PRESS RELEASE

July 8, 2020

- **Business performance in Q2 2019/20 slightly better than expected at the beginning of the lockdown**
- **Revenues in H1 2019/20 down by 33 percent to EUR 70.7 million due to adverse effects of coronavirus pandemic**
- **Consolidated earnings in H1 down by EUR 7.7 million to EUR -9.4 million even though operating expenses are reduced significantly (EUR -10.4 million or -19.7 percent)**
- **Financial position remains stable as reflected in reduced net working capital (-6.9 percent), lower net financial debt (-8.6 percent) and solid equity ratio of 52.4 percent***

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

Q2 2019/20: 58 percent drop in revenues due to retail store closures

Between March and May 2020, clothing stores across Europe had to be closed because of the coronavirus pandemic. In Q2 2019/20 of the Ahlers fiscal year (March – May 2020), this sent sales revenues falling by EUR 26.8 million or 58 percent to EUR 19.5 million (Q2 2018/19: EUR 46.3 million). The governmental containment measures had serious consequences for the fashion industry. Revenues nevertheless came in at the upper end of the expectations announced at the beginning of the lockdown, as the face masks produced at short notice could successfully be sold and more summer merchandise than expected was delivered in the second half of May.

Revenues for the first six months of 2019/20 fell by 33 percent or EUR 34.6 million to EUR 70.7 million (previous year: EUR 105.3 million) due to the Europe-wide lockdown.

Positive trend for e-commerce

The company’s own online shops developed positively and recorded increasing revenues again in April and May 2020, thus dampening the overall downward trend. Marketplace sales also picked up again in the course of May. Total like-for-like sales revenues of the own Retail segment declined by 37 percent due to the lockdown. Own retail revenues thus accounted for 13.8 percent of total revenues, down from 15.0 percent in the previous year.

Ahlers AG · Postfach 1155 · D-32044 Herford
Phone +49 (0)5221 9 79-0 · Fax +49 (0)5221 9 79-222
ahlers-ag@ahlers-ag.com
www.ahlers-ag.com

Consolidated earnings decline due to coronavirus in spite of noticeably reduced operating expenses

In the first half of 2019/20, gross profit declined by EUR 17.5 million from EUR 51.3 million to EUR 33.8 million (-34 percent), primarily due to the much lower revenues. As a result of the earnings and efficiency increasing measures launched in September 2018 and the additional cost-cutting measures introduced at short notice, operating expenses, which comprise personnel expenses, the balance of operating expenses and income as well as write-downs, declined by a noticeable EUR 10.3 million or 19.5 percent to EUR 42.4 million. Personnel expenses declined by EUR 4.8 million or 19.6 percent to EUR 19.7 million because of the introduction of short-time work and changes in central departments. The balance of operating expenses and income declined even more strongly by EUR 5.4 million or 20.9 percent to EUR 20.4 million. This was mainly due to savings in store rents, agent commissions and travel expenses as well as notably lower freight and order picking costs. The reduction in marketing expenses and temporary staff also made a noticeable contribution to the reduced costs, although the latter were insufficient to offset the revenue effect on gross profit. Consolidated earnings for the first six months of 2019/20 dropped by EUR -7.6 million to EUR -9.3 million (previous year: EUR -1.7 million).

Financial position remains stable as reflected in lower net financial debt and solid equity ratio

Net working capital (balance of inventories, trade receivables and trade payables) declined by a markedly EUR 5.1 million or 6.9 percent from EUR 74.2 million to EUR 69.1 million in the reporting period. At a total of EUR 8.8 million, cash and cash equivalents on May 31, 2020 were noticeably higher than on the prior year reporting date (EUR 4.7 million) at all Group member companies. Net financial liabilities (balance of non-current and current financial liabilities less cash and cash equivalents) dropped by 8.6 percent or EUR 2.5 million between the reporting dates from EUR 29.0 million to EUR 26.5 million. The equity ratio stood at a solid 52.4 percent on May 31, 2020 (previous year: 57.0 percent).

Expansion of financing well underway

The loss of the most important third of the summer season's sales period, delays in the supply chain and customer defaults are expected to lead to higher inventories. "In this difficult situation, we benefit from our solid balance sheet structure and high equity ratio," says CFO Dr. Karsten Kölsch. "The losses and the higher inventories incurred because of COVID-19 nevertheless require us to expand our financing base." For this reason, the Management Board, together with the principal banks, has applied for a loan guaranteed by the State of North Rhine-Westphalia to bridge the burdens caused by the coronavirus pandemic in the medium term. The competent committee of the Ministry of Economy has approved the application. This should secure the company's financing in the medium term, subject to the contractual fixing of the additional loans in the financing agreements.

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ahlers-ag@ahlers-ag.com
www.ahlers-ag.com

Further adverse effects of coronavirus pandemic expected in second half of the fiscal year

Despite the gradual reopening, the Management Board projects a further decline in revenues for the second half of the fiscal year, as the measures aimed at containing the pandemic and the low travel activity continue to affect fashion purchases. However, this decline is likely to be somewhat more moderate than in the first six months of 2019/20. In the full fiscal year 2019/20, the revenue trend should therefore be at around -25 percent to a maximum of -33 percent, provided that no new lockdown will be imposed. Despite the extensive cost-cutting measures initiated at an early stage, the decline in revenues is likely to have a very negative impact on earnings at all levels and the deficit of the first half of 2019/20 is likely to increase further.

Developments in the economic environment and the clothing industry remain difficult to assess at present. It is therefore not possible yet to make a comprehensive forecast for the fiscal year 2019/20.

Summary of Ahlers Group figures:

		incl. IFRS 16	before IFRS 16		before IFRS 16
		H1 2019/20	**H1 2019/20**	**H1 2018/19**	**Change**
Sales revenues	EUR million	70.7	70.7	105.3	-32.9%
EBIT*	EUR million	-8.5	-8.6	-1.4	<-100.0%
Consolidated net income	EUR million	-9.4	-9.3	-1.7	<-100.0%
Net Working Capital**	EUR million	69.1	69.1	74.2	-6.9%
Net financial liabilities	EUR million	37.6	26.5	29.0	-8.6%
Cashflow from operating activities	EUR million	-10.5	-12.7	1.5	n.a.
Equity ratio	in %	48.8	52.4	57.0	-4.6 PP

*before one-time effects

**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 2.4 million in the first six months of the current fiscal year. At the EBT level, the adoption of the standard has virtually no effect on profit/loss, as depreciation/amortisation and financing costs will increase by about EUR 2.5 million. The obligation to capitalise the discounted future lease payments extended the balance sheet by EUR 11.1 million in the first half 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 7.0 million and EUR 4.2 million, respectively, while equity declined by EUR 0.1 million. To ensure comparability, the figures before adoption of IFRS 16 are compared in this press release.

Inquiries:

Carla Henkel

Online Editor

Ahlers AG

Tel. +49 (0) 5221 / 9792717

Fax:+49 (0) 5221 / 979274

Email: carla.henkel@ahlers-group.com