ahlers

PRESS RELEASE

February 28, 2019

Declining sales revenues and much lower EBITDA in FY 2017/18. High extraordinary expenses for earnings and efficiency increasing measures send consolidated earnings falling to EUR -7.0 million. More compact balance sheet with solid structure and reduced net working capital. Forecast for FY 2018/19: Year of transformation with declining revenues, greatly increased consolidated earnings and improved balance sheet structure. Revenue growth and clearly positive earnings expected as of 2019/20 as earnings and efficiency increasing measures take full effect.

- Declining by 2.0 percent, Q4 2017/18 revenues remain essentially stable in a difficult environment. Fourth-quarter earnings before one-time effects slightly above the prior year period.
- Revenue trend in full year 2017/18 (-5.4 percent) influenced by slow sales of suits and jackets as well as difficult market situation in Eastern Europe.
- Negative consolidated earnings after taxes (EUR -7.0 million) primarily due to extraordinary expenses incurred to implement the efficiency-enhancing measures.
- Set of measures implemented according to plan and with good progress
- Solid balance sheet structure as evidenced by equity ratio of 54 percent and reduced net working capital
- Declining revenues expected for 2018/19. Consolidated earnings will probably grow at a high double-digit percentage rate but still be negative in 2018/19, which will be a year of transition. Revenue growth and clearly positive earnings expected as of 2019/20 as earnings and efficiency increasing measures take full effect.
- Supervisory Board Chairman initiates generation change at the helm of the controlling body and suggests to downsize it.

Declining revenues in full year and sharp drop in EBITDA before one-time effects

Revenues in the full fiscal year 2017/18 were adversely affected by the strongly declining sales of suits and jackets (revenue effect of minus EUR 9.7 million) and the difficult market situation in Eastern

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Europe (minus EUR 5.0 million). Total revenues in the fiscal year 2017/18 declined by EUR 12.8 million or 5.4 percent from EUR 235.9 million to EUR 223.1 million. The reduction in personnel expenses and operating expenses mitigated the effect of lower revenues on earnings before one-time effects but was insufficient to offset it in full. EBITDA declined by EUR 5.0 million to EUR 3.7 million (-58 percent; previous year: EUR 8.7 million). EBIT before one-time effects amounted to EUR -1.4 million (previous year: EUR 3.5 million), which was in line with the projections published after the third quarter.

Earnings- and Efficiency-enhancing measures entail high one-time expenses

After the end of Q3 2018, the Management Board announced a comprehensive set of earnings and efficiency increasing measures, with which the company will focus on menswear and streamline numerous processes. This entailed extraordinary expenses of about EUR 5.0 million, mostly for personnel-related measures. The previous year's extraordinary expenses totalled EUR 0.5 million. Consolidated earnings after taxes dropped to EUR -7.0 million in the fiscal year 2017/18 (previous year: EUR 1.9 million) because of the lower operating result and, most importantly, as a result of the much higher extraordinary expenses.

Earnings and efficiency increasing measures implemented swiftly

The measures announced by Ahlers to make the company leaner have been implemented swiftly. Most of the measures have already been initiated and contractually implemented. The Management board projects a headcount of below 2,000 people for the end of the fiscal year in November 2019 (November 30, 2018: 2,145). This includes the reductions implemented in the context of the measures defined in September as well as the capacity reduction at the Polish production facility.

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

In spite of an adverse environment, Ahlers maintained its solid balance sheet structure in the fiscal year 2017/18. At 54 percent (previous year: 56 percent), the equity ratio again stood at a high level on November 30, 2018. With effect from the end of November 2018, the company signed a factoring agreement, which reduced the company's net financial liabilities by EUR 1.4 million. Net working capital (balance of inventories, trade receivables and trade payables) declined by EUR 8.8 million and would have been largely stable without the factoring agreement. Cash flow from operating activities of EUR 9.6 million was at the level of the previous year (EUR 10.2 million).

2018/19 a year of transformation; positive results projected as of 2019/20

The fiscal year 2018/19 will be a year of transformation for Ahlers. The measures adopted in September 2018 to increase earnings and efficiency include the discontinuation of the Jupiter sportswear brand and of the ladieswear activities of Pierre Cardin and Pioneer in the course of the

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fiscal year. This is expected to reduce revenues by about EUR 6 million in 2018/19. In view of the market situation, the Management Board projects declining revenues also for the continued operations. Altogether, this should reduce Group revenues by a medium single-digit percentage.
While high extraordinary expenses were incurred in the past year, one-time effects in the new fiscal year should return to the normal level of the past fiscal years. Revenue and expense effects on the operating result should largely offset each other. From today's point of view, the Management Board expects EBIT before one-time effects to tend to remain below the previous year's EUR -1.4 million, as the cost-cutting measures will become effective only gradually over the course of the year. Consolidated earnings after taxes will probably grow at a high double-digit percentage rate but still be negative in 2018/19, which will be a year of transition. It is the declared objective of the company to return to profit in 2020 when all measures initiated take full effect. Revenues should then also pick up again.

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. The consistent sale of old merchandise, the reduction in inventories resulting from the discontinuation of activities and the change towards full-package services should lead to a further reduction in net working capital. Together with noticeably improved consolidated earnings, operating cash flow should be more or less on a par with the previous year. The Management Board proposes not to pay out a dividend for the fiscal year 2017/18. The balance sheet structure should tend to improve in FY 2018/19.

Proposal to downsize the Supervisory Board and to appoint new members

After the Management Board was downsized in December 2018, Supervisory Board Chairman Prof. Dr. Carl-Heinz Heuer will propose to the Annual Shareholders' Meeting on April 17, 2019 to reduce the Supervisory Board of Ahlers AG from six to three members with the consent of the main shareholder, WTW Beteiligungsgesellschaft mbH. At the same time, it is planned to accelerate the generation change at the helm of the controlling body. The Supervisory Board will propose to the Annual Shareholders' Meeting to fill the vacant Supervisory Board positions with Mr Alexander Gedat (54), CEO of Marc O´Polo AG until August 2017, and Armin Fichtel (61), CEO of s.Oliver Group until the end of 2017. Both candidates have long-standing experience in the clothing industry and an in-depth knowledge of e-commerce. Once elected, Mr Gedat would also assume the role of Supervisory Board Chairman. Prof. Heuer will then resign as Chairman after 16 years in office.

Summary of Ahlers Group figures:

		2017/18	2016/17	Change
Sales revenues	EUR million	223.1	235.9	-5.4%
EBITDA before one-time effects	EUR million	3.7	8.7	-57.5%
EBIT before one-time effects	EUR million	-1.4	3.5	n.a.
Consolidated net income	EUR million	-7.0	1.9	n.a.
Net Working Capital*	EUR million	77.5	86.3	-10.2%
Cashflow from operating activities	EUR million	9.6	10.2	-5.9%
Equity ratio	in %	54.1	56.4	-2.3 PP
Employees (Nov. 30)		2,145	2,020	6.2%

*Inventories, trade receivables and trade payables

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