



**REPORT ON THE THIRD QUARTER 2018/19**

**(MAY 2018 - JANUARY 2019)**

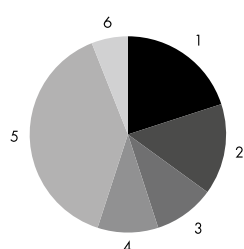
# Wolford Group Key Data

Earnings Data		05/18 -01/19	05/17 -01/18	Chg. in %	2017/18
Revenues	in € mill.	108.15	119.36	-9	149.07
EBIT	in € mill.	-2.31	-1.36	-70	-9.22
Earnings before tax	in € mill.	-3.30	-2.97	-11	-11.43
Earnings after tax	in € mill.	-4.22	-2.57	-64	-11.54
Capital expenditure	in € mill.	6.79	1.17	>100	1.40
Free cash flow	in € mill.	-11.61	2.43	<100	1.83
Employees (on average)	FTE	1,354	1,456	-7	1,433

Balance Sheet Data		31.01.2019	31.01.2018	Chg. in %	30.04.2018
Equity	in € mill.	51.38	42.90	+20	33.90
Net debt	in € mill.	20.19	28.97	-30	30.09
Working capital	in € mill.	37.55	42.78	-12	34.59
Balance sheet total	in € mill.	125.75	128.97	-3	114.33
Equity ratio	in %	41	33	+24	30
Gearing	in %	39	68	-42	89

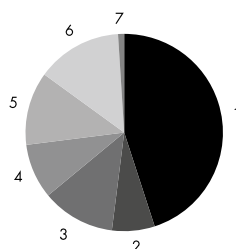
Stock Exchange Data		05/18 -01/19	05/17 -01/18	Chg. in %	2017/18
Earnings per share	in €	-0.64	-0.52	-23	-2.35
Share price high	in €	13.40	21.71	-38	19.75
Share price low	in €	10.90	10.03	+9	11.36
Share price at end of period	in €	11.00	13.90	-21	13.60
Shares outstanding (weighted)	in 1,000	6,631	4,912	+35	4,912
Market capitalization (ultimo)	in € mill.	72.94	69.50	+5	68.00

## REVENUES BY MARKET



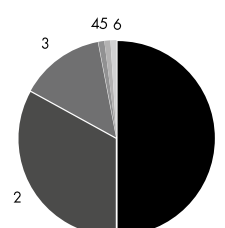
- 1 North America 20%
- 2 Germany 15%
- 3 Austria 10%
- 4 France 10%
- 5 Rest of Europe 39%
- 6 Asia/Oceania 6%

## REVENUES BY DISTRIBUTION



- 1 Boutiques 45%
- 2 Concession-shop-in-shops 7%
- 3 Online business 12%
- 4 Factory outlets 9%
- 5 Department stores 12%
- 6 Multi-brand retailers 14%
- 7 Private label 1%

## REVENUES BY PRODUCT GROUP



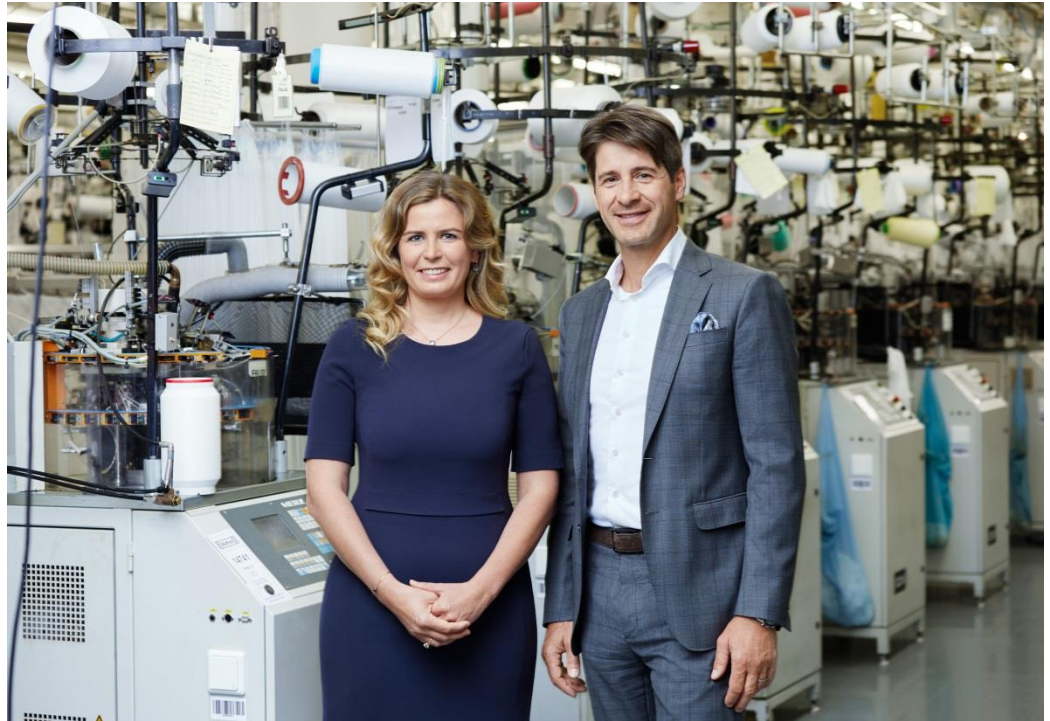
- 1 Legwear 50%
- 2 Ready-to-wear 33%
- 3 Lingerie 14%
- 4 Accessories 1%
- 5 Beachwear 1%
- 6 Trading goods 1%

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# Letter from the Board



Brigitte Kurz and Axel Dreher, Management Board of Wolford AG

Dear shareholders,

Ladies and Gentlemen,

As you read in our recent announcements, the revenue generated by Wolford remained clearly below expectations, and we did not succeed in halting this downward trend. Apparently, patience is required until our new brand identity is perceptible for our customers everywhere and is reflected in revenue. It will take some time until Wolford is on a profitable growth path once again.

This is exactly what we are working on. It is a matter of laying the foundation for renewed growth, precisely where future growth is expected, namely on the Chinese market featuring millennials who are eager to shop. The experienced team of our new partner Fosun Fashion Brand Management Company (FFBM) has extensive contacts and will ensure the cultural “fit” of our local brand appearance. We are planning a real market offensive in China encompassing all sales channels and we will join forces with FFBM to sustainably develop the Chinese market. Medium-term revenue in China should be comparable with our present core markets of the USA (20% share of revenue) and Germany (15%).

This will be complemented by other initiatives to stimulate demand. For example, we will further expand our business ties to global e-commerce providers. Moreover, we are in the process of developing a customer loyalty program designed to mainly target young customers and which should lead to substantial revenue effects in the medium term.

It is also a fact that the substantial cost savings which were generated by the measures implemented to date are not sufficient to offset the 9% revenue decline in this financial year. Our internal structures are not aligned to the current revenue level, and the company has no other choice but to make

cutbacks once again until the measures designed to stimulate demand have a positive impact. For example, we already began to adjust production capacities in January of this year. We also identified substantial cost savings potential in procurement. In the future all activities will be bundled under a central purchasing management, which will also include the purchase of external services. On balance, the savings potential of all planned restructuring measures clearly exceeds € 10 million up until the 2020/21 financial year.

Esteemed shareholders, we are aware of the fact that we are demanding some patience on your part, but it is well-known that we are not the only ones in this situation. In particular, the upheaval in consumer shopping habits poses immense challenges to the entire fashion industry. We are tackling this task and will do everything we can to systematically leverage the opportunities for future growth which arise. We anticipate positive operating earnings once again for the 2020/21 financial year at the latest.

With kind regards,



Axel Dreher, CEO



Brigitte Kurz, CFO

# Management Report

## EARNINGS (MAY 2018 TO JANUARY 2019)

The Wolford Group generated revenue of € 108.15 million in the first nine months of the current 2018/19 financial year, down 9.4% from the prior-year level of € 119.36 million. The revenue decline in the first nine months equaled 9.0% when adjusted to take account of currency effects (especially the decrease in value of the Swiss franc and the US dollar).

**Revenue decrease in the retail and wholesale businesses, significant rise in online revenue**

Wolford's own retail business reported a revenue drop of € 6.12 million or -7.8% in the first nine months compared to the prior-year period. The decline amounted to 7.4% when adjusted for currency effects. Revenue fell by 7.2% on a like-for-like basis (i.e. excluding the closures of poorly performing stores). Revenue in Wolford's wholesale business was down by € 4.8 million (-11.4%) from the previous year. The wholesale business is generally going through a crisis throughout Europe. In particular, the hosiery segment is suffering from the restructuring of many retail spaces and the relocation to upper floors instead of near store entrances. In contrast, revenue of Wolford's own online business showed a clearly positive development, increasing by 10.2% year-on-year on a currency-adjusted basis.

**Market development characterized by declining customer frequencies**

Similar to physical stores of fashion retailers across the globe, Wolford is suffering from declining customer frequencies, not least due to the boom in e-commerce. Moreover, the long, hot summer also negatively impacted revenue. For example, revenue on the German fashion market fell by 2% in August and even by 13% in September compared to the previous year. Christmas sales were also considerably below the prior-year level. German retailers alone reported a 4% drop in revenue. In the first three quarters of the current financial year, the Wolford Group registered a substantial drop in revenue in the important markets of Austria (-11.6%), Germany (-6.8%) and Switzerland (-7.6%). The company suffered from a double-digit drop in revenue in Italy (-16.4%), Netherlands (-15.7%), Belgium (-13.7%), Scandinavia (-11.4%) and the Eastern European markets (-21.7%). The markets of Great Britain (-7.2%), Spain (-9.0%) and France (-7.5%) as well as Wolford's largest market in the USA (-4.9%) showed a single-digit revenue drop. Revenue on the Asian market only fell slightly by 1.9%. Here Wolford is completely repositioning itself in order to optimally leverage market potential in the future, above all in China.

Revenue was down in all products groups in the first nine months. Legwear (-11%), Lingerie (-11%), Beachwear (-11%), Accessories (-44%) and Trading Goods (-16%) all showed a double-digit decline in revenue, whereas the Ready-to-wear product group only reported a slight revenue decrease (-3%). Accessories and Trading Goods revenue was down due to the streamlining of the portfolio in these product segments.

The average number of employees (full-time equivalents) in the first nine months of 2018/19 fell by 102 people to 1,354 employees from the prior-year average of 1,456 full-time equivalents within the context of the reduction of administrative positions in the European sales companies and in Bregenz. The positive effect of the restructuring program, above all the systematic scaling down of excess capacities and the streamlining of corporate processes is clearly reflected in the development of personnel expenses, which showed a sustainable year-on-year decrease of € 4.58 million to € 46.55 million.

Furthermore, other operating expenses fell substantially by € 2.63 million in the first nine months to € 39.52 million. In particular, Wolford succeeded in reducing costs for bank fees (-49%), vehicle fleet (-7%), customs duties (-18%) and freight (-11%) compared to the prior-year period.

**Systematic cost savings unable to compensate for the revenue drop**

However, the systematic cost savings could not offset the substantial drop in revenue. As a result, Wolford achieved operating earnings (EBIT) of € -2.31 million compared to € -1.36 million in the previous year. The financial result at € -0.99 million was clearly above the prior-year level of

€ -1.61 million, which was negatively impacted by interest and fee payments within the context of the refinancing agreement with the creditor banks.

Accordingly, earnings before tax amounted to € -3.30 million, down from the prior-year figure of € -2.97 million. Earnings after tax fell by € 1.65 million to € -4.22 million compared to € -2.57 million in the first nine months of 2018/19. This deterioration is due to the payment of tax arrears as a consequence of scheduled tax audits. Earnings per share equaled € -0.64 following € -0.52 in the previous year.

### **CASH FLOW (MAY 2018 TO JANUARY 2019)**

The net cash flow from operating activities (operating cash flow) in the first nine months of the current financial year fell substantially by € 7.82 million to € -3.59 million. This development was mainly due to the lower earnings after tax and increased working capital compared to the previous year.

**Investments in new stores and marketing reduce the cash flow**

The cash flow from investing activities rose to € -6.83 million in the reporting period (previous year: € -0.81 million). In the first nine months of the 2018/19 financial year, Wolford primarily invested in its new brand identity, encompassing the new imagery as well as the development of the new store concept presented for the first time at the end of January 2019. Wolford also invested in a new boutique in Amsterdam, the new shop at Copenhagen Airport as well as expanding two boutiques in Beverly Center shopping mall in Los Angeles and in Manhasset, New York.

Against this backdrop, the free cash flow (cash flow from operating activities less the cash flow from investing activities) fell during the first nine months of the financial year, from € 2.43 million to € -11.61 million. The cash flow from financing activities showed a substantial improvement in the reporting period of € 19.79 million to € 20.11 million. This is primarily due to the successfully implemented capital increase of about € 22 million concluded on July 11, 2018. The capital increase was mainly subscribed by the new majority owner Fosun Industrial Holdings Limited and the longstanding large shareholder Ralph Bartel. Cash and cash equivalents totaled € 11.29 million at the end of the reporting period, compared to € 12.92 million in the previous year.

### **ASSETS AND FINANCIAL POSITION (AS AT JANUARY 31, 2019)**

In the course of the capital increase, equity of the Wolford Group rose to € 51.38 million at the reporting date (January 31, 2018: € 42.90 million). Accordingly, the equity ratio amounted to 41% (January 31, 2018: 33%). In particular, the repayment of outstanding bank loans led to a reduction of current financial liabilities from € 43.07 million to € 32.56 million. Wolford's net debt as at January 31, 2019 was down from € 28.97 million to € 20.19 million. The positive effect of the capital increase is also reflected in the substantial improvement of the gearing ratio, which fell considerably from 68% to 39%.

**Reduction in net debt**

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

No major events occurred after the balance sheet date that would have had a significant effect on the financial position, financial performance or cash flow of the Wolford Group.

### **OUTLOOK**

After being presented with the weak results of the Christmas business and the first two weeks of January, the Management Board of Wolford AG made a downward adjustment in its forecast for the current 2018/19 financial year on January 15, 2019. Accordingly, the company now anticipates a loss in the current financial year in spite of the positive cost effects generated by the restructuring program implemented up until now. Against the background of the ongoing market weakness, the Management Board also announced the initiation of further comprehensive restructuring measures in order to bring the cost structure in line with revenue. The identified savings potential clearly exceeds € 10 million. The Management Board now plans for the company to return to profitability (positive operating earnings) no later than in the 2020/21 financial year.

**Positive operating earnings planned once again as of the 2020/21 financial year**

# Interim Financial Statements (IFRS)

## Statement of Comprehensive Income

in TEUR	11/18 -01/19	11/17 -01/18	05/18 -01/19	05/17 -01/18
<b>Revenues</b>	<b>45,773</b>	<b>49,211</b>	<b>108,145</b>	<b>119,355</b>
Other operating income	0	133	1,060	982
Changes in inventories of finished goods and work-in-process	-4,900	-6,483	-3,394	-8,134
Own work capitalized	0	0	0	0
<b>Operating output</b>	<b>40,873</b>	<b>42,861</b>	<b>105,810</b>	<b>112,203</b>
Cost of materials and purchased services	-4,992	-4,018	-16,617	-14,578
Personnel expenses	-15,399	-16,665	-46,554	-51,132
Other operating expenses	-15,064	-15,543	-39,515	-42,146
Depreciation and amortization	-1,813	-1,817	-5,439	-5,706
<b>EBIT</b>	<b>3,605</b>	<b>4,818</b>	<b>-2,314</b>	<b>-1,359</b>
Net interest cost	-261	-384	-840	-1,433
Net investment securities income	20	24	20	24
Interest cost of employee benefit liabilities	-55	-67	-164	-202
<b>Financial result</b>	<b>-296</b>	<b>-427</b>	<b>-985</b>	<b>-1,611</b>
<b>Earnings before tax</b>	<b>3,309</b>	<b>4,391</b>	<b>-3,299</b>	<b>-2,970</b>
Income tax	-198	-348	-917	398
<b>Earnings after tax</b>	<b>3,111</b>	<b>4,043</b>	<b>-4,216</b>	<b>-2,572</b>
Amounts that will not be recognized through profit and loss in future periods	0	0	0	0
thereof actuarial gains and losses	0	0	0	0
Amounts that will potentially be recognized through profit and loss in future periods	-8	539	442	588
thereof currency translation differences	-8	539	442	588
thereof change from cash flow hedges	0	0	0	0
<b>Other comprehensive income <sup>1)</sup></b>	<b>-8</b>	<b>539</b>	<b>442</b>	<b>588</b>
<b>Total comprehensive income</b>	<b>3,103</b>	<b>4,582</b>	<b>-3,774</b>	<b>-1,984</b>
Attributable to the equity holders of the parent company	3,103	4,582	-3,774	-1,984
Earnings after tax attributable to equity holders of the parent company	3,111	4,043	-4,216	-2,572
<b>Earnings per share (diluted = basic)</b>	<b>0.47</b>	<b>0.82</b>	<b>-0.64</b>	<b>-0.52</b>

<sup>1)</sup> The items presented under other comprehensive income are shown after tax.



# Cash Flow Statement

in TEUR	05/18 -01/19	05/17 -01/18
<b>Earnings before tax</b>	<b>-3,299</b>	<b>-2,970</b>
Depreciation and amortization / write-backs	5,439	5,706
Gains / losses from disposals of non-current assets	52	71
Interest paid / Interest received	840	0
Other non-cash income and expenses	-1,037	1,628
Changes in inventories	3,292	8,663
Changes in trade receivables	-5,574	-309
Changes in other receivables and assets	1,500	-472
Changes in trade payables	-2,517	-2,673
Changes in other provisions and employee-related provisions	-1,854	-2,951
Changes in other liabilities	-428	-2,454
<b>Cash flow from operating activities</b>	<b>-3,586</b>	<b>4,238</b>
Interest received	46	27
Interest paid	-877	-515
Net balance of income taxes paid / received	-363	-514
<b>Net cash flow from operating activities</b>	<b>-4,780</b>	<b>3,236</b>
Payments for investments in property, plant and equipment and other intangible assets	-6,833	-1,199
Proceeds from disposals of property, plant and equipment and other intangible assets	0	389
Changes in securities and other financial assets	0	0
<b>Cash flow from investing activities</b>	<b>-6,833</b>	<b>-810</b>
Proceeds from current and non current financial liabilities	21,214	0
Proceeds from current and non-current financial liabilities	13,000	1,345
Repayment of current and non-current financial liabilities	-14,102	-1,027
<b>Cash flow from financing activities</b>	<b>20,112</b>	<b>318</b>
<b>Cash-effective change in cash and cash equivalents</b>	<b>8,499</b>	<b>2,744</b>
Cash and cash equivalents at beginning of period	2,729	10,312
Effects of exchange rate movements on cash and cash equivalents	63	-135
<b>Cash and cash equivalents at end of period</b>	<b>11,291</b>	<b>12,921</b>

# Balance Sheet

in TEUR	31.01.2019	31.01.2018	30.04.2018
Property, plant and equipment	41,215	41,813	41,442
Goodwill	194	188	194
Other Intangible assets	10,112	9,407	8,900
Financial assets	1,265	1,283	1,265
Non-current receivables and assets	1,695	1,682	1,673
Deferred tax assets	3,058	2,388	2,123
<b>Non-current assets</b>	<b>57,540</b>	<b>56,761</b>	<b>55,597</b>
Inventories	37,703	40,730	40,994
Trade receivables	14,336	11,498	8,763
Other receivables and assets	1,678	3,554	3,930
Prepaid expenses	3,197	3,509	2,315
Non-current assets held for sale	11,292	12,921	2,729
<b>Current assets</b>	<b>68,206</b>	<b>72,212</b>	<b>58,731</b>
<b>Total assets</b>	<b>125,746</b>	<b>128,973</b>	<b>114,328</b>
Share capital	48,848	36,350	36,350
Capital reserves	10,533	1,817	1,817
Other reserves	-8,102	4,802	-3,910
Currency translation differences	100	-72	-361
<b>Equity</b>	<b>51,378</b>	<b>42,897</b>	<b>33,896</b>
Financial liabilities	185	112	192
Other liabilities	900	902	916
Provision for long-term employee benefits	16,518	17,351	16,929
Other long-term provisions	1,280	2,347	1,280
Deferred tax liabilities	18	-93	0
<b>Non-current liabilities</b>	<b>18,902</b>	<b>20,619</b>	<b>19,317</b>
Financial liabilities	32,559	43,065	33,888
Trade payables	3,941	2,362	6,457
Other liabilities	12,223	10,645	12,636
Income tax liabilities	493	867	442
Other provisions	6,249	8,518	7,692
<b>Current liabilities</b>	<b>55,466</b>	<b>65,457</b>	<b>61,115</b>
<b>Total equity and liabilities</b>	<b>125,746</b>	<b>128,973</b>	<b>114,328</b>

## Statement of Changes in Equity

in TEUR	Attributable to equity holders of the parent company								Total equity
	Share capital	Capital reserves	Hedging reserve	Actuarial gain/loss	Other reserves	Revaluation reserves IAS 39	Treasury stock	Currency translation	
<b>01.05.2017</b>	<b>36,350</b>	<b>1,817</b>	<b>7</b>	<b>-4,157</b>	<b>15,938</b>	<b>0</b>	<b>-4,413</b>	<b>-660</b>	<b>44,882</b>
Earnings after tax	0	0	0	0	-2,573	0	0	0	-2,573
Other comprehensive income	0	0	0	0	0	0	0	588	588
<b>31.01.2018</b>	<b>36,350</b>	<b>1,817</b>	<b>7</b>	<b>-4,157</b>	<b>13,365</b>	<b>0</b>	<b>-4,413</b>	<b>-72</b>	<b>42,897</b>
<b>01.05.2018</b>	<b>36,350</b>	<b>1,817</b>	<b>0</b>	<b>-3,886</b>	<b>4,489</b>	<b>-100</b>	<b>-4,413</b>	<b>-361</b>	<b>33,896</b>
Capital increase	12,498	8,716	0	0	0	0	0	0	21,214
Earnings after tax	0	0	0	0	-4,216	0	0	0	-4,216
Other comprehensive income	0	0	0	0	24	0	0	461	484
<b>31.01.2019</b>	<b>48,848</b>	<b>10,533</b>	<b>0</b>	<b>-3,886</b>	<b>297</b>	<b>-100</b>	<b>-4,413</b>	<b>100</b>	<b>51,378</b>

## Segment Reporting

05/18 -01/19 in TEUR	Austria	Germany	Rest of Europe	North America	Asia	Consolidations	Group
<b>Revenues</b>	<b>60,917</b>	<b>12,287</b>	<b>48,422</b>	<b>21,807</b>	<b>5,059</b>	<b>-40,346</b>	<b>108,145</b>
thereof intersegment	34,566	0	5,781	0	0	-40,346	0
<b>External revenues</b>	<b>26,352</b>	<b>12,287</b>	<b>42,641</b>	<b>21,807</b>	<b>5,059</b>	<b>0</b>	<b>108,145</b>
<b>EBIT</b>	<b>-2,924</b>	<b>-87</b>	<b>-776</b>	<b>761</b>	<b>-179</b>	<b>892</b>	<b>-2,314</b>
Segment assets	143,737	5,324	31,487	9,833	3,303	-67,938	125,746
Segment liabilities	63,007	3,416	26,983	17,418	6,681	-43,137	74,368
Investments	1,414	334	3,794	1,246	7	0	6,794
Depreciation and amortization	3,398	324	1,142	396	180	0	5,439
Employees on average (FTE)	552	96	555	113	37	0	1,354

05/17 -01/18 in TEUR	Austria	Germany	Rest of Europe	North America	Asia	Consolidations	Group
<b>Revenues</b>	<b>66,675</b>	<b>14,358</b>	<b>53,936</b>	<b>22,838</b>	<b>5,345</b>	<b>-43,796</b>	<b>119,355</b>
thereof intersegment	38,361	0	5,436	0	0	-43,796	0
<b>External revenues</b>	<b>28,315</b>	<b>14,358</b>	<b>48,500</b>	<b>22,838</b>	<b>5,345</b>	<b>0</b>	<b>119,355</b>
<b>EBIT</b>	<b>-5,534</b>	<b>322</b>	<b>1,758</b>	<b>-83</b>	<b>37</b>	<b>2,140</b>	<b>-1,360</b>
Segment assets	146,686	5,838	42,800	8,438	3,079	-77,868	128,973
Segment liabilities	72,584	3,940	31,816	10,748	5,179	-38,191	86,076
Investments	432	42	381	316	0	0	1,172
Depreciation and amortization	3,589	332	1,335	270	180	0	5,706
Employees on average (FTE)	626	114	562	115	39	0	1,456

# Notes to the Interim Financial Statements

## GENERAL INFORMATION

These consolidated interim financial statements of Wolford AG for the first nine months of the 2018/19 financial year (May 1, 2018 to January 31, 2019) were prepared in accordance with the stipulations contained in the International Financial Reporting Standards (IFRS) applicable on the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applied in the European Union (EU). In particular, the rules contained in IAS 34 Interim Reporting were applied.

The Interim Management Report and the condensed consolidated interim financial statements were neither subject to a comprehensive audit nor subject to an auditor's review.

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

## ACCOUNTING AND EVALUATION METHODS

The accounting policies applied in preparing the interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the 2017/18 financial year. The following new or revised standards or interpretations require mandatory application in the current 2018/19 financial year for the first time:

Standard/ Interpretation	Description	Effective date in the Wolford Group
IAS 40	Accounting for Investment Properties under Construction	May 1, 2018
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions	May 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	May 1, 2018
IFRS 9	Financial Instruments	May 1, 2018
IFRS 15	Revenue from Contracts with Customers (including clarification to IFRS 15)	May 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	May 1, 2018
Annual Improvements to IFRS 2014-2016	Amendments to IFRS 1 and IAS 28	May 1, 2018

The accounting and valuation policies applied in preparing the consolidated interim financial statements for the first nine months of the 2018/19 financial year are fundamentally based on the same accounting and valuation principles used in preparing the consolidated financial statements for the 2017/18 financial year, with the exception of the application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The new standards IFRS 9 and IFRS 15 were applied in the 2018/19 financial year for the first time, but do not have any material impact on the consolidated interim financial statements. These consolidated interim financial statements do not include all the information and disclosures required for the consolidated annual financial statements. For this reason, the consolidated interim financial statements should also be read in conjunction with the latest consolidated financial statements as at April 30, 2018. All amounts in the half-year financial statements are stated in thousands of euros (TEUR). Rounding differences may occur due to the application of commercial rounding principles.

## SCOPE OF CONSOLIDATION

There were no changes in the scope of consolidation since the last balance sheet date on April 30, 2018.

## SEASONALITY OF BUSINESS

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

## NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Revenue recorded by the Wolford Group declined by 9.4% or TEUR 11,211 in the first nine months of the current 2018/19 financial year to TEUR 108,145 (previous year: TEUR 119,355). Adjusted for currency exchange rate changes, the decrease equaled 9.0%. As a result, operating output fell by TEUR 6,393 to TEUR 105,810 (previous year: TEUR 112,203).

The sustainably positive effect of the restructuring program, such as the systematic reduction of excess capacities and the more efficient and streamlined corporate processes is particularly reflected in personnel expenses. They sustainably declined by TEUR 4,578 in the first nine months compared to the first three quarters of 2017/18 to TEUR 46,554.

The realignment of the cost structure also had positive effects in the first nine months. In particular, costs for bank fees (-49%), the vehicle fleet (-7%), customs duties (-18%) and freight (-11%) could be significantly reduced from the prior-year level.

In spite of the systematic cost savings, Wolford was unable to compensate for the strong drop in revenue. As a result, operating earnings (EBIT) in the first nine months of the current financial year fell by TEUR 955 to TEUR -2,314, down from TEUR -1,359 in the prior-year period.

The financial result at TEUR -985 showed an improvement of TEUR 626 and was clearly above the prior-year level of TEUR -1,611, which was negatively impacted by interest and fee payments within the context of the refinancing agreement with the creditor banks.

The reported income tax amounted to TEUR -917 (previous year: tax income of TEUR 398). Accordingly, earnings after tax totaled TEUR -4,216 (previous year: TEUR -2,572).

Positive currency translation differences of TEUR 442 (previous year: TEUR 588) which were recorded without recognition through profit or loss as well as an unchanged hedging reserve of TEUR 0 (previous year: TEUR 0) led to other comprehensive income of TEUR 442 (previous year: TEUR 588). The total comprehensive income resulted in a decline in equity in the reporting period by TEUR 3,774 (previous year: TEUR 1,984).

## NOTES ON SEGMENT REPORTING

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

External sales declined by 7% in the Austria segment, by 14% in the Germany segment, by 12% in the Other Europe segment and by 5% each in the North America and Asia segments. EBIT of the Austria segment was up TEUR 2,610 from the previous year. The revenue decline could be mainly offset by significantly lower personnel expenses and the reduction in other operating expenses. EBIT in the Germany segment was down TEUR 409 year-on-year, and EBIT in the Other Europe segment fell by TEUR 2,534, which can be primarily attributed to the unfavorable revenue development. EBIT in the North America segment improved by TEUR 844 to TEUR 761, primarily as a result of lower

costs for the online business and reduced marketing expenses. EBIT in the Asia segment was down TEUR 216 from the previous year. Segment assets declined by TEUR 3,227 from the prior-year period to TEUR 125,746, which is attributable to the decrease in working capital.

### **NOTES ON THE CASH FLOW STATEMENT**

The net cash flow from operating activities (operating cash flow) showed a substantial decrease of TEUR 8,016 in the first nine months of the current financial year to TEUR -4,780. This development can mainly be attributed to the increase in working capital compared to the previous balance sheet date of April 30, 2018.

The cash flow from investing activities amounted to TEUR -6,833 during the reporting period (previous year: TEUR -810). In the first nine months, Wolford primarily invested in its new store concept, the new Hofstraat boutique in Amsterdam and the new boutique at Copenhagen Airport as well as expanding two boutiques, one located in the Beverly Center shopping mall in Los Angeles and the other in the shopping center in Manhasset, New York.

Against this backdrop, the free cash flow (cash flow from operating activities less the cash flow from investing activities) fell from TEUR 2,426 to TEUR -11,613. The cash flow from financing activities showed a substantial improvement in the first three quarters of the financial year to TEUR 20,112. This is primarily related to the successfully implemented capital increase of about € 22 million concluded on July 11, 2018. Cash and cash equivalents totaled TEUR 11,291 at the end of the reporting period, compared to TEUR 12,921 in the previous year.

### **NOTES ON THE CONSOLIDATED BALANCE SHEET**

The balance sheet total amounted to TEUR 125,746 as at the balance sheet date of January 31, 2019, which represents a decline of 3% from the level at January 31, 2018. Non-current assets were up 1% to TEUR 57,540, accounting for 46% of total assets. Investments of TEUR 6,833 in intangible assets and property, plant and equipment were in contrast to scheduled amortization and depreciation of TEUR 5,439. Current assets equaled about 54% of total assets as at January 31, 2019. Inventories fell by 7% to TEUR 37,703 or 30% of total assets, whereas trade receivables rose by about 25% to TEUR 14,336, comprising about 11% of total assets.

Equity of the Wolford Group amounted to TEUR 51,378 as at January 31, 2019, which represents an equity ratio of 41% (previous year: 33%). Non-current liabilities declined in the first nine months of the current financial year by TEUR 1,717, from TEUR 20,619 to TEUR 18,902, or 15% of the balance sheet total. This development was mainly due to the decrease in other non-current provisions. Current liabilities fell to TEUR 55,466 (previous year: TEUR 65,457), primarily owing to the reduction in current financial liabilities by TEUR 10,506 to TEUR 32,559. Working capital fell year-on-year from TEUR 42,775 to TEUR 37,552. Net debt totaled TEUR 20,187 at the reporting date, representing a drop of TEUR 8,786 from the comparable figure at January 31, 2018.

### **FINANCIAL INSTRUMENTS**

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

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

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

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

The financial assets classified under Level 1 consist of publicly traded investment fund shares, while the securities and financial assets reported under current assets in the prior year represent securities

used to hedge rental and leasing obligations. The other receivables and other liabilities included under Level 2 result from the valuation of outstanding foreign currency derivative transactions. No financial instruments are valued in accordance with Level 3, and there continued to be no reclassifications between the fair value hierarchy levels during the reporting period.

in TEUR	31.01.2019		31.01.2018		
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets	1	1,265	1,265	1,283	1,283
Trade receivables		14,336	14,336	11,498	11,498
Other receivables and assets		1,678	1,678	3,554	3,554
thereof derivatives	2	0	0	0	0
Prepaid expenses		3,197	3,197	3,509	3,509
Cash and cash equivalents		11,292	11,292	12,921	12,921
<b>Total financial assets</b>		<b>31,768</b>	<b>31,768</b>	<b>32,765</b>	<b>32,765</b>
Financial liabilities, non-current		185	185	112	112
Financial liabilities, current		32,559	32,559	43,065	43,065
Trade payables		3,941	3,941	2,362	2,362
Other liabilities		12,223	12,223	10,645	10,645
thereof derivatives	2	0	0	0	0
<b>Total financial liabilities</b>		<b>48,909</b>	<b>48,909</b>	<b>56,184</b>	<b>56,184</b>

## OTHER DISCLOSURES

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

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No major events occurred after the balance sheet date that would have had a significant effect on the financial position, financial performance or cash flows of the Wolford Group.

Bregenz, March 15, 2019



Axel Dreher  
CEO

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



Brigitte Kurz  
CFO

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

## Financial Calender

<b>Datum</b>	<b>Event</b>
July 19, 2019	Annual Press Conference Vienna
September 15, 2019	Record date Annual General Meeting
September 20, 2019	Report on the 1st quarter 2019/20
September 25, 2019	13:00 h: Annual General Meeting in Bregenz
October 01, 2019	Record date dividend
October 02, 2019	First day of dividend payment
December 13, 2019	Report on the 1st half of 2019/20
March 20, 2020	Report on the 3rd quarter 2019/20

## Company and Share Information

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

### **Analyst Coverage:**

Raiffeisen Centrobank (Jakub.Krawczyk@rcb.at)



## **Wolford AG**

Wolfordstraße 1, 6900 Bregenz, Austria

This report on the first nine months of 2018/19 is available in the Internet under [company.wolford.com](http://company.wolford.com) in the Investor Relations section.

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

## **Disclaimer**

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

# Monobrand Points of Sale

## WORLDWIDE

Monobrand points of sale  
January 31, 2019: 262

Thereof Woford-owned  
points of sale  
106 boutiques  
52 concession-shop-in-shops  
20 factory outlets

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



## NORTHAMERICA: 34

Thereof Woford-owned  
points of sale  
22 boutiques  
7 concession-shop-in-shops  
3 factory-outlets

Thereof partner-operated points  
of sale  
2 boutiques

**EUROPE: 186<sup>2)</sup>**

**Thereof Woldord-owned  
points of sale**

80 boutiques

44 concession shop-in-shops

16 factory outlets

**Thereof partner-operated  
points of sale**

46 boutiques

2) excluding Russia and Ukraine



**ASIA: 35<sup>1)</sup>**

**Thereof Woldord-owned  
points of sale**

4 boutiques

1 concession shop-in-shops

1 factory outlet

**Thereof partner-operated  
points of sale**

29 boutiques

1) including Russia and Ukraine

