AHLERS AG

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Half-year Report 2018/19

AHLERS AG

HALF-YEAR REPORT 2018/19

(December 1, 2018 to May 31, 2019)

BUSINESS PERFORMANCE IN THE FIRST SIX MONTHS OF FISCAL 2018/19

H1 2018/19 - Highlights

- Revenues, earnings and cash flow performance in H1 2018/19 according to plan. Group revenues approaching trend projected in the full-year forecast
- Revenue trend influenced by slow sales of suits and jackets as well as by discontinued activities
- Pioneer's jeans business sets positive accents
- Earnings before income tax down by EUR 1.2 million on previous year primarily because of prior-year extraordinary income
- Operating cash flow improves and equity ratio climbs to 57 percent
- Full-year forecast confirmed: Revenues expected to decline at medium single-digit percentage rate and consolidated earnings expected to improve noticeably

1. BUSINESS AND GENERAL CONDITIONS

The economic slowdown of the previous year continued in the first six months of this year. Most economic institutes therefore downgraded their growth forecasts for the eurozone between January and June 2019 (all forecasts courtesy Commerzbank Research June 2019). While a GDP (gross domestic product) growth rate of 1.4 percent had been assumed for the year 2019 in January, the expectation for the eurozone countries had dropped to 0.9 percent in June. The economy has slowed down primarily in Germany and Italy. Moderate GDP growth of 0.4 percent and 0.2 percent is projected for Germany and Italy, respectively, in 2019. The economy continues to be supported by the European Central Bank's persistent expansionary monetary policy. Interest rates are kept at a low level and send investments and private consumption rising. In Russia, the recovery of the oil price is having a positive effect on the economy, which is dependent on commodity exports. As the USA has not imposed any further sanctions, Russia's GDP is growing moderately and the expectation for the full year has been raised from 1.1 percent to 1.5 percent.

Besides economic expectations, the labour market situation also has considerable influence on consumer sentiment. Germany's jobless rate is expected to decline further in 2019. In conjunction with moderate inflation, the positive labour market situation leads to rising real incomes. Notwithstanding a moderate decline compared to the previous months, consumer sentiment thus stays at a high level and private consumption remains a key driver of the German economy (GfK Consumer Climate June 2019). The labour market situation in other European countries also continues to improve and consumer sentiment should be positive.

In spite of the good consumer sentiment, sales revenues in Germany's physical fashion stores remain on the decline and dropped by 2.2 percent between December 2018 and May 2019 (previous year: -1.3 percent, Textilwirtschaft 23_2019). The growing online sales of fashion products are not sufficient to make up for the shortfall in physical sales. It is safe to assume that clothing retail sales in the European markets that are relevant for Ahlers are also likely to decline slightly and remain below the economic growth rates in the respective countries.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Revenue trend according to plan in H1 2018/19

Sales revenues in the first six months of the fiscal year 2018/19 were in line with expectations and were influenced by two major effects. Sales of suits and jackets remained slow and led to a decline by EUR 2.9 million. This includes a EUR 1.1 million drop in revenues that was attributable to Jupiter's discontinued outdoor business. In addition, the other activities that were discontinued in conjunction with the earnings and efficiency increasing measures sent revenues falling by EUR 1.1 million. The other operations were unable to fully defy the declining market trend and decreased by EUR 1.5 million. Business remained challenging, especially in Germany, where revenues declined by EUR 3.6 million or 5.9 percent to EUR 57.3 million in the first half of 2018/19. In Western Europe, Ahlers recorded positive developments in Switzerland and Austria, where revenues increased by 5.0 percent and 4.8 percent, respectively. By contrast, sales in France, Spain and the Netherlands declined. Total revenues in Western Europe dropped by 6.5 percent or EUR 1.9 million. In Eastern Europe, the fashion company was primarily successful in the important Polish and Russian markets, where revenues were up by 9.4 percent and 13.8 percent, respectively. Total revenues in the Eastern Europe/Other region were on a par with the previous year.

Group revenues approaching trend projected in the full-year forecast

Due to earlier deliveries, the revenue trend in the first three months of the fiscal year 2018/19 was at the upper end of the expectations (-2.8 percent). As had been expected, Q2 revenues therefore declined by the value of the revenues already generated in Q1 2018/19 as a result of the earlier deliveries (-7.7 percent or EUR -3.9 million). Stock sales thus remained stable in Q2 2019. Total Group revenues in the first six months of FY 2018/19 therefore declined by 5.0 percent or EUR 5.5 million from EUR 110.8 million to EUR 105.3 million, thus approaching the trend projected in the full-year forecast.

Premium segment dominated by declining revenues despite some positive developments

Baldessarini defied the negative market trend in Germany, where the brand grew by a moderate 0.4 percent in the first six months of the current fiscal year. Outside Germany, the premium brand was particularly successful in Poland (+2.7 percent) and Switzerland (+18 percent). Pierre Cardin's revenues were influenced by the weak sales of suits and jackets as well as by the discontinuation of Pierre Cardin-Woman. Growth in Poland (+9.7 percent), Switzerland (+4.9 percent) and Austria (+9.4 percent) was insufficient to offset the negative influences on revenues. Total revenues of the three premium brands Baldessarini, Pierre Cardin and Otto Kern dropped by 5.0 percent from EUR 75.9 million to EUR 72.1 million. The Premium segment's share in total revenues remained stable at 69 percent in the reporting period.

Jeans, Casual & Workwear segment: Growth for Pioneer Jeans picks up; declining revenues for Jupiter

In the Jeans, Casual & Workwear segment, Pioneer Authentic Jeans grew by a pleasant 2.3 percent in H1 2018/19 and expanded both in Germany (+2.2 percent) and abroad (+5.1 percent), where the brand recorded growth of 11.4 percent in Switzerland, 4.2 percent in Austria and 58 percent in Poland. The discontinuation of the Jupiter operations (brand revenues down 30.5 percent) had a major influence on the revenue trend in the Jeans, Casual & Workwear segment in the first six months of 2018/19. Total revenues of Pioneer Authentic Jeans, Pionier Jeans & Casuals, Pionier Workwear and Jupiter declined by EUR 1.7 million from EUR 34.9 million to EUR 33.2 million in the first half of 2018/19. As in the previous year, the Jeans, Casual & Workwear segment accounted for 31 percent of total revenues.

Growth in own Retail segment and e-commerce

The revenues generated by the company's own Retail segment increased by 8.8 percent in the reporting period, mainly because of the takeover of Russian stores by Ahlers RUS. Own Retail revenues thus accounted for 15.0 percent of total revenues (previous year: 13.1 percent). Like-for-like revenues rose by a moderate 0.9 percent. E-commerce revenues rose by an impressive 18.5 percent in the first six months of 2018/19. The company's own e-shops contributed 4.6 percent to this growth.

Sales by segments

EUR million	H1 2018/19	H1 2017/18	Change in %
Premium Brands*	72.1	75.9	-5.0
Jeans, Casual & Workwear	33.2	34.9	-4.9
Total	**105.3**	**110.8**	**-5.0**

* incl. „miscellaneous“ EUR 0.2 million (previous year: EUR 0.2 million)

EARNINGS POSITION

Drop in earnings before income tax materially influenced by extraordinary income in previous year

Due to higher returns and discounts, the gross profit margin declined by 1.7 percentage points from 50.4 percent to 48.7 percent in the first half of 2018/19. But the lower revenues were the main reason why gross profit fell by EUR 4.5 million from EUR 55.8 million to EUR 51.3 million. As a result of the earnings and efficiency increasing measures, operating expenses, which comprise personnel expenses, the balance of operating expenses and income as well as write-downs, declined by a noticeable EUR 3.1 million or 5.6 percent to EUR 52.7 million. Personnel expenses declined by EUR 1.1 million or 4.3 percent to EUR 24.5 million primarily because of the discontinuation of activities and changes in the administrative area. Operating expenses dropped even more strongly by EUR 1.8 million or 6.5 percent. This decline is mainly attributable to reduced marketing expenses for discontinued activities as well as to reduced spending on order picking, consulting and temporary labour. At EUR -0.3 million, the financial result was slightly lower than in the previous year. Due to extraordinary income in the same period of the previous year, earnings before income tax dropped by EUR 1.2 million to EUR -1.7 million in the first half of 2018/19, which appears to be quite a strong reduction at first sight. In the previous year, the sale of an unused plot of land in Sri Lanka and of a work of art led to a book profit of EUR 0.8 million. Adjusted for this one-time income, the result before income tax in the first half of the current fiscal year was EUR 0.4 million below, and thus close to, the prior year level, as had been expected. Consolidated net income dropped by EUR 1.3 million to EUR -1.7 million (previous year: EUR -0.4 million). As in the financial statements for 2017/18, no deferred taxes were recognised, as future results are planned conservatively. This means that larger profits may be achieved tax-free in the future.

Earnings Position

EUR million	H1 2018/19	H1 2017/18	Change in %
Sales	**105.3**	**110.8**	**-5.0**
Gross profit	51.3	55.8	-8.1
in % of sales	48.7	50.4	
Personnel expenses*	-24.5	-25.6	4.3
Balance of other expenses/income*	-25.8	-27.6	6.5
EBITDA*	**1.0**	**2.6**	**-61.5**
Depreciation and amortisation*	-2.4	-2.6	7.7
EBIT*	**-1.4**	**0.0**	**n.a.**
One-time effects	0.0	-0.1	n.a.
Financial result	-0.3	-0.4	25.0
Pre-tax profit	**-1.7**	**-0.5**	**<-200.0**
Income taxes	0.0	0.1	n.a.
Consolidated net income	**-1.7**	**-0.4**	**<-200.0**

* before one-time effects

SEGMENT RESULTS

In the previous year, the decline in the Premium segment's result was dampened by the sale of a work of art, which led to a book profit of EUR 0.6 million. Adjusted for this effect, EBIT before one-time effects of the premium brands, Baldessarini, Pierre Cardin and Otto Kern, was down by EUR 0.5 million on the previous year in the reporting period. The lower segment result is mainly due to the effect of revenues on gross profit. On balance, the result of the premium segment declined by EUR 1.1 million to EUR -2.0 million.

The gross profit margin in the Jeans, Casual & Workwear segment was down by 2.4 percentage points on the previous year due to higher returns and discounts. The lower revenues accounted for a similar share of the decline in gross profit. The much better cost structure of Pioneer Authentic Jeans, Pionier Workwear and Jupiter (-5.3 percent), which are included in this segment, did not fully offset the revenue effect on gross profit, sending the result before one-time effects falling by EUR 0.3 million to EUR 0.6 million.

EBIT before one-time effects by segments

EUR million	**H1 2018/19**	**H1 2017/18**	Change in %
Premium Brands*	-2.0	-0.9	-122.2
Jeans, Casual & Workwear	0.6	0.9	-33.3
Total	**-1.4**	**0.0**	**n.a.**

* incl. „miscellaneous“ EUR 0.0 million (previous year: EUR 0.6 million)

FINANCIAL AND NET WORTH POSITION

Cash flow increases and equity ratio climbs to 57 percent

At EUR 159.3 million, total assets on May 31, 2019 were significantly lower than the previous year's EUR 183.7 million (EUR -24.4 million). Changes in current assets made the biggest contribution to this reduction in total assets. Due to the signing of a factoring agreement for the sale of trade receivables, receivables were down by EUR 9.8 million as of the reporting date. Total receivables even dropped by as much as EUR 13.1 million. Inventories were reduced by EUR 6.2 million from EUR 76.8 million to EUR 70.6 million. This was mainly due to the strong reduction in stocks of raw materials resulting from the increase in full-package services for jeans (EUR -6.7 million), which clearly exceeded the moderate increase in stocks of finished goods (EUR +0.5 million). At EUR 4.7 million, cash and cash equivalents on May 31, 2019 were EUR 2.5 million lower than on the prior year reporting date. Changes in non-current asset played a minor role in the reduction in total assets, with property, plant and equipment declining by EUR 2.5 million, primarily due to write-downs. On the assets side, the sale of an assortment of works of art sent other non-current assets falling (EUR -5.9 million), while increasing other current assets at the same time by the recognition of a receivable. Net working capital (balance of inventories, trade receivables and trade payables) declined by a strong EUR 11.7 million or 13.6 percent. The funds thus released were used to reduce net liabilities by 18.3 percent or EUR 6.5 million to EUR 29.0 million. Equity capital declined by EUR 9.1 million to EUR 90.9 million primarily because of the result of the past fiscal year and the lower six-month result. As total assets were also lower, the equity ratio of 57.0 percent clearly exceeded the previous year's 54.4 percent. The fact that net working capital was reduced more strongly than in the prior year reporting period was one of the main reasons of the improved operating cash flow (EUR +2.3 million), which reached a positive EUR 1.5 million (previous year: EUR -0.8 million).

Key management and financial indicators

		H1 2018/19	H1 2017/18
Sales	EUR million	105.3	110.8
Gross margin	in %	48.7	50.4
EBITDA*	EUR million	1.0	2.6
EBITDA-Margin*	in %	0.9	2.3
EBIT*	EUR million	-1.4	0.0
EBIT-Margin*	in %	-1.3	0.0
Net income	EUR million	-1.7	-0.4
Profit margin before taxes	in %	-1.7	-0.5
Profit margin after taxes	in %	-1.6	-0.3
Earnings per share		-0.1	0.0
Cash flow from operating activities	EUR million	1.5	-0.8
Net Working Capital**	EUR million	74.2	85.9
Equity ratio	in %	57.0	54.4
Employees		2,025	2,156

* before one-time effects
** Inventories, trade receivables and trade payables

3. POST BALANCE SHEET EVENTS

Another work of art was sold at EUR 1.25 million (carrying amount EUR 0.85 million) after May 31, 2019. The sale should be completed and recognised in the third quarter of 2018/19. The sale of the piece of land signed in February 2019 should be settled no later than by the end of the fiscal year 2018/19 or rather in the third quarter. The sale of the land is expected to generate net cash flow of EUR 2.3 million and a positive one-time effect of EUR 0.9 million. Apart from the above, no events of special significance for the Ahlers Group occurred between the end of the first six months and the publication of the half-year report.

4. RISK REPORT

No changes with respect to risks related to future developments have occurred since the start of the new fiscal year. The statements made in the risk report of the 2017/18 consolidated financial statements remain valid.

5. EMPLOYEES

On May 31, 2019, Ahlers employed 2,025 people, 131 less than a year ago (2,156). The reduction is primarily attributable to the earnings and efficiency increasing measures initiated in September 2018. The number of employees in Germany declined by 69 to 550 (previous year: 619), mostly because of the discontinuation of activities and changes in administrative departments. Ahlers RUS employed an additional 14 retail staff as of the half-year reporting date. In Poland, the number of employees decreased by a total of 88 employees in the sample sewing department and above all in production. The production capacity in Sri Lanka was slightly increased (+16 employees).


BALDESSARINI

6. PERFORMANCE OF THE AHLERS SHARES

The share prices of many German fashion companies mirror the difficult conditions prevailing in the clothing retail sector. The Ahlers share was traded at EUR 3.00 on May 31, 2019, i.e. 41 percent below the weighted average price of the previous year (EUR 5.10). Between the end of the past fiscal year on November 30, 2018 (EUR 3.40) and the half-year reporting date, the share lost 12 percent.

7. FORECAST

Market environment for apparel remains challenging in second half of 2018/19

As economic growth in the first six months of 2019 was lower than originally expected, most economic institutes have downgraded their full-year forecasts for the eurozone. But the outlook for the second half of the year has not deteriorated and the eurozone economy is unlikely to slide into recession. Unemployment in the eurozone should continue to decline from 8.2 percent in the previous year to 7.7 percent. Competition for labour is growing and sends wages rising. As inflation is moderate at the same time, European consumers have higher real incomes and should remain in a good spending mood. Gesellschaft für Konsumforschung has confirmed its full-year forecast of a 1.5 percent increase in consumer spending (GfK Consumer Climate, June 2019). Germany's physical clothing stores will probably not benefit from the above and record a further drop in sales. The situation is likely to stabilise at best.

Forecast confirmed – declining revenues and greatly improved consolidated earnings in 2018/19

Ahlers has concluded its earnings and efficiency increasing programme and is on schedule for the current fiscal year. The Management Board confirms the full-year forecast of a medium single-digit percentage reduction in Group sales revenues that will tend to be slightly below the half-year rate. The measures adopted in September 2018 to enhance earnings and efficiency should reduce revenues by about EUR 6 million. The market situation suggests that revenues from continued operations will also decline.

Management continues to expect consolidated earnings to improve noticeably in the fiscal year 2018/19, mainly because of reduced one-time effects. In the second half of 2018, provisions for the efficiency programme had reduced the result by around EUR 5 million, whereas this year the company projects hardly any extraordinary expenses but rather one-time income on balance. Revenue and expense effects on the operating result should largely offset each other. Consolidated earnings after taxes are likely to grow at a high double-digit percentage rate but still be negative in 2018/19, which will be a year of transformation. The company aims to return to profit in 2020 when all measures initiated will take effect.

Stronger balance sheet structures and greatly improved free cash flow expected

The Management Board will attach great priority to reducing net working capital in the fiscal year 2018/19. Together with improved consolidated earnings, operating cash flow should be more or less on a par with the previous year. Reduced investments that are lower than write-downs should increase the free cash flow, which is likely to improve as a result. The sale of the works of art and of the unused piece of land should additionally improve the company's financial position significantly. Altogether, free cash flow before financing activities should therefore be clearly positive and net liabilities should be further reduced. As a result, the balance sheet structure should improve and the equity ratio should pick up.

Consolidated balance sheet as of May 31, 2019

ASSETS

KEUR	May 31, 2019	May 31, 2018	Nov. 30, 2018
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	13,780	14,113	14,005
2. Technical equipment and machines	1,684	1,641	1,684
3. Other equipment, plant and office equipment	7,270	9,543	8,077
4. Payments on account and plant under construction	41	9	5
	22,775	**25,306**	**23,771**
II. Intangible assets			
1. Industrial property rights and similar rights and assets	13,822	15,483	14,236
2. Payments on account	4,543	2,583	4,110
	18,365	**18,066**	**18,346**
III. At-equity investments	571	541	571
IV. Other non-current assets			
1. Other financial assets	945	706	904
2. Other assets	11,771	17,755	17,698
	12,716	**18,461**	**18,602**
V. Deferred tax assets	1,274	1,302	1,176
Total non-current assets	**55,701**	**63,676**	**62,466**
B. Current assets			
I. Inventories			
1. Raw materials and consumables	16,324	22,964	18,964
2. Work in progress	406	462	458
3. Finished goods and merchandise	53,891	53,332	61,445
	70,621	**76,758**	**80,867**
II. Trade receivables	14,790	27,927	20,211
III. Other current assets			
1. Other financial assets	504	318	447
2. Receivables from affiliates	475	444	102
3. Current income tax claims	994	1,546	725
4. Other assets	11,585	5,898	6,358
	13,558	**8,206**	**7,632**
IV. Cash and cash equivalents	4,676	7,178	4,219
Total current assets	**103,645**	**120,069**	**112,929**
Total assets	**159,346**	**183,745**	**175,395**

EQUITY AND LIABILITIES

KEUR	May 31, 2019	May 31, 2018	Nov. 30, 2018
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	32,781	41,485	34,864
IV. Currency translation adjustments	-1,349	-1,376	-1,354
Equity attributable to shareholders of Ahlers AG	**89,656**	**98,333**	**91,734**
V. Non-controlling interest	1,212	1,657	1,407
Total equity	**90,868**	**99,990**	**93,141**
B. Non-current liabilities			
I. Pension provisions	3,328	3,813	3,445
II. Other provisions	602	502	549
III. Financial liabilities			
1. Other financial liabilities	16,638	23,143	19,707
2. Non-controlling interests in partnerships	1,412	1,300	1,253
	18,050	**24,443**	**20,960**
IV. Other liabilities	19	20	19
V. Deferred tax liabilities	1,069	1,746	1,021
Total non-current liabilities	**23,068**	**30,524**	**25,994**
C. Current liabilities			
I. Current income tax liabilities	636	628	699
II. Other provisions	6,918	5,169	8,077
III. Financial liabilities	17,026	19,511	12,961
IV. Trade payables	11,161	18,757	23,577
V. Other liabilites			
1. Liabilities to affiliates	159	145	2,564
2. Other liabilities	9,510	9,021	8,382
	9,669	**9,166**	**10,946**
Total current liabilities	**45,410**	**53,231**	**56,260**
Total liabilities	**68,478**	**83,755**	**82,254**
Total equity and liabilities	**159,346**	**183,745**	**175,395**

Consolidated income statement for the first half year 2018/19

KEUR	H1 2018/19	H1 2017/18
1. Sales	105,349	110,844
2. Change in inventories of finished goods and work in progress	-7,799	-1,110
3. Other operating income	1,781	1,946
4. Cost of materials	-46,249	-53,919
5. Personnel expenses	-25,029	-25,801
6. Other operating expenses	-27,091	-29,256
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-2,349	-2,834
8. Interest and similar income	37	35
9. Interest and similar expenses	-393	-422
10. Pre-tax profit	**-1,743**	**-517**
11. Income taxes	60	148
12. Consolidated net income for the period	**-1,683**	**-369**
13. of which attributable to:		
- Shareholders of Ahlers AG	-1,697	-380
- Non-controlling interest	14	11
Earnings per share (EUR)		
- common shares	-0.12	-0.05
- preferred shares	-	0.00

Consolidated statement of comprehensive income for the first half year 2018/19

KEUR	H1 2018/19	H1 2017/18
12. Consolidated net income for the period	**-1,683**	**-369**
Not to be reclassified to profit and loss		
14. Actuarial gains/losses on defined benefit pension plans	-	-
To be reclassified to profit and loss		
15. Net result from cash flow hedges	35	738
16. Currency translation differences	-30	-327
17. Other changes	-16	-78
18. Other comprehensive income after taxes	**-11**	**333**
19. Comprehensive income	**-1,694**	**-36**
20. of which attributable to:		
- Shareholders of Ahlers AG	-1,692	31
- Non-controlling interest	-2	-67

Consolidated income statement for Q2 of 2018/19

KEUR	Q2 2018/19	Q2 2017/18
1. Sales	46,333	50,175
2. Change in inventories of finished goods and work in progress	-8,608	-4,705
3. Other operating income	931	1,304
4. Cost of materials	-17,320	-21,591
5. Personnel expenses	-12,187	-12,900
6. Other operating expenses	-12,704	-14,000
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,142	-1,433
8. Interest and similar income	26	25
9. Interest and similar expenses	-187	-214
10. Pre-tax profit	**-4,858**	**-3,339**
11. Income taxes	1,107	1,019
12. Consolidated net income for the period	**-3,751**	**-2,320**
13. of which attributable to:		
- Shareholders of Ahlers AG	-3,753	-2,316
- Non-controlling interest	2	-4
Earnings per share (EUR)		
- common shares	-0.27	-0.17
- preferred shares	-	-0.17

Consolidated statement of comprehensive income for Q2 of 2018/19

KEUR	Q2 2018/19	Q2 2017/18
12. Consolidated net income for the period	**-3,751**	**-2,320**
Not to be reclassified to profit and loss		
14. Actuarial gains/losses on defined benefit pension plans	-	-
To be reclassified to profit and loss		
15. Net result from cash flow hedges	88	687
16. Currency translation differences	161	-347
17. Other changes	16	-38
18. Other comprehensive income after taxes	**265**	**302**
19. Comprehensive income	**-3,486**	**-2,018**
20. of which attributable to:		
- Shareholders of Ahlers AG	-3,504	-1,976
- Non-controlling interest	18	-42

Consolidated cash flow statement

for the first half year 2018/19

KEUR	H1 2018/19	H1 2017/18
Consolidated net income for the period	-1,683	-369
Income taxes	-60	-148
Interest income / Interest expenses	356	386
Depreciation and amortisation	2,349	2,834
Gains / losses from the disposals of non-current assets (net)	4	-716
Increase / decrease in inventories and other current and non-current assets	15,795	2,189
Change in non-current provisions	-63	-263
Change in non-controlling interests in partnerships and other non-current liabilities	159	54
Change in current provisions	-1,159	-12
Change in other current liabilities	-13,967	-4,580
Income taxes paid	-431	-302
Income taxes received	178	116
Cash flow from operating activities	**1,478**	**-811**
Cash receipts from disposals of items of property, plant, and equipment	101	259
Cash receipts from disposals of other non-current assets	135	601
Payments for investment in property, plant, and equipment	-864	-1,825
Payments for investment in intangible assets	-519	-1,845
Payments for the acquisition of minority interests	-555	-
Payments for the acquisition of other non-current assets	-2	-2
Interest received	37	35
Cash flow from investing activities	**-1,667**	**-2,777**
Dividend payments	-	-2,356
Repayment of non-current financial liabilities	-3,969	-4,082
Interest paid	-317	-360
Cash flow from financing activities	**-4,286**	**-6,798**
Net change in liquid funds	-4,475	-10,386
Effects of changes in the scope of exchange rates	-146	-61
Liquid funds as of December 1	-1,227	6,291
Liquid funds as of May 31 (prev. year as of May 31)	**-5,848**	**-4,156**

Consolidated statement of changes in equity

as of May 31, 2019 (previous year as of May 31, 2018)

	Equity attributable to shareholders of Ahlers AG						Non-controlling interest			
	Subscribed capital									
KEUR	Common shares	Preferred shares	Capital-reserve	Retained earnings	Equity diff. from currency translation	**Total Group holdings**	Capital	Accumulated other comprehensive income	**Total non-controlling interest**	**Total equity**
Balance as of Dec. 1, 2017	**24,000**	**19,200**	**15,024**	**44,221**	**-1,786**	**100,659**	**642**	**824**	**1,466**	**102,125**
Total net income for the period				-380	410	30		-67	-67	-37
Dividends paid				-2,356		-2,356				-2,356
Acquisition of minority interests							258		258	258
Balance as of May 31, 2018	**24,000**	**19,200**	**15,024**	**41,485**	**-1,376**	**98,333**	**900**	**757**	**1,657**	**99,990**
Balance as of Dec. 1, 2018	**43,200**	**-**	**15,024**	**34,864**	**-1,354**	**91,734**	**717**	**690**	**1,407**	**93,141**
Total net income for the period				-1,697	5	-1,692	0	-2	-2	-1,694
Dividends paid						0				0
Acquisition of minority interests				-386		-386	-193		-193	-579
Balance as of May 31, 2019	**43,200**	**-**	**15,024**	**32,781**	**-1,349**	**89,656**	**524**	**688**	**1,212**	**90,868**

Group segment informations

as of May 31, 2019 (previous year as of May 31, 2018)

by business segment	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Sales	72,011	75,741	33,174	34,938	164	165	105,349	110,844
Intersegment sales	-	-	-	-	-	-	-	-
Segment result	-2,228	-1,727	512	649	-27	561	-1,743	-517
thereof								
Depreciation and amortisation	1,679	1,943	662	882	8	9	2,349	2,834
Other non-cash items	1,331	1,080	476	612	-	-	1,807	1,692
Interest income	28	26	9	9	-	-	37	35
Interest expense	270	289	123	133	0	0	393	422
Net assets	113,196	123,920	31,640	35,876	12,242	18,240	157,078	178,036
Capital expenditure	1,013	2,510	372	1,161	-	-	1,385	3,671
Liabilities	46,404	55,138	20,264	23,054	47	38	66,715	78,230

by geographic region	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Germany								
Sales	34,164	36,420	22,991	24,339	164	165	57,319	60,924
Net assets	81,222	87,655	23,636	23,053	12,227	18,227	117,085	128,935
Western Europe								
Sales	20,380	21,880	6,822	7,213	-	-	27,202	29,093
Net assets	7,789	12,076	3,420	8,010	-	-	11,209	20,086
Central/ Eastern Europe/ Other								
Sales	17,467	17,441	3,361	3,386	-	-	20,828	20,827
Net assets	24,185	24,189	4,584	4,813	15	13	28,784	29,015

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first six months of fiscal 2018/19 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee's interpretations of the IFRS (IFRIC). They comply in particular with the provisions of IAS 34 – Interim financial reporting.

With the exception of IFRS 9 and IFRS 15, whose first-time adoption is mandatory, the accounting and valuation methods as well as the consolidation principles are the same as those applied in the consolidated financial statements for the period ended November 30, 2018. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2017/18 Annual Report.

The half-year report is prepared in euros and all figures are given in thousands of euros (KEUR). Due to the fact that the report is prepared in EUR thousands, rounding differences can arise, since computations of individual items are based on figures in euros.

Impact of the first-time adoption of new IFRS standards

As of the fiscal year 2018/19, the Ahlers Group had to adopt the new IFRS standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" for the first time. In the first-time adoption of IFRS 9, Ahlers has chosen the simplified approach pursuant to IFRS 9.5.5.15(a)(i). The first-time adoption of IFRS 9 had no material impact on the consolidated financial statements. Transition to IFRS 15 will be fully retrospective pursuant to IFRS 15.C3(a) and IFRS 15.C5. The adoption of IFRS 15 led to an increase in total assets by EUR 3.2 million (previous year: EUR 2.9 million).

As a complement to the information provided in the notes to the consolidated financial statements for the period ended November 30, 2018 with regard to IFRS 16 "Leases", the Ahlers Group will choose the modified retrospective first-time adoption. There is therefore no need to adjust the prior year figures.

Earnings per share

Earnings per share are defined as net income (attributable to the shareholders of Ahlers AG) divided by the weighted average number of shares outstanding during the reporting period. No shares existed either as of May 31, 2019, or May 31, 2018 that would have a diluting effect on earnings per share.

Contingent liabilities

Contingent liabilities have not changed materially since the last balance sheet date on November 30, 2018.

Segment reporting

The Ahlers Group defines its reporting segments by the type of products. This primarily reflects the internal reporting system as well as the internal decision-making processes.

The Group's reporting segments break down into a Premium Brands segment and a Jeans, Casual & Workwear segment. Expenses for central functions are charged to the segments with due consideration to the arm's length principle and based on actual usage. Due to the different positioning of the segments, no inter-segment revenues are generated. Where a clear allocation of assets and liabilities is not possible, these are allocated using appropriate distribution ratios. The segment result is the result before taxes, as income taxes are not segmented due to the central management. For the same reason, assets and liabilities do not include deferred or current tax assets and liabilities. This means that the total assets stated in the balance sheet (EUR 159,346 thousand) result from the assets as derived from the segment information (EUR 157,078 thousand) plus deferred tax assets and current income tax assets (EUR 2,268 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 68,478 thousand) result from the liabilities as derived from the segment information (EUR 66,715 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 1,705 thousand) as well as leasing liabilities (EUR 58 thousand).

The Group segment information by geographic regions reflects the main output markets of the Ahlers Group.

The valuation principles for the segment report are the same as for the consolidated financial statements.


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9. OTHER INFORMATION

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Herford, July 2019
The Management Board

Review pursuant to section 37w para. 5 of the German Securities Trading Act (WpHG)

The abridged financial statements and the interim report have neither been reviewed by an auditor nor been audited in accordance with section 317 of the German Commercial Code (HBG).

Forward-looking statements

This report contains forward-looking statements, which are subject to a number of uncertainties that could cause actual results to differ materially from expectations of future developments should one or more of these uncertainties, whether specified or not, materialise or if any assumptions underlying the statements above prove to be incorrect.


OTTO KERN

Financial calendar

Dates

Half-year report 2018/19	July 10, 2019
Quarterly statement Q3 2018/19	October 14, 2019
Analysts' conference in Frankfurt am Main	October 15, 2019
Annual Shareholders' Meeting in Düsseldorf	April 22, 2020

Ahlers AG

- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- is family-run in the third generation by Dr. Stella A. Ahlers
- is one of the big listed European manufacturers of menswear
- produces fashion under five brands, tailored to its respective target groups
- generates 69 percent of its sales revenues from premium brands
- produces 7,000,000 fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 2,000 people
- generates 86 percent of its sales revenues from sales to specialist retailers and 14 percent from its own retail activities

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The brands

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