AHLERS AG

QUARTERLY STATEMENT Q3 2018/19

(December 1, 2018 to August 31, 2019)

PERFORMANCE IN THE FIRST NINE MONTHS OF THE FISCAL YEAR 2018/19

Q3 2018/19 - Highlights

- Q3 earnings before taxes (June to August 2019) increase noticeably to EUR 2.2 million (previous year: EUR 0.9 million)
- Q3 revenues down 5.1 percent as expected, especially due to the discontinuation of activities;
  Nine-month revenues also 5.0 percent below previous year
- Own Retail revenues up 4.9 percent; e-commerce revenues up 16.5 percent
- Consolidated earnings for the first nine months of 2018/19 doubled to EUR 0.4 million
- Equity ratio rises sharply to 59 percent (previous year: 51 percent)
- Revenues, earnings and cash flow at the upper end of the expectations at the nine-month stage.
  Full-year forecast confirmed.

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

"After the first nine months of fiscal 2018/19, our business performance is at the upper end of our expectations. Especially the third quarter from June to August 2019 shows that we have initiated the right steps. The efficiency-enhancing measures are taking effect and costs have been reduced significantly. Although we have lost revenues because of the discontinuation of activities, costs have declined more strongly, which means higher earnings at the bottom line. At the same time, our business has become less complex and, hence, easier to control. Baldessarini, Pierre Cardin and Pioneer must grow again. Pre-sales for the next spring/summer season 2020 are showing an upward trend for the continued activities and encourage us to pursue the course we have taken with determination. Our primary goal is to generate profitable growth."

1. EARNINGS, FINANCIAL AND NET WORTH POSITION

Q3 PERIOD FROM JUNE TO AUGUST 2019

Q3 earnings before taxes increase noticeably to EUR 2.2 million (previous year: EUR 0.9 million)

The Group's Q3 revenues dropped by 5.1 percent or EUR 2.9 million to EUR 54.3 million, mainly due to the discontinuation of activities. While the gross profit margin had declined in the first six months of the fiscal year 2018/19, it stood at 51.9 percent in the third quarter of 2019, which was more or less on a par with the previous year (52.1 percent). Thanks to the efficiency-enhancing measures and reduced extraordinary expenses, operating expenses were reduced by EUR 2.4 million or 8.5 percent, which clearly offset the revenue effect on gross profit. Q3 earnings before taxes thus rose sharply to EUR 2.2 million (+144 percent; previous year: EUR 0.9 million). Consolidated earnings after taxes increased by EUR 1.5 million to EUR 2.1 million (previous year: EUR 0.6 million).

EARNINGS POSITION Q3 2018/19

EUR million	**Q3 2018/19**	**Q3 2017/18**	Change in %
Sales	**54.3**	**57.2**	**-5.1**
Gross profit	28.2	29.8	-5.4
in % of sales	51.9	52.1	
Personnel expenses *	-11.8	-12.8	7.8
Balance of other expenses/income *	-13.0	-14.2	8.5
EBITDA *	**3.4**	**2.8**	**21.4**
Depreciation and amortisation *	-1.2	-1.4	14.3
EBIT *	**2.2**	**1.4**	**57.1**
One-time effects	0.2	-0.3	n.a.
Financial result	-0.2	-0.2	0.0
Earnings before taxes	**2.2**	**0.9**	**144.4**
Income taxes	-0.1	-0.3	66.7
Consolidated net income for the year	**2.1**	**0.6**	**>200.0**

* before one-time effects

Q1 TO Q3 2018/19 FROM DECEMBER 2018 TO AUGUST 2019

Declining revenues due to the discontinuation of activities

Revenues in the first nine months of fiscal 2018/19 declined by 5.0 percent or EUR 8.4 million to EUR 159.6 million (previous year: EUR 168.0 million) mainly due to the discontinuation of activities. Nine-month revenues in Germany and Western Europe were down by 6.2 percent each to EUR 84.9 million and EUR 43.3 million, respectively (previous year: EUR 90.6 million and EUR 46.2 million, respectively). Sales revenues in the Eastern Europe region increased by a moderate 0.6 percent to EUR 31.3 million (previous year: EUR 31.2 million) primarily because of growing revenues in the important Russian and Polish markets.

Own Retail revenues and e-commerce revenues pick up

The revenues generated by the company's own Retail segment increased by 4.9 percent, mainly because of the takeover of Russian stores by Ahlers RUS. Own Retail revenues thus accounted for 14.9 percent of total revenues (previous year: 13.7 percent). Like-for-like revenues were down by a moderate 1.1 percent on the prior year period. E-commerce revenues rose by an impressive 16.5 percent in the nine-month period.

Robust revenue growth for jeans from Baldessarini, Pierre Cardin and Pioneer

Revenues from the sale of jeans, a key product of the company, showed robust growth. Jeans sales of the Baldessarini premium brand rose by 3.7 percent. Pierre Cardin increased its denim sales by 0.7 percent, and sales of Pioneer men's jeans also picked up by 1.0 percent.

EARNINGS POSITION Q1 TO Q3 2018/19

EUR million	Q1-Q3 2018/19	Q1-Q3 2017/18	Change in %
Sales	**159.6**	**168.0**	**-5.0**
Gross profit	79.5	85.6	-7.1
in % of sales	49.8	51.0	
Personnel expenses *	-36.3	-38.4	5.5
Balance of other expenses/income *	-38.8	-41.8	7.2
EBITDA *	**4.4**	**5.4**	**-18.5**
Depreciation and amortisation *	-3.6	-4.0	10.0
EBIT *	**0.8**	**1.4**	**-42.9**
One-time effects	0.2	-0.4	n.a.
Financial result	-0.5	-0.6	16.7
Earnings before taxes	**0.5**	**0.4**	**25.0**
Income taxes	-0.1	-0.2	50.0
Consolidated net income for the year	**0.4**	**0.2**	**100.0**

* before one-time effects

Consolidated earnings doubled thanks to cost-cutting measures

The efficiency-enhancing measures sent personnel expenses falling by EUR 2.1 million or 5.5 percent to EUR 36.3 million in the first nine months of fiscal 2018/19. The balance of operating expenses and income declined even more strongly by EUR 3.0 million or 7.2 percent to EUR 38.8 million. This was mainly due to reduced marketing expenses for discontinued activities, lower spending on consulting and temporary labour as well as to other operating income of EUR 0.4 million from the sale of works of art (previous year: EUR 0.6 million). This and lower write-downs (EUR -0.4 million) sent operating expenses falling by EUR 5.5 million or 6.5 percent compared to the same period of the previous year. The reversal of provisions that had been established in the previous year but were no longer needed led to positive one-time effects of EUR 0.2 million in the reporting period. Extraordinary expenses of EUR 0.4 million had been incurred in the previous year, primarily for store closures and severance payments. At EUR 0.5 million, financial expenses were slightly below the previous year's figure (EUR 0.6 million) due to a strong reduction in borrowings. The total reduction in expenses more than offset the drop in gross profit by EUR 6.1 million or 7.1 percent to EUR 79.5 million (previous year: EUR 85.6 million). As a result, consolidated earnings after taxes doubled at a low level to EUR 0.4 million.

SEGMENT RESULTS

Premium segment: Increased revenues for Baldessarini, reduced revenues for Pierre Cardin brand as a whole

Baldessarini grew its revenues by 0.3 percent, in Germany even by a strong 5.7 percent. The difficult sales of suits and jackets and the discontinuation of Pierre Cardin-Women had a strong impact on the Premium segment's revenues which fell by 4.7 percent. Total revenues of the three premium brands Baldessarini, Pierre Cardin and Otto Kern dropped by EUR 5.6 million from EUR 117.9 million to EUR 112.3 million. The Premium segment's share in total revenues remained stable at 70 percent in the reporting period.

The gross profit margin of the three premium brands, Baldessarini, Pierre Cardin and Otto Kern, was down by a moderate 0.9 percentage points on the previous year. Total operating expenses, including variable selling expenses, declined by 6.5 percent. These savings did not fully offset the revenue effect on gross profit. Earnings before one-time effects of the three premium brands dropped by EUR 0.2 million in the reporting period due to the lower revenues. The sale of works of art led to a result in the 'Other' segment of EUR +0.4 million (previous year: EUR +0.6 million). Earnings in the Premium segment (including 'Other') thus declined from EUR 0.8 million to EUR 0.4 million.

Jeans, Casual & Workwear segment: Increased revenues for Pioneer, reduced revenues for Jupiter Sportswear

In the Jeans, Casual & Workwear segment, sales revenues of Pioneer Authentic Jeans Men grew by a solid 1.0 percent. This was mainly due to a 1.0 percent increase in revenues in the DACH region and strong growth in Poland (+31 percent). The discontinuation of Jupiter Sportswear (-36 percent) had a major influence on the segment's revenues in 2018/19. Total revenues in the Jeans, Casual & Workwear segment dropped by EUR 2.8 million from EUR 50.1 million to EUR 47.3 million (-5.6 percent). At 30 percent, the segment's share in total revenues remained unchanged from the previous year.

Increased returns and price discounts reduced the gross profit margin of Pioneer Authentic Jeans, Pionier Jeans & Casuals, Pionier Workwear and Jupiter, which form part of the Jeans, Casual & Workwear segment, by 1.9 percentage points. The lower segment revenues accounted for a slightly higher share of the decline in gross profit. The sharp reduction in the cost structure (-7.8 percent) largely offset the drop in gross profit. Earnings in the Jeans, Casual & Workwear segment nevertheless declined moderately from EUR 0.6 million to EUR 0.4 million in the reporting period.

SALES REVENUES BY SEGMENTS

EUR million	Q1-Q3 2018/19	Q1-Q3 2017/18	Change in %
Premium Brands *	112.3	117.9	-4.7
Jeans, Casual & Workwear	47.3	50.1	-5.6
Total	**159.6**	**168.0**	**-5.0**

* incl. „miscellaneous" EUR 0.2 million (previous year: EUR 0.2 million)

EBIT before one-time effects by segments

EUR million	Q1-Q3 2018/19	Q1-Q3 2017/18	Change in %
Premium Brands *	0.4	0.8	-50.0
Jeans, Casual & Workwear	0.4	0.6	-33.3
Total	**0.8**	**1.4**	**-42.9**

* incl. „miscellaneous" EUR 0.4 million (previous year: EUR 0.6 million)

FINANCIAL AND NET WORTH POSITION

Strong increase in equity ratio and operating cash flow

Net working capital, which comprises inventories and trade receivables less trade payables, was reduced by a strong EUR 25.1 million or 24.1 percent to EUR 78.9 million in the first nine months of fiscal 2018/19 (previous year: EUR 104.0 million). Due to the signing of a factoring agreement for the sale of trade receivables, receivables were down by EUR 11.1 million as of the reporting date. In addition, receivables fell by another EUR 6.2 million due to reduced revenues. The change in the procurement of jeans to full package service reduced the stocks of raw materials by EUR 6.8 million. Moreover, stocks of finished goods were reduced by EUR 7.9 million due to the discontinuation of operations and lower seasonal inventories. Total inventories declined by EUR 14.4 million to EUR 70.3 million in the reporting period (previous year: EUR 84.7 million). Due to reduced purchasing volumes, trade payables decreased by EUR 6.6 million. The reduction in net working capital was one of the main reasons of the strong increase in operating cash flow, which was clearly positive at EUR 3.1 million (previous year: EUR -11.0 million). The sale of works of art released additional liquidity in the amount of EUR 7.2 million, which was used to repay financial liabilities. Between the reporting dates, net financial liabilities therefore declined by EUR 25.7 million or 55 percent to EUR 21.4 million (previous year: EUR 47.1 million). The reduction in net working capital and the sale of works of art led to a balance sheet contraction of EUR 39.8 million to EUR 156.8 million (previous year: EUR 196.6 million). As a result, the equity ratio climbed to 59.0 percent (previous year: 51.1 percent), which is well above the industry average and the highest level for Ahlers in the past ten years.

Key management and financial indicators

		Q1-Q3 2018/19	Q1-Q3 2017/18
Sales	EUR million	159.6	168.0
Gross margin	in %	49.8	51.0
EBITDA	EUR million	4.5	5.5
EBITDA-Margin	in %	2.8	3.3
EBIT	EUR million	1.0	1.0
EBIT-Margin	in %	0.6	0.6
Net income	EUR million	0.4	0.2
Profit margin before taxes	in %	0.3	0.3
Profit margin after taxes	in %	0.2	0.1
Earnings per share		0.03	0.02
Cash flow from operating activities	EUR million	3.1	-11.0
Net Working Capital *	EUR million	78.9	104.0
Equity ratio	in %	59.0	51.1
Employees on key date		1,924	2,154

* inventories, trade receivables and trade payables

2. POST BALANCE SHEET EVENTS

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

3. EMPLOYEES

On August 31, 2019, Ahlers employed 1,924 people, 230 less than a year ago (2,154). The reduction is primarily attributable to the earnings and efficiency increasing measures initiated in September 2018. The number of employees in Germany declined by 85 to 532 (previous year: 617). In Poland, the number of employees declined by 150 in the sample-making workshop and, above all, in production.

4. IMPACT OF THE FIRST-TIME ADOPTION OF NEW IFRS STANDARDS

As of the fiscal year 2018/19, the Ahlers Group had to adopt the new IFRS standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” for the first time. In the first-time adoption of IFRS 9, Ahlers has chosen the simplified approach pursuant to IFRS 9.5.5.15(a)(i). The first-time adoption of IFRS 9 had no material impact on the consolidated financial statements. Transition to IFRS 15 will be fully retrospective pursuant to IFRS 15.C3(a) and IFRS 15.C5. The adoption of IFRS 15 led to an increase in total assets by EUR 3.2 million (previous year: EUR 2.8 million).

As a complement to the information provided in the notes to the consolidated financial statements for the period ended November 30, 2018 with regard to IFRS 16 “Leases”, the Ahlers Group will choose the modified retrospective first-time adoption. There is therefore no need to adjust the prior year figures.

5. FORECAST

Most economic institutes project a growth rate of 1.0 percent for the eurozone economy in 2019 (all forecasts Commerzbank Research September 2019). This means that the gross domestic product of the eurozone countries should continue to grow, albeit at a much slower pace than in the previous year (1.9 percent). Domestic demand, in particular, should offset the slowdown in foreign demand and prevent the eurozone from sliding into recession. The decline in unemployment in the eurozone from 8.2 percent to 7.6 percent will further reduce the availability of labour and thus lead to rising wages. The real disposable income of European consumers is additionally supported by moderate inflation. Consumer sentiment should therefore remain stable at a high level (GfK Consumer Climate, September 2019). Germany's physical clothing stores will probably not benefit from this trend and again record declining sales revenues. Sales revenues generated by Germany's physical clothing stores declined in the first nine months of the fiscal year 2018/19. For the full year, the situation is expected to stabilise at best. The same is likely to apply to Ahlers' most important European fashion markets.

Forecast confirmed – declining revenues and greatly improved consolidated earnings in 2018/19

After the first nine months of fiscal 2018/19, Ahlers' revenue and earnings performance is in line with expectations. The set of measures aimed at increasing earnings and efficiency has largely been completed. The Management Board confirms the full-year forecast of a medium single-digit percentage reduction in Group sales revenues. Due to earlier deliveries in the third quarter the full year trend will tend to be slightly below the nine-month rate. Consolidated earnings are expected to improve noticeably in the fiscal year 2018/19, mainly because of reduced one-time effects. In the second half of 2018, provisions for the efficiency programme had reduced the result by around EUR 5 million, whereas this year the company projects hardly any extraordinary expenses but rather one-time income on balance. Revenue and expense effects on the operating result should largely offset each other. Consolidated earnings after taxes are likely to grow at a high double-digit percentage rate but still be negative in 2018/19, which will be a year of transformation. The company aims to return to profit in 2020 when all measures initiated will take effect.

Stronger balance sheet structures and greatly improved free cash flow expected

The Management Board attaches great priority to reducing net working capital in the fiscal year 2018/19. Together with improved consolidated earnings, operating cash flow should be more or less on a par with the previous year. The sale of works of art and of an unused piece of land, which has already been completed, should additionally improve the company's financial position significantly. Altogether, free cash flow before financing activities should therefore be clearly positive and net liabilities should be reduced noticeably, as was already the case as of the Q3 reporting date. As a result, the balance sheet structure should improve, as was already the case as of the reporting date, and the equity ratio should increase to about 60 percent.

Herford, October 2019

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, 2019** EUR million	in %	**Aug. 31, 2018** EUR million	in %
Property, plant and equipment and intangible assets	40.6	25.9	42.7	21.7
Other non-current assets	12.5	8.0	18.9	9.6
Deferred tax assets	1.3	0.8	1.2	0.6
Non-current assets	**54.4**	**34.7**	**62.8**	**31.9**
Inventories	70.3	44.8	84.7	43.1
Trade receivables	19.6	12.5	36.9	18.8
Other current assets	7.9	5.0	7.6	3.9
Cash and cash equivalents	4.6	3.0	4.6	2.3
Current assets	**102.4**	**65.3**	**133.8**	**68.1**
Total assets	**156.8**	**100.0**	**196.6**	**100.0**

Equity and liabilities	**Aug. 31, 2019** EUR million	in %	**Aug. 31, 2018** EUR million	in %
Equity	**92.5**	**59.0**	**100.4**	**51.1**
Pension provisions	3.2	2.0	3.7	1.9
Other non-current liabilities and provisions	17.2	11.0	23.3	11.8
Deferred tax liabilities	1.0	0.6	1.7	0.9
Non-current liabilities	**21.4**	**13.6**	**28.7**	**14.6**
Current income tax payables	0.7	0.5	0.6	0.3
Other current liabilities and provisions	42.2	26.9	66.9	34.0
Current liabilities	**42.9**	**27.4**	**67.5**	**34.3**
Liabilities	**64.3**	**41.0**	**96.2**	**48.9**
Total equity and liabilities	**156.8**	**100.0**	**196.6**	**100.0**

GROUP SEGMENT INFORMATION

as of August 31, 2019 (previous year: August 31, 2018)

by geographic region	Premium Brands		Jeans, Casual & Workwear		Others		**Total**	
KEUR	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Germany								
Sales	51,810	55,181	32,891	35,168	245	248	84,946	90,597
Net assets	80,408	98,651	21,261	23,678	11,366	18,223	113,035	140,552
Western Europe								
Sales	33,438	35,866	9,899	10,349	-	-	43,337	46,215
Net assets	9,344	14,169	3,665	7,692	-	-	13,009	21,861
Central-/ Eastern Europe/ Other								
Sales	26,803	26,549	4,526	4,605	-	-	31,329	31,154
Net assets	23,886	24,489	4,413	4,762	16	13	28,315	29,264

Financial calendar

Quarterly statement Q3 2018/19	October 14, 2019
Analysts' conference in Frankfurt am Main	October 15, 2019
Annual accounts press conference	February 27, 2020
Quarterly statement Q1 2019/20	April 7, 2020
Annual Shareholders' Meeting in Düsseldorf	April 22, 2020
Half-year report 2019/20	July 8, 2020
Quarterly statement Q3 2019/20	October 12, 2020
Analysts' conference in Frankfurt am Main	October 13, 2020

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 big listed European manufacturers of menswear
- produces fashion under five 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 1,900 people
- generates 87 percent of its sales revenues from sales to specialist retailers and 13 percent from its own Retail activities

The brands

BALDESSARINI

pierre cardin

OTTO KERN

PIONEER® AUTHENTIC JEANS

Pionier WORKWEAR

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