updated by the management team at least once a year.

Comments on material risks and opportunities

Strategic development

Expansion in online business

Wolford operates in a market that is dynamic and rapidly changing. It is crucial for the company to have a suitable strategy if its long-term competitiveness and future existence are not to be put at risk. Developing a consistent strategy is therefore a factor of core significance, as is the communication of such within the company to enable it to be supported by all employees. One material risk when developing such a strategy involves any failure to take note, or misinterpretation of current trends. Permanent analysis of the market climate and the relevant target group is therefore indispensable. That is why Wolford is currently focusing, among other measures, on systematically expanding its online business.

Market communications

For a company like Wolford that is dependent on the charisma of its brand, the question of branding is highly significant. What Wolford needs is targeted market communications with a compelling marketing strategy and attractive market presence in order to regain the full attention of its target group and attract potential younger consumers. As a result, investments in uniform global branding are just as crucial to Wolford as is the expansion in its online presence.

Personnel development

Employees as most important resource

Employees are Wolford's most important resource. It is therefore self-evident that the company should wish to protect and promote its staff. Working conditions and training measures influence the performance of employees in development and production, as well as their success at the point of sale. Well-trained sales staff have a decisive effect on the company's revenue performance. Above all, Wolford is dependent on the recognized quality of its internally manufactured products. This in turn is closely related to working conditions in the production departments at the two plants in Austria and Slovenia. The loss of key personnel represents a significant risk. Not only that, there is the risk that the company may be unable to identify, recruit, and retain sufficient numbers of well-trained, highly motivated employees. Wolford operates in a dynamic competitive climate and the requirements placed in the company as a whole and in its employees in particular in terms of flexibility, mobility, and adaptability are changing at a similar pace. This means that Wolford has to make systematic investments in training and developing its employees while also permanently enhancing its recruitment activities to attract well-trained, flexible employees.

IT implementation standardizing the IT landscape

Companies currently have ever higher requirements in their IT systems and therefore have to make ongoing investments in efficient and process-oriented IT systems. The parallel existence of different IT systems represents a major risk for the company. From procurement to production planning to sales – Wolford has numerous independent IT systems and databases that are only compatible to a limited extent. Data synchronization and general IT support are correspondingly time-consuming and personnel-intensive, while the overall system at Wolford AG may be prone to error. System breakdowns may lead to the loss of important data and, as a result, to financial losses. Against this backdrop, Wolford plans to standardize its IT landscape by introducing a standard ERP software throughout the company.

Market changes

Wolford is exposed to numerous external factors and risks, such as those resulting from any changes in the macroeconomic framework or within society. As a company with global operations, Wolford is subject to macroeconomic developments in international markets and dependent on customer behavior. Any decline in demand due to macroeconomic developments may result in excess capacity in the company's production plans. To avoid this, Wolford permanently monitors its capacity utilization rates and adjusts these where necessary to be in line with market requirements. Furthermore, the underlying conditions in the fashion retail sector are currently difficult, as increasing globalization and the advance of digitization are extending the range of goods available to consumers and leading to increasingly intense competition. To minimize the risks resulting from these developments, Wolford is working to retain its quality leadership and ensure strong market communications.

Financial risks

Wolford is exposed to financial risks as a result of changes in interest rates, exchange rate fluctuations, and its own liquidity. Most of Wolford's financing lines are based on floating interest rates, as a result of which the company is subject to the risk of changes in interest rates. In view of the current interest rate climate, this risk is classified as low and is therefore not separately hedged. Given the international focus of its business model, Wolford is also subject to exchange rate risks. In light of the current financial situation, it is not possible to conclude any hedges to cover this risk. Wolford nevertheless plans to reintroduce such hedging measures in the near future and is already in talks with banks. The Wolford Group's financing lines have terms running until 30 June 2019. There is the risk the company will be unable to extend or refinance its financing lines on time. Wolford is already in talks with banks in order to counter this risk.

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 and for ensuring compliance with all legal requirements. From an organizational perspective, Wolford AG is responsible for the financial reporting of the Wolford Group. The group accounting department (responsible for external reporting) and group controlling department (responsible for internal reporting) report directly to the CFO 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 issued by Wolford AG and updated on a regular basis. This manual contains key accounting and reporting requirements based on IFRS on a uniform basis for the overall Group. Specifically, these include the accounting and reporting principles for non-current assets, trade receivables and accruals, financial instruments, provisions, and 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 corporate accounting and corporate 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 2017/18 financial year Wolford AG also worked with 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 function[1] ensures compliance with the principles of corporate governance and the company's internal control system (ICS). Based on an annual internal audit plan agreed upon with the Supervisory Board Audit Committee and 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.

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 COSO (Internal Control and Enterprise Risk Management Framework of the **Co**mmittee of **S**ponsoring **O**rganizations 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 based on 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 by the internal control system.

---

[1] The internal audit department is not (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.

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 (R&D)

Innovation is at the heart of our product worlds and is part of our DNA. 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. Wolford had 57 employees (full-time equivalents) working in product development in the 2017/18 financial year. In this period, the company spent a total of € 6.7 million on development activities (2016/17: € 6.9 million).

First products in Cradle-to-Cradle® series now ready for market

One core R&D topic at Wolford is the project working to develop recyclable products (Cradle to Cradle®) within the "Smart Textiles" sector network. Cradle to Cradle® pursues the vision of building closed material cycles for products, thus helping to make waste absolutely avoidable in future.

The "Smart Textiles" project is working on developing legwear, bodywear, and lingerie products that do not burden the biological cycle. The products are made from a biodegradable type of elastane that has been specially developed for Wolford (Roica, Asahi Kosei®), as well as from a correspondingly modified polyester fiber provided by Lauffenmühle, and from Modal, a cellulose fiber obtained from sustainable forestry and provided by the Austrian textile manufacturer 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 (FFT). Here, they are manufacturing suitable product components or contributing their technical and scientific expertise.

With its 2018/19 autumn/winter collection, Wolford will be presenting the world's first biodegradable leggings and a pullover bearing the gold Cradle-to-Cradle® certificate. Two further products are set to follow in February 2019, namely a shirt and a thin-quality top also certified with gold. This certification singles out products that demonstrably use environmentally compatible, healthy, and recyclable materials. Certification is based on the Basic, Silber, Gold, and Platinum levels. The current R&D pipeline for the "Smart Textiles" project also includes a set of 20 den tights which in this case are made not of biodegradable but rather recyclable materials. This enables them to be reintroduced into the "technical cycle".

Focus on new processes and products

One particular focus of Wolford's R&D activities has traditionally involved developing new processing technologies and materials. Together with its 2019/20 autumn/winter collection, Wolford will be launching "Little Black Dress," its first round-knit dress with invisible body-enhancing zones, onto the market in summer 2019. Given the special knitting technologies used, these figure-enhancing zones can be invisibly knitted into the waist and hip regions. This means that women wearing the dress will no longer need figure-enhancing underwear to compensate for any natural deficiencies. The yarn specially designed for Wolford for this purpose has a gentle, natural fit and great elasticity. It also offers protection again UV radiation and absorbs humidity.

Wolford's use of 3D printing, an area in which the company has played a pioneering role, is also proving highly successful. Using this technology taken from the metal industry, a fine silicon line is sprayed onto the fabric. In bras such as the 3W Skin Bra, for example, this line then assumes the function performed by the elastic rubber at the edges and strap of a conventional bra. That makes it possible to spread supportive functions evenly across the product, thus avoiding nicks or pressure spots on the body. This technology will be extended to other products as well in future. The summer collection 2019, for example, will include several products based on this technology.

Further development of successful Pure Line

Wolford will also be releasing a new product in its Pure series, which has already received several awards for its gluing technology. The 35 den Pure Shine tights which – as their name suggests – have a slight sheen, are available in a range of natural skin tones and offer a convenient solution for women whose legs are not or no longer quite perfect. Thanks to the yarn specially developed for Wolford, the tights conceal any varicose veins or blemishes. The tights work like a second skin and provide a perfect copy of the skin. They also have glued seams which remain invisible even under very close-fitting clothing.

Human Resources

Worldwide average total of 1,433 employees in 2017/18

Highly committed employees are a crucial factor in any company's success. Wolford therefore accords 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. In the 2017/18 financial year, Wolford had a worldwide average total of 1,433 employees (full-time equivalents). Women accounted for 83% of the workforce, and thus for a slightly higher share than in the previous year. Women also made up around 45% of the Wolford Group's management team (Management Board and managers of relevant divisions across the company). An average total of around 550 employees (FTEs) worked at corporate headquarters. In Bregenz, the company currently offers vocational training to 24 apprentices in eight different training vocations. Since 1989, Wolford has consistently held "state-approved training company" status pursuant to § 30 of the Austrian Vocational Training Act (BAG).

Supporting trainees and students

Wolford organizes regular in-house and external workshops for its trainees, such as the workshop held on "Money is something you can learn about." To promote the exchange of ideas between departments, as well as fostering a more dynamic approach, the company also organizes in-house apprentice projects. These most recently involved an open day held with a fashion show designed by the trainees. Wolford also provides its trainees with the opportunity to spend time abroad, such as for language courses in the UK or Ireland or in the retail exchange scheme for apprentices in Salzburg, Munich, and Bern. Furthermore, since 2012 the company has also cooperated with Baden-Württemberg Cooperative State University (DHBW). Students in the Retail Business Administration/ Textiles Management course at this university are given the opportunity to spend the practical stages of their studies at various departments across the company. This way, they can directly apply the material recently learned.

To safeguard workplace safety, Wolford has two trained occupational health and safety specialists, 23 safety officers for production employees to turn to, 43 first-aiders and an in-house fire brigade. Internal officers see to the implementation of environmental protection and energy efficiency measures. Two company doctors perform all the necessary occupational health and safety checks and oversee health promotion measures.

Promoting employees' work-life balance

Wolford's health promotion measures also include an extensive range of services aimed at helping employees maintain their work-life balance. The numerous opportunities on offer, particularly at the Bregenz location, range from medical support to healing massages and yoga courses, as well as organized walks and running groups.

In today's world, flexibility and lifelong learning are two basic requirements for successful personal and professional development. Wolford offers its employees a range of working and development opportunities across various departments and also in different countries. The vacancy advertising process is transparent for all positions advertised. When suitably qualified for the roles on offer, internal applicants are preferred. The company also offers financial support to enable employees to acquire any qualifications they are still lacking. On the level of the holding company, Wolford invested a total of € 0.05 million in training and professional development for its employees in the 2017/18 financial year.

Flexible working hour models and part-time early retirement

Wolford also aims to react flexibly to any changes in its employees' personal circumstances, and goes beyond legal requirements in this respect. The company offers employees returning from parental leave the opportunity to work part-time, an option drawn on by 27 employees in Austria alone 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 implemented where operationally possible. Since 2013, Wolford has also offered older employees the possibility of gradually reducing their working hours within a part-time early retirement model, with 13 employees drawing on this option in the 2017/18 financial year.

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

Wolford AG is listed in the Prime Market of the Vienna Stock Exchange. As of the balance sheet date on April 30, 2018, the company had share capital of € 36,350,000, which was divided into five million no-par value bearer shares. As of March 1, 2018, a share purchase agreement in respect of a majority shareholding of 2,543,694 shares (around 50.87% of the share capital) was concluded between the principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung and their subsidiary, M. Erthal & Co. Beteiligungsgesellschaft m.b.H., and related natural persons) and Fosun Industrial Holdings Limited. At the same time, Wolford and Fosun concluded a share subscription agreement, with partial accession of the principal shareholder group, in which Fosun undertook to execute an increase in the share capital of Wolford AG by € 12,498,227.77, from currently € 36,350,000 to € 48,848,227.77, by issuing 1,719,151 new shares at an issue price of € 12.80 per new share in return for cash to the extent that Wolford AG shareholders do not exercise their subscription rights. There are no shares with special control rights.

According to the information available to the company, the following direct or indirect interests in the capital of Wolford AG equaled or exceeded 10% as of April 30, 2018: WMP Familien-Privatstiftung held more than 25% of the shares, while more than 15% were held by Sesam Privatstiftung. 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. Erste Asset Management GmbH held more than 4% of the shares until the end of the 2017/18 financial year. Wolford AG still held 88,140 shares, corresponding to 1.76% of the company's share capital, as treasury stock (without voting rights). 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.

Until the end of the 2017/18 financial year, the Wolford Group had a stock appreciation rights (SARs) plan. This plan did not involve any allocation of shares. The company does not have any 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 also not concluded any material agreements that would take effect, be amended or expire upon a change of control resulting from a takeover bid.

Non-Financial Declaration Pursuant to § 243b and § 267a of the Austrian Commercial Code (UGB)

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

Bregenz, June 29, 2018

Axel Dreher Brigitte Kurz

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements as of April 30, 2018

Contents

Statement of Comprehensive Income

in TEUR	Note	2017/18	2016/17
Revenues	**(1)**	**149,070**	**154,277**
Other operating income	(2)	1,222	956
Changes in inventories of finished goods and work-in-process		-7,937	1,584
Own work capitalized		0	135
Operating output		**142,355**	**156,952**
Cost of materials and purchased services	(3)	-20,329	-27,634
Staff costs	(4)	-68,861	-75,209
Other operating expenses	(5)	-55,638	-57,493
Depreciation and amortization	(6)	-6,751	-12,331
EBIT		**-9,224**	**-15,715**
Net interest income		26	49
Net interest cost	(7)	-1,986	-588
Net investment securities income	(8)	24	4
Interest cost of employee benefit liabilities		-272	-324
Financial result		**-2,208**	**-859**
Earnings before tax		**-11,432**	**-16,574**
Income tax	(9)	-103	-1,304
Earnings after tax		**-11,535**	**-17,878**
Amounts that will not be recognized through profit and loss in future periods		271	-87
thereof actuarial gains and losses	(21)	271	-87
Amounts that will potentially be recognized through profit and loss in future periods		278	15
thereof currency translation differences	(20)	299	14
thereof change from cash flow hedges	(20)	-7	1
thereof costs from securities		-14	0
Other comprehensive income [1)]	**(10)**	**549**	**-72**
Total comprehensive income		**-10,986**	**-17,950**
Attributable to the equity holders of the parent company		-10,986	-17,950
Earnings after tax attributable to equity holders of the parent company		-11,535	-17,878
Earnings per share (diluted = basic)	**(11)**	**-2.35**	**-3.64**

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

Cashflow-Statement

in TEUR	Note	2017/18	2016/17
Earnings before tax		**-11,432**	**-16,574**
Depreciation and amortization / write-backs		7,501	12,331
Write-up of property, plant and equipment		-750	0
Gains / losses from disposals of non-current assets		271	331
Interest paid / Interest received		1,960	539
Other non-cash income and expenses		-125	-164
Changes in inventories		8,628	-1,557
Changes in trade receivables		1,980	-2,431
Changes in other receivables and assets		1	1,850
Changes in trade payables		-150	-52
Changes in other provisions and employee-related provisions		-2,765	4,478
Changes in other liabilities		-227	-446
Cash flow from operating activities		**4,892**	**-1,695**
Received interest		24	43
Paid interest		-1,299	-575
Balance of tax received and paid		-418	-711
Net cash flow from operating activities		**3,199**	**-2,938**
Payments for investments in property, plant and equipment and other intangible assets	(30)	-1,401	-6,658
Proceeds from disposals of property, plant and equipment and other intangible assets	(30)	29	153
Cash flow from investing activities		**-1,372**	**-6,505**
Proceeds from current and non-current financial liabilities		5,093	23,522
Repayment of current and non-current financial liabilities		-13,872	-6,697
Transactioncosts relating to financial liabilities		-495	0
Dividends paid		0	-982
Cash flow from financing activities		**-9,274**	**15,843**
Cash-effective change in cash and cash equivalents		**-7,447**	**6,400**
Cash and cash equivalents at beginning of period		10,312	3,870
Effects of exchange rate movements on cash and cash equivalents		-136	42
Cash and cash equivalents at end of period		**2,729**	**10,312**

Balance Sheet

in TEUR	Note	30.04.2018	30.04.2017
Property, plant and equipment	(12)	41,442	45,553
Goodwill	(13)	194	188
Other Intangible assets	(14)	8,900	10,681
Financial assets	(15)	1,265	1,283
Non-current receivables and assets	(16)	1,673	1,891
Deferred tax assets	(17)	2,123	1,891
Non-current assets		**55,597**	**61,487**
Inventories	(18)	40,994	49,392
Trade receivables	(19)	8,763	11,190
Other receivables and assets	(20)	3,930	3,261
Prepaid expenses		2,315	2,744
Cash and cash equivalents		2,729	10,312
Current assets		**58,731**	**76,899**
Total assets		**114,328**	**138,386**
Share capital		36,350	36,350
Capital reserves		1,817	1,817
Other reserves		-3,910	7,375
Currency translation differences		-361	-660
Equity	**(21)**	**33,896**	**44,882**
Financial liabilities	(22)	192	214
Other liabilities	(24)	916	924
Provisions for long-term employee benefits	(23)	16,929	17,546
Other long-term provisions	(25)	1,280	2,347
Deferred tax liabilities	(16)	0	53
Non-current liabilities		**19,317**	**21,084**
Financial liabilities	(22)	33,888	42,645
Trade payables		6,457	6,564
Other liabilities	(27)	12,636	13,076
Income tax liabilities		442	520
Other provisions	(26)	7,692	9,615
Current liabilities		**61,115**	**72,420**
Total equity and liabilities		**114,328**	**138,386**

Statement of Changes in Equity

		Attributable to equity holders of the parent company								
in TEUR	**Note**	**Share capital**	**Capital reserves**	**Hedging reserve**	**Actuarial gain/loss**	**Other reserves**	**Revaluation reserves IAS 39**	**Treasury stock**	**Currency translation**	**Total equity**
01.05.2016		**36,350**	**1,817**	**6**	**-4,070**	**34,884**	**-86**	**-4,413**	**-674**	**63,814**
Dividends 2015/16	(21)	0	0	0	0	-982	0	0	0	-982
Earnings after tax		0	0	0	0	-17,878	0	0	0	-17,878
Other comprehensive income		0	0	1	-87	0	0	0	14	-72
30.04.2017		**36,350**	**1,817**	**7**	**-4,157**	**16,024**	**-86**	**-4,413**	**-660**	**44,882**
01.05.2017		**36,350**	**1,817**	**7**	**-4,157**	**16,024**	**-86**	**-4,413**	**-660**	**44,882**
Earnings after tax		0	0	0	0	-11,535	0	0	0	-11,535
Other comprehensive income		0	0	-7	271	0	-14	0	299	549
30.04.2017		**36,350**	**1,817**	**0**	**-3,886**	**4,489**	**-100**	**-4,413**	**-361**	**33,896**

Segment Reporting

2017/18 in TEUR	**Austria**	**Germany**	**Rest of Europe**	**North America**	**Asia**	**Consolidations**	**Group**
Revenues	**78,273**	**17,882**	**67,939**	**28,682**	**6,756**	**-50,462**	**149,070**
thereof intersegment	43,123	0	7,339	0	0	-50,462	0
External revenues	**35,328**	**17,882**	**60,422**	**28,682**	**6,756**	**0**	**149,070**
EBIT	**-15,581**	**622**	**1,793**	**89**	**219**	**3,634**	**-9,224**
Segment assets	132,921	6,587	34,926	8,621	2,986	-71,713	114,328
Segment liabilities	68,985	4,600	23,933	10,952	4,908	-32,946	80,432
Investments	691	41	456	202	12	0	1,402
Depreciation incl. write-ups & impairment losses	4,850	190	1,966	-242	-13	0	6,751
Employees on average (FTE)	613	111	557	115	37	0	1,433

2016/17 in TEUR	**Austria**	**Germany**	**Rest of Europe**	**North America**	**Asia**	**Consolidations**	**Group**
Revenues	**83,840**	**18,780**	**75,187**	**30,901**	**6,426**	**-60,857**	**154,277**
thereof intersegment	50,843	0	10,014	0	0	-60,857	0
External revenues	**32,997**	**18,780**	**65,173**	**30,901**	**6,426**	**0**	**154,277**
EBIT	**-13,327**	**-58**	**2,017**	**-671**	**-3,345**	**-331**	**-15,715**
Segment assets	158,331	6,586	41,153	10,732	4,417	-82,833	138,386
Segment liabilities	77,778	5,093	32,383	13,273	6,615	-41,638	93,504
Investments	3,367	907	786	695	971	-7	6,719
Depreciation incl. write-ups & impairment losses	6,819	579	3,310	539	1,089	-5	12,331
Employees on average (FTE)	678	164	556	108	38	0	1,544

Statement of Changes in Fixed Assets

	Costs					
in TEUR	**01.05.2017**	**Currency translation differences**	**Additions**	**Disposals**	**Reclassi-fication**	**30.04.2018**
Property, plant and equipment						
Land, land rights and buildings, including buildings on third-party land	89,439	-772	120	649	0	88,138
thereof land	3,095	0	0	0	0	3,095
Technical equipment and machinery	32,376	0	159	374	0	32,161
Other equipment, furniture and fixtures	32,296	-558	908	605	0	32,041
Prepayments made and assets under construction	1,732	0	0	0	0	1,732
	155,843	**-1,330**	**1,187**	**1,628**	**0**	**154,072**
Goodwill	**1,488**	**0**	**0**	**0**	**0**	**1,488**
Other Intangible assets						
Concessions, patents and licenses	16,742	-17	215	251	0	16,689
Self-developed intangible assets	471	0	0	0	0	471
Security deposits paid for leased real estate	13,391	-189	0	372	0	12,830
Customer relationship	727	0	0	0	0	727
	31,331	**-206**	**215**	**623**	**0**	**30,717**
Total	**188,661**	**-1,536**	**1,402**	**2,251**	**0**	**186,277**

	Costs					
in TEUR	**01.05.2016**	**Currency translation differences**	**Additions**	**Disposals**	**Reclassi-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**	**188,662**

Accumulated depreciation and amortization							Carrying amounts	
01.05.2017	**Currency translation differences**	**Impairment**	**Write-ups**	**Additions**	**Disposals**	**30.04.2018**	**01.05.2017**	**30.04.2018**
54,086	-678	46	-589	2,691	402	55,154	35,352	32,984
0	0	0	0	0	0	0	3,095	3,095
28,101	0	0	0	845	360	28,586	4,275	3,575
26,369	-477	57	-161	1,958	588	27,158	5,927	4,883
1,731	0	0	0	0	0	1,731	0	0
110,287	**-1,155**	**103**	**-750**	**5,494**	**1,350**	**112,629**	**45,554**	**41,442**
1,300	**-6**	**0**	**0**	**0**	**0**	**1,294**	**188**	**194**
13,311	-15	0	0	1,265	227	14,334	3,431	2,355
51	0	0	0	86	0	137	420	334
6,561	-124	112	0	441	371	6,619	6,830	6,211
727	0	0	0	0	0	727	0	0
20,650	-139	112	0	1,792	598	21,817	10,681	8,900
132,237	**-1,300**	**215**	**-750**	**7,286**	**1,948**	**135,740**	**56,423**	**50,536**

Accumulated depreciation and amortization						Carrying amounts	
01.05.2016	**Currency translation differences**	**Impairment**	**Additions**	**Disposals**	**30.04.2017**	**01.05.2016**	**30.04.2017**
50,979	145	993	3,569	1,599	54,087	38,298	35,352
0	0	0	0	0	0	3,095	3,095
27,518	0	0	978	395	28,101	4,027	4,275
25,395	93	263	2,109	1,492	26,369	6,377	5,927
0	0	0	1,731	0	1,731	1,538	0
103,892	**238**	**1,257**	**8,388**	**3,486**	**110,289**	**50,240**	**45,554**
774	**29**	**497**	**0**	**0**	**1,300**	**686**	**188**
12,862	4	0	1,280	835	13,311	3,416	3,431
0	0	0	51	0	51	471	420
5,701	1	213	646	0	6,561	7,683	6,830
727	0	0	0	0	727	0	0
19,290	5	213	1,977	835	20,649	11,570	10,681
123,956	**272**	**1,967**	**10,364**	**4,321**	**132,238**	**62,496**	**56,423**

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. Wolford AG prepares the consolidated financial statements for the majority of its group companies.

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

I. Accounting Principles

1. BASIS OF PREPARATION

The consolidated financial statements of Wolford AG as of April 30, 2018 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). The 2017/18 financial year covers the period from May 1, 2017 to April 30, 2018.

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 2017/18 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
Amendments to IAS 7	Statement of Cash Flows	January 1, 2017
Amendments to IAS 12	Income Taxes	January 1, 2017
Amendments to IFRS 12	Disclosure of Interests in Other Entities	January 1, 2017

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

Standard/ Interpretation	Description	Effective date
IAS 40	Investment Property	January 1, 2018
IFRS 2	Share-based Payment	January 1, 2018
IFRS 4	Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investments in Associations	January 1, 2019
IFRS 3	Business Combination	January 1, 2019
IFRS 11	Joint Arrangements	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Accounting for Uncertainties in Income Taxes	January 1, 2019

IFRS 16 (Leases) removes the classification of leases into operating and finance leases previously required at lessees by IAS 17 and replaces this with a uniform accounting model. For lessors, the distinction between operating and finance leases will continue to apply. For lease contracts with terms longer than twelve months, the uniform accounting model will require lessees to recognize both a right-of-use asset and a corresponding lease liability. Simplified accounting requirements are provided for leases with terms less than twelve months and for low-value leases. The right-of-use asset will be amortized over the term of the contract in accordance with the requirements applicable to intangible assets. The liability will be recognized in accordance with the requirements of IAS 39, and in future IFRS 9.

This new standard is expected to have material implications for the consolidated balance sheet and the consolidated income statement. Wolford AG currently has a large number of retail locations worldwide and, when IFRS 16 takes effect, will have to recognize right-of-use assets and lease liabilities for these in its consolidated balance sheet. The company is currently still in the process of determining the specific scope of implications which initial application of IFRS 16 (Leases) will have for its consolidated financial statements. The management will only be able to provide an adequate estimate of the level of implications once this process has been completed.

The IASB published IFRS 15 (Revenue from Contracts with Customers) in May 2014. This standard will replace existing standards governing revenue recognition, including IAS 18 (Revenue), IAS 11 (Construction Contracts), and IFRIC 13 (Customer Loyalty Programmes). The new standard lays down a comprehensive framework for determining the amount of revenue recognized and the time of recognition. IFRS 15 provides for a uniform five-step revenue recognition model that is basically applicable to all contracts with customers. IFRS 15 introduces new line items in the balance sheet, namely contract assets and contract liabilities. These may arise on the level of individual contracts due to performance surpluses or performance obligations. Furthermore, the standard introduces extended note disclosure requirements. Wolford AG has analyzed the implications of introducing this standard. This involved reviewing the various business models in place at the company, and especially the retail and wholesale businesses, as well as licenses (franchises). The analysis led to the identification of one matter for which the accounting treatment under IFRS 15 will deviate from previous practice. This relates to "contributions", i.e. grants made to retailers to enable them to acquire store fittings required for a typical Wolford AG shop. To date, these grants have been recognized as advertising and marketing expenses. Upon application of the new IFRS 15 requirements, they will be recognized as a reduction in revenue. The implications for the company's revenue are in a lower six-digit euro range. Apart from this, no other matters were identified which will result in changes to revenue recognition when IFRS 15 is applied compared with current practice.

Wolford AG will apply IFRS 15 for the first time at the beginning of the 2018/19 financial year. Upon first-time application of IFRS 15, users have the option of selecting either full retrospective application or modified retrospective application. Wolford AG has opted for modified retrospective application, as a result of which the company will not adjust the comparative figures for the 2017/18 financial year when applying the standard for the first time in the 2018/19 financial year.

The final version of the new standard IFRS 9 (Financial Instruments) was published in July 2014, endorsed by the EU in November 2016, and will replace IAS 39 (Financial Instruments: Recognition and Measurement). Specifically, IFRS 9 includes new methods for classifying and measuring financial assets on a uniform basis, as well as requirements governing impairments of financial instruments. Financial instruments are classified in accordance with the two following criteria. Pursuant to IFRS 9, the classification of the individual financial instrument is determined on the one hand by the business model used by the company to manage the financial asset and on the other hand by the characteristics of the contractual cash flows from the financial asset. After initial recognition, the instrument is subsequently measured in one of three categories with different methods of measurement and recognition of changes in the value of the instrument. Furthermore, the new standard introduces a new impairment model for financial assets which is based on expected credit losses. Moreover, the standard introduces a new requirement for hedge accounting and hedging instruments. This is intended to present the effects of risk management measures taken by a company in its financial statements in cases where the company draws on financial instruments to hedge specific risks.

First-time application of IFRS 9 will not have any material implications for the presentation of the Group's net assets, financial position and earnings performance, or cash flows. The only implications Wolford AG expects will result from the new impairment model based on expected credit losses. Wolford AG has concluded credit loss insurance policies for the overwhelming share of its existing receivables. Based on the analysis performed, the new impairment model is therefore expected to have implications in a lower six-digit euro range. The new hedge accounting requirements will not have any implications, as Wolford currently makes no use of hedges.

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. Group reporting is based on thousand euros (€ k).

2. 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 have been 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 of the 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 Asia Limited	Hong Kong	100
Wolford Belgium N.V.	Antwerp	100
Wolford (Shanghai) Trading Co., Ltd.	Shanghai	100

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.

The number of subsidiaries showed the following change compared with the previous year: Wolford Boutiques, LLC., New York, a wholly-owned subsidiary of Wolford America, Inc., was merged into Wolford America, Inc. as of May 1, 2017.

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 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		Average rate for the year	
Currency	**30.04.2018**	**30.04.2017**	**2017/18**	**2016/17**
1 EUR / USD	1.2116	1.09480	1.16880	1.09374
1 EUR / GBP	0.8808	0.84390	0.88104	0.83783
1 EUR / CHF	1.1964	1.08220	1.13537	1.08269
1 EUR / DKK	7.4507	7.43890	7.44183	7.44003
1 EUR / SEK	10.5125	9.63250	9.73999	9.49777
1 EUR / NOK	9.6615	9.31500	9.50397	9.14873
1 EUR / CAD	1.5555	1.49050	1.49481	1.43233
1 EUR / HKD	9.4880	8.49800	9.12805	8.49583
1 EUR / CNY	7.6610	7.51327	7.75657	7.36493
1 EUR / MOP	9.7769	8.76326	9.25862	8.45872

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 the 2017/18 financial year or the previous year.

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

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

Consistent with the terms of the rental agreements, the useful lives of site values amount to a maximum of 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 impairment tests performed on property, plant and equipment and intangible assets are based on the company budgets for the period 2018/19 to 2021/22 in accordance with the forecasts derived from the latest budget presented to the Supervisory Board. These forecasts are based on medium-term revenue growth ranging from 0% to 7.4% at individual stores. Personnel expenses and operating expenses are accounted for with annual growth rates of 1% each. The forecasts required predictions to be made. These were in turn based on past experience, current operating earnings, and the management's best estimate of future developments, as well as on market assumptions. The discount factors used for the impairment tests (WACC before tax) range from 8.0% to 11.2% (2016/17: 7.7% to 12.4%) 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. Boutique locations are included up to the end of the respective lease. Given the limited usage period at most boutique locations, no perpetual yield is calculated. Wolford France represents an exception in this case, as the tenant is entitled to extend the rental agreement prior to its expiry date. The carrying amounts of the property, plant and equipment and intangible assets thereby tested come to € 10,213k as of April 30, 2018.

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 2017/18 financial year or in the 2016/17 financial year. Research and development expenses of € 6,700k were recognized as expenses in the 2017/18 financial year (2016/17: € 6,931k).

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. These also include material and production overheads. 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 cost. Other assets are also 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 cost. 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:

Interest rate	1.89% p.a. (2016/17: 1.64%)
Wage/salary trend	2.29% p.a. (2016/17: 2.29%)
Retirement age	64 – 65 / 59 – 65 years
Employee turnover (graduated):	
0 – 2 years	19% (2016/17: 19%)
3 – 4 years	13% (2016/17: 13%)
5 – 9 years	9% (2016/17: 9%)
10 – 14 years	5% (2016/17: 5%)
15 – 19 years	1% (2016/17: 1%)
over 20 years	0% (2016/17: 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:

Interest rate	1.09% to 1.89% p.a. (2016/17: 0.78% to 1.64%)
Wage/salary trend	1.0% to 2.29% p.a. (2016/17: 1.0% to 2.29%)

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:

	2017/18	2016/17
Total number of shares outstanding	5,000,000	5,000,000
Less average number of treasury shares	-88,140	-88,140
	4,911,860	**4,911,860**

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 € -1,369k were recognized in the 2017/18 financial year (2016/17: € 31k).

Derivative financial year: Unlike in the previous year, in the year under report Wolford AG did not conclude any hedging transactions in the form of forward exchange rates to hedge currency risks.

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 totalling € 394k in the financial year under report (2016/17: € 214k). 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. These items are reported under non-current financial liabilities.

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. Deferred taxes have been capitalized on the basis of expected future tax rates and on an assessment of the company's ability to generate taxable earnings in future. Potential changes in tax rates or deviations between actual and expected taxable earnings may result in deferred tax assets being written down. Further information about the carrying amounts of items subject to material uncertainties can be found in Section III (Notes to the balance sheet).

4. SEGMENT REPORT

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 and of Trading goods. The products involve high-quality Legwear, Ready-to-wear, Lingerie, Beachwear, and Accessories.

The Wolford Group has five reporting segments: Austria, Germany, 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. In determining the structure of its segments, the company ensured that both economic characteristics and aspects such as the respective product and service, customer group, and distribution channel were aligned within the aggregated segments. The Other Europe segment includes all European sales companies outside Austria and Germany, as well as the production company in Slovenia. The sales companies are centrally managed by Wolford AG. The North America segment pools the company's activities in the US and Canada, while the Asia segment presents 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: € 13,062k, or 22%, in France (2016/17: 24%), € 9,723k, or 16%, in the UK (2016/17: 18%), € 9,226k, or 15%, in Scandinavia (2016/17: 15%), € 4,877k, or 8%, in Switzerland (2016/17: 8%), and 39% in other European countries (2016/17: 35%). Of the revenues in the North America segment, € 26,165k, or 91%, were attributable to the US (2016/17: 91%) and € 2,516k, or 9%, to Canada (2016/17: 9%). 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 2017/18 financial year, with a 51% share of revenues (2016/17: 53%). Ready-to-wear, which contributed 31% of revenues (2016/17: 29%), was the second-largest product group once again in the 2017/18 financial year. Lingerie, Beachwear, Accessories, and Trading goods were responsible for a combined share of 18% of revenues in the past financial year (2016/17: 18%).

II. Notes to the Statement of Comprehensive Income

(1) REVENUES

Detailed information on revenues can be found in the information about operating segments contained in the segment report in Section I (Accounting principles). Wolford generates its revenues almost exclusively from the sale of Legwear, Ready-to-wear, Lingerie, Beachwear, Accessories, and Trading goods.

(2) OTHER OPERATING INCOME

in TEUR	2017/18	2016/17
Grants and subsidies	198	214
Restaurant revenue	194	215
Insurance benefits	20	83
Reimbursements	56	0
Gain on disposal of property, plant and equipment and intangible assets	12	34
Other	742	410
Total	**1,222**	**956**

(3) COST OF MATERIALS

in TEUR	2017/18	2016/17
Cost of raw materials	15,037	19,505
Cost of energy	1,115	1,409
Cost of services	4,177	6,720
Total	**20,329**	**27,634**

(4) PERSONNEL EXPENSES

in TEUR	2017/18	2016/17
Wages	7,939	8,906
Salaries	45,482	48,246
Expenses for statutory social security contributions, payroll-based duties and other mandatory contributions	11,864	13,005
Expenses for severance compensation and pensions	2,292	3,762
thereof management	0	97
Other employee benefits	1,284	1,290
Total	**68,861**	**75,209**

Personnel totals

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

Number of employees, full-time basis	2017/18	2016/17
Average number of employees	1,433	1,544
thereof wage	402	472
thereof salaried	1,003	1,042
thereof apprentices	28	30

(5) OTHER OPERATING EXPENSES

in TEUR	2017/18	2016/17
Rental and lease payments	21,127	22,474
Marketing expenses	7,084	5,836
Legal and consulting fees	7,147	5,425
Freight costs	1,984	2,345
Online distribution	4,697	5,320
Travel costs	1,145	1,368
Customs duties	1,780	2,912
Credit card fees and bank charges	1,602	1,573
IT expenses	1,868	1,926
Insurance premiums	812	900
Other taxes	447	686
Maintenance expenses	546	627
Vehicle fleet	605	666
Other*	4,794	5,435
Total	**55,638**	**57,493**

The expenses for services performed by the group auditor are structured as follows:

in TEUR	2017/18	2016/17
Audit of financial and consolidated financial statements	131	129
Other assurance services	0	4
Other services	8	51
Total	**139**	**184**

In the 2017/18 financial year, the company switched group auditor from Deloitte Audit Wirtschaftsprüfung GmbH to KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

(6) DEPRECIATION AND AMORTIZATION

Scheduled depreciation and amortization amounted to € 7,286k in the 2017/18 financial year (2016/17: € 10,364k).

The impairment tests performed in the 2017/18 financial year led to the recognition of impairments of € 215k (2016/17: € 1,967k) and write-ups of € 750k (2016/17: € 0k). Impairments related to property, plant and equipment (€ 103k) and intangible assets (€ 112k) and are distributed among the segments of Rest of Europe (€ 166k), Germany (€ 45k), and North America (€ 4k). In the previous year, impairments related to the segments of Rest of Europe (€ 1,104k), Asia (€ 515k), North America (€ 284k), Germany (€ 43k), and Austria (€ 21k). These impairments were due to the negative current and expected business performance, which led to a reduction in the fair values based on values in use.

The write-ups related to property, plant and equipment (€ 750k; 2016/17: € 0k) and are distributed among the segments of North America (€ 595k), Rest of Europe (€ 135k), Germany (€ 13k), and Austria (€ 7k). Write-ups particularly involved the reversal of impairments recognized in previous financial years on shops and their fittings in North America, Spain, Germany, and Austria. Specifically, the write-ups were due to improvements in the expected business performance of individual stores, which led to an increase in the fair values based on values in use.

Individual stores represent the cash-generating units referred to for impairment testing purposes.

(7) NET FINANCIAL EXPENSES

in TEUR	2017/18	2016/17
Interest and similar income	26	49
Interest and similar expenses	-1,986	-588
Total	**-1,960**	**-539**

The table presents interest and similar income and interest and similar expenses excluding the interest cost of employee benefit liabilities.

Unlike in the previous year, in the year under report the company has reported interest and similar income separately from interest and similar expenses in the statement of comprehensive income.

(8) NET INVESTMENT SECURITIES INCOME

in TEUR	2017/18	2016/17
Income from investments in securities	24	4
Total	**24**	**4**

(9) INCOME TAX

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

in TEUR	2017/18	2016/17
Statement of comprehensive income		
Tax expense / income for the reporting year	-603	-345
Deferred taxes	500	-959
Total	**-103**	**-1,304**

in TEUR	2017/18	2016/17
Development of net deferred taxes		
Net deferred tax assets and deferred tax liabilities as of 01.05.	1,839	2,838
Currency translation differences	-131	-61
Deferred taxes recognized in after tax profit	500	-959
Deferred taxes recognized in other comprehensive income	-85	21
Net deferred tax assets and deferred tax liabilities as of 30.04.	**2,123**	**1,839**

The reconciliation of the income tax charge based on the Austrian corporate tax rate of 25% (2016/17: 25%) with the effective tax rate for the period is as follows:

in TEUR	2017/18	2016/17
Profit before tax	**-11,432**	**-16,574**
Tax expense / income at 25%	2,858	4,144
Foreign tax rates	48	107
Losses for which no deferred tax assets were recognized	-2,721	-4,749
Permanent differences	-108	-47
Taxes from prior periods	-179	161
Change in measurement of temporary differences	430	-1,085
Other	-431	165
Effective tax expense / income	**-103**	**-1,304**
Effective tax rate	**-1 %**	**-8 %**

The “Other” line item also includes corrections for currency differences. The effective tax rate of -1% (2016/17: -8%) is mainly attributable to the non-recognition of deferred tax assets on current losses in previous years.

By assessment notice dated August 16, 2006, the company’s application for the specification of a group pursuant to § 9 (8) of the Austrian Corporate Income Tax Act (KSTG 1988) was approved. Since the 2006 assessment, the company has been the group parent; as of the balance sheet date, the Group included Wolford Beteiligungs GmbH as one of its members. This company was included as a member of the Group by group and tax-sharing agreement dated April 15, 2008.

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

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

(10) NOTES TO OTHER COMPREHENSIVE INCOME

An increase in benchmark interest rates in particular gave rise to an actuarial gain of € 271k (2016/17: € -87k). Together with a result of € 299k from currency translation of foreign operations (2016/17: € 14k) and a change of € -7k in the hedging reserve (2016/17: € 1k), and securities expenses of € -14k, other comprehensive income (OCI) came to € 549k (2016/17: € -72k). Added to the loss after tax of € -11,535k (2016/17: € -17,878k), this produced total comprehensive income of € -10,986k (2016/17: € -17,950k).

(11) EARNINGS PER SHARE / PROPOSED APPROPRIATION OF PROFIT

Earnings per share are calculated by dividing the earnings after tax (€ -11,535k; 2016/17: € -17,878k) by the weighted average number of common shares excluding time-apportioned treasury stock holdings (2017/18: 4,911,860; 2016/17: 4,911,860). Earnings per share for the 2017/18 financial year amounted to € -2.35 (2016/17: € -3.64). In view of this earnings situation, the Management Board will propose to the Annual General Meeting due to be held on September 13, 2018 that no dividend should be paid for the 2017/18 financial year.

The extraordinary shareholders' meeting held on May 4, 2018 resolved to increase the share capital by € 12,498,227.77 from € 36,350,000 to € 48,848,227.77 by issuing 1,719,151 new common bearer shares. Further details about this capital increase can be found under "Events after the balance sheet date" in Section IV (Other disclosures).

III. Notes to the Balance Sheet

(12) PROPERTY, PLANT AND EQUIPMENT

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

Total obligations for the purchase of property, plant and equipment amounted to € 152k as of the balance sheet date (April 30, 2017: € 558k).

Wolford AG pledged items of property, plant and equipment in the context of its refinancing agreement. This involved pledging property and machinery with residual carrying amounts of € 28,723k and € 3,196k respectively.

(13) GOODWILL

No impairment losses were recognized for goodwill in the 2017/18 financial year. In the 2016/17 financial year, impairment losses of € 437k and € 60k were recognized at Wolford Belgium N.V. and Wolford Deutschland GmbH respectively to account for the persistently negative business performance.

(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 € 6,209k was capitalized as of the balance sheet date (April 30, 2017: € 6,830k). Of this amount, € 4,230k represented key money with an indefinite useful life (April 30, 2017: € 5,293k) and € 1,979k involved key money with a limited useful life (April 30, 2017: € 1,537k).

Key money, or site value, involves the payment of a transfer fee to a previous tenant or former operator in order to obtain the right to rent a retail store. This constitutes an identifiable asset which is expected to provide the company with future economic benefits and whose cost of acquisition can be reliably estimated. Key money is recognized at cost. In the case of an unlimited rental agreement, or when statutory requirements at the respective location give reason to expect that the rental relationship will be unlimited, the key money is not amortized. In the case of a limited rental agreement, the key money is amortized over the term of the rental agreement. Key moneys with indefinite useful lives are tested for impairment each year on CGU level.

Impairment testing did not identify any impairment requirement for intangible assets in the 2017/18 financial year (April 30, 2017: € 213k).

No intangible assets were pledged as security in the context of the refinancing agreement.

(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 € -18k in the 2017/18 financial year (2016/17: € -22k).

(16) NON-CURRENT RECEIVABLES AND ASSETS

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

(17) DEFFERED TAX

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.

in TEUR	30.04.2018 Assets	30.04.2018 Liabilities	30.04.2017 Assets	30.04.2017 Liabilities
Property, plant and equipment, intangible assets	175	-24	118	0
Valuation of inventories	1,000	-20	1,550	-28
Provisions for employee benefits	0	0	127	0
Other provisions	278	-29	38	-16
Deferred taxes on loss carry forwards and write-downs to fair value	532	0	30	0
Other	217	-6	37	-18
Deferred tax assets and deferred tax liabilities	**2,202**	**-79**	**1,900**	**-62**
Offset within legal tax units and jurisdictions	**-79**	**79**	**-9**	**9**
Net deferred tax assets and liabilities	**2,123**	**0**	**1,891**	**-53**

As of the balance sheet date, the company had unutilized tax loss carryovers of € 59,938k (April 30, 2017: € 57,961k). Of existing tax loss carryovers, an amount of € 95k is forfeitable in 7 years.

(18) INVENTORIES

Inventories are structured as follows:

in TEUR	30.04.2018	30.04.2017
Finished goods and trading goods	27,769	34,748
Work-in-process	7,347	8,089
Raw materials and supplies	5,878	6,555
Total	**40,994**	**49,392**

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. The existing measurement method has been retained in the financial statements as of April 30, 2018. There have been no changes in discounting patterns. Excess stocks still present in the previous year were sold in the normal manner (without sell-offs) or lowered by continually reducing production volumes. Discounts are reported on a monthly basis. Write-downs on inventories amounted to € 3,430k as of the balance sheet date (April 30, 2017: € 3,494k). The effect recognized in the income statement amounted to € -64k.

No inventories were pledged as security in the context of the refinancing agreement.

(19) TRADE RECEIVABLES

in TEUR	30.04.2018	30.04.2017
Trade receivables	9,441	11,594
Impairment losses	-678	-404
Trade receivables after impairment losses	**8,763**	**11,190**

Individual allowances of € 678k were recognized on trade receivables (April 30, 2017: € 404k). Impairments of trade receivables developed as follows:

in TEUR	2017/18	2016/17
01.05.	**404**	**538**
Addition (+) / release (-)	152	-16
Use	-41	-116
Currency translation differences	163	-2
30.04.	**678**	**404**

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 but nevertheless remain within a customary range. Customer creditworthiness and contractual capacity are checked in advance before entering into any business relationship. Trade receivables are monitored continuously and external service providers are used to collect overdue payments. Furthermore, the company reduces its receivable default risk with credit insurance policies.

Receivables of € 313k were derecognized due to uncollectibility in the 2017/18 financial year (2016/17: € 101k). A receivable is classified as "uncollectible" when an attorney, debt collector, or court confirms that this is the case. The amount recognized already accounts for 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.

Since April 14, 2017, a global assignment agreement governing the pledging of receivables at Wolford AG as security to Raiffeisen Bank International AG has been in place. This agreement has been acceded to by UniCredit Bank Austria AG, BAWAG P.S.K. Bank für Arbeit und Wirtschaft, and Österreichische Postsparkasse Aktiengesellschaft.

in TEUR	30.04.2018	30.04.2017
Trade receivables after impairment losses	**8,763**	**11,190**
not due	5,329	6,751
less than 30 days	1,106	1,791
31 – 60 days	882	934
61 – 90 days	543	559
over 91 days	331	425
over 121 days	433	427
over 181 days	139	303

(20) OTHER RECEIVABLES AND ASSETS

in TEUR	30.04.2018	30.04.2017
Other receivables and assets	3,930	3,261
thereof cash flow hedge	0	11
Total	**3,930**	**3,261**

Other receivables and assets 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 amount in share capital. There are no preference shares or shares with special control rights.

The extraordinary shareholders' meeting held on May 4, 2018 resolved to increase the share capital by € 12,498,227.77 from € 36,350,000 to € 48,848,227.77 by issuing 1,719,151 new common bearer shares. Further details about this capital increase can be found under "Events after the balance sheet date" in Section IV (Other disclosures).

Capital reserves

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

Other reserves

No dividend was distributed for the 2016/17 financial year.

Reserve for cash flow hedges

in TEUR	2017/18	2016/17
01.05.	**7**	**6**
Fair value measurement of derivatives	-56	55
Realized hedge transactions	48	-58
Applicable income taxes	1	4
30.04.	**0**	**7**

Reserve for actuarial gains/losses

in TEUR	2017/18	2016/17
01.05.	**-4,157**	**-4,070**
Actuarial gains and losses resulting from changes in actuarial parameters	361	-87
Revaluation of deferred taxes	-90	0
30.04.	**-3,886**	**-4,157**

Remeasurment reserve

in TEUR	2017/18	2016/17
01.05	**-86**	**-86**
Remeasurement of securities	-18	0
of which deferred taxes	4	0
30.04	**-100**	**-86**

Treasury stock

Wolford AG holds 88,140 treasury stock shares (April 30, 2017: 88,140). There were no movements in treasury stock shares in the 2017/18 financial year. As a result, 2% of share capital is held by the company (April 30, 2017: 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 and Axel Dreher on January 22, 2016 and were 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 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 to 2017/18
- EBT averaging at least 5% of annual net sales is generated in the financial years from 2015/16 to 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.

This program expired as of April 30, 2018. The EBT hurdle was not met, neither did the share price increase compared with the issue price. The proprietary investment required for the LTI was made and Axel Dreher still holds the respective shares.

(22) FINANCIAL LIABILITIES

Financial liabilities are structured as follows:

in TEUR	**30.04.2018**	**30.04.2017**
Loans from banks, variable interest rates from 1.95% to 3.75% (30.04.2017: 0.25% to 1.7%)	32,974	41,556
Loans from banks, fixed interest rates from 4.5% (30.04.2017: 1,75%)	800	800
Loans from the Austrian Research Promotion Agency, fixed interest rates from 0.75% (30.04.2017: 0.75%)	248	439
Interest-free loan from the Federal Province of Vorarlberg	58	64
Total	**34,080**	**42,859**
thereof current	33,888	42,645

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 30.04.2018	33,888	192	0
As of 30.04.2017	42,646	214	0

As of April 30, 2018, the fair value of fixed-interest financial liabilities was € 36k higher than cost (April 30, 2017: € 16k).

Collateral for current liabilities is provided by maturity-linked surety commitments issued by the Republic of Austria with refinancing commitments by Oesterreichische Kontrollbank Aktiengesellschaft.

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).

In May 2018, an addendum to the original financing arrangement was agreed with the financing banks in which, due to the successful takeover (closing) of majority ownership of the company by Fosun Industrial Holdings Limited, the term of the liabilities was extended, subject to terms and conditions, through to 30 June 2019.

The addendum to the financing arrangement provides for the option of immediate termination by the financing banks if the capital increase resolved at the extraordinary shareholders' meeting on May 4, 2018 is not executed at the latest by August 31, 2018 and if funds of € 10,000k received from the capital increase are not used to redeem the financial liabilities by the said date.

On March 1, 2018, Fosun Industrial Holdings Limited signed a purchase agreement to acquire a majority stake in Wolford AG (2,543,694 shares, corresponding to around 50.87% of the share capital of Wolford AG) with the principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung and M. Erthal & Co. Beteiligungsgesellschaft m.b.H., and related natural persons). The purchase price amounts to € 12.80 per share. Execution of the share purchase agreement is subject to specific conditions, and in particular to approval of the acquisition by the cartel authorities. Fosun will thus become the new strategic majority shareholder at Wolford AG.

To boost the company's financial structure, Wolford AG and Fosun agreed a capital increase with due protection of subscription rights, in the course of which the company should receive fresh equity totaling € 22,000,000. The planned capital increase requires approval by the Annual General Meeting. Subject in particular to execution of the share purchase agreement and the takeover offer, Fosun undertook to subscribe to an increase in the share capital of Wolford AG by € 12,498,227.77 from its current level of € 36,350,000 to € 48,848,227.77, with this increase resulting from the issue of 1,719,151 new shares at an issue price of € 12.80 per new share in return for cash contributions. This obligation applies to the extent that shareholders in Wolford AG do not fully exercise their subscription rights. The maximum cash contribution by Fosun therefore amounts to around € 22,000,000.

On May 4, 2018, the closing took place for the share purchase agreement concluded on March 1, 2018 between Fosun Industrial Holdings Limited and the previous principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung, and M. Erthal & Co. Beteiligungsgesellschaft m.b.H., as well as related natural persons).

On June 18, 2018, Wolford AG announced that it would execute the capital increase resolved by the extraordinary shareholders' meeting on May 4, 2018 in the period up to and including July 11, 2018. The subscription price amounts to € 12.80 per new share. The prospectus drawn up in accordance with the Austrian Capital Markets Act (KMG) and the Prospectus Regulation for the subscription offer in Austria was approved by the Austrian Financial Market Authority on June 18, 2018.

(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	30.04.2018	30.04.2017
Provisions for pensions	4,718	4,922
Provisions for severance pay	10,083	10,416
Provisions for jubilee payments	2,128	2,209
Total	**16,929**	**17,547**

Provisions for pensions and severance pay

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

Legal requirements entitle employees who joined the Austrian parent company before 2003 to a one-off severance 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, Germany, and Slovenia. Provisions for pensions and severance pay developed as follows:

in TEUR	2017/18	2016/2017
Present value of obligations as of 01.05.	**15,338**	**15,583**
Current service cost	450	680
Interest expense	236	282
Pension and severance compensation payments	-862	-1,294
Actuarial gain / loss	-361	87
Present value of obligations as of 30.04.	**14,801**	**15,338**

The actuarial gains reported for the 2017/18 financial year comprise experience adjustments of € 112k (2016/17: € -153k) and financial adjustments of € -473k (2016/17: € 240k). There were no demographic adjustments.

Expenses of € 232k were recognized in the year under report for defined contribution obligations (2016/17: € 238k). Defined benefit payments of € 645k are planned for provisions for pensions and severance pay in the coming 2018/19 financial year (2017/18: € 465k).

The amounts recognized in the balance sheet for the net obligation / net asset are structured as follows:

in TEUR	**2017/18**	**2016/2017**
Obligation not financed via funds	11,094	11,496
Obligation financed via funds	5,921	6,006
Present value of defined benefit obligation (DBO, gross)	**17,015**	**17,502**
Fair value of plan assets	2,214	2,164
Net obligation recognized in balance sheet	**14,801**	**15,338**

Provision for anniversary payments

The provision for anniversary payments developed as follows:

in TEUR	**2017/18**	**2016/17**
Present value of obligation as of 01.05.	**2,209**	**2,313**
Current service cost	129	141
Interest expense	36	42
Jubilee payments	-34	-112
Actuarial gain / loss	-212	-175
Present value of obligation as of 30.04.	**2,128**	**2,209**

Defined benefit payments for anniversary obligations are expected to total € 72k in the 2018/19 financial year (2017/18: € 38k).

Provisions for retirement, severance pay, and anniversary payments

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

Service cost is reported under expenses for severance pay and pensions or as wages and salaries, while interest expenses are included under interest on employee benefits.

in TEUR	**2017/18**	**2016/17**
Expenses for pensions, severance compensation and jubilee payments	367	821
Interest on employee benefits	272	324

The weighted average term of the defined benefit obligation amounts to between 10.7 and 14.5 years (2016/17: 15 years).

(24) OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are structured as follows:

in TEUR	30.04.2018	30.04.2017
Government grant for Slovenia project	806	850
Other	110	74
Total	**916**	**924**

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 € 1,280k for the risk of losses on pending transaction in connection with rental agreements in the US, Canada, Asia, and Europe (2016/17: € 2,347k). The classification of these items as non-current provisions has been based on the terms of the respective rental agreements. The agreements have maturities ranging from May 1, 2019 to April 30, 2027.

(26) CURRENT PROVISIONS

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

in TEUR	01.05.2017	Currency translation differences	Use	Reversal	Addition	30.04.2018
Sales bonuses	825	-8	-817	0	689	689
Staff	3,250	-67	-2,012	-703	3,362	3,830
Advertising	305	-7	-264	-32	527	529
Impending losses	1,180	0	-1,180	0	660	660
Other	4,055	-368	-2,663	-1,024	1,984	1,984
Total	**9,615**	**-450**	**-6,936**	**-1,759**	**7,222**	**7,692**

* The figures stated for the previous year have been adjusted. In the 2017/18 financial year, other current provisions for tax, audit, and legal advisory expenses have been recognized under other current liabilities.

The provisions for sales bonuses relate to as yet unsettled obligations to customers.

Personnel provisions mainly include provisions for variable salary components and for measures planned in the course of restructuring the Wolford Group.

The provisions for pending losses relate to rental agreements in the US, Canada, Asia, and Europe.

Among other items, other provisions include outstanding compensation for the Supervisory Board and outstanding commissions on revenues.

(27) OTHER CURRENT LIABILITIES

Other current liabilities are structured as follows:

in TEUR	30.04.2018	30.04.2017
Outstanding vacation entitlement	2,161	2,701
Liabilities to taxation authorities	1,449	2,494
Special payments	1,941	1,767
Accrued rental and lease payments	3,445	2,334
Liabilities for credit vouchers	1,349	1,310
Liabilities for social security	1,078	1,237
Overtime	247	198
Liabilities to staff	0	37
Other	966	998
of which cash flow hedges	0	4
Total	**12,636**	**13,076**

(28) CONTINGENT LIABILITIES

The company has issued rental guarantees totaling € 2,974k (2016/17: € 3,023k) and other guarantees of € 125k (2016/17: € 1,042k).

(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	30.04.2018	30.04.2017
Minimum lease and rental payments due in		
up to 1 year	15,710	16,264
1 to 5 years	39,947	33,183
over 5 years	7,966	12,395

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 € 21,127k in the 2017/18 financial year (2016/17: € 22,474k). This total includes contingent payments due to revenue-based rents (rents and ancillary costs) of € 8,698k (2016/17: € 9,637k). As of April 30, 2018, the Wolford Group expects future payments of € 46k from sub-leases (April 30, 2017: € 46k). These are due within one year.

IV. Notes to the Cash Flow Statement

The cash flow has been calculated using the indirect method on an exact monthly basis. The monthly cash flows thereby prepared are translated using the respective monthly average exchange rate, while balance sheet items are translated using the reporting date rate. This approach results in currency differences, above all in individual items of the cash flow from operating activities, and thus in deviations between these values and the changes in the respective balance sheet items.

In the indirect method, profit/loss before tax is adjusted to exclude the effects of non-cash items (such as depreciation and write-ups of property, plant and equipment), as well as income and expense items allocable to investing or financing activities.

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 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.

Financial funds (cash and cash equivalents) corresponds to the relevant balance sheet item and includes credit balances at banks, demand deposits at banks, and other financial funds. Current account overdraft facilities are presented under current financial liabilities in the balance sheet.

As of April 30, 2018, the company had drawn down 79% of its existing credit lines. The implications of exchange range movements for cash and cash equivalents related to the subsidiaries in the US, the UK, Asia, Scandinavia, and Switzerland.

Flow of funds from financing activities in respect of financial liabilities and related assets

in TEUR	30.04.2018	Cashflows
Non-current financial liabilities	192	192
Current financial liabilities	33,888	33,888
Total financial liabilities	**34,080**	**34,080**

The movements in non-current and current financial liabilities are presented in the cash flow statement. In the 2017/18 financial year, all such movements were of a cash-effective nature.

V. Financial Instruments

FINANCIAL RISK MANAGEMENT

Objectives and methods of financial and capital management

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

The main risks to which the Group is exposed in connection with financial instruments are interest-related cash flow risks, as well as liquidity, creditworthiness, currency, and credit risks.

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.

Unlike in the previous year, in the year under report Wolford AG did not have any currency hedges in the form of forward contracts intended to hedge exchange rate risks.

Since April 14, 2017, a global assignment agreement governing the pledging of receivables at Wolford AG as security to Raiffeisen Bank International AG has been in place. This agreement has been acceded to by UniCredit Bank Austria AG, BAWAG P.S.K. Bank für Arbeit und Wirtschaft, and Österreichische Postsparkasse Aktiengesellschaft.

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.

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. The development in this key figure in recent years is presented in the following table:

in %	30.04.2018	30.04.2017	30.04.2016	30.04.2015
Gearing	88.8%	69.7%	32,7%*)	22.9%

* Adjusted (original gearing in 2015/16: 30.6%)

Due to the negative business performance in the past two years, the gearing ratio deteriorated to 88.8% at the balance sheet date on April 30, 2018.

To boost the company's financial structure, Wolford AG and Fosun agreed a capital increase with due protection of subscription rights, in the course of which the company should receive fresh equity of around € 22,000,000. Further details about the capital increase can be found in the notes on financial liabilities in Note 22 (Financial liabilities) in Section III (Notes to the balance sheet).

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. The company did not have any derivative financial instruments in the 2017/18 financial year.

Interest rate risk management

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	2017/18	2016/17
Interest rate risk	+/- 221	+/- 235

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	2017/18	2016/17
Interest rate risk	+/- 627	+/- 332

Foreign exchange management

In the past, exchange rate risks arising from existing foreign currency receivables and planned revenues were partly hedged by the group treasury department using forward exchange contracts and options. The company did not have any hedges in the 2017/18 financial year.

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	2017/18	2016/17
USD	+/- 901	+/- 669
GBP	+/- 748	+/- 383
CHF	+/- 390	+/- 46
DKK	+/- 400	+/- 283
SEK	+/- 61	+/- 70
NOK	+/- 63	+/- 82
CAD	+/- 136	+/- 46
HKD	+/- 133	+/- 16

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 30.04.2018	Assets 30.04.2017	Liabilities 30.04.2018	Liabilities 30.04.2017
USD in USA	5,071	10,313	2,151	380
GBP in Great Britain	2,297	2,449	483	386
CHF in Switzerland	794	1,251	140	29
DKK in Denmark	6,309	0	212	168
Other	4,605	5,148	140	282
Total	**19,076**	**19,161**	**3,126**	**1,245**

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	2017/18	2016/17
USD	+/- 324	+/- 1104
GBP	+/- 202	+/- 229
CHF	+/- 73	+/- 136
Other	+/- 1174	+/- 522

For derivative financial instruments, exchange rate movements of +/- 10 percent would lead to currency sensitivities of € +/- 0k (April 30, 2017: € +/- 79k). The company did not have any derivative financial instruments in the 2017/18 financial year.

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. In April 2018, the moratorium on legacy financing was conditionally extended until June 30, 2019. Further information can be found in Note 22 (Financial liabilities).

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:

in TEUR	Carrying amount 30.04.2018	Cashflows 2018/19	Cashflows 2019/20 until 2022/23	Cashflows 2023/24 ff.
Financial liabilities - interest-bearing	34.022	33.975	162	0
Financial liabilities - non-interest-bearing	58	28	31	0
Trade payables	6.458	6.458	0	0
Other liabilities	12.636	13.826	0	0
Total	**53.174**	**54.287**	**193**	**0**

in TEUR	Carrying amount 30.04.2017	Cashflows 2017/18	Cashflows 2018/19 until 2021/22	Cashflows 2022/23 ff.
Financial liabilities - interest-bearing	42,795	41,896	977	0
Financial liabilities - non-interest-bearing	64	18	46	0
Trade payables	5,035	5,035	0	0
Other liabilities	13,076	13,076	0	0
Total	**60,970**	**60,025**	**1,023**	**0**

As of April 30, 2018, 79% of existing credit lines had been drawn down (April 30, 2017: 99%).

Primary financial insturments

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

In the past, the company used forward exchange contracts to hedge the risks resulting from exchange rate movements. Unlike in the previous year, in the year under report Wolford AG did not have any currency hedges in the form of forward contracts intended to hedge exchange rate risks.

	Nominal amount		Fair value	
30.04.2017	**Foreign currency in 1,000**	**TEUR**	**Positive TEUR**	**Negative TEUR**
Currency forwards				
USD	400	374	8	0
GBP	200	233	0	-4
CHF	200	187	3	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 financial year, in which the company hedged expected foreign currency transactions. Due its business performance and the financing talks currently underway, Wolford AG currently does not have any hedge risk line at its disposal.

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, and current liabilities can be regarded as reasonable estimates of their respective fair values.

30.04.2018 **in TEUR**	**Level 1**	**Level 2**	**Level 3**
Non-current assets			
Financial investments	1,265	0	0
Total	**1,265**	**0**	**0**

30.04.2017 **in TEUR**	**Level 1**	**Level 2**	**Level 3**
Non-current assets			
Financial investments	**1,283**	**0**	**0**
Current assets	0	0	0
Other receivables	0	11	0
Current liabilities	**0**	**0**	**0**
Other liabilities	0	-4	0
Total	**1,283**	**7**	**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. No items were reclassified between Levels 1 and 3 in the 2017/18 financial year.

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

30.04.2017 in TEUR	Cost	Market value = carrying 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**

30.04.2017 in TEUR	Cost	Market value = carrying 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**

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:

30.04.2018 in TEUR	IAS 39 valuation category	Carrying amount	Fair value not through profit / loss	Fair value through profit / loss	Current	Non-current
Cash and cash equivalents	L&R	2,729	0	2,729	0	0
Trade receivables	L&R	8,763	0	8,763	0	0
Other receivables and assets	L&R	5,603	0	5,603	3,930	1,673
Financial assets	Afs	1,265	1,265	0	0	0
Total financial assets		**18,360**	**1,265**	**17,095**	**3,930**	**1,673**
Trade payables	FL	6,458	0	6,458	6,458	0
Bank loans and overdrafts	FL	33,888	0	33,888	33,888	0
Financial liabilities, current	FL	192	0	192	0	192
Other financial liabilities	FL	13,552	0	13,552	12,636	916
Total financial liabilities		**54,090**	**0**	**54,090**	**52,982**	**1,108**

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

Loans and receivables	L&R	TEUR	17,095
Cash flow hedge	CFH	TEUR	0
Available-for-sale assets	Afs	TEUR	1,265
Other financial obligations	FL	TEUR	54,090

30.04.2017 in TEUR	**IAS 39 valuation category**	**Carrying amount**	**Fair value not through profit / loss**	**Fair value through profit / loss**	**Current**	**Non-current**
Cash and cash equivalents	L&R	10,312	0	10,312	10,312	0
Trade receivables	L&R	11,190	0	11,190	11,190	0
Other receivables and assets	L&R	5,152	0	5,152	3,261	1,891
Derivatives	CFH	11	11	0	11	0
Financial assets	Afs	1,283	1,283	0	0	1,283
Total financial assets		**27,948**	**1,294**	**26,654**	**24,774**	**3,174**
Trade payables	FL	5,035	0	5,035	5,035	0
Bank loans and overdrafts	FL	41,846	0	41,846	41,846	0
Financial liabilities, current	FL	1,014	0	1,014	0	1,014
Derivatives	CFH	4	4	0	4	0
Other financial liabilities	FL	14,000	0	14,000	13,076	924
Total financial liabilities		**61,899**	**4**	**61,895**	**59,961**	**1,938**

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

Loans and receivables	L&R	TEUR	26,654
Cash flow hedge	CFH	TEUR	15
Available-for-sale assets	Afs	TEUR	1,283
Other financial obligations	FL	TEUR	61,895

Net results by class

2017/18 in TEUR	From interest	From other [1]	From subsequent measure-ment at fair value	From impairment	From disposal	Total through profit or loss	Total not through profit or loss
Loans and receivables (L&R)	0	0	0	0	0	0	0
Derivatives (CFH)	0	0	0	0	0	0	0
Trade receivables	0	0	0	-274	0	-274	0
Available-for-sale assets (AfS)	24	0	18	0	0	24	18
Other financial assets (FL)	-1,827	-134	0	0	0	-1,961	0
Net results	**-1,803**	**-134**	**18**	**-274**	**0**	**-2,211**	**18**

2016/17 in TEUR	From interest	From other [1]	From subsequent measure-ment at fair value	From impairment	From disposal	Total through profit or loss	Total not through profit or loss
Loans and receivables (L&R)	49	0	0	0	0	49	0
Derivatives (CFH)	0	0	4	0	-58	-58	4
Trade receivables	0	0	0	134	0	134	0
Available-for-sale assets (AfS)	4	0	0	0	0	4	0
Other financial assets (FL)	-414	-125	0	0	0	-588	0
Net results	**-361**	**-125**	**4**	**134**	**-58**	**-459**	**4**

[1] Fees and other premiums that cannot be directly classified as interest income.

VI. OTHER DISCLOSURES

EVENTS AFTER THE BALANCE SHEET DATE

The extraordinary shareholders' meeting held on May 4, 2018 resolved to increase the share capital by € 12,498,227.77 from € 36,350,000 to € 48,848,227.77 by issuing 1,719,151 new common bearer shares. Furthermore, Dr. Junyang Shao and Thomas Dressendörfer were appointed by the meeting as Supervisory Board members.

The same day witnessed the closing of the share purchase agreement dated March 1, 2018 and concluded between Fosun Industrial Holdings Limited and the previous principal shareholder group (WMP Familien-Privatstiftung, Sesam Privatstiftung, and M. Erthal & Co. Beteiligungsgesellschaft m.b.H., as well as related natural persons).

On May 9, 2018, Fosun Industrial Holdings Limited published the results of the anticipatory mandatory offer (takeover offer) made to acquire all outstanding shares in Wolford AG. Accordingly, the offer was accepted by the bearers of 358,724 Wolford shares in total, corresponding to 7.17% of all Wolford shares in circulation. Once the associated transactions have been executed, Fosun Industrial Holdings Limited will therefore hold 2,902,418 shares, corresponding to a 58.048% stake in Wolford AG. For Wolford shareholders who did not yet accept the offer made by Fosun Industrial Holdings Limited during this acceptance period, the period will be extended pursuant to § 19 (3) No. 1 of the Austrian Takeover Act (ÜbG) by a further three months ("additional acceptance period") from the date on which the results of the takeover offer were announced.

RELATED PARTY TRANSACTIONS

None of the Supervisory Board members maintains any business or personal relationships with the company or its Management Board which could provide grounds for a material conflict of interests and would therefore be of a nature to influence the conduct of the respective Supervisory Board member. The company maintained a business relationship on customary market terms with one member of the Supervisory Board. Following the departure of the company's creative manager at her own request at the beginning of the 2017/18 financial year, Lothar Reiff advised the company for its shooting of the photo campaign for the autumn/winter collection 2018/19 and in designing its collection. He also accompanied the search for a new Head of Design. A fee of € 118k, and thus consistent with market standards, was invoiced in line with the services performed (2016/17 € 61k). There are no additional outstanding balances in this respect. Furthermore, from August 1, 2017 the former Chief Executive Officer Ashish Sensarma accompanied Wolford AG in an advisory capacity in its M&A process intended to procure capital. A customary fee of € 330k was paid for all of these activities (2016/17: € 0k). There are no additional outstanding balances in this respect.

INFORMATION ON THE MANAGEMENT AND SUPERVISORY BOARDS

2017/18 in TEUR	Remuneration	Severance compensation	Pensions	Total
Expenses for members of the Management Board	971	0	0	971
thereof variable	96	0	0	96
Former members of the Management Board	0	0	211	211
Total	**971**	**0**	**211**	**1,182**

2016/17 in TEUR	Remuneration	Severance compensation	Pensions	Total
Expenses for members of the 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**

A provision of € 263k was recognized for Supervisory Board compensation in the 2017/18 financial year (2016/17: € 196k). This amount corresponds to the total expenses expected for Supervisory Board compensation for the 2017/18 financial year. No advances were disbursed in the 2017/18 financial year and the company does not bear any liability for members of the Management and Supervisory Boards.

The members of the Management Board in the 2017/18 financial year were:

Ashish Sensarma, Chief Executive Officer (until July 31, 2017)
Axel Dreher, Deputy Chief Executive Officer (until July 31, 2017); Chief Executive Officer (since August 1, 2017)
Brigitte Kurz, Chief Financial Officer (since August 1, 2017)

The members of the Supervisory Board in the 2017/18 financial year were:

Antonella Mei-Pochtler, Chairwoman (stood down prematurely on September 8, 2017 following resignation)
Claudia Beermann, Deputy Chairwoman, Chairwoman (since 27th AGM on September 18, 2014)
Thomas Tschol, Member (stood down prematurely on May 4, 2018 following resignation)
Lothar Reiff, Member (stood down prematurely on May 4, 2018 following resignation)
Birgit G. Wilhelm, Member
Dr. Junyang Shao, Chairwoman (since extraordinary shareholders' meeting on May 4, 2018)
Thomas Dressendörfer, Deputy Chairman, (since extraordinary shareholders' meeting on May 4, 2018)

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

Anton Mathis
Peter Glanzer (stood down from Supervisory Board on May 18, 2017)
Christian Medwed (since May 18, 2017)

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 June 29, 2018. 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) No. 3 BörseG

We hereby confirm to the best of our knowledge that the consolidated financial statements as of April 30, 2018 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, 2018 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, June 29, 2018

Axel Dreher
CEO
Responsible for Strategy, Sales and Marketing, and for Development, Production, and Logistics

Brigitte Kurz
CFO
Responsible for Finance, IT, Human Resources, Legal Affairs, and Investor Relations

Auditor's Report

Report on the consolidated financial statements

AUDIT OPINION

We have audited the consolidated financial statements of Wolford Aktiengesellschaft, Bregenz, and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of April 30, 2018, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity , for the financial year then ended, as well as the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of April 30, 2018, as well as its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of § 245a UGB (Austrian Commercial Code).

BASIS FOR OUR OPINION

We conducted our audit in accordance with the EU Regulation No. 537/2014 (hereinafter "EU Audit Regulation") and the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NOTIFICATION OF OTHER MATTER

The company's consolidated financial statements for the financial year ending on April 30, 2017 were audited by a different auditor who expressed an unmodified opinion on those statements on August 1, 2017. Our audit opinion is unmodified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate audit opinion thereon.

Recoverability of non-current assets at retail boutiques

See notes to the consolidated financial statements: I. Accounting principles, "3. Accounting policies"; II. Notes to the statement of comprehensive income, "6. Depreciation and amortization"; III. Notes to the balance sheet, "12. Property, plant and equipment" and "14. Other intangible assets".

Risk for the consolidated financial statements

In the financial year 2016/17, impairments of € 2.0 million were recognized on intangible assets and property, plant and equipment due to the unfavorable development in the Group's earnings performance. Updates to impairment testing performed as of April 30, 2018 identified write-ups of € 0.8 million as well as impairments of € 0.2 million for the retail boutiques.

Assessing the recoverability of non-current assets is complex and requires reference to numerous assumptions based on discretionary decisions. These particularly include management assumptions concerning future market and cost developments, as well as the determination of costs of capital.

Our response

In our audit, we assessed the appropriateness of the key assumptions and discretionary decisions and the calculation method used in the impairment tests. We reconciled the budget figures used in the tests with the overall planning approved by the supervisory board.

Based on our own sensitivity analyses, we assessed the extent to which changes in planning assumptions would have implications for the impairments calculated by the company.

For those retail boutiques for which the capital cost rate may significantly influence the level of impairment due to low coverage or long maturities, we assessed the appropriateness of the discount rates used by the company by comparing these with market and sector-specific benchmarks and obtained assistance from own valuation experts for this.

Extension in existing financing and presentation in financial statements

See notes to the consolidated financial statements: III. Notes to the balance sheet, "22. Financial liabilities"

Risk for the consolidated financial statements

Current financial liabilities of € 33.9 million are reported in the consolidated financial statements of Wolford Aktiengesellschaft as of April 30, 2018. In May 2018, the company agreed an addendum to the original financing arrangement with the financing banks in which the term of the liabilities was extended, subject to the condition precedent of the successful takeover (closing) of majority ownership of the company by Fosun Industrial Holdings GmbH, for the period through to June 30, 2019. In addition to the condition precedent in respect of the aforementioned closing, the addendum to the financing arrangement also provides for rights of immediate termination on the part of the financing banks should the capital increase resolved by the extraordinary shareholders' meeting on May 4, 2018 not be executed by August 31, 2018 at the latest and should funds of € 10.0 million received from this capital not be used to redeem financial liabilities by this date. The terms and conditions for the capital increase were published together with the prospectus on June 18, 2018.

To safeguard its liquidity, the Group is dependent on external financing. Any failure to secure the extension in the financing facilities or premature termination of such by the banks would endanger the company's continued existence. Additionally, a risk of erroneous presentation of the facts and circumstances in the consolidated financial statements as of April 30, 2018 exists.

Our audit approach

In the course of our audit, we inspected the agreements with the financing banks and the contractual basis for the takeover of the company by Fosun Industrial Holdings GmbH and appraised the assessment provided by the management board that the condition precedent had been fulfilled at the time at which the financial statements were prepared. With regard to the risk of premature termination by the banks, we held talks with the management board and inspected the relevant documents in order to gain an understanding of the status of the capital increase and assessed whether there are circumstances indicating that it would not be possible to execute the capital increase.

Furthermore, we assessed the appropriateness of the disclosures on financial liabilities made by the management board in the notes to the consolidated financial statements.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU and the additional requirements of § 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group’s financial reporting processes.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or due to error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Audit Regulation and the Austrian Standards on Auditing, which require application of ISA, will always detect a material misstatement, if any. Misstatements may result from fraud or error and are deemed material when they, individually or aggregately, can reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

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

Moreover:

- We identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of the internal control system relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion onthe effectiveness of the Group's internal control system.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and contents of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence concerning the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We exchange information with the audit committee on matters including the planned scope and timing of our audit, as well as on significant findings, including any significant deficiencies in the internal control system that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter

or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on other legal requirements

REPORT ON GROUP MANAGEMENT REPORT

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

Mangement is responsible for preparing the group management report in accordance with the Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report has been prepared in accordance with the applicable legal requirements, and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

OTHER INFORMATION

Management is responsible for the other information. This information involves all information included in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not provide any kind of assurance thereon.

In connection with our audit of the consolidated financial statements, it is our responsibility to read the other information referred to above and to assess, whether based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditors for the first time by the company's annual general meeting on September 14, 2017 and were appointed by the company's supervisory board on October 5, 2017 to audit the company's consolidated financial statements.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

ENGAGEMENT PARTNER

The engagement partner is Mag. Rainer Hassler.

Vienna, June 29, 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rainer Hassler
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

The Wolford Group at a Glance

WOLFORD AG
BREGENZ (AT), 1950

- **Wolford Beteiligungs GmbH**, Bregenz (AT), 2007
  - **Wolford (Schweiz) AG**, Glattbrugg (CH), 1971
  - **Wolford Deutschland GmbH**, Munich (DE), 1975
  - **Wolford Paris S.A.R.L.**, Paris (FR), 1987
  - **Wolford London Ltd.**, London (UK), 1988
    - Wolford London Ltd., Ireland (IE), 2007
  - **Wolford Nederland B.V.**, Amsterdam (NL), 1998
  - **Wolford Belgium N.V.**, Antwerp (BE), 2007
    - Wolford Belgium N.V., Luxembourg (LU), 2008
  - **Wolford Italia S.r.L.**, Milan (IT), 1992
  - **Wolford España S.L.**, Madrid (ES), 1993
    - Wolford España S.L., Portugal (PT), 2011
  - **Wolford Scandinavia ApS**, Copenhagen (DK), 1995
    - Wolford Scandinavia ApS, Norway (NO), 1999
    - Wolford Scandinavia ApS, Finland (FI), 1999
    - Wolford Scandinavia ApS, Sweden (SE), 1999
  - **Wolford Canada Inc.**, Vancouver (CA), 2000
  - **Wolford America, Inc.**, New York (US), 1996
  - **Wolford Asia Limited**, Hong Kong (HK), 2006
    - Wolford Asia Limited, Macao (MO), 2008
  - **Wolford (Shanghai) Trading Co., Ltd.**, Shanghai (CN), 2011
- **Wolford proizvodnja in trgovina d.o.o.**, Murska Sobota (SI), 2008

Wholly-owned subsidiary (solid line)

Branch office (dotted line)

Points of Sale

WORLDWIDE
Monobrand points of sale:
April 30, 2018: 267

Thereof Wolford-owned points of sale:
107 boutiques
51 concession shop-in-shops
20 factory outlets

Thereof partner-operated points of sale:
89 boutiques and about
3,000 other distribution partners

NORTH AMERICA: 34
Thereof Wolford-owned points of sale:
22 boutiques
7 concession shop-in-shops
3 factory outlets

Thereof partner-operated points of sale:
2 boutiques

EUROPE: 192[1)]
Thereof Wolford-owned points of sale:
81 boutiques
43 concession shop-in-shops
16 factory outlets

Thereof partner-operated points of sale:
52 boutiques

[1)] Excluding Russia and Ukraine.

ASIA: 34[2)]
Thereof Wolford-owned points of sale:
4 boutiques
1 concession shop-in-shop
1 factory outlet

Thereof partner-operated points of sale:
28 boutiques

[2)] Including Russia and Ukraine.

Glossary

NON-FINANCIAL TERMS

Accessories	Textile and non-textile items that seasonally complete and complement the fashion collection
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, e-commerce 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 gram).
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
FTEs	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, bodies, 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
OePR	Österreichische Prüfstelle für Rechnungslegung (Austrian financial reporting enforcement panel)
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	Wolford's 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 to the final placement of products on the market
Trade items	Products from exclusive brands which complement Wolford's product range and are offered at select boutiques and factory outlets
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 US exchanges or over the counter. US banks buy shares and issue ADRs to give foreign companies access to the US capital market
AFRAC	Austrian Financial Reporting and Auditing Committee
AfS	Available for Sale; available-for-sale assets
ATX	Austrian Traded Index; the lead share index of the Vienna Stock Exchange
Capital employed	Shareholders' equity plus net debt
Capital increase (against cash contribution)	Way of procuring equity by issuing new shares and increasing share capital
CFH	Cash flow hedging; used to hedge risks associated with 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 and non-executive directors
EBT	Earnings before taxes
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 and taxes, depreciation and amortization adjusted to eliminate one-off income and expenses resulting from strategic realignment
EBIT margin	EBIT as percentage of revenues
Equity ratio	Shareholders' equity as percentage of total assets
EPS	Earnings per share; net profit for the year divided by the number of shares with dividend entitlement
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
GDP	Gross domestic product
Gearing	Net debt-to-equity ratio
HfT	Held for Trading; held-for-trading assets
IFRS	International Financial Reporting Standards
Like-for-like	To compare the productivity of different sales areas, revenues are expressed in relation to the size of the sales areas
Like-for-like-revenue performance	Development in revenues excluding points of sale newly opened or closed
L&R	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)
Materials expense ratio	Cost of materials plus changes in inventories of finished goods and work in process as percentage of revenues
Net debt	Current and non-current financial liabilities less financial assets and cash and cash equivalents
Personnel expense ratio	Personnel expenses as percentage of revenues
Premium (agio)	Difference between par value and issue price of shares; the premium is recognized in the capital reserve
Prospectus	Written document providing information about the type, object, and risks involved in securities; required, for example, when issuing new shares in the context of a capital increase
Revenues	Net revenues, i.e. gross revenues less sales tax and any sales deductions
SAR	Stock Appreciation Rights; compensation model based on hypothetical stock options
Share capital	Total par value of all shares issued / total number of shares issued multiplied by their par value
STI	Short-Term Incentive; short-term variable compensation

Subscription right	In the context of a capital increase, subscription rights denote the right of existing shareholders to procure new shares proportionate to the share of share capital they previously held
Takeover bid	Public offer made by a bidder to shareholders to acquire the shares in a company at a specified price; mandatory offer if control is gained
UGB	Unternehmensgesetzbuch (Austrian Commercial Code)
Working capital	Sum of inventories, trade receivables and other current receivables and assets less trade payables and other current liabilities

Financial Calendar

Date	**Event**
July 13, 2018	Press conference in Vienna
September 3, 2018	AGM record date
September 7, 2018	Q1 Report 2018/19
September 13, 2018	Annual General Meeting (AGM)
September 18, 2018	Deduction of dividends (ex-day)
September 19, 2018	Dividend record date
September 20, 2018	First day of dividend payment
December 14, 2018	Half-Year Report 2018/19
March 15, 2019	Q3 Report 2018/19
July 19, 2019	Press conference in Vienna

Investor Relations Contact

Investor Relations	**Maresa Hoffmann**
Telephone	+43 5574 690 1258
Email	investor@wolford.com
Internet	company.wolford.com
Vienna Stock Exchange	WOL
Reuters	WLFD.VI
Bloomberg	WOL:AV, WLFDY:US, WOF:GR

Overview of Key Indicators (5 Years)

Earnings Data		**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Revenues	in € mill.	155.87	157.35	162.40	154.28	149.07
EBITDA	in € mill.	3.36	10.94	8.38	-3.39	-2.47
EBITDA margin	in %	2.16	6.95	5.16	-2.20	-1.66
EBIT	in € mill.	-4.72	2.17	-2.92	-15.72	-9.22
EBIT margin	in %	-3.03	1.38	-1.80	-10.19	-6.19
Earnings before tax	in € mill.	-5.89	1.21	-3.85	-16.57	-11.43
Earnings after tax	in € mill.	-2.81	1.03	-10.66	-17.88	-11.54
Capital expenditure	in € mill.	7.87	10.97	7.30	6.72	1.40
Free cash flow	in € mill.	-0.96	-0.54	-2.98	-9.45	1.83
Employees on average	FTEs	1,562	1,574	1,571	1,544	1,433

Balance Sheet Data (at April 30)		**2014**	**2015**	**2016**	**2017**	**2018**
Equity	in € mill.	74.38	74.83	63.81	44.88	33.90
Net debt	in € mill.	17.04	17.12	20.86	31.27	30.09
Working capital	in € mill.	33.72	38.14	43.15	45.73	34.59
Balance sheet total	in € mill.	138.12	147.44	137.47	138.39	114.33
Equity ratio	in %	54	51	46	32	30
Gearing	in %	23	23	33	70	89

Stock Exchange Data		**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Earnings per share	in €	-0.57	0.21	-2.17	-3.64	-2.35
Dividend paid per share	in €	0.00	0.20	0.20	0.20	0.00
Dividend paid	in € mill.	0.00	0.98	0.98	0.98	0.00
Equity per share	in €	15.18	15.27	12.99	9.14	6.90
Share price high	in €	22.77	24.12	25.48	26.01	19.75
Share price low	in €	16.81	18.75	21.35	19.10	11.36
Share price at end of period	in €	19.10	24.00	24.67	19.28	13.60
Shares outstanding (weighted)	in 1,000	4,900	4,900	4,912	4,912	4,912
Market capitalization (ultimo)	in € mill.	95.48	120.00	123.35	96.38	68.00

The indicators and the method of calculation are outlined in the glossary on pages 118 to 123.

Notes

Imprint

Publisher: Wolford AG, Wolfordstraße 1, 6900 Bregenz, Austria
Overall Responsibility:
The Management Board of Wolford AG
Investor Relations: Maresa Hoffmann, +43 5574 690 1258, investor@wolford.com, company.wolford.com
Concept & Text: Regine Petzsch, Corporate and Financial Communications Consultant
Design Concept & Graphic Design: GREAT, www.g-r-e-a-t.com
Images: Helmut Newton, Wolfgang Pohn and Jan Welters
Paper: Gmund Bee! light grey, Profimatt, Inapa Clear FSC Mix Credit
Print: Eberl Print

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.

WWW.WOLFORD.COM
992652