



AHLERS AG

QUARTERLY STATEMENT Q3 2016/17

(December 1, 2016 to August 31, 2017)

BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF FISCAL 2016/17

Q3 2016/17 - Highlights

- Continued activities were stable despite declining overall market and shift in revenues; discontinued activities translate into lower revenues
- Sales revenues decline in third quarter due to shift from fixed to consignment business and later delivery of autumn/winter merchandise
- Earnings before and after taxes decline because of reduced revenues
- Equity ratio of 54 percent reflects solid financial situation
- Revenue and earnings forecast for full 2016/17 confirmed

Dr. Stella A. Ahlers, CEO of Ahlers AG:

“For some years, Germany’s physical clothing retail stores have been confronted with frequency drops and changed purchasing behavior. In this difficult environment, we have responded to the retail trade’s changing requirements, continue to cooperate closely with our retail customers and are growing our Pierre Cardin, Pioneer and Baldessarini brands. Our e-commerce has picked up again following the redesign of the online shops of Baldessarini and Pierre Cardin and the change of the service provider last year. Both – the growing wholesale and e-commerce business – confirm our strategy to focus on these sales channels. Also internally we move closer together, as we have largely completed the relocation of Baldessarini to our headquarters in Herford.”

1. EARNINGS, FINANCIAL AND NET WORTH POSITION

Continued activities show positive trend in declining market

Sales revenues of Germany's physical clothing retail stores declined by a strong 3.0 percent in the reporting period from December 2016 to August 2017 (previous year: -1.7 percent; source Textilwirtschaft 36_2017). By contrast, revenues from Ahlers' continued activities remained stable at EUR 179.4 million during the same period (previous year: EUR 179.4 million). Adjusted for the effects of later deliveries and the growing consignment business, continued activities showed the same trend as in the first six months and continued to grow against the market trend. The biggest contribution to the robust revenue trend was made by Pioneer Authentic Jeans as well as the Baldessarini and Pierre Cardin premium brands.

Group revenues decline due to discontinued activities

The activities of Gin Tonic and business with the last remaining private label customer were discontinued in the previous year. This resulted in a planned reduction of EUR 4.8 million in sales revenues in the reporting period. The Group's total revenues in the nine-month period 2016/17 declined by the same amount or 2.6 percent from EUR 184.5 million in the prior year period to EUR 179.7 million.

Gap in revenues expected to be closed in Q4 2017

The shortfall in revenues compared to the prior year, which was caused by the later deliveries and the shift towards the consignment business, should be made up for swiftly in the fourth quarter of 2017. Half of the delayed sales revenues were offset already in September. Moreover, the growing consignment business should strengthen revenues in the last three months of the year.

Premium brands report growing revenues

Sales revenues of the three premium brands – Baldessarini, Pierre Cardin and Otto Kern – increased by 0.3 percent or EUR 0.4 million to EUR 126.1 million in the reporting period (previous year: EUR 125.7 million). Both Baldessarini and Pierre Cardin contributed to this positive performance, which was better than the market trend. Baldessarini recorded strong growth in Germany (+4.8 percent) and was able to win market shares. Pierre Cardin primarily increased its revenues in Poland and the Baltic states (+3.8 percent altogether) as well as in Russia and Ukraine (+9.1 percent altogether). The Premium segment's share in total revenues climbed from 68 percent in the previous year to 70 percent.

SALES REVENUES BY SEGMENTS

EUR million		Q1-Q3 2016/17	Q1-Q3 2015/16	Change in %
Premium Brands*		126.1	125.7	0.3
Jeans, Casual & Workwear	Overall	53.6	58.8	-8.8
	Continued activities **	53.3	53.7	-0.7
Total	Overall	179.7	184.5	-2.6
Total	Continued activities **	179.4	179.4	0.0

* incl. „miscellaneous“ EUR 0.3 million (previous year: EUR 0.3 million)

** adjusted for the discontinued activities Gin Tonic and Private Label

Continued brands of the Jeans, Casual & Workwear segment grow; later deliveries translate into lower revenues

The continued brands in the Jeans, Casual & Workwear segment – Pioneer Authentic Jeans, Pionier Jeans & Casuals, Pionier Workwear and Jupiter – increased their revenues in the first nine months of fiscal 2016/17 adjusted for the effects of the later deliveries and the shifts in business. At EUR 53.3 million, revenues from continued activities in non-adjusted terms were slightly below the previous year's EUR 53.7 million (EUR -0.4 million or -0.7 percent). Especially Pioneer Authentic Jeans and Pionier Jeans & Casuals recorded gratifying growth and boosted their revenues by 5.9 percent, both in Germany and in the international markets. The planned decline in revenues from discontinued activities (Gin Tonic and private label) by EUR 4.8 million sent revenues in the Jeans, Casual & Workwear segment falling by EUR 5.2 million from EUR 58.8 million to EUR 53.6 million (-8.8 percent). As a result, the segment's share in total revenues dropped from 32 to 30 percent.

E-commerce grows strongly and recovers from start-up phase following change of service provider

After the redesign of the online shops and the change of the service provider in autumn of the previous year, sales revenues have increasingly picked up following the start-up phase in the first half of the year. While revenues remained stable in Q1 2016/17, they increased by 13 percent in Q2 and by as much as 24 percent in the third quarter. This is equivalent to an average growth rate of 11 percent for the first nine months of the fiscal year 2016/17. The company's own Retail segment recorded an increase by 1.7 percent during the same period. Like-for-like revenues were almost on a par with the previous year. The Retail segment's share in total revenues rose moderately to 12.6 percent (previous year: 12.1 percent).

EARNINGS POSITION

Revenue effect results in reduced earnings in spite of higher gross profit margin

Due to the non-recurrence of low-margin business and reduced discounts, the gross profit margin climbed by 0.8 percentage points from 50.8 percent to 51.6 percent. As the improved gross profit margin only partly offset the effect of lower revenues (-2.6 percent) on gross profit, the latter declined by 1.1 percent or EUR 1.0 million from EUR 93.7 million to EUR 92.7 million. Personnel expenses dropped by EUR 0.3 million or 0.8 percent, primarily due to the discontinuation of the activities of Gin Tonic in the previous year. By contrast, other operating expenses increased by EUR 0.9 million (2.1 percent) due to increased marketing expenses, primarily in the e-commerce segment, and higher distribution costs. The effect of revenues on gross profit and the increased operating expenses sent EBITDA falling by EUR 1.6 million to EUR 10.9 million (-12.8 percent).

Since the introduction of an enterprise resource planning (ERP) system in parts of the Group, capitalised costs have been written off systematically; as a result, depreciation/amortisation increased by EUR 0.4 million to EUR 4.2 million (previous year: EUR 3.8 million). Extraordinary expenses showed a downward trend in the reporting period and declined from EUR 0.7 million in the prior year period to EUR 0.4 million. As in the previous year, they primarily included costs for severance payments to employees and contract cancellations. The financial result was more or less on a par with the previous year and – like income taxes – was not influenced by special effects. At 29.3 percent of the result before taxes, the tax ratio was slightly lower than in the previous year (32.0 percent). In the first nine months of 2016/17, consolidated earnings after taxes declined by 19.6 percent or EUR 1.0 million from EUR 5.1 million to EUR 4.1 million, primarily because of the effect of revenues on gross profit.

EARNINGS POSITION

EUR million	Q1-Q3 2016/17	Q1-Q3 2015/16	Change in %
Sales	179.7	184.5	-2.6
Gross profit	92.7	93.7	-1.1
in % of sales	51.6	50.8	
Personnel expenses *	-38.2	-38.5	0.8
Balance of other expenses/income *	-43.6	-42.7	-2.1
EBITDA *	10.9	12.5	-12.8
Depreciation and amortisation	-4.2	-3.8	-10.5
EBIT *	6.7	8.7	-23.0
Special effects	-0.4	-0.7	42.9
Financial result	-0.5	-0.5	0.0
Earnings before taxes	5.8	7.5	-22.7
Income taxes	-1.7	-2.4	29.2
Consolidated net income for the year	4.1	5.1	-19.6

* before special effects

Segment results

While sales revenues went up and the gross profit margin slightly increased, earnings of the Premium segment were influenced by higher distribution costs and marketing expenses, primarily in the e-commerce segment. Marketing spend was increased primarily for Pierre Cardin and Baldessarini in the first nine months of fiscal 2016/17. The Premium segment's earnings before special effects declined by EUR 1.1 million from EUR 5.7 million to EUR 4.6 million.

The discontinuation of the low-margin private label and Gin Tonic business sent the gross profit margin of the Jeans, Casual & Workwear segment rising by 1.5 percentage points in the reporting period. Personnel expenses and other operating expenses were reduced by 5.6 percent. Both effects were insufficient, however, to offset the revenue-related decline in gross profit. As a result, earnings of the Jeans, Casual & Workwear segment dropped by EUR 0.9 million from EUR 3.0 million to EUR 2.1 million.

EBIT before special effects by segments

Mio. EUR	Q1-Q3 2016/17	Q1-Q3 2015/16	Change in %
Premium Brands	4.6	5.7	-19.3
Jeans, Casual & Workwear	2.1	3.0	-30.0
Total	6.7	8.7	-23.0

FINANCIAL AND NET WORTH POSITION

Equity ratio of 54 percent reflects solid financial position

At 53.9 percent, the equity ratio again stood at a high level on the reporting date and was slightly below the previous year's 55.5 percent. On the one hand, the moderate decline is attributable to the earnings-related reduction in equity capital; on the other hand, total assets were EUR 2.1 million higher than on the prior year reporting date (August 30, 2017: EUR 193.5 million). The increase in

total assets was primarily due to the investment in the new ERP system and the higher inventories. Due to the later deliveries and the growing consignment business, the company's stocks of finished goods exceeded the prior year level (EUR +4.4 million). By contrast, raw material stocks declined. Trade receivables dropped by EUR 1.6 million because of the lower revenues and partly offset the increased inventories. At slightly lower trade liabilities, net working capital rose by 2.8 percent or EUR 2.9 million to EUR 106.5 million.

Key management and financial indicators

		Q1-Q3 2016/17	Q1-Q3 2015/16
Sales	EUR million	179.7	184.5
Gross margin	in %	51.6	50.8
EBITDA*	EUR million	10.9	12.5
EBITDA-Margin*	in %	6.1	6.8
EBIT*	EUR million	6.7	8.7
EBIT-Margin*	in %	3.7	4.7
Net income	EUR million	4.1	5.1
Profit margin before taxes	in %	3.2	4.1
Profit margin after taxes	in %	2.3	2.7
Earnings per share			
common shares	EUR	0.27	0.34
preferred shares	EUR	0.32	0.39
Cash flow from operating activities	EUR million	-7.9	-5.7
Net Working Capital**	EUR million	106.5	103.6
Equity ratio	in %	53.9	55.5
Employees on key date		2,061	2,051

* before special effects

** Inventories, trade receivables and trade payables

2. POST BALANCE SHEET EVENTS

No events of special significance for the Group occurred between the end of the third quarter and the publication of the quarterly statement.

3. FORECAST REPORT

Market environment for clothing remains difficult – better trend in Eastern Europe

The good macroeconomic environment in Europe is likely to persist in the fourth quarter of 2017. Most economic institutes have recently even upgraded their GDP growth forecasts for the eurozone from 1.8 percent (June 2017 forecast; previous year: 1.7 percent; all figures Commerzbank Research

September 2017) to 2.2 percent. This also applies to Germany, whose gross domestic product is expected to grow by 2.0 percent (June 2017 forecast: 1.6 percent), which would be slightly below the eurozone average. In Germany and the other eurozone countries, domestic demand is expected to grow more or less in sync with the economy. Private consumption should thus make an important contribution to macroeconomic growth.

The German clothing retail sector has so far been unable to benefit from this good environment and recorded a 3.0 percent decline in sales revenues in the first nine months of our fiscal year, following a negative trend in the previous year (-1.7 percent). The situation in many Western European markets should be similar.

However, there are some signs of a slightly more positive trend for the fourth quarter of 2017 and the autumn/winter season in general. The early change towards more autumnal temperatures in September has led to an early start of the autumn/winter season. As a result, our own sales figures and those of the physical retail stores in general picked up notably in the first weeks of September. As the comparative figures for the previous year were also low, the next months could see at least stable figures for physical clothing retail sector.

Revenue forecast confirmed: Growth of the continued brands will largely offset the discontinued activities

The Management Board projects growing revenues for the fourth quarter of 2017, as sales of autumn/winter merchandise have shifted from the third quarter to the fourth quarter. As a result, the Management Board expects the continued brands to grow by about 2 percent in the full year 2016/17. This should largely offset the shortfall in revenues resulting from the discontinued activities, with total revenues in fiscal 2016/17 expected to be more or less stable (previous year: EUR 237.8 million).

Earnings forecast unchanged: Earnings expected to grow moderately in FY 2016/17

The Management Board has confirmed the earnings forecast published in the annual report of the previous year, according to which consolidated earnings will grow moderately (previous year: EUR 2.5 million) in FY 2016/17. In anticipation of a higher gross profit margin, more or less stable revenues should lead to a largely stable gross profit. Other operating expenses are expected to be more or less on a par with the previous year, with extraordinary expenses expected to be lower than in the previous year.

Aiming for unchanged balance sheet structures and improved operating cash flow

The Management Board continues to attach high priority to a reduction in net working capital. At the end of fiscal 2016/17, inventories should be more or less back at the prior year level. Together with higher depreciation/amortisation than in the previous year and the anticipated moderate increase in earnings, this should lead to a significant improvement in cash flow from operating activities in the final quarter. The very solid structure of the balance sheet on November 30, 2017 should therefore change only little compared to the previous year or rather tend to improve.

Herford, October 2017

The Managing Board

Forward-looking statements

This report contains forward-looking statements, which are subject to a number of uncertainties that could cause actual results to differ materially from expectations of future developments should one or more of these uncertainties, whether specified or not, materialise or if any assumptions underlying the statements above prove to be incorrect.

BALANCE SHEET STRUCTURE

Assets	Aug 31, 2017		Aug 31, 2016	
	EUR million	in %	EUR million	in %
Property, plant and equipment and intangible assets	41.9	21.7	40.3	21.1
Other non-current assets	19.6	10.1	20.1	10.5
Deferred tax assets	1.1	0.6	1.0	0.5
Non-current assets	62.6	32.4	61.4	32.1
Inventories	79.5	41.1	75.3	39.3
Trade receivables	40.3	20.8	41.9	21.9
Other current assets	5.6	2.9	6.1	3.2
Cash and cash equivalents	5.5	2.8	6.7	3.5
Current assets	130.9	67.6	130.0	67.9
Total assets	193.5	100.0	191.4	100.0

Equity and liabilities	Aug 31, 2017		Aug 31, 2016	
	EUR million	in %	EUR million	in %
Equity	104.3	53.9	106.2	55.5
Pension provisions	4.1	2.1	4.3	2.2
Other non-current liabilities and provisions	21.9	11.3	30.2	15.8
Deferred tax liabilities	2.2	1.1	2.4	1.3
Non-current liabilities	28.2	14.5	36.9	19.3
Current income tax payables	1.1	0.6	1.7	1.0
Other current liabilities and provisions	59.9	31.0	46.6	24.2
Current liabilities	61.0	31.6	48.3	25.2
Liabilities	89.2	46.1	85.2	44.5
Total equity and liabilities	193.5	100.0	191.4	100.0

GROUP SEGMENT INFORMATIONS

as of August 31, 2017 (previous year as of August 31, 2016)

by geographic region	Premium Brands		Jeans, Casual & Workwear		Others		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
KEUR								
Germany								
Sales	58,950	60,131	36,482	39,731	275	286	95,707	100,148
Net assets	102,091	96,978	23,579	26,482	18,275	18,296	143,945	141,756
Western Europe								
Sales	36,383	36,371	11,881	13,979	-	-	48,264	50,350
Net assets	12,863	12,215	8,418	9,515	-	-	21,281	21,730
Central-/ Eastern Europe/ Other								
Sales	30,462	28,922	5,218	5,088	-	-	35,680	34,010
Net assets	20,731	20,866	5,092	4,859	15	15	25,838	25,740

Financial calendar

Interim statement Q3 2016/17	October 11, 2017
Analysts' conference in Frankfurt am Main	October 12, 2017
Annual accounts press conference	February 28, 2018
Interim statement Q1 2017/18	April 11, 2018
Annual Shareholders' Meeting in Düsseldorf	April 24, 2018
Half-year report 2017/18	July 11, 2018
Interim statement Q3 2017/18	October 10, 2018

Ahlers AG

- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- is family-run in the third generation by Dr. Stella A. Ahlers
- is one of the biggest listed European manufacturers of menswear
- produces fashion under different brands, tailored to its respective target groups
- generates 70 percent of its sales revenues from premium brands
- manufactures one third of the production volume in its own factories
- produces 7,000,000 fashion items per year
- employs some 2,000 people
- generates 13 percent of its sales revenues from its own Retail activities

The brands



BALDESSARINI



OTTO KERN



JUPITER®

AHLERS AG

Investor Relations
Elverdisser Str. 313
D-32052 Herford
Germany

Phone +49 5221 979-211
Fax +49 5221 979-215
investor.relations@ahlers-ag.com
www.ahlers-ag.com

ISIN DE0005009708 and DE0005009732