AHLERS AG

QUARTERLY STATEMENT Q1 2020/21

(December 1, 2020 to February 28, 2021)

PERFORMANCE IN THE FIRST THREE MONTHS OF THE FISCAL YEAR 2020/21

Q1 2020/21

- Sales revenues in Q1 2020/21 decline by 56.3 percent to EUR 22.4 million due to Europe-wide COVID-related lockdowns (previous year: EUR 51.2 million)
- Operating expenses decline noticeably as a result of short-term cost-cutting measures and lower revenues (EUR -6.2 million or -25.1 percent)
- Consolidated earnings drop to EUR -8.3 million (previous year: EUR 1.2 million) due to lower sales revenues
- Solid financial position with equity ratio of 39 percent (previous year: 54 percent) and secured medium-term financing
- Unchanged forecast for 2020/21: year of transition characterised by slightly lower revenues and improved, but again clearly negative consolidated earnings expected

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

"The fiscal year 2020/21, which has just begun, will continue to be strongly influenced by the coronavirus effects. In the first three months, far-reaching lockdown measures were again in place in nearly all European countries, which largely affected the stationary fashion retail trade. Against this background, the business performance in the first quarter of 2020/21 was in line with our expectations. After the partial reopening in March 2021, it is difficult to predict the future pandemic developments as well as the renewed imposition of containment measures. Currently we are focusing on the implementation of our comprehensive performance programme "New Tomorrow". This way, we want to make the company future-proof. The professional expansion of the e-commerce business and innovative brand communication are essential elements of the strategy. We are therefore confident that we will be able to fully restore our competitiveness and profitability in the medium term."

1. EARNINGS, FINANCIAL AND NET WORTH POSITION

Group sales revenues drop sharply as lockdowns are imposed to fight the COVID-19 pandemic

In the first quarter of 2020/21 (December 2020 to February 2021), the European clothing market was strongly influenced by the pandemic and the measures taken to fight it. While the effects of the COVID-19 pandemic were felt only to a minor extent in the first quarter of the previous year, especially in the domestic market, Germany's physical fashion retailers lost an average of more than two thirds of their sales in the current reporting period (Textilwirtschaft 09_2021). By international comparison, the company therefore recorded the strongest decline in Q1 2020/21 revenues in the domestic market, where sales dropped by -65 percent. Revenues in Eastern Europe decreased by -54 percent. In Western Europe, revenues were down by 40 percent on the prior year period. Even where retail stores were open, sales were noticeably affected by social distancing and face mask rules. Total Group revenues in the first quarter of FY 2020/21 declined by EUR 28.8 million or 56.3 percent from EUR 51.2 million to EUR 22.4 million.

Double-digit growth rates in e-commerce; decline in own Retail revenues

In the first three months of the current fiscal year, e-commerce grew by around 20 percent compared to the same period of the previous year. This growth is mainly attributable to the company's own online shops, which doubled their revenues. At -53 percent (-52 percent in like-for-like terms), the decline in our own Retail revenues was slightly above the Group trend due to the online sales. As a result, the Retail segment's share in total revenues climbed from 13.9 percent to 15.0 percent.

EARNINGS POSITION

Earnings decline sharply due to revenue effect despite noticeably reduced operating expenses

The EUR 15.7 million or 59.7 percent decline in gross profit to EUR 10.6 million in Q1 2020/21 was mainly due to the lower revenues. The gross profit margin fell by 4.0 percentage points from 51.5 percent to 47.5 percent, mainly due to the lower share of pre-order sales. The cost-cutting measures introduced in the course of 2020, the efficiency programmes of the previous year and the lower Group revenues resulted in clearly reduced operating expenses. The use of short-time work and the reduced headcount sent personnel expenses falling by EUR 2.6 million or 23.6 percent from EUR 11.0 million to EUR 8.4 million. The balance of operating expenses and income declined even more strongly by EUR 3.4 million or 29.8 percent to EUR 8.0 million in the reporting period. In particular, store rent savings, significantly lower freight and order picking costs, lower trade fair and exhibition expenses and declining travel expenses contributed to the reduction. This was counteracted by the sharp rise in legal and counselling expenses due to the sets of measures introduced by the company. This and slightly lower write-downs sent operating expenses falling by EUR 6.2 million or 25.1 percent compared to the same period of the previous year. While the reduced expenses dampened the effect of the lower revenues on gross profit, it was not offset in full. EBIT before one-time effects dropped to EUR -7.9 million (previous year: EUR 1.6 million). As in the previous year, there were no extraordinary expenses. The financial result declined by EUR -0.3 million to EUR -0.6 million due to additional loans and higher interest rates. 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. Consolidated earnings declined from EUR 1.2 million in the previous year to EUR -8.3 million in the first quarter of 2020/21.

EARNINGS POSITION

EUR million	Q1 2020/21	Q1 2019/20	Change in %
Sales	**22.4**	**51.2**	**-56.3**
Gross profit	10.6	26.3	-59.7
in % of sales	47.3	51.5	
Personnel expenses	-8.4	-11.0	23.6
Balance of other expenses/income	-8.0	-11.4	29.8
EBITDA	**-5.8**	**3.9**	**n.a.**
Depreciation and amortisation	-2.1	-2.3	8.7
EBIT	**-7.9**	**1.6**	**n.a.**
One-time effects	0.0	0.0	
Financial result	-0.6	-0.3	-100.0
Earnings before taxes	**-8.5**	**1.3**	**n.a.**
Income taxes	0.2	-0.1	n.a.
Consolidated net income	**-8.3**	**1.2**	**n.a.**

SEGMENT RESULTS

Premium segment reports lower revenues

Sales revenues of Pierre Cardin and Baldessarini, two brands from the Premium segment, declined strongly because of the coronavirus pandemic. By contrast, Otto Kern, the third brand of the Premium segment, was able to grow its revenues by a high double-digit percentage from low level in the reporting period. The segment's total revenues dropped by EUR 22.0 million or 57.1 percent to EUR 16.5 million in the first quarter of 2020/21 (previous year: EUR 38.5 million). The Premium segment's revenues thus accounted for 74 percent of total revenues, slightly below the previous year's 75 percent.

The gross profit margin of the three Premium brands, Baldessarini, Pierre Cardin and Otto Kern, declined by 6.6 percentage points due to the lower share of high-margin pre-order sales. Total operating expenses, including variable selling expenses, declined by a strong 26.9 percent. These savings helped to cushion but did not fully offset the revenue effect on gross profit. As a result, earnings before one-time effects of the three Premium brands declined to EUR -5.7 million (previous year: EUR 1.8 million) due to the lower revenues.

Effects of the COVID-19 pandemic weigh on revenues and earnings of the Jeans & Workwear segment

Corporate fashion sales to large key accounts and sales to tradespeople helped Pionier Workwear cushion the decline in revenues in the first three months of 2020/21. Combined revenues of the Pioneer Authentic Jeans and Pionier Workwear brands nevertheless declined by EUR 6.8 million or 53.5 percent to EUR 5.9 million. The segment's share in total revenues picked up slightly from 25 percent to 26 percent.

The costs of the Jeans & Workwear segment declined by 14.5 percent due to cost-cutting measures. This failed to offset the noticeable decline in gross profit. As a result, earnings in the Jeans & Workwear segment decreased by EUR 2.0 million in the reporting period to EUR -2.2 million (previous year: EUR -0.2 million).

Sales revenues by segments

EUR million	Q1 2020/21	Q1 2019/20	Change in %
Premium Brands *	16.5	38.5	-57.1
Jeans & Workwear	5.9	12.7	-53.5
Total	**22.4**	**51.2**	**-56.3**

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

EBIT before one-time effects by segments

EUR million	Q1 2020/21	Q1 2019/20	Change in %
Premium Brands	-5.7	1.8	n.a.
Jeans & Workwear	-2.2	-0.2	<-100.0
Total	**-7.9**	**1.6**	**n.a.**

FINANCIAL AND NET WORTH POSITION

Solid equity ratio and secured medium-term financing

At EUR 152.6 million, total assets were down by EUR 13.4 million on the previous year's EUR 166.0 million on February 28, 2021. This reduction in total assets was mainly attributable to the fact that long-term assets declined by about the same amount (EUR -13.5 million). To cope with the burdens resulting from the coronavirus pandemic, the company sold a work of art at the end of the first quarter of 2020/21. Between the balance sheet dates, systematic depreciation on machinery, factory and office equipment and on rights of use in leased items also led to a decline in non-current assets. At EUR 103.7 million, current assets were more or less on a par with the previous year (EUR 103.6 million), with changes primarily relating to inventories and trade receivables. Reduced orders led to lower stocks of raw materials. By contrast, inventories of finished goods increased noticeably as deliveries of goods were possible only to a limited extent in the reporting period due to the coronavirus pandemic. At EUR 75.9 million, total inventories were up by EUR 9.4 million on the previous year's EUR 66.5 million. As a result of the sharp drop in revenues, trade receivables declined by EUR 7.3 million to EUR 13.1 million. Net working capital (balance of inventories, trade receivables and trade payables) together with trade payables (EUR 12.6 million; previous year: EUR 13.0 million) thus increased by a moderate EUR 2.5 million or 3.4 percent from EUR 73.9 million to EUR 76.4 million. At EUR 6.2 million, cash and cash equivalents were below the prior year level (EUR 8.0 million) on February 28, 2021. As a result of the coronavirus pandemic, the liquidity requirements rose sharply within a short period of time in early summer 2020. At the time, the company therefore raised an additional loan backed by the State of North Rhine-Westphalia. Between the reporting dates, the new loan raised increased net financial liabilities (balance of non-current and current financial liabilities less cash and cash equivalents) by EUR 18.6 million to EUR 50.0 million on the reporting date (previous year: EUR 31.4 million). Together with the reduced consolidated earnings in the first three months of 2020/21, equity dropped by a noticeable EUR 29.2 million to EUR 59.7 million (previous year: EUR 88.9 million). As total assets declined as well, the equity ratio at the end of the quarter remained at a solid 39.1 percent (previous year: 53.6 percent).

Second financing extension backed by a state guarantee

Due to the second lockdown imposed in Germany before Christmas and in many other countries at the beginning of this year, the company further expanded its financing in the first quarter of 2020/21 and took out a loan of EUR 8.4 million from its principal banks, backed by a guarantee from the federal state. The State of North Rhine-Westphalia approved this guarantee in February 2021 on the basis of the positive going concern forecast (in accordance with the IDW S6 report) prepared by a renowned auditing firm. The loan, together with the existing financial lines, has been incorporated into a five-year contract until the end of 2025. Subject to the still dynamic pandemic, the company should thus be fully financed.

Key management and financial indicators

		Q1 2020/21	Q1 2019/20
Sales	EUR million	22.4	51.2
Gross margin	in %	47.3	51.5
EBITDA	EUR million	-5.8	3.9
EBITDA-Margin	in %	-25.9	7.6
EBIT	EUR million	-7.9	1.6
EBIT-Margin	in %	-35.3	3.1
Net income	EUR million	-8.3	1.2
Profit margin before taxes	in %	-37.9	2.5
Profit margin after taxes	in %	-37.1	2.4
Earnings per share		-0.61	0.09
Cash flow from operating activities	EUR million	-6.7	-5.3
Net Working Capital *	EUR million	76.4	73.9
Net financial liabilities	EUR million	50.0	31.4
Equity ratio	in %	39.1	53.6
Employees on key date		1,661	1,954

* Inventories, trade receivables and trade payables

2. POST BALANCE SHEET EVENTS

After the end of the first quarter, the sale of a non-operating property was finalized. The receipt of payment took place before this statement was published. Apart from this, no other events of special significance for the Group occurred between the end of the reporting period and the publication of the quarterly statement.

3. FORECAST

The pandemic remains dynamic and is difficult to predict. Following a phase of easing in March, the rise in infections in many European countries required the renewed imposition of containment measures. Nevertheless, most economic institutes expect a sustained decline in new infections in the coming months as vaccinations progress and temperatures become milder (all forecasts courtesy of Commerzbank Research March 2021). In response, the coronavirus restrictions are likely to be eased noticeably in the summer at the latest, leading to a marked pick-up in economic activity. Especially in the second half of 2021, when sufficient vaccine is available to achieve extensive immunity, daily life should return to normal. At the end of 2021, the gross domestic product (GDP) should be back to the pre-crisis level. Private consumption should benefit from the fact that consumers will spend part of the savings formed due to the pandemic-related restrictions. The market environment for apparel in Germany and Europe is nevertheless likely to remain very challenging in the fiscal year 2020/21.

Full-year forecast unchanged – 2020/21 expected to be a year of transition influenced by COVID-19

The Management Board confirms the revenue and earnings forecast published in the 2019/20 Annual Report. In view of the current information on the development of the pandemic, the Management Board expects Group sales revenues in the fiscal year 2020/21 to be slightly below the previous year's figure (2019/20: EUR 151.6 million). The declines in revenues caused by the lockdown in the first months of FY 2020/21 should be more or less offset as the year progresses.

Operating expenses should decline moderately in the fiscal year 2020/21, resulting in EBIT before one-time effects that is essentially on a par with the previous year (2019/20: EUR -12.4 million). Extraordinary expenses and extraordinary income should largely balance each other out. With the financial result slightly lower, the absence of one-time effects, in particular, should contribute to an improved but still clearly negative result before and after taxes on income (2019/20: EUR -18.4 million).

Slightly lower net working capital and almost balanced operating cash flow expected

In the new fiscal year, we will push the reduction our net working capital primarily by selling off old merchandise rigorously. As retailers' stocks of merchandise will remain excessively high also in the fiscal year that has just started, inventories are not expected to fully return to normal before the year 2022. Operating cash flow in the fiscal year 2020/21 is likely to be influenced by consolidated earnings that will improve but will nevertheless remain negative. The moderate decline in net working capital and the write-downs should act contrarily to this effect.

This full-year forecast is subject to the unstable planning premises arising from the still dynamic pandemic developments in our markets. Adjustments in the course of the coming months are therefore possible.

Herford, April 2021

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, 2021 EUR million	Feb. 28, 2021 in %	Feb. 29, 2020 EUR million	Feb. 29, 2020 in %
Property. plant and equipment and intangible assets	41.8	27.4	49.4	29.8
Other non-current assets	6.4	4.2	11.8	7.1
Deferred tax assets	0.7	0.4	1.2	0.7
Non-current assets	**48.9**	**32.0**	**62.4**	**37.6**
Inventories	75.9	49.7	66.5	40.1
Trade receivables	13.1	8.6	20.4	12.3
Other current assets	8.5	5.6	8.7	5.2
Cash and cash equivalents	6.2	4.1	8.0	4.8
Current assets	**103.7**	**68.0**	**103.6**	**62.4**
Total assets	**152.6**	**100.0**	**166.0**	**100.0**

Equity and liabilities	Feb. 28, 2021 EUR million	Feb. 28, 2021 in %	Feb. 29, 2020 EUR million	Feb. 29, 2020 in %
Equity	**59.7**	**39.1**	**88.9**	**53.5**
Pension provisions	3.2	2.1	3.3	2.0
Other non-current liabilities and provisions	41.9	27.4	24.4	14.7
Deferred tax liabilities	1.5	1.0	1.0	0.6
Non-current liabilities	**46.6**	**30.5**	**28.7**	**17.3**
Current income tax payables	0.4	0.3	0.6	0.4
Other current liabilities and provisions	45.9	30.1	47.8	28.8
Current liabilities	**46.3**	**30.4**	**48.4**	**29.2**
Liabilities	**92.9**	**60.9**	**77.1**	**46.5**
Total equity and liabilities	**152.6**	**100.0**	**166.0**	**100.0**

GROUP SEGMENT INFORMATION

as of February 28, 2021 (previous year as of February 29, 2020)

by geographic regions

	Premium Brands		Jeans & Workwear		Others		**Total**	
KEUR	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Germany								
Sales	5,404	17,974	4,229	9,766	87	86	9,720	27,826
Net assets	84,056	81,095	16,697	16,385	5,919	10,903	106,672	108,383
Western Europe								
Sales	7,123	11,934	1,322	2,186	-	-	8,445	14,120
Net assets	7,912	9,713	2,372	3,510	-	-	10,284	13,223
Central-/ Eastern Europe/ Other								
Sales	3,844	8,447	380	759	-	-	4,224	9,206
Net assets	21,018	26,647	5,396	3,561	-	16	26,414	30,224

Financial calendar

Quarterly statement Q1 2020/21	April 7, 2021
Analyst conference	April 8, 2021
Annual Shareholders' Meeting	April 21, 2021
Half-year report 2020/21	July 7, 2021
Quarterly statement Q3 2020/21	October 12, 2021
Analysts' conference	October 13, 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
- manufactures about one third of the production volume in its own factories
- employs some 1,700 people
- generates its revenues 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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