



AHLERS AG

Financial Statement 2018/19
December 1, 2018 - November 30, 2019



NOTES TO THE COMBINED MANAGEMENT REPORT

The Management Report of Ahlers AG is combined with the Group Management Report in accordance with section 315 sub-sections 3 of the German Commercial Code (HGB) and published in the Group Annual Report 2018/19.

The Annual Financial Statements and the combined Management Report of Ahlers AG for the year 2018/19 are filed with the operator of the German Federal Gazette and published in the German Federal Gazette. The Annual Financial Statements of Ahlers AG and the Group Annual Report 2018/19 can be found on our website www.ahlers-ag.com.

BALANCE SHEET

ASSETS

EUR	Nov. 30, 2019	Nov. 30, 2018
A. FIXED ASSETS		
I. Intangible assets		
Industrial property rights and similar rights and assets	1,625.00	3,184.00
II. Property, plant and equipment		
Plant and office equipment	102,615.00	192,312.00
	102,615.00	192,312.00
III. Financial assets		
1. Shares in affiliated companies	63,507,798.98	63,737,583.22
2. Investment	210,650.00	210,650.00
3. Long-term investments	23,510.15	23,825.00
4. Other financial assets	10,457,386.50	17,691,843.56
	74,199,345.63	81,663,901.78
	74,303,585.63	81,859,397.78
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and consumables	7,065,096.30	9,567,843.11
2. Finished goods and merchandise	18,541,532.50	23,252,062.36
	25,606,628.80	32,819,905.47
II. Receivables and other assets		
1. Trade receivables	2,760,345.53	4,075,838.28
2. Receivables from affiliates	12,207,080.68	15,607,444.60
3. Other assets	1,232,824.63	1,123,335.71
	16,200,250.84	20,806,618.59
III. Bank balances	5,243,845.54	391,357.19
	47,050,725.18	54,017,881.25
C. ACCRUALS AND DEFERRED INCOME	504,975.93	119,081.76
D. DEFERRED TAX ASSETS	1,650,900.00	1,650,900.00
Total assets	123,510,186.74	137,647,260.79

EQUITY AND LIABILITIES

EUR

	Nov. 30, 2019	Nov. 30, 2018
A. EQUITY		
I. Subscribed capital		
Registered common share	43,200,000.00	43,200,000.00
	43,200,000.00	43,200,000.00
II. Capital reserve	15,575,841.00	15,575,841.00
III. Retained earnings		
Other revenue reserves	25,281,526.96	26,281,526.96
IV. Accumulated profits	867,804.08	541,106.33
	84,925,172.04	85,598,474.29
B. PROVISIONS		
1. Pension provisions	208,901.00	219,476.00
2. Provisions for taxation	0.00	138,347.39
3. Other provisions	2,405,424.00	2,172,020.00
	2,614,325.00	2,529,843.39
C. LIABILITIES		
1. Liabilities to banks	20,626,081.82	29,308,212.04
2. Trade payables	5,344,021.70	6,122,459.59
3. Liabilities to affiliated companies	9,510,541.08	13,481,020.32
4. Other liabilities	490,045.10	607,251.16
	35,970,689.70	49,518,943.11
D. ACCRUALS AND DEFERRED INCOME	0.00	0.00
Total equity and liabilities	123,510,186.74	137,647,260.79

INCOME STATEMENT

EUR	2018/19	2017/18
1. Sales	75,102,183.18	82,770,380.09
2. Increases (+) / decreases (-) in inventories of finished goods	-3,189,934.06	1,432,175.33
3. Other operating income	1,961,144.57	3,721,531.67
4. Cost of materials		
a) Cost of raw materials, manufacturing and factory supplies as well as for goods purchased	-33,688,098.43	-37,417,104.23
b) Cost of purchased services	-13,968,990.99	-17,973,753.52
5. Personnel expenses		
a) Wages and salaries	-1,373,594.83	-1,131,879.16
b) Social insurance contributions and pension expenses	-45,764.25	-31,456.73
6. Depreciation and amortisation on intangible assets and property, plant and equipment	-92,168.72	-64,410.93
7. Other operating expenses	-33,461,400.17	-40,538,873.02
8. Income from investments	5,461,971.10	2,283,959.85
9. Income from profit transfer agreements	4,567,070.93	4,334,238.05
10. Income from other investments and long-term loans	16,845.54	6,145.74
11. Other interest and similar income	549,765.90	630,029.25
12. Write-downs of financial assets	-450,793.85	-1,700,693.24
13. Expenses for losses taken over	-1,302,963.95	-1,777,786.98
14. Interest and similar expenses	-755,401.49	-857,358.92
15. Earnings from income taxes	65,431.35	-51,333.94
16. Result after taxes	-604,698.17	-6,366,190.69
17. Other taxes	-68,604.08	-1,841.89
18. Net result	-673,302.25	-6,368,032.58
19. Profit carried forward from the previous year	541,106.33	2,909,138.91
20. Withdrawals from other revenue reserves	1,000,000.00	4,000,000.00
21. Accumulated profits	867,804.08	541,106.33

NOTES TO THE FINANCIAL STATEMENTS OF AHLERS AG

for the fiscal year 2018/19

I. GENERAL CORPORATE INFORMATION

Ahlers AG's headquarters are located in Herford and the company is registered in the commercial register of the district court of Bad Oeynhausen under no. HRB 6541.

II. GENERAL INFORMATION ON THE CONTENTS AND STRUCTURE OF THE FINANCIAL STATEMENTS

The financial statements of Ahlers AG are prepared in accordance with section 238 et seq. and the particular regulations for corporations in section 264 et seq. of the German Commercial Code (HGB) together with the regulations of section 150 et seq. of the German Stock Corporation Act (AktG).

For the sake of clarity and structure, the legally required comments on items in the balance sheet and the income statement as well as such comments that may optionally be made in the balance sheet, the income statement or the Notes are stated in the Notes.

The nature of expense method is used for the income statement.

III. ACCOUNTING AND VALUATION PRINCIPLES

1. General

The accounting and valuation principles remained unchanged from the previous year. Valuation is performed in accordance with the regulations that are applicable to „Kapitalgesellschaften“ (corporations).

2. Currency translation

Current cash and cash equivalents, receivables and liabilities in foreign currency with a remaining term of up to one year must be translated at the mean rate on the reporting date. The imparity and realisation principle defined in section 253 (1) sentence 1 and section 252 (1) no. 4 semi-sentence 2 of the German Commercial Code (HGB) must be applied to receivables and liabilities in foreign currency with a remaining term of more than one year.

3. Intangible assets

Purchased intangible assets are capitalised at cost plus incidental acquisition costs and amortised on a straight-line basis over a period of 3 to 15 years.

4. Property, plant and equipment

Property, plant and equipment are recognised at cost plus incidental acquisition costs and written off systematically where applicable. Write-offs are made using the straight-line method; otherwise the declining balance method is used. The useful lives are determined using the official "AfA" (depreciation) tables.

Write-downs of assets at the beginning of the fiscal year are continued systematically using the principles and methods applied in the previous years. The straight-line method of depreciation is adopted whenever this results in higher amounts of depreciation.

Additions to property, plant and equipment are written down on a pro rata temporis basis in the year of addition. Movable assets with finite useful lives acquired in the fiscal year whose acquisition cost is between EUR 250.00 and EUR 1,000.00 are booked as a collective item and written off over a period of five years using the straight-line method.

5. Financial assets

Financial assets are recognised at cost plus incidental acquisition cost or at the lower fair value. As a general rule, the lower fair values are determined using the discounted cash flow method. Write-ups up to the acquisition cost are also determined using this method.

Pieces of art were recognised at cost and are regularly tested for impairment. In the event of permanent impairment, they are written down for impairment.

6. Inventories

Inventories are measured at the lower of cost or market value in accordance with section 253 (4) of the German Commercial Code (HGB). Manufacturing costs include cost of materials, direct labour and appropriate parts of production overheads as well as production-related depreciation of fixed assets. Interest on borrowed capital is not included. The lower of cost or market value principle is applied throughout.

7. Receivables and other assets

Receivables and other assets are stated at the lower of nominal and fair value pursuant to section 253 (4) of the German Commercial Code (HGB). Specific risks are covered by specific allowances. Default risk arising from trade receivables is covered by a lump-sum allowance.

With effect from November 30, 2018, Ahlers signed a factoring agreement with a buyer of receivables. Under this agreement, the receivables buyer is obliged to purchase trade receivables that are due in the short term. The purchases are made on a monthly revolving basis with weekly reconciliations and cover a contractually agreed volume of between EUR 9 million and EUR 28 million. Ahlers has the right to determine the utilisation of this volume. All risks and opportunities are essentially transferred. The relevant risks in this context are the credit risk and the risk of delayed incoming payments. The credit risk is additionally mitigated by a trade credit insurance policy to cover peaks. The receivables sold totalled EUR 4.8 million as at the balance sheet date. Ahlers bears the risk of payment delays.

Prepayments and accrued income comprise amounts that refer to expenses or income relating to periods after the balance sheet date.

8. Cash on hand and in banks

Cash on hand and in banks as well as cheques are mainly denominated in euros and are recognised at their nominal values.

9. Prepayments and accrued income

In accordance with section 250 (1) of the German Commercial Code (HGB), only expenditures prior to the balance sheet date which represent expenses for a specific period after this date were reported as prepaid expenses on the assets side of the balance sheet.

10. Deferred tax assets

Deferred taxes were calculated on the basis of a tax rate of 15.8 percent and 15.0 percent, respectively, on corporate income tax and trade tax losses carried forward. Deferred tax assets for differences between the tax balance sheet and the commercial balance sheet were calculated at an average tax rate of 30.8 percent.

11. Provisions

Provisions adequately cover all discernible risks and contingent liabilities. The provisions were determined on the basis of section 253 of the German Commercial Code (HGB). Provisions were recognised at the amount that is considered to be necessary based on prudent business judgement. Other provisions with a remaining term of more than one year are discounted at the average market rate of the past seven years published by Deutsche Bundesbank (section 253 (2) HGB) for their respective remaining term.

12. Liabilities

Liabilities are shown at the repayment amount.

IV. DISCLOSURES REGARDING ITEMS IN THE BALANCE SHEET AND INCOME STATEMENT

Fixed assets

The changes in cumulative acquisition costs and cumulative depreciation per fixed asset item in the fiscal year 2018/19 are shown in the fixed-asset movement schedule for Ahlers AG in an appendix to the Notes. The historical values are shown as acquisition costs for all intangible assets, property, plant and equipment and financial assets.

Receivables and other assets

As in the previous year, receivables from affiliates relate to the exchange of goods and services with affiliated companies as well as short-term loans to domestic and foreign Group companies. Receivables from affiliated companies included trade receivables in an amount of EUR 3.6 million (previous year: EUR 4.7 million) as well as other receivables in the amount of EUR 8.6 million (previous year: EUR 10.9 million).

As in the previous year, all receivables and other assets have a remaining term of up to one year.

Deferred tax assets

Deferred tax assets (surplus) were recognised for differences between the tax balance sheet and the commercial balance sheet using the asset and liability method. Material differences result from tax balancing items from the inter-company relationship as well as the utilisation of a reserve for replacements. Deferred tax assets were also recognised for tax losses carried forward.

Subscribed capital

The share capital of the company still amounts to EUR 43,200,000.00 and is now divided into 13,681,520 registered common shares. Each common share has the same share in the company's share capital and represents 1 voting right.

On June 29, 2018, Dr. Stella A. Ahlers notified in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that her voting interest in Ahlers AG, Herford, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on June 29, 2018 and amounted to 52.54% (which corresponds to 7,188,512 voting rights) on that date. Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 52.34% (which corresponds to 7,233,112 voting rights) are attributable to Dr. Stella A. Ahlers.

Attributable voting rights are held through the following companies which are controlled by Dr. Stella A. Ahlers and whose voting interest in Ahlers AG amounts to 3% or more:

- Adolf Ahlers Familienstiftung, Switzerland,
- Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG,
- WTW-Beteiligungsgesellschaft mbH.

Apart from Dr. Ahlers, no other Board member owned shares in the company on the reporting date.

Authorised capital

Based on a resolution by the ordinary Annual Shareholders' Meeting of May 3, 2017 in conjunction with the resolution adopted by the Annual Shareholders' Meeting on April 24, 2018 on the conversion of bearer shares into registered shares and the abolition of the preferred shares as well as the transfer restrictions of the former registered shares and their right to designate members of the Supervisory Board, the statutes were amended as follows: The Management Board shall be authorised, with the consent of the Supervisory Board, to increase the share capital by a total of no more than EUR 21,600 thousand once or several times through the issue of new, registered shares against cash and/or non-cash contributions by May 2, 2022. The Management Board is authorised, however, to exclude shareholders' subscription rights with the consent of the Supervisory Board under certain conditions.

Capital reserve

The capital reserve remained unchanged at EUR 15.6 million, of which EUR 12.8 million related to the premium from the capital increase against cash contributions that occurred at the time of the IPO and EUR 1.6 million to the issue of preferred shares.

Revenue reserves

An amount of EUR 1.0 million was withdrawn from other revenue reserves in the fiscal year and transferred to accumulated profits. A remaining amount of EUR 25.3 million was recognised on November 30, 2019.

Accumulated profits

Accumulated profits include profits carried forward in an amount of EUR 541,106.33.

Pension provisions

Pension provisions are calculated actuarially using the projected unit credit method. Under this method, the interest rate stated in the table of the German Bundesbank is taken as a basis for a remaining period of 15 years. Pension provisions reflect the present value of the accrued pension entitlements which are calculated using the 10-year average interest rate of 2.75 percent as well as a pension trend of 2 percent on the basis of the Heubeck 2018 G mortality tables. No salary trend was applied, given that the pension commitments are based on fixed amounts.

The application of the 7-year average interest rate of 1.99 percent would have resulted in lower pension provisions as of November 30, 2019.

The difference pursuant to section 253 (6) of the German Commercial Code (HGB) that is subject to a payout block amounted to EUR 28,718.00 as of November 30, 2019 (previous year: EUR 12,279.00).

Other provisions

Other provisions primarily include EUR 0.4 million for bonuses, EUR 0.3 million for management bonuses and EUR 0.7 million for goods returned and price discounts as well as EUR 0.7 million for outstanding invoices. In addition, sufficient provisions were established for audit costs, Supervisory Board compensation, archiving expenses as well as all other discernible risks and obligations.

Liabilities schedule (in EUR million)

EUR million		Remaining term			Total
		up to 1 year	1 to 5 years	> 5 years	
1. Liabilities to banks	Nov. 30, 2019	5.7	14.9	-	20.6
	Nov. 30, 2018	11.9	16.0	1.4	29.3
2. Trade payables	Nov. 30, 2019	5.4	-	-	5.4
	Nov. 30, 2018	6.1	-	-	6.1
3. Liabilities to affiliates	Nov. 30, 2019	6.2	0.3	3.0	9.5
	Nov. 30, 2018	7.9	0.3	5.3	13.5
4. Other liabilities	Nov. 30, 2019	0.5	-	-	0.5
	Nov. 30, 2018	0.6	-	-	0.6
- thereof taxes	Nov. 30, 2019	0.1	-	-	0.1
	Nov. 30, 2018	0.1	-	-	0.1
- thereof social security contributions	Nov. 30, 2019	-	-	-	-
	Nov. 30, 2018	-	-	-	-
Total	Nov. 30, 2019	17.8	15.2	3.0	36.0
	Nov. 30, 2018	26.5	16.3	6.7	49.5

All liabilities to banks are secured by pledges on real estate, works of art, inventories and unassigned receivables.

Liabilities to affiliates included trade payables in an amount of EUR 2.0 million (previous year: EUR 2.6 million) and other liabilities in the amount of EUR 7.5 million (previous year: EUR 10.9 million).

Explanation of individual items in the income statement

Any analysis of the income statement should take into consideration the fact that production, purchasing and sales as well as administration and service activities are performed on the basis of servicing agreements with subsidiaries.

Sales

Sales break down by geographic markets as follows:

	2018/19		2017/18	
	EUR million	%	EUR million	%
Germany	56.8	75.6	62.3	75.2
Outside Germany	18.3	24.4	20.5	24.8
	75.1	100.0	82.8	100.0

Sales revenues were almost exclusively generated by the sale of clothing. Foreign sales were generated primarily in Europe.

Other operating income

Other operating income in an amount of EUR 355 thousand (previous year: EUR 411 thousand) is unrelated to the reporting period. This includes the reversal of valuation allowances and provisions as well as reimbursements relating to earlier years. Other operating income comprises exchange gains in an amount of EUR 173 thousand (previous year: EUR 80 thousand).

Pension expenses

The personnel expenses for the reporting year include pension expenses for the former workforce in an amount of EUR 14 thousand (previous year: EUR 1 thousand).

Other operating expenses

Other operating expenses comprise expenses from currency translation in the amount of EUR 168 thousand (previous year: EUR 96 thousand); expenses of EUR 4 thousand (previous year: EUR 9 thousand) are unrelated to the accounting period.

Income from investments

Income from investments exclusively includes distributions from affiliated companies. Income from investments relates to Ahlers Textilhandel GmbH & Co. KG, Herford, (EUR 1.0 million), Ahlers Austria GmbH in Austria (EUR 3.3 million), Ahlers Premium France S.A.S. in France (EUR 0.8 million) and Dial Textile Industries Ltd., Sri Lanka, (EUR 0.4 million).

Income/expenses under profit transfer agreements

This item represents the income of EUR 4.6 million (previous year: EUR 4.3 million) collected under various controlling and profit and loss transfer agreements in the fiscal year 2018/19 and the losses taken over in an amount of EUR 1.3 million (previous year: EUR 1.8 million).

Other interest and similar income

This item comprises interest received from affiliated companies in an amount of EUR 0.5 million (previous year: EUR 0.6 million) and interest income from tax refunds in the amount of EUR 130 thousand (previous year: EUR 7 thousand).

Write-down of financial assets and current investments

This item includes write-downs of long-term securities and scheduled depreciation of works of art in a total amount of EUR 1 thousand. Extraordinary expenses within the meaning of section 285 no. 31 of the German Commercial Code (HGB) resulted from extraordinary write-downs of EUR 450 thousand on the works of art held by the company.

Interest and similar expenses

Expenses include interest payments to affiliated companies in an amount of EUR 0.1 million (previous year: EUR 0.1 million) and interest on tax repayments in an amount of EUR 0 thousand (previous year: EUR 5 thousand). EUR 7 thousand relate to interest expenses from accumulation (previous year: EUR 6 thousand).

Taxes on income

This item comprises corporate income tax including solidarity surcharge, trade tax as well as foreign income tax. The income stated is income from the reversal of tax provisions and tax refunds for previous years. The taxes on income include no deferred tax expenses or income.

V. OTHER DISCLOSURES

Amounts not available for distribution

Of the distributable profit including revenue reserves in the total amount of EUR 26,177 thousand, the amount of the deferred tax assets of EUR 1,651 thousand pursuant to section 268 (8) of the German Commercial Code (HGB) as well as an amount of EUR 29 thousand to be determined in connection with pension provisions pursuant to section 253 (6) of the German Commercial Code (HGB) may not be distributed.

Contingent liabilities

KEUR	Nov. 30, 2019	Nov. 30, 2018
Notes payable	0	0
Guarantees	60	62
	60	62

Contingent liabilities relate to guarantees for bank liabilities of various subsidiaries. As the subsidiaries are able to meet their obligations from current operating activities, it is safe to assume that no claims will be made under these guarantees.

Other financial liabilities

Other financial obligations are the result of rental, lease and maintenance agreements and are composed as follows:

due (KEUR)	Nov. 30, 2019	Nov. 30, 2018
in the following year	1,252	1,265
thereof towards affiliated companies	(828)	(844)
in the 2nd to 4th year	48	1,042
thereof towards affiliated companies	(0)	(598)
from the 5th year	0	0
thereof towards affiliated companies	(0)	(0)
Total	1,300	2,307
thereof towards affiliated companies	(828)	(1,442)

Derivative financial instruments

Derivative financial instruments are used exclusively in the form of forward exchange contracts to hedge exchange rate risks in the operational area. As of the balance sheet date, the forward exchange contracts had a volume of EUR 9.8 million (previous year: EUR 10.8 million).

	Contractual volume				
	Currency	in thousand		positive	negative
		currency units	in KEUR	fair value KEUR	fair value KEUR
Purchases	USD	7,500	6,601	192	0
Sales	CHF	3,500	3,216	48	0
Total			9,817	240	0

The company uses forward exchange contracts to hedge against currency risks. In anticipation of purchases and sales in foreign currency that are highly likely to be made, forward exchange contracts are signed for a portion of the resulting open positions in foreign currency. Pursuant to section 254 HGB, this constitutes a hedge relationship in the form of an anticipated hedge, as open positions from anticipated hedged items in foreign currency are hedged with forward exchange contracts at matching maturities. The forward exchange contracts serve as hedges against the risk of exchange rate changes resulting from the company's operational transactions. The anticipated transactions relate to purchases and sales in foreign currency within the next twelve months. Effectiveness is ensured by a critical term match. As at the balance sheet date, the forward exchange contracts had a market value of EUR 240 thousand. No currency risk arises throughout the term of the forward exchange contracts; the transactions were grouped in valuation portfolios and not recognised in the balance sheet.

Employees (annual average)

As in the previous year, Ahlers AG had no employees on average in the fiscal year 2018/19.

CORPORATE BODIES

Supervisory Board

Alexander Gedat (since April 17, 2019)
Business economist, Rosenheim (Chairman)

Armin Fichtel (since April 17, 2019)
Businessman, Mönchengladbach (Deputy Chairman)

Heidrun Baumgart
Administrative assistant, Bielefeld (Employee representative), Ahlers Zentralverwaltung GmbH

Prof. Dr. Carl-Heinz Heuer (until April 17, 2019)
Attorney, Königstein (Chairman), Sozietät Heuer Busch & Partner

Prof. Dr. Julia von Ah (until April 17, 2019)
Tax advisor, Feusisberg, Schweiz (Deputy Chairwoman), von Ah & Partner AG

Hans-Joachim Knauf (until April 17, 2019)
Fully qualified lawyer, commercial employee, Herford (Employee representative), Ahlers Vertrieb GmbH

Jörg-Viggo Müller (until April 17, 2019)
Former member of the Management Board of Ravensburger AG, Reutlingen

Bernd A. Rauch (until January 31, 2019)
Advertising expert, Oberursel (Taunus)

Supervisory Board committees

Since the Annual Shareholders' Meeting on April 17, 2019, no committees have been formed as the Supervisory Board was reduced from six to three members. Up to that date, the committees were composed as follows:

Audit Committee (until April 17, 2019)
Prof. Dr. Julia von Ah, Chairwoman
Prof. Dr. Carl-Heinz Heuer
Jörg-Viggo Müller

Human Resources Committee (until April 17, 2019)
Prof. Dr. Carl-Heinz Heuer, Chairman
Prof. Dr. Julia von Ah
Jörg-Viggo Müller

Marketing Committee (until April 17, 2019)
Bernd A. Rauch (until January 31, 2019), Chairman
Prof. Dr. Julia von Ah
Prof. Dr. Carl-Heinz Heuer

Nomination Committee (until April 17, 2019)
Jörg-Viggo Müller, Chairman
Prof. Dr. Carl-Heinz Heuer
Bernd A. Rauch (until January 31, 2019)

Management Board

Dr. Stella A. Ahlers

Herford, CEO

Dr. Karsten Kölsch

Herford, Board member in charge of Finance, IT, Human Resources, Logistics and International Operations

Götz Borchert (until December 12, 2018)

Herford, Board member in charge of Marketing, Retail/E-commerce, Design/Product and Corporate Communications

Further disclosures relating to Supervisory/Management Board members

As of November 30, 2019, the members of the Supervisory/Management Board of the company are represented on the following bodies of other companies:

Alexander Gedat

- Advisory Board member of Fynch – Hatton GmbH, Mönchengladbach
- Advisory Board member of Sportalm GmbH, Kitzbühel, Austria
- Chairman of the Supervisory Board of Gerry Weber International AG, Halle (Westphalia) since December 19, 2019

Armin Fichtel

- Chairman of the Advisory Board of Mustang Jeans GmbH, Künzelsau
- Chairman of the Advisory Board of van Laack GmbH, Mönchengladbach
- Chairman of the Advisory Board of AppelrathCüpper, Cologne
- Advisory Board member of Fynch – Hatton GmbH, Mönchengladbach

Dr. Stella A. Ahlers

- President of the Advisory Board of Adolf Ahlers AG, Zug (Switzerland)

Supervisory/Management Board members not mentioned above are not represented on other companies' bodies.

Shareholdings

Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, holds a majority interest in the voting share capital of Ahlers AG, mainly via its fully-owned subsidiary, WTW Beteiligungsgesellschaft mbH, Herford. The Ahlers AG financial statements are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, as the largest group of companies, and in the consolidated financial statements of Ahlers AG, Herford, as the smallest group of companies, pursuant to section 285 no. 14 of the German Commercial Code (HGB). The consolidated financial statements of Ahlers AG as well as of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG are published in the Federal Gazette.

Compensation of the Supervisory Board and the Management Board

The total compensation of the Supervisory Board and the Management Board is listed in the compensation report.

Von Ah & Partner AG, Zurich (Switzerland), in which former Supervisory Board member and Audit Committee Chairwoman Prof. Dr. von Ah is a partner, provided tax consulting services to the Ahlers Group in the fiscal year 2018/19, for which an amount of EUR 2 thousand was invoiced in accordance with standard market terms. Mr. Bernd Rauch charged EUR 2 thousand for consulting services up to his resignation from the Supervisory Board. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had previously been approved by the Supervisory Board.

The compensation of the Supervisory Board for its activity in the fiscal year 2018/19 totalled EUR 99 thousand (previous year: EUR 105 thousand), of which an amount of EUR 99 thousand (previous year: EUR 105 thousand) was non-performance-linked.

The total compensation of the Management Board of Ahlers AG for the year under review amounted to EUR 1,333 thousand (previous year: EUR 990 thousand) and comprised non-performance-related components of EUR 1,077 thousand (previous year: EUR 1,077 thousand) and performance-related components of EUR 256 thousand (previous year: EUR -87 thousand).

Former members of the Management Board or management of Adolf Ahlers GmbH and their surviving next-of-kin received EUR 16 thousand (previous year: EUR 51 thousand). As of November 30, 2019, provisions for current pensions to this group of persons amounted to EUR 100 thousand (previous year: EUR 103 thousand).

List of shareholdings pursuant to section 285 no. 11 HGB

A list of the companies in which Ahlers AG held at least 20 percent of the shares as well as the large corporations in which it held 5 percent as of November 30, 2019 is shown in an appendix to the Notes.

Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act (AktG)

Ahlers AG has submitted the Declaration of Conformity for 2019 pursuant to section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

Auditor's fee

The auditor's fee is disclosed in the consolidated financial statements.

Post balance sheet events

No events requiring disclosure in this report occurred after the balance sheet date.

Proposal for the appropriation of profits

The Management Board and the Supervisory Board propose to carry forward the profit of EUR 867,804.08 posted for the fiscal year 2018/19 to new account.

Consolidated financial statements

In its capacity as parent company, Ahlers AG is exempted from preparing consolidated financial statements in accordance with the provisions of the German Commercial Code, as the company alternatively prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) (section 315 e of the German Commercial Code (HGB)). All standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were effective as of November 30, 2019 and applicable in the EU have been taken into account. The basis of consolidation includes all directly and indirectly affiliated companies. The consolidated financial statements are published in the electronic Federal Gazette.

Herford, February 11, 2020

Ahlers AG
The Management Board

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

FIXED ASSET MOVEMENT SCHEDULE

for fiscal 2018/19

KEUR	Accumulated costs			
	Dec. 1, 2018	Additions	Disposals	Nov. 30, 2019
Intangible assets				
Industrial property rights and similar rights and assets	752	0	0	752
Property, plant and equipment				
Land and buildings	107	0	0	107
Machinery	28	0	0	28
Plant and office equipment	1,624	1	0	1,625
	1,759	1	0	1,760
Financial assets				
Shares in affiliated companies	106,796	640	870	106,566
Investment	211	0	0	211
Long-term investments	34	0	0	34
Other financial assets	17,771	2	6,786	10,987
	124,812	642	7,656	117,798
	127,323	643	7,656	120,310

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2018	Additions	Appreciation	Disposals	Nov. 30, 2019	Nov. 30, 2019	Nov. 30, 2018
749	1	0	0	750	2	3
107	0	0	0	107	0	0
28	0	0	0	28	0	0
1,432	90	0	0	1,522	103	192
1,567	90	0	0	1,657	103	192
43,058	0	0	0	43,058	63,508	63,738
0	0	0	0	0	211	211
11	0	0	0	11	23	23
79	451	0	0	530	10,457	17,692
43,148	451	0	0	43,599	74,199	81,664
45,464	542	0	0	46,006	74,304	81,859

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	thereof indirectly held			Equity ¹⁾ KEUR	Net income ²⁾ 2018/19 KEUR
	Equity share (in %)	%	via		
1. Ahlers P.C. GmbH, Herford	100.00			20,996	³⁾
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,500	1,188
3. Ahlers Vertrieb GmbH, Herford	100.00			31	³⁾
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			4,014	³⁾
5. Baldessarini GmbH, Herford	100.00			1,936	³⁾
6. Ahlers Retail GmbH, Herford	100.00			60	³⁾
7. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	4,299	1,275
8. Jupiter Bekleidung GmbH, Herford	100.00			113	³⁾
9. Otto Kern GmbH, Herford	100.00			7,987	³⁾
10. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			52	³⁾
11. Pionier Berufskleidung GmbH, Herford	100.00			28	³⁾
12. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			24	³⁾
13. Adolf Ahlers AG, CH-Zug	100.00			4,435	32
14. Ahlers Austria GmbH, A-Mariasdorf	100.00			1,683	464
15. Ahlers Europe Ltd., USA-New York	100.00			-394	-24
16. Ahlers Herford (España) S.L., E-Madrid	100.00			377	27
17. Ahlers Herford (Italia) S.R.L., I-Torino	100.00			408	4
18. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			1,768	94
19. "Ahlers-Poland" Spolka z o.o., PL-Opole	100.00			11,279	140
20. OOO Ahlers RUS, RUS-Moskwa	90.00			817	103
21. SIA Ahlers LV, LV-Riga	99.33	99.33	26.	-46	-84
22. Dial Textile Industries Ltd., CL-Katunayake	100.00			2,513	581
23. Ahlers Danmark A/S, DK-Haderslev	100.00			252	28
24. "LUBINEX"-Spolka z o.o., PL-Lubin	62.85	62.85	19.	1,913	-774
25. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	9.	922	76
26. UAB Ahlers LT, LT-Vilnius	99.33	99.33	1.	-111	-550
27. TEXTART Bratislava, s r.o., SK-Bratislava	100.00	100.00	14.	95	9
28. TEXTART d.o.o., HR-Strmec Samoborski	100.00	100.00	14.	262	4
29. TEXTART d.o.o., SLO-Ljubljana	100.00	100.00	14.	66	6
30. TEXTART Magyarország Kft., H-Budapest	100.00	100.00	14.	176	-15
31. TEXTART spol. s r.o., CZ-Prag	100.00	100.00	14.	172	29
32. Textart UK Ltd., GB-London	100.00			103	-12

1) Amounts in foreign currencies are stated at the mid-rate on the balance sheet date.

2) Net income stated in foreign currency is presented at the average rate for the fiscal year.

3) Control and profit and loss transfer agreement.

No audit under local legislation was performed for Textart UK Ltd., London, UK, for reasons of materiality.

Ahlers AG guarantees the latter's liabilities pursuant to section 479A of the UK Companies Act 2006.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the earnings, financial and net worth position of the company, and the combined management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hannover, February 11, 2020

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

INDEPENDENT AUDITOR'S REPORT

To the Ahlers AG, Herford

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Ahlers AG, which comprise the balance sheet as at November 30, 2019, the statement of profit and loss for the financial year from December 1, 2018 to November 30, 2019 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of Ahlers AG for the financial year from December 1, 2018 to November 30, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 30 November 2019 and of its financial performance for the financial year from 1 December 2018 to 30 November 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the annual financial statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from December 1, 2018 to November 30, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our [audit] opinion thereon, we do not provide a separate audit opinion on these matters.

We identified the following matters as key audit matters:

- Inventory valuation
- Revenue recognition from the sale of clothing

Our description of these particularly important audit issues is structured as follows:

1. Facts and circumstances
2. Audit Approach and conclusions
3. Reference to further information

In the following, we present the most important audit facts:

Valuation of inventories

1. Facts and circumstances

In the annual financial statements of Ahlers AG, inventories with a value of 25.6 million Euro are shown after taking impairments of 3.2 million Euro into account. Inventories are valued at the lower of acquisition or production costs and fair value. The determination of the lower fair value requires the legal representatives to make estimates and assumptions regarding future sales volumes and prices. There is a risk that the collections will not be sufficiently accepted by the market and that the goods produced will not be sold.

Due to the discretion associated with the determination of fair value and the amount of the balance sheet item, the valuation of inventories was a particularly important issue for us as part of our audit.

2. Audit Approach and conclusions

We checked the regularity of the IT-supported processes as part of the inventory valuation using our own IT specialists. In addition, we checked the range analyses of the legal representatives when testing the recoverability of the inventories and compared the discounts for inventory risks used in the reporting year with the discounts from previous years and checked for plausibility. In doing so, we critically questioned the expectations of the legal representatives with regard to future sales volumes and prices and reconstructed the valuation discounts and lowest value tests carried out by the company.

Overall, we were able to convince ourselves that the assessments and assumptions made by the legal representatives regarding the recoverability of the inventories are reasonable.

3. Reference to further information

The information from the company on inventories is contained in section "6. Inventory" of the Notes.

Revenue recognition from the sale of clothing

1. Facts and circumstances

Ahlers AG reported sales revenues of clothing sales of 75.1 million Euro in the reporting year. Due to the different sales channels and the associated use of different IT systems and the possibility of returning goods, there is a risk with regard to the correct recording and delimitation of periods of sales revenues. From our point of view, this was of particular importance because the amount of sales revenue is a key factor in the context of capital market communication and key figure calculation (EBITDA margin, EBIT margin, return on sales).

2. Audit Approach and conclusions

As part of our audit of revenue recognition, we checked, among other things, the correct recording of sales by comparing them with the contractual bases, and by having customers of Ahlers AG confirm transactions of the reporting year selected by us. We have reconstructed the assessments of the legal representatives regarding the amount of the returns and, among other things, made plausible based on past experience. In addition, with the help of our own IT specialists, we have recognised the IT-supported processes in sales in terms of an accurate and periodic recording of sales.

Overall, we were able to convince ourselves of the appropriateness of the revenue recognition in the reporting year.

3. Reference to further information

The information from the company on the revenues realised in the year under review can be found in the section “Revenues” of the Notes. Distribution channels are outlined in section “Objectives and Strategy; Strategy – the business segments” of the combined management report.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- the corporate governance statement contained in the corporate governance statement section of the combined management report
- the remaining parts of the business report (section 1. “to our shareholders” and section 2. “Sustainability Report”), with the exception of the audited annual financial statements and combined management report as well as our auditor report.

Our audit opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the annual financial statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the annual financial statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on April 17, 2019. We were engaged by the supervisory board on July 2, 2019. We have been the auditor of Ahlers AG since the 2018/2019 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Markus Miklis.

Düsseldorf, February 12, 2020

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Thomas Gloth
German Public Auditor

Markus Miklis
German Public Auditor

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