



AHLERS AG

QUARTERLY STATEMENT Q3 2017/18

(December 1, 2017 to August 31, 2018)

PERFORMANCE IN THE FIRST NINE MONTHS OF THE FISCAL YEAR 2017/18

Q3 2017/18 - Highlights

- Trend of declining suit and jacket sales continued from the first six months.
Group sales revenues down by 6.5 percent to EUR 168.0 million
- Robust, slightly higher jeans sales at Pierre Cardin and Pioneer Authentic Jeans in the first nine months of 2017/18
- Own Retail revenues climb 2.1 percent due to takeover of Russian stores
- Lower revenues send consolidated earnings falling by EUR 3.9 million despite reduced operating expenses
- Equity ratio of 52 percent reflects solid financial position
- Supervisory Board and Management Board decided comprehensive set of measures aimed at a sustainable improvement in earnings in the medium term
- Full-year forecast: slightly better revenue trend than in the first nine months of 2017/18 (-6.5 percent).
Slightly negative EBIT before one-time effects (previous year: EUR +3.5 million).
Consolidated earnings adversely affected by one-time expenses of approx. EUR 5 million

Dr. Stella A. Ahlers, CEO of Ahlers AG, on the set of measures:

“In the rapidly changing market, we want to join forces and concentrate on our core business and our core brands Baldessarini, Otto Kern, Pierre Cardin and Pioneer. In order to respond to the major challenges of progressive digitization and online commerce, we need strong brands and agile structures. For this reason, our goal in the planned measures is to streamline our organization and reduce the complexity in the company”, this is how CEO Dr. Stella A. Ahlers describes the set of measures adopted by the Management Board and the Supervisory Board in September 2018. The sportswear activities by the Jupiter brand will be discontinued. Moreover, Ahlers will completely focus on menswear fashion in the future.

Part of the logistic operations will be relocated to Poland starting mid-2019. A total of 130 employees will be affected by these measures, thereof 100 in Germany and 30 in Poland. “We will continue our wholesale strategy in the physical stores and online with the core brands” says Dr. Stella A. Ahlers. E-commerce will continue to focus on multi-brand e-commerce retailers.

1. EARNINGS, FINANCIAL AND NET WORTH POSITION

Revenues in first nine months of 2017/18 influenced by declining sales of suits and sportswear

The slow sales of suits and jackets continued in Q3 2017/18 from June to August and had a material impact on the revenue trend. Influenced by casualisation and consistently high summer temperatures, this trend sent sales revenues falling by a total of EUR 7.2 million. With deliveries more effectively adjusted to the season and consignment business on the increase, revenues in an additional amount of EUR 1.6 million were shifted from the third to the fourth quarter of 2017/18. Sales were additionally dampened by the difficult market situation in Russia and Ukraine. In Russia new US sanctions adversely affected the rouble exchange rate and, hence, consumers' purchasing power. Revenues in these markets declined by roughly 22 percent (EUR -1.7 million). Between them, these factors sent the Group's sales revenues in the first nine months of the current fiscal year falling by a total of EUR 11.7 million or 6.5 percent to EUR 168.0 million.

Robust revenue trend at Pierre Cardin and Pioneer Jeans

Pierre Cardin recorded robust and slightly higher jeans sales, with revenues up by 1.2 percent. Pioneer Authentic Jeans achieved sales on a par with the previous year and was particularly successful in the home market, where revenues picked up by 1.0 percent.

Positive developments for the premium brands in certain regions

The difficult sales of suits and jackets and the tight market situation in Russia and Ukraine primarily affected the revenues of the Baldessarini and Pierre Cardin premium brands. By contrast, the premium brands were able to record some successes in important Western European markets such as France (segment revenues +3.8 percent), the Netherlands (+9.8 percent) and Switzerland (+6.8 percent). The positive regional developments were insufficient to offset the downward overall trend, though. Total segment revenues declined by 6.5 percent or EUR 8.2 million to EUR 117.9 million in the reporting period (previous year: EUR 126.1 million). At 70 percent, the Premium segment's share in total revenues remained unchanged from the previous year.

Jeans, Casual & Workwear segment: revenues of Pioneer Authentic Jeans on a par with previous year; drop in total segment revenues

In the Jeans, Casual & Workwear segment, revenues of Pioneer Authentic Jeans in the first nine months of 2017/18 were on a par with the previous year. Adjusted for the shift in deliveries, the brand's revenues increased by 0.8 percent, with growth recorded primarily in Germany (+1.0 percent), Poland (+7.9 percent) and Switzerland (+14.7 percent). Pioneer Workwear's revenues were more or less on a par with the previous year, whereas revenues of Jupiter declined in particular. As a result, total revenues in the Jeans, Casual & Workwear segment dropped by EUR 3.5 million from EUR 53.6 million to EUR 50.1 million (-6.5 percent). At 30 percent, the segment's share in total revenues remained unchanged from the previous year.

Sales revenues by segments

EUR million	Q1-Q3 2017/18	Q1-Q3 2016/17	Change in %
Premium Brands*	117.9	126.1	-6.5
Jeans, Casual & Workwear	50.1	53.6	-6.5
Total	168.0	179.7	-6.5

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

Own Retail revenues pick up due to takeover of Russian stores

Sales revenues in the company's own Retail segment increased by 2.1 percent in the first nine months of the fiscal year 2017/18. This was primarily attributable to the takeover of Russian stores by Ahlers RUS. Own Retail revenues thus accounted for 13.7 percent of total revenues (previous year: 12.6 percent). Like-for-like revenues were down by 4.3 percent on the prior year period.

EARNINGS POSITION

Lower revenues send earnings declining in spite of reduced operating expenses

Due to higher returns and merchandise write-downs, the gross profit margin declined by a moderate 0.6 percent from 51.6 percent to 51.0 percent in the reporting period. But the drop in revenues was the main reason why gross profit fell by EUR 7.1 million or 7.7 percent from EUR 92.7 million to EUR 85.6 million. As planned, personnel expenses increased by EUR 0.2 million due to the start up of the Russian joint venture, Ahlers RUS. The balance of other operating expenses and income was reduced by EUR 1.8 million or 4.1 percent, primarily due to lower variable selling expenses and the sale of works of art in the second quarter of 2018. This and slightly lower write-downs sent operating expenses falling by EUR 1.8 million or 2.1 percent compared to the same period of the previous year. While the reduced expenses dampened the effect of the lower revenues on gross profit, it was not offset in full. As a result, EBITDA and EBIT before one-time effects dropped by 51 percent and 79 percent, respectively, in the reporting period. At EUR 0.4 million, extraordinary expenses remained unchanged from the prior year period. They included the cost of severance payments to employees and the cancellation of contracts as well as the cost of store closures, which were reduced by the proceeds from the sale of a piece of land in Sri Lanka. The financial result was more or less on a par with the previous year. Consolidated earnings after taxes declined by EUR 3.9 million from EUR 4.1 million to EUR 0.2 million in the first nine months of 2017/18 due to the lower revenues.

Earnings position

EUR million	Q1-Q3 2017/18	Q1-Q3 2016/17	Change in %
Sales	168.0	179.7	-6.5
Gross profit	85.6	92.7	-7.7
in % of sales	51.0	51.6	
Personnel expenses *	-38.4	-38.2	-0.5
Balance of other expenses/income *	-41.8	-43.6	4.1
EBITDA *	5.4	10.9	-50.5
Depreciation and amortisation *	-4.0	-4.2	4.8
EBIT *	1.4	6.7	-79.1
One-time effects	-0.4	-0.4	
Financial result	-0.6	-0.5	-20.0
Earnings before taxes	0.4	5.8	-93.1
Income taxes	-0.2	-1.7	88.2
Consolidated net income for the year	0.2	4.1	-95.1

* before one-time effects

SEGMENT RESULTS

The variable selling expenses of the three premium brands, Baldessarini, Pierre Cardin and Otto Kern, were reduced by 11.4 percent. However, this was insufficient to fully offset the effect of the lower revenues on gross profit. At -0.4 percentage points, the gross profit margin was slightly lower than in the previous year. The reduced revenues of the premium brands thus were the main reason for the much lower segment result. The result of the premium brands including "Miscellaneous" declined by EUR 3.8 million from EUR 4.6 million to EUR 0.8 million.

With the gross profit margin down by a moderate -0.9 percentage points and the cost structure similar to that of the previous year, the result of the Jeans, Casual & Workwear segment, which comprises Pioneer Authentic Jeans, Pionier Jeans & Casuals, Pionier Workwear and Jupiter, was also materially influenced by the effect of lower revenues and fell by EUR 1.5 million from EUR 2.1 million to EUR 0.6 million.

EBIT before one-time effects by segments

EUR million	Q1-Q3 2017/18	Q1-Q3 2016/17	Change in %
Premium Brands *	0.8	4.6	-82.6
Jeans, Casual & Workwear	0.6	2.1	-71.4
Total	1.4	6.7	-79.1

* incl. „miscellaneous“ EUR 0.6 million (previous year: EUR 0.0 million)

FINANCIAL AND NET WORTH POSITION

Stable, unchanged financial situation with similar balance sheet structures

Both fixed assets and current assets were on a par with the previous year as of the reporting date. As a result, total assets, at EUR 193.8 million, were also on a par with the prior year reporting date (August 31, 2017: EUR 193.5 million). At EUR 84.7 million, the company's inventories exceeded the previous year's EUR 79.5 million as of the reporting date due to higher stocks of autumn/winter merchandise and of old merchandise (EUR +2 million and EUR +3 million, respectively). The sales-related decline in trade receivables (EUR -3.4 million) and the increase in trade payables (EUR +4.4 million), which was due to improved payment terms, reduced the financial resources tied up in net working capital by EUR 2.5 million. At 51.8 percent, the equity ratio stayed at a high level but was slightly lower than the previous year's 53.9 percent. The moderate decline is attributable to the lower equity capital (EUR -3.9 million), which is due to the reduced result. At EUR 47.1 million, net liabilities changed only little as of the reporting date (previous year: EUR 46.3 million).

Key management and financial indicators

		Q1-Q3 2017/18	Q1-Q3 2016/17
Sales	EUR million	168.0	179.7
Gross margin	in %	51.0	51.6
EBITDA *	EUR million	5.4	10.9
EBITDA-Margin *	in %	3.2	6.1
EBIT *	EUR million	1.4	6.7
EBIT-Margin *	in %	0.8	3.7
Net income	EUR million	0.2	4.1
Earnings per share	in EUR	0.02	0.30
Cash flow from operating activities	EUR million	-11.0	-7.9
Net Working Capital **	EUR million	104.0	106.5
Equity ratio	in %	51.8	53.9
Employees on key date ***		2,154	2,061

* before one-time effects

** Inventories, trade receivables and trade payables

*** Increase mainly caused by Ahlers RUS (+79 employees)

2. POST BALANCE SHEET EVENTS

After the end of the third quarter, on September 13, 2018, the Management Board and the Supervisory Board adopted a comprehensive set of measures. Apart from this, no other events of special significance for the Group occurred between the end of the first nine months and the publication of the quarterly statement.

3. FORECAST

Market environment for apparel remains difficult

Most economic institutes project a GDP growth rate of 2.0 percent for the eurozone in 2018 (all forecasts Commerzbank Research August 2018). This means that the economic upswing in the eurozone continues, albeit a bit more slowly than in the previous year (2.5 percent GDP growth). Private consumption remains an important driver of the good economic trend, as it benefits from growing employment (jobless rate of 8.2 percent projected for the eurozone in 2018; previous year: 9.1 percent) and pay rises. This leads to real purchasing power growth and a good sentiment among consumers. Germany's physical clothing stores will probably not benefit from this trend and again record falling sales revenues. In the first nine months of the fiscal year 2017/18, sales revenues of the physical clothing stores declined. Moreover, the warm temperatures prevailing well into September delayed the sales start of the autumn/winter merchandise.

Revenue forecast for 2017/18

Sales revenues in the last three months of the current fiscal year should benefit from the shift in revenues from the third to the fourth quarter as well as from the growing consignment business. Revenues should thus show a more moderate trend than in the previous months. The Management Board therefore expects the revenue trend for the full year 2017/18 to be slightly better in percentage terms than for the first nine months (-6.5 percent; total revenues in 2016/17: EUR 235.9 million).

High one-time expenses for the set of measures aimed at improving the result will weigh on consolidated earnings in the current fiscal year

In the full fiscal year 2017/18, the gross profit margin should be more or less on a par with the previous year. Operating expenses are unlikely to increase in the last three months of 2018. Consequently, full-year EBIT before one-time effects are expected to be slightly negative (previous year: EUR +3.5 million) due to the impact of lower revenues on gross profit. One-time expenses of approx. EUR 5 million will be incurred in the fiscal year 2017/18, which will primarily be related to the set of measures adopted and will have an adverse effect on consolidated earnings.

Balance sheet structures expected to remain largely unchanged

The Management Board expects the balance sheet structures at the end of the fiscal year to be similar to those of the previous year. Net working capital should be more or less stable, with slightly lower receivables and somewhat higher stocks of old merchandise from the summer season. As fixed assets will hardly change at all, total assets should also be on a par with the previous year. Due to the anticipated negative result, equity capital and operating cash flow will decline. Due to the result of the fiscal year 2017/18, the company will probably not pay out a dividend.

Herford, October 2018

The Management 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, 2018		Aug. 31, 2017	
	EUR million	in %	EUR million	in %
Property, plant and equipment and intangible assets	42.7	22.0	41.9	21.7
Other non-current assets	18.9	9.8	19.6	10.1
Deferred tax assets	1.2	0.6	1.1	0.6
Non-current assets	62.8	32.4	62.6	32.4
Inventories	84.7	43.7	79.5	41.1
Trade receivables	36.9	19.0	40.3	20.8
Other current assets	4.8	2.5	5.6	2.9
Cash and cash equivalents	4.6	2.4	5.5	2.8
Current assets	131.0	67.6	130.9	67.6
Total assets	193.8	100.0	193.5	100.0

Equity and liabilities	Aug. 31, 2018		Aug. 31, 2017	
	EUR million	in %	EUR million	in %
Equity	100.4	51.8	104.3	53.9
Pension provisions	3.7	1.9	4.1	2.1
Other non-current liabilities and provisions	23.3	12.0	21.9	11.3
Deferred tax liabilities	1.7	0.9	2.2	1.1
Non-current liabilities	28.7	14.8	28.2	14.5
Current income tax payables	0.6	0.3	1.1	0.6
Other current liabilities and provisions	64.1	33.1	59.9	31.0
Current liabilities	64.7	33.4	61.0	31.6
Liabilities	93.4	48.2	89.2	46.1
Total equity and liabilities	193.8	100.0	193.5	100.0

GROUP SEGMENT INFORMATION

as of August 31, 2018 (previous year: August 31, 2017)

by geographic

region	Premium Brands		Jeans, Casual & Workwear		Others		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
KEUR								
Germany								
Sales	55,181	58,950	35,168	36,482	247	275	90,596	95,707
Net assets	98,651	102,091	23,678	23,579	18,223	18,275	140,552	143,945
Western Europe								
Sales	35,866	36,383	10,349	11,881	-	-	46,215	48,264
Net assets	14,169	12,863	7,692	8,418	-	-	21,861	21,281
Central-/ Eastern Europe/ Other								
Sales	26,549	30,462	4,605	5,218	-	-	31,154	35,680
Net assets	24,488	20,731	4,762	5,092	13	15	29,263	25,838

Financial calendar

Quarterly statement Q3 2017/18	October 10, 2018
Analysts' conference in Frankfurt am Main	October 11, 2018
Annual accounts press conference	February 28, 2019
Quarterly statement Q1 2018/19	April 10, 2019
Annual Shareholders' Meeting in Düsseldorf	April 17, 2019
Half-year report 2018/19	July 10, 2019
Quarterly statement Q3 2018/19	October 14, 2019

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 several 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 approx. 13 percent of its sales revenues from its own Retail activities

The brands



BALDESSARINI



OTTO KERN



JUPITER®