



Wolford Generates Higher Revenue and Reduces Fixed Operating Expenses

- **Revenue in the first half-year was up by 4%**
- **Operating losses down to € 6.18 million following second-quarter EBIT**
- **Sustainable decrease in fixed costs**
- **Bridge loan repaid ahead of schedule**
- **Outlook confirmed**

Vienna/Bregenz, December 6, 2017. Wolford AG, which is listed on the Vienna Stock Exchange, succeeded in stabilizing its revenue and reducing operating losses in the first half of the current 2017/18 financial year. In the period May to October 2017, revenue rose 3.7% to € 70.15 million (previous year: € 67.62 million). Second-quarter revenue was up 3.0% to € 41.06 million. Adjusted to take account of currency effects (especially the decrease in value of the British pound and the US dollar), the rise in revenue equaled 4.7% over the entire first half-year. Operating earnings (EBIT) improved to € -6.18 million from the prior-year level of € -7.86 million as a result of the revenue increase and declining fixed costs. Wolford generated a positive EBIT of € 1.04 million in the second quarter. Earnings after tax totaled € -6.62 million in the first half-year compared to € -8.07 million in the previous year.

Revenue of the online business up 33%

Following the revenue decline related to planning mistakes in the previous year, revenue in the first half of 2017/18 stabilized, both with respect to Wolford's own retail operations as well as its wholesale business. Wolford-owned retail stores showed an increase of 1.9% or € 0,72 million, whereas the wholesale segment grew slightly by 1.2% or € 0.29 million. Revenue of the company's own online business was up significantly by 32.6%, comprising a year-on-year increase of € 1.62 million, which can be attributed to successful marketing campaigns and improved profit availability once again.

Revenue stabilized in almost all relevant markets. The Wolford Group generated a considerable increase in the USA (+3.7%), Germany (+2.8%), Italy (+8.5%), Austria (+8.2%), Spain (+7.9%), Belgium (+5.6%), Switzerland (+5.4%) and in Scandinavia (+2.9%). Wolford's business in its Eastern European markets performed particularly well, recording a 36.6% rise in revenue. In contrast, revenue fell in France (-2.0%) as well as in Great Britain (-5.5%), above all within the context of Brexit uncertainties and the devaluation of the British pound.

Declining fixed costs

Restructuring measures are having an increasingly positive impact. In particular, a sustainable drop of € 3.66 million in personnel expenses was achieved, down to € 34.47 million in the first half-year. The average number of employees (full-time equivalents) in the first half of 2017/18 fell by 82 to 1,476 employees due to the reduction of administrative positions in European sales regions as well as the streamlining of administrative staff in Bregenz. Second-quarter personnel expenses alone were down € 2.28 million to € 17.03 million. This was reflected in positive operating earnings of € 1.04 million in the second quarter despite high non-recurring restructuring expenses.

Although the second-quarter performance could only offset the losses generated in the traditionally weak first quarter to a limited extent, operating earnings in the first six months of the current financial year improved to € -6.18 million, compared to € -7.86 million in the previous year. The financial result of € -1.19 million was considerably below the prior-year figure of € -0.40 million, especially due to interest paid, deposit and registration fees related to the refinancing. Accordingly, earnings before tax in the first six months of 2017/18 were € -7.36 million, compared to € -8.25 million in the previous year. Earnings after tax amounted to € -6.62 million, up from € -8.07 million in the first half of 2016/17. As a consequence, earnings per share equaled € -1.35, following € -1.64 in the previous year.

Successful drop in inventories

With the help of adjusted production planning, Wolford managed to reduce its excessive level of Inventories from the previous year by € 7.53 million without notable sell-offs and bring them back to a normal level. The net cash flow from operating activities in the first six months of the current financial year rose by € 6.87 million to € -7.36 million thanks to the revenue increase and the successful reduction of inventories. The cash flow from investing activities amounted to € - 0.52 million in the reporting period, a substantial drop of € 4.35 million below the prior-year figure. In the first six months, Wolford primarily invested in expanding its online sales platform. Against this backdrop, the free cash flow (cash flow from operating activities less the cash flow from investing activities) improved from € -19.09 million to € -7.88 million. The cash flow from financing activities decreased significantly, dropping to € 2.33 million from € 17.08 million in the previous year, which is due to the reduced need to draw upon the lines of credit granted by banks. Cash and cash equivalents totaled € 4.76 million at the end of the reporting period, compared to € 4.15 million in the previous year.

Bridge loan repaid ahead of schedule

Equity of the Wolford Group fell to € 38.23 million at the balance sheet date (October 31, 2016: € 54.79 million) due to the losses reported over the last two financial years. As a result, the equity ratio equaled 29% (October 31, 2016: 36%). Net debt as at October 31, 2017 fell slightly from € 40.47 million to € 39.15 million.

Wolford only had to use half of the bridge loan of € 10 million granted by the banks in July 2017 to secure its peak seasonal liquidity requirements, and already completely paid back the loan in the months of October and November 2017.

Expansion of online business and new chief designer

Additional measures to sustainably reduce costs are in preparation. At the same time, the company is investing in laying the foundation for future revenue growth. Wolford strengthened its technical base in the online business and hired three new online specialists who are mainly active in the front-end segment with close customer proximity. The marketing budget was also restructured to systematically enhance the performance of its online business. Last but not least, our company filled the vacant positions of chief designer and director brand and marketing. This sets the conditions to the redirection and positive development of the brand and the company.

Outlook

Wolford confirms its outlook. For the current financial year, the management has budgeted slight year-on-year revenue growth and continued negative operating earnings. It is known that a period of two years is planned for implementation of the restructuring measures aimed at improving earnings. The relevant measures will only take full effect starting in the 2018/19 financial year. Wolford anticipates renewed positive operating earnings starting in the 2018/19 financial year.

The report for the first half year of the 2017/18 financial year can be downloaded under company.wolford.com, Investor Relations.

http://company.wolford.com/wp-content/uploads/2017/12/Wolford_HY_Report_2017_18.pdf

Contact:

Maresa Hoffmann (Specialist Investor Relations & Corporate Communications)

Tel.: +43 5574 690 1258 | investor@wolford.com | company.wolford.com

Earnings Data		05 -10/17	05 -10/16	Chg. in %	2016/17
Revenues	in € mill.	70.15	67.62	+4	154.28
EBIT*	in € mill.	-6.18	-7.86	+21	-15.72
Earnings before tax*	in € mill.	-7.36	-8.25	+11	-16.57
Earnings after tax*	in € mill.	-6.62	-8.07	+18	-17.88
Capital expenditure	in € mill.	0.78	4.89	-84	6.72
Free cash flow*	in € mill.	-7.88	-19.09	+59	-9.45
Employees (on average)	FTE	1 476	1 558	-5	1 544

Balance Sheet Data		31.10.2017	31.10.2016	Chg. in %	30.04.2017
Equity*	in € mill.	38.23	54.79	-30	44.88
Net debt	in € mill.	39.15	40.47	-3	31.27
Working capital	in € mill.	48.65	56.61	-14	45.73
Balance sheet total*	in € mill.	130.68	151.36	-14	138.39
Equity ratio*	in %	29	36	-	32
Gearing*	in %	102	74	-	70

Stock Exchange Data		05 -10/17	05 -10/16	Chg. in %	2016/17
Earnings per share*	in €	-1.35	-1.64	+18	-3.64
Share price high	in €	21.45	26.01	-18	26.01
Share price low	in €	15.92	22.67	-30	19.10
Share price at end of period	in €	15.92	22.85	-30	19.28
Shares outstanding (weighted)	in 1,000	4,912	4,912	-	4,912
Market capitalization (ultimo)	in € mill.	79.60	114.25	-30	96.38