PRESS RELEASE

October 12, 2020

Successful stabilization - extensive measures initiated against the consequences of the corona pandemic

Q1 – Q3 2019/2020 *

- Cost-cutting measures introduced at short notice and the previous year's efficiency programme lead to savings in operating expenses of 21 percent (EUR 16.3 million)
- Stable net working capital, expanded financing concluded for a five-year term and solid equity ratio of 48.7 percent
- COVID-19-related revenue trend of the first half of the year continues in the third quarter of 2020: Group sales revenues decline by 32 percent to EUR 108.9 million in the nine-month period
- Consolidated earnings drop to EUR -10.9 million (previous year: EUR 0.4 million) due to lower sales revenues
- Only moderate decline in sales revenues expected due to delivery postponements in the fourth quarter of 2020. The revenue trend in the fiscal year 2019/20 is therefore likely to be between -25 percent to -30 percent
- The Supervisory Board and the Management Board decide extensive cost-cutting measures to adapt the organisation to lower revenue expectations for the following years

*all figures in this press release before adoption of IFRS 16 – Leases (for details see Interim-Statement Q3 2019/20)

"After the first nine months of fiscal 2019/20, our business performance is within our post-COVID-19 plans. We have responded consequently to the extraordinary challenges of this year and introduced extensive measures to reduce our costs at in the short and medium term," says Dr. Stella A. Ahlers, CEO, upon presentation of the nine-month results 2019/20. "Unfortunately, 80 employees across all units and hierarchical levels will be affected by these measures, as well due to the relocation of logistics services and the Pionier Workwear Model Department from the Herford site to Poland. As a result of the reduction, personnel costs are expected to decline continuously and significantly until the end of the fiscal year 2022. This should contribute to a substantial improvement in earnings and a rapid return to profitability already in the subsequent year 2021, and even more so together with the increase in sales revenues expected from 2022."

Revenue trend of the first half of the year continues in Q3 2020

Even after the gradual reopening of the stores since May 2020, the measures taken to contain the pandemic and the travel restrictions continued to impede fashion retail. In addition, the impact of the pandemic on international supply chains led to a postponement of autumn/winter deliveries from the third to the fourth quarter of 2020. Overall, the revenue trend of the first half of the year thus continued at a slightly slower pace (H1 2019/20: -33 percent). In the third quarter of 2020, Group sales revenues declined by 30 percent to EUR 38.2 million (Q3 2019: EUR 54.3 million).

Sales revenues declined by 32 percent or EUR 50.7 million to EUR 108.9 million in the first nine months of 2019/20 (previous year: EUR 159.6 million). The dynamic development of infections and the different extent of the restrictions due to the coronavirus had different effects on the markets relevant to Ahlers. At -27 percent, the revenue trend in Germany, whose economy has so far been the least severely affected compared to the other large euro zone countries France, Italy and Spain, exceeded the Group trend.

Lower revenues send earnings declining in spite of significantly reduced operating expenses

The EUR 26.8 million or 34 percent decline in gross profit to EUR 52.7 million was mainly due to the significantly reduced revenues. Especially the cost-cutting measures introduced at short notice and also the programmes of the previous year led to a strong decline in operating expenses. This and write-downs at the previous year's level (EUR -3.5 million) sent operating expenses falling by EUR 16.3 million or 20.6 percent. EBIT before one-time effects nevertheless declined to EUR -10.1 million in the reporting period (previous year: EUR 0.5 million), consolidated earnings declined from EUR 0.4 million in the previous year to EUR -10.9 million.

Stable net working capital, expanded financing and solid equity ratio

In particular, the noticeably higher inventories of finished goods caused inventories to rise by EUR 7.5 million to EUR 77.8 million. Trade receivables declined by EUR 4.2 million to EUR 15.4 million because of the lower revenues. At EUR 78.8 million, net working capital (inventories and trade receivables less increased trade payables) was on a par with the previous year (EUR 78.9 million).

The COVID-19-related losses and higher inventories made it necessary to expand the company's financing. For this reason, an additional loan, backed by a guarantee from the State of North Rhine-Westphalia, was taken out with Ahlers' principal banks and integrated into a five-year contract together with the existing financial lines. This fully covered the increase in net financial debt (balance of non-current and current financial liabilities less cash and cash equivalents) by EUR 13.6 million to EUR 35.0 million (previous year: EUR 21.4 million). On August 31, 2020, the equity ratio remained nevertheless at a solid level of 48.7 percent (previous year: 59.0 percent), which is well above the industry average.

Revenue forecast for the full fiscal year 2019/20 confirmed

"We expect that the postponed deliveries of the third quarter of 2020 will be largely made up for in the fourth quarter and that sales revenues will only decline moderately in the fourth quarter of 2020", says Dr. Karsten Kölsch, CFO of Ahlers AG. "In the full fiscal year 2019/20, the revenue trend should therefore be at around -25 percent to -30 percent. This corresponds to the assessment made three months ago."

Extensive cost-cutting measures lead to noticeable one-time effects

The gross profit margin of the fourth quarter of 2020 could be affected by higher inventory write-downs. This should be offset by further cost savings in the last three months of the fiscal year.

Operating EBIT before one-time effects in the fourth quarter of 2020 should therefore at best remain stable or continue to decline slightly compared to the same quarter of 2019 (Q4 2019: EUR -2.9 million). In addition, one-time provisions for personnel measures in the amount of about EUR 3.5 million will have to be formed and will additionally weigh on the full-year result in the 'one-time effects'. These forecasts are based on the assumption that a second lockdown in key European markets will not be necessary. In general, please note that the forecast is currently subject to great uncertainty.

Summary of Ahlers Group figures:

		incl. IFRS 16 **Q1-Q3 2019/20**	before IFRS 16 **Q1-Q3 2019/20**	**Q1-Q3 2018/19**	before IFRS 16 **Change**
Sales	EUR million	108.9	108.9	159.6	-31.8%
EBIT before one-time effects	EUR million	-10.0	-10.1	0.5	n.a.
Consolidated net income	EUR million	-11.0	-10.9	0.4	n.a.
Net Working Capital*	EUR million	78.8	78.8	78.9	-0.1%
Net financial liabilities	EUR million	45.2	35.0	21.4	63.6%
Free Cashflow	EUR million	-11.7	-11.7	1.2	n.a.
Equity ratio	in %	45.7	48.7	59.0	-10.3 PP

*Inventories, trade receivables and trade payables

Inquiries:

Carla Henkel

Ahlers AG

Tel. +49 (0) 5221 / 9792717

Fax:+49 (0) 5221 / 979274

Email: carla.henkel@ahlers-group.com