AHLERS AG

QUARTERLY STATEMENT Q1 2019/20

(December 1, 2019 to February 29, 2020)

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

Q1 2019/20

- Forecast for the fiscal year 2019/20 withdrawn as governmentally decreed measures taken to contain the corona pandemic are expected to weigh heavily on sales revenues and earnings
- Group revenues down by 13.2 percent to EUR 51.2 million in Q1 2019/20, primarily due to discontinued activities and postponed jeans deliveries
- Revenue-related decline in EBIT to EUR 1.5 million (-55 percent) *
- Set of efficiency and earnings increasing measures taking effect: operating expenses reduced noticeably (-10.1 percent) *
- Solid financial position reflected in increased equity ratio of 58 percent (previous year 54 percent) and much lower financial liabilities (-43 percent) *

* Before adoption of IFRS 16 – Lease accounting

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

„Since mid-March at the latest, the global economy has been turned upside down. Due to the corona pandemic, clothing retailers throughout Europe have been ordered to close their stores. We therefore expect major burdens that will reduce sales revenues and earnings in the current fiscal year. A reliable forecast for the full fiscal year 2019/20 is not possible at this time. In this difficult situation, we benefit from our solid balance sheet structure and high equity ratio. The Management Board has initiated extensive measures to secure liquidity and will use all possibilities to cut costs. Sales revenues in the first three months of 2019/20 fell short of our expectations. In contrast, the completed set of earnings and efficiency increasing measures continued to take effect and led to much lower operating expenses in the reporting period. We aim to quickly return to the initially planned growth track once the clothing stores are opened again."

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 1.2 million in the first three 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 also increase by about EUR 1.2 million. The obligation to capitalise the discounted future lease payments extended the balance sheet by EUR 11.8 million in the first quarter 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 7.5 million and EUR 4.3 million, respectively. To ensure comparability, reference is made below to the accounting treatment before IFRS 16 at the relevant points.

1. EARNINGS, FINANCIAL AND NET WORTH POSITION

Q1 2019/20: Group revenues significantly influenced by discontinued activities and postponed jeans deliveries

Sales revenues in the first quarter of 2019/20 were mainly influenced by two effects. The discontinuation of sales of Pierre Cardin and Pioneer ladies' trousers as well as Jupiter jackets sent sales revenues falling as planned by a total of EUR 3.2 million (-5.4 percent). Moreover, delayed jeans deliveries meant that orders could not be invoiced in the past quarter. These shifts accounted for EUR 3.3 million (5.6 percent of prior-year revenues). As soon as retailers reopen their clothing stores, the merchandise could be delivered and the shortfall in revenues and profit contributions made up for. The other operations were unable to defy the declining market trend and decreased by a moderate EUR 1.3 million (-2.2 percent) in the first three months of 2019/20. Between them, these factors sent Group sales revenues falling by EUR 7.8 million or 13.2 percent to EUR 51.2 million.

EARNINGS POSITION

Sharp drop in operating expenses; earnings decline primarily due to postponed jeans sales

At 51.5 percent, the gross profit margin for the first three months of the fiscal year 2019/20 was slightly lower than in the previous year (52.4 percent)*. In particular, the lower revenues led to a drop in gross profit by EUR 4.6 million to EUR 26.3 million. The set of earnings and efficiency increasing measures completed last year continued to take effect in the first quarter of 2019/20. Adjusted for the effects of IFRS 16, operating expenses, which comprise personnel expenses, the balance of operating expenses and income as well as write-downs, dropped by EUR 2.8 million or 10.1 percent to EUR 24.8 million. Personnel expenses, in particular, declined sharply (EUR -1.5 million or -12 percent) due to the discontinuation of activities, savings in administrative areas and the reduction in production capacity at our Polish plant. The balance of other operating expenses and income also declined noticeably by EUR 1.3 million or 9.4 percent. The discontinuation of activities led to lower marketing expenses. Moreover, optimised selling expenses and the reduced use of temporary workers made a significant contribution to the strong cost reduction. Nevertheless, the revenue-related decline in gross profit was not offset in full. At EUR 1.2 million, write-downs were on a par with the previous year. Material one-time effects occurred neither in the year under review nor in the comparable period of the previous year. In the first three months of the current fiscal year 2019/20, the shortfall in revenues from the sale of jeans and the resulting gross profits was the main reason for the decline in EBIT from EUR 3.3 million to EUR 1.5 million (-55 percent). The financial result was on a par with the previous year. In the same period of the previous year, the tax rate was at a normal level and not influenced by one-time effects. In the first quarter of 2019/20, however, use was made of non-capitalised deferred taxes on losses carried forward from the previous year (EUR -0.1 million). Consolidated earnings after taxes declined by EUR 0.9 million or 43 percent from EUR 2.1 million to EUR 1.2 million in the first quarter of 2019/20.

* All figures in this chapter before adoption of IFRS 16 – Lease accounting

EARNINGS POSITION

EUR million	incl. IFRS 16 Q1 2019/20	before IFRS 16 Q1 2019/20	Q1 2018/19	before IFRS 16 Change in %
Sales	**51.2**	**51.2**	**59.0**	**-13.2**
Gross profit	26.3	26.3	30.9	-14.9
in % of sales	51.5	51.5	52.4	
Personnel expenses *	-11.0	-11.0	-12.5	12.0
Balance of other expenses/income *	-11.4	-12.6	-13.9	9.4
EBITDA *	**3.9**	**2.7**	**4.5**	**-40.0**
Depreciation and amortisation	-2.3	-1.2	-1.2	0.0
EBIT *	**1.6**	**1.5**	**3.3**	**-54.5**
One-time effects	0.0	0.0	0.0	
Financial result	-0.3	-0.2	-0.2	0.0
Earnings before taxes	**1.3**	**1.3**	**3.1**	**-58.1**
Income taxes	-0.1	-0.1	-1.0	90.0
Consolidated net income	**1.2**	**1.2**	**2.1**	**-42.9**

* before one-time effects

SEGMENT RESULTS

Premium segment reports declining revenues due to discontinuation of ladies' trousers and shifts in jeans deliveries

Total revenues of the three premium brands Baldessarini, Pierre Cardin and Otto Kern dropped by EUR 3.9 million from EUR 42.4 million to EUR 38.5 million. The discontinuation of Pierre Cardin Woman and the postponement of jeans deliveries were the main reasons for the 9.2 percent decline in revenues in the Premium segment. Adjusted for these extraordinary factors, premium brand sales in the reporting period were at the previous year's level (-0.5 percent). The Premium segment's share in total revenues climbed from 72 percent to 75 percent in the reporting period.

The gross profit margin of the three premium brands, Baldessarini, Pierre Cardin and Otto Kern, was up by a moderate 0.2 percentage points on the previous year. Total operating expenses, including variable selling expenses, declined by 9.4 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 dropped by EUR 0.7 million to EUR 1.7 million in the reporting period due to the lower revenues.

Jeans & Workwear segment: Revenues decline as Jupiter Sportswear and Pioneer Women are discontinued

In the first three months of the fiscal year 2019/20, sales revenues in the Jeans & Workwear segment were primarily influenced by the discontinuation of Jupiter jackets and Pioneer ladies' trousers. Total revenues of the Pioneer Authentic Jeans and Pionier Workwear brands included in the segment declined by EUR 3.9 million to EUR 12.7 million (-23.5 percent). The segment's share in total revenues dropped from 28 percent to 25 percent.

Higher procurement costs reduced the gross profit margin of the Pioneer Authentic Jeans and Pionier Workwear brands included in the Jeans & Workwear segment. The lower segment revenues accounted for a much higher share of the decline in gross profit, though. The strong reduction in the cost structure (-17.2 percent) failed to offset the revenue effect on gross profit. Earnings in the Jeans & Workwear segment dropped from EUR 0.9 million to EUR -0.2 million in the reporting period.

Sales revenues by segments

EUR million	Q1 2019/20	Q1 2018/19	Change in %
Premium Brands *	38.5	42.4	-9.2
Jeans & Workwear	12.7	16.6	-23.5
Total	**51.2**	**59.0**	**-13.2**

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

EBIT before one-time effects by segments

EUR million	Q1 2019/20	Q1 2018/19	Change in %
Premium Brands	1.7	2.4	-29.2
Jeans & Workwear	-0.2	0.9	-122.2
Total before IFRS 16	**1.5**	**3.3**	**-54.5**
Transition IFRS 16	0.1		
EBIT incl. IFRS 16	**1.6**		

FINANCIAL AND NET WORTH POSITION

Equity ratio at usual high level; financial liabilities decline sharply

At EUR 154.2 million, total assets were clearly below the previous year's EUR 174.9 million on February 29, 2020 (EUR -20.7 million)*. Non-current assets decreased by EUR 11.3 million to EUR 50.6 million between the reporting dates, mainly due to the sale of a non-operating property in Herford and the sale of works of art. Current assets were down by EUR 9.4 million on the prior year reporting date. This was primarily attributable to reduced inventories (EUR -9.7 million) and, in particular, lower stocks of finished goods (EUR -8.9 million) because of the discontinuation of activities. Trade receivables dropped by EUR 4.2 million because of the lower revenues. Together with slightly higher trade payables (EUR 0.6 million), net working capital (balance of inventories, trade receivables and trade payables) declined by a strong EUR 14.5 million or 16.4 percent from EUR 88.4 million to EUR 73.9 million. On February 29, 2020, cash and cash equivalents were up by EUR 3.4 million on the prior year reporting date. The liquidity that was released was mainly used to repay financial liabilities. Net financial liabilities (balance of non-current and current financial liabilities less cash and cash equivalents) dropped by a marked 43 percent or EUR 14.7 million between the balance sheet dates from EUR 34.2 million to EUR 19.5 million. The result of the last fiscal year led to a reduction in revenue reserves. Together with the decline in consolidated earnings for the first three months of 2019/20, equity dropped by EUR 6.0 million from the previous year's EUR 94.9 million to EUR 88.9 million at the reporting date. As total assets also declined noticeably, the equity ratio stayed at a high level of 57.7 percent as of February 29, 2020, which clearly exceeded the previous year's 54.3 percent.

* All figures in this chapter before adoption of IFRS 16 – Lease accounting

Key management and financial indicators

		incl. IFRS 16 **Q1 2019/20**	before IFRS 16 **Q1 2019/20**	**Q1 2018/19**
Sales	EUR million	51.2	51.2	59.0
Gross margin	in %	51.5	51.5	52.4
EBITDA *	EUR million	3.9	2.7	4.5
EBITDA-Margin *	in %	7.6	5.3	7.6
EBIT *	EUR million	1.6	1.5	3.3
EBIT-Margin *	in %	3.1	2.9	5.6
Net income	EUR million	1.2	1.2	2.1
Profit margin before taxes	in %	2.5	2.5	5.3
Profit margin after taxes	in %	2.4	2.4	3.5
Earnings per share		0.09	0.09	0.15
Cash flow from operating activities	EUR million	-5.3	-6.4	-4.8
Net Working Capital **	EUR million	73.9	73.9	88.4
Net financial liabilities	EUR million	31.4	19.5	34.2
Equity ratio	in %	53.6	57.7	54.3
Employees on key date		1,954	1,954	2,106

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

2. POST BALANCE SHEET EVENTS

Since February 2020, the coronavirus has developed into a worldwide pandemic. After the end of the first quarter of 2019/20, Europe-wide measures to contain the virus were successively tightened. At present, the duration of the pandemic and its effects on the economy can hardly be predicted. In an ad hoc announcement dated March 23, 2020, the Management Board therefore withdrew the forecast published in the 2018/19 Annual Report.

3. FORECAST

Economic conditions not foreseeable because of coronavirus pandemic

At the present time, most of the growth forecasts published by the economic institutes at the beginning of 2020 are no longer relevant. The comprehensive measures taken to contain the coronavirus pandemic will lead to a recession and an economic crisis. Most economic institutes compare the current situation with the economic situation in the wake of the Lehman bankruptcy in 2008, which was the prelude to a global recession in 2009 (Commerzbank Economic Briefing, March 19, 2020). The Ifo Business Climate Index indicates a drastic decline in German gross domestic product (GDP) for the first half of the year. As most countries are implementing similar containment measures, this assessment should apply to all of Europe. If the health policy approach takes effect and the coronavirus spread slows down in the second quarter, the economy might recover in the second half of 2020 and return almost to its old growth path (Commerzbank Research February 2020, H2 2020: eurozone 1.1 percent GDP growth, Germany 0.7 percent GDP growth). The European fashion industry has been massively affected by the containment measures, as physical clothing stores have been closed until further notice in most countries. The market environment for apparel is therefore expected to remain extremely challenging in the further course of the fiscal year 2019/20.

The revenue trend in European physical clothing stores is likely to be strongly downward in the first half of the year. Assuming that clothing stores will reopen in the course of the second quarter of 2020, sales revenues in the second half of the year will probably at best move in sync with the overall economic trend. It remains to be seen if online sales of clothing will benefit. In the first weeks following the containment measures, online sales also contracted.

Forecast 2019/20 withdrawn as significant adverse effects on sales revenues and earnings are expected

Due to the coronavirus pandemic and the closure of clothing retail outlets across Europe, the Management Board has withdrawn the forecast for the fiscal year 2019/20 published in the 2018/19 Annual Report. Major burdens that will reduce sales revenues and earnings in the current fiscal year are expected. As the extent and duration of the pandemic and the adoption of further containment measures cannot be predicted at present, no reliable forecast for the fiscal year 2019/20 is possible at this stage. Ahlers will use nearly all possibilities to cut costs and has initiated extensive measures to support liquidity. Short-time work has been applied for for a large part of the workforce. This covers all corporate divisions with the exception of E-commerce. In addition, management is reviewing all planned investment measures and is in close contact with its customers, suppliers and service providers with a view to jointly mastering the challenges of the current situation. The aim is to quickly return to the initially planned growth path as the situation normalises and clothing stores reopen.

Herford, April 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 Feb. 29, 2020 EUR million	in %	before IFRS 16 Feb. 29, 2020 EUR million	in %	Feb. 28, 2019 EUR million	in %
Property, plant and equipment and intangible assets	49.4	29.8	37.6	24.4	41.6	23.8
Other non-current assets	11.8	7.1	11.8	7.7	19.1	10.9
Deferred tax assets	1.2	0.7	1.2	0.8	1.2	0.7
Non-current assets	**62.4**	**37.6**	**50.6**	**32.9**	**61.9**	**35.4**
Inventories	66.5	40.1	66.5	43.1	76.2	43.6
Trade receivables	20.4	12.3	20.4	13.2	24.6	14.1
Other current assets	8.7	5.2	8.7	5.6	7.6	4.3
Cash and cash equivalents	8.0	4.8	8.0	5.2	4.6	2.6
Current assets	**103.6**	**62.4**	**103.6**	**67.1**	**113.0**	**64.6**
Total assets	**166.0**	**100.0**	**154.2**	**100.0**	**174.9**	**100.0**

Equity and liabilities	incl. IFRS 16 Feb. 29, 2020 EUR million	in %	before IFRS 16 Feb. 29, 2020 EUR million	in %	Feb. 28, 2019 EUR million	in %
Equity	**88.9**	**53.5**	**88.9**	**57.7**	**94.9**	**54.3**
Pension provisions	3.3	2.0	3.3	2.1	3.4	1.9
Other non-current liabilities and provisions	24.4	14.7	16.9	11.0	20.1	11.5
Deferred tax liabilities	1.0	0.6	1.0	0.6	1.9	1.1
Non-current liabilities	**28.7**	**17.3**	**21.2**	**13.7**	**25.4**	**14.5**
Current income tax payables	0.6	0.4	0.6	0.4	0.7	0.4
Other current liabilities and provisions	47.8	28.8	43.5	28.2	53.9	30.8
Current liabilities	**48.4**	**29.2**	**44.1**	**28.6**	**54.6**	**31.2**
Liabilities	**77.1**	**46.5**	**65.3**	**42.3**	**80.0**	**45.7**
Total equity and liabilities	**166.0**	**100.0**	**154.2**	**100.0**	**174.9**	**100.0**

GROUP SEGMENT INFORMATION

as of February 29, 2020 (previous year as of February 28, 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	17,974	19,225	9,766	11,044	86	82	27,826	30,351
Net assets	81,095	86,790	16,385	21,941	10,903	18,160	108,383	126,891
Western Europe								
Sales	11,934	13,598	2,186	3,975	-	-	14,120	17,573
Net assets	9,713	11,921	3,510	4,702	-	-	13,223	16,623
Central-/ Eastern Europe/ Other								
Sales	8,447	9,534	759	1,559	-	-	9,206	11,093
Net assets	26,647	24,745	3,561	4,588	16	15	30,224	29,348

Assets excluding deferred and current income tax assets and excluding IFRS 16 (Leases)

Financial calendar

Quarterly statement Q1 2019/20	April 7, 2020
Analyst conference call	April 8, 2020
Annual Shareholders' Meeting	Postponed
Half-year report 2019/20	July 8, 2020
Quarterly statement Q3 2019/20	October 12, 2020
Analysts' conference in Frankfurt am Main	October 13, 2020

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 6 million fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 1,900 people
- generates 85 percent of its revenues from sales to specialist retailers and 15 percent of its revenues from its own retail activities

The brands

BALDESSARINI

pierre cardin

OTTO KERN

PIONEER® AUTHENTIC JEANS

Pionier WORKWEAR

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