Wolford

ANNUAL REPORT 2019/20


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Contents

Andrew Thorndike (COO) and Silvia Azzali (CCO)

Management Board Foreword

Dear Shareholders,
Dear Ladies and Gentlemen,

Wolford can look back on an eventful year and possibly has even more challenging times ahead. We joined Wolford as the new Management Board team in the fall of 2019 with the aim of returning the company to profitable growth after four years of losses. In our first weeks in the job, we worked together with our dedicated managers to devise a specific plan aimed at sustainably stabilizing the business and bringing key "trouble spots" under control. Our predecessors had already implemented so-called "quick wins", i.e. improvements that were easy and quick to implement. In some cases, these had been used to excess, making it necessary to perform a substantial review of the business model with its processes, structures, and systems. In PITBOLI (Program for Immediate Top and Bottom Line Impact), we initiated a program to review our business model, and that consistently and without making any compromises, with the aim of sustainably realigning our value chain and returning the company to profitability.

On this basis, the viability prognosis compiled in February 2020 confirmed the company's viability (going concern) and forecast EBIT breakeven in 2021. All in all, PITBOLI has the potential to enhance the company's productivity by around 15% and increase its revenues in a single-digit percentage range. Core initiatives on bottom-line level include adjusting the international store portfolio, reducing rental payments, optimizing purchasing and procurement, streamlining central administration while simultaneously establishing systematic talent management, further developing our IT, and especially our digital infrastructure, and consistently enhancing efficiency in our production and logistics activities. One particularly important supplementary measure involves reducing our "time to market", i.e. the length of time between products being designed, developed, and produced, and their subsequent sale, by around 50%. Here, we invested in 3D enabling us to act far more efficiently and transparently and benefited from digitally assisted product development through to a digital showroom. Wolford will bring its next spring / summer collection to market within a significantly shorter timeframe.

On the sales side, we massively invested in our online business, and that both in technology and personnel, while also extending our distribution channels with additional sales partners, listing e-tailors, and restructuring our design, marketing, and sales teams. Furthermore, we streamlined our product portfolio and, with "The W", laid a foundation for extending our core brand. In parallel, we implemented numerous sales-related tasks, such as improving our pricing, optimizing our sales planning, and applying margin-optimized sales management.

Severe impact of the coronavirus pandemic

The coronavirus crisis hit us earlier than many other market players, with lockdowns imposed on our China business from the end of January 2020 already, and then in EMEA and the US from mid-March. These led to downturns in revenues of 50% in March, 80% in April, and 50% in May. Our crisis management was guided by the following three principles: 1. Secure the company's continued existence and jobs, 2. Pool internal forces and maintain our course, 3. Use the time to make the right adjustments to our course and press further ahead with implementing the PITBOLI program.

To safeguard the company's continued existence, we acted early to establish an international crisis team tasked with making optimal use of the opportunities offered by coronavirus legislation in the individual countries in which Wolford operates. Among others, these included instruments such as short-time work, payment relief for state duties, reducing and postponing rental payments, and extraordinary termination of rental agreements at unprofitable boutique locations. Furthermore, we successfully sold our company property in Bregenz to the neighboring Blum Group for € 72 million and now only let that space which we actually need. This way, we took the crisis as an opportunity to pay back all of Wolford's debts, "repair" its balance sheet, and generate a supply of cash that will now enable us to press ahead with restructuring the company even faster than originally planned.

Faced with the spread of the coronavirus pandemic, we asked ourselves what contribution Wolford could make towards coping with the crisis in terms of its social responsibility for itself and others. Having equipped our employees with the first internally produced face masks at the end of March this year, we trialed the sale of these masks via direct sales on our website – and that with great success. Responding to strong demand online, and the positive feedback received by our team, within four weeks we introduced a completely new production line with a capacity of around 10,000 masks a day at our Slovenian plant. Since then, the "Wolford Care Mask" has become a firm component of our product range. To date, we have already sold around 170,000 masks.

On this basis, the revised viability prognosis once again confirmed the company's viability and pointed to a return to profitability at the end of 2021.

With a year-on-year reduction in revenues by 14%, the effects of the coronavirus crisis were drastic. We are still far from having overcome the implications, even if we manage to avoid a second wave of lockdowns. The negative impact on revenues is expected to be noticeable through to mid-2021. Against this backdrop, we also only expect to return to profitability on an operating level in 2021.

Despite the severity of the crisis and its implications, in terms of the decisions taken for the future and the consistent implementation of PITBOLI initiatives, coronavirus does not provide us with any excuses. On the contrary, we subjected our restructuring program to a coronavirus stress test, revisited and adjusted all initiatives in terms of their effectiveness and scheduling, and in some cases set even more ambitious targets.

The increasing digitalization of processes during the mandatory lockdown also provided Wolford with new opportunities to further cut its costs and additionally enhance its efficiency. At the beginning of June, for example, we presented our new collection to wholesale customers for the first time in a virtual showroom. Initial feedback was remarkably positive. We will be making far greater use of this type of presentation in future.

We are of course absolutely aware that the structural transformation in the fashion industry creates enormous challenges for manufacturers and retailers alike and that this process has seen a further drastic intensification during the coronavirus crisis. This cannot fail to have substantial implications for Wolford's own business model. And it will of course also have implications for our retail network. Many of our boutique locations have to be reassessed. We will see numerous additional closures, but also new boutiques being opened at strategically relevant locations.

Wolford is building on its online business and on a return to its brand DNA

Details of the future business model are still being worked on, but some key pillars are already in place. To demonstrate our global presence, we will be relying even more strongly on partnerships. Just recently, we agreed new retail partnerships with partners in Japan and Poland. We restructured our China business are currently witnessing a return to revenue growth. Revenues in June rose by 25% compared with the same month in the previous year.

Even though the online business was not able to make up for the coronavirus-related loss of revenues in the stationary retail business, our company is nevertheless making good progress here. Compared with the respective months in the previous year, online revenues in May alone rose by 66%, while growth in June still came to 36%, and that although many shops were open again. Our face masks also attracted numerous new customers to our established product range.

In terms of its brand management, Wolford is recalling its roots. Now it will be about actually implementing, rather than just announcing, the return to the company's brand DNA. We have developed a new brand architecture that is clearly based on those products that made Wolford famous. Alongside Legwear, these particularly include Body products. In one sense, our company was always a pioneer of the current athleisure trend, which involves fashionable individual items that can be worn just as well for sport or to go out in the evening.

Not only that, we are also in the process of systematically expanding our range of sustainable products. After all, the coronavirus crisis has had the effect of further accelerating textiles that are good for the environment because they are reusable. Wolford has seen a significant rise in demand here, and especially for our new Knitwear products.

Our shareholders can be assured that in the months ahead the Management's key focus will be on consistently restructuring Wolford and stabilizing its revenues. By selling the company property in Bregenz, Wolford AG has gained the flexibility needed to shape its future itself once again. That is our opportunity – and we intend to seize it.

Thank you for the trust you have placed in us.

Silvia Azzali & Andrew Thorndike

Management Board

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Wolford Profile

Wolford at a glance

Founded in the Austrian city of Bregenz in 1950, Wolford is the market leader for luxury skinwear (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 1,243 employees (FTEs). The brand is present in 45 countries worldwide with 269 mono-brand 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. Since the beginning of the 2018/19 financial year, Wolford has had a new majority owner – Fosun Industrial Holdings Limited – which holds around 58% of the shares in the company.

Wolford generates more than half 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.

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 already. The Essential collection accounts for around 70% of revenues.

Wolford's 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.

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 around 330 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 70 years now, Wolford has repeatedly introduced pioneering product innovations that have become real bestsellers – from Miss Wolford (1977), the first transparent shaping tights, the first seamless Body (1992), through 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 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.

In September 2018, Wolford launched the first biodegradable pullovers, T-shirts, and leggings onto the market. Developed within the Austrian smart textiles industry initiative, these products are fully compostable. In April 2019, the company received the "Cradle to Cradle Certified™ (Gold)" award for developing technically regenerative (i.e. fully recyclable) products. In 2020, it launched "Aurora 70", the first technically recyclable tights, onto the market. Wolford is the first and so far the only company in the apparel and textile industry to receive "Gold" certification from "Cradle to Cradle" for developing environmentally compatible products in both categories (biodegradable and technically recyclable).

Always open to creative ideas, Wolford has repeatedly worked together with prestigious designers, including Vivienne Westwood and Vetements. Most recently, the company has developed a cooperation with Adidas.

Aurora 70 Tights from the FW20/21 collection

Sustainability as Key Priority

Wolford's production processes meet the highest global sustainability standards in the textile industry. This is documented 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 this being optimized or replaced when necessary. Following a correspondingly complex auditing process, Wolford is now the world's first tights producer entitled to call itself 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 2020.

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. To ensure that it makes efficient use of energy, Wolford relies on regular checks performed in the context of external energy audits. These involve analyzing energy consumption in all relevant areas. Based on the findings, measures to further enhance efficiency are identified. Wolford was singled out for an award at the end of 2016 in recognition of the measures taken to modernize its boiler house, steam boiler, and water processing. These optimized the use of waste heat and halved the volume of emissions harmful to the environment.

As part of the "Smart Textiles" industry network, Wolford also worked in a project to develop a recyclable (Cradle to Cradle®) lingerie series. This involved 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 participated in the project. In September 2018, Wolford already launched the first biologically recyclable, i.e. fully compostable, products onto the market. In April 2019, the company received the "Cradle to Cradle Certified™ (Gold)" award for developing technically recyclable (i.e. fully reusable) products. Wolford is the first – and still the only – company in the apparel and textile industry to receive "Gold" certification from "Cradle to Cradle" for developing environmentally compatible products in both categories (biodegradable and technically recyclable).

Knitting machines – the technical heart of the Wolford brand

Further information about Wolford's approach to sustainability can be found in the Sustainability Report of Wolford AG, which is available in the "Investor Relations" section of the company's website at company.wolford.com.

bluesign® SYSTEM PARTNER

To Our Shareholders

Wolford Shares

CAPITAL MARKET DEVELOPMENTS

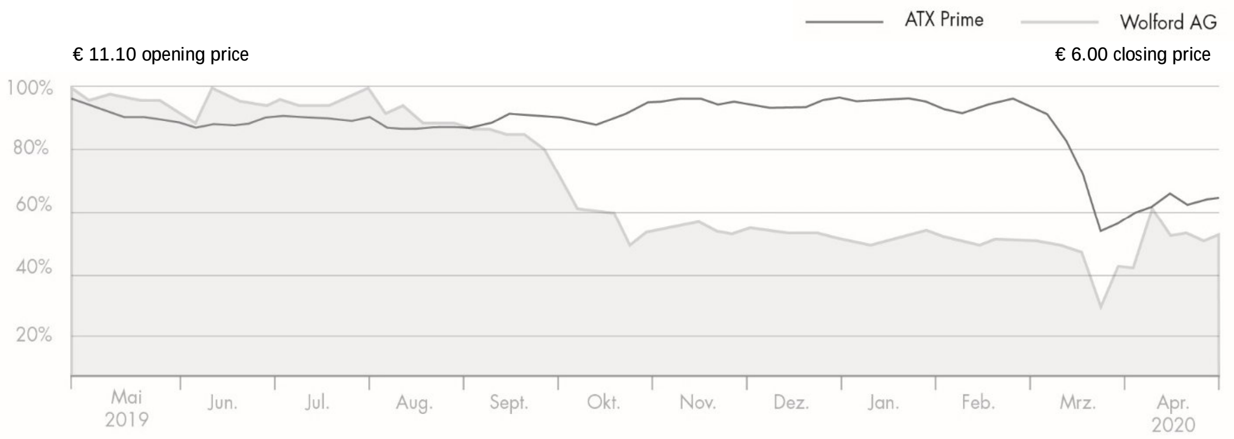
Developments on international stock markets during the past financial year at Wolford AG (May 1, 2019 to April 30, 2020) were shaped by political turbulence and volatility. Despite substantial fluctuations, leading stock indices, such as the DAX and EURO STOXX 50 nevertheless performed positively in the period from May 2019 to February 2020. Like in 2018, the US-China trade war and Brexit created significant insecurity among market players. Furthermore, stock markets were held back by growing fears of recession and the rise of populism in Europe. At the end of the 2019/20 financial year, the negative economic impact of the COVID-19 virus in particular led market prices to fall drastically. The Federal Reserve (FED) cut the base rate to 1.75% in 2019 already. To cushion the economic damage caused by the virus, the FED then reduced the base rate to a corridor of 0% to 0.25%, lower than at any time since the financial crisis in 2008. The ECB continues to rely on a zero-interest policy.

Against this backdrop, the Germany's lead index (DAX) fell to 11,412.67 points in mid-August 2019, before climbing to a new all-time high of 13,789.00 points on February 19, 2020. The emergent coronavirus crisis then led the DAX to fall around 40 percent to 8,441.71 points on March 18, 2020, its lowest level for many years. It subsequently showed a slight recovery and closed at 10,861.64 points on April 30, 2020. The pan-European stock index EURO STOXX 50 fell by around 17% overall in the period from May 1, 2019 to April 30, 2020 and, like the DAX, suffered a low due to the coronavirus crisis. The Dow Jones, the most important US index, also witnessed a fall in prices in March and lost around 8% between May 1, 2019 and April 30, 2020. The MSCI World Textiles, Apparel & Luxury Goods Index, the most important index for the textile industry, also performed negatively over the same period.

WOLFORD'S SHARE PRICE PERFORMANCE

Wolford's shares were listed at € 11.10 on May 2, 2019 and fell by 45.95% in the course of the financial year through to the end of April 2020, while the ATX Prime fell by 29.15% over the same period.

WOLFORD'S SHARE PRICE PERFORMANCE IN % (INDEXED)



Key data on Wolford shares		2019/20	2018/19
Earnings per share	in €	-4.14	-1.76
Dividend per share	in €	0.00	0.00
Equity per share	in €	2.26	6.44
Annual high	in €	11.40	17.70
Annual low	in €	3.20	10.60
Year-end price	in €	6.00	11.40
Number of shares (weighted average)		6,631,011	6,631,011
Year-end market capitalization	in €	75,593,525.40	75,593,525.40
Number of shares traded (daily average)		4,089	3,508

This development was shaped not least by the reactions to the changes in the Management Board and the adjustment made to the outlook for the 2020/21 financial year as a result of the coronavirus.

Following publication of the annual results on July 23, 2019, the share price briefly rose to € 11.40. After the departure of CFO Brigitte Kurz, however, it fell to € 5.50 as of October 24, 2019. The adjustment made to the outlook for the 2020/21 financial year on March 19, 2020 led to a further reduction in the share price, which decreased to € 3.20.

Through to April 6, 2020, the share price then showed a slight recovery and, after the announcement concerning the sale of the company property in Bregenz, rose to € 7.05. Wolford's shares were listed at € 6.00 at the end of the financial year (April 30, 2020). The shares posted their 12-month low at € 3.20 (March 19, 2020) and their 12-month high at € 11.40 (June 29, 2019).

Trading volumes with Wolford shares totaled 740,090 in the period under report (double-count). The average daily turnover on the Vienna Stock Exchange therefore came to 4,089 shares based on the 181 trading days in the period under report. The highest trading volumes (42,780 shares) were seen on January 21, 2020, while the lowest volumes (4 shares) were reported for April 21, 2020.

Information on Wolford shares

ISIN-Code:
AT0000834007

Stock exchanges:
Vienna (Standard Market),
Frankfurt (Freiverkehr),
New York (ADR-Level 1)

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

IPO:
February 14, 1995

Stock type:
Bearer shares (no-par value)

Number of shares as of April 30, 20
6,719,151 , of which
6,631,011 with dividend entitlement

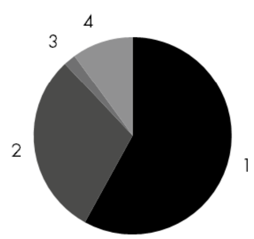
Investor Relations:
+43 5574 690
investor@wolford.com

SHAREHOLDER STRUCTURE

The shares held by Fosun Industrial Holdings Limited were assigned to its subsidiary Fosun Fashion Group Wisdom (Luxembourg) S.à r.l. on May 22, 2019, as a result of which Fosun Fashion Group Wisdom holds around 58% and thus a majority of the shares in Wolford.

The private investor Ralph Bartel holds more than 30% of the bearer shares. Wolford AG owns almost 2% of the shares as treasury stock. The remaining 10% of the shares are in free float.

WOLFORD'S SHARE-HOLDER STRUCTURE



1 FFG Wisdom (Luxembourg) S.à.r.l. ~ 58%
2 Ralph Bartel ~ 30%
3 Treasury stock ~ 2%
4 Freefloat < 10%

INVESTOR RELATIONS

As a listed company, Wolford accords 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. Here, the company adheres to the principles of continuity, equal treatment of all shareholders, and transparency and consistency of information. A wide range of communication measures provides detailed information on the company to its existing owners while also targeting potential new shareholders.

Corporate Governance Report

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 as of January 1, 2020, focused on adapting the code to the requirements of the Austrian Stock Corporation Amendment Act 2019, and in particular to the new requirements governing remuneration policy and the remuneration report.

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 remuneration of Management Board members, and the corporate governance guidelines issued by the OECD. The code provides a framework for corporate management and control.

Enhancing trust

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 Supervisory Board and the Management 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 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 has issued 6,719,151 zero par value common shares. There are no preferred shares or restrictions on the common shares. The principle of "one share – one vote" is therefore met in full. The Austrian Takeover Act ensures that every shareholder receives the same price for his or her Wolford shares in the event of a takeover (mandatory offer). 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). The current shareholder structure is shown in the "Wolford Shares" section 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.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Wagramer Strasse 19, 1220 Vienna, was elected by the 32st Annual General Meeting (AGM) to audit the annual financial statements of Wolford AG and the consolidated financial statements of the Wolford Group for the 2019/20 financial year. There are no grounds for exclusion or prejudice that would be incompatible with a conscientious and objective audit by the group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The fees for the audit of the consolidated financial statements and related services amounted to € 0.2 million. All mandatory disclosures required by § 243a of the Austrian Commercial Code (UGB) can be found on Page 49 of the Management Report.

Management Board

Andrew Thorndike
Andrew Thorndike (born in 1966), Management Board member since October 1, 2019. He is appointed through to September 30, 2021 and does not hold any supervisory board or comparable functions outside the company. He is responsible for the Product Management and Technical Product Development, Purchasing and Procurement, Supply Chain, Finance (including Accounting, Controlling and Treasury), Legal Affairs, Investor Relations, Corporate Communications, Corporate IT & Infrastructure and Corporate HR at Wolford AG. Andrew Thorndike most recently worked as COO and CSO at the Berlin startup Thermondo GmbH. Prior to that, he worked as COO and CRO at ADLER Modemärkte, where he was responsible for areas including purchasing, product development, and supply chain management. Between 2013 and 2017, Andrew Thorndike worked as COO at Africa's largest fashion retailer, Ecdon (Pty) Ltd, in Johannesburg, where he was directly responsible for 2,300 employees. He previously gained further management experience, particularly in retail and finance, as a consultant at McKinsey & Company and at Accenture Ltd. Born in Cologne, he holds a degree in "Mining and Energy Technology" from the Technical University in Berlin.

Silvia Azzali

Silvia Azzali (born in 1971), Management Board member since November 1, 2019. She is appointed through to October 31, 2021 and does not hold any supervisory board or comparable functions outside the company. She is responsible for the Sales, Merchandising, Brand & Marketing, and Design divisions. Prior to this, she worked at Wolford as Global Sales & Merchandising Director from January 2019. Silvia Azzali joined Wolford as Managing Director for Southern Europe in 2011 and was later promoted to Head of International Wholesale. She subsequently left Wolford to work as Global Retail, Online & Franchising Director at Ermanno Scervino (2016–2018). Before returning to Wolford in January 2019, she worked as Head of Global Retail & Franchising at Moschino. Silvia Azzali can look back on a long career in the fashion industry. Back in 2000 and 2001, she worked in the Recruitment & Training department at Gucci, before moving to Dolce & Gabbana as Europe Retail HR Manager (2002–2004). She later decided to move to sales and gained experience at various brands, such as in Retail Management at Trussardi (2005–2007), as Italy Country Manager at L'Occitane en Provence (2007–2009), and as Retail Director Europe & Worldwide Top Doors at La Perla (2009–2011). Silvia Azzali studied philosophy at the University of Parma and was awarded a scholarship in 1996 to obtain a master's degree in personnel management in Milan.

Axel Dreher

Axel Dreher (born in 1965) was a member of the Management Board from March 1, 2013 and CEO from August 1, 2017. He left the company as of October 31, 2019.

Brigitte Kurz

Brigitte Kurz (born in 1974) was a member of the Management Board from August 1, 2017 and left the company as of October 31, 2019.

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 five meetings during the 2019/20 financial year. No Supervisory Board member was absent from more than half the meetings.

Name	End of period in function	Diversity factors[2]	Committee membership	Supervisory Board positions or comparable functions
Dr. Junyang Shao Independent First appointed: 05.04.2018 Supervisory Board Chairwoman Vice President of Fosun Fashion Group, Managing Director of Koller Group and of Fosun Fashion Lifestyle GmbH	Appointed through to 35th AGM (2021/22)	Female, born in 1981, Chinese	Chairwoman of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, the Strategy and Marketing Committee, and Member of the Audit Committee	Supervisory Board Chairwoman of Tom Tailor Holding SE
Thomas Dressendörfer Independent First appointed: 05.04.2018 Deputy Supervisory Board Chairman	Appointed through to 36th AGM (2022/23)	Male, born in 1958, German	Member of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, and Chairman of the Audit Committee	No additional positions at listed companies

Name	End of period in function	Diversity factors[2]	Committee membership	Supervisory Board positions or comparable functions
Yun Cheng Independent First appointed: 09.13.2018 Chairman of Fosun Fashion Group, Chairman of the Board of Jeanne Lanvin S.A.	Appointed through to 36th AGM (2022/23)	Female, born in 1976, Chinese		No additional positions at listed companies
Prof. Dr. Matthias Freise Independent First appointed : 09.25.2019 Professor at Reutlingen University	Appointed through to 37th AGM (2023/24)	Male, born in 1965, German	Since 32nd AGM (2018/19): Member of the Strategy and Marketing Committee	Supervisory Board member at Tom Tailor Holding SE
Birgit G. Wilhelm Independent First appointed : 09.12.2006 Real estate manager	Retired from Supervisory Board upon conclusion of 32nd AGM (2018/19)	Female, born in 1975, Austrian	Until 32nd AGM (2018/19): Member of the Strategy and Marketing Committee	No additional positions at listed companies
Anton Mathis[1] Independent First appointed : 12.16.1999		Male, born in 1960, Austrian	Member of the Personnel and Nomination Committee and of the Strategy and Marketing Committee	No additional positions at listed companies
Christian Medwed[1] Independent First appointed: 05.18.2017		Male, born in 1979, Austrian	Member of the Audit Committee	No additional positions at listed companies

1 Delegated by Works Council.

2 Diversity factors include gender, age, and nationality.

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

In the 2019/20 financial year, the **Presidium** comprised the Supervisory Board Chairwoman Dr. Junyang Shao and her Deputy Thomas Dressendörfer. The Presidium represents the company's interests in all matters related to the Management Board and also acts as the **Remuneration Committee** in respect of Management Board remuneration. In this function, it reviews the remuneration policy for the Management Board members at regular intervals and ensures compliance with the relevant provisions of the Corporate Governance Code.

At Wolford, the Presidium supplemented by the Works Council representative Anton Mathis serves as the **Personnel and Nomination Committee.** This body 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. The Personnel and Nomination Committee is also responsible for taking decisions concerning personnel-related matters at the company to the extent that transactions requiring approval pursuant to § 95 (5) of the Austrian Stock Corporation Act are involved or that such decisions are required by the articles of association or the Supervisory Board. The Personnel and Nomination Committee held one meeting in the past financial year.

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 2019/20 financial year, the Audit Committee comprised Thomas Dressendörfer (Chairman), Dr. Junyang Shao, and Christian Medwed (until the 32nd AGM: Thomas Dressendörfer [Chairman], Yung Cheng, and Christian Medwed). The Audit Committee met twice in the 2019/20 financial year and primarily dealt with the following issues:

– The auditor's report on the audit of the annual financial statements for the 2018/19 financial year
– The preparation of a recommendation to the Supervisory Board for the selection of the (group) auditor for the 2019/20 financial year
– The company's performance at the end of the 2019 calendar year
– The report by the Management Board on risk management at the Group
– The presentation of the audit plan (key audit matters) and statement of independence by the newly elected auditor
– Update on viability prognosis by Deloitte
– Performance in December 2019.

The **Strategy and Marketing Committee** comprised the following members in the 2019/20 financial year: Dr. Junyang Shao (Chairwoman), Prof. Dr. Matthias Freise, and Anton Mathis (until the 32nd AGM: Dr. Junyang Shao [Chairwoman], Birgit Wilhelm, and Anton Mathis). This committee held one meeting in the 2019/20 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 Supervisory Board Chairwoman 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.

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. The company has a free float component of less than 20%. 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	Description
16, Question 2	Until such time that the position of CEO, currently vacant, is successfully filled, the Management Board comprises two members with equal rights.
36, Question 3	The Supervisory Board forewent performing any self-evaluation in the past 2019/20 financial year. This was due to the company's economic performance and the significant additional time required of Supervisory Board members to discharge their duties.
43, Question 5	The principles underlying the remuneration system are presented in great detail in the Remuneration 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.
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 topics. A separate review by an external institution would not produce any different results and would only cause avoidable costs. The decision in favor of exclusively performing an internal audit of compliance with the C-Rules was taken by the Management Board following agreement with the Supervisory Board.
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.

Remuneration Report

The Remuneration Report summarizes the principles used to determine the remuneration paid to the Management Board of Wolford AG and sets out the amount and structure of this remuneration. It also describes the underlying principles and amount of Supervisory Board remuneration. The Supervisory Board has assigned responsibility for determining the remuneration of Wolford's Management Board to the Presidium, which also acts as the Remuneration 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 individual members of Wolford's Management Board have been concluded for these periods and also set out the level and structure of remuneration. The goal of the remuneration system is to provide Management Board members with remuneration that stands up to comparison with national and international practice and adequately reflects the scope of their functions and responsibilities.

The Management Board remuneration system basically comprises fixed and variable components. The fixed component reflects the respective area of responsibility of each Management Board member and, in line with standard practice in Austria, is retrospectively disbursed in the form of 14 monthly installments. The variable component is based on the company's performance and on that of the individual Management Board member. It is linked in particular to the achievement of quantitative targets and sustainable, long-term and strategic goals and also accounts for non-financial criteria. The total amount of remuneration is appropriate to the duties and responsibilities of the individual Management Board members, as well as to the position of the company and remuneration customary to the sector in which it operates.

The variable share of Management Board remuneration is based on various components, and specifically on:

- achievement of a target for net revenues
- achievement of a target for EBIT
- achievement of a target for operating cash flow
- non-financial criteria.

Current Management Board remuneration in €	2019/20 Fixed	2019/20 Variable*	2019/20 Total	2018/19 Total
Andrew Thorndike	150,000	50,000[1]	200,000	0
Silvia Azzali	170,000	0	170,000	0
Axel Dreher	339,000	0	588,000[2]	455,000[4]
Brigitte Kurz	164,000	0	194,000[3]	325,000[5]
Total	**823,000**	**50,000**	**1,152,000**	**780,000**

* The variable remuneration will be measured in the course of the 2020/21 financial year.

[1] One-off bonus of € 50,000 at beginning of Management Board activity.

[2] Fixed salary for 2019/20 including a voluntary payment of € 249,000.

[3] Fixed salary for 2019/20 including a voluntary payment of € 30,000.

[4] Total salary for 2018/19 including the bonus now paid of € 26,526.50.

[5] Total salary for 2018/19 including the bonus now paid of € 25,125.

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 € 0.5 million were recognized in the 2019/20 financial year for former Management Board members (2018/19: € 0.10 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 remuneration received lead to any conflict of interest with the individual's responsibilities on behalf of the company.

The AGM determines the remuneration paid to elected Supervisory Board members and meeting allowances. The 27th AGM approved a new remuneration structure for the Supervisory Board that took effect from the 2014/15 financial year and applies until further notice:

Remuneration 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 remuneration:

- 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
- Unscheduled meetings are compensated with € 4,000 per member and meeting.

The remuneration for the year under report totaled € 0.21 million (2018/19: € 0.18 million) and was structured as follows:

Supervisory Board remuneration[1] in €	**2019/20**	**2018/19**
Dr. Junyang Shao, Chairwoman (6 Supervisory Board meetings, 1 Personnel Committee meeting[2], 1 Strategy and Marketing Committee meeting)	69,000	63,500
Thomas Dressendörfer, Deputy Chairman (6 Supervisory Board meetings[1], 1 Personnel Committee meeting, 2 Audit Committee meetings)	53,000	48,500
Yun Cheng (3 Supervisory Board meetings and 1 Audit Committee meeting)	30,000	19,000
Prof. Dr. Matthias Freise (4 Supervisory Board meetings)	29,000	0.00
Birgit G. Wilhelm (2 Supervisory Board meetings, 1 Strategy and Marketing Committee meeting) (retired from Supervisory Board upon conclusion of 32nd AGM (2018/19))	30,000	34,000
Claudia Beermann (retired from Supervisory Board as of 2019/20 financial year)	0.00	15,000
Total	**211,000**	**180,000**

[1] Five regular meetings and one unscheduled meeting.

[2] The Personnel Committee meeting was held on the same day as a meeting of the Supervisory Board. In view of this, no separate remuneration was paid for this Personnel Committee meeting (unscheduled meeting).

[3] Attendance of an unscheduled meeting of the Supervisory Board.

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 accounted for 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 pay 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 due account of aspects such as the age structure, background, gender, professional training, and previous experience of potential candidates.

At the end of the 2019/20 financial year, the Supervisory Board of Wolford AG comprised four members elected by the Annual General Meeting, of which two women and two men. Four Supervisory Board members are of non-Austrian nationality.

As of the balance sheet date, the Supervisory Board members were aged between 39 and 62. In terms of their professional skills, they covered areas including business administration, finance, production and process management, and procurement. Furthermore, they have experience in the fashion industry and corporate strategy.

The Management Board of Wolford AG comprised one male member (aged 53) and one female member (aged 48) at the end of the 2019/20 financial year. Both members have non-Austrian roots. The Management Board members together have expertise in sales and operating processes and experience of restructuring, as well as longstanding management experience gained both within the Group and at competitors and in other industries.

Unlike at many other listed companies, two out of four of the Supervisory Board members elected by the AGM at Wolford AG in the 2019/20 financial year were women. This corresponds to a female quota of 50% (until 32nd AGM: 75%). Since August 2017, the Management Board of Wolford AG has been 50% female. Women made up around 40% of the extended management team in the 2019/20 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 and its subsidiaries. The best possible candidates are selected for available positions, irrespective of their gender, age, religion, or ethnic origin. Many of the leading positions at Wolford AG and its subsidiaries are held by women. Attractive part-time models are offered to mothers returning from maternity leave, thus helping them to combine their family and professional commitments. The Wolford Group focuses on its own retail locations and its product line chiefly targets female customers. These factors are reflected in its workforce, in which women make up more than 85% of employees.

Events After the Balance Sheet Date

On May 28, 2020, the buyer of the company property in Bregenz, the neighboring Blum Group, transferred the agreed purchase price of around € 72 million to Wolford AG. In the same move, Wolford AG repaid all outstanding credit lines owed to its financing banks. Furthermore, the company also redeemed the shareholder loan granted by its principal shareholder, Fosun Fashion Investment Holdings (HK) Limited, together with interest. This means that the company is debt-free upon publication of its financial statements.

Supervisory Board Report

Wolford AG is reporting on an eventful year in which the Supervisory Board closely accompanied developments at the company. In the year under report, the Supervisory Board held five meetings together with the Management Board at which it held in-depth discussions about all major events, the company's business situation, and the implementation of the measures taken to cut costs and increase revenues. 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 providing additional information about special developments.

The individual committees of the Supervisory Board dealt with specific topics in greater detail and subsequently reported to the full Supervisory Board. The Supervisory Board Presidium obtained ongoing reports from the Management Board on the latest business developments. The Audit Committee met twice, while the Marketing and Strategy Committee held one meeting. All meetings of the committees and the Presidium were attended by all of their respective members. The composition and responsibilities of the committees are presented in the Corporate Governance Report. The criteria governing performance-related remuneration for the Management Board, the principles underlying retirement benefits, and the claims arising upon termination of employment are listed in the Remuneration Report, where the remuneration of the Management and Supervisory Board members is also disclosed on an individual basis.

Given Wolford's persistently weak revenue and earnings performance, in its deliberations in the past financial year the Supervisory Board focused in particular on measures to restructure the company and increase its revenues, as well as on the reorganization of sales activities. The results for the first half (May-October 2019) meanwhile once again fell significantly short of expectations. For this period, Wolford reported a reduction in revenues of more than four percent and an operating loss of more than Euro 9 million.

New Management Board members

On September 20, 2019, the Supervisory Board appointed Andrew Thorndike as a new member of the Management Board as of the beginning of October 1, 2019. This was preceded by Brigitte Kurz (Chief Financial Officer) standing down from her position on the Management Board as of September 20, 2019.

On October 29, 2019, the Supervisory Board appointed Silvia Azzali, previously Global Sales & Merchandising Director at Wolford AG, as a new member of the Management Board as of the beginning of November 1, 2019. Axel Dreher, previously Chief Executive Officer, simultaneously stood down from his position on the Management Board. Both former members of the Management Board left the company as of October 31, 2019.

Having thoroughly analyzed the situation together with the company's management, the new Management Board team introduced a new restructuring program comprising short, medium, and long-term measures to return the company to profitability.

The global outbreak of the COVID-19 pandemic and subsequent lockdown measures in spring 2020 nevertheless had a massive impact on business at Wolford AG, with a sharp reduction in revenues. Against this backdrop, on March 11, 2020 the company corrected its medium-term outlook with regard to the achievability of positive operating earnings. The management is currently working on a plan to sustainably reposition Wolford and is being actively supported in this by the Supervisory Board.

Sale of company property

Due not least to the fact that numerous sections of the building at the company's headquarters were now unused but nevertheless created expenses, at the end of 2019 the Management Board already initiated a bidding process to sell the property in Bregenz. This process led to exclusive negotiations being held with the neighboring Blum Group concerning the sale and lease back of the company property. This transaction was successfully agreed at the beginning of April 2020.

At the beginning of the new financial year, on May 28, 2020, the Blum Group, transferred the purchase price for the company property in Bregenz, amounting to around € 72 million, to Wolford AG. In the same move, Wolford repaid all credit lines to its financing banks and repaid a shareholder loan. This means that the company is debt-free and also has sufficient funds available to manage the consequences of the coronavirus crisis.

Several meetings of the Supervisory Board and its committees in the 2019/20 financial year / New Supervisory Board member

At its meetings in the past financial year, the Presidium dealt above all with those strategic, structural and organizational measures needed to enable the company to return to profitability.

In addressing the annual financial statements for the 2018/19 financial year, the Audit Committee invited the auditor to attend its meeting on July 10, 2019. 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 non-financial report, and the Management Board proposal for the appropriation of profit, while also approving 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 2019 Annual General Meeting. The Strategy and Marketing Committee had met on the previous day and mainly dealt with the topics of marketing strategy and marketing organization.

Prior to the 32nd Annual General Meeting, on September 24, 2019 the Management Board reported to the Supervisory Board on the company's latest business performance, and on developments in its online business and its marketing.

The Annual General Meeting on September 25, 2019 elected Prof. Dr. Matthias Friese as a new member of the Supervisory Board. At the constitutive meeting held subsequently, the Supervisory Board elected Dr. Junyang Shao as its Chairwoman and Thomas Dressendörfer as its Deputy Chairman.

The Supervisory Board held an unscheduled meeting on October 29, 2019, at which Silvia Azalli was appointed as a new member of the Management Board. Furthermore, the board discussed the company's latest business performance, including a forecast, and the measures taken to restructure the business and increase sales growth. On this occasion, the new member of the Management Board, Andrew Thorndike, also presented the insights gained in his first weeks at Wolford.

At the Supervisory Board meeting on December 10, 2019, the Management Board reported on the results for the first half of the 2019/20 financial year and on the newly introduced PITBOLI restructuring program, which was intended to contribute directly to stabilizing the company's revenues and earnings. A further key focus of the meeting was the company's personnel and organizational structure. At the Audit Committee meeting held on January 28, 2020, the Management Board informed the Supervisory Board about the business performance in December and the further business outlook. Furthermore, the auditor's audit plan for the 2019/20 financial year was presented.

The unscheduled meeting held on February 26, 2020 dealt with the business outlook in the context of the intensifying coronavirus crisis, as well as with the progress made in stabilizing revenues and earnings, and the topics of supply performance and pricing.

At its meeting on May 5, 2020, the Supervisory Board dealt, among other matters, with the preliminary financial statements for the 2019/20 financial year. Further material agenda items included the sale of the company property, developments with regard to the production of face masks, and the resumption of business activities following the closure of boutique locations due to COVID-19.

Furthermore, the Personnel Committee held several meetings, mostly by telephone, in the course of the financial year. Discussions in these meetings mainly focused on the identification of candidates for the Management Board and the target agreements with such, as well as on the determination of a successor for the position becoming vacant on the Supervisory Board.

The annual financial statements and management report of Wolford AG and the consolidated financial statements prepared in accordance with IFRS as of April 30, 2020 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., 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 auditors' reports were discussed in detail with the auditor at the Audit Committee meeting on July 20, 2020 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 the § 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 2020/21 financial year.

Dr. Junyang Shao
Supervisory Board Chairwoman

Bregenz, July 2020

Overview of Key Figures (5 years)

Key earnings figures		2015/16	2016/17	2017/18	2018/19	2019/20
Revenues	in € million	162.40	154.28	149.07	137.22	118.54
EBITDA	in € million	8.38	-3.39	-2.47	-1.40	-3.98
EBITDA margin	in %	5.16	-2.20	-1.66	-1.02	-3.36
EBIT	in € million	-2.92	-15.72	-9.22	-8.98	-28.68
EBIT margin	in %	-1.80	-10.19	-6.19	-6.54	-24.19
Earnings before tax	in € million	-3.85	-16.57	-11.43	-10.11	-35.02
Earnings after tax	in € million	-10.66	-17.88	-11.54	-11.10	-27.42
Capital expenditure	in € million	7.30	6.72	1.40	5.16	8.85
Free cash flow	in € million	-2.98	-9.45	1.83	-10.88	4.27
Employees (average)	FTEs	1,571	1,544	1,433	1,347	1,243

Key balance sheet figures		2016	2017	2018	2019	2020
Equity	in € million	63.81	44.88	33.90	42.72	15.02
Net debt	in € million	20.86	31.27	30.09	19.62	33.16
Working capital	in € million	43.15	45.73	34.59	31.07	38.05
Total assets	in € million	137.47	138.39	114.33	117.99	161.69
Equity ratio	in %	46	32	30	36	9
Gearing	in %	33	70	89	46	>100

Key share figures		2015/16	2016/17	2017/18	2018/19	2019/20
Earnings per share	in €	-2.17	-3.64	-2.35	-1.76	-4.14
Dividend per share	in €	0.20	0.20	0.00	0.00	0.00
Dividend distribution	in € million	0.98	0.98	0.00	0.00	0.00
Equity per share	in €	12.99	9.14	6.90	6.44	2.26
Annual high	in €	25.48	26.01	19.75	17.70	11.40
Annual low	in €	21.35	19.10	11.36	10.60	3.20
Year-end share price	in €	24.67	19.28	13.60	11.40	6.00
Number of shares (weighted average)	000s	4,912	4,912	4,912	6,320	6,631
Year-end market capitalization	in € million	123.35	96.38	68.00	75.59	75.59

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. It designs and manufactures its products exclusively in Europe at two proprietary locations in Austria and Slovenia and in accordance with the highest environmental standards (partner to the bluesign® system). With its 269 monobrand points of sale (POS) and more than 3,000 retail partners, the brand is represented in 46 countries worldwide. Overall, the Wolford Group has a total workforce of 1,233 employees (FTE), of which 505 employees (FTE) at its headquarters in Austria.

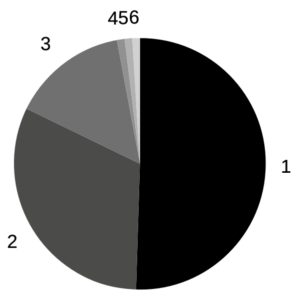
Products meet the highest quality standards

Wolford generates around 51% 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. In 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. Here too, the company draws in some cases on its proven round-knitting technology, while parts of the Beachwear collection are also figure-shaping ("shape and control").

Wolford makes a distinction between fashionable Trend products and the Essential collection, which includes all of its timeless classics, such as the Satin Touch tights offered since 1988 already. 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. Backed up by suitable communications, these are intended to create fresh momentum at the sales areas.

REVENUES BY PRODUCT GROUP



1 Legwear 50 %
2 Ready-to-wear 32 %
3 Lingerie 15 %
4 Accessories 1 %
5 Beachwear 1 %
6 Trading goods 1 %

Covering the whole value chain

The Wolford Group's business model covers the entire value chain – from design and development via production through 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. Tasks relating to product development are centralized at the company's headquarters in Bregenz.

When developing a new collection, product management, the design team, and product development all work hand in hand. Product management analyzes trends and identifies the products that will be in demand in the market – these findings then form the basis for the work performed by the design team. The close cooperation between design and product development in turn results in a stream of new products, often based on new production methods, such as 3D printing or the adhesive technology developed by Wolford and now patented. "Pure Tights", the world's first glued tights, are one result of this cooperation.

Product and merchandise management also deal not least 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.

In procurement, it is nearly all about materials. The raw materials, and yarns in particular, are procured from longstanding partners in neighboring regions in Austria, Germany, and Switzerland, as are upstream products and externally purchased Lingerie and Ready-to-wear products. All these suppliers share Wolford's high standards when it comes to the quality and innovation of their products. Some of the yarns are sourced from Japan, a country known for its innovative materials. All raw materials are stored at the company's headquarters in Bregenz and prepared here for subsequent production and assembly.

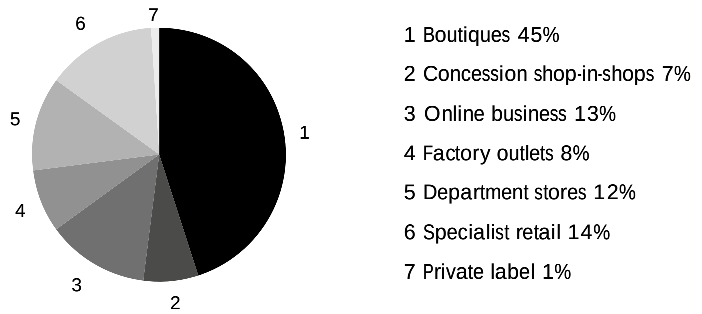
Production takes place at the location in Bregenz, which serves as a textile development and production center, and in Murska Sobota (Slovenia), where the largely manual assembly activities are performed by 224 employees. The knitting mill in Bregenz processes around 233,000 kilometers of yarn each day. Around 11,600 pairs of tights, 3,400 pairs of stockings, and 1,000 bodies are manufactured each day on around 330 individually modified knitting machines. The knitted hoses for bodies or tights are taken to Slovenia for assembly and subsequently dyed 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

Wolford products are currently on sale in around 46 countries worldwide. They are sold via a network of proprietary locations, i.e. directly to end customers (Retail) and via trading partners (Wholesale). In the 2019/20 financial year, the company generated the largest share of its revenues (45%) with its international network of boutiques. At the end of April 2020, 107 of Wolford's 198 boutiques were under proprietary management, while 91 were managed by partners. Overall, the Wolford Group controls around 70% of its distribution. Alongside stationary retail, the online business is also playing an ever more significant role – in the 2019/20 financial year it accounted for 13% of revenues.

REVENUES BY DISTRIBUTION CHANNEL



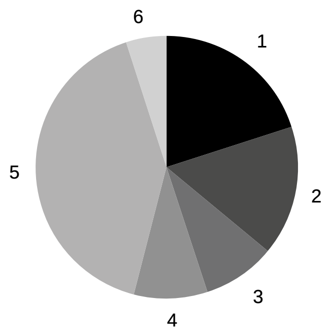
Distribution channels

Boutiques: Boutiques under Wolford's own management	**Department stores:** Exclusive shop-in-shops with Wolford look and feel at numerous international department stores
Partner boutiques: Boutiques managed by retail partners	**Specialist retail:** 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

Accounting for around 75% of revenues, the European market is the most important sales market for the Wolford Group. Specifically, Germany (16%) contributes a major share of the Group's revenues, as do Austria (9%) and France (9%). The US, with a 20% 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. Since February 2019, Wolford has worked together with Fosun Fashion Brand Management (FFBM) as its new partner for the Asian market. In the medium term, the share of revenues generated in this region should match that in Wolford's existing core markets of the US and Germany and reach between 10% and 20%.

REVENUES BY MARKET



1 North America 20%
2 Germany 16%
3 Austria 9%
4 France 9%
5 Rest of Europe 41%
6 Asia / Oceania 5%

Note on basis of data: actual geographical allocation as against segment reporting (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 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.

Key aspects of this approach involve increasing revenues and operating earnings (defined as 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 (net 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 2.9% in the 2019 calendar year, a period which included the first eight months of Wolford's past financial year (May to December 2019). Global growth was significantly lower than in the previous year (3.6%). The ongoing intensification in trade policy tensions between the global powers of the US and China held back confidence and thus also impeded the willingness to invest of companies and investors alike. Global export volumes rose by just 2.6% in 2019, as against 3% in the previous year.

Economic growth in the euro area, where Wolford generates around 75% of its revenues, came to 1.2% in 2019, down from 1.9% in the previous year. This slowdown was due, among other factors, to the trade conflicts between the US, China, and Europe, as well as to Brexit, which has now been implemented. The UK officially left the EU as of February 1, 2020. A trade agreement is to be agreed with the EU by the end of 2020. Trade between the UK and EU member states may well be impeded by potential customer tariffs, immigration requirements, and other potential restrictions.

GDP in France only grew by 1.3%, as against 1.7% one year earlier. In Germany, Wolford's second-largest market, GDP growth only amounted to 0.6% in 2019, a clear decline of 0.8 percentage points compared with the previous year. GDP in Spain rose by 2.0%, while the Italian economy managed growth of just 0.3%.

In the US, economic growth slowed to 2.3%, down from 2.9% in the previous year. Among other factors, this was due to the country's falling purchasing power and comparatively weak export volumes. One positive development was the rapprochement between the world's two largest economies, China and the US, in mid-January 2020 and the resultant easing in some of their sanctions.

The comparatively strong growth of 6.6% achieved by China in 2018 fell to 6.0% in 2019%. This was due to attempts made by the Chinese government to contain the rate of credit growth and high state debt, which held back growth in gross domestic product.

Revenues in the European retail sector rose by 0.9% in 2019 – a clear increase on the growth of 0.6% achieved in 2018. However, growth rates varied widely between individual countries in the EU region: While the retail sector in Ireland reported strong growth (6.7%), the retail sectors in Norway (-3.5%) and Germany (-1.1%) saw significant reductions in revenues.

At the beginning of 2020, the global outbreak of the coronavirus (SARS-CoV-2) and the measures taken to contain the pandemic sent the global economy into a state of shock. Far-reaching lockdown measures led to the closure of nearly all retail outlets worldwide, a development reflected in a sharp fall in revenues since March 2020. According to a survey conducted by the "Textil-wirtschaft" magazine, revenues in Germany fell year-on-year by around 40% in March and by 70% to 80% in April – absolutely exceptional months that took a severe toll on the retail sector.

Sources: OECD, WKO, Frankfurter Allgemeine Zeitung, Handelsblatt, Textil, Textilwirtschaft-Testclub

Financial Review

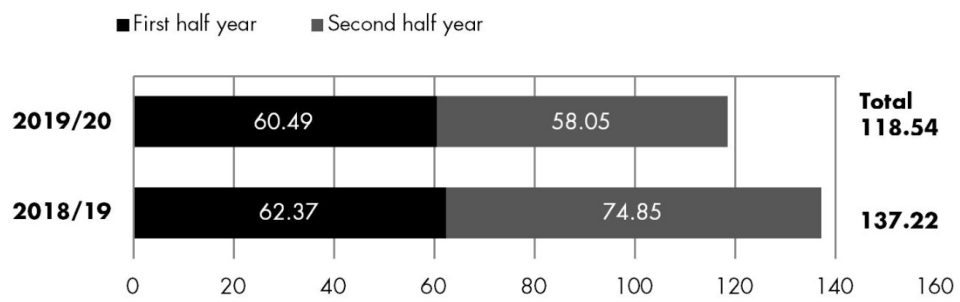
Earnings

The Wolford Group generated revenues of € 118.54 million in the 2019/20 financial year. Revenues thus fell 13.6% short of the previous year's figure (€ 137.22 million). Excluding exchange rate movements, the reduction in revenues came to 12.21%. The overall impact of movements in exchange rates, and in the British pound in particular, came to € -1.92 million in the past financial year.

In common with stationary fashion retailers worldwide, Wolford is suffering from the ongoing decline in customer frequency volumes resulting not least from the boom in online retail. Not only that, the global outbreak of the coronavirus and resultant closures of retail outlets led to significant falls in worldwide revenues in March (-40%) and April 2020 (-80%).

In the past financial year, Wolford's proprietary retail business witnessed a significant reduction in revenues by € 11.7 million (-15.6%; currency-adjusted: -16.5%). On a like-for-like basis (i.e. excluding locations newly opened or closed), the decline in revenues came to 13.1%. Revenues in the wholesale business also showed a substantial downturn of € 5.9 million, with a double-digit percentage reduction here as well, in this case of 15.6%. Wholesalers across Europe are feeling the effects of the structural transformation in the retail sector and the rapid advance of e-commerce particularly clearly. In response to these developments, numerous department stores have restructured their sales areas and, for example, relocated hosiery products from their attractive locations close to store entrances to upper floors. Wolford has also directly felt the impact of these moves. By contrast, revenues in Wolford's proprietary online business showed only a single-digit percentage reduction, decreasing year-on-year by 7.6%.

REVENUE DEVELOPMENT BY QUARTER (IN € MILL.)



Regional revenues developed as follows in the past financial year: Due above all to the global coronavirus outbreak, the four largest country markets all reported reductions, in some cases significant, in their revenues. Specifically, these were the US (-13.8%), Germany (-10.7%), Austria (-20.3%), and France (-21.8%). Revenues in the UK fell by 15.2%. Alongside the coronavirus outbreak, this also reflects the political uncertainties surrounding Brexit. Weak revenue performances were also reported by the Swiss (-6.4%), Scandinavian (-7.7%), and Asian (-27.7%) markets. Negative performances were reported by Wolford's other European markets: Italy (-6.1%), Spain (-11.1%), Netherlands (-13.7%), and Belgium (-12.1%). By contrast, Wolford's East European markets posted a particularly strong performance (+8.5%), with this mainly being due to the recovery in the Russian market in general and the expanded business relationship with Wolford's most important Russian wholesale partner.

With a 50% share of revenues, the Legwear product group once again accounted for half of consolidated revenues in the 2019/20 financial year. Excluding the negative effects of exchange rate movements, Legwear reported a 12.4% decline in revenues compared with the previous year. At 32%, the share of revenues generated by the Ready-to-wear product group remained at the previous year's level. As Wolford's second-largest product group, Ready-to-wear also witnessed a substantial reduction in revenues, in this case by 16.8%. The Lingerie product group which, like in the previous year, contributed 15% of consolidated revenues, showed a 12.6% reduction in revenues. Trading good revenues (1% share of revenues) fell 14% short of the previous year's figure, while Accessories (1% share of revenues) witnessed a 5.7% reduction in revenues. In both these latter areas, the downturn in revenues was due to the targeted streamlining of product ranges. Revenues in the Beachwear product group, which was introduced in April 2017 and also contributed 1% to total revenues, fell by 16.5%.

Key earnings figures	2019/20 in %	2018/19 in %
Material cost (including changes in inventories) as a percentage of revenues	18.4	18.8
Personnel expenses as a percentage of revenues	53.0	43.9
Other operating expenses as a percentage of revenues	31.9	39.5
EBITDA margin	-3.4	-1.0
Capital expenditure (excluding company acquisitions) on depreciation	8.6	71.3
EBIT margin	-24.2	-6.5

In the 2019/20 financial year, Wolford managed to further reduce its inventories by working with systematic requirements planning. This way, inventories fell year-on-year by € 1.09 million to € 34.69 million. Given the reduction in cost of materials by € 1.36 million, the materials cost ratio (including changes in inventories) also fell year-on-year from 18.8% to 18.4%.

Following a reduction in the number of positions in the administrative and production functions in Bregenz, the average number of full-time employees fell by 104 to 1,243 in the 2019/20 financial year (average for 2018/19: 1,347 full-time employees). Despite this reduction in staff totals, personnel expenses rose by € 2.59 million to € 62.83 million. This was mainly due to the severance compensation paid to former members of the Management Board, as well as to job cuts in administrative functions.

Operating expenses amounted to € 37.81 million in the past financial year and thus decreased by € 16.33 million compared with the previous year (€ 54.14 million). However, this reduction was due to the first-time application of the new IFRS 16 lease standard, which has resulted in rental payments being transferred to depreciation and interest expenses.

The figures for the past financial year were negatively affected by impairment tests performed on several boutiques at locations in North America, Asia, Germany, Rest of Europe, and Asia. Due not least to the global outbreak of coronavirus, these stores posted unexpectedly weak performances in the financial year under report, leading to one-off write-downs totaling € 5.41 million.

As a result of the decline in revenues, operating earnings (EBIT) showed a significant deterioration to € -28.68 million in the past financial year, compared with € -8.98 million in the previous year.

The financial result deteriorated year-on-year by € 5.20 million from € -1.14 million to € -6.34 million. This was due to deferrals recognized for interest payments on the € 10 million shareholder loan granted by Fosun Fashion Investment Holdings (HK) Limited. This has an annual interest rate of 12% and a term running until June 30, 2021. Furthermore, the first-time application of IFRS 16 also increased interest expenses. Earnings before tax therefore amounted to € -35.02 million, as against € -10.11 million in the previous year. In terms of its income tax, Wolford reported income of € 7.60 million (2018/19: expenses of € 0.99 million). Earnings after tax fell from € -11.10 million to € -27.42 million. Earnings per share amounted to € -4.14, as against € -1.76 in the previous year.

Income statement (summary) € million	2019/20	2018/19	Change in %
Revenues	**118.54**	**137.22**	**-14**
Other operating income	1.29	3.37	-62
Change in inventories	-1.67	-4.34	-61
Cost of materials	-20.14	-21.50	-6
Personnel expenses	-62.83	-60.24	4
Other operating expenses	-37.81	-54.14	-30
Impairment losses for trade receivables	-1.36	-1.79	-24
Depreciation and amortization	-24.70	-7.57	>100
EBIT	**-28.68**	**-8.98**	**>100**
Financial result	-6.34	-1.14	>100
Earnings before tax	**-35.02**	**-10.11**	**>100**
Income tax	7.60	-0.99	>100
Earnings after tax	**-27.42**	**-11.10**	**>100**

Asset and financial position

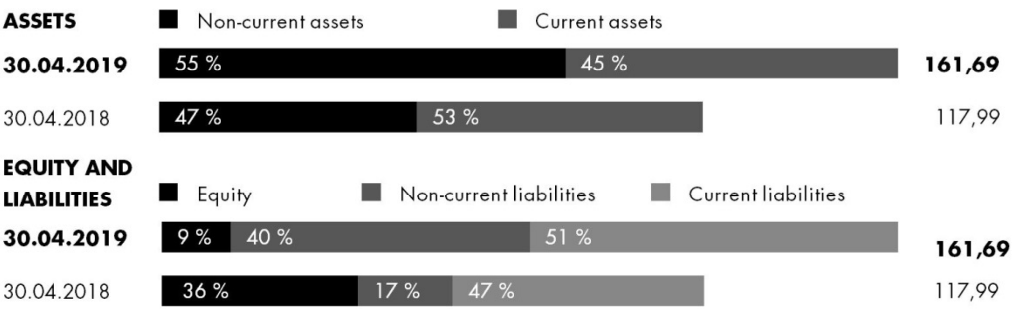
At € 161.69 million, total assets at the Wolford Group as of the balance sheet date on April 30, 2020 were higher than the previous year's figure (€ 117.99 million). This was due above all to the first-time application of IFRS 16.

Non-current assets amounted to € 88.14 million at the balance sheet date, corresponding to 55% of total assets (2018/19: 47%). Property, plant and equipment and other intangible assets rose to € 74.17 million due to the first-time application of the new lease standard and the resultant capitalization of right-of-use assets amounting to € 61.69 million.

During the 2019/20 financial year, Wolford mainly invested in the new factory outlet in Serravalle (Italy) and in an update to its checkout software. The total investments of € 1.70 million were countered by depreciation and amortization of € 24.70 million (2018/19: € 7.57 million). Depreciation and amortization also include write-backs and write-downs.

Current assets accounted for 45% of total assets as of April 30, 2020 (2018/19: 53%). Inventories fell year-on-year by € 1.09 million to € 34.69 million and thus made up 22% of total assets (2018/19: 30%). Due to consistent receivables management, trade receivables decreased to € 5.44 million (2018/19: € 8.74 million), or 3% of total assets. Cash and cash equivalents totaled € 4.52 million at the balance sheet date (2018/19: € 12.07 million).

DEVELOPMENT OF BALANCE SHEET STRUCTURE (IN € MILL.)



Shareholders' equity at the Wolford Group amounted to € 15.02 million at the balance sheet date on April 30, 2020 and was € 27.70 million, and thus significantly, lower than the comparative figure in the financial statements for the previous year, a development which was due above all to loss the incurred in the financial year under report. The equity ratio stood at 9% at the balance sheet date (2018/19: 36%).

Due above all to IFRS 16 and the associated recognition of lease liabilities, non-current liabilities rose by € 44.56 million to € 65.12 million (2018/19: € 20.56 million), equivalent to 40% of total assets (2018/19: 17%). Due to the reclassification of financial liabilities from non-current to current, current liabilities rose by 49% to € 81.55 million (2018/19: € 54.71 million).

Key balance sheet figures		**April 30, 2020**	**April 30, 2019**
Equity	€ million	15.02	42.72
Net debt	€ million	33.16	19.62
Working capital*	€ million	38.05	31.07
Total assets	€ million	161.69	117.99
Equity ratio	in %	9.3	36.2
Gearing	in %	220.8	45.9
Working capital as percentage of revenues	in %	32.1	22.6
Net debt to EBITDA		negative	negative

* Inventories + trade receivables + other receivables and assets – trade payables – other liabilities (including current lease liabilities)

Net debt rose from € 19.62 million to € 33.16 million as of April 30, 2020. This was due above all to the shareholder loan of € 10 million received from Fosun Fashion Investment Holdings (HK) Limited, the first-time application of IFRS 16, and the resultant significant increase in total assets compared with the previous year. This is also reflected in the deterioration in the gearing, which rose significantly from 45.9% to 220.8%.

Calculation of net debt	April 30, 2020 € million	April 30, 2019 € million	Change in %
Non-current financial liabilities	0.00	0.19	> 100
Current financial liabilities	38.98	32.78	19
- Financial assets	-1.30	-1.28	1
- Cash and cash equivalents	-4.52	-12.07	-63
Net debt	**33.16**	**19.62**	**69**

Cash flow

At € 5.53 million, the cash flow from operating activities (operating cash flow) was significantly higher than the previous year's figure (€ -4.17 million). This development was mainly due to the first-time application of the new IFRS 16 lease standard and the reclassification of lease payments from the operating cash flow to the cash flow from financing activities.

The cash flow from investing activities amounted to € -1.26 million in the period under report and was thus significantly (€ 5.50 million) lower than the previous year's figure (€ -6.76 million). In the past financial year, Wolford mainly invested in the new factory outlet in Serravalle (Italy) and in an update to its checkout software.

Given the first-time application of IFRS 16 and the significantly lower volume of capital expenditure, the free cash flow (net cash flow less cash flow from investing activities) in the period under report increased substantially from € -10.88 million to € 4.27 million.

The cash flow from financing activities showed a significant reduction of € 31.90 million to € -11.79 million in the period under report. This was due above all to the capital increase in the previous year, as a result of which Wolford received around € 22 million. Furthermore, there was an increase in payments made to repay financial and lease liabilities due among other factors to the application of IFRS 16. Cash and cash equivalents amounted to € 4.52 million at the end of the period, as against € 12.07 million in the previous year.

Cash flow statement (summary)	2019/20 € million	2018/19 € million	Change in %
Cash flow from operating activities	5.53	-4.12	>100
Cash flow from investing activities	-1.26	-6.76	-81
Free cash flow	**4.27**	**-10.88**	**>100**
Cash flow from financing activities	-11.79	20.11	>100
Change in cash and cash equivalents	7.55	-9.34	>100
Cash and cash equivalents at end of period	**4.52**	**12.07**	**-63**

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) decreased from € 33.25 million to € 29.41 million in the period under report. This segment includes the production and sales activities in Austria and the sales activities in all countries in which Wolford does not have any proprietary subsidiaries. The Austria segment contributed 25% of consolidated revenues (2018/19: 24%). EBIT was clearly negative once again, and deteriorated by € 11.04 million from € -13.08 million in the previous year to € -24.12 million. This was mainly due to the substantial reduction in revenues.

Germany

External revenues in the Germany segment fell from € 15.45 million to € 14.31 million in the past financial year. This segment contributed 12% of consolidated revenues (2018/19: 11%). EBIT came to € 0.34 million, as against € 0.43 million in the previous year. The decline in EBIT was also due to the negative development in revenues.

Rest of Europe

External revenues at the companies in the Rest of Europe segment showed a significant reduction from € 54.22 million to € 46.39 million. This segment includes the European sales companies outside Austria and Germany and the production company in Slovenia. Rest of Europe contributed 39%, and thus the largest share of consolidated revenues (2018/19: 41%). Due to the decline in revenues, EBIT deteriorated to € -0.68 million (2018/19: € 1.61 million).

North America

External sales at the group companies in the North America segment decreased from € 28.18 million to € 24.22 million. As in the previous year, this segment, which comprises the sales companies in the US and Canada, contributed 21% of consolidated revenues. Due to the loss of revenues caused not least by the outbreak of coronavirus, EBIT fell to € -0.89 million, down from € 0.58 million in the previous year.

Asia

At € 4.21 million, external revenues at the companies in the Asia segment fell significantly short of the previous year's figure (€ 6.13 million). This segment, which includes the sales companies in Hong Kong and China, accounted for 4% of consolidated revenues (previous year: 5%). EBIT fell year-on-year by € 2.61 million to € -2.86 million.

Outlook and Targets

The outbreak of novel coronavirus presents the global economy with even greater challenges than the 2008 global financial crisis. The negative impact of weeks of lockdown on industry and the services sector are reflected in the corrections made to the outlooks for numerous economies. In a forecast issued in June, the Organization for Economic Cooperation and Development (OECD) expected global GDP to fall by between 6% and 8% in 2020. At the end of 2019, it had still forecast growth of 3%. The IMF expects the global economy to contract by around 4.9%, having still forecast a reduction of 3.0% in April.

For the luxury goods market, the strategic consultants at Bain & Company released a forecast in early May 2020 in which they forecast a reduction in revenues in this market by between 20% and 35% in the current year.

Due to the lockdown measures and the massive restrictions on travel, purchases of luxury goods came to a complete halt in the months of March to April. Fashion retail was also severely affected. According to surveys conducted by “Textilwirtschaft”, the German textile retail sector, for example, reported drastic downturns in revenues of 42% in March and 76% in April. In May, the year-on-year reduction in revenues still amounted to 29%.

Based on a joint survey with the sector network “The Business of Fashion”, strategic consultants at McKinsey & Company expect the global fashion industry to see a year-on-year reduction in revenues by between 27% and 30% in 2020. An initial recovery in the market is only to be expected in 2021, with growth of 2% to 4%, the experts wrote at the beginning of April 2020.

The coronavirus crisis has also significantly accelerated the process of structural change already long apparent in the fashion industry. Stationary and fashion retailers will have to find new strategic answers to this situation.

Just like other fashion manufacturers with proprietary retail businesses, Wolford is affected by the impact of the coronavirus crisis and resultant intensification in the structural problems facing the retail sector. As a result of the lockdown measures taken to contain the coronavirus, the company’s revenues fell drastically in the last two months of the past financial year, with year-on-year reductions in revenues of 52% in March and 73% in April.

The implications of the crisis were still clearly felt in May, with a 50% reduction in revenues, not least as the dates on which boutiques reopened varied from country to country. The boutiques in Austria, Germany, and Scandinavia, for example, were able to gradually reopen in the weeks from mid-April onwards, while those in France, Italy, Spain, and North America were only permitted to reopen from the end of May and in some cases only from the end of June.

The prolonged economic crisis now expected as a result of COVID-19 can be expected to clearly neutralize the positive effects of previous restructuring measures aimed at cutting costs (leaner administration, more efficient production) and stabilizing revenues. To account for this, on March 11, 2020 Wolford already corrected its medium-term revenue forecast and systematically expanded the restructuring measures already initiated to account for the impact of COVID-19 on revenues for the next 12 months and of corresponding support measures such as subsidized short working hours and deferrals of rental and tax payments. Securing Wolford’s long-term existence will require a fundamental reorganization of the entire company in a program that covers all divisions and the whole value chain. A detailed package of measures has been compiled. On the one hand, this includes measures to expand revenues in the short term (mask production) as well as revenue-boosting measures that should take sustainable effect, such as the introduction of a second label, increasing wholesale and online revenues, and focusing on the attractiveness of the Trend collections, whose lukewarm reception among customers contributed to lower revenues. On the other hand, the package of measures also includes defined plans to cut costs in the fields of administration, production, and purchasing.

In the second half of 2020, the management will clearly focus on implementing the restructuring measures already defined, while also taking targeted measures to stabilize revenues, such as further expanding the online business.

Against the backdrop of the coronavirus crisis, whose impact on revenues is expected to be noticeable through to the middle of the 2021 calendar year, the management only expects the business to return to profitability on an operational level by the end of the 2021 calendar year. Wolford only expects to generate positive full-year operating earnings (EBIT) from the financial year after next.

Events After the Balance Sheet Date

On April 9, 2020, Wolford AG signed a contract with the Blum Group concerning the sale of the company property at Wolfordstrasse 1 and 2 in Bregenz. Wolford AG simultaneously agreed to let the space required for its headquarters, innovation and product development, and production activities from the buyer on a long-term basis. The letting relationship began on May 1, 2020 and is due to expire, without separate notification of termination required, after seven years, i.e. on April 30, 2027. A rent-free period has been agreed for the period from May 1, 2020 to December 31, 2020. This exemption nevertheless does not cover current operating expenses and current public levies.

On May 28, 2020, the Blum Group transferred the agreed purchase price of around € 72 million to Wolford AG (transaction closing). In the same move, Wolford AG repaid all outstanding credit lines owed to its financing Austrian banks, amounting to around € 33 million. Furthermore, Wolford AG also redeemed the shareholder loan of € 10 million granted by Fosun Fashion Investment Holdings (HK) Limited with interest of € 1.1 million. Further information can be found in Note 22 (Financial liabilities) in the notes to the consolidated financial statements. The restructuring agreement concluded with the banks in the previous year was also rescinded.

The Wolford Group was severely affected by the impact of the COVID-19 crisis in the 4th quarter of the 2019/20 financial year already and had to gradually close numerous stores due to the lockdown. The implications for the Group are still significant after the balance sheet date. With the exception of China, where stores reopened slightly earlier, our stores in individual countries were only permitted to reopen from May 2020 onwards, and that in accordance with local restrictions.

Opportunity and Risk Management

To remain competitive on a sustainable basis, companies have no alternative but to deliberately enter into 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 be turned into competitive advantages. This being so, Wolford makes every effort to identify opportunities and risks at an early stage of developments, 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 both of the potential top opportunities and of 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 remit. 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.

To ensure its effectiveness, the opportunity and risk management system has been implemented in accordance with the internationally recognized regulations for companywide risk management and internal control systems (COSO – Internal Control and Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission). Accordingly, within our internal opportunity and risk management process opportunities and risks are identified, assessed, managed, monitored, and systematically documented at regular intervals. Starting in the 2019/20 financial year, all opportunities and risks documented in the prior period are updated by the management team at least once a year.

Comments on material risks and opportunities

Strategic development

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. Wolford therefore analyses the development in the market climate, the behavior of its target groups, and the latest trends on an ongoing basis and adapts its own strategy accordingly. Given the ongoing trend towards online purchases, for example, Wolford has long worked to systematically expand its own online business and to enter into cooperations with relevant providers in this area. As most of the growth with luxury brands is expected to be generated in Asia, and above all in China, Wolford is also planning to systematically expand its presence in China and, together with a new partner, has developed a suitable strategy to enter this market.

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. The company needs an attractive market presence to enable it to attract younger potential consumers as well. Further investments in global branding will continue to be crucial for the company.

Personnel development

Wolford views its employees as its 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 impact 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

Requirements in IT are permanently growing and companies therefore need efficient and process-oriented IT systems. The parallel existence of different IT systems represents a potential risk for the company. From procurement to production planning through 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 in the medium term 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 in line with market requirements. Furthermore, the underlying framework in the fashion retail sector is unrelentingly difficult, as increasing globalization and the advance of digitalization 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. The company's extensive network of proprietary retail locations is regularly reviewed in terms of its economic viability, with insufficiently profitable boutiques being closed upon the expiry of the relevant rental agreements. Alongside this, Wolford has long being working to systematically expand its proprietary online business and to cooperate with relevant e-tailers.

Macroeconomic risks

The worldwide outbreak of Covid-19 and the measures subsequently required to contain the pandemic, such as curfews and business closures, have had an enormous impact on the global economy. This health crisis has impacted on the Wolford Group's sales markets, production, and material procurement. The medium and long-term impact of the crisis is as yet unforeseeable.

The coronavirus crisis has further accelerated the process of structural transformation already long apparent in the fashion industry. The future of stationary retail is now more than ever at stake. To safeguard its continued existence, Wolford will also have to find new strategic approaches by restructuring its business and implementing the revenue-boosting measures referred to above.

Political and social risks

As a company with global operations, Wolford AG is exposed to political and social risks. Consumer behavior may be adversely affected by changes in the political or regulatory framework, geopolitical tension, or terrorist attacks. Uncertainties resulting from political and social upheaval are to be expected in 2020 as well. Among others, these include political uncertainties in the European Union due to the increasingly critical approaches taken by individual member states, the high burden of debt in Italy, the continuing uncertainties surrounding Brexit, and the ongoing trade policy tensions between the US and China. These developments also involve risks for providers of luxury goods in particular and lie outside the control of individual companies.

Financial risks

Wolford is exposed to financial risks as a result of changes in interest rates and exchange rate fluctuations. 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 nevertheless also subject to exchange rate risks. Given its tense financial situation in recent times, however, the company did not conclude any further hedges to cover this risk in the past two financial years.

On April 9, 2020, Wolford AG signed a contract with the Blum Group concerning the sale of the company property at Wolfordstrasse 1 and 2 in Bregenz. Wolford AG simultaneously agreed to let the space required for its headquarters, innovation and product development, and production activities from the buyer on a long-term basis. The letting relationship began on May 1, 2020 and is due to expire, without separate notification of termination required, after seven years, i.e. on April 30, 2027. A rent-free period has been agreed for the period from May 1, 2020 to December 31, 2020. This exemption nevertheless does not cover current operating expenses and current public levies.

Liquidity risks

On May 28, 2020, the Blum Group transferred the agreed purchase price of around € 72 million to Wolford AG (transaction closing). In the same move, Wolford AG repaid all outstanding credit lines owed to its financing Austrian banks, amounting to around € 33 million. Furthermore, Wolford AG also redeemed the shareholder loan of € 10 million granted by Fosun Fashion Investment Holdings (HK) Limited with interest of € 1.1 million.

Due to this inflow of cash and even after repaying all loans, from a current perspective Wolford AG has sufficient liquidity reserves for the next 12 months. These will enable it to finance the ongoing loss of revenues due to COVID-19 and the losses budgeted for the next 12 months in the viability prognosis. However, this does not account for further potential lockdowns, which would on the one hand lead to a severe loss of revenues and on the other hand threaten implementation of the restructuring measures, or for other significant variances in budgeted revenues and costs compared with the viability prognosis. From a current perspective, however, the Management Board does not expect to see any further lockdowns.

Credit risks

Credit risk designates that risk that arises due to business partners failing to meet their contractual obligations and that may lead to losses. Wolford is exposed to potential credit risks in the form of payment default risks when it grants payment targets to wholesale customers. Most of this risk is covered by a credit insurer. Furthermore, the company is exposed to default risks in connection with purchases made by end consumers in its online business. To address these risks, the company works with an external provider, enabling the creditworthiness of customers to be checked when they place their orders. Furthermore, the relevant online shop managers monitor and review incoming orders on an ongoing basis.

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 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.

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 2018/19 financial year Wolford AG also introduced a rolling full-year forecast.

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

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, known as skinwear, offering great comfort and first-class quality. Wolford had 69 employees (FTE) working in product development in the 2019/20 financial year.

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 elastane developed specially for Wolford (Roica, Asahi Kasei®), from a correspondingly modified polyester fiber provided by Lauffenmühle, and from a modal fiber branded TENCEL™, which is 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.

The company reported its first success here in the 2018/19 financial year already. In September 2018, Wolford launched the first biologically recyclable pullovers, T-shirts, and leggings onto the market. These products, which were developed within the Austrian "Smart Textiles" initiative, are fully compostable. In April 2019, the company also received the "Cradle to Cradle Certified™ (Gold)" award for developing technically recyclable (i.e. fully reusable) products. Wolford is the first – and still the only – company in the apparel and textile industry to receive "Gold" certification from "Cradle to Cradle" for developing environmentally compatible products in both categories (biodegradable and technically recyclable).

In 2020, Wolford launched "Aurora 70 Tights", the first technically recyclable tights, onto the market and continued to work on developing further recyclable tights. Furthermore, in the past financial year the "Pure" ready-to-wear series was converted to biologically degradable materials. Wolford also supplemented its bestselling "Fatal Dress" with a recyclable alternative – "Aurora Tube Dress". The company therefore reached key milestones enabling it to produce 50% of its existing products in line with the C2C concept by 2025.

Wolford's use of 3D, an area in which the company is playing 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 was used once again in the past financial year to bring new products to market. In the 2020 Summer Collection, for example, the successful 3W Skin Bra will also be available with cups. The 3D technology was also used for the first time in Trend products in the 2019/20 Fall/Winter Collection. Furthermore, Wolford developed the components of the 3W Skin Bra as recyclable materials.

Human Resources

Highly committed employees are the basis for any company's success. Wolford therefore accords high priority to promoting the health of its employees 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 2019/20 financial year, Wolford had a worldwide average total of 1,243 employees (full-time equivalents). At 84%, women made up the same share of the workforce as in the previous year. Women also made up around 40% of the Wolford Group's management team (Management Board and managers of relevant divisions across the company). An average total of around 453 employees (FTEs) worked at corporate headquarters in Bregenz. The company currently offers vocational training to 16 apprentices in seven different training vocations at its Bregenz site. Since 1989, Wolford has consistently held "state-approved training company" status pursuant to § 30 of the Austrian Vocational Training Act (BAG).

Wolford organizes regular in-house and external workshops for its trainees, such as the workshop held on “Money is something you can learn about”. The company also organizes in-house workshops to “train the trainers”. 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, 10 safety officers for production employees to turn to, 45 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 of the necessary occupational health and safety checks and oversee health promotion measures.

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

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 € 0.09 million in training and professional development for its employees in the 2019/20 financial year. At the beginning of the 2019/20 financial year, Wolford launched a training program for managers and individuals with management potential. To ensure that the training is effective as possible, the training measures, number of training modules, and duration of the development program are individually adapted to the needs of the relevant management tier. The training measures range from communication, team leadership, and time management through to conflict-solving skills.

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 24 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 2019/20 financial year.

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

Wolford AG is listed in the Standard Market of the Vienna Stock Exchange. At the balance sheet date on April 30, 2020, the company had share capital of € 48,848,227.77, which was divided into 6,719,151 zero par value bearer shares. The Management Board is not aware of any restrictions on voting rights or the transferability of shares. There are no shares with special control rights.

According to the information available to the company, the following direct or indirect interests in the capital of Wolford AG equaled or exceeded 10% as of April 30, 2020: Fosun Industrial Holding held around 58%. Since May 22, 2019, the shares in Wolford AG have no longer been held directly by Fosun Industrial Holding, but have rather been transferred to the subsidiary FFG Wisdom (Luxembourg) S.à r.l. Ralph Bartel also held more than 30% of the shares. Wolford AG still held 88,140 shares, corresponding to around 2% 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.

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, July 20, 2020

Andrew Thorndike

Silvia Azzali

Consolidated statement of comprehensive income

EUR 000s	Note	2019/20	2018/19
Revenues	**(1)**	**118,540**	**137,224**
Other operating income	(2)	1,292	3,373
Changes in inventories of finished goods and work in progress		-1,667	-4,336
Cost of materials and purchased services	(3)	-20,139	-21,495
Personnel expenses	(4)	-62,834	-60,242
Other operating expenses	(5)	-37,812	-54,136
Impairments of trade receivables	(6)	-1,359	-1,790
Depreciation and amortization, including impairments and write-backs	(7)	-24,700	-7,573
EBIT		**-28,679**	**-8,975**
Interest and similar income	(8)	24	180
Interest and similar expenses	(8)	-6,157	-1,134
Income from securities		34	38
Interest cost of employee benefit liabilities		-242	-221
Financial result		-6,341	-1,137
Earnings before tax		**-35,020**	**-10,112**
Income tax	(9)	7,598	-986
Earnings after tax		**-27,422**	**-11,099**
Other comprehensive income[1)]			
Amounts that will not be recognized through profit and loss in future periods		-113	-945
of which actuarial gains and losses	(10)	-166	-1,234
of which deferred tax		33	289
Amounts that will potentially be recognized through profit and loss in future periods		-181	-194
of which currency translation differences for foreign operations	(10)	-181	-194
of which change from hedging reserve	(10)	0	0
of which remeasurement of securities		0	0
Other comprehensive income[1)]	**(10)**	**-294**	**-1,139**
Total comprehensive income		**-27,717**	**-12,237**
Attributable to owners of the parent company		-27,717	-12,237
Earnings after tax attributable to owners of the parent company		-27,422	-11,099
Earnings per share in EUR (diluted = basic)	**(11)**	**-4.14**	**-1.76**

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

Consolidated statement of cash flows

EUR 000s	Note	2019/20	2018/19
Earnings before tax		**-35,020**	**-10,112**
Depreciation of property, plant and equipment and amortization of intangible assets		25,300	8,012
Write-backs to property, plant and equipment		-600	-439
Gains / losses from disposals of non-current assets		68	-686
Interest expenses / interest income		6,133	954
Other non-cash income and expenses		0	-199
Changes in inventories		1,092	5,322
Changes in trade receivables		3,306	-83
Changes in other receivables and assets		1,443	590
Changes in trade payables		896	97
Changes in other provisions and employee-related provisions		-1,512	-3,748
Changes in other liabilities		4,964	-1,690
Interest received		25	4
Interest paid		-1,049	-1,071
Income tax paid		484	-1,067
Cash flow from operating activities		**5,530**	**-4,116**
Payments for investments in property, plant and equipment and other intangible assets		-1,703	-5,158
Proceeds from disposals of property, plant and equipment and other intangible assets		440	803
Payments for acquisitions of subsidiaries less liquid funds thereby acquired		0	-2,407
Cash flow from investing activities		**-1,263**	**-6,762**
Proceeds from issue of shares		0	22,005
Proceeds from current and non-current financial liabilities		10,000	13,000
Repayment of current and non-current financial liabilities		-3,992	-14,106
Repayment of lease liabilities		-17,799	0
Transaction costs relating to issue of shares		0	-791
Cash flow from financing activities		**-11,791**	**20,108**
Cash-effective change in cash and cash equivalents		**-7,524**	**9,230**
Cash and cash equivalents at beginning of period	IV.	12,068	2,729
Effects of exchange rate movements on cash and cash equivalents		-25	109
Cash and cash equivalents at end of period		**4,519**	**12,068**

Consolidated balance sheet

EUR 000s	Note	April 30, 2020	April 30, 2019
Property, plant and equipment	(12)	72,689	40,136
Goodwill	(13)	305	890
Other intangible assets	(14)	1,482	10,183
Non-current financial assets	(15)	1,297	1,283
Non-current receivables and assets	(16)	1,747	1,722
Deferred tax assets	(17)	10,618	1,631
Non-current assets		**88,138**	**55,845**
Inventories	(18)	34,694	35,785
Contract assets	(28)	101	156
Trade receivables	(19)	5,436	8,741
Other receivables and assets		4,114	5,393
Cash and cash equivalents		4,519	12,068
Current assets		**48,864**	**62,143**
Non-current assets held for sale	**(20)**	**24,687**	**0**
Total assets		**161,689**	**117,988**
Share capital		48,848	48,848
Capital reserves		10,533	10,533
Other reserves		-39,212	-11,695
Treasury stock		-4,413	-4,413
Currency translation differences		-737	-556
Equity	**(21)**	**15,019**	**42,717**
Financial liabilities	(22)	0	192
Lease liabilities		46,080	0
Other liabilities	(24)	893	925
Provisions for long-term employee benefits	(23)	17,431	17,540
Other long-term provisions	(25)	0	1,907
Deferred tax liabilities		715	0
Non-current liabilities		**65,119**	**20,564**
Financial liabilities	(22)	38,983	32,783
Trade payables		7,518	6,622
Lease liabilities		15,062	0
Other liabilities	(27)	13,733	10,112
Income tax liabilities		445	409
Other provisions	(26)	4,357	3,445
Contract liabilities	(28)	1,453	1,335
Current liabilities		**81,551**	**54,707**
Total equity and liabilities		**161,689**	**117,988**

Consolidated statement of changes in equity

		Attributable to owners of the parent company						
EUR 000s	**Note**	**Share capital**	**Capital reserves**	**Actuarial gain / loss**	**Other reserves**	**Treasury stock**	**Currency translation**	**Total equity**
May 1, 2018	**21**	**36,350**	**1,817**	**-3,886**	**4,235**	**-4,413**	**-361**	**33,742**
Capital increase	21	12,498	8,716	0	0	0	0	21,214
Earnings after tax	21	0	0	0	-11,099	0	0	-11,099
Other comprehensive income	21	0	0	-945	0	0	-195	-1,140
April 30, 2019	**21**	**48,848**	**10,533**	**-4,831**	**-6,864**	**-4,413**	**-556**	**42,717**
May 1, 2019	**21**	**48,848**	**10,533**	**-4,831**	**-6,864**	**-4,413**	**-556**	**42,717**
Earnings after tax	21	0	0	0	-27,422	0	0	-27,422
Other comprehensive income	21	0	0	-113	0	0	-181	-294
Sundry items	21	0	0	0	18	0	0	18
April 30, 2020	**21**	**48,848**	**10,533**	**-4,944**	**-34,268**	**-4,413**	**-737**	**15,019**

Segment reporting

2019/20 in EUR 000s	Austria	Germany	Rest of Europe	North America	Asia	Consolidation	Group
Revenues	**59,998**	**14,313**	**53,617**	**24,219**	**4,211**	**-37,818**	**118,540**
of which intersegmental revenues	30,591	0	7,227	0	0	-37,818	0
External revenues	**29,407**	**14,313**	**46,390**	**24,219**	**4,211**	**0**	**118,540**
EBIT	**-24,115**	**343**	**-675**	**-892**	**-2,857**	**-483**	**-28,679**
Segment assets	129,437	13,194	47,372	28,569	5,401	-62,284	161,689
Segment liabilities	81,109	11,350	41,426	37,232	11,275	-35,722	146,670
Investments (right-of-use assets)	878	353	2,132	2,609	2,874	0	8,845
Depreciation and amortization, including impairments and write-backs	4,944	2,333	9,728	5,727	1,968	0	24,700
Average number of employees (FTE)	505	87	536	95	20	0	1,243

2018/19 in EUR 000s	Austria	Germany	Rest of Europe	North America	Asia	Consolidation	Group
Revenues	**71,938**	**15,447**	**61,603**	**28,184**	**6,130**	**-46,078**	**137,224**
of which intersegmental revenues	38,693	0	7,385	0	0	-46,078	0
External revenues	**33,245**	**15,447**	**54,218**	**28,184**	**6,130**	**0**	**137,224**
EBIT	**-13,082**	**426**	**1,606**	**576**	**-247**	**1,746**	**-8,975**
Segment assets	137,182	4,443	30,540	9,237	3,365	-66,779	117,988
Segment liabilities	69,168	2,218	23,772	17,078	6,856	-43,823	75,269
Investments (including company acquisitions)	2,689	400	4,359	772	8	0	8,228
Depreciation and amortization, including impairments and write-backs	4,600	390	1,670	763	150	0	7,573
Average number of employees (FTE)	548	96	554	112	37	0	1,347

Non-current asset schedule

									Costs	
EUR 000s	**Note**	**April 30, 2019**	**First-time application of IFRS 16**	**May 1, 2019**	**Currency translation differences**	**Additions**	**Disposals**	**Reclassifications**	**Held for sale**	**April 30, 2020**
Property, plant and equipment	**12**									
Land, leasehold rights and buildings, including buildings on third-party land		88,906	0	88,906	226	893	445		-69,095	20,485
of which land		3,095	0	3,095	0	0	6		-1,087	2,002
Technical equipment and machinery		31,114	0	31,114	122	57	884	103	-1,329	29,183
Other equipment, furniture and fixtures		34,612	0	34,612	0	451	1,445		-2,285	31,333
Right-of-use assets		0	76,152	76,152	0	7,143	3,968		0	79,327
Prepayments made and assets under construction		1,835	0	1,835	0	0			0	1,835
		156,467	**76,152**	**232,619**	**348**	**8,544**	**6,742**	**103**	**-72,709**	**162,163**
Goodwill	**13**	**2,193**	**0**	**2,193**	**17**	**0**	**0**		**0**	**2.210**
Other intangible assets	**14**									
Concessions, industrial property rights, and similar rights and values, as well as licenses to such		15,498	0	15,498	3	302	273	-103	0	15,427
Internally generated intangible assets		471	0	471	0	0	0		0	471
Security deposits paid for leased real estate		15,164	-15,164	0	0	0	0		0	0
Customer relationships		0	0	0	0	0			0	0
		31,133	**-15,164**	**15,969**	**3**	**302**	**273**	**-103**	**0**	**15,898**
Total		**189,793**	**60,988**	**250,781**	**368**	**8,846**	**7,015**	**0**	**-72,709**	**180,271**

Accumulated depreciation and amortization										Carrying amounts			
April 30, 2019	First-time application of IFRS 16	May 1, 2019	Currency translation differences	Impair-ments	Write-backs	Addi-tions	Dispo-sals	Held for sale	April 30, 2020	April 30, 2019	First-time application of IFRS 16	May 1, 2019	April 30, 2020
57,802	0	57,802	-19	811	-231	2,656	371	-44,993	15,655	31,104	0	31,104	4,830
0	0	0	0	10	0	0	0	0	10	3,095	0	3,095	1,992
28,061	0	28,061	0	0	0	596	872	-805	26,980	3,053	0	3,053	2,203
28,737	0	28,737	87	375	-369	1,881	1,023	-2,223	27,465	5,875	0	5,875	3,868
0	0	0	15	3,650	0	13,977	0	0	17,642	0	76,152	76,152	61,685
1,731	0	1,731	0	0	0	0	0	0	1,731	104	0	104	104
116,331	**0**	**116,331**	**83**	**4,836**	**-600**	**19,110**	**2,266**	**-48,021**	**89,473**	**40,136**	**76,152**	**116,288**	**72,690**
1,303	**0**	**1,303**	**24**	**578**	**0**	**0**	**0**	**0**	**1,905**	**890**	**0**	**890**	**305**
13,626	0	13,626	63	0	0	776	273	0	14,192	1,872	0	1,872	1,235
224	0	224	0	0	0	0	0	0	224	247	0	247	247
7,100	-7,100	0	0	0	0	0	0	0	0	8,064	-8,064	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
20,950	-7,100	13,850	63	0	0	776	273	0	14,416	10,183	-8,064	2,119	1,482
138,584	**-7,100**	**131,484**	**170**	**5,414**	**-600**	**19,886**	**2,539**	**-48,021**	**105,794**	**51,209**	**68,088**	**119,297**	**74,477**

EUR 000s	May 1, 2018	Currency translation differences	Additions	Additions due to company acquisitions	Disposals	April 30, 2019
					Costs	
Property, plant and equipment						
Land, leasehold rights and buildings, including buildings on third-party land	88,138	561	1,096	0	889	88,906
of which land value	3,095	0	0	0	0	3,095
Technical equipment and machinery	32,161	0	157	15	1,219	31,114
Other equipment, furniture and fixtures	32,041	297	3,059	76	861	34,612
Prepayments made and assets under construction	1,732	0	104	0	0	1,835
	154,072	**858**	**4,416**	**91**	**2,969**	**156,467**
Goodwill	**1,488**	**0**	**0**	**705**	**0**	**2,193**
Other intangible assets						
Concessions, industrial property rights and similar rights and values, including licenses to such	16,689	12	742	1	1,946	15,498
Internally developed intangible assets	471	0	0	0	0	471
Security deposits paid for leased real estate	12,830	61	0	2,273	0	15,164
Customer relationships	727	0	0	0	727	0
	30,717	**73**	**742**	**2,274**	**2,673**	**31,133**
Total	**186,276**	**931**	**5,158**	**3,070**	**5,642**	**189,793**

				Accumulated depreciation and amortization			Carrying amounts	
May 1, 2018	Currency translation differences	Impairments	Write-backs	Additions	Disposals	April 30, 2019	May 1, 2018	April 30, 2019
55,154	477	315	-156	2,807	795	57,802	32,984	31,104
0	0	0	0	0	0	0	3,095	3,095
28,586	0	0	0	693	1,218	28,061	3,575	3,053
27,158	273	361	-283	2,076	848	28,737	4,883	5,875
1,731	0	0	0	0	0	1,731	0	104
112,629	**750**	**676**	**-439**	**5,576**	**2,861**	**116,331**	**41,442**	**40,136**
1,294	**0**	**9**	**0**	**0**	**0**	**1,303**	**194**	**890**
						0		
14,334	12	0	0	1,219	1,939	13,626	2,355	1,872
137	0	0	0	87	0	224	334	247
6,619	36	96	0	349	0	7,100	6,211	8,064
727	0	0	0	0	727	0	0	0
21,817	**48**	**96**	**0**	**1,655**	**2,666**	**20,950**	**8,900**	**10,183**
135,740	**798**	**781**	**-439**	**7,231**	**5,527**	**138,584**	**50,536**	**51,209**

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 consolidated financial statements for the smallest group of group companies and is included in the superordinate consolidated financial statements of Fosun International Limited, Shanghai, China.

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, 2020 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). 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 2019/20 financial year.

The 2019/20 financial year covers the period from May 1, 2019 to April 30, 2020.

The consolidated financial statements of Wolford AG comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the statement of changes in group equity, and the notes to the consolidated financial statements. The consolidated financial statements are presented in euros. Unless otherwise indicated, all amounts are stated in thousand euros (€ 000s). The Management Board is responsible for the preparation of the consolidated financial statements. The rounding up or down of amounts may result in discrepancies between the amounts stated.

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

Standard / Interpretation	Designation	Effective date at the Wolford Group
Sundry	Annual Improvements to IFRSs: 2015-2017 Cycle	May 1, 2019
IFRS 16	Leases	May 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	May 1, 2019
IFRS 9	Changes to IFRS 9: Prepayment Features with Negative Compensation	May 1, 2019
Changes to IAS 19	Employee Benefits	May 1, 2019
Changes to IAS 28	Investments in Associates and Joint Ventures	May 1, 2019

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

Standard / Interpretation	Designation	Effective date
Sundry	Amendments to the Conceptual Framework	January 1, 2020
Changes to IFRS 3	Definition of a Business	January 1, 2020
Changes to IAS 1 and IAS 8	Definition of Material	January 1, 2020
Changes to IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform	January 1, 2020
Changes to IAS 1	Presentation of Financial Statements	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023

IFRS 16 - Leases

The entry into effect of IFRS 16 (Leases) as of January 1, 2019 has removed the classification of leases into operating and finance leases previously required at lessees by IAS 17 and replaced this with a uniform accounting model. For lessors, the distinction between operating and finance leases continues to apply. Under this uniform accounting model, lessees are obliged to recognize both a right-of-use asset and a corresponding lease liability for lease contracts with terms longer than twelve months.

Wolford AG applied IFRS 16 for the first time as of May 1, 2019. For its transition to IFRS 16, it applied the modified retrospective method without adjusting the comparative information and drawing on the practical expedients outlined further below. The following categories of lease contracts were identified: commercial premises, motor vehicles, computer hardware, and fire alarm systems.

The cumulative effects upon first-time application were as follows:

EUR 000s	April 30, 2019	IFRS 16 adjustment	May 1, 2019
Property, plant and equipment	40,136	76,152	116,288
Other intangible assets	10,183	-8,064	2,119
Non-current assets	**55,845**	**68,088**	**123,933**
Lease liabilities	0	52,031	52,031
Other non-current provisions	1,907	-1,907	0
Non-current liabilities	**20,564**	**50,124**	**70,688**
Lease liabilities	0	18,255	18,255
Other provisions	3,445	-291	3,154
Current liabilities	**54,707**	**17,964**	**72,671**
Total assets	**117,988**	**68,088**	**186,076**

Wolford AG recognized provisions for pending losses in connection with lease obligations (onerous contracts) as of April 30, 2019. Drawing on the practical expedients set out in IFRS 16.C10(b), these were deducted as appropriate from right-of-use assets as of May 1, 2019. Further amendments to the figures stated relate to capitalized rental rights in connection with key money, which were capitalized as intangible assets pursuant to IAS 17. Under IFRS 16, these represent initial direct costs of the right-of-use assets and have been reclassified as appropriate.

In applying IFRS 16 for the first time, Wolford AG drew on the option of capitalizing the right-of-use assets at the value of the respective lease liabilities.

Furthermore, upon first-time application of IFRS 16 the Group also drew on practical expedients provided for in the standard. Specifically, the following expedients have been applied:

For leases whose terms expire within 12 months of the date of first-time application, the Group has not recognized any right-of-use assets or any lease liabilities. Current lease payments have continued to be recognized directly through profit or loss.

The terms of leases furnished with extension or termination options have been retrospectively determined.

A single discount rate has been applied to portfolios of lease contracts with similar features.

No renewed assessment of whether a contract is or contains a lease was performed as of May 1, 2019. The standard has rather only been applied to those contracts previously classified as leases pursuant to IAS 17 and IFRIC 4 prior to the date of first-time application.

In respect of the statement of comprehensive income, the operating lease expenses previously stated have been replaced by depreciation of right-of-use assets and interest expenses for liabilities. In the consolidated statement of cash flows, the repayment portion of lease payments has been presented as a component of the cash flow from financing activities, as have the respective interest expenses.

The right-of-use asset is depreciated over the expected term of the lease in accordance with the requirements applicable to property, plant and equipment. The lease liability is recognized in accordance with the requirements of IFRS 16, reduced by lease payments made, and increased by interest expenses.

Wolford AG is drawing on the practical expedients in respect of waiving recognition of short-term lease contracts with terms of a maximum of 12 months and of leases for low-value leased items. The standard also provides lessors with the option of not separating lease and non-lease components (e.g. operating expenses for rental agreements). Wolford AG has decided not to exercise this option and accordingly not to recognize non-leasing components when determining the lease liabilities and right-of-use assets. IFRS 16 requires lessees to recognize lease liabilities at the present value of future lease payments. Among other items, lease payments comprise the total amount of as yet unpaid fixed and variable lease payments. In the case of index-based payments, the indexing is accounted for at the time at which the adjustments to the respective lease payments take effect. Furthermore, due account must be taken of rental extension options and any contract termination payments when these are reasonably certain to arise. Pursuant to IFRS 16, the lease liability is discounted over the term using the effective interest method and calculated using financial mathematical models and taking due account of lease payments already made. In individual countries, the store rental payments have a fully variable structure and are based neither on indices nor on interest rates. In accordance with IFRS 16, Wolford AG has not recognized any right-of-use assets or lease liabilities for these leases in its balance sheet, but has rather continued to recognize the rental payments as expenses in the consolidated statement of comprehensive income.

The calculation of the effects of introducing IFRS 16 was based in particular on assumptions concerning the terms of the rental agreements and the discount rates used. In addition to the basic rental term, Wolford AG has included extension options when such extension is reasonably certain and confirmed by internal analyses. The interest rates used to calculate the lease liabilities as of the transition date are based on fixed-interest offers that account not only for the term but also for the respective currency and hedging measures.

Lease liabilities were discounted as of May 1, 2019 using the incremental borrowing rate. The weighted average discount rate amounted to 5.85 %.

The reconciliation of other financial obligations for operating leases with IFRS 16 lease liabilities is structured as follows:

EUR 000s	May 1, 2019
Obligations in connection with operating leases at April 30, 2019	50,661
Exemption for short-term leases	-1,838
Exemption for low-value assets	-22
Exemption for non-lease components	-431
Adjustment to account for differing treatment of termination, extension, and purchase options, as well as for variable rental payments	33,610
Lease liabilities prior to discounting at May 1, 2019	81,980
Lease liabilities discounted with incremental borrowing rate upon first-time application	70,286

The other new and revised standards / interpretations did not have any material implications for the consolidated financial statements of the Wolford Group.

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 by way of full consolidation:

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	Bielefeld	100
Wolford (Schweiz) AG	Opfikon	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 scope of consolidation did not change compared with the previous year.

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

The consolidated financial statements include 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	**April 30, 2020**	**April 30, 2019**	**2019/20**	**2018/19**
1 EUR / USD	1.08630	1.12050	1.10913	1.15695
1 EUR / GBP	0.86810	0.86180	0.87522	0.88241
1 EUR / CHF	1.05780	1.14150	1.09585	1.14573
1 EUR / DKK	7.46040	7.46500	7.46834	7.45858
1 EUR / SEK	10.65590	10.63700	10.65623	10.36963
1 EUR / NOK	11.16300	9.67750	10.05063	9.63748
1 EUR / CAD	1.50530	1.50680	1.47861	1.51933
1 EUR / HKD	8.42240	8.79300	8.66697	9.07305
1 EUR / CNY	7.68430	7.54692	7.72251	7.76142
1 EUR / MOP	8.66813	9.05344	8.83055	9.31613

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 2019/20 financial year or the previous year.

Straight-line depreciation of property, plant and equipment and amortization of intangible assets are based on the following useful lives:

Land, leasehold rights and buildings, including buildings on third-party land	10 to 50 years
Technical equipment and machinery	4 to 20 years
Other equipment, furniture and fixtures	2 to 10 years
Concessions, industrial property rights and similar rights and values, as well as licenses to such	4 to 10 years
Right-of-use assets	depending on expected term

Where necessary, material reductions in value exceeding depreciation or amortization 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 capitalized if the additional expenditures are likely to increase the future economic benefits from use of the respective asset.

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.

Where appropriate, additional impairment losses are recognized. 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) with the carrying amount as of the balance sheet date. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. 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.

As of each balance sheet date, Wolford AG is required to assess whether any triggering event has occurred that could indicate that an asset is impaired. If this is the case, the company has to estimate the recoverable amount of the asset. Alongside other triggers, the following triggering events in particular have been defined for Wolford AG: deterioration in the net cash flow from the use of cash-generating units or failure to achieve budgeted net cash flows. The impairment tests performed on property, plant and equipment and intangible assets are based on the company budgets for the period 2020/21 to 2022/23 in accordance with the forecasts derived from the latest budget presented to the Supervisory Board. The company budgets for 2020/21 account for the effects of COVID-19, such as temporary shop closures and other state decrees, as a result of which the assumed developments are highly conservative. The revenue budgets for the month of May 2020 in the retail and wholesale businesses, for example, have been corrected downwards by around 70% (budget based on company level). The downward correction for June 2020 was then around 60%. The budget prepared prior to COVID-19 has been adjusted to the new situation as appropriate for all months through to July 2021. The online business is the only area in which a more rapid recovery and lower loss of revenues have been assumed (May 2020: -20%; June 2020:

-10%). Revenue growth of around 25% has been assumed for the 2021/22 financial year. This corresponds to a growth rate of 2.9% prior to COVID-19 effects. For subsequent years, revenue growth of 3.2% has been budgeted. In the first forecast year 2020/21, due account has been taken of expectations concerning exchange rate movements based on the average of various expert forecasts. In subsequent forecast years, it has been assumed that exchange rates remain unchanged. The cost of sales rises by analogy with revenues. Personnel and operating expenses have been accounted for with annual growth rates of 1%. These factors are not directly related to revenues, as the scale of the respective business operations remains unchanged. Furthermore, due account was taken of cost-saving measures adopted within the restructuring program. Investments in replacement and maintenance measures have been included in the calculation based on past experience and structured by boutique size (clustering based on m²). The current budget planning does not account for investments in extension measures or complete shop refurbishments. The forecasts required predictions to be made. These were in turn based on past experience, current operating earnings, analyses compiled by advisors, and the management's best estimate of future developments, as well as on market assumptions. The discount factors used for the impairment tests (WACC after tax) range from 5.3% to 8.3% (2018/19: 5.8% to 8.4%) and are derived from regional interest rates. The discount factors account for the risk-free base rate based on terms congruent to the average remaining period in which the boutiques will remain open in the respective country, as well as for country risk premiums, a risk premium based on a 30-year consumer discretionary bond with BBB rating, and various tax rates. The remaining opening period for the boutique locations is evaluated on individual boutique level, with due account being taken of the remaining term of the rental contract, potential termination options, the expected performance of the respective boutique, and economic and strategic considerations.

For the purpose of determining recoverability, the individual stores are referred to as the cash-generating units.

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 2019/20 financial year or in the 2018/19 financial year.

Financial instruments: Transactions involving financial instruments are recognized as of the settlement date in accordance with IFRS 9. The financial assets line item comprises other securities and investment funds. Under IAS 39, these were previously classified as available for sale and are now measured pursuant to IFRS 9 at fair value through profit or loss (FVTPL). Fair value corresponds to the market prices of the instruments as of the balance sheet date. Since the 2018/19 financial year, measurement gains or losses have been recognized under net financial expenses.

Trade receivables and other receivables and assets: In accordance with IFRS 9, receivables are recognized at cost and subsequently measured at amortized cost. Other assets are capitalized at cost. Should there be any indications of credit impairment or of it not being possible to collect the receivables in full, then individual allowances (Level 3 impairment) are recognized for such receivables. Receivables are derecognized upon becoming uncollectible. A receivable is deemed definitively "uncollectible" when an attorney/debt collector/court confirms it as such. For all other receivables, any losses expected are accounted for by recognizing suitable allowances in the amount of the lifetime expected credit losses (Level 2 impairment).

Liabilities are initially recognized at cost. Financial liabilities are measured at amortized cost as of the balance sheet date.

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 any inventory risks resulting from stockholding periods and reduced marketability.

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

Income tax: 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 and that are expected to retain their value. For domestic entities, the measurement of deferred taxes is based on a tax rate of 25%. For foreign entities, the respective local tax rate of 19.00% to 31.83% is used.

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

Biometric parameters	**AVÖ 2018-P (2018/19: AVÖ 2018-P)**
Discount rate	1.25% p. a. (2018/19: 1.46%)
Wage/salary trend	2.29% p. a. (2018/19: 2.29%)

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.

Provisions for anniversary bonuses at the Austrian parent company are measured in accordance with the requirements of IAS 19 and the projected unit credit method. Application was made of the following parameters:

Biometric parameters	AVÖ 2018-P (2018/19: AVÖ 2018-P)
Discount rate	1.11% p. a. (2018/19: 1.31%)
Wage/salary trend	2.29% p. a. (2018/19: 2.29%)
Retirement age	64 – 65 / 59 – 65 years
Employee turnover (graded):	
0 – 2 years	24% (2018/19: 24%)
3 – 4 years	22% (2018/19: 22%)
5 – 9 years	16% (2018/19: 16%)
10 – 14 years	14% (2018/19: 14%)
15 – 19 years	9% (2018/19: 9%)
20 – 29 years	3% (2018/19: 3%)
over 30 years	0% (2018/19: 0%)

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

Biometric parameters	AVÖ 2018-P (2018/19: AVÖ 2018-P)
Discount rate	0.82% to 1.37% p. a. (2018/19: 1.59% to 1.85%)
Valorization of salaries	1.70% to 2.29% p. a. (2018/19: 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 weighted average number of ordinary shares issued and in circulation in the period under report.

Revenue recognition: IFRS 15 provides for a uniform five-step revenue recognition model that is basically applicable to all contracts with customers. Accordingly, revenues are only recognized upon the transfer of control to the customer. Up to and including the 2017/18 financial year, revenues were recognized only upon the transfer of risks and rewards to the customer pursuant to IAS 18.

Wolford AG essentially generates revenues by selling apparel, with a distinction made between the three business models of wholesale, online, and retail. Different goods are not aggregated in single contracts and consideration is not dependent on prices in other contracts. Revenues are recognized in accordance with the uniform five-step revenue recognition model in IFRS 15 that is basically applicable to all contracts with customers and determines the amount and time at which revenues are recognized.

Wolford AG basically recognizes revenues upon the transfer of control. In all of the company's distribution channels, this is generally the time at which the contract is satisfied by supplying or selling products. The transfer of risks is determined in individual cases by reference to the respective supply clauses.

In some cases, contracts with customers include variable consideration which may, for example, take the form of revenue bonuses. In this respect, the expected rebate is estimated on the basis of past experience. Contributions, i.e. grants provided to retailers to enable them to acquire the shop fittings customary to Wolford AG, are deferred and written back through profit or loss on a prorated basis over the term of the respective contract. These contributions are recognized as a reduction to revenues. For vouchers sold by the company, the portion that, based on management assessment, is not expected to be redeemed is credited to earnings.

Contracts with customers do not exceed a period of one year. It is therefore not necessary to account for any major financing components.

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 € -99k were recognized in the 2019/20 financial year (2018/19: € 406k).

Derivative financial instruments: Like in the previous year, in the year under report Wolford AG did not conclude any hedging transactions in the form of forward exchange contracts 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.

Wolford received government grants as defined in IAS 20 totaling € 210k in the financial year under report (2018/19: € 191k). These grants are recognized as revenue on the basis of binding commitments, official notifications, and legal entitlement. They mainly comprise subsidies for research and development projects and employee qualification measures. Furthermore, the Wolford Group also received promotional loans from the public sector that are reported under non-current financial liabilities. Moreover, grants of € 766k were recognized as other current receivables. These involved short-time work (furloughing) allowances in connection with COVID-19 and were directly offset against personnel expenses.

Uncertainties involved in estimates and sensitivities: 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, intangible assets, and right-of-use assets, the forecasts and assumptions used for impairment tests, the recognition of impairment losses for receivables and inventories (Notes 18 and 19), the recognition and measurement of deferred taxes (Note 17) and of 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 earnings. The calculation of allowances for 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.

Lease terms are determined by reference to the non-terminable basic lease term and take account of periods resulting from lease extension options that are deemed reasonably certain. Discretionary decisions are taking when assessing whether it is reasonably certain that the option to extend or terminate the lease will be exercised or not. These decisions account for all relevant factors that could present an economic incentive. These are reviewed and reassessed whenever new information arises. This may lead to adjustments being made to the term of the leases, as well as to the amounts stated for lease liabilities and right-of-use assets.

To account for existing forecasting uncertainty, the impact on the value in use of potential changes in the discount rate, the earnings performance and the long-term growth rate are investigated (sensitivity analysis) by calculating alternative scenarios and comparing these with the company's figures. Further information about the carrying amounts of items subject to material uncertainties can be found in "III. Notes to the balance sheet".

4. SEGMENT REPORTING

The Wolford Group is organized in regions in order to achieve the maximum possible level of market penetration. Each sales company has a market director who is best able to evaluate the country-specific circumstances on location and manage business operations accordingly. The country companies are responsible for the distribution of all products developed by Wolford 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, Rest of 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 Rest of 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 proprietary 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 Rest of Europe segment were distributed as follows: € 9,900k, or 19%, in France (2018/19: 23%), € 7,516k, or 14%, in the UK (2018/19: 17%), € 7,351k, or 14%, in Scandinavia (2018/19: 15%), € 3,815k, or 7%, in Switzerland (2018/19: 8%), and 46% in other European countries (2018/19: 37%). Of the revenues in the North America segment, € 22,278k, or 92%, were attributable to the US (2018/19: 92%) and € 1,941k, or 8%, to Canada (2018/19: 8%). Segment information is prepared by reference to the same accounting, recognition, and measurement methods as applied in the consolidated financial statements. No customers or customer groups account for more than 10% of total revenues. The amounts shown in the consolidation column are the result of group consolidation procedures. The Legwear product group generated more than half of the Group's revenues in the 2019/20 financial year, with a 50% share of revenues (2018/19: 50%). Ready-to-wear, which contributed 32% of revenues (2018/19: 32%), was the second-largest product group once again in the 2019/20 financial year. Lingerie, Beachwear, Accessories, and Trading goods were responsible for a combined share of 18% of revenues in the past financial year (2018/19: 18%).

II. Notes to the statement of comprehensive income

(1) REVENUES

Wolford generates its revenues almost exclusively from the sale of Legwear, Ready-to-wear, Lingerie, Beachwear, Accessories, and Trading goods.

Revenues from contracts with customers are broken down into the most important product groups and distribution channels in the tables below. The breakdown into the company's main geographical markets can be found in the information about operating segments contained "4. Segment reporting" in "I. Accounting principles".

Revenues by product group and distribution channel

€ 000s	2019/20	2018/19
Legwear	60,484	68,420
Ready-to-wear	37,951	43,789
Lingerie	17,790	20,527
Accessories, Beachwear, and Trading goods	2,372	4,104
Other	0	450
Contributions	-57	-66
Total	**118,540**	**137,224**

€ 000s	2019/20	2018/19
Boutiques	53,343	61,578
Concession shop-in-shops	8,298	9,579
Online business	15,410	17,789
Factory outlets	9,483	10,947
Department stores	14,225	14,986
Specialist retailers	16,596	20,526
Private labels	1,185	1,369
Other	0	450
Total	**118,540**	**137,224**

(2) OTHER OPERATING INCOME

€ 000s	2019/20	2018/19
Income from key money for rental agreements	0	1,141
Grants and subsidies	210	191
Restaurant revenue	147	163
Insurance benefits	27	111
Reimbursements	0	64
Gains on disposals of non-current assets	43	892
Other	865	811
Total	**1,292**	**3,373**

(3) COST OF MATERIALS

€ 000s	2019/20	2018/19
Raw materials	15,917	15,580
Energy	1,185	1,101
Services	3,037	4,814
Total	**20,139**	**21,495**

(4) PERSONNEL EXPENSES

€ 000s	2019/20	2018/19
Wages	7,290	7,518
Salaries	41,088	40,413
Expenses for statutory social security contributions, payroll-based duties, and other mandatory contributions	10,917	11,052
Expenses for severance compensation and pensions	2,376	97
of which for management	240	0
Other employee benefits	1,163	1,162
Total	**62,834**	**60,242**

Personnel totals

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

Number of employees (full-time equivalents)	2019/20	2018/19
Average number of employees	1,243	1,347
of which waged employees	348	365
of which salaried employees	879	960
of which apprentices	16	22

(5) OTHER OPERATING EXPENSES

€ 000s	2019/20	2018/19
Rental and lease expenses	5,416	21,689
Marketing expenses	6,575	8,382
Legal and consulting fees	7,167	6,144
Freight costs	1,843	1,774
Online distribution	4,476	4,125
Travel costs	1,235	1,341
Customs duties	1,422	1,488
Credit card fees and bank charges	1,454	1,395
IT expenses	2,916	1,973
Insurance premiums	943	819
Taxes (excluding income tax)	876	763
Maintenance expenses	685	699
Vehicle fleet	605	587
Other	2,199	2,957
Total	**37,812**	**54,136**

Among other items, rental and lease expenses include expenses for those leases not recognized pursuant to IFRS 16, which have terms of less than 12 months, are low-value leases, or leases which comprise only variable lease payments.

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

€ 000s	2019/20	2018/19
Audit of annual and consolidated financial statements	171.6	159
Other assurance services	0	180
Other services	0	112
Total	**171.6**	**451**

(6) ALLOWANCES FOR TRADE RECEIVABLES

Allowances of € 1,359k were recognized on trade receivables in the 2019/20 financial year (2018/19: € 1,790k). Details about the allowances recognized for trade receivables and on IFRS 9 disclosures can be found in III. Notes to the balance sheet, (19) Trade receivables.

(7) DEPRECIATION AND AMORTIZATION

Depreciation and amortization amounted to € 19,886k in the 2019/20 financial year (2018/19: € 7,231k).

The impairment tests performed in the 2019/20 financial year led to the recognition of impairments of € 5,414k (2018/19: € 781k) and write-backs of € 600k (2018/19: € 439k). Impairments related to property, plant and equipment (€ 4,836k; 2018/19: € 676k), goodwill (€ 578k; 2018/19: € 9k), and intangible assets (€ 0k; 2018/19: € 96k) and are distributed among the segments of Asia (€ 1,666k; 2018/19: € 0k), North America (€ 941k; 2018/19: € 390k), Rest of Europe (€ 2,662k; 2018/19: € 370k), Germany (€ 134k; 2018/19: € 0k), and Austria (€ 11k;

2018/19: € 7k). 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-backs related to property, plant and equipment (€ 600k; 2018/19: € 439k) and are distributed among the segments of Rest of Europe (€ 350k; 2018/19: € 224k), North America (€ 248k; 2018/19: € 290k), Austria (€ 2k; 2018/19: € 1k), Germany (€ 0k; 2018/19: € 51k), and Asia (€ 0k; 2018/19: € 71k). The write-backs were due in particular to improvements in the expected business performance of individual stores, which led to an increase in the fair values based on values in use.

(8) NET INTEREST EXPENSES

€ 000s	2019/20	2018/19
Interest and similar income	24	180
Interest and similar expenses	-2,198	-1,134
Interest on lease liabilities	-3,959	0
Total	**-6,133**	**-954**

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

(9) INCOME TAX

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

€ 000s	2019/20	2018/19
Statement of comprehensive income		
Current tax expense / income	-561	-852
Deferred tax expense / income	8,159	-134
Total	**7,598**	**-986**

Current tax expenses include taxes of € -33k for previous periods (2018/19: € 418k).

€ 000s	2019/20	2018/19
Development of net deferred taxes		
Net deferred tax assets and deferred tax liabilities at April 30	1,631	2,123
First-time application of IFRS 9	0	51
Net deferred tax assets and deferred tax liabilities at May 1	**1,631**	**2,174**
Currency translation differences	80	7
Company acquisition	0	-705
Deferred taxes recognized in earnings after tax	8,159	-134
Deferred taxes recognized in other comprehensive income	33	289
Net deferred tax assets and deferred tax liabilities at April 30	**9,903**	**1,631**

The reconciliation of the income tax charge based on the Austrian corporate tax rate of 25% (2018/19: 25%) with the effective tax rate for the period is as follows:

€ 000s	2019/20	2018/19
Earnings before tax	**-35,020**	**-10,112**
Tax expenses / income at 25% tax rate	8,755	2,528
Effect of changes in tax rate	24	20
Divergent foreign tax rates	-40	-44
Tax effects due to divergences in tax assessment base	-300	27
Taxes from prior periods	33	-418
Losses in current year for which no deferred tax assets were recognized	-7,319	-2,786
Non-recognition of deferred taxes / differences due to utilization of deferred taxes not recognized in previous periods	5,935	-567
Other	510	253
Effective tax expenses / income	**7,598**	**-986**
Effective tax rate	**22%**	**-10%**

The "Other" line item also includes corrections for currency differences. The effective tax rate of 22% (2018/19: -10%) is mainly attributable to the non-recognition of deferred tax assets on current losses.

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; at 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

Wolford AG recognized an actuarial loss before tax of € 166k in the 2019/20 financial year (2018/19: loss of € 1,234k). Deferred taxes of € 33k are attributable to this loss (2018/19: € 289k). Together with the result of € -181k from currency translation of foreign operations (2018/19: € -194k), this resulted in other comprehensive income of € -294k (2018/19: € -1,139k).

(11) EARNINGS PER SHARE / PROPOSED APPROPRIATION OF PROFIT

Earnings per share are calculated by dividing the earnings after tax of € -24,197k (2018/19: € -11,099k) by the weighted average number of common shares excluding time-apportioned treasury stock holdings (2019/20: 6,631,011; 2018/19: 6,320,151). Earnings per share for the 2019/20 financial year amounted to € -4.14 (2018/19: € -1.76). Given this earnings situation, the Management Board will propose to the Annual General Meeting due to be held on September 30, 2020 that no dividend should be paid for the 2019/20 financial year.

The basis for calculating earnings per share is as follows:

	2019/20	2018/19
Weighted average number of shares in circulation	6,719,151	6,408,291
Less average number of treasury stocks	-88,140	-88,140
	6,631,011	**6,320,151**

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 € 37k at the balance sheet date (April 30, 2019: € 80k).

Wolford AG pledged items of property, plant and equipment in connection with its refinancing agreement. These involved property and machinery with residual carrying amounts of € 23,080k (2018/19: € 25,932k) and € 2,359k (2018/19: € 2,768k) respectively.

(13) GOODWILL

Impairments of € 578k were recognized on goodwill in the 2019/20 financial year (April 30, 2019: € 9k). These were due to the negative current and expected business performance, which led to a reduction in fair values based on the respective values in use.

(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.

Upon the first-time application of IFRS 16, key money (payments for rental rights) was reclassified to right-of-use assets.

No impairment requirements were identified for intangible assets in the 2019/20 financial year (April 30, 2019: € 96k).

No intangible assets are pledged as security.

(15) NON-CURRENT FINANCIAL ASSETS

Non-current financial assets mainly include shares in investment funds that are recognized at fair value through profit or loss pursuant to IFRS 9.

The change in fair value recognized through profit or loss in the 2019/20 financial year amounted to € 14k (2018/19: € 18k).

(16) NON-CURRENT RECEIVABLES AND ASSETS

The amounts recognized in this line item chiefly involve security deposits.

(17) DEFERRED TAXES

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

€ 000s	April 30, 2020 Assets	April 30, 2020 Liabilities	April 30, 2019 Assets	April 30, 2019 Liabilities
Property, plant and equipment	1,149	16,276	154	36
Intangible assets	1,982	96	0	1,011
Interests in associates	0	1,316	0	0
Inventories	1,192	22	1,095	18
Trade receivables	845	1,028	739	2
Provisions for long-term employee benefits	1,944	13	200	0
Other provisions	55	29	102	7
Liabilities	18,289	2,798	0	0
Other	0	0	161	53
Deferred taxes on loss carryovers and write-downs to fair value	6,025	0	307	0
Deferred tax assets / deferred tax liabilities	**31,481**	**21,578**	**2,758**	**1,127**
Offset for items due to same tax authority	**-20,863**	**-20,863**	**-1,127**	**-1,127**
Net deferred tax assets and liabilities	**10,618**	**715**	**1,631**	**0**

At the balance sheet date, the company had unutilized tax loss carryovers of € 98,899k (2018/19: € 70,505k). Loss carryovers and temporary differences for which no deferred taxes were recognized amounted to € 36,057k (2018/19: € 82,332k).

€ 000s	April 30, 2020	April 30, 2019
Loss carryovers	**98,899**	**70,505**
Due to expire within		
1 year	909	870
2 years	1,133	912
3 years	1,140	1,060
4 years	0	648
5 years	237	0
After 5 years	40	822
Unlimited eligibility to be carried forward	**95,439**	**66,193**

(18) INVENTORIES

Inventories are structured as follows:

€ 000s	April 30, 2020	April 30, 2019
Finished goods and trading goods	22,523	25,847
Work in progress	6,591	4,933
Raw materials and supplies	5,580	5,005
Total	**34,694**	**35,785**

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. The existing measurement method has been retained in the financial statements at April 30, 2020. 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 € 2,780k at the balance sheet date (April 30, 2019: € 3,126k). The effect recognized in the income statement amounted to € 346k.

No inventories were pledged as security.

(19) TRADE RECEIVABLES

€ 000s	April 30, 2020	April 30, 2019
Trade receivables	7,813	11,353
Impairment losses	-2,377	-2,612
Trade receivables after impairment losses	**5.436**	**8.741**

For trade receivables, Level 2 allowances of € 291k (April 30, 2019: € 135k) were recognized due to expected credit losses (ECL Level 2) and Level 3 allowances of € 2,086k were also recognized (April 30, 2019: € 2,477k).

Trade receivables mainly relate to the wholesale and online businesses at Wolford AG. To monitor default risk, customers are structured into these categories in line with their creditworthiness. 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.

In the wholesale business, the risk of receivables default is reduced by concluding credit insurance policies which are subject to a deductible of 10%. The ECLs recognized are based on external ratings. The allowances recognized for receivables in the online business were based on historic default statistics.

A Level 3 allowance is recognized for credit-impaired receivables. Receivables are assigned to this category at the latest upon being handed over to an attorney / debt collector / court.

The allowances recognized on trade receivables developed as follows:

€ 000s	2019/20	2018/19
May 1 (IAS 39)	**2,612**	**678**
Conversion to IFRS 9	0	205
May 1 (IFRS 9)	**2,612**	**883**
Added (+) / reversed (-)	1,359	1,790
Utilized	-1,593	-62
Currency translation differences	-1	1
April 30	**2,377**	**2,612**

The following table presents information about the default risk and the expected credit losses for trade receivables and contract assets at April 30, 2020.

April 30, 2020 in € 000s	Loss rate	Gross carrying amount	Allowance
Wholesale	**31.3%**	**7,594**	**2,377**
ECL receivables	5.3%	5,508	291
Receivables (credit impaired)	100.0%	2,086	2,086
Online	**0.0%**	**219**	**0**
ECL receivables	0.0%	0	0
Receivables (credit impaired)	0.0%	0	0

Receivables of € 1,347k were derecognized due to uncollectibility in the 2019/20 financial year (2018/19: € 251k). A receivable is classified as definitively uncollectible when an attorney, debt collector, or court confirms this to be 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.

€ 000s	April 30, 2020	April 30, 2019
Trade receivables after impairment losses	**5,436**	**8,741**
not due	1,726	5,283
less than 30 days	463	1,529
31 - 60 days	994	313
61 - 90 days	711	296
91 - 120 days	458	346
121 - 180 days	721	545
over 181 days	363	430

(20) NON-CURRENT ASSETS HELD FOR SALE

On April 9, 2020, Wolford AG signed an agreement concerning the sale of its company property at Wolfordstrasse 1 and 2 in Bregenz. The net proceeds on the sale amount to € 72,001k.

The sale will give rise to an accounting gain of € 47,314k in the 1st quarter of the 2020/21 financial year.

Reference is made to the information provided under “Events after the balance sheet date”.

(21) EQUITY

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

Share capital

Reconciliation of common shares between May 1, 2019 and April 30, 2020:

Number of shares (000s)	2019/20	2018/19
Issued at May 1	**6,719,151**	**5,000,000**
Issued in return for cash contribution	0	1,719,151
Issued at April 30 – paid up in full	**6,719,151**	**6,719,151**

Share capital consists of 6,719,151 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.

This capital increase, which involved increasing share capital from € 36,350,000 to € 48,848,227.77 by issuing 1,719,151 new shares, was subsequently executed and entered in the Companies Register. On July 5, 2018, all 1,719,151 new shares were acquired within the subscription offering or by way of oversubscription and allocated. Around 99.6% of the 1,719,151 new shares were acquired by exercising subscription rights. Around 59.3% of the new shares were taken over by Fosun Industrial Holdings Limited in its capacity as subscription beneficiary and in the context of its subscription obligation. The remaining total of around 40.7% of the new shares were subscribed by other subscription beneficiaries or by way of oversubscription.

Capital reserves

Appropriated capital reserves result from the premiums (less issue costs) on the stock issues in 1995 and 2018. The expenses of € 791k incurred to issue new shares have been deducted.

Other reserves

No dividend was distributed for the 2018/19 financial year.

Reserve for actuarial gains/losses

€ 000s	2019/20	2018/19
May 1	**-4,831**	**-3,886**
Actuarial gains and losses in the financial year	-146	-1,234
of which deferred taxes	33	289
April 30	**-4,944**	**-4,831**

Treasury stock

Wolford AG holds 88,140 treasury stock shares (April 30, 2019: 88,140). There were no movements in treasury stock shares in the 2019/20 financial year. As a result, 1.3% of share capital is held by the company (April 30, 2019: 1.3%).

Going concern

The Wolford Group concluded the financial year with negative earnings after tax of € 27,422k.

Including the sale of the company property in Bregenz, the Wolford Group expects to generate clearly positive earnings in the coming financial year. The transaction was closed in May 2020 and the agreed purchase price of € 72 million was transferred to Wolford AG. Following the repayment of all credit lines due to Austrian banks and of the shareholder loan due to Fosun Fashion Investment Holdings Limited, the company therefore has sufficient liquidity to cover the operating loss budgeted for the coming financial year. Given the impact of COVID-19, in its viability prognosis Wolford AG expects to generate an operating loss in the coming financial year as well; however, it will be possible to cover this with the aforementioned liquidity reserves.

The budgets underlying the viability prognosis for the next 12 months from the balance sheet date on April 30, 2020 account for a year-on-year reduction in revenues by around € 10 million due to COVID-19 (the 4th quarter of the previous year was also affected by a COVID-related reduction in revenues). Wolford expects it to be possible to offset this loss of revenues with suitable countermeasures, as a result of which revenues for the next 12 months should approximately match those generated in the past financial year.

Furthermore, the viability prognosis includes extensive restructuring measures. The resultant savings effects will be reflected in part in the coming financial year and in full in subsequent financial years. Most measures are already in implementation.

One residual uncertainty concerning achievement of the budget targets relates to future developments in connection with COVID-19, which currently cannot be foreseen or assessed. Should the stores in Wolford's core markets be required to close once again in the next 12 months, or should there be any significant delay in implementing the restructuring measures, then the existing liquidity reserves may not suffice to cover the resultant liquidity requirements.

From a current perspective, Wolford AG believes that it and the Group will in all probability remain a going concern.

(22) FINANCIAL LIABILITIES

Financial liabilities are structured as follows:

€ 000s	April 30, 2020	April 30, 2019
Loans from banks, variable interest rates from 1.00% to 3.75%	28,346	32,170
(April 30, 2019: 1.00% to 3.75%)		
Loans from Fosun Fashion Investment Holdings (HK) Limited (12%)	10,000	0
Loans from banks, fixed interest rates of 4.50%	613	613
(April 30, 2019: 4.50%)		
Loans from Austrian Research Promotion Agency, fixed interest rates of 0.75%	0	161
(April 30, 2019: 0.75%)		
Interest-free loan from the Federal Province of Vorarlberg	24	31
Total	**38,983**	**32,975**
of which current	38,983	32,783

Scheduled repayments for financial liabilities have the following maturity structures:

€ 000s	< 1 year	1 – 5 years	> 5 years
At April 30, 2020	38.983	0	0
At April 30, 2019	32.783	192	0

At April 30, 2020, the fair value of fixed-interest financial liabilities was € 8k higher than cost (April 30, 2019: € 60k).

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

Furthermore, upon agreement of the financing arrangement in July 2017 the company provided extensive security (global assignment of all receivables, pledging of machinery and all properties, as well as of intellectual property).

In June 2019, Wolford reached agreement with the financing banks to extend the credit lines through to June 30, 2021. For this period, the financing banks agreed to extend the moratorium on repayments of legacy financing facilities and not to draw on the security. The agreed interest, costs, and regular bank fees will nevertheless be paid.

Furthermore, Fosun Fashion Investment Holdings (HK) Limited granted a shareholder's loan of € 10,000k, also with a term until June 30, 2021. Pursuant to the restructuring agreement with the banks, the shareholder's loan could only be repaid prior to this date if a further capital increase of at least € 10,000k had been granted. The interest incurred during the term of the loan is not paid. The restructuring agreement was dissolved following repayment of all bank liabilities upon the end of May 2020.

(23) PROVISIONS FOR LONG-TERM EMPLOYEE BENEFITS

The provisions for pensions, severance compensation, and anniversary payments are calculated in accordance with the requirements of IAS 19.

€ 000s	April 30, 2020	April 30, 2019
Provisions for pensions	5,163	5,244
Provisions for severance compensation	10,316	10,291
Provisions for anniversary payments	1,952	2,005
Total	**17,431**	**17,540**

Provisions for pensions and severance compensation

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 compensation 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 compensation plans in Italy, Germany, and Slovenia.

Provisions for pensions developed as follows:

€ 000s	2019/20	2018/2019
Present value of obligation at May 1	**5,244**	**4,718**
Interest expenses	81	87
Pension payments	-263	-255
Actuarial gains / losses	101	694
Present value of obligation at April 30	**5,163**	**5,244**

Provisions for severance compensation developed as follows:

€ 000s	2019/20	2018/2019
Present value of obligation at May 1	**11,197**	**10,881**
Currency translation differences	34	54
Service cost	546	616
Interest expenses	140	105
Severance compensation	-825	-1,051
Actuarial gains / losses	185	592
Present value of obligation at April 30 (gross obligation)	**11,277**	**11,197**

The plan assets relating to the provision for severance compensation developed as follows:

€ 000s	2019/20	2018/2019
Fair value of plan assets at May 1	**906**	**798**
Currency translation differences	38	39
Contributions received	82	65
Interest income	6	9
Payments made	-26	-57
Actuarial gains / losses	-45	52
Fair value of plan assets at April 30	**961**	**906**

The net obligation for severance compensation is structured as follows:

€ 000s	2019/20	2018/2019
Net obligation at May 1	**10,291**	**10,083**
Currency translation differences	-4	15
Service cost / contributions received	464	551
Interest	134	96
Payments	-799	-994
Actuarial gains / losses	230	540
Net obligation at April 30	**10,316**	**10,291**

Plan assets comprise:

€ 000s	2019/20	2018/2019
Equity investments	**455**	**471**
Bonds	118	101
Real estate	256	243
Alternative investments	37	33
Qualified insurance policies	0	0
Liquid funds	95	57
Total plan assets	**961**	**906**

The actuarial gains reported for the 2019/20 financial year comprise experience adjustments of € 0k (2018/19: € 397k) and financial adjustments of € 331k (2018/19: € 837k).

Defined benefit payments of € 699k are planned for provisions for pensions and severance compensation in the coming 2020/21 financial year (2018/19: € 936k).

Provision for anniversary payments

The provision for anniversary payments developed as follows:

€ 000s	2019/20	2018/19
Present value of obligation at May 1	**2,005**	**2,130**
Service cost	92	113
Interest expenses	25	38
Anniversary payments	-118	-48
Actuarial gains / losses	-52	-228
Present value of obligation at April 30	**1,952**	**2,005**

Defined benefit payments for anniversary obligations have been budgeted at € 197k for the 2020/21 financial year (2019/20: € 72k).

Provisions for retirement, severance compensation, and anniversary payments

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

The following sensitivities have been determined for the Austrian share of defined benefit obligations (which, at € 15,930k, entail the predominant share of the total obligations of € 17,431k):

	2019/20		2018/19	
€ 000s	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (1% change)	**-1,658**	**1,988**	**-1,753**	**2,110**
Future wage and salary increases (1% change)	1.146	-999	1,244	-1,078
Future pension increases (1% change)	727	-601	749	-617

Service cost is reported under “Expenses for severance compensation and pensions” (provision for severance compensation and pensions) or under “Wages” and “Salaries” (provision for anniversary payments), while interest expenses are included under “Interest on employee benefits”.

The average remaining term of the anniversary obligations amounts to 9.3 years (2018/19: 9.6 years). The average remaining term of the pension obligations amounts to 13.3 years (2018/19: 13.5 years). The average remaining term of the severance compensation obligations amounts to 11.0 years (2018/19: 11.6 years).

(24) OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are structured as follows:

€ 000s	April 30, 2020	April 30, 2019
Government grant for Slovenia project	732	768
Other	162	157
Total	**894**	**925**

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 were recognized as non-current provisions at an amount of € 1,907k for the risk of losses on impending transactions in connection with rental agreements in the US, Canada, Asia, and Europe. The classification of these items as non-current provisions was based on the terms of the respective rental agreements. The agreements have maturities ranging from May 1, 2020 to April 30, 2028. In the 2019/20 financial year, the non-current provisions for impending losses were deducted as appropriate from the right-of-use assets.

€ 000s	Balance at May 1, 2019	Currency translation differences	Utilized	Reversed	Reclassified	Balance at April 30, 2020
Non-current provisions for impending losses	1,907	0	0	0	-1,907	0
Total	**1,907**	**0**	**0**	**0**	**-1,907**	**0**

(26) CURRENT PROVISIONS

Other material provisions recognized in accordance with IAS 37 developed as follows:

€ 000s	Balance at May 1, 2019	Currency translation differences	Utilized	Reversed	Added	Reclassified	Balance at April 30, 2020
Staff	1,776	12	-523	-482	1,447	0	2,230
Advertising	121	1	-42	0	24	0	104
Impending losses	291	0	0	0	0	-291	0
Other	1,257	-57	-1,200	0	2,023	0	2,023
Total	**3,445**	**-44**	**-1,765**	**-482**	**3,494**	**-291**	**4,357**

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

The provisions for impending 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 publication-related expenses.

(27) OTHER CURRENT LIABILITIES

Other current liabilities are structured as follows:

€ 000s	April 30, 2020	April 30, 2019
Outstanding vacation entitlement	1,809	1,793
Liabilities to tax authorities	2,196	1,366
Special payments	2,149	1,773
Other accrued payments	3,610	3,137
Interest accruals	1,019	0
Liabilities for social security	2,382	1,091
Overtime	245	243
Other	323	709
Total	**13,733**	**10,112**

(28) CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets include deferrals of € 101k relating to grants provided to retailers to enable them to acquire the shop fittings typical to Wolford AG (2018/19: € 156k).

The contract liabilities recognized pursuant to IFRS 15 include voucher-related liabilities of € 946k (2018/19: € 930k) and deferrals of € 508k for revenue bonuses not yet disbursed and customer returns (2018/19: € 405k).

(29) CONTINGENT LIABILITIES

The company has issued rental guarantees totaling € 2,436k (2018/19: € 2,943k) and other guarantees of € 124k (2018/19: € 124k).

IV. Notes to the cash flow statement

The cash flow statement of the Wolford Group shows the changes in cash and cash equivalents resulting from cash-effective transactions during the period under report. Consistent with IAS 7, the cash flows are broken down by origin and use and separately for operating activities and for investing and financing activities. The inflows and outflows of funds from operating activities are derived indirectly based on the Group's annual net income. By contrast, the cash flows from investing and financing activities are calculated directly based on the respective inflows and outflows.

Financial funds (cash and cash equivalents) correspond to the relevant balance sheet line items and include 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.

The implications of exchange range movements for cash and cash equivalents related to the subsidiaries in the US, the UK, Asia, Scandinavia, and Switzerland.

Non-cash income and expenses relate in particular to unrecognized foreign exchange gains and losses.

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

€ 000s	May 1, 2018	Cash flow	April 30, 2019	May 1, 2019	Interest (non-cash)	Addition to right-of-use assets (non-cash)	Cash flow	Other (non-cash)	April 30, 2020
Non-current financial liabilities	192	0	192	192	0	0	-192	0	0
Current financial liabilities	33,888	-1,106	32,782	32,782	0	0	6,201	0	38,983
Lease liabilities	0	0	0	70,286	-3,959	7,143	-17,799	2,447	61,142
Total financial liabilities	**34,080**	**-1,106**	**32,974**	**103,260**	**-3,959**	**7,143**	**-11,790**	**2,447**	**100,125**

The movements in non-current and current financial liabilities are presented in the cash flow statement. Other non-cash movements mainly relate to disposals of lease liabilities in connection with the retirement of right-of-use assets in the current financial year, as well as to exchange rate items.

Due to exchange rate translation, the changes in those balance sheet line items that are presented in the cash flow statement cannot be derived directly from the balance sheet.

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.

Due to its use of financial instruments, the Wolford Group is exposed in particular to the following risks:

- Capital risk
- Credit and default risk
- Interest rate risk
- Currency risk
- Liquidity risk

The Group does not have any material clusters of 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.

Wolford was not party to any hedge transactions either in the previous year or in the year under report.

Capital risk management

The primary objective of capital risk management is to minimize the company's financing costs by maintaining a high equity ratio and a sound credit rating and thereby limit any negative effects on earnings.

In the 2019/20 financial year, the Management Board of the Wolford Group introduced new restructuring measures. These are intended to sustainably improve the company's cost structure, help it return to profitability, and thus increase its equity base.

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 non-current financial assets and cash and cash equivalents. The development in this key figure in recent years is presented in the following table:

%	April 30, 2020	April 30, 2019	April 30, 2018	April 30, 2017
Gearing	>100%	45.9%	88.8%	69.7%

Due to the negative business performance, the gearing ratio deteriorated to > 100% at the balance sheet date on April 30, 2020.

Credit and default risk management

The Wolford Group only concludes business transactions with creditworthy partners and checks the creditworthiness of new customers, particularly in its wholesale business. Furthermore, trade receivables are continuously monitored and default risk is limited by credit insurance. By changing credit insurer, Wolford was able to reduce the deductible charged for insured receivables from 15% to 10% in the financial year under report.

Wolford does not have any credit insurance for receivables relating to its proprietary online business. In view of this, the company works together with an external credit check provider. This way, the creditworthiness of customers can be checked when they place their orders. Furthermore, incoming orders are continually monitored and checked by the relevant online shop managers.

Interest rate risk management

The following table shows the sensitivity of the interest result stated in the income statement, and accordingly in equity, to changes in the interest rates on floating-rate financial liabilities. The sensitivity refers to an interest rate change of +/- 0.5 percentage points:

€ 000s	2019/20	2018/19
Interest rate risk	+/- 224	+/- 191

Reference is made to Note 22 for the sensitivity of employee benefit provisions to interest rate movements.

Exchange rate risk management

Exchange rate risk refers to the risk of fluctuations arising in the value of financial instruments due to changes in exchange rates. This risk exists when transactions are handled in currencies other than the company's functional (local) currency.

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 2019/20 financial year. The exchange rate risks relating to existing foreign currency receivables and planned revenues are monitored by the group treasury department on a monthly basis in the context of its liquidity planning.

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

€ 000s for currency	2019/20	2018/19
USD	+625/ -512	+689 / -564
GBP	+21/ -17	+275 / -225
CHF	+13/ -11	+52/ -43
HKD	+301/ -246	+204 / -167
CNY	+486/ -189	+337 / -276

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. On May 28, 2020, the Blum Group transferred the agreed purchase price of around € 72 million to Wolford AG (transaction closing). In the same move, Wolford AG repaid all outstanding credit lines owed to its financing Austrian banks, amounting to around € 33 million. Furthermore, Wolford AG also redeemed the shareholder loan of € 10 million granted by Fosun Fashion Investment Holdings (HK) Limited with interest of € 1.1 million. 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 is based on the undiscounted cash flows (interest and principal) of financial liabilities shows the contractual terms of the financial liabilities held by the Wolford Group:

€ 000s	Carrying amount April 30, 2020	Cash flows 2020/21	Cash flows 2021/22 to 2024/25	Cash flows 2025/26 and later
Financial liabilities – interest-bearing	38,959	38,959	0	0
Financial liabilities – non-interest-bearing	24	24	0	0
Lease liabilities	61,142	0	0	0
Trade payables	8,368	8,368	0	0
Other financial liabilities	894	0	894	0
Total	**109,386**	**47,350**	**894**	**0**

€ 000s	Carrying amount April 30, 2019	Cash flows 2019/20	Cash flows 2020/21 to 2023/24	Cash flows 2024/25 and later
Financial liabilities – interest-bearing	32.944	32.924	211	0
Financial liabilities – non-interest-bearing	31	0	31	0
Trade payables	6.622	6.622	0	0
Other liabilities	866	709	157	0
Total	**40.463**	**40.255**	**399**	**0**

At April 30, 2020, 100% of existing credit lines had been drawn down (April 30, 2019: 100%).

Primary financial instruments

The primary financial instruments held by the Wolford Group are reported in the balance sheet. On the asset side, these include securities, cash and cash equivalents, trade receivables, and other receivables. On the liabilities side, they involve trade payables, other liabilities, and interest-bearing financial liabilities. The carrying amounts of the primary financial instruments reported in the balance sheet are largely equivalent to their fair values. The amounts recognized also represent the maximum creditworthiness and default risks as no offsetting agreements are in place.

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.

April 30, 2020 € 000s	Level 1	Level 2	Level 3
Non-current assets			
Non-current financial assets	1,297	0	0
Total	**1,297**	**0**	**0**

April 30, 2019 € 000s	Level 1	Level 2	Level 3
Non-current assets			
Non-current financial assets	1,283	0	0
Total	**1,283**	**0**	**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. No items were reclassified between Levels 1 and 3 in the 2019/20 financial year.

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

April 30, 2020 € 000s	Cost	Fair value = carrying amount	Recognized gains / losses
Non-current securities			
Investment fund shares	1,398	1,297	-101
Total	**1,398**	**1,297**	**-101**

April 30, 2019 € 000s	Cost	Fair value = carrying amount	Recognized gains / losses
Non-current securities			
Investment fund shares	1,398	1,283	-115
Total	**1,398**	**1,283**	**-115**

Carrying amounts and fair values of financial instruments based on measurement criteria, maturities, and classes

The following table shows the reconciliation of the carrying amounts of financial instruments with IFRS 9 measurement categories:

April 30, 2020 in € 000s	IFRS 9 measurement category	Carrying amount	Fair value	Current	Non-current
Cash and cash equivalents	AC	4,519	4,519	4,519	0
Trade receivables	AC	5,719	5,719	5,719	0
Other receivables and assets	AC	5,997	5,997	4,250	1,747
Non-current financial assets	FVPL	1,297	1,297	0	1,297
Total financial assets		**17,532**	**17,532**	**14,488**	**3,044**
Trade payables	AC	8,368	8,368	8,368	0
Current financial liabilities	AC	38,983	38,983	38,983	0
Non-current financial liabilities	AC	0	0	0	0
Other financial liabilities	AC	894	894	0	894
Total financial liabilities		**48,245**	**48,245**	**47,351**	**894**

April 30, 2019 in € 000s	IFRS 9 measurement category	Carrying amount	Fair value	Current	Non-current
Cash and cash equivalents	AC	12,068	12,068	12,068	0
Trade receivables	AC	8,741	8,741	8,741	0
Other receivables and assets	AC	4,645	4,645	2,923	1,722
Non-current financial assets	FVPL	1,283	1,283	0	1,283
Total financial assets		**26,737**	**26,737**	**23,732**	**3,005**
Trade payables	AC	6,622	6,622	6,622	0
Current financial liabilities	AC	32,783	32,843	32,843	0
Non-current financial liabilities	AC	192	192	0	192
Other financial liabilities	AC	866	866	709	157
Total financial liabilities		**40,463**	**40,523**	**40,174**	**349**

The methods and assumptions used to calculate fair values are as follows: Due mainly to their short terms, cash and cash equivalents, trade receivables, other receivables and assets, trade payables, and other financial liabilities approximate very closely to their carrying amounts. Wolford therefore assumes that the carrying amounts represent a suitable approximation of the respective fair values.

Net results by class

2019/20 € 000s	From interest	From other	From subsequent measurement at fair value	From impairment	From disposal	Total through profit or loss
Cash and cash equivalents (AC)	24	0	0	0	0	24
Trade receivables (AC)	0	0	0	-1,359	0	-1,359
Assets measured at fair value through profit or loss (FVPL)	0	0	14	0	0	14
Financial liabilities (AC)	-2,198	-170	0	0	0	-2,368
Net results	**-2,174**	**-170**	**14**	**-1,359**	**0**	**-3,689**

2018/19 € 000s	From interest	From other	From subsequent measurement at fair value	From impairment	From disposal	Total through profit or loss
Cash and cash equivalents (AC)	180	0	0	0	0	180
Trade receivables (AC)	0	0	0	-1,790	0	-1,790
Assets available for sale (AfS)	0	20	18	0	0	0
Financial liabilities (AC)	-1,058	-76	0	0	0	-1,134
Net results	**-878**	**-56**	**18**	**-1,790**	**0**	**-2,706**

VI. OTHER DISCLOSURES

EVENTS AFTER THE BALANCE SHEET DATE

On April 9, 2020, Wolford AG signed a contract with the Blum Group concerning the sale of the company property at Wolfordstrasse 1 and 2 in Bregenz. Wolford AG simultaneously agreed to let the space required for its headquarters, innovation and product development, and production activities from the buyer on a long-term basis. The letting relationship began on May 1, 2020 and is due to expire, without separate notification of termination required, after seven years, i.e. on April 30, 2027. A rent-free period has been agreed for the period from May 1, 2020 to December 31, 2020. This exemption nevertheless does not cover current operating expenses and current public levies. This transaction was closed after the balance sheet date on April 30, 2020. Based on the letting agreement thereby concluded, the Group will in future be obliged to make rental payments of around € 11.6 million by the end of the contractual term on April 30, 2027.

On May 28, 2020, the Blum Group transferred the agreed purchase price of around € 72 million to Wolford AG (transaction closing). In the same move, Wolford AG repaid all outstanding credit lines owed to its financing Austrian banks, amounting to around € 33 million. As a result, the restructuring agreement concluded with the banks in the previous year was also rescinded. Furthermore, Wolford AG also redeemed the shareholder loan of € 10 million granted by Fosun Fashion Investment Holdings (HK) Limited with interest of € 1.1 million. Further information can be found in Note 22 (Financial liabilities).

The Wolford Group was severely affected by the impact of the COVID-19 crisis in the 4th quarter of the 2019/20 financial year already and had to gradually close numerous stores due to the lockdown. The implications for the Group are still significant after the balance sheet date and stores in various countries (except China) were only permitted to reopen from May 2020 onwards, and that in accordance with local restrictions in individual countries.

Reference is made to the detailed information provided about the relevant implications in the "Opportunity and risk management" section of the Management Report.

By notification dated June 10, 2020, the Austrian Financial Market Supervisory Authority (FMA) initiated a review of Wolford's half-year financial reporting as of October 31, 2019 in accordance with § 2 (1) No. 1 of the Austrian Financial Reporting Supervision Act. This review had not been completed upon the preparation of these consolidated financial statements as of April 30, 2020.

Apart from this, no other events with the potential to significantly influence the asset, financial, and earnings position of the Wolford Group have occurred since the balance sheet date.

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 did not maintain business relationships with any member of the Supervisory Board in the 2019/20 financial year.

As of February 1, 2019, the Wolford Group entered into a business relationship with Fosun Fashion Brand Management (FFBM) in order to reinforce and extend its market presence in China. FFBM is a subsidiary of Fosun Fashion Group (and thus a company subject to significant influence) and acts on behalf of Wolford as a full-service provider focusing on sales and marketing. As well as extending market access, FFBM is also responsible for the operative management of all wholesale and retail channels, as well as for online retail. The contract between FFBM and Wolford was concluded on customary market terms, including a fixed monthly payment and performance-based commission for each distribution channel (retail, wholesale, online).

In June 2019, Fosun Fashion Investment Holdings (HK) Limited granted a shareholder's loan of € 10,000k. This loan charges interest at 12% p.a. and has a term through to June 30, 2021. The interest rate thereby agreed for a subordinate loan in the company's current situation is deemed to be customary to the market, a view also confirmed by an external market study.

The ultimate beneficial owner of Fosun Fashion Brand Management (FFBM) is Mr. Guangchang Guo, who is also the ultimate beneficial owner of FFG Wisdom (Luxembourg) S.à.r.l., which owns 58.45% of the shares in Wolford.

INFORMATION ON THE MANAGEMENT AND SUPERVISORY BOARD

2019/20 in € 000s	Remuneration	Severance compensation	Pensions	Total
Expenses for members of the Management Board	351	0	0	351
of which variable	50	0	0	50
Former members of the Management Board	503	279	0	782
Total	**854**	**279**	**0**	**1,133**

2018/19 in € 000s	Remuneration	Severance compensation	Pensions	Total
Expenses for members of the Management Board	728	0	0	728
of which variable	0	0	0	0
Former members of the Management Board	0	0	116	116
Total	**728**	**0**	**116**	**844**

A provision of € 164k was recognized for Supervisory Board compensation in the 2019/20 financial year (2018/19: € 200k). This amount corresponds to the total expenses expected for Supervisory Board compensation for the 2019/20 financial year. No advances were disbursed in the 2019/20 financial year and the company does not bear any liability for members of the Management and Supervisory Boards. There were no off-balance-sheet transactions.

The members of the Management Board in the 2019/20 financial year were:

Andrew Thorndike, Chief Operating Officer (since October 1, 2019)
Silvia Azzali, Chief Commercial Officer
Axel Dreher, Chief Executive Officer (until October 31, 2019)
Brigitte Kurz, Chief Financial Officer (until October 31, 2019)

The members of the Supervisory Board in the 2019/20 financial year were:

Dr. Junyang Shao, Chairwoman (since extraordinary shareholders' meeting on May 4, 2018)
Thomas Dressendörfer, Deputy Chairman (since extraordinary shareholders' meeting on May 4, 2018, reappointed at the AGM on September 13, 2018)
Yun Cheng, member (since the AGM on September 13, 2018)
Dr. Prof. Matthias Freise, member (since the AGM on September 26, 2019)
Birgit G. Wilhelm, member (until the AGM on September 26, 2019)

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

Anton Mathis
Christian Medwed

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 of Wolford AG approved the consolidated financial statements for submission to the Supervisory Board on July 20, 2020. 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 § 124 (1) No. 3 BörseG

We hereby confirm to the best of our knowledge that the consolidated financial statements as of April 30, 2020 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, 2020 give a true and fair picture of the assets, liabilities, financial position, and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Bregenz, July 20, 2020

Andrew Thorndike
COO
Responsible for Product Development, Supply Chain Management, Finance, Legal, Investor Relations, IT, and HR

Silvia Azzali
CCO
Responsible for Sales & Merchandising, Marketing, and Design

AUDITOR'S REPORT *)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of

Wolford Aktiengesellschaft, Bregenz

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of April 30th, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of April 30th, 2020 and cashflows and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We refer to section 21 in the notes (Equity) and section outlook and goals in management report, where management explains, that Wolford Aktiengesellschaft is showing a negative income after tax in the amount of kEUR -27.422 as of April 30th, 2020 and that the going concern premises of the group is dependent on the fulfillment of measures defined in the going concern prognosis, especially the achievement of increasing sales and reducing costs. Furthermore, we refer to notes concerning subsequent events in relation to the sale of the headquarter in Bregenz, from which an inflow of liquidity in the amount of MEUR 72 to Wolford Aktiengesellschaft was received in May 2020. Should the group not be able to fulfill planned measures successfully respectively if an additional need of liquidity resulting from this fact could not be ensured, this would lead to significant doubts of Wolford Aktiengesellschaft and the group would not be able to settle its assets and liabilities accounted for in the financial statements as of April 30th, 2020. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. In addition to section significant doubts in terms of going concern these matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. First-time adoption of "International Financial Reporting Standard 16 – Leases"
2. Valuation of tangible and intangible assets

1. First-time adoption of "International Financial Reporting Standard 16 – Leases"

Description

Wolford Aktiengesellschaft implemented the new standard on leases "International Financial Reporting Standard 16 – Leases" (IFRS 16) as of May 1st, 2019 using the modified retrospective approach in accordance with the transitional provisions. Wolford Aktiengesellschaft recorded right-of-use assets of MEUR 76,1 and lease liabilities of MEUR 70,3 (thereof short-term MEUR 18,3) as of May 1st, 2019.

Wolford Aktiengesellschaft shows the following amounts of right-of-use assets (MEUR 61,7), short-term lease liabilities (MEUR 15,0) and long-term lease liabilities (MEUR 46,1) in its consolidated financial statements as of April 30th, 2020.

Wolford Aktiengesellschaft's disclosures about leases and the first-time application of IFRS 16 are included in Note I.1 Accounting Principles (section IFRS 16 – Leases) in the consolidated financial statements.

We considered the first-time adoption of IFRS 16 as a key audit matter as the related opening balance amounts and their updating throughout the short financial year are significant and the process for assessing the impact and implementing the standard itself is complex and requires judgment, especially regarding the assessment of possible options to extend or terminate a contract when determining the lease term and the incremental borrowing rate.

How our audit addressed the matter

- Regarding the initial application of IFRS 16 as of May 1st, 2019, we evaluated the Wolford Aktiengesellschaft Group's process for assessing the impact and implementing the new standard.

- Assessment of the design and effectiveness of the controls implemented by the management for the correct application of the new standard.

- We challenged the key accounting estimates and judgements made under IFRS 16 (mainly assessment of possible options to extend or terminate a contract when determining the lease term, incremental borrowing rate).

- We performed substantive audit procedures to corroborate the results of the design and implementation assessment of controls over IFRS 16 related processes and IT systems, especially regarding the complete and appropriate recording of the leases in the opening balance and additions during the financial year as well as their updating throughout the short financial year based on a sample selection of individual leasing contracts and

• Finally, we also evaluated the adequacy of disclosures made regarding the initial application of IFRS 16.

2. Valuation of long term tangible and intangible assets

Description

Wolford Aktiengesellschaft shows tangible assets in the amount of MEUR 72,6, goodwill and other intangible assets in the amount of MEUR 1,8 in its consolidated financial statements as of April 30th, 2020. Right-of-use assets from leases within long term tangible assets amount to MEUR 61,7.

In course of the annual impairment test according to IAS 36 management has to do significant accounting estimates in the assessment if there is requirement of an impairment respectively in assessing the amount of an impairment. The main risk is estimation of future cashflows and discount rates in assessing of the recoverable amount.

Wolford Aktiengesellschaft's disclosures about long term tangible and intangible assets are included in Note I.3 (Accounting and valuation methods) and Note II.7 (Impairments) in the consolidated financial statements.

How our audit addressed the matter

• Audit of definition of the assignment of assets and liabilities to cash generating units through comparison with management reportings

• Evaluation of design and conception of processes regarding evaluation of impairment requirements in consideration with right-of-use assets according to IFRS 16

• Audit of used method and mathematical accuracy of provided evidence and calculations as well as audit if used discount rates seemed reasonable through internal experts

• Inspections of consistency of used planning evidence with assumptions in the updated going concern prognosis as well as analysis and plausibility check of significant assumptions to ensure reasonableness of this plans

• Evaluation of quality in planning through plan to actual comparison of past and current developments through COVID-19

• Evaluation of reasonableness of disclosures concerning impairment tests as well as assumptions used in the impairment tests

OTHER MATTER PARAGRAPH

The financial statements of Wolford Aktiengesellschaft for the year ended April 30th, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on July 8th, 2019.

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

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are 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 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 process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our 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.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstate-ments in the management report for the Group came to our attention.

Supplement

Concerning significant doubts in terms of going concern we refer to section economic environment and analysis of income and balance sheet in the management report. Furthermore, we refer to section outlook and goals in the management report, stating the expected development of the group, the explanations concerning significant risks in the management report und explanations in notes concerning going concern assumptions of the entity in section equity / going concern in the notes.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

We were elected as auditor by the ordinary general meeting at September 25th, 2019. We were appointed by the Supervisory Board on December 6th, 2019. We are auditors without cease since fiscal year 2019/20.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner is Johanna Hobelsberger-Gruber, Certified Public Accountant.

Linz, July 20th, 2020

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber mp Certified Public Accountant	ppa DI (FH) Hans Eduard Seidel mp Certified Public Accountant

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*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

Service

The Wolford Group at a Glance

WOLFORD AG
BREGENZ (AT), 1950

- **Wolford Beteiligungs GmbH** Bregenz (AT), 2007
  - **Wolford (Schweiz) AG** Opfikon, 1971
  - **Wolford Deutschland GmbH** Bielefeld (DE), 1975
  - **Wolford Paris S.A.R.L.** Paris (FR), 1987
  - **Wolford London Ltd.** Woking (UK), 1988
    - Wolford London Ltd. Irland (IE), 2007
  - **Wolford Nederland B.V.** Amsterdam (NL), 1998
  - **Wolford Belgium N.V.** Antwerpen (BE), 2007
    - Wolford Belgium N.V. Luxemburg (LU), 2008
  - **Wolford Italia S.r.L.** Mailand (IT), 1992
  - **Wolford España S.L.** Madrid (ES), 1993
    - Wolford España S.L. Portugal (PT), 2011
  - **Wolford Scandinavia ApS** Kopenhagen (DK), 1995
    - Wolford Scandinavia ApS Norwegen (NO), 1999
    - Wolford Scandinavia ApS Finnland (FI), 1999
  - **Wolford Canada Inc.** Vancouver (CA), 2000
  - **Wolford Amerika, Inc.** New York (US), 1996
  - **Wolford Asia Limited** Hongkong (HK), 2006
    - Wolford Asia Limited Macau (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)

Monobrand Points of Sale

WORLDWIDE
Monobrand points of sale:
April 30,2020 : 269

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

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

NORTH AMERICA: 31
Thereof Wolford-owned points of sale:
21 boutiques
6 concession shop-in-shops
2 factory outlets

Thereof partner-operated points of sale:
2 boutiques

EUROPE: 186 [2)]
Thereof Wolford-owned points of sale:
80 boutiques
44 concession shop-in-shops
17 factory outlets

Thereof partner-operated points of sale:
45 boutiques

2) Excluding Russia and Ukraine.

ASIA: 45 [1)]
Thereof Wolford-owned points of sale
6 boutiques
1 concession shop-in-shop
1 factory outlet

Thereof partner-operated points of sale:

37 boutiques

1) 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 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 re-input into a biological or technical cycle and then reprocessed into new commodities. (Source: EPEA)
Denier	Abbreviation: den or D; measure used to designate yarn density. The lower the denier value, the finer the yarn (1 den means that 9,000 m of a given yarn weigh 1 gramme)
Essentials	Includes all Wolford products which – unlike Trend products – form part of the assortment over several seasons and years
Factory outlets	Sales locations at which Wolford collections from previous seasons and reduced goods are sold

Franchise	As independent companies, franchisees draw on their own capital to offer the goods of a given manufacturer in line with the manufacturer's own uniform marketing concept
FTE	Full-time equivalents
ISO 50001	Systematic energy management standard
Legwear	Product group comprising hosiery products: pantyhose, tights, leggings, stay-ups, knee-highs, and socks
Lingerie	Product group comprising bras, briefs, 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
Micro-sites	Small websites operating independently of the company website with low navigational depth and mostly dealing with just one topic
Mono-brand 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 body wear line as well as knitted and fabric items such as pullovers, dresses, skirts and trousers
Retail	Proprietary points of sale; direct sales to end consumers
Season	The spring/summer collection is largely available for sale starting in January, the autumn/winter collection in July
Shape & Control	Body-shaping products in the Legwear, Lingerie and Beachwear segments
Shop-in-shop	Separate sales areas at a department store or multi-brand retailer specially dedicated to Wolford products

Stock-keeping unit	Abbreviation “SKU”, product option (color, size)
Time-to-market	The timespan from the creation and development through to the final placement of products on the market
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 remuneration
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 progress 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 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

The financial calendar of Wolford AG can be viewed at https://company.wolford.com/de/investor-relations/financial-calendar/.

Information about the Company and its Shares

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

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Concept and texts: Regine Petzsch, Corporate and Financial Communications Consultant
Design concept and graphic design: GREAT, www.great.design
Photos: Linda Stulic and Wolfgang Pohn

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

This German and English versions of this Annual Report can be downloaded at company.wolford.com.

Disclaimer

This Annual Report has been prepared with the greatest possible care. All data have been carefully checked. Nevertheless, errors due to rounding up or down, typesetting, and printing 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 on 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 by law.