Press Release

Wolford announces positive results for the first half-year 2014/15

- **Sound earnings growth and positive net earnings**
- **Revenue slightly below previous year**
- **Further optimization of solid balance sheet structure**
- **Substantial strengthening of marketing activities**
- **Goals for full-year confirmed**

Vienna/Bregenz, December 12, 2014. Wolford AG, which is listed on the Vienna Stock Exchange, generated clearly positive net earnings in the first half-year (May to October 2014) for the first time since 2011/12. Despite a slight decline of 2.9%, or € 2.18 million, in revenues to € 72.63 million, EBIT rose by more than € 5 million from € -2.30 million to € 3.17 million. After an adjustment for non-recurring income and expenses, adjusted EBIT turned from € -2.30 million to € 0.04 million. Earnings after tax improved significantly from € -1.96 million to € 1.38 million. The revenue decline resulted from two factors: the closing of unprofitable points of sale and a sudden downturn in the fashion and retail branch in Europe and the USA since September. The sound earnings improvement was supported by the steady implementation of optimization measures and special effects. Management confirms the goal to complete the operating turnaround in this financial year with positive EBIT. "2014/15 is a year of transition, when we create the basis for future profitable growth", emphasizes Axel Dreher, Speaker of the Wolford Management Board.

Sudden downturn in the fashion and retail trade since September

Wolford has been confronted with increasingly difficult market conditions since September. Revenues in fashion and retail trade in the most important European and North American markets fell week for week, in part at double-digit rates – following a general decline in consumer confidence as a reaction to global crises and the unusually warm autumn weather across large parts of Europe. Positive development in August was followed by a sharp drop in revenues for the German fashion trade that reached 9% in September and 10% in October. Similar declines were recorded on the markets in France and Great Britain, and retail sales in the USA have been on a downturn since this past spring.

Wolford performed comparatively well in this difficult environment during the first half of the 2014/15 financial year – despite the € 2.4 million reduction in revenues from the closing of points of sale. Revenues in the retail business rose slightly by 1% during the first six months. Wolford's online business remained on a sound course with growth of 24%. In contrast, the wholesale business declined by 8% because of a substantial decline in orders by partners in reaction to the weakness in consumer spending and lower customer frequency.

Different regional developments

The development of revenues in the first half-year differed substantially by region, in part due to the closing of individual points of sale. Stronger declines were recorded in Wolford's key markets of Germany (-5%) and the USA (-7%). France also reported a decline (-6%), but revenues were substantially higher in Italy (+11%) and Spain (+15%). Revenues in Great Britain were at the previous year's level. Lower revenues were recorded in Scandinavia, but here the Wolford-owned retail business grew clearly on a like-for-like basis (excluding the effects from the opening or closing of locations). Revenues in Central and Eastern Europe fell significantly (-19%) due to the Ukraine crisis. These markets have only been responsible for 4% of Wolford's revenues to date, but the absence of Russian tourists due to the devaluation of the Rubel has had a negative effect on business in the major West European cities. In Asia, Wolford increased revenues by 10% based on the opening of new own and partner-operated locations and a like-for-like increase in its own retail business. Asia currently generates 5% of Group revenues.

Substantial improvement in operative results

Earnings showed sound development during the first half-year with an improvement in adjusted EBIT from € -2.30 million to € 0.04 million. "This positive adjusted EBIT resulted from the sale of a lease option in Switzerland and from the steady implementation of optimization measures. We were able to realize further savings of € 1.29 million from the reorganization of our product development, production and logistics processes", explaines Chief Financial Officer Thomas Melzer. "At the same time we spent € 0.83 million more on marketing to sustainably strengthen our brand and create the basis for future growth", adds Melzer. The sale of non-core land generated a book gain of € 3.37 million, and supported an improvement of more than € 5 million in EBIT from € -2.30 million to € 3.17 million. Earnings after tax turned positive and totaled € 1.38 million, compared with € -1.96 million in the previous year.

Solid balance sheet structure

The asset and capital structure of the Wolford Group remains very solid. Equity totaled € 76.22 million as of October 31, 2014 (October 31, 2013: € 75.90 million). Net debt was reduced from € 25.64 million in the previous year to € 20.66 million as a result of the sale proceeds. The equity ratio equaled 51%, compared with 50% as of October 31, 2013, and gearing declined to 27% (October 31, 2013: 34%).

Significant progress on strategic refocussing

Wolford has made substantial progress with the implementation of its strategic refocussing during the past months. The closing of points of sale was contrasted by a number of new openings to eliminate further "blank spots" on the company's map. Seven new own locations were opened in the first half-year alone, in key strategic cities like Barcelona, Florence and Frankfurt. These locations are complemented by ten new boutiques operated by partners – for example in the Chinese city of Zhengzhou, in Riga and Ulan Bator – as well as new shop-in-shops, among others, in Taipei, Hong Kong and Beijing.

The marketing campaign that started this spring has also gained speed. Wolford further strengthened its media presence in core markets like the USA, France and Italy and, during the weeks before and after Christmas, is prominently pictured on New York's Times Square. The company is also continuing to expand its online marketing, among others with the support of innovative campaigns with an art and culture focus. “Wolford as a brand has regained visibility – both online and offline“, emphasizes Axel Dreher. “It’s no coincidence that our company already has more than 140,000 Facebook fans as well as a large number of followers in other relevant social media channels“, adds Dreher. At the beginning of November Wolford filled the position of creative director with Grit Seymour, a well-known international designer. This position was created as part of the strategic refocussing and plays a key role in the sustainable strengthening of the brand – both with a view to future collections and the way Wolford is presented to end customers.

Goal for 2014/15 financial year confirmed

The operating turnaround remains the primary goal for the current financial year and is confirmed by the Management Board. “We are on a good course to generate positive EBIT in the current financial year. Our progress would have been much more evident also in terms of revenues without headwinds from the market“, underscores Thomas Melzer. In order to stabilize revenues, Wolford took active steps and introduced a number of sales promotion measures. “We also substantially strengthened our visual merchandising in the shops with the start of the Christmas shopping season. In January, we plan to introduce the next growth impulse with the presentation of our reshaped fall-winter 2015/16 collection“, adds Axel Dreher.

The report on the first half-year 2014/15 is available under company.wolford.com / Investor Relations.
http://company.wolford.com/wp-content/uploads/2014/12/Wolford_HY_Report_2014_15.pdf

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Wolford Group Key Data

Earnings Data		1st half-year 05 - 10/14	1st half-year 05 - 10/13	Chg. in %	2013/14
Revenues	in € mill.	72.63	74.81	-3	155.87
EBITDA adjusted [1)]	in € mill.	4.23	1.64	>100	7.11
EBIT adjusted [1)]	in € mill.	0.04	-2.30	>100	-0.97
EBIT	in € mill.	3.17	-2.30	>100	-4.72
Earnings before tax	in € mill.	2.72	-2.90	>100	-5.89
Earnings after tax	in € mill.	1.38	-1.96	>100	-2.81
Capital expenditure	in € mill.	5.44	4.42	+23	7.87
Free cash flow	in € mill.	-3.87	-9.64	+60	-0.97
Employees (on average)	FTE	1,567	1,562	0	1,562

Balance Sheet Data		31.10.2014	31.10.2013	Chg. in %	30.04.2014
Equity	in € mill.	76.22	75.90	0	74.38
Net debt	in € mill.	20.66	25.64	-19	17.04
Working capital	in € mill.	39.97	43.00	-7	33.72
Balance sheet total	in € mill.	148.14	150.91	-2	138.12
Equity ratio	in %	51	50	-	54
Gearing	in %	27	34	-	23

1) Adjusted for non-recurring income of € 3.37 million and non-recurring expenses of € 0.25 million in the 1st half-year 2014/15

About Wolford AG

Wolford AG, which is headquartered in Bregenz on Lake Constance (Austria), operates 16 subsidiaries and markets its products in roughly 60 countries through 270 monobrand stores (own and partner-operated), approximately 3,000 trading partners and online. The company, which has been listed on the Vienna Stock Exchange since 1995, generated revenues of € 155.87 million in the 2013/14 financial year (May 1, 2013 – April 30, 2014) and has about 1,560 employees. Since its founding in 1950, Wolford has become a leading global manufacturer’s brand in the segment of luxury legwear, exclusive lingerie and high quality bodywear.