



17.Mär 2017

Presentation of results for the first nine months of 2016/17

9-month report

- **Revenue decline of 7.5% despite catch-up effects in the third quarter**
- **As expected, positive Q3 results are not sufficient to compensate for accumulated losses**
- **Medium-term planning is being revised**

Vienna/Bregenz, March 17, 2017:Wolford AG, which is listed on the Vienna Stock Exchange, generated revenue of EUR 119.05 million in the first nine months of the current financial year (May 2016 - January 2017), comprising a year-on-year decline of 7.5%. The revenue drop equalled 6.2% when adjusted for currency effects, in particular the decrease in value of the British pound.

The decline in revenue is mainly due to the weak first half-year, which was characterized by a difficult market environment as well as internal problems relating to demand and sales planning. Wolford was no longer able to compensate for the revenue shortfall in the third quarter despite the 4.0% third-quarter year-on-year revenue increase. Revenue in Q3 2016/17 rose due to delayed delivery dates, a stable Christmas business and a slight upward revenue trend in January 2017.

Accordingly, operating results (EBIT) in the third quarter rose to EUR 3.53 million, up from the figure of EUR 2.44 million in the prior-year quarter. However, this was not sufficient to compensate for the considerable losses posted in the first half-year. EBIT in the first nine months of the current financial year totaled EUR -4.72 million compared to EUR +2.16 million in the previous year.

Weak market environment and internal mistakes

Wolford-owned retail stores reported a 6.6% drop in revenue in the first nine months, accompanied by a revenue decrease equaling 7.3% in its wholesale business. On balance, Wolford's own online business expanded by 4.4% from the prior-year level.

In addition to a weak market environment, the revenue decrease was also due to internal mistakes in reorganizing goods management for the retail sector, which in turn led to flawed demand planning and management of sales space in the first half-year. Together with delayed

delivery dates for the fall/winter collection, this resulted in a considerable decline in revenue as well as costly post- production and significantly higher inventories. Moreover, in the meantime, the company has drawn appropriate organizational consequences and completely adjusted its system of delivering merchandise. Starting in June 2017 Wolford will supply products to its own retail stores as well as wholesale customers on a monthly basis, except for the months of May and December.

Negative EBIT and earnings before tax

Operating earnings (EBIT) totaled EUR -4.72 million in the first nine months of the current financial year, compared to a positive EBIT of EUR 2.16 million in the previous year. EBIT was shaped by the weak revenue development and one-off restructuring expenses to the amount of EUR 1.00 million for the reorganization of sales operations and the bundling of administrative tasks.

In the meantime, the setting up of a centralized EMEA sales platform in Bregenz and Antwerp has been completed, and initial positive cost effects are already perceptible. As a result, personnel expenses remained stable in the first nine months despite severance payments related to the elimination of administrative positions in the European sales regions. The Wolford Group had an average of 1,555 employees (FTE) in the first nine months of 2016/17, compared to 1,574 people in the prior-year period.

However, additional special effects had a negative impact. As a result of provisions allocated for a legal conflict with a former partner in Switzerland and a risk provision for disputed claims against American customs authorities, operating expenses climbed from EUR 3.18 million to EUR 4.73 million.

Catch-up effects in the third quarter

Revenue in the third quarter of 2016/17 rose by EUR 1.96 million to EUR 51.43 million. The year-on-year revenue increase of 4.0% can be attributed to delivery dates changed from Q2 to Q3, a stable Christmas business and a slight upturn in revenue in January 2017. Accordingly, operating results (EBIT) also climbed in the third quarter to EUR 3.53 million from the prior-year level of EUR 2.44 million.

Equity ratio of 40%

Equity of the Wolford Group at the balance sheet date amounted to EUR 61.65 million (January 31, 2016: EUR 75.21 million). As a consequence, the equity ratio was 40% (January 31, 2016: 52%). Net debt as at January 31, 2017 rose to EUR 32.46 million compared to the prior-year level of EUR 17.37 million, which corresponds to a gearing ratio of 53% (January 31, 2016: 23%). This increase is mainly attributable to the development of operating earnings as well as higher financial liabilities, in particular to finance inventories.

Outlook

The fundamental strategy pursued by Wolford to increase revenue and enhance profitability is still valid. The reasons for the revenue and earnings decline in the first half-year were analyzed and the underlying problems were rectified to a large extent. In addition, Wolford initiated numerous measures to sustainably reduce costs while focusing simultaneously on sales initiatives designed to increase revenue.

Nevertheless, in this financial year the company will not be able to compensate for the losses generated during the first half-year. As already announced, Wolford anticipates an operating loss between EUR -8.0 million and EUR -10.0 million excluding potential valuation effects which could arise within the context of preparing the consolidated year end financial statements.

At present the management is revising its medium-term planning, primarily focusing on creating the pre-requisites enabling the company to be profitable once again. At the same time, Wolford is working on a sustainable financing structure based on a corresponding long-term financing of assets. The company will announce details on this as soon as possible.

The report for the first three quarters of the 2016/17 financial year can be downloaded under company.wolford.com, Investor Relations.

http://company.wolford.com/wp-content/uploads/2017/03/Wolford_Q3-Report_2016_17.pdf

Earnings-Data		% 05/16-01/17	05/15-01/16	Chg.-in-%	2015/16
Revenues	in € mill.	119.05	128.71	-8	162.40
EBIT	in € mill.	-4.72	2.16	>100	1.55
Earnings before tax	in € mill.	-5.33	1.39	>100	0.62
Earnings after tax	in € mill.	-5.67	0.70	>100	-6.19
Capital expenditure	in € mill.	6.10	5.24	16	7.30
Free cash flow	in € mill.	-10.33	1.10	>100	-2.35
Employees (on average)	FTE	1,555	1,574	-1	1,571

Balance Sheet-Data		% 31.01.2017	31.01.2016	Chg.-in-%	30.04.2016
Equity	in € mill.	61.65	75.21	-18	68.15
Net debt	in € mill.	32.46	17.37	87	20.86
Working capital	in € mill.	53.11	38.97	36	43.15
Balance sheet total	in € mill.	154.16	145.91	6	139.25
Equity ratio	in %	40	52	-23	49
Gearing	in %	53	23	>100	31

Stock-Exchange-Data		% 05/16-01/17	05/15-01/16	Chg.-in-%	2015/16
Earnings per share	in €	-1.15	0.14	>100	-1.26
Share price high	in €	26.01	25.48	2	25.48
Share price low	in €	19.83	21.35	-7	21.35
Share price at end of period	in €	21.00	25.05	-16	24.67
Shares outstanding (weighted)	in 1,000	4,912	4,912	0	4,912
Market capitalization (ultimo)	in € mill.	105.00	125.23	-16	123.35