AHLERS AG

QUARTERLY STATEMENT Q3 2019/20

(December 1, 2019 to August 31, 2020)

PERFORMANCE IN THE FIRST NINE MONTHS OF THE FISCAL YEAR 2019/20

Q3 2019/20

- COVID-19-related revenue trend of the first half of the year continues in the third quarter of 2020: Group sales revenues decline by 32 percent to EUR 108.9 million in the nine-month period
- Cost-cutting measures introduced at short notice and the previous year's cost-cutting programme lead to savings in operating expenses of 21 percent (EUR 16.3 million)
- Consolidated earnings drop to EUR -10.9 million (previous year: EUR 0.4 million) due to lower sales revenues
- Stable net working capital, expanded financing concluded for a five-year term and solid equity ratio of 48.7 percent*
- Only moderate decline in sales revenues expected in the fourth quarter of 2020 due to delivery postponements. The revenue trend in the fiscal year 2019/20 is therefore likely to be between -25 percent to -30 percent
- The Supervisory Board and the Management Board decide extensive cost-cutting measures to adapt the organisation to lower revenue expectations for the following years

* all figures before adoption of IFRS 16 – Leases

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

„After the first nine months of fiscal 2019/20, our business performance is within our post-COVID-19 plans. We have responded quickly to the extraordinary challenges of this year and introduced extensive measures to reduce our costs in the short and medium term. Unfortunately, 80 employees across all units and hierarchical levels will be affected in total, as well due to the relocation of logistics services and the Pionier Workwear-Model Department from the Herford site to Poland. As a result of the reduction, personnel costs are expected to decline continuously and significantly until the end of the fiscal year 2022. This should contribute to a substantial improvement in earnings and a rapid return to profitability in 2021, and even more so together with the increase in sales revenues expected from 2022."

1. EARNINGS, FINANCIAL AND NET WORTH POSITION *

Preliminary remarks on accounting pursuant to IFRS 16

As communicated in the 2018/19 Annual Report (p. 73 and 94 et seq.), major portions of the former lease expenses will be reduced while depreciation and financing costs will increase accordingly as a result of the first-time adoption of IFRS 16 (Leases). As a result, EBITDA increased by EUR 3.6 million in the first nine months of the current fiscal year. At the EBT level, the adoption of the standard has virtually no effect on profit/loss, as depreciation/amortisation and financing costs will increase by about EUR 3.7 million. The obligation to capitalise the discounted future lease payments extended the balance sheet by EUR 10.1 million in the nine months of 2019/20. On the assets side, fixed assets increased by this amount due to the rights of use in the leased property. On the liabilities side, non-current and current financial liabilities from future lease payments rose by EUR 6.3 million and EUR 3.9 million, respectively, while equity declined by EUR 0.1 million. To ensure comparability, reference is made below to the accounting treatment before IFRS 16 at the relevant points.

Q3 2019/20: revenue trend of the first half of the year continues – decline in sales revenues mainly attributable to delivery postponements related to COVID-19

Even after the gradual reopening of physical retail stores since May 2020, the measures taken to contain the pandemic and travel restrictions continued to impede fashion sales. This led to a drop in revenues of EUR 2.9 million in the third quarter from June to August 2020. In addition, the impact of the pandemic on international supply chains led to a postponement of autumn/winter deliveries from the third to the fourth quarter of 2020 in the amount of EUR 13.2 million. These sales revenues should largely be recovered in the course of the fourth quarter of 2020. Overall, the revenue trend of the first half of the year thus continued at a slightly slower pace (H1 2019/20: -33 percent). In the third quarter of 2020, Group sales revenues declined by 30 percent to EUR 38.2 million (Q3 2019: EUR 54.3 million).

Sales revenues declined by 32 percent or EUR 50.7 million to EUR 108.9 million in the first nine months of 2019/20 (previous year: EUR 159.6 million). The dynamic development of infections and the different extent of the restrictions due to the coronavirus had different effects on the markets relevant to Ahlers. At -27 percent, the revenue trend in Germany, whose economy has so far been the least severely affected compared to the other large euro zone countries France, Italy and Spain, exceeded the Group trend. The nine-month sales revenues in the rest of Western Europe declined in line with the general revenue trend (-32 percent). In Eastern Europe, many countries opted for comprehensive containment measures at an earlier stage and for a longer period of time, which resulted in an even stronger decline in sales revenues by -44 percent.

* all figures in this chapter before adoption of IFRS 16 – Leases

EARNINGS POSITION

Lower revenues send earnings declining in spite of significantly reduced operating expenses

The gross profit margin declined moderately by 1.5 percentage points to 48.3 percent in the first nine months of the fiscal year 2019/20, mainly due to the lower share of pre-order business. The EUR 26.9 million or 34 percent decline in gross profit to EUR 52.6 million was however mainly due to the significantly reduced revenues. Especially the cost-cutting measures introduced at short notice and also the programmes of the previous year led to a strong decline in operating expenses. Personnel costs fell by 19.3 percent from EUR 36.2 million to EUR 29.2 million due to the use of short-time working and the reduced headcount. The balance of operating expenses and income declined even more strongly by a noticeable EUR 9.3 million or 23.7 percent to EUR 30.0 million. In particular, store rent savings, significantly lower freight and order picking costs, lower marketing expenses and the reduction in temporary staff contributed to the cost reduction. This and write-downs at the previous year's level (EUR -3.5 million) sent operating expenses falling by EUR 16.3 million or 20.6 percent compared to the same period of the previous year. EBIT before one-time effects nevertheless declined to EUR -10.1 million in the reporting period (previous year: EUR 0.5 million). In the previous year, the sale of works of art and the reversal of provisions had led to positive one-time effects of EUR 0.5 million in the reporting period. In the current fiscal year, extraordinary income from the sale of a building and negative exchange rate effects due to the weaker zloty and rouble almost completely offset each other. On balance, one-time effects of EUR -0.2 million were thus stated in the reporting period. The financial result decreased from EUR -0.5 million to EUR -1.1 million due to additional loans and higher interest rates. Earnings before income taxes declined from EUR 0.5 million to EUR -11.4 million in the first nine months of 2019/20. As of the reporting date, a small amount of deferred tax assets was recognised for losses incurred by foreign subsidiaries, as the losses are expected to be offset before the end of the current fiscal year. As in the previous periods, no deferred taxes were recognised for domestic results. This means that larger domestic profits may be generated tax-free in the future. Consolidated earnings declined from EUR 0.4 million in the previous year to EUR -10.9 million.

EARNINGS POSITION Q1-Q3 2019/20

EUR million	incl. IFRS 16 **Q1-Q3 2019/20**	before IFRS 16 **Q1-Q3 2019/20**	**Q1-Q3 2018/19**	before IFRS 16 Change in %
Sales	**108.9**	**108.9**	**159.6**	**-31.8**
Gross profit	52.6	52.6	79.5	-33.8
in % of sales	48.3	48.3	49.8	
Personnel expenses *	-29.2	-29.2	-36.2	19.3
Balance of other expenses/income *	-26.4	-30.0	-39.3	23.7
EBITDA *	**-3.0**	**-6.6**	**4.0**	**n.a.**
Depreciation and amortisation *	-7.0	-3.5	-3.5	0.0
EBIT *	**-10.0**	**-10.1**	**0.5**	**n.a.**
One-time effects	-0.2	-0.2	0.5	
Financial result	-1.3	-1.1	-0.5	<-100.0
Earnings before taxes	**-11.5**	**-11.4**	**0.5**	**n.a.**
Income taxes	0.5	0.5	-0.1	n.a.
Consolidated net income	**-11.0**	**-10.9**	**0.4**	**n.a.**

* before one-time effects

SEGMENT RESULTS

Baldessarini with sales revenues above the overall trend – Otto Kern with revenue increase

Baldessarini had very positive orders on hand for both seasons of 2020. In addition, Baldessarini's purchasing processes were less affected by the impact of the coronavirus on international supply chains than those of the other brands. At -22 percent, the brand's revenue trend thus noticeably exceeded the Group trend. Pierre Cardin, on the other hand, was more clearly affected by delayed deliveries. As a result, the brand's sales revenues declined slightly more sharply than the Group's sales revenues. Otto Kern has been focusing on business with a small number of major customers for two years and thereby grew by a mid double-digit percentage in the nine-month period 2019/20. Total revenues of the three premium brands Baldessarini, Pierre Cardin and Otto Kern dropped by 32 percent from EUR 112.3 million to EUR 76.7 million. The Premium segment's share in total revenues remained stable at 70 percent in the reporting period.

Operating expenses, including variable selling expenses, declined significantly by 21 percent. These savings helped to cushion but did not fully offset the revenue effect on gross profit. Earnings before one-time effects of the three premium brands declined to EUR -8.0 million in the reporting period due to the lower revenues (previous year: EUR 0.1 million).

Pionier Workwear benefits from face masks sales – Pioneer with revenue decline in line with the Group trend

In the Jeans & Workwear segment, Pionier Workwear benefited from additional sales of face masks, which cushioned the drop in revenues noticeably. Due to the discontinuation of the Jupiter business in the previous year, sales revenues of EUR 3.1 million have so far been lost in 2019/20. Pioneer Authentic Jeans could not escape the general market trend and recorded a revenue decline of 33 percent. Overall, revenues in the Jeans & Workwear segment dropped by EUR 15.1 million from EUR 47.3 million to EUR 32.2 million in the nine-month period (-32 percent). At 30 percent, the segment's share in total revenues remained unchanged from the previous year.

The gross profit margin of the Pioneer Authentic Jeans and Pionier Workwear brands included in the Jeans & Workwear segment rose slightly by 0.8 percent. The segment's gross profit nevertheless fell noticeably because of the lower revenues. The strong reduction in the cost structure (-19 percent) failed to offset the revenue effect on gross profit. The result before one-time effects therefore dropped to EUR -2.1 million (previous year: EUR 0.4 million).

Sales by segments

EUR million	Q1-Q3 2019/20	Q1-Q3 2018/19	Change in %
Premium Brands *	76.7	112.3	-31.7
Jeans & Workwear	32.2	47.3	-31.9
Total	**108.9**	**159.6**	**-31.8**

* incl. „miscellaneous“ EUR 0.3 million (previous year: EUR 0.2 million)

EBIT before one-time effects by segments

EUR million	Q1-Q3 2019/20	Q1-Q3 2018/19	Change in %
Premium Brands	-8.0	0.1	n.a.
Jeans & Workwear	-2.1	0.4	n.a.
Total before IFRS 16	**-10.1**	**0.5**	**n.a.**
Transition IFRS 16	0.1		
EBIT incl. IFRS 16	**-10.0**		

FINANCIAL AND NET WORTH POSITION

Stable net working capital, expanded financing concluded for a 5-year term and solid equity ratio

At EUR 155.8 million, total assets on August 31, 2020 were more or less on a par with the prior year reporting date (EUR 156.8 million). The changes in non-current and current assets largely balanced each other out between the reporting dates. Non-current assets dropped by EUR 6.3 million to EUR 48.1 million (previous year: EUR 54.4 million). This was mainly due to the sale of land and buildings not required for operations as well as scheduled write-downs on office equipment and the new ERP (Enterprise Resource Planning) system. In contrast, non-current assets grew by EUR 5.3 million to EUR 107.7 million (previous year: EUR 102.4 million). In particular, the noticeably higher inventories of finished goods caused inventories to rise by EUR 7.5 million to EUR 77.8 million. Trade receivables declined by EUR 4.2 million to EUR 15.4 million because of the lower revenues. At EUR 78.8 million, net working capital, which comprises inventories and trade receivables less increased trade payables (EUR +3.5 million), was on a par with the previous year (EUR 78.9 million). On the reporting date, the company had cash and cash equivalents of EUR 6.6 million (previous year EUR 4.6 million).

The COVID-19-related losses and higher inventories made it necessary to expand the company's financing. For this reason, an additional loan, backed by a guarantee from the State of North Rhine-Westphalia, was taken out with Ahlers' principal banks and integrated into a five-year contract together with the existing financial lines. This fully covered the significant increase in net financial debt (balance of non-current and current financial liabilities less cash and cash equivalents) by EUR 13.6 million to EUR 35.0 million (previous year: EUR 21.4 million). The result of the last fiscal year and, above all, the negative consolidated earnings of the current fiscal year caused equity capital to fall by EUR 16.5 million to EUR 76.0 million. On August 31, 2020, the equity ratio remained nevertheless at a solid level of 48.7 percent (previous year: 59.0 percent), which is well above the industry average.

Key management and financial indicators

		incl. IFRS 16 **Q1-Q3 2019/20**	before IFRS 16 **Q1-Q3 2019/20**	**Q1-Q3 2018/19**
Sales	EUR million	108.9	108.9	159.6
Gross margin	in %	48.3	48.3	49.8
EBITDA*	EUR million	-3.0	-6.6	4.0
EBITDA-Margin*	in %	-2.8	-6.1	2.5
EBIT*	EUR million	-10.0	-10.1	0.5
EBIT-Margin*	in %	-9.2	-9.3	0.3
Net income	EUR million	-11.0	-10.9	0.4
Profit margin before taxes	in %	-10.5	-10.5	0.3
Profit margin after taxes	in %	-10.1	-10.0	0.2
Earnings per share	EUR	-0.80	-0.80	0.03
Cash flow from operating activities	EUR million	-17.6	-20.9	3.1
Net Working Capital**	EUR million	78.8	78.8	78.9
Net financial liabilities	EUR million	45.2	35.0	21.4
Equity ratio	in %	45.7	48.7	59.0
Employees		1,785	1,785	1,924

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

2. POST BALANCE SHEET EVENTS

In order to adapt the cost situation to the lower revenue expectations, the Supervisory Board and the Management Board decided extensive reorganisation measures after the end of the third quarter on September 9, 2020. 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. EMPLOYEES

On August 31, 2020, Ahlers employed 1,785 people, 139 less than a year ago (1,924). The scheduled reduction is primarily attributable to the earnings and efficiency increasing measures initiated in September 2018. The number of employees in Germany fell by 40 to 492 people (previous year: 532 people) among other things due to changes in the model departments as well as in the company's own retail operations. In Eastern Europe, the number of people employed in the Group's own retail operations also declined (-14 employees). The headcount in Poland was reduced by 175 employees due to the extensive discontinuation of production in that country. By contrast, production capacity in Sri Lanka was expanded as planned (+90 employees).

4. FORECAST

The economy in the eurozone has been hit hard by the measures taken to contain the COVID-19 pandemic, which resulted in a sharp drop in GDP (Gross Domestic Product) of -14.7 percent in the second quarter of 2020. The easing of the restrictions then led to a noticeable economic recovery. Most economic institutes have moderately raised their full-year 2020 forecast for the economic development in the euro zone from -7.0 percent to -6.5 percent (all forecasts: Commerzbank Research September 2020). In Germany, GDP is expected to fall by 4.5 percent in 2020 as a whole, accompanied by an increase in the jobless rate (+1 percent to 6.0 percent) and a decline in private consumption (-5.6 percent). The effect of the launched stabilisation programmes for the labour market and consumption therefore remains to be seen and will probably depend heavily on the further course of the pandemic. After the strong recovery of the consumer climate in Germany had been abruptly halted by rising infection figures in the previous month, it has recently stabilised again (GfK Consumer Climate, September 2020). The overall significantly lower level of consumer sentiment is also reflected in the stationary clothing retail sales in Germany. Despite improved sales revenues since shops reopened at the end of April, the German stationary fashion trade continues to record double-digit percentage declines in revenues (Textilwirtschaft No. 37_2020). This probably also applies to the European foreign markets relevant to us, most of which are even more affected by the effects of the pandemic and the measures taken to contain it.

Revenue forecast for the full fiscal year 2019/20 confirmed

The Management Board expects that the postponed deliveries of the third quarter of 2020 will be largely made up for in the fourth quarter and that sales revenues will only decline moderately in the fourth quarter of 2020. In the full fiscal year 2019/20, the revenue trend should therefore be at around -25 percent to -30 percent. This corresponds to the assessment made three months ago.

Extensive cost-cutting measures lead to noticeable one-time effects

The gross profit margin of the fourth quarter of 2020 could be affected by higher inventory write-downs. This should be offset by further cost savings in the last three months of the fiscal year. Operating EBIT before one-time effects in the fourth quarter of 2020 should therefore at best remain stable or continue to decline slightly compared to the same quarter of 2019 (Q4 2019: EUR -2.9 million). In addition, one-time provisions for personnel measures in the amount of about EUR 3.5 million will have to be formed and will additionally weigh on the full-year result in the ‘one-time effects’. These forecasts are based on the assumption that a second lockdown in Ahlers´ key European markets will not be necessary. In general, please note that the forecast is currently subject to great uncertainty.

Equity ratio remains solid despite considerable strain on balance sheet

The earnings trend in the fourth quarter of 2020 is likely to lead to a further decline in equity capital. As was already the case at the end of the third quarter, inventories of finished goods are likely to be significantly up on the previous year. The target for the next fiscal year must therefore be to reduce inventories again. The equity ratio should nevertheless remain at a solid high level at the end of the fiscal year 2019/20.

Herford, October 2020

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	incl. IFRS 16 Aug. 31, 2020 EUR million	in %	before IFRS 16 Aug. 31, 2020 EUR million	in %	Aug. 31, 2019 EUR million	in %
Property, plant and equipment and intangible assets	45.3	27.3	35.2	22.6	40.6	25.9
Other non-current assets	11.4	6.9	11.4	7.3	12.5	8.0
Deferred tax assets	1.5	0.9	1.5	1.0	1.3	0.8
Non-current assets	**58.2**	**35.1**	**48.1**	**30.9**	**54.4**	**34.7**
Inventories	77.8	46.9	77.8	49.9	70.3	44.8
Trade receivables	15.4	9.3	15.4	9.9	19.6	12.5
Other current assets	7.9	4.7	7.9	5.1	7.9	5.0
Cash and cash equivalents	6.6	4.0	6.6	4.2	4.6	3.0
Current assets	**107.7**	**64.9**	**107.7**	**69.1**	**102.4**	**65.3**
Total assets	**165.9**	**100.0**	**155.8**	**100.0**	**156.8**	**100.0**

Equity and liabilities	incl. IFRS 16 Aug. 31, 2020 EUR million	in %	before IFRS 16 Aug. 31, 2020 EUR million	in %	Aug. 31, 2019 EUR million	in %
Equity	**75.9**	**45.8**	**76.0**	**48.8**	**92.5**	**59.0**
Pension provisions	3.2	1.9	3.2	2.1	3.2	2.0
Other non-current liabilities and provisions	33.9	20.4	27.6	17.7	17.2	11.0
Deferred tax liabilities	1.0	0.6	1.0	0.6	1.0	0.6
Non-current liabilities	**38.1**	**22.9**	**31.8**	**20.4**	**21.4**	**13.6**
Current income tax payables	0.3	0.2	0.3	0.2	0.7	0.5
Other current liabilities and provisions	51.6	31.1	47.7	30.6	42.2	26.9
Current liabilities	**51.9**	**31.3**	**48.0**	**30.8**	**42.9**	**27.4**
Liabilities	**90.0**	**54.2**	**79.8**	**51.2**	**64.3**	**41.0**
Total equity and liabilities	**165.9**	**100.0**	**155.8**	**100.0**	**156.8**	**100.0**

GROUP SEGMENT INFORMATION

as of August 31, 2020 (previous year: August 31, 2019)

by geographic region	Premium Brands		Jeans & Workwear		Others		**Total**	
KEUR	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Germany								
Sales	37,005	51,811	24,629	32,891	253	245	61,887	84,947
Net assets	86,234	80,408	19,067	21,261	10,467	11,366	115,768	113,035
Western Europe								
Sales	23,518	33,438	5,815	9,899	-	-	29,333	43,337
Net assets	7,558	9,344	3,802	3,665	-	-	11,360	13,009
Central-/ Eastern Europe/ Other								
Sales	15,876	26,803	1,792	4,525	-	-	17,668	31,328
Net assets	21,621	23,886	5,142	4,413	14	16	26,777	28,315

Financial calendar

Quarterly statement Q3 2019/20	October 12, 2020
Analysts' conference	October 13, 2020
Annual accounts press conference	February 25, 2021
Quarterly statement Q1 2020/21	April 7, 2021
Annual Shareholders' Meeting	April 21, 2021
Half-year report 2020/21	July 7, 2021
Quarterly statement Q3 2020/21	October 12, 2021

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 about 70 percent of its sales revenues from premium brands
- produces around 6 million fashion items per year
- receives about one third of the production volume from its own factory in Sri Lanka
- employs some 1,800 people
- generates its sales revenues in business with stationary specialist retailers, in e-commerce and with its own retail activities

The brands

BALDESSARINI pierre cardin OTTO KERN

PIONEER® AUTHENTIC JEANS Pionier WORKWEAR

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