Press Release

Wolford AG: Turnaround in 2014/15 financial year

- **Revenues rise by approx. 1%**
- **Positive operating results and net earnings for the first time after two years**
- **Special dividend of € 0.20 per share proposed**
- **Transformation process continues**
- **Goal for 2015/16: further revenue growth and positive operating results**

Vienna/Bregenz, July 17, 2015: Wolford AG, which is listed on the Vienna Stock Exchange, closed the 2014/15 financial year (May 2014 to April 2015), as expected, with positive results. Revenues recorded by the Wolford Group rose by roughly 1% to € 157.35 million, recently also supported by positive foreign exchange effects. In addition, the company recorded a profit for the first time after two loss-making years: EBITDA, adjusted for non-recurring income and expenses, rose from € 7.11 million to € 10.33 million and adjusted EBIT improved from € -0.97 million to € 1.56 million. Including non-recurring items, EBIT increased by € 6.89 million to € 2.17 million (2013/14: € -4.72 million). Earnings after tax were also positive at € 1.03 million, compared with a loss of € 2.81 million in the previous year.

"Wolford's transformation process is continuing, but our strategy to refocus on the company's core expertise and the systematic optimization of our own points of sale have brought the first positive results", indicated Ashish Sensarma, Chief Executive Officer since January 2015. "During the past financial year Wolford has created an important foundation for sustainable and profitable growth", added Sensarma.

Slight growth in retail, successful online business, decline in wholesale

The slight 1% increase in revenues was generated in spite of the € 6.14 million negative effect caused by the closing of 20 unprofitable points of sale during 2013/14 and 2014/15. Declines during the first half-year (May to October 2014) due to difficult market conditions were followed by the stabilization of revenues at the prior year level in the third quarter. The fourth quarter (February to April 2015) brought a sound 12% increase in revenues, which was also supported by positive foreign exchange effects from the devaluation of the euro and by an increased focus on the optimization of company-owned points of sale and the online business.

Wolford's own retail locations (own boutiques, concession shop-in-shops and factory outlets) recorded revenue growth of 1% in total and on a like-for-like basis. The online business continued its successful development with an increase of 24% in revenues. The wholesale business (partner-operated boutiques, department stores and multi-brand retailers) declined by 2%, among others due to problems with individual trading partners and the Ukraine crisis. However, this sales channel also stabilized during the fourth quarter after recording a minus of 8% for the first half-year.

Substantially different developments in the regional business

The regional analysis of revenues for the reporting year shows very different developments. The USA, currently the largest single market for the Wolford Group, generated revenue growth of 5% despite the closing of various retail locations. Revenues were lower than the previous year in Germany (-2%) and France (-3%) due to weakness in the wholesale business. Business in Austria (-7%) was negatively influenced by the closing of points of sale. In Switzerland, the revaluation of the Swiss franc led to a decline of 9% in revenues. In contrast, Wolford recorded sound top-line growth in Great Britain (+7%), Spain (+11%) and Italy (+9%) which was supported, above all, by the Wolford-owned points of sale. Revenues in Central and Eastern Europe fell by 14%, in particular due to the Ukraine crisis. In Asia, Wolford recorded a sound 20% increase in revenues.

Positive earnings, special dividend planned

The refocusing of the collection led to an increase of € 4.72 million in the cost of materials to € 30.33 million in 2014/15. Personnel expenses were € 2.06 million higher at € 74.15 million (2013/14: € 72.09 million), primarily due to wage and salary increases resulting from collective agreements and voluntary raises. Other operating expenses rose from € 50.57 million to € 54.63 million due to additional rental costs for the opening of new boutiques and index adjustments (+ € 1.04 million) as well as higher marketing expenses of approx. € 3 million to strengthen the Wolford brand. However, an increase in other operating income from the sale of lease options supported an improvement in adjusted EBITDA from € 7.11 million to € 10.33 million. Adjusted EBIT turned positive from € -0.97 million to € +1.56 million. Including non-recurring items (expenses of € 2.76 million and income of € 3.37 million), EBIT improved by € 6.89 million to € 2.17 million (2013/14: € -4.72 million). Earnings after tax were positive for the first time since the business year 2011/12 at € 1.03 million (2013/14: € -2.81 million) as were earnings per share at € 0.21 (2013/14: € -0.57).

"The sale of land during 2014/15 was followed by the sale of company-owned apartments at the beginning of May, in other words during the 2015/16 financial year. That marked the end of our program to sell non-operating assets, which generated in total approx. € 8 million", explained outgoing Chief Financial Officer Thomas Melzer. "During the past financial year we spent additional € 3 million of the proceeds to strengthen the brand and we financed part of the refocusing strategy", continued Melzer. The Management Board also wants shareholders to participate in this extraordinary income and will recommend that the annual general meeting approve a special dividend of € 0.20 per share for the 2014/15 financial year.

Continued solid balance sheet structure

The Wolford Group had Group equity of € 74.83 million as of April 30, 2015 (2013/14: € 74.38 million). The positive effects from earnings and foreign exchange differences were substantially reduced by actuarial losses: the interest rate used to calculate the provisions for long-term employee benefits fell sharply further from 3.1% to 1.6% due to the sovereign debt crisis and the flight to benchmark corporate bonds. However, Wolford's equity ratio equaled a solid 51% as of April 30, 2015 (April 30, 2014: 54%). Net debt remained at the prior year level of € 17.12 million as did gearing (the ratio of net debt to equity) with 23%.

Revised corporate strategy

With the appointment of Ashish Sensarma as Chief Executive Officer, the strategy to refocus on the company's core expertise and the status of its implementation were reevaluated and the major elements were confirmed. However, over the medium term further steps will be required to meet the targeted EBIT margin of 10% and to pay appropriate dividends.

The activities undertaken to revitalize the brand, adjust the product line, refocus market communications and optimize controlled distribution will continue. This also includes the implementation of a new Go-to-Market model: in order to better utilize the strengths of its Monobrand points of sale, Wolford is focusing its business model on the requirements of retail. All processes in the Go-to-Market model – starting with the initial product idea – will be closely integrated based on the management of retail space. "Product development will take place in substantially shorter cycles, which will allow us to react faster to specific developments and current demand. This will also help to optimize capacity utilization and inventories – with positive effects on manufacturing costs and cash flow", explained Axel Dreher, Deputy CEO.

Outlook

Wolford started the new financial year on a promising note: the retail business recorded double-digit growth during the first two months (May to June 2015). In particular, the online business remains on a success course with high double-digit growth rates. Management has therefore set a goal to further increase revenues and again record positive operating results in 2015/16. The company is targeting an EBIT margin of 10% over the medium-term. The strategic refocusing is still in progress and will also require Wolford's undivided attention during the current year. Wolford can finance the measures planned as part of the revised corporate strategy from cash flow and available credit lines.

The annual report 2014/15 and the annual financial report 2014/15 are available in the Internet under company.wolford.com/Investor Relations.
http://company.wolford.com/wp-content/uploads/2014/07/Wolford_Annual-Report_2014_15.pdf
http://company.wolford.com/wp-content/uploads/2015/07/Wolford-Annual-financial-report_14_15.pdf

For additional information contact:
Axel Dreher (Management Board)
Regine Petzsch (Interim Head of Corporate Communications)
Tel.: +43 5574 690 1359 | investor@wolford.com | company.wolford.com

Wolford Group Key Data

Earnings Data

		2014/15	2013/14	Chg. in %
Revenues	in € mill.	157.35	155.87	+0.9
EBITDA adjusted	in € mill.	10.33	7.11	+45
EBIT adjusted	in € mill.	1.56	-0.97	>100
EBIT	in € mill.	2.17	-4.72	>100
Earnings before tax	in € mill.	1.21	-5.89	>100
Earnings after tax	in € mill.	1.03	-2.81	>100
Capital expenditure	in € mill.	10.97	7.87	+39
Free cash flow	in € mill.	-0.54	-0.97	+43
Employees (on average)	FTE	1574	1562	+1

Balance Sheet Data

		30.04.2015	30.04.2014	Chg. in %
Equity	in € mill.	74.83	74.38	+1
Net debt	in € mill.	17.12	17.04	+1
Working capital	in € mill.	38.14	33.72	+13
Balance sheet total	in € mill.	147.04	138.12	+7
Equity ratio	in %	51	54	-
Gearing	in %	23	23	-

Stock Exchange Data

		2014/15	2013/14	Chg. in %
Earnings per share	in €	0,21	-0.57	>100
Share price high	in €	24.12	22.77	+6
Share price low	in €	18.75	16.81	+12
Share price at end of period	in €	24.00	19.10	+26
Shares outstanding (weighted)	in 1,000	4900	4900	-
Market capitalization (ultimo)	in € mill.	120.00	95.48	+26

On 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.