Report of the Wolford Group on the first quarter of the fiscal year 2009/10

Key Figures for the Wolford Group

Overview of sales and financial data for the first quarter of the 2009/10 fiscal year (May 1, 2009-July 31, 2009)

in EUR `000	Q1 2009/10	Q1 2008/09	Change absolute/ % points
Sales	27,319	31,913	(4,594)
EBITDA	(1,377)	(929)	(448)
EBITDA margin	(5.0%)	(2.9%)	(2.1)
EBIT (operating profit)	(3,307)	(2,617)	(690)
EBIT margin	(12.1%)	(8.2%)	(3.9)
Result from continuing operations (before taxes)	(3,646)	(3,311)	(335)
Net result for the period	(3,295)	(2,900)	(395)
Net cash from operating activities	(6,063)	(13,125)	7,062
Capital investments excluding financial assets	1,191	5,210	(4,019)
Gearing ratio	56.6%	57.4%	0.8
Shareholders` equity	73,473	75,693	(2,220)
Equity-to-assets ratio	46.1%	44.9%	1.2
Earnings per share in EUR	(0.67)	(0.59)	(0.08)
Number of full-time equivalents at period end	1,499	1,708	(209)

Report

Sales and earnings impacted by the challenging market environment

- Sales reach EUR 27.3 million
- Proprietary stores increase sales
- Earnings decline based on a strong performance in the comparable period of the previous year
- Cost-reduction measures show initial success
- Significant improvement in the net cash from operating activities

The Wolford Group, which is listed on the Vienna Stock Exchange, was confronted with a decline in sales and relevant earnings indicators in the first quarter of the 2009/10 fiscal year. This development is based on a strong performance in the comparable period of the previous fiscal year, which was still shaped by a considerably more favorable business environment. "*Particularly like the second half of 2008/09, the first three months of 2009/10 were characterized by an ongoing restraint in consumer demand, which was correspondingly reflected in the sales development of the Wolford Group. Despite this development, the first-quarter drop in earnings was relatively moderate in relation to the 2008/09 fiscal year, which can be attributed to the consistent focus of the Group on efficiency-enhancing measures. Thanks to this approach, we are well-positioned to operate in what will likely remain a challenging market environment",* says Holger Dahmen, Chief Executive Officer of Wolford Aktiengesellschaft.

Challenging market environment affects sales and earnings development

On balance, total sales of the Wolford Group were down 14.4 percent in the period under review (May 1, 2009 – July 31, 2009), to EUR 27.3 million, compared to EUR 31.9 million in the first three months of 2008/09. This development is related to ongoing consumer restraint, which had a particularly negative impact on the clothing segment of the luxury goods industry.

The first quarter of the fiscal year is traditionally the weakest for the Wolford Group, as it usually involves disproportionately high costs. As a result, the relevant earnings indicators are generally negative in this period, even in growth years. Against this backdrop, the operating result before depreciation and amortization (EBITDA) in the first three months of 2009/10 amounted to EUR -1.4 million, a decrease of EUR 0.4 million in a year-on-year comparison. However, this decline is based on an extraordinarily strong performance in the first quarter of the previous year, featuring a 34.9 percent rise in EBITDA. The operating profit (EBIT) also deteriorated to EUR -3.3 million in the first three months of the current fiscal year, down EUR 0.7 million year-on-year. The result from continuing operations amounted to EUR -3.6 million in the first quarter of 2009/10, following EUR -3.3 million in the first three months 2008/09. The considerable deceleration of the earnings decline in the first quarter of the 2009/10 fiscal year in comparison to the performance achieved in the third and fourth quarters of 2008/09 demonstrate the positive effects of the cost reduction measures initiated by the Wolford Group in the previous fiscal year.

Solid asset and capital structure

On the balance sheet date of July 31, 2009, shareholders' equity of the Wolford Group totaled EUR 73.5 million (July 31, 2008: EUR 75.7 million), corresponding to an equity ratio of 46.1 percent (July 31, 2008: 44.9 percent). Accordingly, the Wolford Group continues to boast an extremely solid balance sheet structure. The net cash from operating activities rose by EUR 7.1 million from the comparable period of the previous year due to the reduction in financial resources tied up in working capital. The Wolford Group also achieved a year-on-year improvement of its net debt and gearing ratio based on a reduction of borrowings from banks and other financial liabilities as well as the lower level of capital expenditure. Investments related to the construction of a new production site in Slovenia are on schedule. The facility is expected to commence operations in January 2010.

Difficult market environment in almost all of Wolford's core geographic markets

Following a predominantly positive sales development in most of Wolford's core geographic markets in the first quarter of the previous fiscal year (2008/09), the ongoing restraint in consumer spending dampened sales in almost all markets in the first three months of 2009/10. A slight decline was registered in France (-0.8 percent), Asia/Oceania (-4.1 percent) and Austria (-4.8 percent), whereas Scandinavia (-10.5 percent), Germany (-17.0 percent), the USA (-17.1 percent in Group currency, -28.2 percent in USD), Italy (-25.4 percent) and the Netherlands (-27.6 percent) posted a sharp drop in sales in a year-on-year comparison. The Spanish market was particularly negatively impacted, with sales down 45.9 percent, as was the CEE region, where sales fell by 55.9 percent. In contrast, the Belgian market developed positively, increasing sales by 26.4 percent compared to the previous year, along with Switzerland (+7.5 percent in CHF, +15.1 percent in Group currency) and Great Britain (+5.0 percent in GBP, -3.6 percent in Group currency).

Increase in retail sales based on expansion of Wolford's distribution network

Wolford's proprietary stores (boutiques, shop-in-shops and factory outlets) achieved a 6.1 percent increase in sales in the first three months of 2009/10, which is primarily related to the strategic expansion of Wolford's own distribution network. However, the luxury brand also had to report a 7.1 percent sales decrease in its retail segment on a like-for-like basis. The sales share of the company's monobrand distribution rose to 61.0 percent of total Group sales during the period under review, which is mainly due to the expansion of Wolford's own sales outlets. Considering the sales development of the individual distribution channels, growth was led by factory outlets, which raised sales by 15.8 percent. In contrast, sales with department stores and multi-brand retailers posted a decline. On balance, sales with boutiques (both Wolford-owned and partner-operated), which accounted for the largest share, or 48.5 percent of total sales in the first quarter of 2009/10, were down 8.1 percent, which is entirely related to the declining business generated with partner-operated boutiques. The 103 Wolford-owned boutiques as at July 31, 2009 posted a 3.1 percent increase in sales in a year-on-year comparison.

No dividends for 2008/09 as a means of further strengthening the financial basis

At the Annual General Meeting held on September 15, 2009, shareholders decided not to distribute a dividend on the net profit for the 2008/09 fiscal year, in order to sustainably improve the self-financing ability of the Wolford Group as the basis for future growth.

Wolford in the future

Despite initial signs of an economic recovery in some markets in August, the Executive Board of Wolford Aktiengesellschaft expects a continuing difficult market environment to prevail for the rest of the 2009/10 fiscal year. Based on the strategic orientation of the Wolford Group accompanied by corresponding efficiency-enhancing measures, the company is well prepared to meet further challenges and future developments. From today's point of view, the Executive Board anticipates moderate growth once again in the 2010/11 fiscal year.

Overview sales and financial data

for the first quarter of the 2009/10 fiscal year (May 1, 2009-July 31, 2009)

Consolidated balance sheet at July 31, 2009 (IFRS)

ASSETS in EUR `000	Q1 acc. July 31, 2009	Q4 acc. April 30, 2009	Q1 acc. July 31, 2008
Non-current assets			
Property, plant and equipment	64,394	65,022	63,183
Goodwill	1,153	1,180	1,115
Intangible assets excluding goodwill	10,381	10,672	8,666
Financial assets	4,867	4,777	8,311
Non-current receivables	1,230	1,330	1,205
	82,025	**82,981**	**82,480**
Deferred tax assets	**5,354**	**5,220**	**4,991**
Current assets			
Inventories	47,782	44,747	52,348
Current receivables and other assets	15,292	16,137	20,728
Prepaid expenses	4,228	2,102	4,102
Current securities and other financial investments	39	38	37
Cash and cash equivalents	4,715	3,752	3,989
	72,056	**66,776**	**81,204**
TOTAL ASSETS	**159,435**	**154,977**	**168,675**

Consolidated balance sheet at July 31, 2009 (IFRS)

SHAREHOLDERS` EQUITY AND LIABILITIES in EUR `000	Q1 acc. July 31, 2009	Q4 acc. April 30, 2009	Q1 acc. July 31, 2008
Shareholders` equity			
Share capital and capital reserves	38,168	38,168	38,168
Other reserves	32,641	32,551	32,280
Currency conversion differences	(3,243)	(3,102)	(4,033)
Result of the year	10,571	13,865	13,942
Treasury stock	(4,664)	(4,664)	(4,664)
	73,473	**76,818**	**75,693**
Deferred tax liabilities	**341**	**349**	**344**
Non-current liabilities			
Non-current financial liabilities	7,314	18,614	6,933
Provisions for employee benefits	13,772	13,756	15,926
Other non-current liabilities	161	158	145
	21,247	**32,528**	**23,004**
Current liabilities			
Bank loans and overdraft and non-current financial liabilities	42,644	22,632	45,520
Current provisions	4,895	4,741	6,373
Trade payables	4,164	4,051	4,427
Payments received on account	972	1,024	919
Other current liabilities	11,699	12,834	12,395
	64,374	**45,282**	**69,634**
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES	**159,435**	**154,977**	**168,675**

Consolidated income statement for the first quarter 2009/10 (IFRS)

PROFIT AND LOSS ACCOUNT in EUR `000	Q1 acc. July 31, 2009	Q1 acc. July 31, 2008
Sales	27,319	31,913
Other operating income	905	643
Change in inventories of finished goods and work-in-progress	3,653	4,875
Own work capitalized	22	24
Operating output	**31,899**	**37,455**
Cost of material and purchased services	(7,994)	(10,985)
Staff costs	(16,873)	(19,359)
Depreciation, amortization and impairment losses on property, plant and equipment and intangible assets excluding goodwill	(1,930)	(1,688)
Other operating expenses	(8,409)	(8,040)
Operating result	**(3,307)**	**(2,617)**
Net interest cost	(153)	(510)
Net investment securities income	1	29
Interest cost of employee benefit liabilities	(187)	(213)
Financial result	**(339)**	**(694)**
RESULT FROM CONTINUING OPERATIONS	**(3,646)**	**(3,311)**
Income taxes	351	411
RESULT OF THE YEAR	**(3,295)**	**(2,900)**
Earnings per share in EUR	(0.67)	(0.59)
Weighted average shares outstanding in thousand pieces	4,900	4,900

Consolidated cash flow statement for the first quarter 2009/10 (IFRS)

CASH FLOW STATEMENT in EUR `000	Q1 acc. July 31, 2009	Q1 acc. July 31, 2008
Net cash from operating activities	**(6,063)**	**(13,125)**
Net cash used in investment activities	**(1,686)**	**(5,436)**
Net cash used in financing activities	**8,713**	**19,597**
Net increase / decrease in cash and cash equivalents	964	1,036
Cash and cash equivalents at beginning of period	3,752	2,957
Effect of exchange rate fluctuations on cash and cash equivalents at beginning of period	(1)	(4)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,715**	**3,989**

Consolidated statement of changes in equity for the first quarter 2009/10 (IFRS)

SHAREHOLDERS` EQUITY in EUR `000	Q1 acc. July 31, 2009	Q1 acc. July 31, 2008
Equity at beginning of business year	76,818	79,018
Net result of the period	(3,295)	(2,900)
Translation component	(141)	(29)
Other changes	91	(396)
EQUITY AT END OF PERIOD	**73,473**	**75,693**

Annex

Notes on the interim financial report at July 31, 2009

General information

The consolidated interim financial statements of the Wolford Group for the first quarter of the 2009/10 fiscal year were prepared under the responsibility of the Executive Board in compliance with the International Financial Reporting Standards (IFRS) on the basis of IAS 34 (Interim Financial Reporting).

The accounting and valuation policies applied to the consolidated financial statements of the Wolford Group for the 2008/09 fiscal year remained unchanged. The consolidated interim financial statements do not include all information and explanatory notes which are required in relation to the consolidated financial statements for the fiscal year as a whole. For this reason, this interim report should be read together with the Annual Report 2008/09 of the Wolford Group applying to the balance sheet date of April 30, 2009.

In all financing reporting of the Wolford Group, amounts are reported in thousands of euros (EUR '000). Rounding differences may occur due to the use of automated calculation aids.

Changes in the scope of consolidation

The number of companies included in consolidation has not changed since the last reporting date.

Seasonality of business operations

Sales of the Wolford Group are traditionally the weakest in the first quarter of the fiscal year, as reflected by figures for total sales as well as earnings indicators.

Operating segment report (by region)

in EUR `000	Q1 2009/10						Q1 2008/09					
	Austria	Rest of Europe	North America	Asia	Consolidations Eliminations	Group	Austria	Rest of Europe	North America	Asia	Consolidations Elminiations	Group
Sales	18,902	17,225	3,398	348	(12,554)	27,319	22,396	19,259	4,111	242	(14,095)	31,913
thereof inter-segment	12,554	0	0	0	(12,554)	0	14,095	0	0	0	(14,095)	0
External sales	6,348	17,225	3,398	348	0	27,319	8,301	19,259	4,111	242	0	31,913
Operating result	(652)	(1,610)	(775)	(100)	(170)	(3,307)	(1,296)	(1,136)	(165)	24	(44)	(2,617)
Net interest cost	(148)	(1)	(4)	0	0	(153)	(524)	11	3	0	0	(510)
Net income from securities	1	0	0	0	0	1	29	0	0	0	0	29
Interest cost from employee benefit liabilities	(187)	0	0	0	0	(187)	(214)	0	0	0	0	(214)
Result from continuing operations (before taxes)	(986)	(1,611)	(779)	(100)	(170)	(3,646)	(2,004)	(1,124)	(163)	24	(44)	(3,311)
Net result for the period	(756)	(1,606)	(663)	(100)	(170)	(3,295)	(1,506)	(1,156)	(218)	24	(44)	(2,900)
Segment assets	163,319	38,565	12,421	1,110	(55,980)	159,435	173,205	37,988	10,909	562	(53,989)	168,675
Segment liabilities	73,597	30,429	5,589	656	(24,309)	85,962	82,983	28,882	4,014	21	(22,919)	92,981
Investments	585	534	69	3	0	1,191	2,269	2,864	63	14	0	5,210
Depreciation and amortization	1,213	514	185	18	0	1,930	1,147	420	116	5	0	1,688
Impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
Total number of employees	1,106	474	108	18		1,706	1,358	421	116	16		1,911

Segment reporting and the valuation of the segment profit have remained unchanged since the consolidated financial statements for the 2008/09 fiscal year.

Contingent liabilities

There have been no material changes in contingent liabilities since the last reporting date.

Related party transactions

There are immaterial business relationships with related companies and individuals. Any transactions are conducted at normal market prices, terms and conditions.

Significant events after the reporting date

There were no significant events requiring disclosure between the balance sheet date on July 31, 2009 and the publication of this interim financial report.

Report on the auditor's review

The consolidated interim financial statements were neither subject to a comprehensive audit nor to an auditor's review by chartered accountants.

Statement by the Executive Board pursuant to § 87 Austrian Stock Exchange Act

The Executive Board of the Wolford Aktiengesellschaft certifies, to the best of its knowledge, that the consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards, in particular IAS 34 (Interim Financial Reporting), and present a fair and accurate picture of the profit, asset and financial position of the Wolford Group.

Bregenz, September 2009

Holger Dahmen Peter Simma

This interim report for the first three months of the 2009/10 fiscal year is available on the Internet at:
http://www.wolford.com/financialreports

Definitions of financial indicators are contained in the latest annual report for the 2008/09 fiscal year.

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Financial calendar

Friday	Sept. 18, 2009	Sales/earnings for the first quarter of 2009/10
Friday	Dec. 18, 2009	Sales/earnings for the first half of 2009/10
Wednesday	March 17, 2010	Sales/earnings for the first three quarters of 2009/10

Disclaimer

The consolidated interim financial statements of the Wolford Aktiengesellschaft have been put together with the greatest possible diligence, and all data has been carefully checked. Nevertheless, rounding off, compositor's or printing errors cannot be excluded.
This interim financial report has also been prepared in English. However, the definitive version is the German one.
This interim financial report contains forward-looking statements which reflect the opinions and expectations of the Executive Board, and involve risks and uncertainties which could have a significant impact on actual circumstances and thus actual results. For this reason, readers are cautioned not to place undue reliance upon any forward looking statements. Wolford AG does not undertake any obligation to publish any update or revision of the forward looking statements contained in this report, unless otherwise required by law.