Press Information

Wolford AG: Revenue Growth and Lower Earnings in the First Quarter

- **Increase in revenues due to currency effects**
- **Weaker earnings impacted by one-off effects**
- **Positive development in retail and online business**
- **Progress in the strategic realignment of the company**
- **Full-year targets confirmed**

Vienna/Bregenz, September 14, 2015: Wolford AG, which is listed on the Vienna Stock Exchange, significantly increased revenues in the first quarter of the 2015/16 financial year (May – July 2015). Thanks to positive currency effects, revenues rose 6.5% from the prior-year quarter to € 34.0 million. The USA, the most important sales market for Wolford, and Great Britain grew even excluding currency tailwinds. The earnings development is impacted by one-off effects in the previous year, which distort the performance of the company. Reported operating results (EBIT) in the first quarter amounted to € -3.0 million (previous year: € +3.1 million), whereas earnings after tax in the first three months of 2015/16 totaled € -2.6 million (previous year: € +1.5 million). The positive results in the prior-year quarter can be attributed to two one-off effects which led to proceeds of 7.4 million for the company. Adjusted for all one-off effects, operating results were marginally higher than in the previous year, although Wolford faced considerably high rental and lease payments, especially in the USA and Great Britain, as a result of the appreciation in value of the US dollar and British pound. Moreover, there was a slight increase in the number of employees working in the Wolford Group.

These developments correspond to internal expectations for the seasonally weak first quarter. Wolford is making good progress in its strategic reorientation, laying the groundwork for increasing revenues and improved earnings in the decisive autumn and winter months. For this reason, the company continues to expect a rise in revenues and positive operating results for the entire 2015/16 financial year.

Growing retail business, more than 50% increase in online sales

Revenues with Wolford-owned retail stores climbed 8% both in absolute terms and on a like-for-like basis. This segment still expanded by 2% even excluding currency tailwinds, confirming Wolford's strategy of strengthening its own retail business. The wholesale segment reported a slight 2% decline in revenues compared to the prior-year quarter as a result of problems faced by individual retail partners and also due to the replanning of delivery deadlines for parts of the autumn/winter collection. Once again Wolford's own online business developed very successfully, with revenues up by close to 58%.

Uneven regional revenue development

The USA, the most important sales market, as well as Great Britain developed particularly positively in the first quarter, both generating double-digit growth rates, and even posting growth adjusting for currency effects. Spain, Italy, Netherlands and Belgium also saw revenue growth. The markets of Germany, Austria and France, which are all important for Wolford, reported single-digit decreases in revenues, clearly suffering from the massive drop in customer frequency starting in July as a result of the long heat wave in Europe. Central and Eastern Europe saw a double-digit drop in revenues, whereas Wolford achieved strong revenue growth in Asia.

Negative operating results, but ongoing solid balance sheet structure

Operating results (EBIT) fell by about € 6 million in a quarterly comparison to € -3.0 million. The underlying reasons were two one-off effects in the first quarter of 2014/15, namely proceeds of € 4.0 million in the previous year relating to the sale of a lease option in Switzerland, accompanied by a book gain of € 3.4 million relating to the disposal of non-core land, resulting in total additional income of € 7.4 million in the prior-year quarter. Up until now Wolford has only realized a book gain of € 1.1 million in the current financial year due to the sale of employee apartments. Adjusted for all non-recurring effects, EBIT was € 0.1 million higher than in the first quarter of 2014/15, although Wolford reported rising personnel and other operating expenses, mainly higher rental and freight costs within the context of the appreciation in value of the US dollar and British pound.

After capitalizing deferred tax assets to the amount of € 0.8 million, earnings after tax totaled € -2.55 million, compared to € +1.49 million in the previous year. Earnings per share equaled € -0.52, down from the prior-year level of € 0.30. "A quarterly comparison shows a distorted picture of our operational development, in light of the fact that we generated non-recurring income of more than seven million euros in the previous year", says Axel Dreher, COO and acting CFO since August 2015. "In addition, the months of May to July are always the weakest sales months for Wolford. Accordingly, earnings are in line with our expectations."

The Wolford Group continued to boast a sound asset and capital structure as of the balance sheet date of July 31, 2015. The balance sheet total increased to € 150.58 million compared to € 147.44 million at the end of the 2014/15 financial year on April 30, 2015 as a result of higher inventories and higher deferred tax assets. Equity of the Wolford Group on the balance sheet date of July 31, 2015 amounted to € 72.47 million, a drop of € 2.36 million from the comparable figure at the end of 2014/15. As a result, net debt rose from € 17.12 million to € 25.98 million as of July 31, 2015. The equity ratio was 48% (July 31, 2014: 53%), and gearing equaled 36% (July 31, 2014: 24%).

Progress in strategic refocusing

The newly structured Management Board team and the employees continue to focus on resolutely aligning Wolford's business model to the needs of the retail segment in order to be able to fully exploit the strengths of its monobrand stores in the future. For example, the company systematically streamlined its Essentials collection, creating key pre-requisites for a "never out of stock" product line. The number of stock keeping units in the autumn/winter collection currently available on the market was cut by close to 20%, which in turn reduces complexity, optimizes the presentation at the point of sale and increases product availability.

Wolford also made headway with respect to the internationalization and optimization of its multi-channel distribution. In contrast to the general trend in the luxury goods sector, revenues in China and Hong Kong were up by close to 40% in the first quarter. Both the 2015 summer collection and the current 2015/16 autumn/winter collection have met with exceptionally positive feedback in Asia. Furthermore, since the end of August Wolford has also been represented on Tmall, the largest online shopping platform in China used by well-known brands such as Gucci and Burberry to market their products. At the same time, Wolford is working on expanding its sales and distribution capabilities in Eastern Europe and the Middle East, where Wolford has initiated negotiations with two potential master franchise holders. Following a corresponding startup phase, these partnerships offer substantial potential for revenue growth.

Confirmed targets for 2015/16

The seasonally weak first quarter does not allow reliable conclusions to be drawn about the company's performance in the current financial year. "The main season is still ahead of us. We are making good progress in our strategic realignment efforts and have taken the necessary steps to increase revenues and earnings in the decisive autumn and winter months", emphasizes Ashish Sensarma, CEO of Wolford. After the heat wave in Europe came to an end, Wolford once again reported increasing retail sales in this region. Against this backdrop, the company is still planning to further raise revenues and conclude the 2015/16 financial year with positive operating results.

The report on the first quarter of 2015/16 is available at company.wolford.com / Investor Relations: http://company.wolford.com/wp-content/uploads/2015/09/Wolford_Q1-Report_2015_16_EN.pdf

Earnings Data		**05 - 07/15**	**05 - 07/14**	**Chg. in %**	**2014/15**
Revenues	in € mill.	33.98	31.91	+7	157.35
EBIT	in € mill.	-3.04	3.02	>100	2.17
Earnings before tax	in € mill.	-3.33	2.79	>100	1.21
Earnings after tax	in € mill.	-2.55	1.49	>100	1.03
Capital expenditure	in € mill.	1.99	2.07	-4	10.97
Free cash flow	in € mill.	-8.76	-1.03	>100	-0.54
Employees (on average)	FTE	1,583	1,555	+2	1,574

Balance Sheet Data		31.07.2015	31.07.2014	Chg. in %	30.04.2015
Equity	in € mill.	72.47	75.99	-5	74.83
Net debt	in € mill.	25.98	17.95	+45	17.12
Working capital	in € mill.	39.76	38.11	+4	38.14
Balance sheet total	in € mill.	150.58	142.54	+6	147.44
Equity ratio	in %	48	53	-9	51
Gearing	in %	36	24	+50	23

Stock Exchange Data		05 - 07/15	05 - 07/14	Chg. in %	2014/15
Earnings per share	in €	-0.52	0.30	>100	0.21
Share price high	in €	23.98	24.05	0	24.12
Share price low	in €	22.05	18.75	+18	18.75
Share price at end of period	in €	22.37	23.00	-3	24.00
Shares outstanding (weighted)	in 1,000	4,900	4,900	0	4,900
Market capitalization (ultimo)	in € mill.	111.85	112.70	-1	120.00

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About Wolford AG

Wolford AG, which is headquarters in Bregenz on Lake Constance (Austria) has 16 subsidiaries and markets its products in more than 60 countries through 270 Monobrand points of sale (company-owned and partner-operated), approx. 3,000 distribution partners and online. The company, which has been listed on the Vienna Stock Exchange since 1995, generated revenues of € 157.4 million in the 2014/15 financial year (May 1, 2014 – April 30, 2015) with roughly 1,570 employees. Since its founding in 1950, Wolford has grown to become the leading global brand for luxurious legwear, exclusive lingerie and high-quality bodywear.