AHLERS AG

QUARTERLY STATEMENT Q1 2018/19

(December 1, 2018 to February 28, 2019)

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

Q1 2018/19 - Highlights

- Q1 2018/19: EBIT before one-time effects up by 18 percent to EUR 3.3 million (previous year: EUR 2.8 million) as the set of measures aimed at increasing earnings and efficiency takes effect
- Rising jeans sales of Baldessarini, Pierre Cardin and Pioneer but sales of suits and jackets remain slow
- At 2.8 percent, the drop in Group sales revenues is lower than expected and is at the upper end of the projected range thanks to earlier delivery of the spring/summer 2019 merchandise
- Equity ratio of 54.3 percent and improved operating cash flow reflect solid financial position
- Full-year forecast confirmed: consolidated earnings expected to improve noticeably although revenues decline at medium single-digit percentage rate

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

"All measures of the earnings and efficiency enhancing programme launched in September 2018 have been initiated. Most of them have been contractually agreed and will largely take effect in the course of the year. This means that the programme has widely been completed and we are looking ahead again. Although we lost revenues in Q1 2018/19 due to the difficult suits and jackets business, revenues and, in particular, earnings in the first three months were at the upper end of our expectations. Our brands recorded a pleasant increase in jeans sales, and the stable stock sales are also a positive sign after the difficult past year. The earnings and efficiency enhancing measures have begun to take effect already in the first quarter and reduce complexity and expenses. We therefore confirm the full-year forecast published in the Annual Report. The first three months of the current fiscal year confirm our conviction that innovation, digitisation and efficiency are the right responses to the current challenges of our industry."

1. EARNINGS, FINANCIAL AND NET WORTH POSITION

Q1 2018/19 sees pleasant increase in jeans sales and declining sales of suits and jackets

The business situation returned to normal in the first three months of the fiscal year 2018/19. Revenues exceeded the trend projected for the year 2018/19 (decline at medium single-digit percentage rate). Although sales of suits and jackets continued to stabilise as in the fourth quarter of the previous year, they were down by EUR 1.6 million on the previous year´s period. While the pleasant increase in jeans sales of Baldessarini, Pierre Cardin and Pioneer (+3.4 percent) had an opposite effect, it did not fully compensate the decline. The stable stock sales also had a positive effect in a further shrinking market. The 2.8 percent decline in Group revenues to EUR 59.0 million (previous year: EUR 60.7 million) was at the upper end of the expectations and was influenced by the earlier delivery of the spring/summer collection. Towards the end of the first half of 2018/19, revenues are likely to approach the trend anticipated for the full year. With revenues declining by 7.8 percent or EUR 2.6 million, domestic business remained particularly challenging in the first quarter of 2018/19. By contrast, the fashion company was able to grow its international revenues. In Central and Eastern Europe, Ahlers was up by a noticeable EUR 0.8 million or 7.7 percent on the prior year period, primarily thanks to increased sales in Poland (+7.1 percent) and Russia (+55 percent). Strong increases were also recorded in Austria (+13 percent) and Switzerland (+24 percent).

Growth in own Retail segment and e-commerce

The revenues generated by the company's own Retail segment increased by 9.7 percent in the reporting period, mainly because of the takeover of Russian stores by Ahlers RUS. Own Retail revenues thus accounted for 12.9 percent of total revenues (previous year: 11.4 percent). Like-for-like revenues declined by a slight 1.6 percent. E-commerce revenues rose by an impressive 17.4 percent in Q1 2018/19.

Premium segment: growing jeans sales, declining sales of suits and jackets

Both Pierre Cardin and Baldessarini grew their jeans sales in the first three months of 2018/19. In particular, the 5.7 percent increase in Pierre Cardin jeans sales mitigated the effect of declining sales of suits and jackets but was unable to fully offset it. In some important international markets, the three premium brands – Baldessarini, Pierre Cardin and Otto Kern – recorded positive developments (e.g. Russia +50 percent; Poland +3.6 percent; Switzerland +23 percent; Austria +10.2 percent). Total revenues in the premium segment declined by EUR 1.1 million from EUR 43.5 million to EUR 42.4 million in the reporting period (-2.5 percent). At 71.9 percent, the segment's share in total revenues was essentially unchanged as of the reporting date (previous year: 71.7 percent).

Growing revenues at Pioneer Jeans, difficult sportswear business

Sales revenues in the Jeans, Casual & Workwear segment dropped by EUR 0.6 million or 3.5 percent from EUR 17.2 million to EUR 16.6 million in the reporting period. This was primarily due to the difficult sportswear business, which sent Jupiter's revenues falling by 20 percent. Moreover, shifts in the sales of Pionier Workwear led to declining workwear revenues. By contrast, Pioneer gained a pleasant 4.0 percent. In the important DACH region (Germany, Austria, Switzerland), Pioneer grew by a robust 1.4 percent. In the Netherlands, the brand almost doubled its revenues (+89 percent), with revenues in Poland also picking up by more than 50 percent. The segment's share in total revenues declined moderately from 28.3 percent to 28.1 percent as of the reporting date.

SALES REVENUES BY SEGMENTS

EUR million	Q1 2018/19	Q1 2017/18	Change in %
Premium Brands *	42.4	43.5	-2.5
Jeans, Casual & Workwear	16.6	17.2	-3.5
Total	**59.0**	**60.7**	**-2.8**

* incl. „miscellaneous" EUR 0.1 million (previous year: EUR 0.1 million)

EARNINGS POSITION

Increased earnings thanks to influence of the efficiency programme

At 52.4 percent, the gross profit margin for the first three months of the fiscal year 2018/19 was on a par with the previous year (52.6 percent). The EUR 1.0 million decline in gross profit to EUR 30.9 million was thus mainly due to the reduced revenues. Operating expenses, which comprise personnel expenses, the balance of operating expenses and income as well as write-downs, declined by EUR 1.5 million or 5.2 percent from EUR 29.1 million to EUR 27.6 million. Personnel expenses declined (by EUR 0.4 million or 3.1 percent) primarily due to changes in the central departments resulting from the earnings and efficiency enhancing measures launched in September 2018. With the help of consistent cost management, other operating expenses were reduced even more strongly by EUR 0.9 million or 6.1 percent. This included reduced marketing expenses on discontinued activities, the reduced employment of temporary workers and the optimisation of distribution expenses. EBIT before one-time effects rose by EUR 0.5 million or 17.9 percent from EUR 2.8 million to EUR 3.3 million in the reporting period. While an unused piece of land outside the Sri Lankan premises was sold in the previous year at a price of EUR 0.2 million above the very low carrying amount, no material one-time effects occurred in the first three months of the current fiscal year 2018/19. The financial result was on a par with the previous year. The tax rate was largely comparable in both years and not influenced by one-time effects. Consolidated earnings after taxes increased by EUR 0.1 million or 5.0 percent from EUR 2.0 million to EUR 2.1 million in the first quarter of 2018/19.

EARNINGS POSITION

EUR million	Q1 2018/19	Q1 2017/18	Change in %
Sales	**59.0**	**60.7**	**-2.8**
Gross profit	30.9	31.9	-3.1
in % of sales	52.4	52.6	
Personnel expenses *	-12.5	-12.9	3.1
Balance of other expenses/income *	-13.9	-14.8	6.1
EBITDA *	**4.5**	**4.2**	**7.1**
Depreciation and amortisation	-1.2	-1.4	14.3
EBIT *	**3.3**	**2.8**	**17.9**
One-time effects	0.0	0.2	-100.0
Financial result	-0.2	-0.2	0.0
Earnings before taxes	**3.1**	**2.8**	**10.7**
Income taxes	-1.0	-0.8	-25.0
Consolidated net income for the year	**2.1**	**2.0**	**5.0**

* before one-time effects

Both segments record higher EBIT before one-time effects due to reduced operating expenses

EBIT before one-time effects of the premium brands Baldessarini, Pierre Cardin and Otto Kern rose in the first quarter of 2018/19 by 14.3 percent from EUR 2.1 million to EUR 2.4 million. In the reporting period, the company not only reduced its variable selling expenses but also its direct operating expenses and the charges for functions of the central division. Total operating expenses in the Premium segment dropped by 5.1 percent or EUR 1.1 million, thus more than offsetting the revenue-related decline in gross profit (EUR -0.8 million).

In the Jeans, Casual & Workwear segment, the gross profit margin rose by a moderate 0.8 percentage points, e.g. due to procurement-related customs benefits, and thus mitigated the revenue effect on gross profit, which was still down by EUR 0.2 million on the previous year. Operating expenses of Pioneer Authentic Jeans, Pionier Workwear and Jupiter, which also form part of the segment, declined by EUR 0.4 million or 5.3 percent. As a consequence, the segment result before one-time effects increased by EUR 0.2 million from EUR 0.7 million to EUR 0.9 million in the first three months of the fiscal year 2018/19.

EBIT before one-time effects by segments

EUR million	**Q1 2018/19**	**Q1 2017/18**	Change in %
Premium Brands	2.4	2.1	14.3
Jeans, Casual & Workwear	0.9	0.7	28.6
Total	**3.3**	**2.8**	**17.9**

FINANCIAL AND NET WORTH POSITION

More compact balance sheet with solid structure and reduced net working capital

At EUR 174.9 million, Ahlers' total assets on February 28, 2019 were clearly lower than in the previous year (EUR -17.8 million; previous year: EUR 192.7 million). This was mainly due to lower current assets (EUR -16.1 million), especially receivables. Due to the signing of a factoring agreement for the sale of trade receivables, receivables were down by EUR 12.7 million as of the reporting date. Total receivables even dropped by as much as EUR 16.5 million (i.e. by an additional EUR 3.8 million beyond the factoring effect). At EUR 76.2 million, inventories were more or less on a par with the previous year (EUR +0.3 million; previous year: EUR 75.9 million). Increased full-package services for jeans led to a sharp drop in raw material stocks, which offset the increase in stocks of finished goods almost entirely. Together with lower trade payables (EUR -2.7 million), net working capital (balance of inventories, trade receivables and trade payables) declined by a strong EUR 13.4 million or 13.2 percent from EUR 101.8 million to EUR 88.4 million. The cash released was used to reduce net liabilities by 15.7 percent or EUR 6.3 million to EUR 34.2 million.

At EUR 94.9 million, equity capital was down by EUR 9.2 million on the previous year (EUR 104.1 million) due to the result of the past fiscal year and the dividend of the previous year. As total assets also declined noticeably, however, the equity ratio stayed at a high level of 54.3 percent as at February 28, 2019, which slightly exceeded the previous year's 54.0 percent. Due to the sharp reduction in net working capital compared to the previous year, operating cash flow, at EUR -4.8 million, was clearly above the previous year's EUR -9.2 million.

Key management and financial indicators

		Q1 2018/19	Q1 2017/18
Sales	EUR million	59.0	60.7
Gross margin	in %	52.4	52.6
EBITDA *	EUR million	4.5	4.2
EBITDA-Margin *	in %	7.6	6.9
EBIT *	EUR million	3.3	2.8
EBIT-Margin *	in %	5.6	4.6
Net income	EUR million	2.1	2.0
Profit margin before taxes	in %	5.3	4.7
Profit margin after taxes	in %	3.5	3.2
Earnings per share		0.15	0.14
Cash flow from operating activities	EUR million	-4.8	-9.2
Net Working Capital **	EUR million	88.4	101.8
Equity ratio	in %	54.3	54.0
Employees on key date		2,106	2,079

* before one-time effects
** inventories, trade receivables and trade payables

2. POST BALANCE SHEET EVENTS

No other events of special significance for the Group occurred between the end of the first three months and the publication of the quarterly statement. The conditional contract for the sale of land was signed again in February 2019, this time unconditionally, which means that the sale is likely to be executed in the course of the fiscal year. The sale of the land should generate a net cash flow of EUR 2.3 million and a positive one-time effect of EUR 0.9 million.

3. 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. The first-time adoption of IFRS 9 had no material impact on the consolidated financial statements. The adoption of IFRS 15 led to an increase in total assets by EUR 3.2 million (previous year: EUR 2.9 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.

4. FORECAST

Framework conditions remain robust, but market environment for apparel is challenging

Most economic institutes downgraded their growth forecasts for the eurozone in the first three months of 2019. The 1.4 percent GDP growth forecast for the eurozone in 2019 published in January had been downgraded to 0.9 percent by the reporting date (Commerzbank Research March 2019). The forecasts for the four large eurozone countries – Germany, France, Spain and Italy – all reflect the downward trend. German consumers' economic expectations have also declined sharply. Consumer sentiment in Germany nevertheless remains robust thanks to the good labour market situation. The high level of employment also leads to rising wages in real terms. Gesellschaft für Konsumforschung has therefore provisionally confirmed its consumption forecast of 1.5 percent for the year 2019 (GfK Consumer Climate, March 26, 2019). In this environment, sales revenues of Germany's clothing retail sector were at least on a par with the previous year in the first three months of Ahlers' fiscal year due to the reduced revenues of the previous year. The market environment for apparel is nevertheless expected to remain challenging in the further course of the fiscal year 2018/19. The weak base of the past year could lead at best to a stabilisation of revenues in the current year.

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

The fiscal year 2018/19 that has just started will be a year of transformation for Ahlers. The measures adopted in September 2018 to enhance earnings and efficiency should reduce revenues by about EUR 6 million. The market situation suggests that revenues from continued operations will also decline. The Management Board confirms the full-year forecast of a medium single-digit percentage reduction in Group sales revenues.

Management expects consolidated earnings to improve noticeably in the fiscal year 2018/19, mainly because of reduced one-time effects. While 2017/18 saw increased extraordinary expenses of EUR 5.0 million weigh on the result, extraordinary expenses in the current fiscal year should return to the normal level of the fiscal years before 2017/18. 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 improved free cash flow expected

The reduction in net working capital remains an important objective in the fiscal year that has just begun. Together with noticeably improved consolidated earnings, operating cash flow should be more or less on a par with the previous year. Reduced investments that are lower than write-downs should increase the free cash flow, which is likely to improve considerably as a result. The sale of works of art and of the unused piece of land in D-Herford should additionally improve the company's financial position. Altogether, free cash flow before financing activities should therefore be positive and net liabilities should be further reduced. As a result, the balance sheet structure should tend to improve.

Herford, April 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	Feb. 28, 2019 EUR million	Feb. 28, 2019 in %	Feb. 28, 2018 EUR million	Feb. 28, 2018 in %
Property, plant and equipment and intangible assets	41.6	23.8	42.8	22.2
Other non-current assets	19.1	10.9	19.5	10.1
Deferred tax assets	1.2	0.7	1.3	0.7
Non-current assets	**61.9**	**35.4**	**63.6**	**33.0**
Inventories	76.2	43.6	75.9	39.4
Trade receivables	24.6	14.1	41.1	21.3
Other current assets	7.6	4.3	7.6	4.0
Cash and cash equivalents	4.6	2.6	4.5	2.3
Current assets	**113.0**	**64.6**	**129.1**	**67.0**
Total assets	**174.9**	**100.0**	**192.7**	**100.0**

Equity and liabilities	Feb. 28, 2019 EUR million	Feb. 28, 2019 in %	Feb. 28, 2018 EUR million	Feb. 28, 2018 in %
Equity	**94.9**	**54.3**	**104.1**	**54.0**
Pension provisions	3.4	1.9	3.9	2.0
Other non-current liabilities and provisions	20.1	11.5	26.7	13.9
Deferred tax liabilities	1.9	1.1	1.6	0.8
Non-current liabilities	**25.4**	**14.5**	**32.2**	**16.7**
Current income tax payables	0.7	0.4	1.4	0.7
Other current liabilities and provisions	53.9	30.8	55.0	28.6
Current liabilities	**54.6**	**31.2**	**56.4**	**29.3**
Liabilities	**80.0**	**45.7**	**88.6**	**46.0**
Total equity and liabilities	**174.9**	**100.0**	**192.7**	**100.0**

GROUP SEGMENT INFORMATION

as of February 28, 2019 (previous year as of February 28, 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	19,225	20,779	11,044	12,041	82	83	30,351	32,903
Net assets	86,790	98,256	21,941	23,417	18,160	18,266	126,891	139,939
Western Europe								
Sales	13,598	13,783	3,975	3,683	-	-	17,573	17,466
Net assets	11,921	14,774	4,702	8,197	-	-	16,623	22,971
Central-/ Eastern Europe/ Other								
Sales	9,534	8,816	1,559	1,484	-	-	11,093	10,300
Net assets	24,745	22,484	4,588	4,542	15	13	29,348	27,039

Financial calendar

Quarterly statement Q1 2018/19	April 10, 2019
Analysts' conference in Frankfurt am Main	April 11, 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
Analysts' conference in Frankfurt am Main	October 15, 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 big listed European manufacturers of menswear
- produces fashion under five brands, tailored to its respective target groups
- generates 69 percent of its sales revenues from premium brands
- produces 7,000,000 fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 2,000 people
- generates 86 percent of its revenues from sales to specialist retailers and 14 percent of its revenues from its own retail activities

The brands

BALDESSARINI

pierre cardin

OTTO KERN

PIONEER® AUTHENTIC JEANS

Pionier WORKWEAR

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