PRESS RELEASE

April 7, 2020

Q1 2019/20

- Forecast for the fiscal year 2019/20 withdrawn as measures imposed by the government to contain the coronavirus pandemic are expected to weigh heavily on sales revenues and earnings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)*

  * all information in this press release prior to the adoption of IFRS 16 – Lease accounting (see final remarks)

Forecast 2019/20 withdrawn – due to lockdown significant adverse effects on sales revenues and earnings expected

“Since mid-March at the latest, the global economy has been turned upside down. Due to the coronavirus pandemic, clothing retailers across 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 currently not possible. In this difficult situation, we benefit from our solid balance sheet structure and high equity ratio,” said Dr. Stella A. Ahlers, CEO of Ahlers AG. The company will use all possibilities to cut costs and has initiated extensive measures to support liquidity. Short-time work has been applied for a large part of the workforce. This covers all corporate divisions with the exception of e-commerce. “In addition, we are reviewing all planned investment measures and are in close contact with our customers, suppliers and service providers with a view to jointly mastering the challenges of the current situation,” Dr. Stella A. Ahlers added. “Our aim is to quickly return to the planned growth path as the situation normalises and clothing stores reopen.”

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 amounted to EUR 3.3 million (-5.6 percent). 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.

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

In the first three months of the fiscal year 2019/20, the lower revenue was the main reason for the EUR 4.6 million decline in gross profit to EUR 26.3 million. At the same time, the set of earnings and efficiency increasing measures completed last year continued to take effect. Operating expenses, which comprise personnel expenses, the balance of operating expenses and income as well as write-downs, dropped sharply by EUR 2.8 million or 10.1 percent to EUR 24.8 million. Nevertheless, the revenue-related decline in gross profit was not offset in full. 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).

Equity ratio at usual high level; financial liabilities decline sharply

During the reporting period, net working capital (balance of inventories, trade receivables and trade payables) declined by EUR 14.5 million or 16.4 percent from EUR 88.4 million to EUR 73.9 million. "The liquidity that was released was mainly used to repay financial liabilities," said Dr. Karsten Kölsch, CFO of Ahlers AG. Net financial liabilities (balance of non-current and current financial liabilities less cash and cash equivalents) dropped by a marked 43 percent between the balance sheet dates from EUR 34.2 million to EUR 19.5 million. 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.

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Summary of Ahlers Group figures:

		incl. IFRS 16 Q1 2019/20	before IFRS 16 Q1 2019/20	Q1 2018/19	before IFRS 16 Change
Sales revenues	EUR million	51.2	51.2	59.0	-13.2%
EBIT before one-time effects	EUR million	1.6	1.5	3.3	-54.5%
Consolidated net income	EUR million	1.2	1.2	2.1	-42.9%
Net Working Capital*	EUR million	73.9	73.9	88.4	-16.4%
Net financial liabilities	EUR million	31.4	19.5	34.2	-43.0%
Free Cashflow	EUR million	-7.2	-7.2	-8.0	10.0%
Equity ratio	%	53.6	57.7	54.3	3.4 PP

*Inventories, trade receivables and trade payables

Final remarks on accounting pursuant to IFRS 16

As a result of the first-time adoption of IFRS 16 (Leases), major portions of the former lease expenses will be reduced while depreciation and financing costs will increase accordingly. 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, the figures before adoption of IFRS 16 are compared in this press release.

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