PRESS RELEASE

July 11, 2018

- **Consolidated revenues drop 5.5 percent to EUR 110.8 million due to declining suit and jacket sales as well as order cancellations of two Eastern European customers**
- **Denim revenues of Pierre Cardin and Pioneer Authentic Jeans show positive trend in first half of 2017/18 and pick up by 2.8 and 2.2 percent, respectively**
- **Consolidated net income declines by EUR 1.3 million in H1 2017/18 due to lower revenues in spite of slightly better gross profit margin and reduced operating expenses**
- **Solid financial position underpinned by equity ratio of 55 percent and improved operating cash flow**
- **Ahlers RUS takes up activity**
- **Ahlers starts successfully with the new ERP software (Enterprise Resource Planning)**
- **Revised forecast for the full year: expectation of slightly better revenue trend in second half-year compared to first six months (-5.5 percent) and consolidated net income close to break-even point**

Robust jeans sales

Jeans revenues generated by Pierre Cardin and Pioneer Authentic Jeans increased by 2.8 and 2.2 percent, respectively, in the first half of the year. Both brands were particularly successful in Germany and Switzerland. This very good performance was offset by declining stock sales of suits and outdoor jackets, which were responsible for three fourth of the total drop in revenues. Sales to the remaining customers in Russia and Ukraine picked up moderately (EUR +0.2 million), but this growth was more than offset by the revenues lost as a result of the orders cancelled by the two major customers (EUR -1.8 million). Consequently, total sales revenues were down by EUR 1.6 million on the previous year. Consolidated sales revenues dropped by EUR 6.5 million or 5.5 percent from EUR 117.3 million to EUR 110.8 million in the first six months of 2017/18.

Revenue effect the main reason for lower earnings

Due to reduced procurement costs, the gross profit margin increased by a moderate 0.9 percentage points to 50.4 percent in the first half of 2017/18. This dampened the revenue effect on gross profits, which nevertheless fell by EUR 2.2 million from EUR 58.0 million to EUR 55.8 million. Operating expenses, which comprise personnel expenses and other operating expenses as well as depreciation/amortisation, declined by EUR 0.3 million or 0.5 percent to EUR 55.8 million (previous year: EUR 56.1 million), mainly due to reduced sales agent commissions. At EUR 0.8 million or 2.9 percent,

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the reduction in operating expenses was particularly pronounced in the second quarter of 2017/18. Essentially due to the revenue effect consolidated net income dropped by EUR 1.3 million to EUR -0.4 million (previous year: EUR 0.9 million).

Improved operating cash flow through lower net working capital

The measures taken to reduce the net working capital are beginning to take effect. More precise order processes helped to reduce raw material stocks by EUR 0.8 million compared to the previous year. Improved payment conditions led to increased trade payables (+ EUR 6.5 million), thus reducing the financial resources tied up in net working capital. Stocks of finished goods increased as a result of lower sales, whereas trade receivables declined. On balance, net working capital declined noticeably by 6.7 percent or EUR 6.2 million to EUR 85.9 million. This greatly helped to improve operating cash flow by EUR 0.2 million.

Ahlers RUS takes up activity

Our joint venture in Russia took up operations with effect from March 1, 2018. After obtaining the approval for the acquisition of the shares from the competent authorities Ahlers now holds the planned 60 percent stake. The joint venture is responsible for the wholesale business of Pierre Cardin and Pioneer and operates eleven Pierre Cardin stores in Russia. The remaining 40 percent of the shares are held by a long-standing business partner of Ahlers AG.

Ahlers starts successfully with the new ERP software (Enterprise Resource Planning)

Powerful and future-proof: The fully integrated, internationally deployable ERP business application Microsoft Dynamics AX in combination with the industry solution Apparel & Textile from Porini has successfully passed through the first complete cycle from product development to returns processing for the Jupiter brand since its launch in the summer of 2016. A goal of the conversion to Dynamics AX is a unification of the different processes. This will make Ahlers scalable and future-proof, as the flexible software offers enough leeway for company, market or country-specific differentiation. Every six months, the new system is to be introduced to the other brands.

Forecast for 2017/18

Given that some Eastern European customers did not accept the deliveries of summer merchandise, orders placed by these customers were cancelled also for the coming autumn/winter season. Moreover, the Management Board expects suit sales to continue to decline. On balance, sales revenues are therefore likely to show a downward trend in the second half of 2018, which should be slightly better than the trend of the first six months (-5.5 percent). Ahlers is currently implementing various restructuring and cost-cutting measures, for example in logistics, to make processes more efficient and faster. In addition, the gross profit margin should increase in the second half of the year because procurement costs could be reduced. Cost discipline remains a top priority. Consequently, the result of the second half-year should not be much lower than in the same period of the previous year (EUR 1.0 million). Mainly because of the development of the first half of the year consolidated net income for 2017/18 should be close to break-even point, which would be clearly below the previous year's EUR 1.9 million.

Summary of Ahlers Group figures:

		HY 2017/18	HY 2016/17	Change
Sales	EUR million	110.8	117.3	-5.5%
EBITDA	EUR million	2.7	4.2	-35.7%
Consolidated net income	EUR million	-0.4	0.9	n.a.
Net Working Capital*	EUR million	85.9	92.1	-6.7%
Cashflow from operating activities	EUR million	-0.8	-1.0	20%
Equity ratio	in %	55.3	57.0	-1.7 PP

*Inventories, trade receivables and trade payables

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