PRESS RELEASE

March 16, 2021

Measures taken to contain the coronavirus pandemic weigh heavily on sales revenues and earnings in the fiscal year 2019/20. Balance sheet structure remains solid as evidenced by equity ratio of 49 percent*. "New Tomorrow": largest profitability programme in the company's history launched. Ahlers AG's future viability confirmed and medium-term financing secured.

- Declining revenue trend in 2019/20 (-26.8 percent) mainly due to coronavirus-related charges and discontinuation of operations as planned
- Substantial reduction in operating expenses by EUR -17.8 million or -17.4 percent
- Consolidated earnings drop by EUR -14.7 million to EUR -18.4 million due to lower sales revenues
- Cash flow strongly influenced by decline in consolidated earnings
- Balance sheet structure remains solid as reflected in equity ratio of 49 percent (previous year: 57 percent)

* all figures in this press release prior to the adoption of IFRS 16 – Leases

"We had planned to return to profit in the fiscal year 2019/20 and would have achieved this on basis of the pre-orders until January 2021 - but then the coronavirus came," said Dr Stella A. Ahlers at the presentation of the financial statements for FY 2019/20. "To adjust the company precisely to the new trends and to align its structures with market requirements, we launched "New Tomorrow", the most comprehensive strategic performance programme in the history of our company, at the beginning of the new financial year."

Europe-wide containment measures against the coronavirus pandemic send Group revenues falling in 2019/20

Group revenues declined by EUR 55.4 million or 26.8 percent to EUR 151.6 million in the fiscal year 2019/20, mainly caused by the measures imposed across Europe to contain the coronavirus pandemic. The pandemic-related drop in revenues was 23.8 percent, which was in line with the market trend in Germany (-22 percent). Moreover, the discontinuation of sales of Jupiter jackets as well as Pierre Cardin and Pioneer ladies' trousers sent sales revenues falling as planned by a total of EUR 8.4 million. Regionally, there were major differences in the scope and the duration of the measures imposed to contain the pandemic. In Germany, the declines in revenues were the lowest, at 22.3 percent. At -28.1 percent, Western Europe (excl. Germany) was slightly below the trend for the Group. Declining by as much as 37.4 percent, revenues in Eastern Europe were hit hardest.

E-commerce revenues climb at double-digit rate; downward trend in own Retail revenues

The effects of the coronavirus pandemic have further accelerated digitisation and brought online commerce even more into the focus of our business activities. In the fiscal year 2019/20, e-commerce revenues increased by 13.2 percent. Falling by -30.4 percent, revenues of the company's own Retail segment declined more strongly than Group revenues. The own Retail segment's share in total revenues declined from 15.4 percent to 14.6 percent. Like-for-like revenues decreased by 29.9 percent.

Efficiency measures of the previous year and short-term cost-cutting measures result in greatly reduced operating expenses

The efficiency programmes of the previous year, the short-term cost-cutting measures and the coronavirus-related decline in revenues resulted in clearly reduced operating expenses in the reporting year. Personnel expenses declined by 18.1 percent from EUR 46.9 million to EUR 38.4 million, mainly due to the discontinuation of activities initiated in the previous year, short-term restructuring measures at the administration in Herford, the use of short-time working and the closure of our Polish production plant. Other operating expenses dropped even more sharply by 18.9 percent from EUR 50.7 million to EUR 41.1 million. The main reasons for this were savings in store rents, a revenue-related significant reduction in freight and order picking costs, reduced distribution-related costs, lower marketing expenses and the reduced use of temporary workers. Together with slightly higher write-downs, operating expenses thus decreased by 17.4 percent or EUR 17.8 million from EUR 102.1 million to EUR 84.3 million. While these savings helped to cushion the revenue effect on gross profit, they failed to offset it in full. EBIT before one-time effects therefore dropped by EUR -10.2 million to EUR -12.6 million (previous year: EUR -2.4 million).

New cost-cutting programme results in high extraordinary expenses

In the fiscal year 2019/20, one-time effects amounted to EUR -2.9 million. Severance payments and provisions for such payments resulting from the short-term restructuring measures of EUR 2.6 million accounted for the biggest share of this amount. The financial result declined by EUR 1.0 million to EUR -1.6 million mainly due to additional loans and higher interest rates. Including the value adjustment of deferred tax assets, consolidated earnings after taxes dropped to EUR -18.4 million in the fiscal year 2019/20 (previous year EUR -3.7 million).

Solid balance sheet structure with pandemic-related increase in net working capital and higher financial liabilities

Net working capital (balance of inventories, trade receivables and trade payables) rose by EUR 9.1 million or 14.1 percent from EUR 64.7 million to EUR 73.8 million. The COVID-related loss and noticeably higher inventories sent net financial liabilities (balance of long- and short-term financial liabilities minus cash and cash equivalents) rising by EUR 20.8 million to EUR 33.3 million (previous year: EUR 12.5 million). In spite of the high burdens weighing on the balance sheet, the equity ratio remained at a solid level of 48.6 percent as of November 30, 2020 (previous year: 57.4 percent).

“New Tomorrow” – the largest performance programme in the company’s history

At the beginning of the new financial year, Ahlers launched the most comprehensive strategic performance programme in its history. The project is aimed at strengthening the market positioning as well as optimising the operational performance processes. “Under the title “New Tomorrow”, the strategic positioning of each of our brands is to be individually readjusted in order to optimise the brand statement, the customer orientation and approach as well as the distribution channels,” said Dr. Stella A. Ahlers. The professional expansion of the e-commerce business and innovative brand communication managed by the brands are essential elements of the strategy. For the company’s service areas, the main aim is to achieve not only a general reduction in costs but also more cost-efficient procurement, naturally in compliance with our strict Corporate Social Responsibility Principles.

Medium-term financing secured

Because of the second lockdown in Germany before Christmas and in many other countries at the beginning of this year, it was necessary to apply for a loan again backed by a state guarantee. The state of North Rhine-Westphalia approved this based on the positive continuation prognosis in an IDW S6 report, which was prepared by a renowned auditing company. As a result, the medium-term financing could be partially reorganized and integrated into the previous financing agreements. “The competent committee of the Ministry of Economic Affairs has already approved the state guarantee. We have not yet used any of these funds. The financing of the company should therefore be ensured, subject to the still dynamic pandemic,” said Simon Tabler, CFO of Ahlers AG.

2020/21 expected to be a year of transformation strongly influenced by the COVID-19 pandemic

Based on the assumption that clothing retail stores will be able to reopen successively in most European countries in March 2021 and that no renewed, broader lockdown will be necessary in the course of the fiscal year 2020/21, the Management Board expects consolidated sales revenues to be slightly below the prior year level (2019/20: EUR 151.6 million). In the current fiscal year 2020/21, the gross profit margin should be at the level of the previous year (47.3 percent). On balance, operating expenses, which comprise personnel expenses, other expenses as well as write-downs, are likely to decrease slightly. EBIT before one-time effects for the fiscal year 2020/21 should therefore be more or less at the

prior year's level (2019/20: EUR -12.6 million). In particular, the absence of one-time effects should contribute to improved consolidated earnings (2019/20: EUR -18.4 million).
The "New Tomorrow" performance programme should make itself felt primarily in the following year 2021/22, together with a normalisation of market conditions, and again lead to positive results before and after one-time effects as of the fiscal year 2022/23.

Summary of Ahlers Group figures:

		before IFRS 16 2019/20	2018/19	Change
Sales	EUR million	151.6	207.0	-26.8%
EBIT*	EUR million	-12.6	-2.4	<-100.0%
Earnings before income taxes	EUR million	-17.1	-3.0	<-100.0%
Net income	EUR million	-18.4	-3.7	<-100.0%
Net Working Capital**	EUR million	73.8	64.7	14.1%
Net financial liabilities	EUR million	33.3	12.5	>100.0%
Equity ratio	in %	48.6	57.4	-8.8 PP
Employees (30.11.)		1,724	1,929	-10.6%

* before one-time effects

**Inventories, trade receivables and trade payables

Inquiries:
Carla Henkel
Press and Public Relations
Ahlers AG
Tel. +49 (0) 5221 / 9792717
Fax:+49 (0) 5221 / 979274
Email: carla.henkel@ahlers-group.com