



**REPORT ON THE THIRD QUARTER OF 2017/18**  
**(MAY 2017 – JANUARY 2018)**

# Wolford Group Key Data

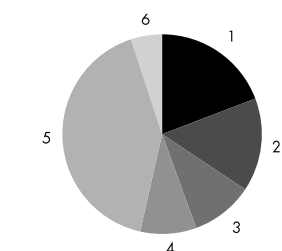
Earnings Data		05/17 -01/18	05/16 -01/17	Chg. in %	2016/17
Revenues	in € mill.	119.36	119.05	+1	154.28
EBIT*	in € mill.	-1.36	-4.14	+67	-15.72
Earnings before tax*	in € mill.	-2.97	-4.75	+38	-16.57
Earnings after tax*	in € mill.	-2.57	-5.08	+49	-17.88
Capital expenditure	in € mill.	1.17	6.10	-81	6.72
Free cash flow*	in € mill.	2.43	-10.47	>100	-9.45
Employees (on average)	FTE	1,456	1,555	-6	1,544

Balance Sheet Data		31.01.2018	31.01.2017	Chg. in %	30.04.2017
Equity*	in € mill.	42.90	57.90	-26	44.88
Net debt	in € mill.	28.97	32.46	-11	31.27
Working capital	in € mill.	42.77	53.11	-20	45.73
Balance sheet total*	in € mill.	128.97	152.56	-16	138.39
Equity ratio*	in %	33	38	-	32
Gearing*	in %	68	56	-	70

Stock Exchange Data		05/17 -01/18	05/16 -01/17	Chg. in %	2016/17
Earnings per share*	in €	-0.52	-1.04	+50	-3.64
Share price high	in €	21.71	26.01	-17	26.01
Share price low	in €	10.03	19.83	-49	19.10
Share price at end of period	in €	13.90	21.00	-34	19.28
Shares outstanding (weighted)	in 1,000	4,912	4,912	-	4,912
Market capitalization (ultimo)	in € mill.	69.50	105.00	-30	96.38

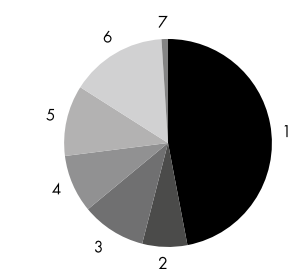
\*) Figures as of January 31, 2017 retrospectively adjusted due to corrections made in connection with OePR audit review.

## REVENUES BY MARKET



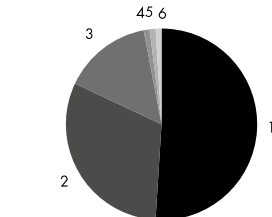
- 1 North America 19 %
- 2 Germany 15 %
- 3 Austria 10 %
- 4 France 10 %
- 5 Rest of Europe 41 %
- 6 Asia/Oceania 5 %

## REVENUES BY DISTRIBUTION



- 1 Boutiques 47 %
- 2 Concession-Shop-in-shops 7 %
- 3 Online Business 10 %
- 4 Factory Outlets 9 %
- 5 Department Stores 12 %
- 6 Multi-brand Retailers 14 %
- 7 Private Label 1 %

## REVENUES BY PRODUCT GROUP



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

# Contents



Wolford Group Key Data.....	2
Letter from the board.....	4
Management Report .....	6
Interim Financial Statements (IFRS).....	9
Notes to the Interim Financial Statements.....	13
Financial Calendar .....	18
Information on the Company and the Share .....	18
Monobrand Points of Sale.....	20

# Letter from the Board



Axel Dreher and Brigitte Kurz, Management Board of Wolford AG

Dear shareholders,

Ladies and Gentlemen,

Our company has put eventful weeks and months behind it. This is the reason why it is even more gratifying to see that we have now clarified the situation with respect to the future majority shareholder of Wolford AG. We expressly welcome the participation of Fosun as a financially strong core shareholder which has a long-term commitment to the company and brings extensive experience with luxury and fashion brands to Wolford.

Our new majority shareholder has also agreed to secure the planned capital increase of € 22 million which will contribute towards improving our equity structure. The fundamental strengthening of our financial structure will put us in a position to invest more extensively again. Above all, we will further expand our online business. The steady double-digit growth of this area shows the potential that exists here. Furthermore, we will further expand our market presence in Asia. This applies to China, where Fosun's excellent network should be able to open up new opportunities for us.

## **Good progress in the restructuring process**

Over the past months our focus has clearly been on making Wolford profitable again on its own and on the basis of our current revenue level. We have reduced excess capacities and have already more efficiently designed most in-house processes. In the meantime, we have concluded the most important restructuring measures, even if we naturally continue to scrutinize our processes and systematically exploit optimization potential.

The restructuring successes are increasingly impacting the cost side of our business operations. This is shown by the reduction of € 5 million in personnel expenses as well as other expenses such as travel costs, insurance and rental and lease payments. Last but not least, the fact that we are on the right track is demonstrated by the positive development of our operating cash flow and the drop in net debt by € 3.5 million. The decrease in our high level of inventories made an important contribution to the development of our operating cash flow through systematic production planning.

Esteemed shareholders, the results of the restructuring measures will naturally first become perceptible in the upcoming financial year when the sustainable savings in personnel expenses are fully felt and most consulting costs as well as expenses in connection with refinancing are eliminated. Against this backdrop, we confirm our expectation that Wölford will once again generate positive operating results in the upcoming 2018/19 financial year.

Sincerely yours,



Axel Dreher, CEO



Brigitte Kurz, CFO

# Management Report

## EARNINGS (MAY 2017 TO JANUARY 2018)

The Wolford Group generated revenue of € 119.36 million in the first nine months of the current 2017/18 financial year, only up slightly from the prior-year level of € 119.05 million. Adjusted for currency exchange rate changes, the rise in revenue was 1.79% over the first nine months. The negative currency effects, especially related to the decrease in value of the British pound and the US dollar, particularly impacted third-quarter revenue, which was down 4.3% to € 49.21 million from € 51.43 million in the previous year.

### Revenue increase in the retail and online business

Wolford's own retail business generated a revenue increase of 1.7% or € 1.29 million in the first nine months compared to the previous year. On a like-for-like basis (adjusted for store closures of badly performing shops), the increase actually equaled 3.7%. In contrast, Wolford's wholesale business reported a revenue decrease of 4.4% or € 1.93 million, comprising a 2.7% decline when adjusted for currency effects. The underlying reason is the weakening wholesale sector. As a result, department stores across the globe are restructuring their retail space and, for example, moving hosiery from attractive entrance locations to higher floors. Revenue of Wolford's own online business was up significantly once again by 20.6% year-on-year, comprising a rise of € 2.09 million.

### Market development shaped by negative currency effects and weak wholesale business

Revenue development in the regions showed a very mixed picture in the first nine months of the 2017/18 financial year. Wolford succeeded in increasing revenue in Austria (+4.8%), Italy (+2.1%), Spain (+5.0%), the Netherlands (+4.9%) and Belgium (+3.3%), mainly as a result of the growing retail business. Wolford's business in Eastern Europe performed particularly well, expanding by 37.3%, which is primarily attributable to the recovery of the Russian market and the expansion of the commercial relationship with the most important Russian wholesale partner. In contrast, revenue declined in the USA (-1.7%) and Great Britain (-8.7%), above all due to the decline in value of the British pound and the US dollar. In Germany (-2.2%), Switzerland (-6.7%) and France (-3.0%), the retail business could not compensate for the reduction in wholesale revenue.

Revenue of the individual product groups also showed a very differentiated development in the first nine months. Lingerie and Ready-to-wear revenue were up by 4.5% and 1.2% respectively. In contrast, revenue decreased in the Legwear (-3.9%), Accessories (-18.3%) and Trading Goods (-12.1%) product groups. The decline in the Accessories product group was due to the streamlining of this segment's product portfolio.

### Increase in EBIT despite negative currency effects and higher consulting expenses

Inventories were substantially reduced in the first three quarters with the help of an adjusted production planning, without having to resort to inventory sell-offs. Inventories were down € 10.10 million to € 40.73 million from the previous year, which was characterized by sales planning mistakes. Against this backdrop, material costs were down € 7.06 million to € 14.58 million. The average number of employees (full-time equivalents) in the first nine months of 2017/18 fell by 99 to 1,456 employees at present from the prior-year average of 1,555. The effectiveness of these measures implemented as part of the restructuring program was also reflected in personnel expenses, which showed a sustainable drop of € 5.12 million to € 51.13 million. By way of contrast, one-off legal and consulting costs in connection with restructuring and refinancing were up € 1.57 million to € 4.30 million.

Wolford is increasingly profiting from sustainable cost savings. This is also shown by the drop in other operating expenses. In particular, travel costs (-21%), freight costs (-19%), customs duties (-11%), insurance premiums (-15%) as well as rental and lease payments (-5%) could be significantly reduced from the prior-year level.

Operating earnings (EBIT) improved in the first nine months of the current financial year by € 2.78 million to € -1.36 million compared to € -4.14 million in the previous year. This development was the consequence of the systematic reduction of ongoing expenses.

The financial result of € -1.61 million was considerably below the prior-year figure of € -0.61 million, especially due to interest paid, deposit and registration fees related to the refinancing. Earnings before tax in the first nine months of 2017/18 were € -2.97 million, compared to € -4.75 million in the previous year. Earnings after tax were cut in half and equaled € -2.57 million, compared to € -5.08 million in the first three quarters of 2016/17. Similarly, earnings per share amounted to € -0.52, following € -1.04 in the previous year.

**Earnings after tax down by half to € 2.57 million**

### **CASH FLOW (MAY 2017 TO JANUARY 2018)**

The net cash flow from operating activities (operating cash flow) in the first nine months of the current financial year rose substantially by € 7.82 million to € 3.24 million. This development was mainly due to the successful reduction of inventories as well as the improved earnings before tax. The cash flow from investing activities amounted to € -0.81 million in the reporting period, a substantial drop of € 5.07 million below the prior-year figure. In the first three quarters, Wolford primarily invested in its merchandise management system and expanding its online sales platform.

**Positive free cash flow once again**

Against this backdrop, the free cash flow (cash flow from operating activities less the cash flow from investing activities) improved from € -10.47 million to € 2.43 million. The cash flow from financing activities decreased significantly by € 16.02 million to € 0.32 million. This decline can be mainly attributable to the correspondingly less frequent need to draw upon the lines of credit granted by banks. Cash and cash equivalents totaled € 12.92 million at the end of the reporting period, compared to € 9.66 million in the previous year.

### **ASSETS AND FINANCIAL POSITION (AS AT JANUARY 31, 2018)**

Equity of the Wolford Group fell to € 42.90 million at the balance sheet date from € 57.90 million as at January 31, 2017, which is due to the losses recorded during the last two financial years. As a result, the equity ratio equaled 33% (January 31, 2017: 38%). Net debt as at January 31, 2018 fell from € 32.46 million to € 28.97 million thanks to the repayment in October 2017 of the bridge loan amounting to € 5 million which had been granted in July 2017. However, the gearing ratio rose from 56% to 68% in the period under review due to the above-mentioned development of equity.

**Reduction in net debt**

### **SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

As at March 1, 2018, a share purchase agreement for a majority shareholding in Wolford AG totalling 2,543,694 shares (about 50.87% of the total share capital) was concluded between the main shareholder group WMP Familien-Privatstiftung (WMP private family foundation), Sesam Privatstiftung (Sesam private foundation) and their subsidiary M. Erthal & Co. Beteiligungsgesellschaft m.b.H. as well as related parties) and Fosun Industrial Holdings Limited. The closing of the share purchase agreement is subject to the fulfilment of certain conditions precedent including, in particular, the required regulatory approval. To strengthen Wolford AG's financial structure, Wolford AG and Fosun agreed on a cash capital increase, with shareholders' subscription rights being maintained, which shall provide EUR 22,000,000 of fresh equity to Wolford AG. The intended capital increase requires a resolution by the general meeting. Subject to closing of the share purchase and of a takeover offer, Fosun committed to subscribe for a cash capital increase of Wolford AG from EUR 36,350,000 by EUR 12,495,312.50 to EUR 48,845,312.50 by issue of 1,718,750 new shares for an issue price of EUR 12.80 per new share. This commitment includes the subscription of new shares to the extent that shareholders of Wolford AG do not exercise their subscription rights in full. The maximum cash contribution by Fosun hence amounts to EUR 22,000,000.

## **OUTLOOK**

The outlook published on August 24, 2017 within the context of presenting the annual results for 2016/17 has been adjusted. The expected slight increase in operating revenue will be offset by negative currency effects. For this reason, the management expects a slightly downward revenue development. The predicted negative operating earnings is confirmed. Starting in the 2018/19 financial year, Wolford expects positive operating earnings once again in its earnings before interest and taxes (EBIT).

# Interim Financial Statements (IFRS)

## Statement of Comprehensive Income

in TEUR	11/17 -01/18	11/16 -01/17	05/17 -01/18	05/16 -01/17
<b>Revenues</b>	<b>49,211</b>	<b>51,433</b>	<b>119,355</b>	<b>119,054</b>
Other operating income	133	559	982	1,112
Changes in inventories of finished goods and work-in-process	-6,483	-3,729	-8,134	2,263
Own work capitalized	0	35	0	119
<b>Operating output</b>	<b>42,861</b>	<b>48,298</b>	<b>112,203</b>	<b>122,548</b>
Cost of materials and purchased services	-4,018	-7,516	-14,578	-21,638
Personnel expenses	-16,665	-18,255	-51,132	-56,256
Other operating expenses*	-15,543	-16,604	-42,146	-42,309
Depreciation and amortization*	-1,817	-2,202	-5,706	-6,485
<b>EBIT*</b>	<b>4,818</b>	<b>3,721</b>	<b>-1,359</b>	<b>-4,140</b>
Net interest cost	-384	-125	-1,433	-389
Net investment securities income	24	-2	24	24
Interest cost of employee benefit liabilities	-67	-81	-202	-242
<b>Financial result</b>	<b>-427</b>	<b>-208</b>	<b>-1,611</b>	<b>-607</b>
<b>Earnings before tax*</b>	<b>4,391</b>	<b>3,513</b>	<b>-2,970</b>	<b>-4,747</b>
Income tax	-348	-527	398	-337
<b>Earnings after tax*</b>	<b>4,043</b>	<b>2,986</b>	<b>-2,572</b>	<b>-5,084</b>
Amounts that will not be recognized through profit and loss in future periods	0	0	0	0
thereof actuarial gains and losses	0	0	0	0
Amounts that will potentially be recognized through profit and loss in future periods	539	165	588	158
thereof currency translation differences	539	167	588	160
thereof change from cash flow hedges	0	-2	0	-2
<b>Other comprehensive income <sup>1)</sup></b>	<b>539</b>	<b>165</b>	<b>588</b>	<b>158</b>
<b>Total comprehensive income*</b>	<b>4,582</b>	<b>3,151</b>	<b>-1,984</b>	<b>-4,926</b>
Attributable to the equity holders of the parent company*	4,582	3,151	-1,984	-4,926
Earnings after tax attributable to equity holders of the parent company*	4,043	2,986	-2,572	-5,084
<b>Earnings per share (diluted = basic)*</b>	<b>0.82</b>	<b>0.61</b>	<b>-0.52</b>	<b>-1.04</b>

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

\*) Figures as of January 31, 2017 retrospectively adjusted due to corrections made in connection with OePR audit review.

# Cash Flow Statement

in TEUR	05 -01/18	05 -01/17*
<b>Earnings before tax</b>	<b>-2,971</b>	<b>-4,747</b>
Depreciation and amortization / write-backs	5,706	6,485
Gains / losses from disposals of non-current assets	71	147
Other non-cash income and expenses	1,628	315
Changes in inventories	8,663	-3,168
Changes in trade receivables	-309	-4,613
Changes in other receivables and assets	-472	-1,934
Changes in trade payables	-2,673	-1,386
Changes in other provisions and employee-related provisions	-2,951	4,912
Changes in other liabilities	-2,454	-258
<b>Cash flow from operating activities</b>	<b>4,238</b>	<b>-4,247</b>
Interest received	27	115
Interest paid	-515	-451
Net balance of income taxes paid / received	-514	-2
<b>Net cash flow from operating activities</b>	<b>3,236</b>	<b>-4,585</b>
Payments for investments in property, plant and equipment and other intangible assets	-1,199	-6,082
Proceeds from disposals of property, plant and equipment and other intangible assets	389	164
Changes in securities and other financial assets	0	36
<b>Cash flow from investing activities</b>	<b>-810</b>	<b>-5,882</b>
Proceeds from current and non-current financial liabilities	1,345	24,050
Repayment of current and non-current financial liabilities	-1,027	-6,695
Dividends paid	0	-982
Changes in treasury stock	0	-36
<b>Cash flow from financing activities</b>	<b>318</b>	<b>16,337</b>
<b>Cash-effective change in cash and cash equivalents</b>	<b>2,744</b>	<b>5,870</b>
Cash and cash equivalents at beginning of period	10,312	3,870
Effects of exchange rate movements on cash and cash equivalents	-135	-78
<b>Cash and cash equivalents at end of period</b>	<b>12,921</b>	<b>9,662</b>

\*) Figures as of January 31, 2017 retrospectively adjusted due to corrections made in connection with OePR audit review.

# Balance Sheet

in TEUR	31.01.2018	31.01.2017	30.04.2017
Property, plant and equipment*	41,813	49,958	45,553
Goodwill*	188	725	188
Other Intangible assets	9,407	11,255	10,681
Financial assets	1,283	1,269	1,283
Non-current receivables and assets	1,682	1,922	1,891
Deferred tax assets	2,388	2,919	1,891
<b>Non-current assets*</b>	<b>56,761</b>	<b>68,048</b>	<b>61,487</b>
Inventories	40,730	50,832	49,392
Trade receivables	11,498	13,615	11,190
Other receivables and assets	3,554	5,485	3,261
Prepaid expenses	3,509	4,917	2,744
Cash and cash equivalents	12,921	9,662	10,312
<b>Current assets</b>	<b>72,212</b>	<b>84,511</b>	<b>76,899</b>
<b>Total assets*</b>	<b>128,973</b>	<b>152,559</b>	<b>138,386</b>
Share capital	36,350	36,350	36,350
Capital reserves	1,817	1,817	1,817
Other reserves*	4,802	20,254	7,375
Currency translation differences*	-72	-517	-660
<b>Equity*</b>	<b>42,897</b>	<b>57,904</b>	<b>44,882</b>
Financial liabilities	112	1,168	214
Other liabilities	902	937	924
Provision for long-term employee benefits	17,351	17,591	17,546
Other long-term provisions*	2,347	2,018	2,347
Deferred tax liabilities	-93	537	53
<b>Non-current liabilities*</b>	<b>20,619</b>	<b>22,251</b>	<b>21,084</b>
Financial liabilities	43,065	42,222	42,645
Trade payables	2,362	3,666	5,035
Other liabilities	10,645	13,154	13,076
Income tax liabilities	867	1,481	520
Other provisions*	8,518	11,881	11,144
<b>Current liabilities*</b>	<b>65,457</b>	<b>72,404</b>	<b>72,420</b>
<b>Total equity and liabilities*</b>	<b>128,973</b>	<b>152,559</b>	<b>138,386</b>

\* ) Figures as of January 31, 2017 retrospectively adjusted due to corrections made in connection with OePR audit review.

## Statement of Changes in Equity

in TEUR	Attributable to equity holders of the parent company							Total equity
	Share capital	Capital reserves	Hedging reserve	Actuarial gain/loss	Other reserves	Treasury stock	Currency translation	
<b>01.05.2016*</b>	<b>36,350</b>	<b>1,817</b>	<b>6</b>	<b>-4,070</b>	<b>34,798</b>	<b>-4,413</b>	<b>-674</b>	<b>63,814</b>
Dividends 2015/16	0	0	0	0	-982	0	0	-982
Earnings after tax*	0	0	0	0	-5,084	0	0	-5,084
Other comprehensive income	0	0	0	0	0	0	156	156
<b>31.01.2017*</b>	<b>36,350</b>	<b>1,817</b>	<b>6</b>	<b>-4,070</b>	<b>28,732</b>	<b>-4,413</b>	<b>-518</b>	<b>57,904</b>
<b>01.05.2017</b>	<b>36,350</b>	<b>1,817</b>	<b>7</b>	<b>-4,157</b>	<b>15,938</b>	<b>-4,413</b>	<b>-660</b>	<b>44,882</b>
Dividends 2016/17	0	0	0	0	0	0	0	0
Earnings after tax	0	0	0	0	-2,573	0	0	-2,573
Other comprehensive income	0	0	0	0	0	0	588	588
<b>31.01.2018</b>	<b>36,350</b>	<b>1,817</b>	<b>7</b>	<b>-4,157</b>	<b>13,365</b>	<b>-4,413</b>	<b>-72</b>	<b>42,897</b>

\*) Figures as of January 31, 2017 retrospectively adjusted due to corrections made in connection with OePR audit review.

## Segment Reporting

05/17 -01/18 in TEUR	Austria	Rest of Europe	North America	Asia	Consolidations	Group
<b>Revenues</b>	<b>66,675</b>	<b>68,294</b>	<b>22,838</b>	<b>5,345</b>	<b>-43,796</b>	<b>119,355</b>
thereof intersegment	38,361	5,436	0	0	-43,796	0
<b>External revenues</b>	<b>28,315</b>	<b>62,858</b>	<b>22,838</b>	<b>5,345</b>	<b>0</b>	<b>119,355</b>
<b>EBIT</b>	<b>-5,534</b>	<b>2,080</b>	<b>-83</b>	<b>37</b>	<b>2,140</b>	<b>-1,360</b>
Segment assets	146,686	48,638	8,438	3,079	-77,868	128,973
Segment liabilities	72,584	35,756	10,748	5,179	-38,191	86,076
<b>Investments</b>	<b>432</b>	<b>423</b>	<b>316</b>	<b>0</b>	<b>0</b>	<b>1,172</b>
Depreciation and amortization	3,589	1,667	270	180	0	5,706
Employees on average (FTE)	626	676	115	39	0	1,456

05/16 -01/17 in TEUR	Austria	Rest of Europe	North America	Asia	Consolidations	Group
<b>Revenues</b>	<b>69,411</b>	<b>72,669</b>	<b>23,386</b>	<b>4,781</b>	<b>-51,192</b>	<b>119,055</b>
thereof intersegment	43,751	7,441	0	0	-51,192	0
<b>External revenues</b>	<b>25,660</b>	<b>65,228</b>	<b>23,386</b>	<b>4,781</b>	<b>0</b>	<b>119,055</b>
<b>EBIT*</b>	<b>-623</b>	<b>-1,333</b>	<b>-694</b>	<b>-1,390</b>	<b>-100</b>	<b>-4,140</b>
Segment assets*	167,558	53,753	13,629	4,835	-87,216	152,559
Segment liabilities*	74,289	45,448	15,950	5,155	-46,187	94,655
<b>Investments</b>	<b>3,151</b>	<b>1,466</b>	<b>608</b>	<b>876</b>	<b>-6</b>	<b>6,095</b>
Depreciation and amortization*	3,774	2,076	272	373	-10	6,485
Employees on average (FTE)	690	728	108	32	0	1,558

\*) Figures as of January 31, 2017 retrospectively adjusted due to corrections made in connection with OePR audit review.

# Notes to the Interim Financial Statements

## GENERAL INFORMATION

These consolidated interim financial statements of Woford AG for the first nine months of the 2017/18 financial year (May 1, 2017 to January 31, 2018) were prepared in accordance with the stipulations contained in the International Financial Reporting Standards (IFRS) valid at the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). In particular, the rules contained in IAS 34 Interim Financial Reporting were applied in preparing these interim financial statements.

The interim management report and the condensed consolidated financial statements were neither audited nor subject to an auditor's review.

Within the context of preparing the consolidated interim financial statements in accordance with IFRS, estimates and assumptions must be made to a certain extent relating to the reported assets and liabilities as well as the reported income and expenses for the period under review. The actual amounts may differ from these estimates.

## ACCOUNTING AND VALUATION POLICIES

The accounting and valuation policies applied in preparing the consolidated interim financial statements reflect the policies applied to the consolidated financial statements for the 2016/17 financial year. The following new or revised standards and interpretations require mandatory application in the 2017/18 financial year for the first time:

Standard/ Interpretation	Description	Effective date
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
IAS 7	Statement of Cash Flows: Disclosure Initiative	January 1, 2017
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IAS 40	Accounting for Investment Properties under Construction	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 15	Revenue from Contracts with Customers (including clarification to IFRS 15)	January 1, 2018

Application of the new standards and interpretations do not have any effects on the consolidated interim financial statements of the Woford Group. These consolidated interim financial statements do not include all information and disclosures required for the consolidated annual financial statements. For this reason, the consolidated interim financial statements should also be read in conjunction with the latest consolidated financial statements as at April 30, 2017. All amounts stated in the quarterly financial reports are stated in thousands of euros (TEUR). Rounding differences may occur due to the application of commercial rounding principles.

## SHARE-BASED PAYMENT PROGRAM

The Woford Group grants a long-term, variable bonus (LTI) to the Management Board in the form of fictive stock appreciation rights (SAR). The SAR granted have a vesting period until April 30, 2018. After expiration of the vesting period, the SAR can be exercised by the participants in the program provided that specified conditions are fulfilled and no blackout periods are to be observed. The

fair value of the SAR is remeasured at every balance sheet date and determined on the basis of an option pricing model.

No material obligations relating to this program arose for the Wolford Group as at January 31, 2018. This can be attributed to the fact that the expected number of the probable exercisable SAR was estimated at zero at this time due to the existing performance conditions.

## **SCOPE OF CONSOLIDATION**

The scope of consolidation has not changed since the previous balance sheet date on April 30, 2017.

## **SEASONALITY OF BUSINESS**

Wolford generates lower revenues in the first and last months of the financial year compared to the middle of the year. These seasonal fluctuations are reflected in revenues for the first and fourth quarters, which are generally lower than the comparable figures for the second and third quarters.

## **NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME**

Revenue recorded by the Wolford Group increased slightly by 0.26% or TEUR 301 in the first nine months of the 2017/18 financial year to TEUR 119,355 (previous year: TEUR 119,054). Adjusted for currency exchange rate changes, the rise in revenue equaled 1.79%. Operating output declined by TEUR 10,345 to TEUR 112,203 (previous year: TEUR 122,548) due to the lower change in the inventories of finished goods and work in progress.

Wolford increasingly profited from sustainable cost savings. This is also shown by the drop in other operating expenses. In particular, travel costs (-21%), freight costs (-19%), customs duties (-11%), insurance premiums (-15%) as well as rental and lease payments (-5%) could be significantly reduced from the prior-year level. As a result, operating earnings improved in a year-on-year comparison. EBIT in the first nine months of the 2017/18 financial year amounted to TEUR -1,359, compared to TEUR -4,140 in the previous year.

The financial result deteriorated by TEUR 1,004 in the first nine months of the financial year to TEUR -1,611. This development can be attributed to interest paid, deposit and registration fees in connection with refinancing.

The reported tax income totaled TEUR 398 in the first three quarters of 2017/18 (previous year: TEUR 337). Accordingly, earnings after tax amounted to TEUR -2,572 (previous year: TEUR -5,084).

Positive currency translation differences of TEUR 588 (previous year: TEUR 160) which were recorded without recognition through profit or loss as well as an unchanged hedging reserve of TEUR 0 (previous year: TEUR -2) led to other comprehensive income of TEUR 588 (previous year: TEUR 158). The total comprehensive income resulted in a decline in equity in the reporting period by TEUR 1,984 (previous year: decrease of TEUR 4,926).

## **NOTES ON SEGMENT REPORTING**

The four reportable segments of the Wolford Group are classified into four regions: Austria, Rest of Europe, North America and Asia. Segment reporting is based on the same accounting and valuation policies applied in preparing the consolidated annual financial statements.

External sales rose by 10% in the Austria segment and by 12% in Asia and fell by 4% in the Rest of Europe segment and -2% in North America. EBIT of the Austria segment was down TEUR 4,911 from the previous year due to charges resulting from the initiated restructuring and refinancing program as well as negative currency translation differences. EBIT in the Rest of Europe segment was

up by TEUR 3,413, which was primarily attributable to systematic production planning and the related reduction in the cost of materials. The North America segment reported an increase of EBIT by TEUR 611 to TEUR -83. This was mainly due to lower rental expenses as well as lower costs relating to online business. In the Asia segment, EBIT climbed by TEUR 1,427 above the prior-year level, which was related to the revenue growth. Segment assets fell by TEUR 23,586 to TEUR 128,973. This decline is mainly the consequence of reduction in working capital.

## NOTES ON THE CASH FLOW STATEMENT

The net cash flow from operating activities (operating cash flow) rose by TEUR 7,821 in the first nine months of the current financial year to TEUR 3,236. This was mainly due to the improved earnings before tax as well as the successful reduction in inventories. The continuation of process optimization in the management of trade receivables also had a positive impact. The cash flow from investing activities amounted to TEUR -810 during the reporting period, comprising a drop of TEUR 5,072 from the prior-year figure. In the first nine months, Wolford primarily invested in optimizing the merchandise management system and expanding its online sales platform. The free cash flow (cash flow from operating activities less the cash flow from investing activities) improved from TEUR -10,647 to TEUR 2,426 in the reporting period due to the above-mentioned developments.

The cash flow from financing activities decreased significantly during the reporting period from TEUR 16,337 to TEUR 318 due to the less frequent need to draw upon the lines of credit granted by banks. Cash and cash equivalents totaled TEUR 12,921 at the end of the reporting period, compared to TEUR 9,662 in the previous year.

## NOTES ON THE CONSOLIDATED BALANCE SHEET

The balance sheet total amounted to TEUR 128,973 as at the balance sheet date of January 31, 2018, which represents a drop of 15% from the level at January 31, 2017. Non-current assets were down 17% to TEUR 56,671, accounting for 44% of total assets. Investments of TEUR 1,172 in intangible assets and property, plant and equipment were in contrast to scheduled amortization and depreciation of TEUR 5,706. Current assets equaled about 56% of total assets as at January 31, 2018. Inventories fell by 20% to TEUR 40,730 or 32% of total assets, and trade receivables declined by about 16% to TEUR 11,498, comprising about 9% of total assets.

Equity of the Wolford Group amounted to TEUR 42,897 as of January 31, 2018, which represents an equity ratio of 33% (previous year: 38%). Non-current liabilities decreased in the first nine months of the current financial year by TEUR 1,632, from TEUR 22,251 to TEUR 20,619, comprising 16% of the balance sheet total. Current liabilities fell to TEUR 65,457 (previous year: TEUR 72,404), primarily owing to a drop in other liabilities by TEUR 2,509 to TEUR 10,645, as well as the decline in other provisions by TEUR 3,363 to TEUR 8,518. Working capital decreased year-on-year from TEUR 53,115 to TEUR 42,775. Net debt totaled TEUR 28,973 at the reporting date, representing a drop of TEUR 3,486 from the comparable figure at January 31, 2018.

## FINANCIAL INSTRUMENTS

The following hierarchy is used to determine and report the fair value of financial instruments:

Level 1: Quoted prices for identical assets or liabilities on active markets

Level 2: Other valuation factors other than quoted prices that can be directly (i.e. as prices) or indirectly (i.e. derived from prices) monitored for assets and liabilities

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

The financial assets classified under Level 1 consist of publicly traded investment fund shares, while the securities and financial assets reported under current assets in the prior year represent securities used to hedge rental and leasing obligations. The other receivables and other liabilities included under Level 2 result from the valuation of outstanding foreign currency derivative transactions. No financial instruments are valued in accordance with Level 3, and there continued to be no reclassifications between the fair value hierarchy levels during the reporting period.

in TEUR		31.01.2018		31.01.2017	
	Stufe	Buchwert	Zeitwert	Buchwert	Zeitwert
Financial assets	1	1,283	1,283	1,269	1,269
Trade receivables		11,498	11,498	13,615	13,615
Other receivables and assets		3,554	3,554	5,485	5,485
thereof derivatives	2	0	0	17	17
Prepaid expenses		3,509	3,509	4,917	4,917
Cash and cash equivalents		12,921	12,921	9,662	9,662
<b>Total financial assets</b>		<b>32,765</b>	<b>32,765</b>	<b>34,948</b>	<b>34,948</b>
Financial liabilities, non-current		112	112	1,168	1,168
Financial liabilities, current		43,065	43,065	42,222	42,222
Trade payables		2,362	2,362	3,666	3,666
Other liabilities		10,645	10,645	13,154	13,154
thereof derivatives	2	0	0	1	1
<b>Total financial liabilities</b>		<b>56,184</b>	<b>56,184</b>	<b>60,210</b>	<b>60,210</b>

## OTHER DISCLOSURES

There were no material changes in contingent liabilities since the last balance sheet date.

## RELATED PARTY TRANSACTIONS

The company maintains a business relationship with several members of the Supervisory Board, which is immaterial in scope and is billed at ordinary market rates.

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

As at March 1, 2018, a share purchase agreement for a majority shareholding in Wolford AG totalling 2,543,694 shares (about 50.87% of the total share capital) was concluded between the main shareholder group WMP Familien-Privatstiftung (WMP private family foundation), Sesam Privatstiftung (Sesam private foundation) and their subsidiary M. Erthal & Co. Beteiligungsgesellschaft m.b.H. as well as related parties) and Fosun Industrial Holdings Limited. The closing of the share purchase agreement is subject to the fulfilment of certain conditions precedent including, in particular, the required regulatory approval. To strengthen Wolford AG's financial structure, Wolford AG and Fosun agreed on a cash capital increase, with shareholders' subscription rights being maintained, which shall provide EUR 22,000,000 of fresh equity to Wolford AG. The intended capital increase requires a resolution by the general meeting. Subject to closing of the share purchase and of a takeover offer, Fosun committed to subscribe for a cash capital increase of Wolford AG from EUR 36,350,000 by EUR 12,495,312.50 to EUR 48,845,312.50 by issue of 1,718,750 new shares for an issue price of EUR 12.80 per new share. This commitment includes the subscription of new shares to the extent that shareholders of Wolford AG do not exercise their subscription rights in full. The maximum cash contribution by Fosun hence amounts to EUR 22,000,000.

Bregenz, March 16, 2018



Axel Dreher  
CEO

Responsible for Corporate Strategy,  
Marketing, Sales and Product  
Development, Production and Logistics



Brigitte Kurz  
CFO

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

## Financial Calender

<b>Datum</b>	<b>Event</b>
July 13, 2018	Press conference on 2017/18 annual results in Vienna
September 03, 2018	Record date AGM
September 07, 2018	Q1 Report 2018/19
September 13, 2018	31st Annual General Meeting
September 18, 2018	Deduction of dividends (ex-day)
September 19, 2018	Record date dividend
September 20, 2018	First day of dividend payment
December 14, 2018	Half-Year Report 2018/19

## Information on the Company and the Share

<b>Investor Relations</b>	<b>Maresa Hoffmann</b>
Telephone	+43 5574 690 1258
E-Mail	investor@wolford.com
Internet	company.wolford.com
Vienna Stock Exchange	WOL
Reuters	WLFD.VI
Bloomberg	WOL:AV, WLFDY:US, WOF:GR
ISIN	AT0000834007

### **Analyst Coverage:**

Raiffeisen Centrobank (Jakub.Krawczyk@rcb.at)

**Wolford AG**

Wolfordstraße 1, 6900 Bregenz, Austria

This report on the third quarter of 2017/18 is available in the Internet under [company.wolford.com](http://company.wolford.com) in the Investor Relations section.

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

**Disclaimer**

This quarterly report was prepared with the greatest possible care, and all data were subjected to multiple reviews by Wolford AG. Nevertheless, rounding, typesetting or printing errors cannot be excluded. This report is also published in English, but only the German text is binding. The quarterly report contains forward-looking statements which reflect the opinions and expectations of the Management Board and are subject to risks and uncertainties that could have a significant impact on actual results. Readers are therefore cautioned not to place undue reliance on these forward-looking statements. Wolford AG is not required to publish any updates or revisions of the forward-looking statements contained in this report unless required by law.

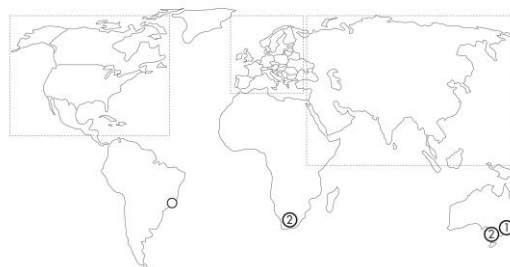
# Monobrand Points of Sale

## WORLDWIDE

Monobrand points of sale

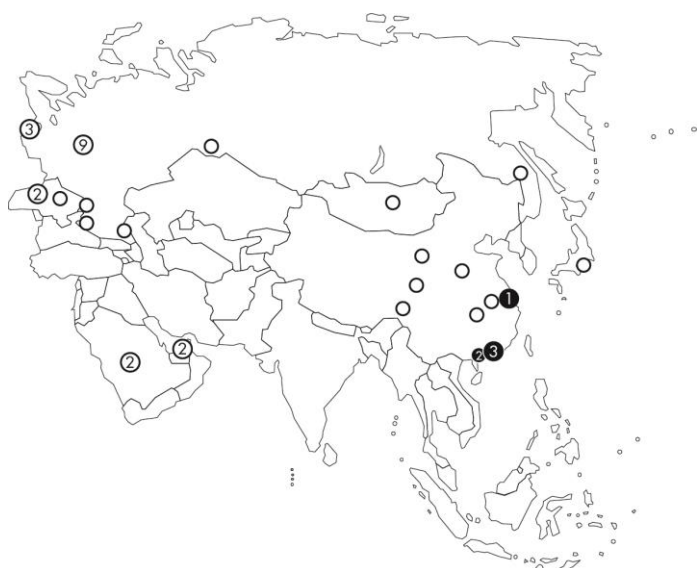
January 31, 2018: 270

- Thereof Woldford-owned points of sale:
  - 107 boutiques
  - 51 concession shop-in-shops
  - 22 factory outlets
- Thereof partner-operated points of sale:
  - 90 boutiques
  - approx. 3,000 other distribution partners



**NORTH AMERICA: 35**

- Thereof Wolford-owned points of sale:  
22 boutiques  
7 concession shop-in-shops  
3 factory outlets
- Thereof partner-operated points of sale:  
3 boutiques



**ASIA: 34 <sup>1)</sup>**

- Thereof Wolford-owned points of sale:
  - 4 boutiques
  - 1 concession shop-in-shop
  - 1 factory outlet
- Thereof partner-operated points of sale:
  - 28 boutiques

1) Including Russia, Ukraine

**EUROPE: 194 <sup>2)</sup>**

- Thereof Woldford-owned points of sale:
  - 81 boutiques
  - 43 concession shop-in-shops
  - 18 factory outlets
- Thereof partner-operated points of sale:
  - 52 boutiques

2) Excluding Russia, Ukraine



