HALF-YEAR REPORT 2018/19

(MAY 2018 - OCTOBER 2018)

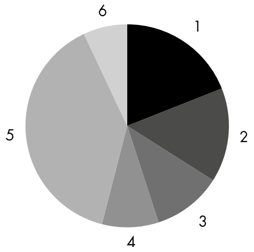
Wolford Group Key Data

Earnings Data		05 -10/18	05 -10/17	Chg. in %	2017/18
Revenues	in € mill.	62.37	70.15	-11	149.07
EBIT	in € mill.	-5.92	-6.18	+4	-9.22
Earnings before tax	in € mill.	-6.61	-7.36	+10	-11.43
Earnings after tax	in € mill.	-7.33	-6.62	-11	-11.54
Capital expenditure	in € mill.	1.84	0.78	>100	1.40
Free cash flow	in € mill.	-16.41	-7.88	>100	1.83
Employees (on average)	FTE	1,350	1,476	+9	1,433

Balance Sheet Data		31.10.2018	31.10.2017	Chg. in %	30.04.2018
Equity	in € mill.	48.16	38.23	+26	33.90
Net debt	in € mill.	25.21	39.15	-36	30.09
Working capital	in € mill.	43.29	48.65	-11	34.59
Balance sheet total	in € mill.	123.68	130.68	-5	114.33
Equity ratio	in %	39	29	+34	30
Gearing	in %	52	102	-49	89

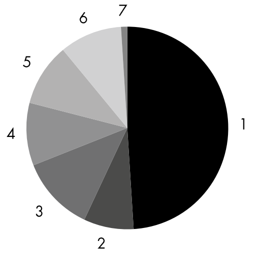
Stock Exchange Data		05 -10/18	05 -10/17	Chg. in %	2017/18
Earnings per share	in €	-1.10	-1.35	+19	-2.35
Share price high	in €	17.70	21.45	-17	19.75
Share price low	in €	12.30	15.92	-23	11.36
Share price at end of period	in €	12.30	15.92	-23	13.60
Shares outstanding (weighted)	in 1,000	6,631	4,912	+35	4,912
Market capitalization (ultimo)	in € mill.	82.65	79.60	+4	68.00

REVENUES BY MARKET



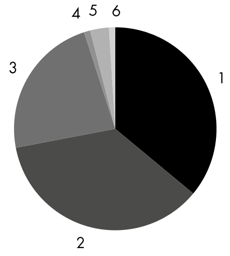
1 North America 20%
2 Germany 15%
3 Austria 11%
4 France 9%
5 Rest of Europe 39%
6 Asia/Oceania 6%

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 45%
2 Ready-to-wear 34%
3 Lingerie 17%
4 Accessories 1%
5 Beachwear 3%
6 Trading goods 1%

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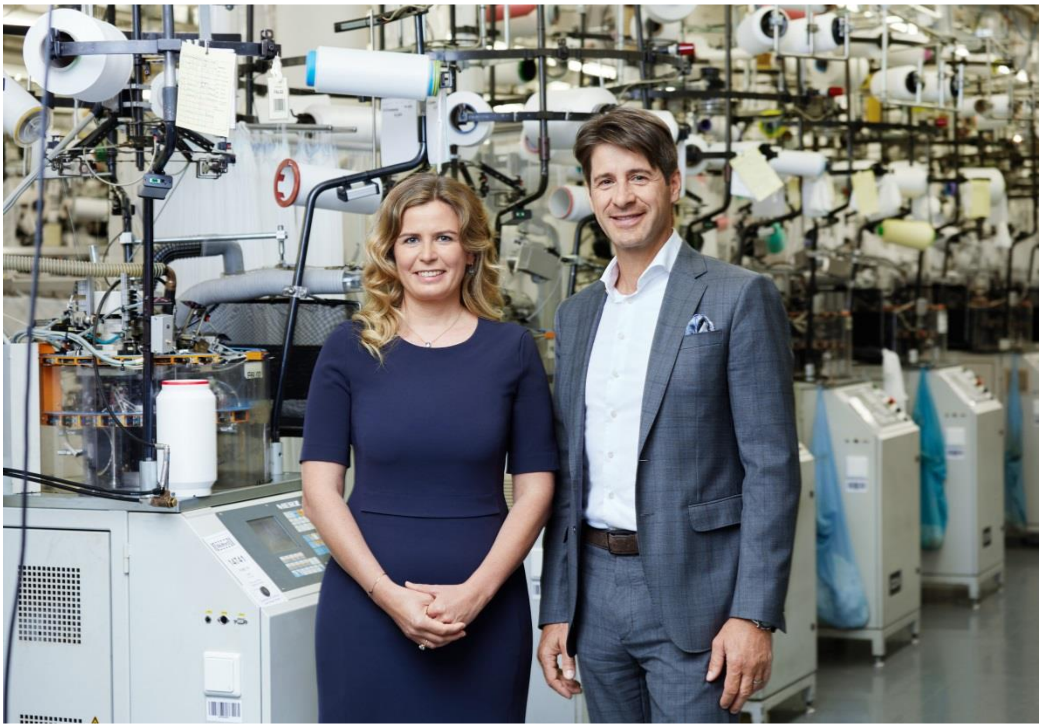
Letter from the Board



Brigitte Kurz and Axel Dreher, Management Board of Wolford AG

Dear shareholders,

Ladies and Gentlemen,

The second quarter of our financial year was also shaped by the consequences of the 100-year summer. It lasted well into the autumn and was not without repercussions. Revenue on the German fashion market fell by 13% in September 2018 alone. All in all, these conditions were extremely unfavorable for Wolford with its focus on legwear. In the first half of 2018/19, total revenue was down 10% year-on-year on a currency-adjusted basis, in spite of the ongoing substantial growth generated by the online business (+14%).

However, it is also a fact that we have perceptibly and sustainably succeeded in reducing our operating expenses, particularly personnel expenses, which help us to continue limiting our operating losses despite the clear decline in revenue and higher costs related to strengthening our market presence. After all, second-quarter EBIT showed a profit of more than EUR 1 million.

Successful relaunch of the brand

An essential part of our corporate strategy has been to make the Wolford brand relevant to younger shoppers once again, which in turn requires a holistic approach. This means having the right fashion collection and accompanying product communications exploiting all channels. In the meantime, Wolford not only boasts a fashion collection which also appeals to the “millennials” target group, featuring numerous fashion highlights showcasing our core competence in skinwear. Above all, in the last few weeks we achieved important milestones in ensuring a consistent brand experience.

On November 8, 2018, we introduced our new market presence within the context of a very special brand event in London's trendy district of Shoreditch. The creative staging met with a very positive response. Wolford is being talked about once again! Since this official launch for the new market imagery, Wolford has been present across the globe with a new visual language both online and in the display windows of 117 points of sale. In line with the campaign motto #truecharacter, the Wolford brand presents itself in a playful, emotional and occasionally provocative manner. Every image of the well-known fashion photographer Ellen von Unwerth tells a short story and underlines Wolford's brand claim that women wearing Wolford garments will look good in all situations in life.

The new shop concept to be seen for the first time in January 2019 in two Paris boutiques and one store in Amsterdam comprises a key aspect of the new brand presence. Thanks to the use of materials and light, we create a modern world of experience matching the brand promise but with a modular design and thus adaptable to local conditions and the local atmosphere. This means that a shop in Amsterdam does not have to look exactly the same as one in Paris. We are convinced that we have now found an optimal solution which can also be implemented in an economically feasible manner. The new concept will be gradually rolled out following a short testing phase.

The new brand presence will be complemented by an entirely overhauled packaging concept which we will also introduce in 2019. Wolford's online shops will go live with a new Look&Feel before the end of 2018, including an optimized navigation.

New strategy for China on the home straight

We recently made good progress in developing a new sales strategy for China. Wolford will substantially expand its local market presence there in the future with the support of the new large shareholder Fosun. Details are currently being negotiated and we are confident we will be able to present a comprehensive solution in the near future.

The enormous market potential in China is well-known and undisputed. However, we are well advised not to create overly high expectations. The short-term revenue effects will be perceptible but modest. Moreover, conditions in the retail fashion segment will remain difficult in the foreseeable future. That is why we on the Management Board and all executives are called upon to identify and leverage cost savings potential. This is and will continue to be an ongoing process. For example, the issue of procurement optimization is a focal point of our work at the present time.

Our outlook for the entire 2018/19 financial year remains unchanged in spite of the weak revenue development in the first half-year. The third quarter of the year which traditionally generates the highest revenue has just commenced, the cost savings achieved in the course of the restructuring program have proven to be sustainable, and we are continually striving to reduce fixed costs. For these reasons, we continue to expect positive operating earnings (EBIT) in the current 2018/19 financial year. However, it is also clear to us that revenue development in the third quarter will be of crucial importance.

Esteemed shareholders, we thank you for the confidence you have placed in Wolford and wish you a good year in 2019.

Axel Dreher, CEO

Brigitte Kurz, CFO

Management Report

EARNINGS (MAY 2018 TO OCTOBER 2018)

The Wolford Group generated revenue of € 62.37 million in the first half of the current 2018/19 financial year, down 11.1% from the prior-year level of € 70.15 million. The revenue decline in the first half-year equaled 10.2% when adjusted to take account of currency effects (especially the decrease in value of the Swiss franc and the US dollar).

Declining revenue in the retail and wholesale businesses but significant rise in online revenue

Wolford's own retail business reported a revenue drop of 9.3% or € 4.22 million in the first six months compared to the prior-year period. The decline amounted to 8.1% when adjusted for currency effects. Revenue fell by 8.7% on a like-for-like basis (i.e. excluding the closures of poorly performing stores). The underlying reason for the revenue decrease is the reduced customer frequency in the boutiques as a result of the long lasting summerlike temperatures. Revenue in Wolford's wholesale business was also down by € 2.65 million (-10.3%) in comparison to 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 developed positively, increasing by 13.7% year-on-year on a currency-adjusted basis.

Market development shaped by declining customer frequencies and a prolonged heat wave

The business environment in which Wolford operates was challenging in the first six months of the 2018/19 financial year. Fashion retailers in Europe's core markets faced the ongoing phenomenon of declining customer frequencies. Moreover, the long, hot summer and the related late start to the autumn business negatively impacted revenue. Revenue on the German fashion market fell by 2% in August and 13% in September compared to the previous year. Textile retailers in Austria incurred a year-on-year revenue drop of 10% just in the month of September.

As a brand primarily focusing on legwear, Wolford clearly felt the impact of the long-lasting high temperatures well into the autumn. As a consequence, the Wolford Group was faced with double-digit revenue decreases in the important markets of Austria (-10.9%), Germany (-10.6%) and Switzerland (-11.3%). Similarly, there was also a double-digit drop in revenue in Italy (-20.0%), Netherlands (-19.8%), Belgium (-15.5%), the Eastern European markets (-13.8%) and Scandinavia (-13.7%). The markets of Great Britain (-9.5%), Spain (-8.5%) and France (-6.9%) as well as Wolford's largest market in the USA (-5.3%) showed a single-digit revenue drop. Initial positive signs came from the Asian market, with revenue up slightly by 1.7%. Wolford is currently developing a business plan for the Asia Region.

Revenue was down in all products groups in the first half-year. Legwear (-13%), Lingerie (-11%), Beachwear (-19%), Accessories (-32%) and Trading Goods (-16%) all showed a double-digit decline in revenue, whereas the Ready-to-wear product group only reported a single-digit decrease (-3%). Accessories and Trading Goods revenue was down due to the streamlining of the portfolio in these segments.

The average number of employees (full-time equivalents) in the first six months of 2018/19 fell by 126 people to 1,350 employees from the prior-year average of 1,476 full-time equivalents within the context of the reduction of administrative positions in the European sales companies and in Bregenz. The sustainably 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 € 3.31 million to € 31.16 million. Furthermore, other operating expenses fell substantially by € 2.16 million in the first six months to € 24.45 million. In particular, Wolford succeeded in reducing costs for bank fees

(-55%), tax consulting and auditing services (-46%), vehicle fleet (-18%), customs duties (-15%) and freight (-12%) compared to the prior-year period.

EBIT slightly above the previous year due to systematic cost savings

In spite of the substantial drop in revenue, Wolford managed to slightly improve operating earnings (EBIT) in the first six months of the current financial year as a consequence of the systematic cost savings. EBIT totaled € -5.92 million compared to € -6.18 million in the previous year. The financial result at € -0.69 million was clearly above the prior-year level of € -1.19 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 € -6.61 million, up from the prior-year figure of € -7.36 million. Whereas earnings after tax fell from € -6.62 million previous year by € 0.71 million to € -7.33 million. This deterioration is due to the payment of tax arrears as a consequence of scheduled tax audits. Earnings per share equaled € -1.10 following € -1.35 in the previous year.

CASH FLOW (MAY 2018 TO OCTOBER 2018)

Increasing investments

The net cash flow from operating activities (operating cash flow) in the first six months of the current financial year fell substantially by € 7.21 million to € -14.57 million. This development was mainly due to receivables which were up by € 3.68 million compared to the balance sheet date of April 30, 2018 as well as higher inventories in preparation for the Christmas business.

The cash flow from investing activities rose to € -1.84 million in the reporting period (previous year: € -0.52 million). In the first half-year, Wolford primarily invested in 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 during the first six months of the financial year, from € -7.88 million to € -16.41 million. The cash flow from financing activities showed a substantial improvement in the reporting period of € 17.78 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 € 6.51 million at the end of the reporting period, compared to € 4.76 million in the previous year.

ASSETS AND FINANCIAL POSITION (AS AT OCTOBER 31, 2018)

Reduction of net debt

In the course of the capital increase, equity of the Wolford Group rose to € 48.16 million at the balance sheet date, up from the prior-year figure of € 38.23 million as at October 31, 2017. Accordingly, the equity ratio equaled 39% (October 31, 2017: 29%). Wolford's net debt as at October 31, 2018 fell substantially from € 39.15 million to € 25.21 million within the context of the repayment of outstanding bank loans. In turn, the positive effect of the capital increase is also reflected in the substantial improvement of the gearing ratio, which fell considerably from 102% to 52%.

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 in the current financial year

In spite of the weak half-year revenue development, Wolford confirms its financial guidance published within the context of presenting its annual results for 2017/18 on July 13, 2018. The third quarter of the year, which traditionally generates the highest revenue, is still ahead, and the cost savings achieved in the course of the restructuring program have proven to be sustainable. For this reason, the management continues to expect positive operating earnings (EBIT) in the current financial year. However, in this regard revenue development in the third quarter will be of crucial importance.

Interim Financial Statements (IFRS)

Statement of Comprehensive Income

in TEUR	08 -10/18	08 -10/17	05 -10/18	05 -10/17
Revenues	**37,364**	**41,056**	**62,372**	**70,145**
Other operating income	599	607	1,060	849
Changes in inventories of finished goods and work-in-process	-1,805	-4,552	1,505	-1,652
Own work capitalized	0	0	0	0
Operating output	**36,158**	**37,111**	**64,937**	**69,342**
Cost of materials and purchased services	-5,464	-3,790	-11,624	-10,560
Personnel expenses	-15,548	-17,033	-31,155	-34,467
Other operating expenses	-12,286	-13,317	-24,450	-26,605
Depreciation and amortization	-1,777	-1,928	-3,626	-3,888
EBIT	**1,083**	**1,043**	**-5,918**	**-6,178**
Net interest cost	-271	-902	-580	-1,050
Net investment securities income	0	10	0	0
Interest cost of employee benefit liabilities	-54	-67	-109	-135
Financial result	**-325**	**-959**	**-689**	**-1,185**
Earnings before tax	**758**	**84**	**-6,607**	**-7,363**
Income tax	-521	208	-720	747
Earnings after tax	**237**	**292**	**-7,327**	**-6,616**
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	516	-36	451	453
thereof currency translation differences	516	-36	451	453
thereof change from cash flow hedges	0	0	0	0
Other comprehensive income [1]	**516**	**-36**	**451**	**453**
Total comprehensive income	**753**	**256**	**-6,876**	**-6,163**
Attributable to the equity holders of the parent company	753	256	-6,876	-6,163
Earnings after tax attributable to equity holders of the parent company	237	292	-7,327	-6,616
Earnings per share (diluted = basic)	**0.04**	**0.06**	**-1.10**	**-1.35**

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

Cash Flow Statement

in TEUR	05 -10/18	05 -10/17
Earnings before tax	**-6,607**	**-7,363**
Depreciation and amortization / write-backs	3,626	3,888
Gains / losses from disposals of non-current assets	30	-11
Interest paid / Interest received	580	0
Other non-cash income and expenses	-637	1,225
Changes in inventories	-1,700	1,672
Changes in trade receivables	-3,679	-2,471
Changes in other receivables and assets	-1,474	803
Changes in trade payables	-1,422	-627
Changes in other provisions and employee-related provisions	-2,391	-2,190
Changes in other liabilities	-97	-1,368
Cash flow from operating activities	**-13,771**	**-6,442**
Interest received	26	10
Interest paid	-612	-594
Net balance of income taxes paid / received	-212	-336
Net cash flow from operating activities	**-14,569**	**-7,362**
Payments for investments in property, plant and equipment and other intangible assets	-1,842	-784
Proceeds from disposals of property, plant and equipment and other intangible assets	4	267
Changes in securities and other financial assets	0	0
Cash flow from investing activities	**-1,838**	**-517**
Proceeds from current and non current financial liabilities	21,214	0
Proceeds from current and non-current financial liabilities	33	2,545
Repayment of current and non-current financial liabilities	-1,134	-211
Cash flow from financing activities	**20,113**	**2,334**
Cash-effective change in cash and cash equivalents	**3,706**	**-5,545**
Cash and cash equivalents at beginning of period	2,729	10,312
Effects of exchange rate movements on cash and cash equivalents	70	-4
Cash and cash equivalents at end of period	**6,505**	**4,763**

Balance Sheet

in TEUR	31.10.2018	31.10.2017	30.04.2018
Property, plant and equipment	40,248	43,057	41,442
Goodwill	195	804	194
Other Intangible assets	7,934	9,345	8,900
Financial assets	1,265	1,283	1,265
Non-current receivables and assets	1,706	1,803	1,673
Deferred tax assets	3,073	2,575	2,123
Non-current assets	**54,422**	**58,867**	**55,597**
Inventories	42,695	47,721	40,994
Trade receivables	12,442	13,661	8,763
Other receivables and assets	5,735	3,405	3,930
Prepaid expenses	1,885	2,260	2,315
Cash and cash equivalents	6,505	4,763	2,729
Current assets	**69,261**	**71,810**	**58,731**
Total assets	**123,683**	**130,677**	**114,328**
Share capital	48,848	36,350	36,350
Capital reserves	10,533	1,817	1,817
Other reserves	-11,328	691	-3,910
Currency translation differences	108	-633	-361
Equity	**48,161**	**38,225**	**33,896**
Financial liabilities	185	912	192
Other liabilities	906	909	916
Provision for long-term employee benefits	16,573	17,483	16,929
Other long-term provisions	1,280	2,347	1,280
Deferred tax liabilities	17	-92	0
Non-current liabilities	**18,961**	**21,559**	**19,317**
Financial liabilities	32,791	44,278	33,888
Trade payables	5,036	4,408	6,457
Other liabilities	12,549	11,722	12,636
Income tax liabilities	529	759	442
Other provisions	5,657	9,726	7,692
Current liabilities	**56,562**	**70,893**	**61,115**
Total equity and liabilities	**123,683**	**130,677**	**114,328**

Statement of Changes in Equity

	Attributable to equity holders of the parent company								
in TEUR	Share capital	Capital reserves	Hedging reserve	Actuarial gain/loss	Other reserves	Revaluation reserves IAS 39	Treasury stock	Currency translation	Total equity
01.05.2017	**36,350**	**1,817**	**7**	**-4,157**	**15,938**	**0**	**-4,413**	**-660**	**44,882**
Earnings after tax	0	0	0	0	-6,616	0	0	0	-6,616
Other comprehensive income	0	0	0	0	0	0	0	-40	-40
31.10.2017	**36,350**	**1,817**	**7**	**-4,157**	**9,322**	**0**	**-4,413**	**-700**	**38,225**
01.05.2018	**36,350**	**1,817**	**0**	**-3,886**	**4,489**	**-100**	**-4,413**	**-361**	**33,896**
Capital increase	12,498	8,716	0	0	0	0	0	0	21,214
Earnings after tax	0	0	0	0	-7,327	0	0	0	-7,327
Other comprehensive income	0	0	0	0	-91	0	0	469	378
31.10.2018	**48,848**	**10,533**	**0**	**-3,886**	**-2,929**	**-100**	**-4,413**	**108**	**48,161**

Segment Reporting

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**

05 -10/17 in TEUR	Austria	Germany	Rest of Europe	North America	Asia	Consoli-dations	Group
Revenues	**39,156**	**8,868**	**32,079**	**13,304**	**2,839**	**-26,103**	**70,145**
thereof intersegment	22,362	0	3,741	0	0	-26,103	0
External revenues	**16,795**	**8,868**	**28,338**	**13,304**	**2,839**	**0**	**70,145**
EBIT	**-5,702**	**-278**	**-792**	**-1,607**	**-378**	**2,579**	**-6,178**
Segment assets	151,678	6,195	40,200	9,444	3,842	-80,682	130,677
Segment liabilities	77,851	4,907	31,312	13,735	6,309	-41,662	92,452
Investments	302	95	222	165	0	0	784
Depreciation and amortization	2,414	227	912	191	144	0	3,888
Employees on average (FTE)	**637**	**116**	**567**	**115**	**41**	**0**	**1,476**

Notes to the Interim Financial Statements

GENERAL INFORMATION

These consolidated interim financial statements of Wolford Group for the first six months of the 2018/19 financial year (May 1, 2018 to October 31, 2018) were prepared in accordance with the stipulations contained in the International Financial Reporting Standards (IFRS) on the basis of IAS 34 (Interim Financial Reporting). 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
IAS 40	Accounting for Investment Properties under Construction	January 1, 2018
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers (including clarification to IFRS 15)	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investments in Associations	January 1, 2019
IFRS 3	Business Combination	January 1, 2019
IFRS 11	Joint Arrangements	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRC 23	Accounting for Uncertainties in Income Taxes	January 1, 2019

The accounting and valuation policies applied in preparing the consolidated interim financial statements for the first half-year 2018/19 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 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 11.1% or TEUR 7,773 in the first six months of the current 2018/19 financial year to TEUR 62,372 (previous year: TEUR 70,145). Adjusted for currency exchange rate changes, the decrease equaled 10.2%. As a result, operating output fell by TEUR 4,405 to TEUR 64,937 (previous year: TEUR 69,342).

The sustainably positive effect of the restructuring program, such as the systematic reduction of excess capacities and the streamlined corporate processes is particularly reflected in personnel expenses. They sustainably declined by TEUR 3,312 in the first six months compared to the first half-year 2017/18 to TEUR 31,155.

The realignment of the cost structure also had positive effects in the first six months. In particular, costs for bank fees (-55%), tax consulting and auditing services (-46%), vehicle fleet (-18%), customs duties (-15%) and freight (-12%) could be significantly reduced from the prior-year level.

In spite of the substantial drop in revenue, operating earnings (EBIT) in the first half of the current financial year improved by TEUR 260 to TEUR € -5.918 from TEUR -6,178 in the previous year.

The financial result at € TEUR -689 showed an improvement of TEUR 496 and was clearly above the prior-year level of TEUR -1,185, 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 720 (previous year: tax income of TEUR 747). Accordingly, earnings after tax totaled TEUR -7,327 (previous year: TEUR -6,616).

Positive currency translation differences of TEUR 451 (previous year: TEUR 453) 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 451 (previous year TEUR 453). The total comprehensive income resulted in a decline in equity in the reporting period by TEUR 6,876 (previous year: TEUR 6,163).

NOTES ON SEGMENT REPORTING

The 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 17% in the Germany segment, by 16% in the Other Europe segment and by 4% in the North America segment. In contrast, external sales in the Asia segment remained more or less unchanged. EBIT of the Austria segment was up TEUR 2,371 from the previous year. The revenue decline could be offset by lower personnel expenses and the reduction in other operating expenses. EBIT in the Germany segment was down TEUR 74 year-on-year, with the decrease in revenue largely compensated by the reduction in material costs and personnel expenses. The revenue drop in the Other Europe segment could not be offset by cost savings. As a result, EBIT fell by TEUR 781 to TEUR -1,573. EBIT in the North America segment improved by TEUR 1,595 to TEUR -12, primarily as a result of lower costs for the online business as well as reduced marketing expenses, rental and lease payments. EBIT in the Asia segment was down TEUR 117 from the previous year due to the revenue decrease. Segment assets declined by TEUR 6,994 from the prior-year period to TEUR 123,683, 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 7,207 in the first six months of the current financial year to TEUR -14,569. 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 -1,838 during the reporting period (previous year: TEUR -517). In the first six months, Wolford primarily invested in 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 during the reporting period from TEUR -7,879 to TEUR 16,407. The cash flow from financing activities showed a substantial improvement in the first half-year of the financial year to TEUR 20,113. 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 6,505 at the end of the reporting period, compared to TEUR 4,763 in the previous year.

NOTES ON THE CONSOLIDATED BALANCE SHEET

The balance sheet total amounted to TEUR 123,683 as at the balance sheet date of October 31, 2018, which represents a decline of 5% from the level at October 31, 2017. Non-current assets were down 8% to TEUR 54,422, accounting for 44% of total assets. Investments of TEUR 1,842 in intangible assets and property, plant and equipment were in contrast to scheduled amortization and depreciation of TEUR 3,626. Current assets equaled 56% of total assets as at October 31, 2018. Inventories fell by 11% to TEUR 42,695 or 35% of total assets, whereas trade receivables decreased by 9% to TEUR 12,442, comprising about 10% of total assets.

Equity of the Wolford Group amounted to TEUR 48,161 as at October 31, 2018, which represents an equity ratio of 39% (previous year: 29%). Non-current liabilities declined in the first six months of the current financial year by TEUR 2,598, from TEUR 21,559 to TEUR 18,961, or 15% of the balance sheet total. This development was mainly due to the decrease in other provisions for long-term employee-related obligations and other non-current provisions. Current liabilities fell to TEUR 56,562 (previous year: TEUR 70,893), primarily owing to the reduction in current financial liabilities by TEUR 11,487 to TEUR 32,791 and the reduction in other provisions by TEUR 4,069 to TEUR 5,657. Working capital fell year-on-year from TEUR 48,657 to TEUR 43,287 as a result of the reduced inventories. Net debt totaled TEUR 25,206 at the reporting date, representing a drop of TEUR 13,938 from the comparable figure at October 31, 2017.

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		**31.10.2018**		**31.10.2017**	
	Level	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets	1	1,265	1,265	1,283	1,283
Trade receivables		12,442	12,442	13,661	13,661
Other receivables and assets		5,735	5,735	3,405	3,405
thereof derivatives	2	0	0	0	0
Prepaid expenses		1,885	1,885	2,260	2,260
Cash and cash equivalents		6,505	6,505	4,763	4,763
Total financial assets		**27,832**	**27,832**	**25,372**	**25,372**
Financial liabilities, non-current		185	185	912	912
Financial liabilities, current		32,791	32,791	44,278	44,278
Trade payables		5,036	5,036	4,408	4,408
Other liabilities		12,549	12,549	11,722	11,722
thereof derivatives	2	0	0	0	0
Total financial liabilities		**50,561**	**50,561**	**61,320**	**61,320**

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 2018/19 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 condensed 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 14, 2018

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

Datum	Event
December 14, 2018	Half-Year Report 2018/19
March 15, 2019	Q3 Report 2018/19

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This report on the first half of 2018/19 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 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
October 31, 2018: 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

NORTHAMERICA: 34
Thereof Wolford-owned points of sale
22 boutiques
7 concession-shop-in-shops
3 factory-outlets

Thereof partner-operated points of sale
2 boutiques

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

Thereof partner-operated points of sale
47 boutiques

2) excluding Russia and Ukraine

ASIA: 35[1)]
Thereof Wolford-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