



ANNUAL REPORT 2020

(MAY 2020 – DECEMBER 2020)



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Andrew Thorndike (COO) and Silvia Azzali (CCO)

Management Board Foreword

Dear Shareholders,
Dear Ladies and Gentlemen,

The short fiscal year from May to December 2020 followed the principle that the only constant is change. Following the reopening of stores in Europe, the USA, and China after the first wave of Covid-19 in the second quarter of 2020, the renewed lockdown in Europe since October 2020 has led to significant business losses, which will extend in all probability, into the second half of 2021. Nevertheless, we were able to generate sales of €68.0 million and therefore limit the decline in sales to €22.8 million (approx. 25%) compared to the same period of the previous year (May to December 2019).

Strong short fiscal year despite Covid-19: Company able to pay off debt under its own management, earnings significantly higher than previous year

Despite the sales losses due to Covid-19, we achieved a result (Group Profit/Loss) of €+12.8 million and therefore significantly exceeded previous year's result of €-14.5 million. This figure includes the effects of the sale of real estate and the change in the value of right-of-use assets following the implementation of impairment tests. As reported, the purchase price of €72 million for the property at Wolfordstrasse 1-3 in Bregenz was used at the beginning of May to pay off all debt.

We made good use of the 8 months of the short fiscal year and implemented further restructuring measures. In particular, we were able systematically implement the stringent plan for the sustainable realignment of Welford.

Personnel costs reduced by more than 20%, online sales increased by 45%, sales of Welford Care Masks exceeded €10 million

Due to the implementation of our restructuring program "PITBOLI" (Program for Immediate Top and Bottom Line Impact), the planned measures were launched at the beginning of 2020 and we achieved our ambitious sales and efficiency effects accordingly. The restructuring program "PITBOLI" thereby delivered a reduction of a further 20% year-on-year on the personnel cost side. The implementation of extensive additional measures in cash management ensured sufficient liquidity throughout the short fiscal year. The cash flow in the short financial year increased by € 9.7 million.

In the reporting period, online sales have been the main growth drivers, with a 45 % increase year-on-year. The revenue share of the company's own online business and the associated online business of its wholesale partners increased to a total of around 21%. Our retail and wholesale business also contributed to achieving sales. Both the Spring Summer 2020 and the Fall-Winter 2020/21 collection were very well received in all channels. To date, a revenue of €10 million has been generated through the sale of approximately 700,000 Welford Care Masks since the beginning of production in March 2020. As a new accessory, the different styles of the Welford Care Mask have become a must-have of the Welford product range.

Brand architecture extended, sales presence internationally strengthened

The "The W" and "W lab" collections were also successfully incorporated into the brand architecture and are part of the new face of the Welford brand. The collaboration with adidas has significantly exceeded expectations, as well as the launch of "The W" on the online platform Farfetch. Furthermore, a relaunch of the Essential Collection has started, which will be implemented in the upcoming months with targeted campaigns. With the Aurora Monogram products, part of "The W" collection, we continue to increase our commitment to sustainability. All new Aurora Styles are Cradle to Cradle Gold Certified™. Our goal is to be the first eco-neutral brand in the fashion industry.

Welford's strategy to expand its presence in Poland, Scandinavia, United Arab Emirates, Central America, and Japan is also successfully implemented. We have reached partnership agreements with well-established agencies and distributors to leverage their markets' knowledge and presence in their respective territories. All partners have been chosen for their deep understanding of the apparel business through focused distribution, and several multi-brand doors have been opened during 2020.

Outlook: Break-even feasible in 2021

With strong results from 2020 and prospective planning for 2021, we currently expect to confirm a sustainable break-even (positive operative result), provided our assumptions on the development of the Covid-19 pandemic remain valid. As of March 31, 2021, we have closed the first quarter of the current fiscal year with earnings (Group profit/loss) 22.4% higher than the previous year, thanks to our strict consolidation course, despite the ongoing store closures in Europe as a result of Covid-19 related lockdowns. Encouraging factors here were not only the continued success on the cost side, which is well ahead of plan, but above all a gross profit margin of 82.1%, 1.7 percentage points higher than in the same period of the previous year. Due to numerous additional sales measures such as remote selling and streaming, March sales was almost €2 million (38%) higher than March sales in 2020.

With the new long-term strategy, "Northstar - Masterplan for Wolford" we want to ensure the continued success and sustainable realignment of the company. This involves an overall strategy regarding the topics "Brand", "Product Range", "Location" and "Channels" and the development of the "PITBOLI" measures towards 12 strategic projects. The result is a detailed plan for the coming decade.

Dear shareholders, the reported results of the short fiscal year show that the management is focussing on the consistent realignment of Wolford. The decisive factors now are a continued stable sales performance despite the Covid-19 pandemic, as well as a consistent continuation of "PITBOLI" and the implementation of the Northstar-Masterplan-Strategy.

We thank you very much for your trust.

A handwritten signature in blue ink, appearing to read 'Silvia A. Thorndike', with a long horizontal line extending from the start of the signature.

Silvia Azzali & Andrew Thorndike

Management Board



Wolford Profile

Wolford at a glance

Founded in the Austrian city of Bregenz in 1950, Wolford is the market leader for luxury skin-wear (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 1,169 employees (FTEs). The brand is present in 45 countries worldwide with 240 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.



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](https://www.wolford.com).



To Our Shareholders

Wolford Shares

CAPITAL MARKET DEVELOPMENTS

In the past short financial year of Wolford AG (May 1, 2020 to December 31, 2020), developments on the international stock markets were dominated by the global pandemic caused by COVID-19. From May 2020 to September 2020, leading stock indices such as the DAX and the EURO STOXX 50 nevertheless performed positively overall, despite high fluctuations in some cases. As in the months before the start of the short financial year, the economic crisis due to COVID-19 contributed to high uncertainty among market participants. To mitigate the economic damage of the virus, on March 16, 2020, the Federal Reserve Bank (FED) lowered the key interest rate to a corridor of 0-0.25%, where it remained for the course of 2020. The ECB continues to rely on a zero-interest policy.

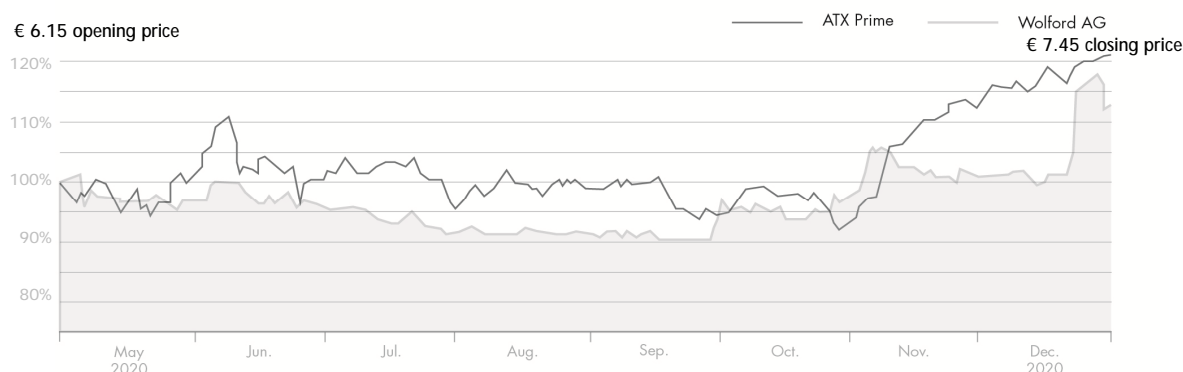
As a result of these events, Germany's lead index (DAX) fell to 10,337.02 points in mid-May 2020, before climbing to a new all-time high of 13,790.29 points by December 29, 2020, despite COVID-19. Fluctuations were observed in particular due to the second lock-down in the fall with a low of 11,560.51 points on October 28, 2020. The pan-European EURO STOXX 50 share index was also characterized by high fluctuations, but managed to rise by 21% overall from May 01, 2020 to December 31, 2020. The most important US index, the Dow Jones, was also able to recover after the price drop in March and rose by 29% from May 1, 2020 to December 31, 2020. The MSCI World Textiles, Apparel & Luxury Goods Index, the most important sector index in the textile industry, also developed positively over the same period, rising to a new all-time high of 1,174 points on December 29.

WOLFORD'S SHARE PRICE PERFORMANCE

On May 4, the Wolford share was listed at € 6.15 and recorded a price increase of 21.14 % in the course of the short financial year to the end of December 2020, while the ATX Prime rose by 28.48 % in the same period. This development was not only characterized by the reactions to the publication of the 2020 half-year report.

At the beginning of the short financial year, the share price fell to a low of € 4.82 on September 29, 2020. However, the share price increased in October, which was not least due to the start of the fall/winter season. At the end of the short financial year (December 31, 2020), the Wolford share was quoted at €7.45.

WOLFORD'S SHARE PRICE PERFORMANCE IN % (INDEXED)



Key data on Wolford shares		2020	2019/20
Earnings per share	in €	1.93	-4.41
Dividend per share	in €	0.00	0.00
Equity per share	in €	4.30	2.26
Annual high	in €	8.80	11.40
Annual low	in €	4.82	3.20
Year-end price	in €	7.45	6.00
Number of shares (weighted average)		6,631,011	6,631,011
Year-end market capitalization	in €	50,057,675	40,314,906
Number of shares traded (daily average)		4,614	4,089

Information on Wolford shares

ISIN-Code:
AT0000834007

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

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

IPO:
February 14, 1995

Stock type:
Bearer shares (no-par value)

Number of shares as of Dec 31, 2020:
6,719,151, of which
6,631,011 with dividend entitlement

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

Trading volumes with Wolford shares totaled 549,160 in the period under report (double-count). The average daily turnover on the Vienna Stock Exchange therefore came to 4,614 shares based on the 119 trading days in the period under report. The highest trading volumes (37,620 shares) were seen on December 29, 2020, while the lowest volumes (2 shares) were reported for June 16, 2020.

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.

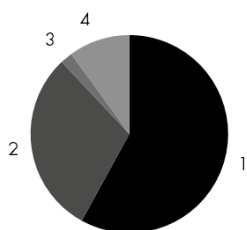
The private investor Ralph Bartel holds more than 30% of the bearer shares. Wolford AG owns almost 2% of the shares as treasury stock. The remaining 10% of the shares are in free float.

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.

WOLFORD'S SHAREHOLDER STRUCTURE



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



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, 2021, focused on another adaption of the code to the requirements of the Austrian Stock Corporation Amendment Act 2019.

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 Wölford 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 Wölford shares in the event of a takeover (mandatory offer). The current shareholder structure is shown in the “Wölford Shares” section of this Annual Report.

Systematic risk management

The Management Board of Wölford 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 Wölford 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 33rd Annual General Meeting (AGM) to audit the annual financial statements of Wölford AG and the consolidated financial statements of the Wölford Group for the 2020 short 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 Wölford 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.

Supervisory Board Members and Committees

SUPERVISORY BOARD

The Supervisory Board of Woford AG currently comprises four members elected at the AGM and two representatives delegated by the Staff Council. The Supervisory Board held four meetings during the 2020 short financial year. One 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 Global Partner of Fosun International Executive President of Fosun Fashion Group Chairwoman of the Supervisory Board Tom Tailor GmbH Deputy General Manager of Jeanne Lanvin SA Managing Director of Koller Group	Appointed through to 35 th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2021)	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	No additional positions at listed companies
Thomas Dressendörfer Independent First appointed: 05.04.2018 Deputy Supervisory Board Chairman	Appointed through to 36 th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2022)	Male, born in 1958, German	Member of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, and Chairman of the Audit Committee	Member of the Supervisory Board of Advanced Bitcoin Technologies AG

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 36 th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2022)	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 37 th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2023)	Male, born in 1965, German	Since 32 nd AGM (2018/19): Member of the Strategy and Marketing Committee	No additional positions at listed companies
Anton Mathis¹ 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
Alexander Greußing¹ Independent First appointed: 30.09.2020		Male, born in 1965, Austrian	Member of the Audit Committee	No additional positions at listed companies
Christian Medwed¹ Independent First appointed: 05.18.2017	Resigned from the Supervisory Board at the end of September 2020	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 2020 short 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 two meetings 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 2020 short financial year, the Audit Committee comprised Thomas Dressendörfer (Chairman), Dr. Junyang Shao, and Alexander Greußing (until the 32nd AGM: Thomas Dressendörfer (Chairman), Dr. Junyang Shao and Christian Medwed). The Audit Committee met twice in the 2020 short financial year and primarily dealt with the following issues:

- The auditor's report on the audit of the annual financial statements for the 2019/20 financial year
- The preparation of a recommendation to the Supervisory Board for the selection of the (group) auditor for the 2020/21 financial year
- Discussion and approval of the 2020/21 budget
- Report on the internal audit and subsequently on its implementation

The **Strategy and Marketing Committee** comprised the following members in the 2020 short financial year: Dr. Junyang Shao (Chairwoman), Prof. Dr. Matthias Freise, and Anton Mathis. This committee held one meeting in the 2020 short financial year and mainly dealt with the topics of collection structure, brand identity and social media strategy.

Responsibilities and Working Methods of the Management and Supervisory Boards

The Management Board is responsible for conducting the company's business in compliance with the relevant laws, the articles of association of Woflord 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 Woflord 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 did not conduct a self-evaluation in the past 2020short financial year. The reason for this was the limited travel and meeting options due to the pandemic situation.
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.
81a, Question 1	The (Group) auditor was only invited to one Audit Committee meeting, although no more than two Audit Committee meetings were held, as topics relevant to the financial statements were only to be dealt with at this Audit Committee meeting. This decision was made by 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.

Diversity Concept and Measures to Promote Women

Mutual respect, diversity, and, inclusivity are integral and indispensable components of the corporate culture at Woford 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 play a key role in ensuring the professionalism and effectiveness of the activities of the Supervisory and Management Boards. Alongside specialist and personal qualifications, the company also takes due account of aspects such as the age structure, background, gender, professional training, and previous experience of potential candidates.

At the end of the 2020 short financial year, the Supervisory Board of Woford 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 Woford AG comprised one male member (aged 54) and one female member (aged 49) at the end of the 2020 short 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 Woford AG in the 2020 short financial year were women. This corresponds to a female quota of 50%. Since August 2017, the Management Board of Woford AG has been 50% female. Women made up around 40% of the extended management team in the 2020 short 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 Woford 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 Woford 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 80% of employees.

Events After the Balance Sheet Date

In February 2021, a contract was concluded for the sale of a further operating property with sales proceeds amounting to € 805k. The sales negotiations were already started in the short financial year 2020; the property in question was already available for sale as of December 31, 2020.

In March 2021, an external fraud incident ("fake president incident") resulted in an unlawful outflow of cash and cash equivalents of € 1,151k from the Company. On the other hand, there are expected claims from concluded insurance agreements in the amount of approximately € 1,000k.

There were no other matters with a material impact on the assets, financial position and earnings situation of the Wölford Group.

Supervisory Board Report

Wölford AG is reporting on an exceptional short financial year marked by the pandemic, which the Supervisory Board closely accompanied. In the period under review, it held five meetings together with the Management Board to discuss in detail all significant events and developments, 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, which will be submitted to the vote of the Annual General Meeting for the first time this year.

Given the extraordinary situation caused by the pandemic, the Supervisory Board focused in particular on discussing measures to stabilize sales and earnings, in the past financial year.

Several meetings of the Supervisory Board and its committees in the 2020 short financial year

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

At the Supervisory Board meeting on May 5, 2020, the Supervisory Board dealt, among other things, with the preliminary financial statements for fiscal year 2019/20. Other key agenda items included the sale of the operating property, developments in the area of protective mask production, and the resumption of business activities following the COVID-19-related closures of boutique locations.

On June 24, 2020, the Strategy and Marketing Committee met and mainly dealt with the topics of new collection structure, brand identity and social media strategy.

In addressing the annual financial statements for the 2019/20 short financial year, the Audit Committee invited the auditor to attend its meeting on July 20, 2020. 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 2020 Annual General Meeting.

At its meeting on August 26, 2020, the Audit Committee dealt, among other things, with current business developments. Other key items on the agenda were the budget and forecast, and progress in implementing the findings of the internal audit. Prior to the 33rd Annual General Meeting, on September 29, 2020, the Management Board reported to the Supervisory Board on the company's latest business performance, and on the progress of the PITBOLI restructuring program and the master plan.

The Annual General Meeting on September 30, 2020 approved, among other things, the newly introduced remuneration policy and the change of the financial year to the calendar year. At its subsequent constituent meeting, the Supervisory Board elected Dr. Junyang Shao as Chairman and Thomas Dressendörfer as Deputy Chairman.

At the Supervisory Board meeting on December 21, 2020, the Executive Board provided an outlook for the short financial year 2020 and an update on the PITBOLI restructuring program. Other key points of the meeting were the summary of the results of the "Northstar" project, which defines the company's future strategy, and the determination of the budget for the 2021 financial year. In addition, two meetings of the Human Resources Committee were held during the short financial year, which were mainly dedicated to the new HR organization, appointments to management positions, Covid personnel-related measures, and the relocation in the head office.

The annual financial statements and management report of Wolford AG and the consolidated financial statements prepared in accordance with IFRS as of December 31, 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 April 21, 2021 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 2021 financial year.

Dr. Junyang Shao
Supervisory Board Chairwoman

Bregenz, May 2021

Overview of Key Figures (5 years)

Key earnings figures		2016/17	2017/18	2018/19	2019/20	2020
Revenues	in € million	154.28	149.07	137.22	118.54	68.04
EBIT	in € million	-15.72	-9.22	-8.98	-28.68	19.94
Earnings before tax	in € million	-16.57	-11.43	-10.11	-35.02	17.33
Earnings after tax	in € million	-17.88	-11.54	-11.10	-27.42	12.77
Free cash flow	in € million	-9.45	1.83	-10.88	4.27	53.25
Employees (average)	FTEs	1,544	1,433	1,347	1,243	1,169

Key balance sheet figures		2016/17	2017/18	2018/19	2019/20	2020
Equity	in € million	44.88	33.90	42.72	15.02	28.54
Net debt	in € million	31.27	30.09	19.62	33.16	Positiv
Working capital	in € million	45.73	34.59	31.07	38.05	31.37
Total assets	in € million	138.39	114.33	117.99	161.69	138.90
Equity ratio	in %	32	30	36	9	20.5
Gearing	in %	70	89	46	>100	-

Key share figures		2016/17	2017/18	2018/19	2019/20	2020
Earnings per share	in €	-3.64	-2.35	-1.76	-4.14	1.93
Dividend per share	in €	0.20	0.00	0.00	0.00	0.00
Dividend distribution	in € million	0.98	0.00	0.00	0.00	0.00
Equity per share	in €	9.14	6.90	6.44	2.26	4.30
Annual high	in €	26.01	19.75	17.70	11.40	8.80
Annual low	in €	19.10	11.36	10.60	3.20	4.82
Year-end share price	in €	19.28	13.60	11.40	6.00	7.45
Number of shares (weighted average)	000s	4,912	4,912	6,320	6,631	6,631
Year-end market capitalization	in € million	96.38	68.00	75.59	75.59	50.06

Management Report

Group Information

Wolford in Kürze

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 240 monobrand points of sale (POS) and more than 3,000 retail partners, the brand is represented in 45 countries worldwide. Overall, the Wolford Group has a total workforce of 1,169 employees (FTE), of which 478 employees (FTE) at its headquarters in Austria.

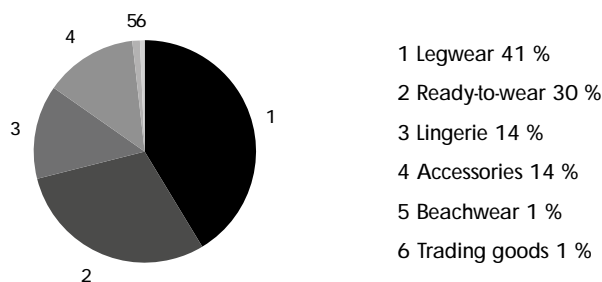
Products meet the highest quality standards

Wolford generates around 41% 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.

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.

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



Wolford's business model

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 selected suppliers in sections of its

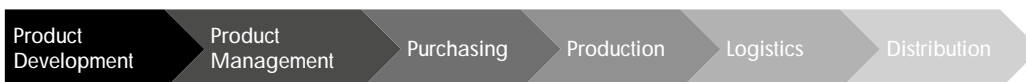
Lingerie and Ready-to wear ranges. Tasks relating to product development are centralized at the company's headquarters in Bregenz.

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 comprises demand planning for the retail sales areas at proprietary boutiques and for wholesale customers. This department determines which articles have to be produced in which sizes and colors and for which retail areas. It also controls the flow of goods from the warehouse to retail areas.

In procurement, it is nearly all about materials. The raw materials, in particular yarns, semi-finished products and trading goods in the areas of lingerie, ready-to-wear and care masks, are procured from longstanding partners with identical quality- and innovation-standards as Wolford. Yarns are particularly also purchased in 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.

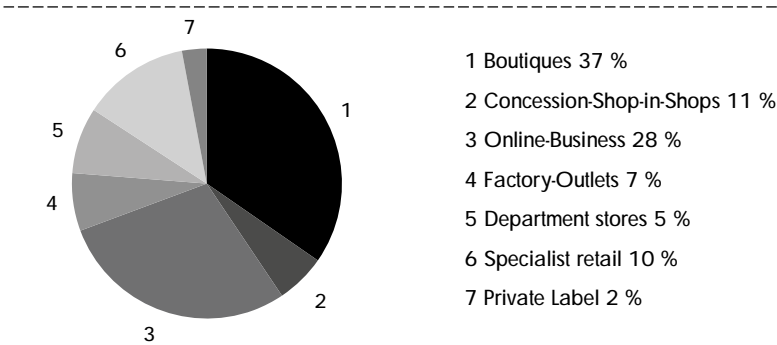
Finished products are stored in three warehouses – at the central warehouse in Bregenz, which also supplies the online business in Europe, and in two other warehouses in the US and China. The warehouse in the US supplies the online business in the American market, while that in China supplies the Asian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



Global sales

Wolford's products are currently on sale in around 45 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 2020 abridged financial year, the company generated the largest share of its revenues (37%) with its international network of boutiques. At the end of December 2020, 103 of Wolford's 162 boutiques were under proprietary management, while 59 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 2020 abridged financial year it accounted for 28% of revenues

REVENUES BY DISTRIBUTION CHANNEL



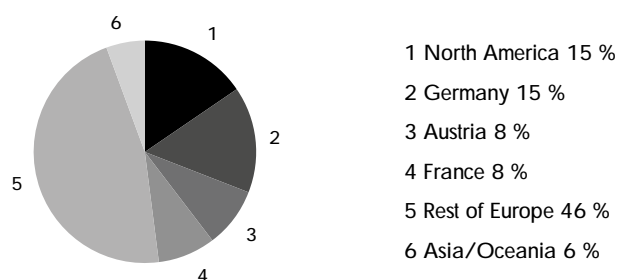
Distribution channels

Boutiques: Boutiques under Wolford's own management	Department stores: Exclusive shop-in-shops with Wolford look and feel at numerous international department stores
Concession shop-in-shops: Sales areas under Wolford management within department stores	Specialist retail: Exclusive fashion and specialist retailers offering Wolford models
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	

Europe as most important market

Accounting for around 77% of revenues, the European market is the most important sales market for the Wolford Group. Specifically, Germany (15%) contributes a major share of the Group's revenues, as do Austria (8%) and France (8%). The US, with a 15% 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



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 in transit. 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 contracted by 5 % which is the highest decrease since the financial crisis in 2008 in the calendar year 2020, a period which includes also the 8 months of the past short financial year. The spread of SARS-Cov-2 as well as the ongoing trade policy tensions impeded the willingness to invest of companies and investors alike.

The GDP in the eurozone, where Woford generates around 75 % of its revenues reduced by 6.8 % in 2020 after a growth of 1.3 % in 2019. In some core markets the decrease was even higher. While in Germany, the second largest market of the group, GDP decreased by 5 %, Austria showed a decrease of 7.4 % and France of 8.3 %. Spains GDP even decreased by 11 %, Italians GDP by 8.8 %.

In the US, the GDP contracted by 4.6 % after an increase of 2.3 in 2019. Shops were closed due to Covid-19 only at the beginning of the calendar year 2020 which is why the decrease of economic growth in the US was lower compared to the most European countries.

Economic growth in China fell to 2.3 % after 6.6 % in the previous year. Lockdowns were kept shorter in China as well and measures against Covid-19 had a bigger impact within a short period of time compared to other countries.

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 strong decrease of revenues in May 2020 for example. Revenues increased to the prior-crisis-level in mid of 2020 when retail opened again but declined as a result of the renewed lockdown measures. Woford is directly affected by the crisis. Increasing vaccination coverages and consequently a normalization of daily lives give hope for improvement of revenues in retail.

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

Financial Review

At the 33rd Annual General Meeting on 30 September 2020, a resolution was passed to change the balance sheet date to 31 December from the current financial year on. The current financial year is therefore an short financial year ending on 31 December 2020. Accordingly, the term "short financial year" is used in the following texts. Consequently, income statement positions are only comparable to a limited extend as the short financial year comprises 8 months only compared to the comparative figures that comprise 12 months.

Earnings

The Wolford Group generated revenues of € 68.04 million in the short financial year 2020. Revenues thus fell 42.75 % short of the previous year's figure (€ 118.54 million). Compared to revenues to the same period of the previous financial year (May to December 2019) a decrease of € 22.75 million (25.1%) occurred.

Together 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. The global outbreak of the coronavirus and resultant closures of retail outlets that already affected the past financial year 2019/20 led to further falls in worldwide revenues in the short financial year 2020.

Consequently, even when considering different periods for the comparative figures, nearly all distribution channels showed decreases. With an increase of sales in the eight months of the short financial year 2020 to € 20.25 million (compared to € 15.41 million over the 12-month financial year 2019/20) the online business is an exception to this and could partly compensate lower revenues in retail due to temporary closures.

Regional revenues also showed decreases over all main markets, where the highest cuts occurred in the segments North America, Rest of Europe and Germany.

With a 42% share of revenues, the Legwear product group once again was the main contributor to the consolidated revenues in the 2020 short financial year. At 30%, 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 30.3%. The Lingerie product group which, contributed 14% of consolidated revenues, showed a 32.1% reduction in revenues. Trading good revenues (1% share of revenues) fell 33.1% short of the previous year's figure. Due to the introduction of care masks into the assortment, Accessories showed a sharp increase by 1,107.1% and contributed 14% to the consolidated revenues.

Key earnings figures	2020 in %	2019/20 in %
Material cost (including changes in inventories) as a percentage of revenues	21.4	18.4
Personnel expenses as a percentage of revenues	49.0	53.0
Other operating expenses as a percentage of revenues	42.8	31.9
EBITDA margin	52.6	-3.4
EBIT margin	29.3	-24.2

The ratio of material costs to revenues increased in the short financial year, which is mainly driven by changes in inventory valuation. The ratio of personnel expenses to revenues in contrast decreased despite reduced revenues. This is mainly due to a reduction of the average number of full-time employees by 74 to 1,169 and government subsidies for short-time work that are presented within the personnel expenses.

Due to lower revenues and additional restructuring expenses, other operating expenses in relation to revenues increased significantly. A decrease to € 15.86 million (financial year 2019/20: € 24.70 million) in depreciations (including impairments and reversals of impairments) on the other hand, positively impacted the short financial year's result.

Intangible assets with indefinite useful lives are tested for impairment at least annually. In determining possible impairment, the recoverable amount of the cash-generating unit (CGU) is compared with its 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. Estimates made by management in determining the recoverable amount consist primarily of determining 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 planning period from 2021 to 2022 in accordance with the forecasts derived from the latest budget presented to the Supervisory Board and the additional adjustments of the going concern forecast. In the first planning year 2021, COVID-19-related declines in sales were considered in planning. It is assumed that the situation will normalize in the second half of 2021 and that the COVID-19-related sales declines can be recovered in the following year. This leads to an increase in sales from the planning year 2021 to the planning year 2022 of 18%-28%. In the further planning, a sales growth of 1% was assumed for all regions. The cost of sales will increase proportionally to sales. Personnel costs and operating expenses are considered at an annual growth rate of 1% and are not directly related to the development of sales, as the scope of the respective business operations remains unchanged. In addition, the cost-saving measures adopted as part of the restructuring program have been taken into account accordingly. Replacement and maintenance investments were included in the calculation according to the size of the boutiques (clustering by m²) based on historical experience. Expansion investments or complete store refurbishments were not taken into account in line with current budget planning. Forecasts based on past experience, current operating results, consultant analyses and management's best estimate of future developments, as well as market assumptions, were used to determine the budget planning calculations. The discount factors (WACC after tax) of 5.2% - 8.4% (April 30, 2020: 5.3% - 8.3%) used for impairment tests are derived from regional interest rates, taking into account the risk-free base interest rate with maturities matching the average remaining opening period of the boutiques in the respective country, country risk premiums, the credit spread based on a 30-year consumer discretionary bond with a BBB rating, and different tax rates. The remaining opening time of the boutique locations are evaluated on a boutique-by-boutique basis, taking into account the remaining lease term, possible termination options, expected performance and economic and strategic considerations. Based on a sensitivity analysis in the main regions a decrease of 5 % in sales compared to budgeted figures would increase impairment expenses by € 0.7 million.

A main driver for the positive EBITDA and EBIT of the short financial year was the sale of the company's property in Bregenz which generated a gain of € 40.99 million. In addition, subsidies for fixed costs in the amount of € 3.70 million are presented in the other operating income and positively effect EBITDA and EBIT.

The proceeds from the sale of the property were used for a repayment of the company's financial liability which in turn led to an improvement of the financial result by € 3.72 million to € -2.61 million.

Due to the use of tax loss carryforwards as a consequence of the gain from the disposal of the property, income tax expense increased by € 12.16 million to € -4.56 million in the short financial year.

As a result, earnings after tax increased from € -27.42 million to € +12.77 million. The earnings per share amount to € 1.93 after € -4.14 in the previous year.

Income statement (summary)			
€ million	2020	2019/20	Change in %
Revenues	68.04	118.54	-43
Other operating income	45.21	1.29	3,405
Change in inventories	-1.38	-1.67	-17
Cost of materials	-13.16	-20.14	-35
Personnel expenses	-33.37	-62.83	-47
Other operating expenses	-29.10	-37.81	-23
Impairment losses for trade receivables	-0.45	-1.36	-67
Depreciation and amortization	-15.85	-24.70	-36
EBIT	19.94	-28.68	-170
Financial result	-2.61	-6.34	-59
Earnings before tax	17.33	-35.02	-149
Income tax	-4.56	7.60	-160
Earnings after tax	12.77	-27.42	-147

Asset and financial position

At € 138.90 million, total assets at the Wolford Group as of the balance sheet date on December 31, 2020 were lower than the previous year's figure (€ 161.69 million). This was due to the sale of the company's property and the subsequent repayment of financial liabilities.

Non-current assets amounted to € 70.25 million at the balance sheet date, corresponding to 52% of total assets (2019/20: 55%). As the disposed property was already classified as asset held for sale in prior year, the transaction did not result in a decrease of non-current assets. Due to the difficult economic environment investments were kept at a minimum in the short financial year and therefore decreased to € 0.8 million after € 1.7 million in 2019/20 (excluding right-of-use assets).

Current assets accounted for 48% of total assets as of December 31, 2020 (2019/20: 45%). The disposal of the assets held for sale was compensated by an increase in cash and cash equivalents of € 9.61 million to € 14.13 million and an increase in receivables. The rise in trade receivable is mainly caused by the different balance sheet dates and the seasonality of revenues while the rise in other receivables results from receivables from subsidies for fixed costs in the amount of € 3.7 million.

Shareholders' equity at the Wolford Group amounted to € 28.54 at the balance sheet date on December 31, 2020 and thus was significantly higher than the comparative figure in the financial statements for the previous year (€ 15.02 million), a development which was due to the profit incurred in the short financial year under report. Due to additional effects in form of a reduction of the total assets as a consequence of the sale of property and repayment of financial liabilities, the equity ratio improved to 21 % (2019/20: 9%).

Key balance sheet figures		31.12.2020	30.04.2020
Equity	€ million	28.54	15.02
Net debt	€ million	Positive	33.16
Working capital*	€ million	31.37	22.99
Total assets	€ million	138.90	161.69
Equity ratio	in %	20.5	9.3
Gearing	in %	-	220.8
Working capital as percentage of revenues	in %	46.1	19.4

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

Calculation of net debt	31.12.2020 € million	30.04.2020 € million	Change in %
Non-current financial liabilities	0	0	-
Current financial liabilities	0	38,98	-100
- Financial assets	-1,32	-1,30	2
- Cash and cash equivalents	-14,13	-4,52	213
Net debt	-15,45	33,16	-147

As a consequence of the repayment of financial liabilities with the proceeds from the sale of the property, equity ratio and net debt increased significantly so that net debt (excluding lease liabilities) is positive at balance sheet date December 31, 2020.

Cashflow

At € -17.98 million, the cash flow from operating activities (operating cash flow) was significantly below the previous year's figure (€ +5.53 million). This development was mainly due to decrease in revenues because of Covid-19.

Caused by the sale of the property the cash flow from investing activities increased to € 71.23 million in the short financial year (increase of € 72.94 million compared to previous year)

As a result of the repayment of the financial liabilities the cash flow from financing activities in contrast decreased by € 31.76 million to € -43.55 million.

Cash flow statement (summary)	2020 € million	2019/20 € million	Change in %
Cash flow from operating activities	-17.98	5.53	>100
Cash flow from investing activities	71.23	-1.26	>100
Free cash flow	53.38	4.27	>100
Cash flow from financing activities	-43.68	-11.79	>100
Change in cash and cash equivalents	9.70	7.55	28
Cash and cash equivalents at end of period	14.13	4.52	>100

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 (revenues less intragroup revenues) in the Austria segment decreased from € 29.41 million to € 21.29 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 31% of consolidated revenues (2019/20: 25%). EBIT improved from € -24.12 million in the previous year to € 27.98 million (increase of € 52.10 million). This was mainly due to gains from the disposal of the property (gain of € 40.86 million).

Germany

External revenues in the Germany segment fell from € 14.31 million to € 6.93 million in the short financial year. This segment contributed 10% of consolidated revenues (2019/20: 12%). EBIT came to € 0.03 million, as against € 0.34 million in the previous year. The decline in EBIT was also due to the negative development in revenues which could only partly be compensated by lower depreciations and impairments.

Rest of Europe

External revenues at the companies in the Rest of Europe segment showed a significant reduction from € 46.39 million to € 26.24 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 (2019/20: 39%). Despite the decline in revenues, due to a decrease in depreciations, EBIT improved to € +1.00 million (2019/20: € -0.68 million).

North America

External sales at the group companies in the North America segment decreased from € 24.22 million to € 10.30 million. This segment, which comprises the sales companies in the US and Canada, contributed 15 % of consolidated revenues (2019/20: 21 %). Due to the loss of revenues, EBIT dropped to € -4.73 million, down from € -0.89 million in the previous year.

Asia

At € 3.23 million, external revenues at the companies in the Asia segment were also below the previous year's figure (€ 4.21 million). This segment, which includes the sales companies in Hong Kong and China, accounted for 5% of consolidated revenues (previous year: 4%). EBIT increase to € -1.51 million after € -2.68 million in the previous year.

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. However, some economies already show recoveries and the Organization for Economic Cooperation and Development (OECD) expect a growth of world-wide GDP in 2021.

For the luxury goods market, the strategic consultants at Bain & Company released a forecast in early December 2020 in which they expect a recovery the earliest by 2022. McKinsey & Company together with the network "The Business of Fashion" also expect only a slow recovery for the global fashion sector. An optimistic scenario expects a decrease by 0 and 5 % in 2021 compared to 2019. Another scenario expects a decrease of revenues by 10 to 15 % in 2021.

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. Wolford faces this change with remote selling as first steps into the digital future.

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 months March and April of the financial year 2019/20, with year-on-year reductions in revenues of 52% in March and 73% in April.

These effects could also be observed in the past short financial year with a decrease of 50 % as re-openings differed between countries. While the stores in Austria, Germany and Scandinavia re-opened in mid of April, all stores in France, Italy, Spain and North America were closed till end of May or End of June.

Currently the positive effects of cost reductions in the course of the restructuring programs on costs (PITBOLI) and revenue stabilization (Nordstern) are overcompensated by the ongoing economic crisis as a consequence of Covid-19. As a reaction, Wolford reduced its sales forecast in the midterm planning and intensified restructuring measures already in 2019/20. To compensate for Covid-19 caused revenue reductions Wolford takes advantage of subsidies in the form of short-time work, deferred leasing and tax payments and other government subsidies. To strengthen Wolford for the future a reorganization of the group over the entire value chain is currently in progress. Detailed short- and mid-term measures were designed to increase revenues in the long term. A second label was introduced in the past financial year; the increase of wholesale and online-revenues is our constant focus. Increased positive reactions were observed on the new trend collections which is expected to have a positive impact on future revenues.

In 2021 the management will clearly stick with this direction with a focus on implementing the restructuring measures already defined, while also taking targeted measures to stabilize revenues, such as further expanding the online business.

Despite the corona-crisis which will also affect Wolford in the second half of 2021, management expects positive operating results for the financial year 2021. A positive EBIT in 2021 shall serve as a basis for a sustainable improvement in earnings. Our restructuring program PITBOLI together with the program Nordstern to increase revenues shall serve as a basis for profitable growth and an increase in shareholder value.

Events After the Balance Sheet Date

In February 2021, a contract was concluded for the sale of a further operating property with sales proceeds amounting to € 805k. The sales negotiations were already started in the short financial year 2020; the property in question was already available for sale as of December 31, 2020.

In March 2021, an external fraud incident ("fake president incident") resulted in an unlawful outflow of cash and cash equivalents of € 1,151k from the Company. On the other hand, there are expected claims from concluded insurance agreements in the amount of approximately € 1,000k.

There were no other matters with a material impact on the assets, financial position and earnings situation of the Wolford Group.

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 Woford'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, Woford 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 (annually at a minimum).

Comments on material risks and opportunities

The Corona crisis and its impact on the global economy and our main markets pose significant risks to the further development of Wölford's business. Due to the limited visibility caused by the Corona crisis, it is currently difficult to assess the business risks, as these depend heavily on the duration and intensity of the crisis and the further consequences for the global economy. The decrease was clearly noticeable in the short financial year and the recovery after the lockdowns in spring has been delayed by the massive occurrence of a second wave, which has led to new lockdowns in various countries. The further development of the pandemic and the resulting political measures can hardly be estimated from today's perspective. Accordingly, further negative developments in Group's sales and earnings may occur.

Strategic development

Wölford 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. Wölford 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, Wölford 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, Wölford invests to systematically expand its presence in China. As a reaction to the Covid-19 pandemic, care masks were added to the assortment and could partially compensate drops in revenues.

Market communications

For a company like Wölford that is dependent on the charisma of its brand, the question of branding is highly significant. What Wölford 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

Wölford 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, Wölford 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. Wölford 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 Wölford 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 – Wölford has numerous independent IT systems and databases that are only compatible to a limited extent. Data synchroni-

zation and general IT support are correspondingly time-consuming and personnel-intensive, while the overall system at Woford 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, Woford plans to standardize its IT landscape in the medium term by introducing a standard ERP software throughout the company.

Market changes

Woford 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, Woford is subject to macroeconomic developments in international markets and dependent on customer behavior. Any decline in demand due to macroeconomic developments or other external factors (e.g. the Covid-19 pandemic) may result in excess capacity in the company's production plans. To avoid this, Woford 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, Woford 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, Woford has long worked to systematically expand its proprietary online business and to cooperate with relevant e-tailers.

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, Woford will also have to find new strategic approaches by restructuring its business and implementing the revenue-boosting measures referred to above. In 2021 the management will clearly stick with this direction with a focus on implementing the restructuring measures already defined, while also taking targeted measures to stabilize revenues, such as further expanding the online business.

Political and social risks

As a company with global operations, Woford 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 2021 as well. These developments also involve risks for providers of luxury goods in particular and lie outside the control of individual companies.

Financial risks

Woford is exposed to financial risks as a result of changes in interest rates and exchange rate fluctuations. Due to the repayment of financial liabilities in the short financial year, the risk of floating interest rates could be reduced significantly. Given the international focus of its business model, Woford is also subject to exchange rate risks. The development of material foreign currency exposures is monitored constantly, hedges to cover this risk were not signed.

Liquidity risks

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

Wolford Group holds liquidity reserves in the form of bank balances, the majority of which are available on a daily basis, in order to ensure that payment obligations from operating expenses and financial liabilities can be fulfilled. However, the impact of further lockdowns and restrictions on business activity as a consequence of Covid-19 on the group's liquidity is currently difficult to assess. To face these insecurities, a closer monitoring of liquid funds was implemented.

Based on the information currently available, the Management Board did not identify significant individual risks that could threaten the company's ability to continue as a going concern.

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 management board 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 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 a rolling full-year forecast is implemented.

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 60 employees (FTE) working in product development in the short 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.

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 short financial year 2020, Wolford had a worldwide average total of 1,169 employees (full-time equivalents). At 83%, women made up the same share of the workforce as in the previous year. Women also made up around 42% of the Wolford Group's management team (Management Board and managers of relevant divisions across the company). An average total of around 536 employees (FTEs) worked at corporate headquarters in Bregenz. The company currently offers vocational training to 13 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, 11 safety officers for production employees to turn to, 36 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 € 9.5 thousand in training and professional development for its employees in the short financial year.

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 23 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 16 employees drawing on this option in the 2020 short 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 December 21, 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 December 31, 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, May 12, 2021



Andrew Thorndike



Silvia Azzali

Consolidated statement of comprehensive income

in TEUR	Note	2020	2019/20
Revenues	(1)	68,037	118,540
Other operating income	(2)	45,209	1,292
Changes in inventories of finished goods and work in progress		-1,381	-1,667
Cost of materials and purchased services	(3)	-13,156	-20,139
Personnel expenses	(4)	-33,370	-62,834
Other operating expenses	(5)	-29,098	-37,812
Impairments of trade receivables	(6)	-448	-1,359
Depreciation and amortization, including impairments and write-backs	(7)	-15,855	-24,700
EBIT		19,939	-28,679
Interest and similar income	(8)	17	24
Interest and similar expenses	(8)	-2,540	-6,157
Income from securities		44	34
Interest cost of employee benefit liabilities	(8)	-134	-242
Financial result		-2,612	-6,341
Earnings before tax		17,327	-35,020
Income tax	(9)	-4,561	7,598
Earnings after tax		12,766	-27,422
Other comprehensive income ¹⁾			
Amounts that will not be recognized through profit and loss in future periods		-171	-113
of which actuarial gains and losses	(10)	-233	-146
of which deferred tax	(10)	62	33
Amounts that will potentially be recognized through profit and loss in future periods		927	-181
of which currency translation differences for foreign operations	(10)	927	-181
Other comprehensive income ¹⁾	(10)	757	-294
Total comprehensive income		13,522	-27,717
Attributable to owners of the parent company		13,522	-27,717
Earnings after tax attributable to owners of the parent company		12,766	-27,422
Earnings per share in EUR (diluted = basic)	(11)	1.93	-4.14

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

Consolidated statement of cash flows

in TEUR	Note	2020	2019/20
Earnings before tax		17,327	-35,020
Depreciation of property, plant and equipment and amortization of intangible assets		16,384	25,300
Write-backs to property, plant and equipment		-529	-600
Gains / losses from disposals of non-current assets		-40,864	68
Interest expenses / interest income		2,523	6,133
Other non-cash income and expenses		-44	0
Changes in inventories		156	1,092
Changes in trade receivables		-3,442	3,306
Changes in other receivables and assets		-6,275	1,443
Changes in trade payables		3,311	896
Changes in other provisions and employee-related provisions		-1,903	-1,512
Changes in other liabilities		-1,859	4,964
Interest received		2	25
Interest paid		-2,481	-1,049
Income tax paid		-290	484
Cash flow from operating activities		-17,985	5,530
Payments for investments in property, plant and equipment and other intangible assets		-770	-1,703
Proceeds from disposals of property, plant and equipment and other intangible assets		72,001	440
Cash flow from investing activities		71,231	-1,263
Proceeds from current and non-current financial liabilities		0	10,000
Repayment of current and non-current financial liabilities		-38,983	-3,992
Repayment of lease liabilities		-4,562	-17,799
Cash flow from financing activities		-43,545	-11,791
Cash-effective change in cash and cash equivalents		9,701	-7,524
Cash and cash equivalents at beginning of period	IV.	4,519	12,068
Effects of exchange rate movements on cash and cash equivalents		-94	-25
Cash and cash equivalents at end of period		14,126	4,519

Consolidated balance sheet

in TEUR	Note	December 31, 2020	April 30, 2020
Property, plant and equipment	(12)	61,125	72,689
Goodwill	(13)	86	305
Other intangible assets	(14)	1,165	1,482
Non-current financial assets	(15)	1,323	1,297
Non-current receivables and assets	(16)	1,923	1,747
Deferred tax assets	(17)	6,091	10,618
Non-current assets		71,713	88,138
Inventories	(18)	33,848	34,694
Contract assets	(28)	69	101
Trade receivables	(19)	8,814	5,436
Other receivables and assets	(20)	10,303	4,114
Cash and cash equivalents		14,126	4,519
Current assets		67,159	48,864
Non-current assets held for sale	(21)	25	24,687
Total assets		138,898	161,689
Share capital		48,848	48,848
Capital reserves		10,533	10,533
Other reserves		-26,618	-39,212
Treasury stock		-4,413	-4,413
Currency translation differences		190	-737
Equity	(22)	28,541	15,019
Lease liabilities		51,687	46,080
Other liabilities	(25)	870	893
Provisions for long-term employee benefits	(24)	16,300	17,431
Deferred tax liabilities	(17)	0	715
Non-current liabilities		68,857	65,119
Financial liabilities	(23)	0	38,983
Trade payables		11,026	7,518
Lease liabilities		13,166	15,062
Other liabilities	(27)	10,565	13,733
Income tax liabilities		1,332	445
Other provisions	(26)	3,929	4,357
Contract liabilities	(28)	1,483	1,453
Current liabilities		41,500	81,551
Total equity and liabilities		138,898	161,689

Consolidated statement of changes in equity

in TEUR	Note	Attributable to owners of the parent company						Total equity
		Share capital	Capital reserves	Actuarial gain / loss	Other reserves	Treasury stock	Currency translation	
May 1, 2019	22	48,848	10,533	-4,831	-6,864	-4,413	-556	42,717
Earnings after tax	22	0	0	0	-27,422	0	0	-27,422
Other comprehensive income	22	0	0	-113	0	0	-181	-294
Sundry items	22	0	0	0	18	0	0	18
April 30, 2020 = May 1, 2020	22	48,848	10,533	-4,944	-34,268	-4,413	-737	15,019
Earnings after tax	22	0	0	0	12,766	0	0	12,766
Other comprehensive income	22	0	0	-171	0	0	927	757
December 31, 2020	22	48,848	10,533	-5,115	-21,503	-4,413	190	28,541

Segment reporting

2020 in TEUR	Austria	Germany	Rest of Europe	North America	Asia	Consolidation	Group
Revenues	37,303	6,927	32,247	10,304	3,285	-22,028	68,037
of which intersegmental revenues	16,017	0	6,011	0	0	-22,028	0
External revenues	21,285	6,927	26,236	10,304	3,285	0	68,037
EBIT	27,983	31	998	-4,730	-1,509	-2,834	19,939
Segment assets	115,249	11,035	46,303	18,651	4,688	-72,476	123,499
Segment liabilities	16,222	2,587	9,489	10,702	10,191	-19,986	29,205
Investments (including modifications and additions of right-of-use assets)	4,006	807	4,749	1,871	612	-25	12,020
Depreciation and amortization, including impairments and write-backs	2,357	1,604	5,729	5,748	439	-23	15,855
Average number of employees (FTE)	478	81	522	70	17	0	1,169

2019/20 in TEUR	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*	126,769	12,787	44,371	27,897	4,582	-60,534	155,873
Segment liabilities*	18,526	3,436	3,792	8,838	8,165	-13,641	29,116
Investments (including 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

*The values have been adjusted so that from the abridged financial year 2020 on only the items influencing the EBIT are reported in segment assets and segment liabilities.

Non-current asset schedule

					Costs	
in TEUR	May 1, 2020	Currency translation differences	Additions	Disposals	Reclassifications*	December 31, 2020
Property, plant and equipment						
Land, leasehold rights and buildings, including buildings on third-party land	20,485	-891	431	0	-550	19,475
Technical equipment and machinery	29,183	0	134	-293	-121	28,903
Other equipment, furniture and fixtures	31,333	-553	184	-1,565	281	29,681
Right-of-use assets	79,327	-3,321	11,251	-5,819	0	81,437
Prepayments made and assets under construction	1,835	0	0	0	-104	1,731
	162,163	-4,765	12,000	-7,677	-494	161,227
Goodwill	2,210	-87	0	-642	0	1,481
Other intangible assets						
Concessions, industrial property rights, and similar rights and values, as well as licenses to such	15,427	81	21	-4	471	15,995
Internally generated intangible assets	471	0	0	0	-471	0
	15,898	81	21	-4	0	15,995
Total	180,271	-4,770	12,021	-7,999	-818	178,704

*In connection with the disposal of the production property, a cleansing of data in the register of assets was made in the abridged financial year. Consequently, some adjustments between costs and accumulated depreciation occurred and are presented in the reclassification column. The net amount of reclassifications after elimination of these effects results from IFRS 5 reclassifications (current value of € 25k for the property that is newly classified as held for sale as of 31 December 2020 as well as € 265k adjustments to the disposed property).

May 1, 2020	Currency translation differences	Accumulated depreciation and amortization					December 31, 2020	Carrying amounts	
		Impair- ments	Write-backs	Additions	Disposals	Reclassifications*		May 1, 2020	December 31, 2020
15,655	-815	327	-42	934	0	-841	15,219	4,830	4,256
26,980	0	0	0	337	-125	-120	27,072	2,203	1,831
27,465	-570	150	-78	1,176	-1,016	177	27,303	3,868	2,378
17,642	-1,184	4,281	-409	8,461	-14	0	28,776	61,685	52,661
1,731	0	0	0	0	0	0	1,731	104	0
89,473	-2,569	4,759	-529	10,907	-1,156	-784	100,101	72,689	61,125
1,905	-88	221	0	0	-642	0	1,395	305	86
14,192	-83	0	0	497	0	224	14,830	1,235	1,165
224	0	0	0	0	0	-224	0	247	0
14,416	-83	0	0	497	0	0	14,830	1,482	1,165
105,794	-2,741	4,980	-529	11,404	-1,474	-1,109	116,326	74,477	62,376

*In connection with the disposal of the production property, a cleansing of data in the register of assets was made in the abridged financial year. Consequently, some adjustments between costs and accumulated depreciation occurred and are presented in the reclassification column. The net amount of reclassifications after elimination of these effects results from IFRS 5 reclassifications (current value of € 25k for the property that is newly classified as held for sale as of 31 December 2020 as well as € 265k adjustments to the disposed property).

in TEUR	Note	Costs								
		April 30, 2019	First-time applica- tion of IFRS 16	May 1, 2019	Currency translation differences	Addi- tions	Dispo- sals	Reclassific- ations	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 applicatio n 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 applica tion 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

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, Wulfordstrasse 1 and registered with the provincial court of Feldkirch, Austria, under FN 68605s. Wulford AG prepares consolidated financial statements for the smallest group of group companies and is included in the superordinate consolidated financial statements of Fosun Fashion Group (Cayman) Limited, Grand Cayman.

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 Wulford AG.

I. Accounting principles

1. BASIS OF PREPARATION

The consolidated financial statements of Wulford 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 2020 abridged financial year.

At the 33rd Annual General Meeting on September 30, 2020, a resolution was passed to change the balance sheet date from May 1, 2020 to December 31, starting with the financial year. The current financial year is therefore an abridged financial year covering the period from May 1, 2020 to December 31, 2020 (comparative period: May 1, 2019 to April 30, 2020). Comparability of the periods presented in the consolidated financial statements is therefore limited.

The consolidated financial statements of Wulford 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 (€ k). The Management Board is responsible for the preparation of the consolidated financial statements. Due to commercial rounding, rounding differences may occur.

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

Standard / Interpretation	Designation	Effective date at the Woldford Group
IFRS 16	COVID-19-related rental concessions	June 1, 2020
IFRS 3	Modifications to IFRS 3 with regard to the definition of a business	May 1, 2020
IFRS 9, IAS 39 und IFRS 7	Amendments as a result of the interest rate benchmark reform	May 1, 2020
IAS 1, IAS 8	Amendments to IAS 1 and IAS 8 concerning the definition of material	May 1, 2020
IFRS Conceptual Framework	Revised IFRS Conceptual Framework	May 1, 2020

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

Standard / Interpretation	Designation	Effective date
Standards already adopted by the EU		
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Amendments as a result of the interest rate benchmark reform Phase 2	January 1, 2021
IFRS 4	Postponement of the effective date of IFRS 9 for insurance contracts	January 1, 2021
Standards not yet adopted by the EU		
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current	January 1, 2020
IAS 16	Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use	January 1, 2022
IFRS 3	Amendments to IFRS 3: Reference to the IFRS Conceptual Framework	January 1, 2022
IAS 37	Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
Annual improvements to IFRS	Cycle 2018-2020	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Definition of Material in connection with accounting and valuation principles	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates and their distinction from changes in accounting policies	January 1, 2023
Amendments to IFRS 16	Extension of application period of the changes to IFRS 16 in connection with COVID-19-related rental concessions	March 3, 2021

IFRS 16 – COVID-19-related rental concessions

As a result of the COVID-19 pandemic, lease concessions were granted in various forms (e.g. payment exemptions and deferral of lease payments). In May 2020, the IASB published the amendments to IFRS 16 in connection with COVID-19. The amendments provide optional, temporary COVID-19-related relief for lessees. This allows lessees, under certain conditions, to waive the assessment of whether a lease concession is a modification of the lease under IFRS 16 and instead

to account for the lease concession as if it were not a modification but variable lease payments. This relief only applies to lease concessions that arise as a direct result of the COVID-19 pandemic and only if certain conditions are met.

The Group has implemented the amendments early and has also applied the practical expedient for qualifying rental concessions consistently.

The other new or revised standards/interpretations had no material impact on the consolidated financial statements of the Wolford Group and no material impact is expected from the standards/interpretations to be applied in the future.

Going Concern

In the abridged financial year 2020, the Wolford Group was unable to avoid the turbulence in the retail sector triggered by the COVID-19 crisis. Measures taken by the government to restrict contact, such as lockdowns, had a significant impact with sales falling short of budget. As a result, the assumptions made in the previous year's going concern forecast with regard to the development of sales and liquidity were only partially achieved.

The Wolford Group has taken these circumstances into account with an updated going concern forecast in the following areas:

- The sales planning for 2021 and subsequent years was prepared on the basis of developments in the first months of 2021 and the best possible estimate for the remaining period. The NORDSTERN sales growth program has set the course for future growth.
- In addition, the restructuring measures initiated in the previous year under the PITBOLI program were further intensified to achieve additional cost savings. In particular, locations that cannot be operated profitably are being closed, the headcount at headquarters is being significantly reduced and logistics processes optimized.
- Further measures, such as the sale of a property (refer also to the explanations on events after the balance sheet date), will be taken to ensure liquidity.
- Woford is also making extensive use of government subsidies to mitigate the consequences of the COVID-19 pandemic; the fixed cost subsidy has already been applied for in 2020 and the instrument of short-time working has been used. Furthermore, the use of such subsidies, such as loss compensation, is also planned for 2021.
- In order to cover the temporary financing requirements included in the updated liquidity planning, an (indirect) majority shareholder has granted a financing commitment of up to EUR 10 million until October 2022. In addition to the planned short-term financing requirements, this financing commitment also covers an additional security reserve for unforeseeable budget deviations.

Based on the information currently available, which has been taken into account in the updated going concern forecast, the Management Board currently does not believe that there are any significant individual risks that could endanger the continued existence of the company. The Group's ability to continue as a going concern is therefore highly probable. However, the Management Board is aware of the fact that unforeseeable major budget deviations, such as those caused by prolonged and extensive restrictions as a result of the COVID-19 pandemic, could endanger the Group's continued existence.

2. DISCLOSURES RELATING TO THE COVID-19 PANDEMIC

The consequences of the COVID-19 pandemic have significant effects on these financial statements, which are presented in summary below.

Sales performance

The global outbreak of COVID-19 led to containment measures such as curfews and store closures in 2020. This health crisis is impacting the entire global economy. Due to these conditions and the temporary closures as a result of the world-wide lockdown, as well as due to the shorter financial year, a significant decline in sales of 42.6% (EUR 50,503k) to EUR 68,037k was recorded in the abridged financial year. Compared to the corresponding period of the previous year (May to December 2019), there was a decline of 25.1% (EUR 22,751k). While a decline was evident across all main product groups, the addition of MNS masks to the product range compensated for part of the decrease that occurred.

Government subsidies

To the extent that the relevant requirements could be met, government subsidies were claimed to mitigate the negative effects of COVID-19 (mainly fixed cost subsidy and short-time work). In the abridged financial year 2020, short-time work subsidies in the amount of € 2,400k were received reducing the personnel expenses. Additional, fixed costs subsidies amounting to € 3,700k are presented within the other income. Further opportunities to apply for subsidies through government support and subsidy programs for all countries in which the Wölford Group operates are being examined on an ongoing basis.

Impact of the COVID-19 crisis on estimation uncertainties and discretionary decisions

The COVID-19 crisis has had an impact on the consolidated financial statements according to IFRS, in particular on assumptions, estimates and judgments in the following areas

- Impairment of Assets: Planned figures were updated as of 31 December 2020 taking into account the extension of government measures as well as restructuring measures that were approved in December 2020. The updated planning figures lead to impairments in the amount of € 4,980k and write-backs in the amount of € 529k for the abridged financial year 2020. The net amount is presented in the position depreciation and amortization, including impairments and write-backs in the comprehensive income statement.
- Valuation of receivables: The development of receivables is subject to close monitoring as a result of the negative economic development and the increase in online sales. Due to the high level of coverage provided by the existing credit insurance, no need was identified to adjust the existing allowance system.
- IFRS 16 Assumptions: In some cases, lease concessions with no material effect on the financial statements were granted to the Wölford Group in connection with the economic challenges arising from the COVID-19 crisis. To the extent that these lease concessions are modifications of lease contracts and the requirements of the "Amendment to IFRS 16" were met, these lease concessions were not treated as contract modifications and recognized as profit or loss. As a result of the changed conditions, the extent to which changes in the assumptions regarding the exercise of termination or extension options were required was also evaluated and appropriate actions taken.
- Recognition of deferred tax assets: Deferred tax assets were valued on the basis of an estimate of the expected annual income tax rate in the updated medium-term planning. The medium-term planning takes into account the implementation of a sustainable improvement in the cost structure as a result of the restructuring program and the related measures to secure the expected development of sales.

3. 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.	Mailand	100
Wolford España S.L.	Madrid	100
Wolford Scandinavia ApS	Kopenhagen	100
Wolford America, Inc.	New York	100
Wolford Nederland B.V.	Amsterdam	100
Wolford Canada Inc.	Vancouver	100
Wolford Asia Limited	Hongkong	100
Wolford Belgium N.V.	Antwerpen	100
Wolford (Shanghai) Trading Co., Ltd.	Shanghai	100

Branch offices are operated in Finland, Norway 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 has not changed compared to the previous year.

The balance sheet date of the consolidated financial statements, as well as the balance sheet date of the parent company and all consolidated companies, has been changed uniformly to December 31 since the financial year under review.

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, the difference is recognized as goodwill. Negative differences are recognized immediate-

ly as profit. 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 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:

Currency	Average rate on the balance sheet date		Average rate for the year	
	December 31,	April 30, 2020	2020	2019/20
	2020			
1 EUR / USD	1.23010	1.08630	1.15568	1.10913
1 EUR / GBP	0.90160	0.86810	0.89877	0.87522
1 EUR / CHF	1.08310	1.05780	1.07170	1.09585
1 EUR / DKK	7.44010	7.46040	7.44921	7.46834
1 EUR / SEK	10.00830	10.65590	10.40828	10.65623
1 EUR / NOK	10.48170	11.16300	10.82570	10.05063
1 EUR / CAD	1.56680	1.50530	1.54700	1.47861
1 EUR / HKD	9.51640	8.42240	8.95749	8.66697
1 EUR / CNY	8.01205	7.68430	7.92614	7.72251
1 EUR / MOP	9.79565	8.66813	9.23088	8.83055

4. 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.

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

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

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 recognized as expenses. These costs are capitalized if the expenditures are likely to increase the future economic benefits from use of the respective asset.

Leases: At the inception of the contractual agreement, the Group assesses whether the contract constitutes or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time against payment of a fee. When the object is made available, the Group recognizes an asset for the right-of-use granted and a lease liability. The right-of-use asset is initially valued at cost, which is the initial value of the lease liability, adjusted for payments made on or before the date of availability, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives granted.

The right-of-use asset is depreciated over the expected term of the lease in accordance with the accounting policy for property, plant and equipment. The lease liability is recognized in accordance with the provisions of IFRS 16 and reduced by the lease payments made and increased by the interest expense. The lease liability comprises, among other things, the total of fixed and variable lease payments not yet made. In the case of index-based payments, indexation is taken into account as of the effective date of the lease payment adjustment. In addition, lease extension options and any lease termination payments are included if there is sufficient certainty. If the lease liability is subsequently revalued, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognized in profit or loss if the carrying amount of the right-of-use asset has decreased to zero. In accordance with IFRS 16, the lease liability is discounted over the term using the effective interest method.

Wolfford AG uses the exemption from recognition for short-term leases with a maximum term of 12 months and for leases of low-value assets. The option not to separate lease and non-lease components (e.g. operating costs in the case of rental agreements) is not practiced and, accordingly, the non-lease component is not taken into account in determining the lease liability and the right-of-use asset. In some countries, the store leases are fully variable and are not based on any index or interest rate. In accordance with IFRS 16, no right-of-use assets or lease liabilities are recognized in the statement of financial position for these leases; instead, the lease payments continue to be recognized as an expense in the consolidated statement of comprehensive income.

Wolford AG has applied COVID-19-related lease concessions - amendments to IFRS 16. Thus, it was not assessed whether permitted lease concessions as a direct result of the COVID-19 pandemic constitute a lease modification. Wolford AG applies the practical expedient uniformly to contracts with similar characteristics and in similar circumstances. For lease concessions under leases to which the practical expedient does not apply, the Group assesses whether a lease modification exists.

Goodwill resulting from acquisitions 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually. In determining possible impairment, the recoverable amount of the cash-generating unit (CGU) is compared with its 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. Estimates made by management in determining the recoverable amount consist primarily of determining 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 planning period from 2021 to 2022 in accordance with the forecasts derived from the latest budget presented to the Supervisory Board and the additional adjustments of the going concern forecast. In the first planning year 2021, COVID-19-related declines in sales were considered in planning. It is assumed that the situation will normalize in the second half of 2021 and that the COVID-19-related sales declines can be recovered in the following year. This leads to an increase in sales from the planning year 2021 to the planning year 2022 of 18%-28%. In the further planning, a sales growth of 1% was assumed for all regions. The cost of sales will increase proportionally to sales. Personnel costs and operating expenses are considered at an annual growth rate of 1% and are not directly related to the development of sales, as the scope of the respective business operations remains unchanged. In addition, the cost-saving measures adopted as part of the restructuring program have been taken into account accordingly. Replacement and maintenance investments were included in the calculation according to the size of the boutiques (clustering by m²) based on historical experience. Expansion investments or complete store refurbishments were not taken into account in line with current budget planning. Forecasts based on past experience, current operating results, consultant analyses and management's best estimate of future developments, as well as market assumptions, were used to determine the budget planning calculations. The discount factors (WACC after tax) of 5.2% - 8.4% (April 30, 2020: 5.3% - 8.3%) used for impairment tests are derived from regional interest rates, taking into account the risk-free base interest rate with maturities matching the average remaining opening period of the boutiques in the respective country, country risk premiums, the credit spread based on a 30-year consumer discretionary bond with a BBB rating, and different tax rates. The remaining opening time of the boutique locations are evaluated on a boutique-by-boutique basis, taking into account the remaining lease term, possible termination options, expected performance and economic and strategic considerations. Based on a sensitivity analysis in the main regions a decrease of 5 % in sales compared to budgeted figures would increase impairment expenses by € 724k.

For the purpose of determining recoverability, the individual stores are considered as 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 2020 abridged financial year or in the 2019/20 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. These are 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. The gain or loss arising from valuation is recognized in the financial result.

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 and the receivables are not expected to be fully collectible, 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 expected losses 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 and finished goods are also 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 long storage duration 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 tax loss carryovers that are realistically expected to be utilized and that are expected to be recoverable. 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 12,00% bis 31,83% is used.

Defined benefit obligations: In accordance with IAS 19 revised and the projected unit credit method, the following parameters were used to calculate the obligations for severance payments at the Austrian parent company (equivalent to approximately 86% of the obligations recognized in the balance sheet):

Biometric parameters	AVÖ 2018-P (2019/20: AVÖ 2018-P)
Discount rate	0.78 % p. a. (2019/20: 1.25 %)
Wage/salary trend	1.80 % p. a. (2019/20: 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 (corresponds to approximately 96% of the obligations recognized in the balance sheet) 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 (2019/20: AVÖ 2018-P)
Discount rate	0.62 % p. a. (2019/20: 1.11 %)
Wage/salary trend	1.80 % p. a. (2019/20: 2.29 %)
Retirement age	64 – 65 / 59 – 65 Jahre
Employee turnover :	
0 – 2 years	24 % (2019/20: 24 %)
3 – 4 years	22 % (2019/20: 22 %)
5 – 9 years	16 % (2019/20: 16 %)
10 – 14 years	14 % (2019/20: 14 %)
15 – 19 years	9 % (2019/20: 9 %)
20 – 29 years	3 % (2019/20: 3 %)
over 30 years	0 % (2019/20: 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 (corresponds to around 98% of the obligations recognized in the balance sheet) was based on the following parameters:

Biometric parameters	AVÖ 2018-P (2019/20: AVÖ 2018-P)
	0.90% p. a.
Discount rate	(2019/20: 1.37%)
	1.70 % to 2.29 % p. a.
Valorization of salaries	(2019/20: 1.70 % to 2.29 % p. a.)

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: 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 generally applicable to all contracts with customers. Accordingly, revenues are only recognized upon the transfer of control to the customer.

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 bundled 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 generally applicable to all contracts with customers and determines the amount and time at which revenues are recognized.

Wolford AG generally 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 for the acquisition of shop fittings customary to Wolford AG, are deferred and released to profit or loss on a pro rata 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 € -1.724k were recognized in the 2020 abridged financial year (April 30, 2020: € -99k).

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, mainly in the form of COVID-19 measures, in the abridged financial year under report. These grants are recognized as revenue on the basis of binding commitments, official notifications, and legal entitlement. Around EUR 2,400k (previous year: EUR 766k) of subsidies granted relate to short-time work, which were netted directly with personnel expenses. For a further EUR 3,700k in fixed cost subsidies, the eligibility criteria were met as of the reporting date, which is why they were recognized as profit under other operating income and deferred under other receivables.

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 earnings. The calculation of allowances for receivables is 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 into account periods resulting from lease extension options that are deemed reasonably certain. Discretionary decisions are made when assessing whether it is reasonably certain that the option to extend or terminate the lease will be exercised or not. These decisions consider 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 analyzed (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".

5. 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-site and manage business operations accordingly. The country companies are responsible for the distribution of all products developed by Wolford as well as 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 represents 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: € 4.642k, or 14%, in France (April 30, 2020: 19%), € 2.794k, or 9%, in the UK, including Ireland (April 30, 2020: 14%), € 5.732k, or 18%, in Scandinavia (April 30, 2020: 14%), € 2.925k, or 9%, in Switzerland (April 30, 2020: 7%), and 50% in other European countries (April 30, 2020: 46%). Of the revenues in the North America segment, € 9.448k, or 92%, were attributable to the US (April 30, 2020: 92%) and € 856k, or 8%, to Canada (April 30, 2020: 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. With a contribution of 41% in the abridged financial year 2020 (April 30, 2020: 50%), the legwear product section accounts for the largest share of sales. With a sales contribution of 30% (April 30, 2020: 32%), ready-to-wear will continue to be the second-largest product group in the abridged financial year 2020. Lingerie, beachwear, accessories and merchandise generated a total sales share of 29% in the financial year under report (previous year: 18%). The shift is mainly due to the inclusion of MNS masks in the product range (presented in the accessories segment).

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. In the abridged financial year, face masks were also added to the product range, which strengthened sales in the accessories segment.

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 in "I. Accounting principles" under "4. Segment reporting".

Revenues by product group and distribution channel

EUR 000s	2020	2019/20
Legwear	28,169	60,484
Ready-to-wear	20,166	37,951
Lingerie	9,320	17,790
Accessories, Beachwear, and Trading goods	10,382	2,372
Contributions	0	-57
Total	68,037	118,540

EUR 000s	2020	2019/20
Boutiques	24,016	53,343
Concession shop-in-shops	3,917	8,298
Online business	20,199	15,410
Factory outlets	4,638	9,483
Department stores	5,220	14,225
Specialist retailers	8,310	16,596
Private labels	1,737	1,185
Total	68,037	118,540

(2) OTHER OPERATING INCOME

EUR 000s	2020	2019/20
Grants and subsidies	3,700	210
Restaurant revenue	90	147
Insurance benefits	0	27
Gains on disposals of non-current assets	40,987	43
Other	432	865
Total	45,209	1,292

For further information on gains on disposals of non-current assets refer to note 21.

(3) COST OF MATERIALS

EUR 000s	2020	2019/20
Raw materials	10,560	15,917
Energy	698	1,185
Services	1,899	3,037
Total	13,156	20,139

(4) PERSONNEL EXPENSES

EUR 000s	2020	2019/20
Wages	5,048	7,290
Salaries	20,102	41,088
Expenses for statutory social security contributions, payroll-based duties, and other mandatory contributions	6,269	10,917
Expenses for severance compensation and pensions	1,341	2,376
of which for management	0	240
Other employee benefits	609	1,163
Total	33,370	62,834

Personnel expenses include income from short-time work in the amount of € 2,400k (April 30, 2020: € 760k).

Personnel total

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

Number of employees (full-time equivalents)	2020	2019/20
Average number of employees	1,169	1,243
of which waged employees	347	348
of which salaried employees	810	879
of which apprentices	13	16

(5) OTHER OPERATING EXPENSES

EUR 000s	2020	2019/20
Rental and lease expenses	1,019	5,416
Marketing expenses	5,050	6,575
Legal and consulting fees	7,408	7,167
Freight costs	1,098	1,843
Online distribution	3,889	4,476
Travel costs	219	1,235
Customs duties	850	1,422
Credit card fees and bank charges	1,003	1,454
IT expenses	1,850	2,916
Foreign exchange losses	1,618	0
Insurance premiums	425	943
Taxes (excluding income tax)	435	876
Maintenance expenses	411	685
Vehicle fleet	285	605
Commissions	435	30
Telephone expense	362	462
Fees and charges	263	256
Other	2,478	92
Total	29,098	37,812

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:

EUR 000s	2020	2019/20
Audit of annual and consolidated financial statements	205	234
Other assurance services	13	0
Total	218	234

(6) ALLOWANCES FOR TRADE RECEIVABLES

Allowances of € 448k were recognized on trade receivables in the 2020 abridged financial year (April 30, 2020: € 1,359k). 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 € 11,403k in the 2020 abridged financial year (April 30, 2020 € 19,886k).

The impairment tests performed in the 2020 abridged financial year led to the recognition of impairments of € 4,980k (April 30, 2020: € 5,414k) and write-backs of € 529k (April 30, 2020: € 600k). Impairments related to property, plant and equipment including right-of-use assets

(€ 4,759k; April 30, 2020: € 4,836k), goodwill (€ 221k; April 30, 2020: € 578k) and are distributed among the segments of Asia (€ 15k; April 30, 2020: € 1,666k), North America (€ 2,673k; April 30, 2020: € 941k), Rest of Europe (€ 2,003k; April 30, 2020: € 2,662k), Germany (€ 289k; April 30, 2020: € 134k). In Austria, there has been no impairment in the abridged financial year (30. April 2020: € 11k). The reason for the impairment losses across all segments was the COVID-19-related negative current and expected business development. This led to a reduction of the fair values based on values in use.

The write-backs related entirely to property, plant and equipment and are distributed among the segments of Rest of Europe (€ 373k; April 30, 2020: € 350k), North America (€ 47k; April 30, 2020: € 248k), Austria (€ 1k; April 30, 2020: € 2k), Germany (€ 11k; April 30, 2020: € 0k), and Asia (€ 108k; April 30, 2020: € 0k). The write-backs were attributable to the sustained improvement in the cost structure resulting from the restructuring program and the associated improvement in business performance. This led to an increase of the fair values based on values in use.

(8) NET INTEREST EXPENSES

in TEUR	2020	2019/20
Interest and similar income	17	24
Interest and similar expenses	-63	-2,198
Income from securities	44	34
Interest on lease liabilities	-2,477	-3,959
Interest cost of employee benefit liabilities	-134	-242
Total	-2,612	-6,341

(9) INCOME TAX

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

EUR 000s	2020	2019/20
Statement of comprehensive income		
Current tax expense / income	-936	-561
Deferred tax expense / income	-3,626	8,159
Total	-4,561	7,598

Current tax expenses include taxes in the amount of € 95k for previous periods (April 30, 2020: € -33k).

EUR 000s	2020	2019/20
Development of net deferred taxes		
Net deferred tax assets and deferred tax liabilities at May 1	9,903	1,631
Currency translation differences	-248	80
Deferred taxes recognized in earnings after tax	-3,626	8,159
Deferred taxes recognized in other comprehensive income	62	33
Net deferred tax assets and deferred tax liabilities at December 31 (PY: April 30)	6,090	9,903

The reconciliation of the income tax charge based on the Austrian corporate tax rate of 25% (April 30, 2020: 25%) with the effective tax rate for the period is as follows:

EUR 000s	2020	2019/20
Earnings before tax	17,327	-35,020
Tax expenses / income at 25% tax rate	-4,332	8,755
Effect of changes in tax rate	0	24
Divergent foreign tax rates	-10	-40
Tax effects due to divergences in tax assessment base	217	-300
Taxes from prior periods	95	33
Losses in current year for which no deferred tax assets were recognized	-2,603	-7,319
Non-recognition of deferred taxes / differences due to utilization of deferred taxes not recognized in previous periods	2,100	5,935
Other	-28	510
Effective tax expenses / income	-4,561	7,598
Effective tax rate	26%	22%

The “Other” line item also includes corrections for currency differences. The effective tax rate of 26% (April 30, 2020: 22%) is mainly attributable to the non-recognition of deferred tax assets on current losses.

By tax assessment notice dated August 16, 2006, the company’s application for the specification of a group according 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 Woford 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. The agreement was amended in the abridged financial year as a result of the changed balance sheet date, while retaining the existing settlement logic.

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

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

(10) NOTES TO OTHER COMPREHENSIVE INCOME

Woford AG recognized an actuarial loss before tax of € 233k in the 2020 abridged financial year (April 30, 2020: € 166k). Deferred taxes of € 62k are attributable to this loss (April 30, 2020: € 33k). Together with the result of € 927k from currency translation of foreign operations (April 30, 2020: € -181k), this resulted in other comprehensive income of € 757k (April 30, 2020: € -294k).

(11) EARNINGS PER SHARE / PROPOSED APPROPRIATION OF PROFIT

Earnings per share are calculated by dividing the earnings after tax of € 12,766k (April 30, 2020: € -27,422) by the weighted average number of common shares excluding time-apportioned treasury stock holdings (6,631,011; April 30, 2020: 6,631,011). Earnings per share for the 2020 abridged financial year amounted to € 1.93 (April 30, 2020: € -4.14). Given the currently challenging earnings situation, the Management Board will propose to the Annual General Meeting due to be held on June 18, 2021 that no dividend should be paid for the 2020 abridged financial year.

The basis for calculating earnings per share is as follows:

	2020	2019/20
Weighted average number of shares in circulation	6,719,151	6,719,151
Less average number of treasury stocks	-88,140	-88,140
	6,631,011	6,631,011

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. Land with a carrying amount of € 521k (April 30, 2020: € 1,992k) is presented within the position “Land, leasehold rights and buildings, including buildings on third-party land”.

Total obligations for the purchase of property, plant and equipment amounted to € 1k at the balance sheet date (April 30, 2020: € 37k).

For explanations of recognized impairments, refer to Note (7) Depreciation and amortization.

The pledges of property, plant and equipment of Wolford AG, which were required in the course of the refinancing agreement, were reversed upon repayment of the outstanding loan amount in the abridged financial year (April 30, 2020: pledged real estate and machinery with residual carrying amounts of € 23,080k and € 2,359k, respectively).

(13) GOODWILL

Impairments of € 221k were recognized on goodwill in the 2020 abridged financial year (April 30, 2020: € 578k). 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 year. The other intangible assets primarily consist of software applications and the access system for the headquarter in Bregenz.

No impairment requirements were identified for intangible assets in the 2020 abridged financial year.

No intangible assets are pledged as security.

(15) NON-CURRENT FINANCIAL ASSETS

Non-current financial assets mainly include shares in investment funds recognized at fair value through profit or loss in accordance with IFRS 9, with changes in value recognized in profit or loss.

The change in fair value recognized through profit or loss in the 2020 abridged financial year amounted to € 26k (April 30, 2020: € 14k).

(16) NON-CURRENT RECEIVABLES AND ASSETS

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

(17) DEFERRED TAXES

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

EUR 000s	December 31, 2020		April 30, 2020	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	2,494	10,040	1,149	16,276
Intangible assets	1,990	348	1,982	96
Interests in associates	0	0	0	1,316
Inventories	707	20	1,192	22
Trade receivables	873	2,311	845	1,028
Provisions for long-term employee benefits	1,799	88	1,944	13
Other provisions	449	455	55	29
Liabilities	12,571	1,683	18,289	2,798
Deferred taxes on loss carryovers and write-downs to fair value	152	0	6,025	0
Deferred tax assets / deferred tax liabilities	21,035	14,945	31,481	21,578
Offset for items due to same tax authority	-14,945	-14,945	-20,863	-20,863
Net deferred tax assets and liabilities	6,091	0	10,618	715

At the balance sheet date, the company had unutilized tax loss carryovers of € 68,609k (April 30, 2020: € 98,899k). Loss carryovers for which no deferred taxes were recognized amounted to € 68,001k (April 30, 2020: € 74,614k), temporary differences for which no deferred taxes were recognized amounted to € 954k (April 30, 2020: € 226k)..

EUR 000s	December 31, 2020	April 30, 2020
Loss carryovers	68,090	98,899
Due to expire within		
1 year	633	909
2 years	610	1,133
3 years	0	1,140
4 years	228	0
5 years	916	237
After 5 years	0	40
Unlimited eligibility to be carried forward	66,222	95,439

(18) INVENTORIES

Inventories are structured as follows:

EUR 000s	December 31, 2020	April 30, 2020
Finished goods and trading goods	22,426	25,847
Work in progress	5,515	4,933
Raw materials and supplies	5,907	5,005
Total	33,848	35,785

Inventories are measured separately by product. This valuation procedure accounts for the different resale potential of the essentials and trend products, as well as for the age of the respective products. For December 31, 2020, an adjustment was made to the valuation allowance rates used, as analyses based on current data have shown that the sales performance for items from past seasons has changed. As of the balance sheet date, the allowance for inventories amounted to € 1,907k (April 30, 2020: € 2,780k). The change in the valuation allowance rates resulted in an effect on earnings of € -965k (expense).

No inventories were pledged as security.

(19) TRADE RECEIVABLES

EUR 000s	December 31, 2020	April 30, 2020
Trade receivables	11,483	7,813
Impairment losses	-2,670	-2,377
Trade receivables after impairment losses	8,814	5,436

For trade receivables, Level 2 allowances of € 576k (April 30, 2020: € 291k) were recognized due to expected credit losses (ECL Level 2) and Level 3 allowances of € 2,094k were also recognized (April 30, 2020: € 2,086k).

Trade receivables mainly relate to the wholesale and online businesses of Welford AG. To monitor default risk, customers are structured into these categories according to 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 increase in trade receivables is due to the change in the reporting date and seasonal changes of sales.

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:

EUR 000s	2020	2019/20
May 1	2,377	2,612
Added (+) / reversed (-)	422	1,359
Utilized	-121	-1,593
Currency translation differences	-8	-1
December 31 (PY; April 30)	2,670	2,377

The following tables present information about the default risk and the expected credit losses for trade receivables and contract assets at December 31, 2020 and April 30, 2020.

December 31, 2020 in EUR 000s	Loss rate	Gross carrying amount	Allowance
Wholesale	23,61%	11,311	2,670
ECL receivables	6,25%	9,217	576
Receivables (credit impaired)	100.0%	2,094	2,094
Online	0.0%	172	0
ECL receivables	0.0%	0	0
Receivables (credit impaired)	0.0%	0	0

April 30, 2020 in EUR 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

Uncollectible receivables are derecognized. 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. In the abridged financial year 2020, this agreement was ended through the repayment of the remaining loan amounts.

EUR 000s	December 31, 2020	April 30, 2020
Trade receivables after impairment losses	8,814	5,436
not due	5,678	1,726
less than 30 days	1,554	463
31 - 60 days	900	994
61 - 90 days	301	711
91 - 120 days	312	458
over 121 days	70	1,084

20) OTHER RECEIVABLES

Other receivables mainly comprise the following items:

in TEUR	31.12.2020	30.04.2020
Receivables from grants	3,700	766
Income tax receivables	207	54
Receivables from other taxes	559	6
Prepaid expenses and deferred charges	1,438	1,194
Other receivables	4,400	2,094
Summe	10,303	4,114

Other receivables include significant items in the form of security deposits and creditors with debit balances.

21) NON-CURRENT ASSETS HELD FOR SALE

In the first quarter of the abridged financial year, Wolford AG signed an agreement concerning the sale of its company property at Wolfordstrasse 1 and 2 in Bregenz. The net proceeds of the sale amount to € 72,001k. Wolford AG continues to use the sold building as a tenant; accordingly, the book profit was reduced proportionately by the amount attributable to the retained right of use. The book profit thus amounts to € 40,987k as of December 31, 2020 and is recognized in other operating income.

In February 2021, a contract was concluded for the sale of a further property at a net selling price of € 805k. The sale will result in a book profit of € 780k in the first quarter of the financial year 2021.

(22) EQUITY

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

Share capital

The share capital consists of 6,719,151 zero par value shares, with each zero par share participating in the share capital to the same extent, and remained unchanged in the abridged financial year as well as in the previous year. There are no shares with special preferential or control rights.

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 2019/20 financial year.

Reserve for actuarial gains/losses

EUR 000s	2020	2019/20
May 1	-4,944	-4,831
Actuarial gains and losses in the financial year	-233	-146
of which deferred taxes	62	33
December 31 (PY: April 30)	-5,115	-4,944

Treasury stock

Wolford AG holds 88,140 treasury stock shares (April 30, 2020: 88,140). There were no movements in treasury stock shares in the 2020 abridged financial year. As a result, 1.3% of share capital is held by the company (April 30, 2020: 1.3%).

(23) FINANCIAL LIABILITIES

Financial liabilities are structured as follows:

EUR 000s	December 31, 2020	April 30, 2020
Loans from banks, variable interest rates from 1.00% to 3.75% (April 30, 2020: 1.00% to 3.75%)	0	28,346
Loans from Fosun Fashion Investment Holdings (HK) Limited (12.00%)	0	10,000
Loans from banks, fixed interest rates of 4.50% (April 30, 2020: 4.50%)	0	613
Interest-free loan from the Federal Province of Vorarlberg	0	24
Total	0	38,983
of which current	0	38,983

Scheduled repayments for financial liabilities have the following maturity structures:

EUR 000s	< 1 year	1 – 5 years	> 5 years
At December 31, 2020	0	0	0
At April 30, 2020	38,983	0	0

As a result of the repayment of liabilities to banks in the abridged financial year, as of December 31, 2020 there is no longer any collateral from bill of exchange guarantees of the Republic of Austria with a refinancing commitment of Oesterreichische Kontrollbank Aktiengesellschaft or collateral pledges (blanket assignment of all receivables, pledging of machinery and all real estate as well as intellectual property).

(24) 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.

EUR 000s	December 31, 2020	April 30, 2020
Provisions for pensions	5,275	5,163
Provisions for severance compensation	9,280	10,316
Provisions for anniversary payments	1,745	1,952
Total	16,300	17,431

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 up to that point. 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. Further defined benefit plans for severance payments exist to a minor extent in Italy and Slovenia.

Provisions for pensions developed as follows:

EUR 000s	2020	2019/20
Present value of obligation at May 1	5,163	5,244
Interest expenses	46	81
Pension payments	-187	-263
Actuarial losses	252	101
Present value of obligation at December 31 (PY: April 30)	5,275	5,163

Provisions for severance compensation developed as follows:

EUR 000s	2020	2019/20
Present value of obligation at May 1	11,277	11,197
Currency translation differences	-71	34
Service cost	439	546
Interest expenses	79	140
Severance compensation	-1,560	-825
Actuarial losses	58	185
Present value of obligation at December 31 (PY: April 30) (gross obligation)	10,221	11,277

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

EUR 000s	2020	2019/20
Fair value of plan assets at May 1	961	906
Currency translation differences	11	38
Contributions received	52	82
Interest income	3	6
Payments made	-163	-26
Actuarial gains / losses	77	-45
Fair value of plan assets at December 31 (PY: April 30)	942	961

The net obligation for severance compensation is structured as follows:

EUR 000s	2020	2019/20
Net obligation at May 1	10,316	10,291
Currency translation differences	-82	-4
Service cost / contributions received	386	464
Interest	76	134
Payments	-1,397	-799
Actuarial gains / losses	-20	230
Net obligation at December 31 (PY: April 30)	9,280	10,316

Plan assets comprise:

EUR 000s	2020	2019/20
Equity investments	482	455
Bonds	114	118
Real estate	233	256
Alternative investments	37	37
Qualified insurance policies	0	0
Liquid funds	77	95
Total plan assets	942	961

The actuarial gains reported for the 2020 abridged financial year comprise adjustments due to past experience of € 112k (April 30, 2020: € 0k) and financial adjustments of € -344k (April 30, 2020: € 331k).

Defined benefit payments of € 742k are planned for provisions for pensions and severance compensation in the coming 2020/21 financial year (April 30, 2020: € 669k).

Provision for anniversary payments

The provision for anniversary payments developed as follows:

EUR 000s	2020	2019/20
Present value of obligation at May 1	1,952	2,005
Service cost	56	92
Interest expenses	13	25
Anniversary payments	-174	-118
Actuarial gains	-102	-52
Present value of obligation at December 31 (PY 30 April)	1,746	1,952

Defined benefit payments from anniversary provisions have been budgeted at € 75k for the 2020/21 financial year (April 30, 2020: € 72k).

Provisions for retirement, severance compensation, and anniversary payments

The actuarial gains and losses result from changes due to adjustments from past experience 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 were determined for the Austrian defined benefit obligations (corresponding to € 14,797k, a significant portion of the total obligations of € 16,300k), each of which relates to the level of the provision:

EUR 000s	2020		2019/20	
	Increase	Decrease	Increase	Decrease
Discount rate (1% change)	-1,578	1,807	-1,658	1,988
Future wage and salary increases (1% change)	1,013	-889	1,146	-999
Future pension increases (1% change)	764	-631	727	-601

The sensitivities with regard to earnings before taxes for the Austrian defined benefit obligations are as follows:

EUR 000s	2020		2019/20	
	Increase	Decrease	Increase	Decrease
Discount rate (1% change)	-81	101	-77	102
Future wage and salary increases (1% change)	-50	44	-63	55
Future pension increases (1% change)	-7	6	-10	8

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 9.4 years (April 30, 2020: 9.3 years). The average remaining term of the pension obligations amounts to 13.3 years (April 30, 2020: 13.3 years). The average remaining term of the severance compensation obligations amounts to 11.0 years (April 30, 2020: 11.0 years).

(25) OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are structured as follows:

EUR 000s	December 31, 2020	April 30, 2020
Government grant for Slovenia project	710	732
Other	160	162
Total	870	894

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).

(26) CURRENT PROVISIONS

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

EUR 000s	Balance at May 1, 2020	Currency translation differences	Utilized	Reversed	Added	Balance at December 31, 2020
Staff	2,231	-200	0	-979	68	1,121
Restructuring	0	0	0	0	1,258	1,258
Other	2,126	-498	-1,260	-329	1,511	1,550
Total	4,357	-698	-1,260	-1,308	2,837	3,929

Employee benefit provisions mainly include provisions for variable salary components. The restructuring provision mainly includes social plan payments and severance payments in connection with the repositioning of the company.

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:

EUR 000s	December 31, 2020	April 30, 2020
Outstanding vacation entitlement	1,875	1,809
Liabilities to tax authorities	3,244	2,196
Special payments	0	2,149
Other accrued payments	3,166	3,610
Interest accruals	0	1,019
Liabilities for social security	1,211	2,382
Overtime	286	245
Other	783	323
Total	10,565	13,733

(28) CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets include deferrals of € 69k relating to grants provided to retailers for the acquisition of shop fittings typical for Woford AG (April 30, 2020: € 101k).

The contract liabilities recognized pursuant to IFRS 15 include voucher-related liabilities of € 1,118k (April 30, 2020: € 946k) and deferrals of € 365k for revenue bonuses not yet disbursed and customer returns (April 30, 2020: € 508k).

(29) CONTINGENT LIABILITIES

The company has issued rental guarantees totaling € 2,421k (April 30, 2020: € 2,436k) and other guarantees of € 49k (April 30, 2020: € 124k).

IV. Notes to the cash flow statement

The cash flow statement of the Woldorf 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 as well as 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 correspond to the relevant balance sheet line item cash and cash equivalents and include credit balances and demand deposits at banks, and other financial funds.

The implications of exchange rate 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

EUR 000s	May 1, 2020	Interest (non-cash)	Addition to right-of-use assets (non-cash)	Cash flow	Other (non-cash)	December 31, 2020
Current financial liabilities	38,983	63	0	-39,046	0	0
Lease liabilities	61,142	2,477	5,431	-6,980	2,782	64,852
Total financial liabilities	100,125	2,540	5,431	-46,026	2,782	64,852

The position cash flow includes interest paid in the amount of EUR 2,481k, which is reported in cash flow from operating activities.

EUR 000s	May 1, 2019	Interest (non-cash)	Addition to right-of-use assets (non-cash)	Cash flow	Other (non-cash)	April 30, 2020
Long-term financial liabilities	192	0	0	-192	0	0
Current financial liabilities	32,782	0	0	6,201	0	38,983
Lease liabilities	70,286	-3,959	7,143	-17,799	2,447	61,142
Total financial liabilities	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 or revaluations of lease liabilities in connection with the retirement of right-of-use assets in the current financial year, as well as to exchange rate effects.

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 negatively impact the company's business performance. The most important objective of Wölford'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 Wölford 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 as of the balance sheet date comprise trade payables; bank loans and loan liabilities towards the principal shareholder were repaid with the proceeds from the sale of the real estate. Wölford has various financial assets such as trade accounts receivable and bank balances, cash in hand and short-term deposits resulting directly from its business activities.

Wölford 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, thereby limiting any negative effects on earnings.

The key indicator used in the Group's capital risk management is the gearing ratio, which presents the ratio of net debt to equity. Net debt is defined as non-current and current financial liabilities less non-current financial assets and cash and cash equivalents. The development in this key figure in recent years is presented in the following table:

	December 31, 2020	April 30, 2020	April 30, 2019	April 30, 2018
%				
Gearing	- %	>100 %	45.9 %	88.8 %

As a result of the repayment of financial liabilities in the abridged financial year with the proceeds from the sale of the property, net debt is positive and there has been a significant improvement in the equity base.

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 through credit insurance. (deductible charged for insured receivables 10 % analogous to previous year).

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

Due to the repayment of the loan liabilities, there is no significant interest rate risk in the view of the Board of Management. With regard to the interest rate sensitivity of personnel provisions, reference is made to Note 22.

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 occurs when transactions are handled in currencies other than the company's functional (local) currency.

Risks relating to exchange rates from existing foreign currency receivables and planned sales are reviewed monthly by Group Treasury using liquidity planning. No hedging transactions were concluded either in the 2020 abridged financial year or in the previous financial year.

The Group companies generally conduct transactions in their functional currency. Therefore, from the Executive Board's current perspective, there is no significant exchange rate risk.

Liquidity risk management

At the Woford 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 Woford AG (transaction closing). In the same move, Woford AG repaid all outstanding credit lines owed to its financing Austrian banks, amounting to around € 33 million. Furthermore, Woford AG also redeemed the shareholder loan of € 10 million granted by Fosun Fashion Investment Holdings (HK) Limited with interest of € 1.1 million.

To ensure solvency, the Woford Group holds liquidity in the form of bank balances, the majority of which are available on a daily basis, in order to be able to service expected operating expenses and financial liabilities. However, the impact of further lockdowns and restrictions on business activities due to the COVID-19 crisis on the Woford Group's liquidity is currently difficult to assess. The resulting uncertainty is taken into account by intensified monitoring of liquidity.

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

EUR 000s	Carrying amount December 31, 2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows 2026 and later
Lease liabilities	64,852	16,136	44,323	14,101
Trade payables	11,026	11,026	0	0
Other financial liabilities	160	160	0	0
Total	76,038	27,322	44,323	14,101

EUR 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	16,015	40,610	15,445
Trade payables	8,368	8,368	0	0
Other financial liabilities	894	0	894	0
Total	109,386	63,365	41,504	15,445

At December 31, 2020, no open credit lines exist (April 30, 2020: 100% drawn).

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

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 2020 abridged financial year.

December 31, 2020			
EUR 000s	Level 1	Level 2	Level 3
Non-current assets			
Non-current financial assets	1,323	0	0
Total	1,323	0	0

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

The carrying amounts of cash and cash equivalents, trade accounts receivable and payable, and current liabilities can be considered reasonable estimates of their fair values due to the short-term nature of these assets and liabilities.

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

December 31, 2020 EUR 000s	Cost	Fair value = carrying amount	Recognized gains / losses
Non-current securities			
Investment fund shares	1,398	1,323	-75
Total	1,398	1,323	-75

April 30, 2020 EUR 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

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:

December 31, 2020 in EUR 000s	IFRS 9 measurement category	Carrying amount	Fair value	Current	Non-current
Cash and cash equivalents	AC	14,126	14,126	14,126	0
Trade receivables	AC	8,814	8,814	8,814	0
Other receivables and assets	AC	6,323	6,323	4,576	1,747
Non-current financial assets	FVPL	1,323	1,323	0	1,323
Total financial assets		34,285	34,285	31,216	3,070
Trade payables	AC	11,026	11,026	11,026	0
Other financial liabilities	AC	160	160	0	160
Total financial liabilities		11,186	11,186	11,186	160

April 30, 2020 in EUR 000s	IFRS 9 measuremen t 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
Other financial liabilities	AC	894	894	0	894
Total financial liabilities		48,245	48,245	47,351	894

Net results by class

2020 EUR 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)	17	0	0	0	0	17
Trade receivables (AC)	0	0	0	-448	0	-448
Assets measured at fair value through profit or loss (FVPL)	0	18	26	0	0	44
Financial liabilities (AC)	-2,540	0	0	0	0	-2,540
Net results	-2,523	18	26	-448	0	-2,927

2019/20 EUR 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

VI. OTHER DISCLOSURES

EVENTS AFTER THE BALANCE SHEET DATE

In February 2021, a contract was concluded for the sale of a further operating property with sales proceeds amounting to € 805k. The sales negotiations were already started in the abridged financial year 2020; the property in question was already available for sale as of December 31, 2020.

In March 2021, an external fraud incident ("fake president incident") resulted in an unlawful outflow of cash and cash equivalents of € 1,151k from the Company. On the other hand, there are expected claims from concluded insurance agreements in the amount of approximately € 1,000k.

There were no other matters with a material impact on the assets, financial position and earnings situation of the Wolford Group.

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 suited 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 2020 abridged 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). A total of € 853k was paid to FFBM in the abridged financial year; the amount of outstanding balances as of December 31, 2020 is € 356k (liability for Wolford).

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 an original 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 shareholder's loan was repaid in the abridged financial year 2020.

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

2020 in EUR 000s	Remuneration	Severance compensation	Pensions	Total
Expenses for members of the Management Board	685	0	0	685
of which variable	309	0	0	309
Former members of the Management Board	0	0	180	180
Total	685	0	180	865

2019/20 in EUR 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

Expenses for remuneration to the Supervisory Board amounted to € 144k in the short financial year (previous year: € 164k). No advances were paid out in the abridged financial year 2020, nor were there any liabilities for members of the Board of Management or the Supervisory Board. There were no off-balance sheet transactions.

The members of the Management Board in the 2020 abridged financial year were:

Andrew Thorndike, Chief Operating Officer

Silvia Azzali, Chief Commercial Officer

The members of the Supervisory Board in the 2020 abridged financial year were:

Dr. Junyang Shao, Chairwoman
Thomas Dressendörfer, Deputy Chairman
Yun Cheng, member
Dr. Prof. Matthias Freise, member

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

Anton Mathis
Christian Medwed (until September 30, 2020)
Alexander Greußing (from October 1, 2021)

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 April 30, 2021. The Supervisory Board is required to perform its own review of the consolidated financial statements and to declare whether it has approved them.

Bregenz, May 12, 2021



Andrew Thorndike



Silvia Azzali

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 December 31, 2020 give a true and fair view of the assets, 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 December 31, 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, May, 12 , 2021



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 Financial Statements

Audit Opinion

We have audited the financial statements of

Wolford Aktiengesellschaft, Bregenz,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the short 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 December 31, 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 until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Material uncertainty regarding going concern

We refer to chapter I.1 (Accounting Principles – Bases of Preparation) of the notes of the consolidated financial statements and to section “Outlook and targets” in the group management report, where management states, that despite a profit after tax of kEUR 12,766 of Wolford Aktiengesellschaft group in the short fiscal year ending December 31, 2020, the assumptions in prior year’s going concern prognosis were not reached. This was mainly caused by restrictions as a result of the measure taken against the COVID-19 pandemic. Management further states, that going concern depends on the implementation of the measures included in the updated going concern prognosis, i.e. in particular on achieving the planned increases in revenue and cost savings as well as receiving governmental subsidies in connection with COVID-19. If the group is not able to successfully implement the planned measures or to ensure additional liquidity, this would cause significant doubts regarding going concern and the group may not have the ability, to realize or repay their assets or liabilities within the ordinary course of business. Our audit opinion is not modified in regard 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 the matter described in the section “Material uncertainty regarding going concern” the following 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.

In the following we present the audit issues that are particularly important from our point of view:

1. *Presentation of sale & leaseback transaction of the headquarter property Bregenz*
2. *Recoverability of tangible and intangible assets*

1. Presentation of sale & leaseback transaction of the headquarter property Bregenz

Description:

Wolford Aktiengesellschaft sold the headquarter property in Bregenz and leased back the property (sale & leaseback transaction) in May 2020. The transaction has a significant impact on the consolidated balance sheet as of December 31, 2020 and the consolidated statement of comprehensive income of the short fiscal year 2020.

In its consolidated financial statements as of December 31, 2020, Wolford AG recognizes a right of use asset from this leasing contract amounting to MEUR 3.3 as well as short-term leasing liabilities of MEUR 1.8 and long-term leasing liabilities of MEUR 8.4. Due to the sale price of MEUR 72.0, a book value of the sold property of MEUR 24,5, which was reported as assets held for sale in the previous year, and the leaseback of the property, a gain from the sale of MEUR 41.0 was reported.

The corresponding disclosures from Wolford Aktiengesellschaft concerning this transaction and the relating accounting consequences are included in the notes in section II.21 (Non-current assets held for sale in the consolidated financial statements).

How we addressed the matter in the audit:

Our audit procedures included, among other, the following:

- Review of the sale and leasing contract as well as inquiries whether any side-agreements exist
- Verification of receipt of payment
- Assessment of the compliance of the selected accounting method with IFRS, in particular concerning the amount of the right of use asset and the extent that income is realized for this transaction
- Assessment of appropriateness of the disclosure in the notes in connection with this transaction

2. Valuation of tangible and intangible assets

Description:

In the consolidated financial statements as of December 31, 2020, Wolford Aktiengesellschaft reports tangible assets amounting to MEUR 61.1 and goodwill as well as other intangible assets amounting to MEUR 1.3. MEUR 52.3 pertain to rights of use assets from leases.

As part of impairment tests in accordance with IAS 36, the legal representatives have to make significant assumptions and estimates when assessing whether there is an impairment requirement and, if necessary, when quantifying such impairments. The material risk related is the estimation of future cash flows and discount rates when determining the value in use.

The corresponding disclosures from Wolford Aktiengesellschaft for tangible assets and other intangible assets are included in the notes in section I.4 (Accounting and Valuation Methods) and section II.7 (Depreciation) in the consolidated financial statements.

How we addressed the matter in the audit:

Our audit procedures included, among others, the following:

- Assessment of conception and design of the process for the validation of the recoverability, particularly taken into account the right of use assets recognized in accordance with IFRS 16
- Review of the definitions of cash-generating units and the assignment of assets and liabilities to these CGUs
- Assessment of the applied methodology and the clerical accuracy of the calculations provided as well as plausibility check of discount rates with assistance from EY valuation specialists
- Review of planning documents for consistency with cash flow calculations included in the updated going concern prognosis as well as plausibility checks and analysis of the material assumptions with assistance from EY restructuring specialists
- Assessment of the appropriateness of disclosures in the notes concerning impairment tests and related assumptions

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 Group's management report 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.

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 misstatements in the management report for the Group came to our attention.

Supplement

Regarding the material uncertainty relating to going concern, we refer to the sections of the economic environment and the analysis of the results and the balance sheet in the group management report, which covers the analysis of group's position. We refer further to the section of outlook and objectives in the group management report, which covers the expected development of the group and the explanations of material risks in the group management report.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at September 30, 2020. We were appointed by the Supervisory Board on January 26, 2021. We are auditors without cease since 2019/2020.

We confirm that the audit opinion in the Section "Report on the 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 Mr. Severin Eisl, Certified Public Accountant.

Linz, May 12, 2021

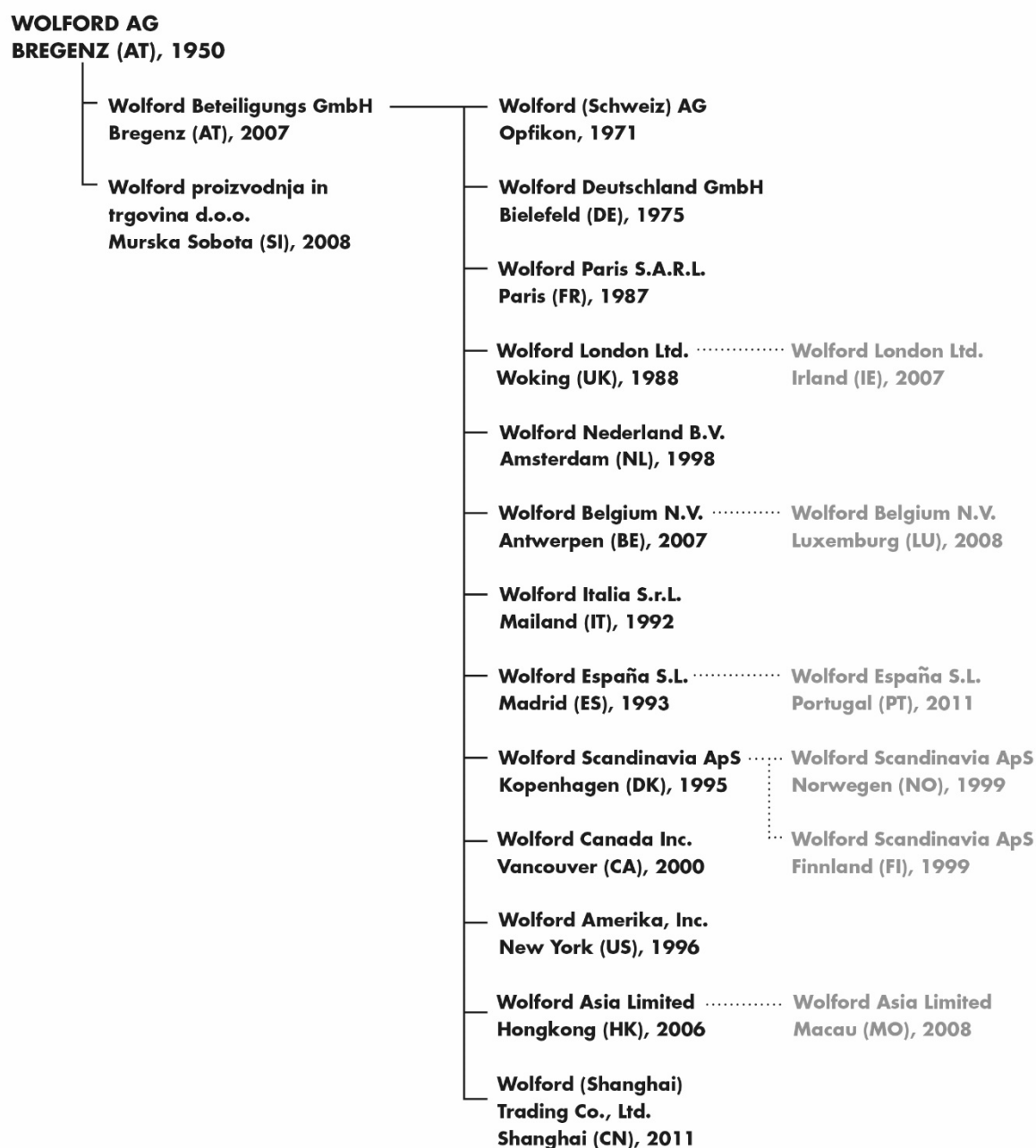
Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. (FH) Severin Eisl mp
Wirtschaftsprüfer / Certified Public Accountant

ppa DI (FH) Hans Eduard Seidel mp
Wirtschaftsprüfer / Certified Public Accountant

Service

The Wolford Group at a Glance



Wholly-owned subsidiary

Branch office

Monobrand Points of Sale

WORLDWIDE

Monobrand points of sale:
December 31, 2020: 240

Thereof Woldford-owned
points of sale:
103 boutiques
57 concession shop-in-shops
21 factory outlets

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



NORTH AMERICA: 31

Thereof Woldford-owned points of
sale:
21 boutiques
6 concession shop-in-shops
2 factory outlets

Thereof partner-operated points of
sale:
2 boutiques

EUROPE: 181¹⁾

Thereof Wolford-owned points of sale:

76 boutiques

50 concession shop-in-shops

18 factory outlets

Thereof partner-operated points of sale:

37 boutiques

1) Excluding Russia and Ukraine.



ASIA: 28²⁾

Thereof Wolford-owned points of sale:

6 boutiques

1 concession shop-in-shops

1 factory outlets

Thereof partner-operated points of sale:

20 boutiques

2) Including Russia and Ukraine.

GLOSSARY

NON-FINANCIAL TERMS

Accessories	Textile and non-textile items that seasonally complete and complement the fashion collection
Beachwear	Bikinis and swimbodies that can also be worn as lingerie or outerwear, as well as pareos
Bodywear	Classic bodysuits and all close-fitting knitwear such as tops and shirts
B2B	Business to Business; sales of goods to other companies, such as wholesalers or department stores
B2C	Business to Customer; sales of goods directly to end consumers
Capsule collection	Limited collection produced on a one-off basis with a small number of articles relating to a specific topic
Commission affiliation (COAFF)	A distribution concept for partner boutiques, offering far-reaching support in merchandise planning, storage, logistics, and marketing, as well as 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 Wölford'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 Woford AG can be viewed at
<https://company.wolford.com/de/investor-relations/financial-calendar/>.

Information about the Company and its Shares

Investor relations	Andrew Thorndike
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Vienna Stock Exchange	WOL
Reuters	WLFD.VI
Bloomberg	WOL:AV, WLFY:US, WOF:GR

Publisher: Wolford AG, Wolfordstrasse 1, 6900 Bregenz, Austria

Overall responsibility:

The Management Board of Wolford AG

Investor Relations: Andrew Thorndike, +43 5574 6900, investor@wolford.com, company.wolford.com

Concept and texts: Regine Petzsch, Corporate and Financial Communications Consultant

Design concept and graphic design: GREAT, www.great.design

Photos: Julien Martinez Leclerc, Wolfgang Pohn and Dusko Dragas

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.