HALF-YEAR REPORT 2019/20

(MAY 2019 - OCTOBER 2019)

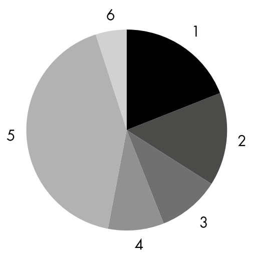
Wolford Group Key Data

Earnings Data		05 - 10/19	05 - 10/18	Chg. in %	2018/19
Revenues	in € mill.	60,49	62,37	-3	137,22
EBIT	in € mill.	-9,38	-5,92	-58	-8,98
Earnings before tax	in € mill.	-12,03	-6,61	-82	-10,11
Earnings after tax	in € mill.	-11,86	-7,33	-62	-11,10
Capital expenditure	in € mill.	0,93	1,84	-49	5,16
Free cash flow	in € mill.	-6,04	-16,41	63	-10,88
Employees (on average)	FTE	1.282	1.350	-5	1.347

Balance Sheet Data		31.10.2019	31.10.2018	Chg. in %	30.04.2019
Equity	in € mill.	30,96	48,16	-36	42,72
Net debt	in € mill.	33,51	25,21	33	19,62
Working capital	in € mill.	33,26	43,29	-23	31,07
Balance sheet total	in € mill.	174,88	123,68	41	117,99
Equity ratio	in %	18	39	-54	36
Gearing	in %	108	52	<100	46

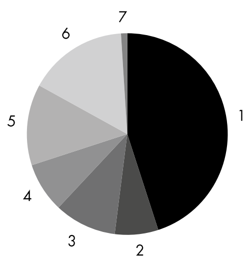
Stock Exchange Data		05 - 10/19	05 - 10/18	Chg. in %	2018/19
Earnings per share	in €	-1,79	-1,10	-63	-1,76
Share price high	in €	11,80	17,70	-33	17,70
Share price low	in €	5,50	12,30	-55	10,60
Share price at end of period	in €	6,40	12,30	-48	11,40
Shares outstanding (weighted)	in 1,000	6.320	6.631	-5	6.320
Market capitalization (ultimo)	in € mill.	43,00	82,65	-48	75,59

REVENUES BY MARKET



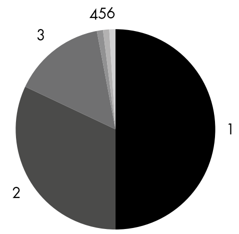
1 North America 19%
2 Germany 15%
3 Austria 10%
4 France 9%
5 Rest of Europe 42%
6 Asia/Oceania 5%

REVENUES BY DISTRIBUTION



1 Boutiques 45%
2 Concession shop-in-shops 7%
3 Online business 10%
4 Factory outlets 8%
5 Department stores 13%
6 Multi-brand retailers 16%
7 Private label 1%

REVENUES BY PRODUCT GROUP



1 Legwear 47%
2 Ready-to-wear 32%
3 Lingerie 18%
4 Accessories 1%
5 Beachwear 1%
6 Trading goods 1%

Contents

Letter from the Board

Dear shareholders,

Ladies and Gentlemen,

The half-year results are without a doubt unsatisfactory. We on the Management Board team have only been in office for a few weeks. At present, we are currently working with our management team to precisely analyze and understand the problem areas. On this basis, we will then develop a master plan for Wolford consisting of short-, medium- and long-term measures. The underlying objective is to achieve a sustainable repositioning of Wolford as a profitable company with strong product lines and a clear customer orientation.

Naturally, we are examining the viability of some individual boutique locations. On the other hand, we will further expand Wolford's presence where there is a demonstrated growth potential, predominantly with wholesale partners. Wolford has indeed re-entered Japan after several years with a Shop-in-Shop, working directly with the exclusive mall Isetan Shinjuku in Tokyo and has had important openings in EMEA territory like Istanbul, Prague and Belgrade. We are systematically driving ahead with the expansion of our presence in China in cooperation with our partner Fosun Fashion Brand Management. Accordingly, Wolford opened three new partner boutiques on the Chinese mainland during the first half of the current financial year.

We are also making targeted investments in our online business. Wolford recently began to cooperate with the luxury fashion platform Farfetch. It offers products from over 3,000 brands, delivers them to customers in 190 countries and is thus one of the world's most important online shippers of luxury fashion. The first pilot project with the Wolford boutique in Milan resulted in a revenue increase of about 30% within a three-week period. This includes many orders from countries in which Wolford has hardly been active up until now, for example Hungary and Saudi Arabia. This shows that we can make our presence result in a large number of markets with the help of Farfetch.

In addition, it is important to mention that we are a trailblazer thanks to our intensified focus on "Cradle to Cradle" (recyclable) products, providing a response to the current challenges relating to the sustainability and future viability of the entire fashion industry.

Furthermore, we have identified further cost-savings potential, including our purchasing activities. We have centralized our purchasing process within a single management structure, and have developed specific cost-reduction measures in cooperation with the new Head of Purchasing and his team which are already being implemented.

Dear shareholders, rest assured that we are working flat out and with passion on repositioning Wolford. Naturally we will inform you about the progress and results of our work.

Andrew Thorndike, COO

Silvia Azzali, CCO

Management Report

EARNINGS (MAY 2019 TO OCTOBER 2019)

The Wolford Group generated revenue of € 60.49 million in the first half of the current 2019/20 financial year, down 3.0% from the prior-year level of € 62.37 million. The revenue decline in the first half-year equaled 4.1% when adjusted to take account of currency effects (especially the increase in value of the Swiss franc and the US dollar).

Decline in retail and online revenue, wholesale revenue at the prior-year level

Wolford's own retail business reported a revenue drop of € 2.79 million or -6.8% in the first six months compared to the prior-year period. The decline amounted to 7.9% when adjusted for currency effects, and revenue was down by 5.4% on a like-for-like basis (i.e. excluding the closures of poorly performing stores). The decrease in revenue can be attributed to declining customer frequencies in the boutiques as a consequence of the ongoing difficult market environment. Revenue of Wolford's own online business fell by € 0.52 million or -7.5% year-on-year. The fewer discounted products on offer and the resulting reduction in sales volumes comprised the underlying reasons for the drop in online revenue. Revenue of the wholesale segment was at the prior-year level (+0.2% adjusted for currency effects) due to the postponement of a delivery window.

Market development shaped by declining customer frequencies

The business environment in the first six months of the 2019/20 financial year was a challenging one. The ongoing macroeconomic uncertainties had a negative impact on the revenue development. Fashion retailers suffered from the ongoing phenomenon of declining customer frequencies in the important core European markets. For example, customer frequencies on the German fashion market were down 5% in the month of September 2019 compared to the previous year.

From a regional perspective, revenue in the first six months developed as follows: the Wolford Group's four largest markets of France (-2.8%), USA (-5.2%), Germany (-7.0%) and Austria (-15.1%) experienced a substantial revenue decrease in part. In contrast, Wolford succeeded in generating single-digit revenue growth in the markets of Belgium (+8.0%), Italy (+7.9%), Spain (+3.3%), Great Britain (+2.3%) and Scandinavia (+1.9%). Revenue fell by 25.1% in Asia due to the political unrest in Hong Kong and the closure of a store in Hong Kong. In contrast, the expansion of Wolford's presence in mainland China is proceeding as planned. Wolford opened up three partner boutiques in the first half-year together with its partner Fosun Fashion Brand Management (FFBM). The Eastern European markets developed particularly favorably, even showing a double-digit revenue increase (+14.1%). This development can be mainly attributed to the expansion of Wolford's commercial relationship with its most important Russian wholesale partner.

Half-year revenue was down in almost all product groups. Beachwear (-25%) and Accessories (-28%) showed a double-digit decline in revenue, whereas the Ready-to-wear (-9%) and Lingerie (-3%) product groups both registered a single-digit revenue decrease. In contrast, Wolford generated a slight rise in revenue (+1.0%) for Legwear, its most important product group.

Within the context of further reduction of administrative staff in Bregenz in the 2018/19 financial year, the average number of employees (FTE) in the first six months was down by 68 to the current total of 1,282 employees (previous year's average: 1,350 employees (FTE)). Accordingly, personnel expenses fell by € 0.89 million to € 30.27 million compared to the first half of 2018/19.

Furthermore, other operating expenses significantly decreased in the first six months by € 4.93 million to € 19.52 million. However, this is attributable to the first-time application of the new leasing standard IFRS 16. Accordingly, lease payments were shifted to depreciation and amortization as well as to the net interest cost. Adjusted for this effect, other operating expenses rose by € 2.5 million from the previous year.

Depreciation and amortization in the first half of the current financial year climbed from € 3.63 million to € 9.22 million. The rise is related to the above-mentioned transition to IFRS 16.

EBIT clearly below the previous year

As a consequence of the decline in revenue and other operating income, operating earnings (EBIT) equaled € -9.38 million in the first six months of the current financial year, compared to the prior-year level of € -5.92 million. The financial result at € -2.65 million was considerably below the comparable figure of € -0.69 million in the previous year. The underlying reason for this development is deferred interest payments totaling € 0.40 million for the shareholder loan of € 10.00 million on the part of Fosun Fashion Investment Holdings (HK) Limited. This involves an annual interest rate of 12% and a term to maturity lasting until June 30, 2021. Furthermore, the net interest cost also rose by € 1.60 million within the context of the initial application of the new leasing standard IFRS 16.

To clarify this: in accordance with the accounting model specified in IFRS 16, lessees, for example those renting retail space, are obliged to recognize both a right-of-use asset and a corresponding lease liability for lease contracts with terms longer than twelve months. The right-of-use asset is depreciated over the term of the contract in accordance with the requirements applicable to property, plant and equipment. In turn, this is reflected in the above-mentioned increase in depreciation. The lease liability is recognized in accordance with the stipulations contained in IFRS 16, reduced by the lease payments made and increased by the interest expenses.

Accordingly, earnings before tax totaled € -12.03 million, compared to € -6.61 million in the previous year. Earnings after tax also fell substantially by € 4.54 million, from € -7.33 million in the first six months of 2018/19 to € -11.85 million in the reporting period. Earnings per share equaled € -1.79, compared to the prior-year figure of € -1.10.

CASH FLOW (MAY 2019 TO OCTOBER 2019)

Declining investments

The net cash flow from operating activities (operating cash flow) showed a considerable increase in the first six months of the current financial year, rising by € 9.19 million to € -4.58 million. This development can mainly be attributed to the first-time application of the new leasing standard IFRS 16 and the resulting shift of lease payments from the cash flow from operating activities to the cash flow from financing activities.

The cash flow from investing activities fell to € -0.82 million during the reporting period (previous year: € -1.84 million). In the first six months, Wolford primarily invested in the new factory outlet in Serravalle, Italy as well as in an update of its point-of-sale software.

Against this backdrop, the free cash flow (cash flow from operating activities less the cash flow from investing activities) improved from € -16.41 million to € -6.04 million. The cash flow from financing activities in the first half-year showed a considerable decrease of € 17.53 million to € 2.58 million. This is primarily related to the capital increase in the previous year, which provided the company with funds of about € 22 million. This is complemented by the repayment of financial and lease liabilities, which climbed from € 1.13 million to € 7.42 million as a consequence of the application of IFRS 16. Cash and cash equivalents totaled € 8.59 million at the end of the reporting period, compared to € 6.51 million in the previous year.

ASSETS AND FINANCIAL POSITION (AS AT OCTOBER 31, 2019)

Increased net debt

As a result of the losses generated in the current and previous financial years, equity of the Wolford Group fell to € 30.96 million as at October 31, 2019 (October 31, 2018: € 48.16 million). Accordingly, the equity ratio equaled 18% (October 31, 2018: 39%). Net debt rose from € 25.21 million in the previous year to € 33.51 million as at October 31, 2019. This is mainly due to the shareholder loan of € 10. million by Fosun Fashion Investment Holdings (HK) Limited. The initial application of the new leasing standard IFRS 16 and the related significant rise in the balance sheet total by

€ 51.20 million from the prior-year level also reflects the deterioration of gearing, which rose significantly from 52% to 108%.

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

Positive operating earnings expected as of the 2020/21 financial year

The new Management Board team is currently analyzing all areas of the company on the basis of the available figures and will develop a plan to reposition Wolford AG encompassing short-, medium- and long-term measures. On the basis of the latest findings, the management confirms its previous outlook to return Wolford to profitability (positive operating earnings) in the 2020/21 financial year.

Interim Financial Statements (IFRS)

Statement of Comprehensive Income[1)]

in TEUR	05 - 10/19	05 - 10/18
Revenues	**60.490**	**62.372**
Other operating income	535	1.060
Changes in inventories of finished goods and work-in-process	-1.905	1.505
Own work capitalized	0	0
Operating output	**59.120**	**64.937**
Cost of materials and purchased services	-9.493	-11.624
Personnel expenses	-30.268	-31.155
Other operating expenses	-19.519	-24.450
Depreciation and amortization	-9.217	-3.626
EBIT	**-9.377**	**-5.918**
Net interest cost	-2.529	-580
Net investment securities income	0	0
Interest cost of employee benefit liabilities	-120	-109
Financial result	**-2.649**	**-689**
Earnings before tax	**-12.026**	**-6.607**
Income tax	162	-720
Earnings after tax	**-11.864**	**-7.327**
Amounts that will not be recognized through profit and loss in future periods	0	0
thereof actuarial gains and losses	0	0
Amounts that will potentially be recognized through profit and loss in future periods	46	451
thereof currency translation differences	46	451
thereof change from cash flow hedges	0	0
Other comprehensive income [2)]	**46**	**451**
Total comprehensive income	**-11.818**	**-6.876**
Attributable to the equity holders of the parent company	-11.818	-6.876
Earnings after tax attributable to equity holders of the parent company	-11.864	-7.327
Earnings per share (diluted = basic)	**-1,79**	**-1,10**

[1)] IFRS 16 has been applied since May 1, 2019. No prior-year figures were adapted.

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

Cash Flow Statement[1)]

in TEUR	05 - 10/19	05 - 10/18
Earnings before tax	**-12.026**	**-6.607**
Depreciation and amortization / write-backs	9.217	3.626
Gains / losses from disposals of non-current assets	62	30
Interest paid / Interest received	2.529	580
Other non-cash income and expenses	1.891	-637
Changes in inventories	943	-1.700
Changes in trade receivables	-3.237	-3.679
Changes in other receivables and assets	-913	-1.474
Changes in trade payables	-2.482	-1.422
Changes in other provisions and employee-related provisions	-3.059	-2.391
Changes in other liabilities	2.498	-97
Cash flow from operating activities	**-4.577**	**-13.771**
Interest received	2	26
Interest paid	-533	-612
Net balance of income taxes paid / received	-119	-212
Net cash flow from operating activities	**-5.227**	**-14.569**
Payments for investments in property, plant and equipment and other intangible assets	-930	-1.842
Proceeds from disposals of property, plant and equipment and other intangible assets	114	4
Changes in securities and other financial assets	0	0
Cash flow from investing activities	**-816**	**-1.838**
Proceeds from current and non current financial liabilities	0	21.214
Proceeds from current and non-current financial liabilities	10.000	33
Repayment of current and non-current financial liabilities and leasing liabilities	-7.417	-1.134
Cash flow from financing activities	**2.583**	**20.113**
Cash-effective change in cash and cash equivalents	**-3.460**	**3.706**
Cash and cash equivalents at beginning of period	12.068	2.729
Effects of exchange rate movements on cash and cash equivalents	-20	70
Cash and cash equivalents at end of period	**8.588**	**6.505**

[1)] IFRS 16 has been applied since May 1, 2019. No prior-year figures were adapted.

Balance Sheet[1)]

in TEUR	31.10.2019	31.10.2018	30.04.2019
Property, plant and equipment[2)]	99.150	40.248	40.136
Goodwill	887	195	890
Other Intangible assets	8.236	7.934	10.183
Financial assets	1.283	1.265	1.283
Non-current receivables and assets	1.835	1.706	1.722
Deferred tax assets	1.758	3.073	1.631
Non-current assets	**113.149**	**54.422**	**55.845**
Inventories	34.842	42.695	35.785
Contract assets	127	0	156
Trade receivables	11.978	12.442	8.741
Other receivables and assets	4.128	5.735	3.278
Prepaid expenses	2.070	1.885	2.115
Cash and cash equivalents	8.588	6.505	12.068
Current assets	**61.733**	**69.261**	**62.143**
Total assets	**174.882**	**123.683**	**117.988**
Share capital	48.848	48.848	48.848
Capital reserves	10.533	10.533	10.533
Other reserves	-27.907	-11.328	-16.108
Currency translation differences	-510	108	-556
Equity	**30.964**	**48.161**	**42.717**
Financial liabilities[2)]	90.707	185	192
Other liabilities	917	906	925
Provision for long-term employee benefits	17.027	16.573	17.540
Other long-term provisions	1.907	1.280	1.907
Deferred tax liabilities	1	17	0
Non-current liabilities	**110.559**	**18.961**	**20.564**
Financial liabilities[2)]	14.094	32.791	32.783
Trade payables	4.140	5.036	6.622
Other liabilities	12.645	12.549	10.112
Income tax liabilities	269	529	409
Other provisions	1.001	5.657	3.445
Contract liabilities	1.210	0	1.335
Current liabilities	**33.359**	**56.562**	**54.707**
Total equity and liabilities	**174.882**	**123.683**	**117.988**

[1)] IFRS 16 has been applied since May 1, 2019. No prior-year figures were adapted.

[2)] The balance sheet as at October 31, 2019 contains right-of-use assets amounting to TEUR 61,065, and lease liabilities of TEUR 61,422 in relation to the application of IFRS 16.

Statement of Changes in Equity

	Attributable to equity holders of the parent company								
in TEUR	**Share capital**	**Capital reserves**	**Hedging reserve**	**Actuarial gain/loss**	**Revaluation reserves IAS 39**	**Other reserves**	**Treasury stock**	**Currency translation**	**Total equity**
Adjusted 01.05.2018 (IFRS 9)	**36.350**	**1.817**	**0**	**-3.886**	**0**	**4.235**	**-4.413**	**-361**	**33.742**
Capital increase	12.498	8.716	0	0	0	0	0	0	21.214
Earnings after tax	0	0	0	0	0	-7.327	0	0	-7.327
Other comprehensive income	0	0	0	0	0	-91	0	469	378
Adjusted 31.10.2018	**48.848**	**10.533**	**0**	**-3.886**	**0**	**-3.183**	**-4.413**	**108**	**48.006**
01.05.2019	**48.848**	**10.533**	**0**	**-4.831**	**0**	**-6.864**	**-4.413**	**-556**	**42.717**
Earnings after tax	0	0	0	0	0	-11.864	0	0	-11.864
Other comprehensive income	0	0	0	0	0	65	0	46	111
31.10.2019	**48.848**	**10.533**	**0**	**-4.831**	**0**	**-18.663**	**-4.413**	**-510**	**30.964**

Segment Reporting

05 - 10/19 in TEUR	**Austria**	**Germany**	**Rest of Europe**	**North America**	**Asia**	**Consoli-dations**	**Group**
Revenues	**36.310**	**7.309**	**28.150**	**12.066**	**1.998**	**-25.343**	**60.490**
thereof intersegment	21.802	0	3.541	0	0	-25.343	0
External revenues	**14.508**	**7.309**	**24.609**	**12.066**	**1.998**	**0**	**60.490**
EBIT	**-7.186**	**-131**	**-1.747**	**133**	**-1.063**	**617**	**-9.377**
Segment assets	143.928	14.446	59.091	28.617	4.874	-76.074	174.882
Segment liabilities	82.399	12.560	55.344	37.331	8.767	-52.483	143.918
Investments	350	123	237	21	199	0	930
Depreciation and amortization	2.504	1.064	3.922	1.764	4	-41	9.217
Employees on average (FTE)	**503**	**89**	**548**	**101**	**41**	**0**	**1.282**

05 - 10/18 in TEUR	Austria	Germany	Rest of Europe	North America	Asia	Consoli-dations	Group
Revenues	**36.093**	**7.369**	**28.975**	**12.760**	**2.830**	**-25.655**	**62.372**
thereof intersegment	20.528	0	5.127	0	0	-25.655	0
External revenues	**15.565**	**7.369**	**23.848**	**12.760**	**2.830**	**0**	**62.372**
EBIT	**-3.331**	**-352**	**-1.573**	**-12**	**-495**	**-155**	**-5.918**
Segment assets	144.761	5.196	31.327	10.691	3.289	-71.581	123.683
Segment liabilities	64.215	3.554	27.506	19.068	6.939	-45.760	75.522
Investments	706	76	295	581	4	180	1.842
Depreciation and amortization	2.275	211	781	224	135	0	3.626
Employees on average (FTE)	**555**	**96**	**551**	**112**	**36**	**0**	**1.350**

Notes to the Interim Financial Statements

GENERAL INFORMATION

These consolidated interim financial statements of Wolford AG for the first six months of the 2019/20 financial year (May 1, 2019 to October 31, 2019) were prepared in accordance with the stipulations contained in the International Financial Reporting Standards (IFRS)valid at the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. In particular, the rules contained in IAS 34 Interim Financial Reporting were applied in preparing these interim financial statements.

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

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

ACCOUNTING AND VALUATION POLICIES

The accounting and valuation policies applied in preparing the consolidated interim financial statements reflect the policies applied to the consolidated financial statements for the 2018/19 financial year. The following new or revised standards and interpretations require mandatory application in the current 2019/20 financial year for the first time:

Standard/ Interpretation	Description	Effective date
Various	Annual Improvements to IFRSs: 2015-2017 Cycle	May 1, 2019
IFRS 16	Leases	May 1, 2019
Changes to IFRIC 23	Uncertainty over Income Tax Treatments	May 1, 2019
IFRS 9	Changes to IFRS 9: Prepayment Features with Negative Compensation	May 1, 2019
Changes to IAS 19	Employee Benefits	May 1, 2019
Changes to IAS 28	Investments in Associations	May 1, 2019

The accounting and valuation policies applied in preparing the consolidated interim financial statements for the first half-year 2019/20 are fundamentally based on the same accounting and valuation principles used in preparing the consolidated financial statements for the 2018/19 financial year, with the exception of the application of IFRS 16 Leases. The new standard IFRS 16 was applied in the 2019/20 financial year for the first time. 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, 2019. 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.

REVISIONS TO IMPORTANT ACCOUNTING PRINCIPLES

The coming into effect of the new standard IFRS 16 - Leases as of January 1, 2019 has eliminated the classification of leases into operating and finance leases previously required by IAS 17 and replaced this with a uniform accounting model. Wolford AG applied IFRS 16 for the first time as at May 1, 2019. For its transition to IFRS 16, the company applies the modified retrospective method without adjusting the comparative information and draws upon the practical expedients outlined below. For lessors, the distinction between operating and finance leases continues to apply. In line with this uniform accounting model, lessees are obliged to recognize both a right-of-use asset and a corresponding lease liability. For lease contracts with terms of less than twelve months and for low-value leases, there is the possibility to use practical expedients in their accounting treatment. The right-of-use asset is depreciated over the term of the contract in accordance with the requirements applicable to property, plant and equipment. The lease liability is recognized in accordance with the requirements of IFRS 16, reduced by lease payments made, and increased by interest expenses. As at April 30, 2019, Wolford AG reported provisions for onerous contracts in connection with lease obligations. They were correspondingly deducted from the right-of-use assets on May 1, 2019. Further changes in disclosures arose in connection with capitalized leasing rights.

The following categories of lease contracts have been identified: commercial premises, motor vehicles, computer hardware, and fire alarm systems. Wolford AG has recognized both its real estate lease contracts and its non-real estate lease contracts in a global contract management archive. Furthermore, the company has established a data base for the purpose of measuring and recognizing all of its lease contracts pursuant to IFRS16. Wolford AG is drawing upon the practical expedient with respect to waiving recognition of current lease contracts with terms of a maximum of 12 months and of leases for low-value leased items. The standard IFRS 16 provides lessors with the option of not separating lease and non-lease components (e.g. operating expenses for rental agreements). Wolford AG has decided not to exercise this option and accordingly not to recognize non-leasing components when determining the lease liabilities and right-of-use assets. IFRS16 requires lessors to recognize lease liabilities at the present value of future lease payments. Among other items, lease payments comprise the total amount of as yet unpaid fixed and variable lease payments. In the case of index-based payments, the indexing is accounted for at the time at which the adjustments to the respective lease payments take effect. Furthermore, due account must also be taken of rental extension options and any contract termination payments when these are reasonably certain to arise. Pursuant to IFRS 16, the lease liability is discounted over the term using the effective interest method and calculated using financial mathematical models and taking due account of lease payments already made. The company has exercised the option of capitalizing the right-of-use assets in the amount of the respective liabilities.

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

Effects of the initial application of IFRS 16

As a consequence of the first-time application of IFRS 16, the company recognized right-of-use assets to the amount of TEUR 67,061 and lease liabilities totaling TEUR 66,814 for leases previously classified as operating leases. Wolford AG recognizes the right-of-use assets under the item "property, plant and equipment" on its consolidated balance sheet. The carrying amounts of the right-of-use assets can be broken down as follows:

in TEUR	**31.10.2019**	**31.10.2018**
Land, land rights and buildings	60.648	66.549
Computer hardware	246	303
Company cars	83	112
Other	88	97
Total Right of use assets	**61.065**	**67.061**
Total lease liabilities	**61.422**	**66.814**

Lease liabilities are recognized under the item "financial liabilities" in both the current and non-current liabilities reported in the consolidated balance sheet.

SCOPE OF CONSOLIDATION

There were no changes in the scope of consolidation since the last balance sheet date on April 30, 2019.

SEASONALITY OF BUSINESS

Wolford generates lower revenues in the first and last months of the financial year compared to the middle of the year due to the weather. 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 3.0% or TEUR 1,882 in the first six months of the current 2019/20 financial year to TEUR 60,490 (previous year: TEUR 62,372). Adjusted for currency exchange rate changes, the decrease equaled 4.1%. As a result, operating output fell by TEUR 5,817 to TEUR 59,120 (previous year: TEUR 64,937).

Within the context of further reduction of administrative staff in Bregenz in the 2018/19 financial year, the average number of employees (FTE) in the first six months was down by 68 to the current total of 1,282 employees (previous year's average: 1,350 employees (FTE). Accordingly, personnel expenses fell by TEUR 887 to TEUR 30,268 compared to the first half of 2018/19.

Furthermore, other operating expenses significantly decreased in the first six months by TEUR 4,931 to TEUR 19,519. However, this is attributable to the first-time application of the new leasing standard IFRS 16. Accordingly, lease payments were shifted to depreciation and amortization as well as to the net interest cost.

As a consequence of the decline in revenue and higher depreciation and amortization, operating earnings (EBIT) showed a substantial deterioration in the first half of the current financial year, falling by TEUR 3,459 to TEUR -9,377 compared to the prior-year level of TEUR -5,918.

The financial result at TEUR -2,649 represented a drop of TEUR 1,960, considerably below the prior-year figure of TEUR -689. The underlying reason for this development is deferred interest payments totaling TEUR 428 for the shareholder loan of € 10 million on the part of Fosun Fashion Investment Holdings (HK) Limited. This involves an annual interest rate of 12% and a term to maturity lasting until June 30, 2021. Furthermore, the net interest cost also rose within the context of the initial application of the new leasing standard IFRS 16. Tax income amounted to TEUR 162 (previous year: income tax of EUR 720). Accordingly, earnings after tax totaled TEUR -11,864 (previous year: TEUR -7,327).

Positive currency translation differences of TEUR 46 (previous year: TEUR 451) which were recorded without recognition to profit or loss as well as an unchanged hedging reserve of TEUR 0 (previous year: TEUR 0) led to other comprehensive income of TEUR 46 (previous year: TEUR 451). The total comprehensive income resulted in a decline in equity in the reporting period by TEUR 11,818 (previous year: TEUR 6,876).

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 interim financial statements.

External sales declined by 7% in the Austria segment compared to the prior-year period, by 1% in the Germany segment, by 5% in the North America segment and by 29% in the Asia segment. In contrast, external sales were up by 3% in the Other Europe segment. EBIT of the Austria segment was down by TEUR 3,855 from the previous year. This is mainly due to the revenue decline. EBIT in the Germany segment was up TEUR 221 year-on-year. In spite of revenue growth, EBIT of the Other Europe segment fell by TEUR 174 to TEUR -1,747. Thanks to cost savings, EBIT in the North America segment improved by TEUR 133 although revenue fell by TEUR 145. EBIT in the Asia segment was down TEUR 568 from the previous year due to the revenue decrease. Segment assets increased by TEUR 51,199 from the prior-year level to TEUR 174,882 as a consequence of the application of the new standard IFRS 16.

NOTES ON THE CASH FLOW STATEMENT

The net cash flow from operating activities (operating cash flow) showed a considerable increase in the first six months of the current financial year compared to the prior-year level, rising by TEUR 9,342 to TEUR -5,227. This development can mainly be attributed to the first-time application of the new leasing standard IFRS 16 and the resulting shift of lease payments from the cash flow from operating activities to the cash flow from financing activities.

The cash flow from investing activities amounted to TEUR -816 during the reporting period (previous year: TEUR -1,838). In the first six months, Wolford primarily invested in the new factory outlet in Serravalle, Italy as well as in an update of its point-of-sale software.

Against this backdrop, the free cash flow (cash flow from operating activities less the cash flow from investing activities) improved from TEUR -16,407 to TEUR -6,043. The cash flow from financing activities in the first half-year showed a considerable drop to TEUR 2,583 (previous year: TEUR 20,113). This is primarily related to the capital increase of about € 22 million carried out in the previous year. Cash and cash equivalents totaled TEUR 8,588 at the end of the reporting period, compared to TEUR 6,505 in the previous year.

NOTES ON THE CONSOLIDATED BALANCE SHEET

The balance sheet total amounted to TEUR 174,882 as at the balance sheet date of October 31, 2019, which represents an increase of 41% from the level at October 31, 2018. This significant increase is mainly attributable to the initial application of the new leasing standard IFRS 16 in the 2019/20 financial year. Non-current assets were up by 108% to TEUR 113,149, accounting for 65% of total assets. Investments of TEUR 930 in intangible assets and property, plant and equipment were in contrast to scheduled amortization and depreciation of TEUR 9,217, which increased due to new leasing standard IRFS 16. Current assets equaled 35% of total assets as at October 31, 2019. Inventories fell by 18% year-on-year to TEUR 34,842 or 20% of total assets, whereas trade receivables decreased by 4% to TEUR 11,978, comprising about 7% of total assets.

Equity of the Wolford Group amounted to TEUR 30,964 as at October 31, 2019, which represents an equity ratio of 18% (previous year: 39%). Non-current liabilities rose substantially in the first six months of the current financial year by TEUR 91,598, from TEUR 18,961 in the previous year to TEUR 110,559, comprising 63% of the balance sheet total. This development was mainly due to the first-time application of the new leasing standard IFRS 16. Current liabilities fell to TEUR 33,359 (previous year: TEUR 56,562), which is mainly due to the reclassification of current into non-current financial liabilities as a result of the extension of existing lines of credit up until June 30, 2021 from TEUR 18,697 to TEUR 14,094, as well as the decrease in other provisions by TEUR 4,656 to TEUR 1,001. Working capital fell year-on-year from TEUR 42,695 to TEUR 34,842 as a result of the reduced inventories. Net debt totaled TEUR 33,508 at the reporting date, representing a drop of TEUR 8,302 from the comparable figure at October 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		**31.10.2019**		**31.10.2018**	
	Level	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets	1	1.283	1.283	1.265	1.265
Trade receivables		11.978	11.978	12.442	12.442
Other receivables and assets		4.128	4.128	5.735	5.735
thereof derivatives	2	0	0	0	0
Prepaid expenses		2.070	2.070	1.885	1.885
Cash and cash equivalents		8.588	8.588	6.505	6.505
Total financial assets		**28.047**	**28.047**	**27.832**	**27.832**
Financial liabilities, non-current		43.218	43.218	185	185
Financial liabilities, current		161	161	32.791	32.791
Leasing liabilities, non-current		47.490	47.490	0	0
Leasing liabilities, current		13.933	13.933	0	0
Trade payables		4.140	4.140	5.036	5.036
Other liabilities		12.645	12.645	12.549	12.549
thereof derivatives	2	0	0	0	0
Total financial liabilities		**121.587**	**121.587**	**50.561**	**50.561**

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.

REPORT ON AUDITOR'S REVIEW

This interim report on the first half of the 2019/20 financial year was neither subject to a comprehensive audit nor subject to an auditor's review.

DECLARATION OF THE MANAGEMENT BOARD PURSUANT TO SECTION 87 PARA. 1 (3) AUSTRIAN STOCK EXCHANGE ACT

The Management Board of Wolford AG confirms, to the best of its knowledge, that these con-densed consolidated interim financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Wolford Group as required by the applicable accounting standards. The interim financial report provides a true and fair view of the assets, liabilities, financial position and profit or loss of the Wolford Group with respect to the important events that occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Bregenz, December 13, 2019

Andrew Thorndike
COO

Responsible for Product Development, Supply Chain Management, Finance, Legal, Investor Relations, IT and Human Resources

Silvia Azzali
CCO

Responsible for Sales & Merchandising, Marketing and Design

Financial Calendar

The financial calendar of Wolford AG is available at https://company.wolford.com/investor-relations/financial-calendar/.

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This report on the first half of 2019/20 is available in the Internet under 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 half-year 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 half-year 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

POINTS OF SALE

WORLDWIDE
Monobrand points of sale:
October 31, 2019: 262

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

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

NORTH AMERICA: 32
Thereof Wolford-owned points of sale:
21 boutiques
7 concession shop-in-shops
2 factory outlets

Thereof partner-operated points of sale:
2 boutiques

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

Thereof partner-operated points of sale:
45 boutiques

2) Excluding Russia and Ukraine.

ASIA: 37[1)]
Thereof Wolford-owned points of sale:
4 boutiques
1 concession shop-in-shop
1 factory outlet

Thereof partner-operated points of sale:
31 boutiques

1) Including Russia and Ukraine.