

Statement on rental payments

Essen, 30.03.2020

The allegation that DEICHMANN is refusing to pay rent in the current situation, to the detriment of other parties, is incorrect.

Because all of our stores have been ordered by the German government to close, it is no longer possible for us to pursue our business purpose there. In this wholly unprecedented situation, we have asked our landlords to defer rental payments accruing during the closure. The current and upcoming talks with our landlords focus on looking for joint solutions as to which partial payments we can make in the short term and how we intend to arrange the deferment of payments, depending on the scope and duration of closures.

We have no desire to create financial difficulties for landlords and will take steps to prevent this. If there are signs of this happening in individual cases, we will do our utmost to help.

We ourselves are in a situation where we have been forced to close around 1,500 outlets in Germany, which are now no longer generating any revenue. Even though short-time compensation (Kurzarbeitergeld) helps to ease the burden of personnel costs, we are still faced with ongoing costs for logistics, administration, procurement and rent. The greatest risk factor is that no one can say how long the closures will last. If this phase lasts much longer, it will ultimately threaten the existence of even financially sound companies. In everything we do, our priority is to safeguard the jobs of our 16,000-strong workforce in Germany. All of our employees will receive their full wages up until 5 April, at which time some of the workforce will be put on short-time working.

As an internationally active company with a total of 43,000 employees, we are also affected by closures in other countries besides Germany. We have been forced to close our stores in 28 of 30 countries in which we are active. This means that 96 percent of our total stores – around 4,200 in all – can no longer generate any revenue but are still incurring costs as well. In the USA alone, the DEICHMANN Group operates some 600 stores. Here, the situation is very unclear at present, as is the case in Italy and Spain. At the current point in time, it is completely unclear when our stores will be able to open again. Even a healthy company can only survive for a limited time under such conditions. We are also talking to all of our market partners in this regard as well.

We are eager to work together with all our partners on the market to find solutions for overcoming this difficult time. We do not want anyone to fall by the wayside. We see this as being part of our social responsibility.

As online sales make up less than 10 percent of total sales, these do not even come close to compensating for lost revenue.